A FRAMEWORK OF TRANSPARENCY AUDIT

2.6	CAG & PAC Paras. The list of CAG Audit paras and action taken thereof.	Annexure ‘A’	Fully met

Annexure ‘A’

भारतीय लेखापरीक्षा और लेखा विभाग
प्रधान निदेशक लेखापरीक्षा (नौवहन)
का कार्यालय, मुंबई

INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT
(SHIPPING), MUMBAI.

संख्या: पीडीए(नौ)/सीए-II/IR/DGShipping/ 2021-22/DIS-2640079 26 MAY 2025

सेवा में,
अपर महानिदेशक,
नौवहन महानिदेशालय कार्यालय
9वीं मंजिल, बीटा बिल्डिंग,
आई-थिंक टेक्नो कैंपस,
कांजुरमार्ग, मुंबई - 400 042

विषय: **Inspection Report on the Directorate General of Shipping, Mumbai for the years 2021-22.**

महोदय,
उपर्युक्त विषय पर इस कार्यालय के पत्र संख्या:डीजीए(नौ)/सीए-II/IR/DG Shipping/2021-22/383 दिनांक 29.03.2023 को लेखापरीक्षा निरीक्षण प्रतिवेदन जारी किया गया था। उक्त के संबंध आपके कार्यालय के विभाग द्वारा पत्र संख्या F.No. 13-28012/2/2022/ENGG-DGS (Comp 20577) दिनांक 10.08.2023, File No. MTT/1/2023-MTT दिनांक 15.09.2023, F.No. 13-19/1/2023-ENGG-DGS (C.N 25050) दिनांक 05.07.2024 और F.No. 13-28012/2/2022-ENGG-DGS (C.N 25050) दिनांक 05.07.2024 के तहत पैरा संख्या 1, 7, 8 और 9 के जवाब प्राप्त हुए। लेखापरीक्षा पैराओं की वर्तमान स्थिति इस पत्र के साथ संलग्न की जा रही है। बकाया पैरा के जवाब को अविलंब रूप से भेजने की व्यवस्था करें।

भवदीय,

26/05/25

वरिष्ठ लेखापरीक्षा अधिकारी/सी ए II

भारतीय लेखापरीक्षा और लेखा विभाग
प्रधान निदेशक लेखापरीक्षा (नौवहन)
का कार्यालय, मुंबई

INDIAN AUDIT AND ACCOUNTS DEPARTMENT
OFFICE OF THE PRINCIPAL DIRECTOR OF AUDIT
(SHIPPING), MUMBAI.

संख्या: पीडीए(नौ)/सीए-II/IR/DGShipping/ 2021-22/DIS-2640079 26 MAY 2025

सेवा में,
अपर महानिदेशक,
नौवहन महानिदेशालय कार्यालय
9वीं मंजिल, बीटा बिल्डिंग,
आई-थिंक टेक्नो कैंपस,
कांजुरमार्ग, मुंबई - 400 042

विषय: **Inspection Report on the Directorate General of Shipping, Mumbai for the years 2021-22.**

महोदय,

उपर्युक्त विषय पर इस कार्यालय के पत्र संख्या:डीजीए(नौ)/सीए-II/IR/DG Shipping/2021-22/383 दिनांक 29.03.2023 को लेखापरीक्षा निरीक्षण प्रतिवेदन जारी किया गया था। उक्त के संबंध आपके कार्यालय के विभाग द्वारा पत्र संख्या F.No. 13-28012/2/2022/ENGG-DGS (Comp 20577) दिनांक 10.08.2023, File No. MTT/1/2023-MTT दिनांक 15.09.2023, F.No. 13-19/1/2023-ENGG-DGS (C.N 25050) दिनांक 05.07.2024 और F.No. 13-28012/2/2022-ENGG-DGS (C.N 25050) दिनांक 05.07.2024 के तहत पैरा संख्या 1, 7, 8 और 9 के जबाब प्राप्त हुए | लेखापरीक्षा पैराओं की वर्तमान स्थिति इस पत्र के साथ संलग्न की जा रही है। बकाया पैरा के जबाब को अविलंब रूप से भेजने की व्यवस्था करें।

भवदीय,

26/05/25
वरिष्ठ लेखापरीक्षा अधिकारी/सी ए II

सातवी मंजिल, आर टी आई बिल्डिंग, प्लॉट नं सी-2, जी एन ब्लॉक, एशियन हार्ट इन्स्टिट्यूट के पीछे, बान्द्रा-कुर्ला कॉम्प्लेक्स, बान्द्रा (पूर्व), मुंबई - 400 051
Seventh Floor, R.T.I. Building Plot No. C-2, G. N. Block, Behind Asian Heart Institute, Bandra-Kurla Complex, Bandra (E), Mumbai - 400 051
प्रशासन 26520873 • प्रतिवेदन: 26502843 • फैक्स :26527165 • ई-मेल : pdashippingmum@cag.gov.in

नौवहन महानिदेशालय, मुंबई के लेखाओं पर वर्ष 2021-22 से संबन्धित लेखापरीक्षा निरीक्षण प्रतिवेदन की भाग-II-बी पैराओं से संबंधित विवरण नीचे दिये गये है।

Para 1: Transfer of INDOS activity of DGS to Maritime Training Trust (OBS-617688)

The Para is retained. The following may be furnished to audit.

1. The approval of MoPSW regarding delegation to DGS to delegate the INDOS work first to LBSCAMSAR/IMU/MMT retention of funds by them and to incur expenditure from it.
2. As MMT is separate legal entity, the payment for using its space, E-Goverenance platform and multiple other facilities funded through Consolidated Fund of India should be recovered from MMT. The remarks on the same may be furnished to audit.

Para 2: Imprudent management of Ferrous Scrap Development Fund (OBS-617706)

Reply is awaited

Para 3: Non-Revision of Fee tariff by DGS leading to loss of Non-Tax revenue to GoI (OBS-617720)

Reply is awaited

Para 4: Non-Collection of all Receipts through BharatKosh and non-reconciliation of eReceipts by DGS and Allied offices (OBS-617723)

Reply is awaited

Para 5: Inordinate delay in tendering process of e-governance resulted in non-achievement of intended benefits (OBS-617785)

Reply is awaited

Para 6: Loss of Non-Tax revenue of Rs.38.53 lakh to GoI on account of non-recovery of Penalty on delayed payment of Annual fees by Maritime Training Institutes (OBS-617793)

Reply is awaited

Para 7 : Non-Collection of Penalty on delayed payment of Administrative Fees by DGS (OBS-617802)

Sub Para (ii) : The supporting documents for DNV for period from 01.10.2015 to 31.12.2016 and for Bureau Veritas for the period from July 2020 to March 2022 may be furnished to audit

Sub Para (i),(iii), (iv) and (v) are closed.

Para 8: Delay in signing Agreement with Recognised Organisations (RO) (OBS-617805)

Sub Point (i) : The copy of the previous agreement and clause under which the agreement was extended may be furnished to audit.

Sub Point (ii),(iii), & (vi) : The sub point is closed subject to verification during next audit

Sub Point (iv) : The sub point may be treated as closed.

Sub Point (v) : The supporting documents in respect of the reply may be furnished.

Para 9: Performance of Indian Flag merchant Ships during PSC/FSI inspections (OBS-617811)

The pages from the reply is missing, the reply with all pages may be furnished to audit.

Para 10: Deficiencies in handling incidents of Casualty, Salvage & Wreck under Nautical Wing of DGS (OBS-617844)

Reply is awaited

Para 11: Non-compliance to Information Technology (Information Security Practices and Procedures for Protected System) Rules made by MeiTY and other Govt. Organisations for LRIT (OBS-617855)

Reply is awaited

Para 12: Irregular reimbursement of personnel expenses for function of LRIT in violation of Ministry's order (OBS-617864)

Reply is awaited

Para13: Systemic deficiencies observed in the record maintenance and the process of issuing COC (Certificate of Competence) to seafarers by DGS (OBS-617870)

Reply is awaited

Para 14: Space Management of DGS (OBS-617875)

Reply is awaited

Para 15: Complaint redressal of seafarers (OBS-617888)

Reply is awaited

26/05/25

वरिष्ठ लेखापरीक्षा अधिकारी/सी ए II

By E-Mail

FAAPP Branch

File No.: 14-14011/3/2023-FA – DGS (C.No. 20946)Dated 24.06.25

Sub: Pending Audit Para from Inspection report (2021-22) as per Principal Director (Audit) Mumbai's letter dated 26.05.25.

Meeting at 12.30 PM on 26.06.25
Chair: Addl. DGS, GoI.

Sr. No.	ReferenceNo. &Para	AuditParas(subject)	PERTAINING TO RESPECTIVEBRANCHES	Remarks
1	Ref.No.OBS-617688	Para1:TransferofINDOsactivitytoMaritimeTraining Trust.	MTTCell/Training.	See observation in CAG Lette dated 26.05.25enclosed
2	Ref.No.OBS-617706	Para 2: Imprudent management of Ferrous Scrap DevelopmentFund.	F&ABranch	Reply awaited.
3	Ref. No. OBS.617720	Para3:RevisionofFeetariff byDGSleadingtolossofNon-TaxRevenuetoGoI.	Joint(NT& ENGBR and other branches)	Reply awaited.
4.	Ref.No.OBS: OBS-617723	Para 4: Non-Collection of all Receipts through BharatKosh and non-reconciliation of e-receipt	E.Gov/TrainingBranch	Reply awaited.
5	Ref.No.OBS-617785	Para 5: Inordinate delay in tendering process of e-governanceresultedinnon-achievement of intended benefits.	E-governanceBranch	Reply awaited.
6	Ref.No.OBS-617793	Para 6: Loss of Non-Tax Revenue of Rs.38.53 lakh to GoI on acout of non-recovery of Penalty on delayedpaymentofAnnualfees by MaritimeTrainingInstitutes.	TrainingBranch	Reply awaited.
7	Ref.No.OBS-617802	Para7:Non-collectionof Penaltyondelayedpayment ofAdministrativeFeesbyDGS.	Engg Wing replied on 05.07.24.	Para (i) (iii) (iv) and (v) closed. Para (ii) to be replied.

8.	Ref.No.OBS-617805	Para 8: Delay in signing Agreement with Recognized Organizations (RO)	Engg Wing replied on 05.07.24.	Partly closed. See observation of CAG in letter dated 26.05.25
9.	Ref.No.OBS-617811	ParaNo.9:Performanceof IndianFlagmerchantShips DuringPSC/FSIInspections.	Engg Wing replied on 09.08.23	Page missing in reply. See observation of CAG in letter dated 26.05.25
10	Ref.No.OBS-617844	Para No.10: Deficiencies in handlingincidents of Casualty, Salvage & Wreck under Nautical wing of DGS.	N.T. Branch	Reply awaited.
11.	Ref.No.OBS-617855	ParaNo.11Non-complianceto Information Technology (InformationSecuritypractices and Procedures for Protected System)Rulesmadeby MeiTY andotherGovt.Organizations forLRIT.	E-GovernanceBranch	Reply awaited.
12	Ref.No.OBS-617864	Para No.12: Irregular reimbursement of Personnel Expenses of Function of LRITin violation of Ministry'sOrder.	N.T. Branch	Reply awaited.
13.	Ref.No.OBS-617875	Para No. 13; Systemic deficiencies observed in the record maintenance and the process of issuing CoC (CertificateofCompetence)to seafarersbyDGS.	NT.Branch	Reply awaited.
14.	Ref.No.OBS-617875	Para No. 14: Space Management of DGS	AdmnBranch	Reply awaited.
15.	Ref.No.OBS-617888	Para No. 15 : Complaint redressalofseafarers.	CrewBranch	Reply awaited.

To
All above Wings/Branches/DDGs

PART-II(A)
(Significant Audit Findings)

NIL

PART-II-(B)
(Other incidental Audit Findings)

Reference Number: OBS-617688

Para 1: Transfer of INDOS activity of DGS to Maritime Training Trust

During course of audit records considering the profile of activities undertaken by MTT related to shipping companies and seafarers were sought by Audit Team. Limited records of Tonnage Cell and INDoS Cell were made available stating that the funds with MTT are not received from CFI but were contributed by shipping companies and seafarers/ MTIs and hence was not under the purview of CAG Audit. Though it is claimed that MTT is a separate entity from DGS, it was observed activities closely entwined with DGS and it is functioning from the same premises practically as an extension of DGS, discussed in detail below.

Maritime Training Trust (MTT) was formed on 15.12.2004 as a Public Charitable Trust and was registered under Bombay Charitable Trusts Act, 1950 on 16.02.2005 with main objectives of providing training and employment facilities to Indian seafarers to make India a leading supplier of maritime manpower to the Indian and world shipping by awarding scholarships and other awards, make provision for research and advisory services by entering into arrangements with institutions, maintain a Tonnage Tax Cell located in DGS to issue certificates to shipping companies availing of Tonnage Tax Scheme. The trust is chaired by DGS and has five trustees in all *ie* two of DGS, two nominated by Indian National Shipowners' Association (INSA) and fifth appointed by DGS in consultation with INSA. At the inception the Registered office of MTT was INSA, however currently it is the same premises as DGS. MTT was primarily formed to undertake the assessment of shortfall in trainings of seafarers conducted by shipping companies availing of Tonnage Tax and to assist DGS to issue the applicable certificates to be submitted annually to Income Tax authorities by these companies.

As per accounts of MTT for FY 2021-22, currently INDoS is the predominant activity of MTT besides Tonnage Tax activity. The INDoS number allotted to a seafarer plays an important role in authentication of COCs/COPs and further facilitates the employment prospects of the seafarers. The implementation of INDoS was sanctioned by the DGS[1] in FY 2000-01 to comply with the regulation of the STCW-95[2] of International Maritime Organisation (IMO) and thereby prevent the fraudulent certificates by seafarers. Under the same MS Notice Principal, LBS CAMSAR[3] was made the overall incharge of ***INDoS Cell*** on behalf of DGS. The INDoS Cell was carrying out the function of (1) Allocation of INDoS Number[4] to new candidates joining for pre sea training (2) Updation of COC and COP issued to seafarers (3) Authentication of the said certificates. The fees being collected by LBS CAMSAR for INDoS was being deposited in a separate account.

LBS CAMSAR of the DGS was placed (2002) under the domain of Indian Institute of Maritime Studies (IIMS), a Society registered under the Societies Registration Act, 1860. All the receipts of INDoS then came under IIMS and continued to be maintained as a separate account. With passing of Indian Maritime University Act, 2008 (w.e.f 14 November 2008) IIMS and LBS CAMSAR in turn came under the fold of IMU. As IIMS was to be dissolved w.e.f. 01.04.2009 the need to separate the INDoS activities from IIMS arose. In the 25th meeting of Board of governors of IIMS it was decided to close INDoS fund accounts and transfer them to DGS w.e.f. 01.04.2009 who in turn would deposit the funds under a separate account with MTT which will be the custodian of account. Governance of the project would be by the DGS while operational aspects will continue to be outsourced to LBS CAMSAR under a separate agreement between DGS and LBS CAMSAR.

IIMS transferred Rs.668.49 lakh on 01.04.2009 to MTT and it maintained them in separate account and invested them in FDs. On orders of DGS dated 29 July 2013, the management of funds of the INDoS Cell was transferred to the MTT (w.e.f 01.08.2013). With effect from 1.10.2014, it was decided that all activities of the INDoS Cell of DGS shall be merged with the activities of MTT since there was an element of commonality between their activities. The entire fund of INDoS Cell, representing all the fixed deposits with the banks and balances in savings bank accounts were donated to the corpus of the MTT with the condition that they would not be utilised for its day to day or recurring expenses, would be invested judiciously and prudently and at least 85% of the income arising from corpus would be spent on the objects of the Trust. Thus, the control and operation of corpus of INDoS was transferred to BoT of MTT. All assets and liabilities of the INDoS Cell as on 1.10.2014 were deemed to be that of MTT.

DGS had decided a onetime fee of Rs.1200 for Indian nationals and Rs.3000 for foreign nationals for allotment of INDoS No. With introduction of GST (@18 percent) it was raised to Rs.1416 and Rs.3540 to Indian and Foreign nationals respectively.

DGS continues with the role of issuing instructions and streamlining procedures for registration of candidates and issuance of INDoS number to them through its Training Wing. With effect from 15 June 2019, MTIs were assigned role of issuing INDoS to new candidates taking admission in respective institutes by DGS and making payments for the same. The E-Governance system of DGS (Training and INDoS module) was made available to MTIs to generate INDoS Number for each application received from its new candidates by making applicable e-payment as earlier. MTIs were to pay penalty of Rs.3000/ per correction to MTT for each error/correction in the submitted data. The MTIs were not to charge any fee from the candidates for generating INDoS or for any correction, with warning of strict disciplinary action. MTIs could generate the reports for e-payments made in a period. The updations/corrections in the INDoS of seafarers is undertaken free of cost by MTT. The escalation matrix on subject of effecting change is CEO-MTT and ADG(Training), DGS.

During 2019-20 to 2021-22 MTT has processed 76276 applications to candidates enrolling at MTI for award of INDoS and 1977535 applications for updation of INDoS of seafarers for making updations / corrections. MTT has received Rs.12.43 crore towards INDoS fees and Rs.12.33 lakh towards penalties. In the same period MTT has annually issued Minimum Training Requirement (MTR) Certificates to appx 58 shipping companies availing Tonnage Tax Scheme and received 'Administrative fees' of Rs.1.76 crore and 'Penalty for shortfall in training' of Rs.46.52 lakh. The expenditure incurred by MTT on both activities is approximately Rs.1.29 crore.

From funds generated MTT is funding/ likely to fund activities which are incidental to training and examination related role of DGS. Few are listed below:
Funding of Rs.27.68 lakh in 2019-20 by MTT for E-Pariksha for MEO Class IV conducted by DGS.
Funding of Rs.96 lakh by MTT (M/s ADU, Chennai) for development of 17 STCW Modular Courses, for both Nautical and Engineering Wings, at MTIs.
Funding role of MTT in proposed migration from traditional examination to Tablet Based Examination and Evaluation system for COC examination for Nautical and Engineering Wings to be undertaken by DGS. As per estimates of NISG, consultant engaged by DGS, the project entailed expenditure of appx Rs.39.91 crore.
Funding by MTT for Simulator based Oral Examination for COC (Nautical and Engineering) to be executed by M/s ARI entrusted with E-Governance platform of DGS.
Funding by MTT of Rs.8.50 lakh for implementing Online Exit Exam for STCW Modular Courses. Agreement of DGS with M/s Virtual Guru, Coimbatore.
In this regards audit observation are as follows:

By virtue of its role as regulator for shipping sector and its role in issuing COC/COP/CDCs to seafarers, DGS is the rightful agency to undertake the assigning of INDoS to seafarers of India; ensure that activity was undertaken in a foolproof manner and also ensure that the other certificates awarded by it to seafarers from time to time as they progress in their career are correctly linked with INDoS. Reasons for outsourcing the operations of INDoS Cell to other LBS CAMSAR and later to MTIs may be intimated.

The funds received for INDoS activity are an offshoot of the primary role of DGS. Even if DGS delegates the administrative work to other agency/entity it continues to be responsible for smooth and error free delivery of INDOS to Indian seafarers in compliance with SOLAS convention to which India is a signatory. Hence, the funds generated through application fees and penalty for corrections for INDoS are receipts of DGS and should be deposited in CFI. In last three years MTT has received Rs.12.43 crore towards INDoS fees and Rs.12.33 lakh towards penalties. Reasons for not ensuring that the receipts are transferred to DGS and further to GOI may be intimated.

Approval received from MoPSW may be furnished for (a) to delegate the INDoS work first to LBSCAMSAR /IMU and retention of funds by them and to incur expenditure from it (b) to delegate the entire activity of awarding INDoS to an independent entity (MTT) alongwith its funds.
Besides INDoS whether any other core activity of DGS has been delegated / handed over to MTT may be intimated.

Activities of LBS CAMSAR/ IIMS/IMU have all been under purview of CAG Audit and thus INDoS cell activities and Receipts and Expenditure from its funds were also covered. After transfer to MTT, audit of INDoS funds by CAG was not undertaken as MTT itself was not being audited. However, MTT is incurring expenditure from funds collected through INDoS Cell activities on several activities linked that are to be met by DGS (e.g E-Pariksha Portal for MEO Class IV exams, funding course development modules, Question Bank etc). Due to retention by MTT and non-deposition in CFI, these expenses are being incurred outside the purview of Government expenditure guidelines in a non-transparent manner as the entity MTT is not under purview of due administrative and audit checks.

All the activities of MTT, besides Tonnage Cell and INDoS Cell, are being undertaken from the premises of office of DGS. Audit observed that though MTT is a separate legal entity no payment was made by MTT to DGS for using its space, E-Governance platform and multiple other facilities funded through Consolidated Fund of India.
Management reply is awaited.

[1] MS Notice No.2 of 2001 dated ----

[2] Regulation 1/9, Para 4 of the Standards of the Training, Certification and Watch Keeping Convention, 1978, as amended in 1995

[3] LBS CAMSAR - Lal Bhadur Shastri College of Advanced Maritime Studies and Research

[4][4] Indian National Database of Seafarers – A unique alphanumerical number allocated to all seafarers who have undergone maritime training courses in India through DGS approved MTIs. The details of COCs/ COPs issued to seafarers are stored against the said number.

Reference Number: OBS-617706

Para 2: Imprudent management of Ferrous Scrap Development Fund

Consequent to transfer of the subject "Ship Breaking" from Ministry of Steel (MoS) (August 2014) the control of Ferrous Scrap Development Fund and Ferrous Scrap Committee (FSC), Kolkata moved (February 2015) to MoPSW. MoPSW reconstituted FSC in July 2014 as Ship Breaking Scrap Committee with JS (Shipping) as its Chairman, Director Finance, MoPSW, a representative of MoS besides other members. JPC completed audit of FSD fund and thereafter transferred Rs.221.56 cr. MoPSW entrusted DG(S), Mumbai with custody, management and investment of the fund.

Based on discussions held during 2nd meeting of Ship Breaking Scrap Committee on March 2015, Revised Guidelines for utilisation of FSD fund were issued by MoPSW in April 2015. As per the Guidelines the FSD was to be utilised for undertaking activities for promotion of ship breaking and ship recycling by Central Government Ministries and related authorities and to supplement the efforts of State

Government/ State Maritime Boards in promoting, upgrading and developing the overall ecosystem of safe and environmentally sound ship breaking and ship recycling etc. The financial assistance from the fund was to be extended for upgradation of ship breaking and recycling yards and related facilities, welfare measures, capacity building and skill development of workers, activities to promote better management of environmental hazards, funding for secondary steel sector etc.

Guidelines for other modalities and procedure to manage fund:

Sr. no 4 - The proposals for grants from the Fund is sent by the applicants to the Member-Secretary of the Committee and on the basis of the recommendations of the Committee, the Ministry conveys approval and sanction to DGS, Mumbai. DGS after ensuring compliance to the conditions as laid down by the Ministry releases the grant in lump sum or instalments within seven working days.

Sr. No 8 - DGS to maintain record of grants sanctioned from the fund as per Form III.

Sr No 9 - Grantee applicant to furnish UC Supported by vouchers and DGS in turn shall provide detailed information to the committee. DGS shall be responsible for proper utilisation of funds and ensuring that the conditions laid down in the sanction order are duly fulfilled.

Sr No. 10 - The Fund shall be deposited and maintained in nationalized banks and the DGS, Mumbai shall be responsible for management of the Fund including its investment as per the Government of India's instructions in this regard. A Balance sheet will be sent by DGS to Member Secretary of Committee at the end of each year to be placed before Committee".

Sr No. 11 of the Revised Guidelines stated that the "DGS shall get the funds audited and comply with all regulatory requirements for the proper accounting of the disbursements made from the Fund"

Sr.No.13 Officials of DGS to make inspection regarding proper utilisation of funds as may be required by Committee.

During the period February 2015 to March 2022, the Funds have been invested in Fixed Deposit and Savings account of nationalised banks. As per audited balance sheet of fund as on 31.03.2022, Rs.301.99 crore is invested in Fixed account with SBI and Rs.2.89 crore is in Savings bank account of the fund. For the year ending 31.03.2022, the value of fund was Rs.304.87 crore. During the period 2014 to 2021, grants of Rs.17.36 cr, have been disbursed to three recipients namely, National Institute of Secondary Steel Technology (NISST) (Rs. 3.50 crore), Gujarat Maritime Board (GMB) (Rs.13.41 crore) and Indian Red Cross Society, (Rs.0.45 crore). Grant to GMB includes Rs.4.23 cr disbursed on Loan Basis.

The second meeting of Ship Breaking Scrap Committee was held on 10 March 2015 in which Audit Report of FSD for the period 1.4.2014 to 31.01.2015 was presented and three fresh proposals were considered by Committee and following was approved:

In principle approval to grant Rs.5 lakh for Red Cross Society, Bhavnagar for 2013-14 and Rs.8 lakh w.e.f 2014-15 annually.
In principle approval for Rs.152.22 crore assistance from FSDF for part servicing of JICA loan assistance (Rs.72.80 crore) and equity component (Rs.79.42 crore) for upgradation of existing environmental infrastructure at Alang Sosiya Ship breaking Yard.
Rs.9.18 cr in principle approval for 'Labour housing project at Alang' by GMB after it first incurs its share of 9.18 cr.
In this regard Audit observed as follows:

No grant has been disbursed since 2015 for activities related to promotion of ship breaking and ship recycling in an environmentally safe way. The grants disbursed are primarily under the ambit of welfare of workers and for NISST.
As per audited balance sheet of fund as on 31.03.2022, Rs.301.99 crore is invested in Fixed account with SBI and Rs.2.89 crore is in Savings bank account of the fund. While the fund has grown from Rs.221.56 crore to Rs.301.99 crore during the period February 2015 to March 2022 through interest income

earned. The three proposals that received in principle approval in 2nd meeting of Committee held in March 2015 have also not been funded as yet.

During the period 2014 to 2021, grants of only Rs.17.36 cr, have been disbursed to three recipients namely, National Institute of Secondary Steel Technology (NISST) (Rs. 3.50 crore), Gujarat Maritime Board (GMB) (Rs.13.41 crore) and Indian Red Cross Society, (Rs.0.45 crore). Thus, it has so far disbursement of only Rs.17.36 crore to three recipients in last seven years.

No grant has been disbursed in 2020-21 and 2021-22 (as per audited financial statement). It may be confirmed whether Committee made any recommendation for proposal received during 2020-21 and 2021-22. It may also be stated whether MoPSW has sanctioned any recommendation of Committee in 2020-21 and 2021-22. Reasons for no disbursement, if applicable, may be intimated.

It is seen that UCs are regularly received from NISST (Total Rs.3.50 cr in 6 grants) however no UC was found for funds given to GMB (Rs.13.41 cr in two grants and and Indian Red Cross Society (Rs.0.45 cr in 3 grants). Efforts made by DGS to obtain UCs and reasons for delay in furnishing by grantee may be intimated.

The Revised Guidelines for FSDF prescribe FORM-III be maintained by DGS to maintain a record of grants sanctioned. Though the same has been intimated as it is not updated. It is recommended that the status of receipt of UC may also be watched through it.

The conditions and terms of giving funds on loan basis to Gujrat Maritime Board were not found in the records furnished, the same may be furnished.

The Auditor's Report (Schedule A) states that Bank Balance (Rs.13,654/-) of United Bank of India, Tivoli Park Branch are subject to confirmation as the bank statement was not produced before auditors for verification. Reasons for non-furnishing may be intimated.

As on 31 March 2022, an amount of Rs.28,934,493.80/- is deposited in Savings Bank account. Considering past trend of annual disbursements, more funds can be invested in Fixed Deposit. It is recommended that some policy / threshold amount or percentage may be defined to meet the requirement of liquidity and also obtain higher interest income.

The Auditor's Report (Schedule A) states that during 2021-22 the fund created Fixed Deposit for Rs 301.99 crore with SBI for 1 year and 3 months (31.3.2022 to 30.06.2023) by breaking Fixed Deposit kept with Canara Bank. Further, during audit Auditors found that on 31.03.2022 an amount of Rs 303,56,46,680.59 was credited to Canara Bank account. On verification, it was found that as per the Interest Certificate issued by the Canara Bank for the period from FY 2019-20 to 2021-22, the maturity amount should be Rs 303,99,20,546.21 but on 31.03.2022 the maturity amount credited in the Bank account was Rs.303,56,46,680.59. The matter of difference of Rs.42,73,865.62 was brought to the attention of DGS. Present status of resolution of the discrepancy with Canara Bank may be intimated.

After lapse of eight years since transfer of Fund to MoPSW no Investment Policy has been approved. The funds are being invested in Fixed Deposits of nationalised banks based on highest rates quoted. Roadmap for investment activities/ proposal, if any, to ensure safety of funds and optimum return on investment may be intimated.

Following additional information were also sought:

Minutes of Meetings FSDF Committee since March 2015 based on which sanctions are received by DGS.

Date of submission of Audited Annual Balance Sheet of FSDF to Committee FY 2015-16 onwards.

Date of inspection of grantee organisations undertaken by DGS, if any, to ensure proper utilisation of Funds.

Management reply is awaited.

Reference Number: OBS-617720

Para3: Non-Revision of Fee tariff by DGS leading to loss of Non-Tax revenue to GoI

The Non-Tax Revenues of Government of India are collected through all Ministries/Departments and other autonomous bodies and implementing agencies and comprise an important source of revenue for the Government. 'User Charges' is an important component of the non-tax revenues. Rule 47 of GFR

2017 states that each Ministry/Department may undertake an exercise to identify the 'user charges' levied by it and publish the same on its website. (i) While fixing the rates of user charges, the Ministries/Departments must ensure that the user charges recover the current cost of providing services with reasonable return on capital investment. (ii) Any deviation from these principles shall be specifically recorded with reasons justifying the setting of user charges lower than the cost recovery norms, if any. (iii) The rates of user charges should be linked with appropriate price indices and reviewed at least every three years. (iv) In order to enable ease of revision of user charges, the rate of user charges shall be fixed, wherever possible through Rules or executive orders and not through a statute.

Directorate General of Shipping and its sub-offices undertake a wide range of activities related to survey and inspection by its surveyors and issues applicable certificates. Initial, Renewal and Periodical surveys are conducted of passenger and cargo ships, including the equipment on board, approval of construction and repair plans of ships, issuing certificates to shipping companies, Port State control (PSC) and Field State Inspection (FSI) surveys of Foreign and Indian flag ships respectively, ISM Audits, Inspection under ISPS code of Ports and ships, etc are among the prominent activities undertaken by DGS as a regulator of Indian Shipping sector.

DGS notified the processing fees applicable for Miscellaneous Surveys and inspections carried out by its Surveyors at MMD/ DGS vide Circular dated 6 September 2010 and was effective from 1 September 2010. This Circular is applicable to all DGS and all MMDs/sub-MMDs under it. The circular also states that the prescribed fee is to be necessarily paid with application for surveys/inspections / submissions of plans for approval by way of crossed DD in favour of DGS/ MMD as applicable. It is also stated that the fee does not include the expenses incurred by the surveyors on travelling allowance / Dearness Allowance, wherever applicable and they should be recovered on the basis of actuals / full arrangements made as per Government scale applicable to such officers by the parties needing the service. During the audit period this circular was in force.

Besides technical surveys and certification DGS / MMDs also collect Annual Fees from MTIs, examination fees from seafarers for career progression, COC/ COP/CDC validation and certification of seafarers, Fee from Recruitment and Placement Service agencies, Ship registration Charges, issuing Sailing Vessel Identity Card, MTO license charges, Annual fees from notified ROs and multiple other activities. The addition/ deletion of activities requiring certifications / licensing etc is an ongoing process and is decided by DGS from time to time. The rate of fee/ license charges for these activities is not issued under a consolidated circular but is proposed/ modified and issued by respective Wing of DGS from time to time.

In this connection following are the Audit observations:

The tariff rates/ processing/ Administrative fees charged by DGS are not placed prominently in a consolidated manner for all activities of DGS on the website for site visitor.
There has been no revision of fee rates by DGS through the Main Circular since last 12 years. The Rule 47 of GFR 2017 clearly states that the rates should be revised in three years. The Circular No.1 of 2010 was issued in supersession of Circular no.1 of 2004 (w.e.f 01.01.2004) on the subject, thus confirming that in earlier years the rates were revised in six years. Reasons for not undertaking revisions may be furnished. Whether any norms/ periods for revision are fixed may be intimated.
Rates of fees for activities not covered by Main Circular too have not been revised regularly. Revisions done are not done comprehensively but intermittently. Few instances are : (i) Administrative fee paid by ROs for statutory functions delegated fixed in 26/9/2007, (ii) Fees for Technical clearance/ charter permissions by MSL Wing were notified on 04.02.2010 (iii) License and Renewal fees by Recruitment and Placement agencies notified on 15.02.2016 (iv) Fees for COC Examinations (v) Fees for examinations under Merchant Shipping (Standards Of Training, Certification And Watch-Keeping For Seafarers) Rules not revised after 30.07.2014. (v) Annual Fee charged from MTIs at the rate of 1 percent notified on 21-07-1998 and penalty thereon on 10-05-2001. Reasons for non-revision and whether any norms/ periods for revision are fixed may be intimated.
Since 2010 not only manpower cost of Directorate has increased with implementation of recommendation of 7th Pay Commission w.e.f 01.01.2016, but also increased rental expenditure of DGS, Capital

expenditure on building construction, IT initiatives like E-Governance platform and other inflation related increase in expenditure which have increased the overall expenditure of the Directorate. GFR clearly states that while fixing rates the user charges should recover the current cost of providing services with reasonable return on capital investment and rates of user charges should be linked with appropriate price indices and reviewed at least every three years.

Due to non-revision of rates of fees charged there has been a loss of Non-tax revenue to GoI. It may be noted that Budgetary allocation/Actual Expenditure of the Directorate has increased from Rs.97, approximately crore in 2018-19 to Rs.137.31 crore in 2021-22. While actual expenditure increasing the receipts have not grown due to non-revision of tariff.

It is recommended that a MIS/ mechanism to capture revenue and capital cost incurred by DGS/MMDs to provide their services should be devised that is readily accessible. A multi-disciplinary committee may annually review and propose the revision of fee/ charges in a consolidated manner considering guidelines of GoI on the subject.

Management reply is awaited.

Reference Number: OBS-617723

Para 4: Non-Collection of all Receipts through BharatKosh and non-reconciliation of eReceipts by DGS and Allied offices

Government of India has provided a public portal (BharatKosh) as a one stop services to deposit any fee / fine / other into government account through eReceipts. As per Rule 49 of GFR of 2017, all Ministries/Departments, shall take prompt measures for migration to eReceipts, to ensure customer convenience and immediate credit of receipts to the Government account.

During audit of DGS following was observed:

All the collections / receipts of DGS/ MMD are not being made through BhartKosh, a substantial amount is routed through the platform of Bill Desk that has been integrated with E-Governance platform of DGS. Out of total receipt of approximately Rs.74.73 crore (as per PAO), Rs 12.04 crore was received through Bharatkosh (16 percent) and Rs.62.69 through Bill Desk / Canara Account (84 percent) (MIS of E-Governance).

As per RBI Circular dated 20/06/2019, the agency commission rate for per transaction of receipt physically is Rs.40 and for receipts in E-mode it is Rs.9. Hence, non-collection of Non-Tax receipts through BharatKosh portal results not only in non-compliance with Rule 49 but also in payment of huge amount of agency commission to the bank. This matter was raised by Internal Auditor in its report dated 29 June 2020, however the arrangement with Bill Desk is still continuing.

Though DGS has given access to Bill Desk through its E-Gov platform for collection of payments from users/ stakeholders it has not entered into any agreement with Bill Desk till date. Under the current arrangement no charges / invoice is received from Bill Desk and the service is free. In absence of any agreement/MOU, the organisation is vulnerable to multiple risks and there is no liability and responsibility of Bill Desk defined. DGS has no control over data protection of users, it cannot ensure misuse by Bill Desk of the data generated. Reasons for not migrating all the payments to BharatKosh portal in non-compliance with GFR provisions and observations of Internal Audit by Ministry may be intimated.

The Internal Audit Wing of the Ministry also observed during audit of DGS(2018-19, 2014-17) and audit of MMDs that reconciliation of revenue receipts collected via Bill Desk through E-Governance platform and credited in bank account maintained by PAO for DGS (Syndicate Bank, now Canara bank after merger) with amount credited in the Government Account by the Department was not being undertaken by DGS. In absence of reconciliation there is no mechanism for ascertaining the correctness of credit of amount shown in Government Account. There were instances of single receipt being received by bank to PAO in receipt scroll without giving any challan/ details of amount credited into government account. This is non-compliance to Rule 10 and 11(2) of GFR 2017. During 2021-22 Rs. Rs.62.69 was generated in Bill Desk (2018-19 – Rs. 60.19 cr). Reasons for not undertaking reconciliation may be furnished. Steps proposed to be taken by Directorate to comply with GFR provisions may be intimated.

In absence of above reconciliation DGS is unable to furnish activity wise correlation of number of applications received and corresponding receipts collected by it. Basic information on receipts during the year are not available with various Wings and with Finance for the organisation collectively or its individual offices/ activities. Activity wise trend analysis is also not available with Directorate to assess the resource requirement, assess cost-recovery status for better inputs for management to take informed decisions is not available.

During audit, replies furnished by DGS to Internal Audit Wing on the subject of reconciliation were sought however they are still awaited. This is a long persisting systemic issue across the organisation and needs to be given urgent attention to ensure correct revenue is accounted.

Information on the date of commencement of collection of funds through Bill Desk on e-governance Platform is awaited.

Management reply is awaited.

Reference Number: OBS-617785

Para 5: Inordinate delay in tendering process of e-governance resulted in non-achievement of intended benefits

The Directorate General of Shipping, Mumbai (DGS) undertook "e-Samudra" project to integrate the information systems across various departments to provide a single point of contact for electronic delivery of services. The first phase of work was awarded (February 2005) to National Ship Design and Research Centre (NSDRC) Visakhapatnam (now known as Indian Maritime University Visakhapatnam, (IMU (V)) on turnkey basis. It was expected to be completed within 15 months at an estimated cost of Rs.5 crore. As per the agreement, DGS was to make payments against completion of milestones by IMU (V). Only 14 out of 36 modules planned to be completed in Phase I could be made operational in 2009.An amount of Rs.4.96 crore was sanctioned (December 2006) by DGS for Phase II. The agreement for Phase II work was signed between DGS and IMU (V) in March 2007 and an amount of Rs.4.40 crore was paid to IMU (V) in April 2007.

DGS decided (2016) that all modules incorporated in Phase-I & II would be implemented under a new e-governance project. The new e-governance project, was to be implemented in 2017. Existing e-governance system was to be replaced by a completely new, updated, state of the art e-governance project. Further, the existing e-governance system, being more than 10 years old, had become obsolete and needed to be revamped.

The Directorate engaged (April 2016) a Consultant, M/s. Ernst& Young, LLP (E&Y) empanelled by NICSI, New Delhi to carry out a baseline survey & comprehensive study (18 months) of its existing work processes. M/s. E&Y had approached various stakeholders and estimated user satisfaction levels with a various services provided by DGS and its allied offices. It submitted two sets of RFP to DGS in 2016 and 2017 respectively. The stakeholders, both external (seafarer, shipping company, MTI, MTO, RPS, RO) and internal (DGS, MMDs, SMO, RO sales, SEO, SPFO, SWFS) would interact with the portal through afront-end and a back-end interface respectively. DGS awarded (March 2018) contract of e-governance to M/s Rolta India Ltd, subsequently it was cancelled (December 2018) by Ministry (contractor was in financial problem) and DGS was directed to float fresh RFP. E&Y was again appointed for making fresh RFP.

The Directorate forwarded (October 2019) the fresh Request for Proposal(RFP) for selection of system integrator for e-Governance solution and the project estimated cost submitted by M/s E&Y to MoPSW for grant of the Administrative approval and Financial Sanction. DGS, in consultation with Ministry, decided (2020) to narrow down the scope of the new e-governance project. The Directorate again submitted (June 2021) RFP to provide Administrative approval and Financial Sanction for an amount of Rs.22,33,44,592/-.MoPSW conveyed (November 2021) the Administrative approval and Financial concurrence to the Estimated Project Cost of Rs.22,33,44,592/- (including cost for operation and maintenance for 5 years with 3% contingency charges) + GST (as admissible) or actual bidding price, whichever is less and issue of RFP for selection of System integrator for the e-Governance Solution and Transformation Project of the DGS.

The Request for Proposal (RFP) submitted by Ernst & Young was uploaded on the DGS website and CPP Portal on 21.12.2021. Pre-bid meeting was held on 10.01.2022 with probable bidders. In the Pre-bid consultations, TCS raised query regarding limitation of liability under Clause 15.3 Volume 3 page 26 of RFP where the Directorate replied in the corrigenda that the tender condition would prevail.

Subsequently four corrigenda were issued and date of bid submission was extended till 16.03.2022. During uploading of the last corrigendum No.4 dated 25.02.2022 on CPP Portal, date for last date of submission of bid and date of opening of bid was not updated. Regarding this, an email dated 03.03.2022 was sent to e-Procurement support team. It informed that in present scenario the Directorate need to retender the RFP and upload consolidated RFP with all the corrigenda under retender option of e-procurement portal and update the last date of submission of bid. Accordingly, the Directorate retendered the RFP and uploaded the consolidated RFP with all the corrigenda under retender option of e-procurement portal with last date for submission of Bid as 16.03.2022 and Bid opening date as 21.03.2022. It was revised again with last date for submission of bid as 30.03.2022 and date of bid opening as on 31.03.2022.

The pre bid conference was attended by fourteen probable bidders. Subsequently bids were submitted by only two bidders i.e. M/s. TCS and M/s. NEC. The committee opened technical bid on 31.03.2022 on CPP Portal. The Technical Bid Summary Report was uploaded on CPP and Financial Bid was opened on 07.07.2022. In the financial bid M/s. NEC and M/s. TCS quoted total project value as Rs.38,44,84,032 and Rs.23,30,39,357 respectively. Letter to Ministry for administrative and financial approval of the bid value quoted by TCS i.e.Rs.23,30,39,357/- (excluding taxes quoted by TCS for period of development phase, operation & maintenance (03 years) was issued on 14.07.2022 by DGS.

The Directorate issued Letter of Intent (LoI) to TCS vide letter dated 23.09.2022 and requested to provide the letter of acceptance within two weeks. TCS vide email dated 06.10.2022 raised observation w.r.t. Clause 15.3 of Vol.3 Limitation of liability. The request of TCS was examined in detail by consultant E&Y and it stated that primarily the insistence of TCS to amend/alter the tender conditions at this juncture when the bid was finalised and in the background of queries already been replied was unacceptable. Consultant further stated that there appeared no error or lacuna in the clause 15.3 on limitation of liability of RFP which was fully based on guidelines issued by Ministry of Electronics and Information Technology, Govt. of India. In reply to DO letter (24.22.2022) of DG, TCS vide email dated 01.12.2022 stated they were constrained and not in a position to accept unlimited liability clause.

The Directorate vide email dated 08.12.2022 requested E&Y for RFP project to verify RFP documents and ascertain whether the contention of TCS is contained and supported in RFP or Bid submitted. In reply, E&Y suggested a lucid and precise revised liability clause and its submission to MoPSW for its approval or request for going for L2 bidder. The Directorate requested Ministry (December 2022) to allow it to amend LOL clause as requested by TCS and as suggested by E&Y. Alternate request to Ministry was to allow DGS to select L2 bidder with the quoted price of Rs.38,44,84,032/-.

A Meeting was held on 10.02.2023 between MeitY and MoPSW on the subject matter. MeitY stated that RFP template on the MeitY website was only advisory in nature and could be tailored by the Line Ministries/Departments according to their respective needs on case to case basis and it was never consulted on this RFP earlier. In this regard, Director (Shipping) stated that an objection to this clause of unlimited liability was raised by the TCS in pre-bid meetings. MeitY reiterated that along with this model RFP, a D.O. had been sent by MeitY to respective Ministries wherein it was mentioned that these RFP templates were advisory in nature and their aim is to sensitize the bid management team for following good practices.

In this regard following are the Audit observations:

In the tendering of revamped e-governance

As per GFR 2017, *Rule 225 General principles for contract. (i) The terms of contract must be precise, definite and without any ambiguities. The terms should not involve an uncertain or indefinite liability, except in the case of a cost plus contract or where there is a price variation clause in the contract.* RFP prepared by DGS didn't clearly mention the clauses related to Liability, leading to delay in finalization and awarding of contract. L1 bidder TCS is not accepting LoI due to this ambiguity, at first DGS insisted TCS on the laid down terms and conditions, however on immovable stance of TCS on the subject matter, DGS is consulting MoPSW and MeitY for guidance, who have reiterated RFP being advisory in nature be tailored by department according to the needs.

New e-governance was envisaged as early as 2016. It was awarded to M/s Rolta India Ltd. (2018) though it could not be completed as the Company went in financial problem. Fresh RFP making and tendering process started in 2019 and December 2021 respectively, however, as on date tendering exercise has not reached its logical end. Thus, there is inordinate delay in the finalization, tendering and award of contract.

Existing e-governance system

Existing e-governance solution at DGS is monolithic, has no middleware and uses load balancer for workload distribution. Thus, it has become obsolete and needs to be revamped. However, it is observed that DGS is adding new modules to it (29 modules as on today and 24 modules in 2021(as per RFP)), thereby overloading the already burdened system. No. of users of DGS website and system is increasing, so burden on existing system is not going to reduce anytime soon.

Current e-governance website is not maintained as per NIC-CERT Website Security Guidelines. URL of the service is not Secure Sockets Layer (SSL) certified.

Clarification / information regarding following is awaited :

Current e-governance is maintained by M/s ARI. Payment made to it by DGS from 2016 onwards for development of new modules and maintenance.

Details of payments for RFP work done by M/s E&Y for this project till February 2023.

Management reply is awaited.

Reference Number: OBS-617793

Para 6: Loss of Non-Tax revenue of Rs.38.53 lakh to GoI on account of non-recovery of Penalty on delayed payment of Annual fees by Maritime Training Institutes

Directorate of Shipping vide Order No. 5 of 2016 has prescribed guidelines and procedures to obtain approval from DGS for the conduct of approved modular, simulator and post-sea competency courses for training of seafarers in India.

As per Para 4.13 of the Order "*All approved institutes shall pay to the DGS one percent of the total fees which will include tuition and all other fees chargeable from a student for the admitted strength of all courses, every financial year from 1 April to 31 March after every financial year (minimum of which shall not be less than Rs. 10000). The amount of annual fee should be remitted by 31May after every financial year. A penal interest of 18 % shall be levied on the amount due when there is a default by the Institute/ workshops. Moreover, if the amount due is not received by 31 July of the year, the approval itself may be suspended till such time the payment is made and the Institute will be responsible for all consequences arising thereof.*"

The list of approved Maritime Training Institutes (MTI) maintained at the Directorate's website depicts a total of 195 MTIs. Details of Annual fees collected and remitted, penalty levied during the period 2018-19 to 2021-22 was scrutinised. However, out of 195 MTIs listed approximately 159 are actually approved and functioning and have to remit Annual Fees of one percent to DGS by 31 May each year. On the basis of information provided, the following are observed:

Out of approximately 159 approved institutes, for the years 2018-19 to 2020-21, details of Annual Fee was provided (March 2022) in respect of 133, 114 and 115 institutes. During the current audit, total approved MTIs are 159 for the year 2021-22, however fee details of 122 MTIs were produced to Audit. The fee details of 37 MTIs were not available with Training Wing. Information in respect of remaining MTIs may be furnished.

As per the order, the amount of annual fee should be remitted by 31 May after every financial year. On the basis of information provided, it was observed that during 2018-19 to 2020-21, many training institutes have been remitting the annual fee @ 1% well beyond the prescribed time limit of 31 May after each financial year. O/o DGS was required to recover a Penal interest @ 18% p.a. on the defaulting institutes for later remittance. Penalty @ 18% p.a. amounting to Rs. 39.05 lakh was due from the Institutes. Penalty for the year of 2019-20 and 2020-21 has been paid in 2022-23 by 14 MTIs and 5 MTIs respectively and Penalty of Rs.35.28 lakh **(Annexure I)** is yet to be received by DGS. For 2021-22, Penalty of Rs.3.25 lakh **(Annexure II)** is yet to be paid. Thus, in February 2023 an amount of Rs. 38.53 lakh is yet to be paid by MTIs.

As per the Order, if the amount due is not received by 31 July the approval itself may be suspended. It was observed that many such institutes continued to figure in the list of approved Institutes. Action taken, if any on non-payment of Penalty for 2018-19 to 2021-22 may be intimated.

As per Para 4.13 of the Order "*All approved institutes shall pay to the DGS one percent of the total fees every financial year from 1 April to 31 March after every financial year (minimum of which shall not be less than Rs.10000).* It was noticed that many MTIs are resorting to making part payments of nominal amount by the due date and pay the major amount of Annual Fees after a long period. For instance it was noticed that one MTI (HIMT, Vizag) paid less than Rs. 10,000 and made part payments for the year due on 31 May 2020 ie. (Rs.712 on 11.02.2021, Rs.11,088, on 28.01.2023). Making payments less than stipulated amount after due date is not in compliance with the Order. It is recommended that DGS should put some checks in the online portal to ensure that Annual Fees less than 10, 000 are not accepted. There must be the System of the making payments of more than and equal to the Rs10,000 as this would also improve the quality of monitoring.

5. The monitoring of the Annual Fee due and received is being done partially through reports generated from e-Governance module. However, for payments received through Bharatkosh platform, the Training Wing is not able to readily ascertain the amount for Annual Fee and Penalty separately. Considering huge number of MTIs and the courses being run a digital / online framework is essential for proper monitoring.

Management reply is awaited.

Reference Number: OBS-617802

Para 7 : Non-Collection of Penalty on delayed payment of Administrative Fees by DGS

The terms of engagement between DGS (Administration) and Recognized Organizations (RO) is as per agreement signed between them (valid up to 31 March 2021, since extended). The following Clauses contain the provisions for monitoring through audit by DGS and payment of Administrative Fees to DGS:

Clause 6.2 of the agreement states that the respective RO will remit to the Government or the Administration, an administrative fee, on quarterly basis, as per the scale given below:
As per DGS order /circular /MS Notice, which may be issued by the Administration, from time to time. The amount at the rate as mentioned in the DGS order/ circular/ MS Notice referred above shall be paid to the Government/Administration for the past three months in next 30 days.
Clause 6.3 of the agreement states that in the event of default of payment of Administrative Fee within the stipulated time limit, as stated in clause (ii) herein above, by the RO to the Administration, a penal interest @18 percent per annum will be charged on the RO by Administration. Further, if the RO falls to make payment of the Administrative Fee and Penal Fee for consecutive four quarters, the Government or

Administration reserves and has the absolute right to apply the Clause 6.7.1(right to terminate the agreement immediately).
Clause 5.3 of the agreement states that the frequency and extent of audit (to be conducted by DGS) will be subject to mutual agreement between the Administration *ie* DGS and RO.
On examination of information/ records following is observed:

In contravention of Clause it was observed that the quarterly fees were not remitted within the stipulated 30 days of end of quarter (Due dates being 30th April, 31st July, 31st October, 31st January) by 7 ROs (Information of RINA was not furnished) during 2016-17 to 2021-22. DGS neither reminded them to pay on time nor did it charge penal interest @ 18 per cent per annum as mentioned in clause for the delay.
Based on actual date of payment of Annual fees penalty is recoverable from ROs by DGS as per Clause 6.3 amounting to approximately Rs12.53 lakh (Annexure). DGS may recover the applicable Penalty due from all the ROs.
In the information furnished to Audit proof of payment having been made of Administration Fees was not seen in three out of 6 ROs pertaining to 16 quarters during the period 2016-17 to 2021-22 (Annexure). This indicates that DGS is not monitoring the actual receipt of funds in its books in each quarter.
Regarding Audit of ROs undertaken by DGS as per agreement signed it is observed that some ROs are covered annually while others are not. No criteria, frequency, extent of audit etc has been mutually agreed with the ROs or internally within DGS. It is recommended that the same be defined in the new agreement under deliberation at present.
Scrutiny of Audit Reports undertaken by DGS of ROs revealed that out of 45 reports furnished only 5 reports have mentioned that correctness of the quantum of Administrative fee remitted by RO to DGS for statutory certification was reviewed and found in order.
Prescribed Checklist used for the audit of RO does not include item related to verification of records of RO related to Administration Fee. Clause 4 of 6.1 of the Agreement signed with ROs states that the RO shall maintain the records of administration fee payable to the Administration (DGS) on their data base. It was observed from data furnished that only partial information could be furnished by DGS as RO could not provide it despite being called for by DGS. This indicates that the respective ROs do not maintain records related to Administrating fee properly. This aspect needs to be verified by the DGS during its audit.
Management reply is awaited.

Reference Number: OBS-617805

Para 8: Delay in signing Agreement with Recognised Organisations (RO)

Article 94 of the United Nations Convention on the Law of the Sea 1982(UNCLOS) requires every flag State effectively exercise its jurisdiction and control in administrative, technical and social matters over ships flying its flag, *inter alia*, through statutory surveys and certifications.

'Code For Recognised Organisations (RO Code)' was adopted by Maritime Safety Committee (MSC) of IMO on 21 June 2013 (vide Resolution MSC.349.(92)) and was effective from 1 January 2015. The RO Code serves as the international standard and consolidated instrument containing minimum criteria against which organisations are assessed towards recognition and authorisation and guidelines of oversight by flag states. Para 8 of RO Code titled '*Authorisation of Recognised Organisations*' states that under provisions of 1974 SOLAS[1] (Regulation 1/6), LL 66(Article 13), MARPOL [2] (Regulation 6 and 8 of Annex 1 and 2 respectively) and TONNAGE 69 (Article 6) a flag state may authorise an RO to act on its behalf in statutory certification and services and determination of tonnages only to ships entitled to fly its flag as required by these conventions. Para 8.2 on 'Legal basis of the functions under authorisation' states that the flag state shall establish the legal basis under which the authorisation of statutory certification and services is administered. This would include the formal written agreement with the RO besides Acts, regulations, their interpretations and deviation and equivalent solutions framed by the flag state.

India is a signatory to above cited conventions/protocols of UN and IMO. GoI/MoPSW, through office of Directorate of Shipping (DGS), administers all shipping related matters. Thus, statutory surveys of the

Indian flag vessels are required to be undertaken by the surveyors specifically appointed for the purpose by GoI under Section 9(1) of the Merchant Shipping Act, 1958 as amended (Act) under section 9(1A) of the Act, DGS has authorised Recognised Organisations (ROs) to undertake statutory certifications (post conducting surveys) and services of the Indian flag vessels subject to appropriate bilateral agreements with the GoI and respective ROs detailing modalities of such services delegated (Notifications in September 2011 and December 2014).

During course of audit records relating to activities and functioning of ROs were taken up for examination. It was noticed that DGS entered into agreements with nine ROs for the period 1 April 2016 to 31 March 2021 on 1 April 2016. The certification activities during the year 2021-22 and 2022-23 (upto January 2023) were carried out by ROs under the provisions of Agreement that was signed upto 31 March 2021. The agreement with ROs has so far (January 2023) been extended by DGS six times (upto 15 February 2023). The process of entering into agreement was initiated after commencement of field audit in January 2023.

The delegation of issuing statutory certificates is similar to all ROs except Indian Register of Shipping (IRS). Besides statutory certifications, IRS has been exclusively delegated with conducting Loadline Certification (Initial) of all Indian flag vessels and other ROs can undertake only renewals certification. Besides activities delegated as delineated under the Agreement and several other activities/ services to various ROs as notified by DGS from time to time.

In this connection Audit observations are as follows:

The previous agreement was upto 31 March 2021. The exercise of undertaking review of performance of ROs during the period alongwith engaging with them on one on one basis was not undertaken well in time before expiry of the Agreement. The agreement was extended six times by Directorate in an adhoc manner till now. Considering the statutory certifications are one of the most significant areas of responsibilities of DGS reasons for delay in finalizing new agreement may be furnished.
In view of international developments under which several IMO and UN protocols like Bunker Oil standards, Ballast water treatment, disposal of scrap/ waste, etc have become effective there is a need to incorporate the relevant clauses in agreements signed with ROs to ensure proper compliance.
While the Agreement was yet to be revised, on request of IRS it was decided by DGS that with effect from February 2020 renewal surveys for Loadline will be exclusively retained by ROs and shipowners, except in cases where commercial agreements were already signed before February 2022. This is in contradiction with current provisions of extended agreement. Due to this major change made nearly three years ago, it is imperative that the terms of Agreement with ROs should have been revised if not in in February 2020 then definitely on scheduled completion of agreement.
While the Agreements were being repeatedly extended RINA, an RO, was ascertained to be deficient in its service by an MMD. A Show Cause Notice was issued (September 2021) and its services suspended by DGS by not giving any extension to the Agreement signed with effect from 30 November 2021. After confirming with corrective action taken the suspension was revoked from 31.08.2022 and since then it is again undertaking the statutory certification as per erstwhile Agreement. The basis of allowing RINA to undertake certifications afresh from November 2021 without fresh agreement being signed may be clarified.
Part 3 titled **'Oversight of ROs'** provides guidance on flag State's oversight of RO to perform statutory certification and services on its behalf. Part -3 is applicable on all flag states that have authorised ROs and provides guidance, which is non mandatory, to assist flag states in the development and implementation of an effective oversight programme of ROs. For effective monitoring DGS should ensure not just implementation of RO Code but also explore incorporation of provisions beyond it. Steps taken beyond provisions RO Code, if any, may be intimated.
DGS has assigned activities beyond the statutory certifications of vessels to ROs, especially IRS, namely, CIP inspections of MTIs, Inspection of Recruitment and Placement Services agencies for award and renewal of licenses, manning of LRIT and DG COMM center, Bunker Supplier Regn Certification etc. These activities are not included in the agreement signed with the ROs. Reasons for the same may be furnished.
Management reply is awaited.

[1] SOLAS – Safety of Life at Sea, Convention of IMO adopted in Nov 1974, effective since 25 May 1980.

[2] MARPOL - The International Convention for the prevention of Pollution from Ships. The convention was adopted on 2 November 1973 at IMO and effective from 2 October 1983.

Reference Number: OBS-617811

Para 9: Performance of Indian Flag merchant Ships during PSC/FSI inspections

The Flag State of a trading/merchant ship is the State under whose laws the ship is registered or licensed. The Flag State has the authority and responsibility to enforce regulations over ships registered under its flag. Under the United Nation Convention on the Law of the Sea (UNCLOS) a flag State has the ultimate authority over a ship flying its flag. The Flag State is ultimately responsible for the conduct, safety and environment protection of a ship flying its flag. Thus, a flag State has a very important and significant role to play to bring about quality shipping in its fleet.

The UNCLOS'82 permits Coastal/Port State authorities to undertake physical inspection of a foreign flag vessel voluntarily visiting its ports, anchorages or off-shore installations to verify the compliance of the applicable international rules and standards established through the competent international organization or general diplomatic conference and, to take appropriate administrative measures, including detention of the vessel as per the laws of the respective Coastal/Port State. Port State Control (PSC) is a system of harmonized inspection procedures designed to target sub-standards ships with the main objective being their eventual elimination. A PSC authority undertakes inspections to satisfy itself that the foreign ships visiting its ports meet the required international standards laid down in the conventions, and to check on the actual condition of specific ships whose ability to meet those standards is in doubt. PSC inspections / survey are. The Indian ships are inspected by various Port States under various Memorandums of Understanding.

DGS, the Indian Maritime Administration, oversees Flag State Inspection (FSI) of Indian flag ships and PSC of foreign flag ships visiting Indian coast through its Mercantile Marine Department (MMD) offices. ***'Annual Report of Port State and Flag State'*** published by DGS describes the results and analysis of deficiencies and detention of all Flag State and Port State Inspections of Indian ships in India and abroad respectively and Port State Inspection of Foreign ships at various ports in India. This report provides a means of assessing the effective enforcement of international rules by various Flags, Recognized Organizations and Shipping Companies. This report covers the period between 1st January and 31st December of each year.

Summary of Annual Reports of PSC/FSI for last three years is as follows:

Port State Control Inspections in India

Year	No. of PSC Inspection carried out	Number of Detentions	Percentage of detained vessels
2019	598	28	4.68
2020	123	16	13.0
2021	17	3	17.6

Flag State Inspection in India

Year	No. of FSI Inspection carried out	Number of Detentions	Percentage of detained vessels
2019	500	16	3.20
2020	426	17	3.99
2021	519	29	5.59

Indian Flag Ships detained under PSC Abroad

Year	No. of FSI Inspection carried out	Number of Detentions	Percentage of detained vessels
2019	148	7	4.73
2020	82	1	1.22
2021	113	3	2.65

Based on outcome of PSC inspections the MOUs classify the flags under three categories *ie* Black, Grey and White. White flag being most desirable and all stakeholders endeavour to achieve it as it translates into minimum detentions and compliance related disruptions, which has a huge cost implications shipping companies. Indian Flag has been classified under Grey List in Paris MOU and Tokyo MOU for several years.

During Audit Annual Reports for last five years were analysed and following was observed:

During 2019 to 2021, 1445 inspections under FSI were conducted in which 136 Major Non-Conformation were found and 62 vessels were detained. The number of detentions of vessels increased from 16 and 17 in 2019 and 2020 respectively to 29 in 2021. Percentage of detention increased from 3.20 percent in 2019 to 5.59 percent in 2020. Reasons for nearly doubling of detentions may be intimated.

During 2019 to 2021, the count of deficiencies/ shortcomings/ for which a vessel was detained ranged from 2 to 22. Initiatives taken by DGS for reducing deficiencies in Indian Flag vessels and improve their quality may be intimated.

DGS has delegated some surveys and applicable statutory certifications to Recognized Organizations (ROs). Out of 62 detentions under FSI during last three years, 61 were surveyed and certified by single RO *ie.* Indian Register of Shipping (IRS) and only one by another RO. Clause 2.8 of MOU signed with IRS states that *any vessel inspected or surveyed by the RO and is subsequently detained during PSC or FSI, the administration may draw adverse inference in respect of the performance of the RO and may take suitable action as may be specified in an order issued by the Administration(DGS), if the deficiencies leading attributed to the detention attributed to the results of improper inspection or survey by the RO.* Directorate may intimate whether for 136 major non-conformations in 62 detentions of Indian Flag vessels during 2019 to 2021 any responsibility was fixed and explanations called for from concerned RO(IRS) on why the vessels certified by them were found non-compliant during FSI inspection.

As per DGS Notice 4 of 2017, the FSI should be completed by MMDs within three months of survey/certification done by the RO. A test check of detentions made under FSI revealed that out of 62 detentions in the last three years 50 detentions pertained inspections/survey undertaken after stipulated period (14 detentions out of 16, 11 detentions out of 17 and 25 detentions out of 29 in 2019, 2020 and

2021 respectively). Due to delay in conducting FSI by MMDs, the RO could not be held responsible for the non-conformities observed. The purpose of regulatory role of DGS on ROs is being defeated as the survey is not taken up timely by MMDs. Reasons for not undertaking the inspection timely and steps taken by DGS to improve the same may be intimated.

The List of Detentions under FSI presented in Annual Report of 2021and 2019 is at variance with data produced in response to Audit requisition during current audit. The Annual Report of 2021 and 2019 lists 17 and 16 detentions as against 29 and 15 respectively mentioned in reply to Audit Requisition. Further the published list of Detentions is identical for Annual Report of 2021 and 2020. The Annual Reports of PSC and FSI is significant as these are published on website and all signatories of Indian MoU and wide ranging stakeholders utilize it. Reasons for variance, publishing of incorrect information may be furnished.

The Annual Report of 2018 states that '*India aims to be a modern Maritime Administration, it is of great concern to see that India continues to be in the grey list of Paris and Tokyo MOU. The efforts of last few years have seen a reduction in port state detention of Indian ships, yet more is required to ensure that India is in White List of Paris and Tokyo MOU in next two years. All players responsible for safe shipping will be made responsible for each detention by way of punitive action which may include withdrawal of international trading license of the vessel, suspension of recognized organization status after due evaluation and suspension of Certificate of Competency of the involved seafarers.* As per Annual Report of PSI & FSI issued by DGS for past three years confirms that India continues to be in Grey List Paris and Tokyo MOU. Whether any step was undertaken by DGS (withdrawal of international trading license of the vessel, suspension of Recognized Organization status after due evaluation and suspension of Certificate of Competency of the involved seafarers etc) during 2019-22 may be intimated. Whether any actionable roadmap with defined milestones/ timelines has been identified by Directorate / Ministry to improve quality of Indian fleet may be intimated.
Management reply is awaited.

Reference Number: OBS-617844

Para 10: Deficiencies in handling incidents of Casualty, Salvage & Wreck under Nautical Wing of DGS

DGS undertakes/handles Casualty and Salvage & Wreck Operations through Nautical Wing. During the period 2019-20 to 2021-22 there were 09 incidents that involved 09 vessels in which 108 casualties and 04 missing were reported. Also there were 04 incidents of pollution damage due to 04 vessels and 04 incidents that required salvage and wreck removal operations to be undertaken. On review of data/files/information related to functions of Nautical wing viz. Casualty, Salvage & Wreck, following is noticed:

A. Preliminary Inquiry Report/Investigation Report related to incidents involving Casualties
Section 359 of Merchant Shipping Act 1958 states that - *Report of shipping casualties to Central Government.-(1) Whenever any such officer as is referred to in sub-section (2) of section 358 receives credible information that a shipping casualty has occurred, he shall forthwith report in writing the information to the Central Government; and may proceed to make a preliminary inquiry into the casualty. (2) An officer making a preliminary inquiry under sub-section (1) shall send a report thereof to the Central Government or such other authority as may be appointed by it in this behalf.*

DGS has delegated the work of making Investigation report on the incidents of casualties to its Mercantile Marine Departments.

Audit observed that-
During the year 2019-20, out of the two incidents reported, Preliminary Investigation (PI) report by MMDs for one case (Coastal Jaguar) was completed in 2.5 months but in second case (MT Maharaja Agarsen, Incident Date 13 April 2019) it was submitted after seven months. Post receipt of PIs, DGS has completed its scrutiny and decided to initiate suspension of COC of 04 crew members in first case (Coastal Jaguar)

however in second case (MT Maharaja Agarsen) the PI report continues to be under review even after lapse of more than three years since receipt of PI from MMD.

For the year 2021-22, six incidents were reported. Three PIs were submitted within 4 months of the incident but in the remaining three incidents PI reports were submitted after 18 months (I. V Barge Surya), 6 months (Varprada), 8 months (Missing Barge VIII) of the date of incident by respective MMDs. Out of these six Incidents, DGS is yet to complete review of one case (SSL Ganga) (18 months since receipt of PI) and in 5 cases it has completed its review. Among those reviewed, in 02 incidents (I.V. Barge Surya, APL Le Havre) DGS has directed other agencies/ bodies to initiate various kinds of action, for two (Pappa 305, Varprada) incidents it has issued orders/ SOPs/Notices to be followed by all.

The timelines for completion of PI and final review thereof were not well defined. MoPSW in its letter (28 January 2022) on the subject *'Interim report regarding sinking of Barge M.V. Surya on 05.04.2021 at Mooring Dolphin, Mormugao Port'* requested DGS to intimate whether prescribed timelines for conducting the preliminary inquiry is provided anywhere or issued for such cases. If guidelines have not been issued till then, DGS was directed to kindly issue such guidelines within 15 days. In view of Ministry Directive, DGS issued SOP for conduct of PI and Investigations in March 2022 (as earlier no such guidelines were available) to MMDs clearly indicating the timelines to be followed for submission of PI Report/Investigation report. Audit observed that no timeline is still decided for examining and completing the review of PI and arriving at penal or corrective action to be taken by DGS.

There is no mechanism of reporting incidents and follow-up thereof to Ministry by DGS.

B. Publication of Shipping Casualties Investigation Report

Article 94 of the United Nation's Convention on Laws of the Sea (UNCLOS) places responsibility on the flag state to carry out inquiry into marine casualty. Also under SOLAS regulation I/21, Load Lines Convention article 23 and MARPOL articles 8 and 12, each Administration undertakes to conduct an investigation into any casualty occurring to ships under its flag. The Indian Maritime Administration conducts Investigations and Inquires into marine casualties in accordance with Part XII of the Indian Merchant Shipping Act, 1958 (as amended). Amongst other objectives, one of the primary aims of a marine casualty investigation is to gather information that could be used to prevent future accidents. An investigation may also assist in determining what changes in the present regulations might be desirable. The Directorate promulgates the 'lessons learnt' from such investigations through its website, in order to increase awareness of the stakeholders about marine casualties and to enhance prevention.

Audit observed that-

For the years 2014, 2015 and 2016, Shipping Casualty Investigation Report was prepared and uploaded on the DGS website in 2019. Similar report for 2017 onwards has not been prepared and uploaded.

It was also noticed that in the past DGS regularly issued Casualty circulars giving nature of incident, findings and recommendations etc after incident/ investigation. However, no such circular has been issued after May 2015. It may be confirmed whether any other mode employed to disseminate these findings/ lessons as these are crucial for improvements.

Thus, the purpose of timely increasing awareness to all stakeholders about marine incidents /casualties and to enhance prevention is not achieved.

C. Salvage and wreck removal operations

Out of five incidents reported in the years 2020-21 and 2021-22, wreck removal/salvage operation is not completed at the time of audit (Feb 2023) for 3 vessels (Basara Star, Pappa 305, Varaprada) after 30 & 20 months respectively, since incident. Due urgency to the subject of pollution is not shown.

Following information were also sought :

Whether there are timelines for the owner/receiver of wreck for completion of salvage and wreck removal operations? (Refer the Merchant Shipping (Wrecks and Salvage) Rules, 1974 If revenue is earned by DGS or by agency authorized by it during salvage and wreck removal operation, where is it accounted in the books and whether it is deposited into the Consolidated Fund of India.

Management reply is awaited.

Reference Number: OBS-617855

Para 11: Non-compliance to Information Technology (Information Security Practices and Procedures for Protected System) Rules made by MeiTY and other Govt. Organisations for LRIT

The Long Range Identification and Tracking (LRIT) of ships was established as an international system on 19 May 2006 by the International Maritime Organization (IMO) vide Resolution MSC.202 (81). The LRIT regulations as laid down by the IMO came into force on 1 January 2008. LRIT which tracks vessels globally is useful for tracking and monitoring ships in coastal areas. LRIT's main purpose is for National & International Search & Rescue, Security & Environmental protection. LRIT data is shared with the other Flag States & Flag's own Navy & Coast. The Indian National Data Centre for LRIT was set up & made operational by Directorate General of Shipping (DGS) Mumbai at its premises in July 2009.

The LRIT application was designed by ISRO and developed by CMC in 2009. After CMC was acquired by M/s TCS, LRIT application was under maintenance of M/s TCS. LRIT System facilities, Information Assets, Logistic Infrastructure and dependencies installed at DGS was notified as ***'Protected System'*** by MoPSW (09 February 2016) for the purpose of Information Technology Act, 2000. Consequently it came under the purview of 'Rules for Information Security Practices and Procedures for Protected Systems', published by Ministry of Electronics and Information Technology (MeitY) on 22 May 2018.

To meet the requirements emanating from being declared as 'Protected System' an RFP for 'Upgrade, Procurement and Redevelopment of the LRIT system' was issued by DGS. After completion of tendering process, LOI was issued to M/s CDAC (26.12.2018) for Rs.36.26 crore with approval of MoPSW. As per the terms and duration of the agreement with CDAC, the Project would continue for a period of five years (upto September 2024) from the date of GO-live (projected date of GO-live was T+180 days ie. September 2019).

The salient features for compliance under the above cited Rules for Protected Systems notified by MeitY are as follows:

Para no 3 (1) (a) – Constitution of Information Security Steering Committee (ISSC) to approve Information Security policies, approve changes in Protected System, establish mechanism for timely communication of Cyber Incident, establish mechanism for sharing audit and compliance result and to assess Protected system after every two years.
Para no 3(2) (F) - Assessment for validation of "Protected System" after two years
Para 3 (3) (a) – Nomination of a Chief Information and Security Officer (CISO)
Para 3 (3) (c) – Documentation of network architecture of "Protected System"
Para 3 (3) (d) - Plan, develop, maintain the documentation of authorised personnel having access to "Protected System" and the same to be reviewed at least once a year
Para 3 (3) (f) – Carrying out Vulnerability/Threat/Risk (V/T/R) Analysis for the cyber security architecture at least once a year.
Para 3 (3) (h) - Conduct of internal(half yearly) and external(annual) Information Security audits periodically according to Information Security Management System(ISMS). The Standard Operating Procedure (SOP) released by National Critical Information Infrastructure Protection Centre (NCIIPC) for "Auditing of CIIs/Protected Systems by Private/Government Organisation" to be strictly followed.
Para 3 (3) (i) - Plan, develop, maintain and review documented process for IT Security Service Level Agreements (SLAs). The same to be strictly followed while designing the Service Level Agreements with service providers.
Plan, develop, maintain and review the process of taking regular backup of logs of networking devices, perimeter devices, communication devices, servers, systems and services supporting "Protected System" and the logs to be handled as per the Information Security Management System(ISMS)
In this regard, Audit observed the following:

Even after lapse of five years of notification of rules, DGS has not constituted the Information Security Steering Committee (ISSC) which is the apex body for setting all the information security policies for the protected system. In the absence of the ISSC, the roadmap for compliance to provisions of *'Rules for Information Security Practices and Procedures for Protected Systems'*, *'Guidelines for Protection of Critical Information Infrastructureand NCIIPC Framework for Evaluating Cyber Security in CII'*, *'IT Act, 2000'* as amended etc have not been complied with.
Director (Transport) NCIIPC (National Critical Information Infrastructure Protection Centre) has requested (19.11.2022) DGS to conduct the ISSC meeting on high priority to improve the cyber security posture of the protected systems as DGS has not conducted any ISSC meeting after year 2018. Even after being reminded by NCIIPC there has been no substantial progress for constitution of ISSC/ appointment of CISO/ Formation of Information Security Department (ISD). Reason for delay in initiation may be intimated.
On perusal of record, it is noticed that several areas/ compliances like; VTR analysis, conduct of internal and external Information Security audits, documentation of the personnel having access to protected system, taking regular backup of logs of networking devices, perimeter devices, etc. supporting protecting system, have not been complied with. Management may intimate the progress made so far and those identified as non-compliant.
Though IT Act was introduced in 2000 (amended in 2008) several rules/regulations and guidelines issued by MeitY circulated from time to time. Considering that the organization has been using online platform of E-Governance for the entire organization, besides LRIT and DG COMM for nearly 15 years, several cyberattack /cyber security related incidents were reported by various organisations, data security and sharing being a sensitive matter on preliminary assessment, it appears that serious attention was not paid by DGS to comply with prevalent Act/rules/guidelines etc. Only after communication from NCIIPC, correspondence on the subject action has been initiated. In case of LRIT it is noticed although technical work was undertaken through awarding contract, administrative decisions/ activities to meet Information Security requirements are delayed.
Management reply is awaited.

Reference Number: OBS-617864

Para 12: Irregular reimbursement of personnel expenses for function of LRIT in violation of Ministry's order

As a contracting government to SOLAS convention of IMO, India had committed to operationalise Long Range Identification and Tracking of ships (LRIT) from 1 January 2009. To meet the hardware and software requirements of LRIT, DGS had engaged with ANTRIX (ISRO) and CMC (later TCS). In order to operationalise the LRIT National Data Centre, DGS proposed to MoPSW(23/01/2009)that as an interim measure it may be allowed to outsource the manpower of 13 persons for LRIT from Indian Register of Shipping (IRS) for a period of one year, for which signing a contract for 01 year with IRS was envisaged. The overall managerial control and supervision of NDC was to be taken care of by the existing officers under Nautical Wing of DGS. It was also impressed upon by DGS that the LRIT -NDC needs to be manned by officers from the regular cadre of Directorate by creating regular posts as the functions of LRIT were of confidential and emergent nature which needs constant interfacing with Navy, Coast Guard and other security agencies; hence it needs to be manned by officers from the regular cadre of Directorate. Considering the immediate implementation and India's international commitment, MoPSW authorised (April 2009) DGS to commence the operations through contractual appointment as an *interim* arrangement. The LRIT is operational since July 2009.

DGS signed a Memorandum of Understanding (MOU) with IRS for operating of LRIT National Data Centre on 10 May 2012, effective from 01.08.2009. The salient features of MOU were as follows:

IRS would raise a bill on the DGS for the actual cost of the personnel recruited and provided for LRIT centre by IRS. A monthly charge of 5% of the total amount billed for the month against the wages would be charged to DGS by IRS, towards administration, overheads and other costs incurred by it. All taxes,

statutory duties and levies in force or which may be in force in future would be to the account of DGS. (Para 6)
An amount of Rs.25,000/- one-time charge for each new recruitment to the IRS (Para 8).
Any liability whatsoever, financially, legally or otherwise in discharging its function under this MOU shall not have any liability on the IRS. (Para 9)
The MOU will remain in full force and effect unless modified or terminated in writing by both parties.(Para 10)
All personnel working at LRIT and employed by IRS as per agreed terms & conditions with IRS to perform LRIT required function. Filling of contractual employee through IRS is approved by the Competent Authority
The MOU continues to be in effect and since July 2009 IRS has been manning the LRIT-NDC with DGS paying for services through Monthly invoices received from IRS besides other incidental. Presently LRIT -NDC is manned 24 x 7, 365 days by 8 persons (6 Master Mariner & Radio Officer/ 2 DEO, clerical Staff). The system is maintained by DGS through CDAC. The LRIT NDC was initially housed in DGS premises at Jahaj Bhavan. However, after the structure being declared unfit and shifting of DGS from the premises, LRIT was shifted to Nav Bhavan in Mumbai.

Meanwhile, DGS forwarded (20/04/2011) SFC Memorandum containing proposal for 13 new posts of regular manpower for manning LRIT to MoPSW. DGS followed up with DO letters (05.10.2011, 21.11.2011, 16.05.2014, 06.08.2014) for sanctioning 13 regular posts (5 Nautical Surveyor, 5 Radio Inspector and 3 clerical staff) of LRIT. Further, DGS sent (31.07.2017) a proposal again for creation of 13 Posts with changes composition (2 Deputy Nautical Adviser, 1 Principal Radio Surveyor, 5 Nautical Surveyors, 5 Radio Inspector) with justification. It also mentioned about audit observation of 2016 on the subject matter. Furthermore, it also gave reason for requirement of regular staff like LRIT being ultra sensitive system, its vitality for National Strategic & Maritime Security and declaration of LRIT as protected system/critical information infrastructure by GOI. Justification on financial implication for recruitment of staff was also given. Most recent correspondence on the subject matter was made by DGS on 05.03.2020.

DGS stated (19/01/2023) that Directorate was pursuing creation of 13 posts for Group A officers, however, same has not yet been approved and operations of LRIT NDC continue to be carried out through IRS.

In this regard following observations are made -

DGS has last corresponded on the subject of manpower of LRIT with MoPSW in 2020. For last three years there has been no correspondence with Ministry on sanction of regular posts despite its critical importance and sensitivity.
The MOU with IRS signed on 10 May 2012 and continues to be in force at the time of audit. IRS has been manning LRIT system for nearly 14 years now. This arrangement is in violation of the order and spirit of the approval for arrangement received from the Ministry as it had clearly stated that the contract provision is totally interim provision for a period of one year and the nature of the functions of the LRIT is highly confidential hence deployment of the personnel must be regular cadre of the Directorate. DGS has not taken sanction/ approval of continuation of the arrangement far beyond the envisaged period.
After notification of LRIT as a 'Protected System' by Ministry in 2016 and introduction of Rules for Protected System in 2018of MeitY, DGS is bound to plan, develop, maintain the documentation of authorized personnel having access to 'Protected System' and the same shall be reviewed at least once a year, or whenever required, or according to the (Information Security Management System(ISMS). Compliance to above provisions may be furnished.
The Directorate had paid an amount of Rs.3,55,14,567/- to the IRS on account of salary reimbursement and services charges from the year 2009-10 to 2015-16. From April 2016 to December 2022 DGS had reimbursed an amount of Rs.3,82,43,883 to IRS for salary reimbursement. (Rs.7,37,58,450/- total amount reimbursed till date)
For past nearly ten years the LRIT NDC and DGS are not functioning from same location, as was originally envisaged. No official of DGS is deployed at Nau Bhavan to oversee the system and manpower hired from IRS. Considering that IRS has absolved itself of all liabilities vide Para 9 of MOU signed with DGS and

the importance, sensitivity of the system the risk perception with regard to confidentiality and security needs to be assessed on priority and suitable action/ procedures/SOPs need to be devised.
Management reply is awaited.

Reference Number: OBS-617870

Para13: Systemic deficiencies observed in the record maintenance and the process of issuing COC (Certificate of Competence) to seafarers by DGS

Citizen Charter (21/02/.2018) issued by DGS states that time for dispatch of Certificate of Competency (COC) for Nautical Wing examination is 14 days after declaration of examination result. 'Issue of competency certificate' is clearly stated to be 'dispatch of competency certificate'. Procedure for Photo/signature updation and verification of an applicant is issued by DGS through Order no 7 of 2021 (28.01.2021).

A test check of COC module of e-Governance portal of DGS for the month of January 2022 was done and seven cases were selected on random basis to evaluate the process. Following observations are made in this regard-
In contravention of Citizen Charter definition, DGS is considering date of issue of COC to be Date of approval of COC by Nautical Surveyor Exam as against Date of dispatch by Post of the physical COC from DGS. At the same time DGS considers the application date (actual receipt) of a candidate's application as the date when it is verified by the Nautical Surveyor Exam, though it may have been applied much earlier. Thus by considering intermediate stage as final stage, number of days for issuing COC are being calculated incorrectly (COC No. – IFO 24483, Software CoC Issue Date is 03.02.2022 however actual/physical CoC delivery/issue date is 07.02.2022) that may lead to more than 14 days being taken for issuing COC leading to inconvenience of seafarers.
In the report generated from e-governance portal (January 2022) of COC issued to seafarers (Second Mate of a Foreign Going Ship), columns viz. *Cert Delelvery Option Seleted: , Cert Deliverd on : , Actual Certificate Deliverd :* are appearing blank, indicating lack of significance given to physical dispatch of COCs.
Status of COCs can be seen on website of DGS by a seafarer who has applied for it. Test check of one of the pdf files uploaded under COC status on the website has revealed that only name and Speed Post/Barcode is provided to track the status of physical delivery of COC. Unique identification for seafarer is not available.
It is recommended that Directorate may review and ensure that timelines for issuance of all examination related certificates, of seafarers, both Nautical and Engineering Wing, are correctly measured considering the entire sequence of procedures, both online as well as physical and improve its quality of delivery for all stakeholders.

Management reply is awaited.

Reference Number: OBS-617875

Para 14: Space Management of DGS

The Directorate General of Shipping was situated at its own building Jahaz Bhavan, landlord being MbPT. However as the building was declared unsafe the office shifted (September 2013) to a rental space in Kanjur Marg as an interim arrangement, until new building was constructed on the plot. At the time of shifting due to shortage of space at rented premises, it was decided to operate LRIT and DGCOMM facility from Nav Bhavan, another rented premises. Besides these two rented locations, a separate facility has been hired since January 2021 to keep physical records of DGS. The rented office premises at Kanjur Marg is being shared with Maritime Training Trust (MTT), a Public Charitable Trust, formed on 15.12.2004. At the inception the Registered office of MTT was INSA, however currently it is the same premises as office of directorate at Kanjur Marg.

One of the objectives of formation of MTT was to maintain a Tonnage Tax Cell(TTC), located in DGS, to issue certificates to shipping companies availing of Tonnage Tax Scheme (notified in December 2004). Role of Tonnage Tax Cell was to undertake annual assessment of shortfall in trainings of seafarers conducted by shipping companies availing of Tonnage Tax Scheme and to assist DGS to issue the applicable certificates to be submitted annually to Income Tax authorities by these companies alongwith their Income Tax Return.

Para 6 of Notification of 30th December 2004 containing Guidelines for providing training by Shipping Companies opting Tonnage Tax Scheme and Para 5 of Notification of 12 December 2007 containing Revised Guidelines thereon states that *the trust funds may be used for meeting all the administrative expenses relating to Tonnage Tax Cell to be created by the DGS and for the promotion of training and employment of Indian seafaring officers.*

Further, Tonnage Tax Circular No.2 of 2005 issued by DGS on Powers and Functions of Board of Trustees of MTT states that '*To pay, out of Income of the Trust, for setting up an office establishment as its separate cell in the DGS and to provide required staff, furniture, fixtures, appliances, equipment, telephones, computers and other paraphernalia required for running an office, for the purpose of carrying out and implementing all aspects of work in accordance with Act read with Guidelines issued by DGS including issuance of Certificates and compliance of various formalities provided in the Act and the Guidelines and incur all expenditure in that behalf*' *(Sr.no.iv)*. It also states '*to pay out of the income of the Trust Fund all out goings payable in respect of the Trust Fund including all ground rent, rates, taxes relating to any immovable property forming part of Trust Fund and all other incidental expenses incidental to management, administration and maintenance of the Trust Fund and execution of the Trusts herein contained including wages and salaries of employees* (Sr *no (iii))*

In this regard Audit observations are as follows:

(i) All the activities of MTT, besides Tonnage Tax Cell are being undertaken from the premises of office of DGS. The rental premises of DGS office are currently the declared registered office of trust and also in GST records. As per the Circular of 2005 the Registered office of MTT was INSA office (22, Maker Tower-F, Cuffe Parade, Mumbai) but it was later changed to current office premises of DGS (9th Floor, Beta Building, iThink Techno Campus, Kanjur Marg East, Mumbai). Reasons for allowing MTT to function entirely from DGS premises by registering it as its Registered Office as against allowing limited activity of TTC from its premises may be clarified.

(ii) All the employees of MTT and (its outsourced manpower agency for INDoS Cell activities) are not only using the space and furniture & fixtures of DGS but also the E-Governance platform for conducting its various activities and receipt of funds through Bill Desk. As per audited annual statement of MTT for 2021-22, it was noticed that no payment was made by MTT for using its space, E-Governance platform and multiple other facilities maintained by DGS, funded through funds allocated through consolidated fund of India (CFI). The above cited notification and Circular clearly states that MTT has to incur the administrative expenditure out of its trust funds. Reasons for not recovering rent and user charges from MTT may be furnished.

(iii) The space offered by DGS to IRS, on behalf of users of shipping companies, to locate and operate DGCOMM facility earlier from its office in Jahaj Bhavan and later from Nav Bhavan premises is free of cost. The MOU signed by DGS states it shall provide space and electricity charges and all other establishment charges incurred by IRS for running the facility shall be paid by the users in advance. DGS has not revisited the MOU or raised any demand for rent/user charges since 2013 when it itself became liable to pay rent for Nav Bhavan. (a) Details of rent paid by DGS from Nav Bhavan for LRIT and DGCOMM facility may be furnished. (b) Further penalty has been levied by Estate Manager of Nav Bhavan on DGS and has been served Notice to vacate premises. Details of penalty, status of payment and alternate arrangements proposed for shifting DGCOMM and LRIT facility may be intimated.

(iv) In last ten years whether the Directorate has approached MbPT (landlord of Jahaz Bhavan and Nav Bhavan) or CPWD or Ministry for alternate plot or building may be intimated.

Management reply is awaited.

Reference Number: OBS-617888

Para 15: Complaint redressal of seafarers

Seafarers experience difficulties during their tenure relating to conditions of service including non-payment of wages. The nature of their job limits their opportunity to be ashore and as such makes it difficult for them for a proper follow up action for resolving their individual problems. In course of time such problems become unresolved grievances which require quick and effective redressal.

The complaint redressal mechanism of DGS for seafarers comprises of 'Online Grievance Redressal Mechanism', a special module Egovernance platform of DGS to exclusively deal with crew related matters and a Grievance Report for Female Seafarers also in Egovernanace for female seafarers to lodge their complaints. DGS launched the grievance redressal mechanism for the seafarers for the first time in 2011. The entire framework was revised and made Decentralised under MS Notice No.3 dated 30/01/2013. The redressal mechanism was made online vide MS Notice No.6 of 2019 which allowed seafarer to lodge their grievances in the system online, receive queries from concerned officials, status of complaint and final decision. Besides above mechanism CPGRAM, the online portal of GoI, and a Helpdesk at DGS attends to grievances received through Emails and Social Media (Twitter, Facebook).

The salient feature of Circulars issued by DGS on the timeline of crew redressal are as follows:

Crew Branch Circular No.3 of 2011dated 05/04/2011- stated that the grievance will be processed and a reply within 15 days of the receipt of such communication."
MS Notice No.3 dated 30/01/2013 made it decentralised by assigning Designated Grievance Redressal Officer' at field offices who would attend to the eligible grievance(s) and dispose off the same with a Speaking Order within a period not exceeding thirty working days of receipt. The seafarers were provided two levels to make Appeals, DGS being the second and final. The Designated Grievance Redressal Officers and 'first Apellate Authorities were to furnish monthly reports to DGS in prescribed Proforma. '
MS Notice No.6 of 2019 states that in order to overcome procedural delays and expedite resolution of seafarers' grievances, the grievance redressal mechanism is being launched online for registering grievance and obtaining response thereon.
Due to the nature of merchant shipping activity, there are difficulties faced by seafarers for their employment opportunities and conditions of service. To address them DGS introduced a module exclusively pertaining to Recruitment and Placement Services agencies, licensed by it, on the e-Governance platform vide Merchant Shipping Notice No. 6 of 2018 dated 11.10.2018. The circular directed *all the existing RPSL companies to complete and update their online profile latest by 25/10/2018. The RPSL companies failing to update their online profile within the due date shall not be able to sign on any seafarer on board a vessel.*

During course of audit the records/ data on crew redressal was examined. In this regard audit observations are as follows:

The Crew Wing of DGS receives grievances on its Grievances module of E-Governance and the designated officer, 'Assistant Director General of Shipping' disposes all the grievances. It is noticed that with retirement of ADG(Crew) on 31 January 2022 the post of the 'Designated Officer' is lying vacant and for more than one year the grievances (death, abandoned, etc) were not disposed off timely and continued to be pending in the portal for extended duration. After commencement of the audit, an order was issued in which as an interim measure a Consultant was assigned the role of Designated Officer for attending the grievances that were forwarded to the ADG (Crew) until a regular ADG (Crew) joined the post. At commencement of audit there were 1200 unattended grievances and after issuance of orders the unattended grievances reduced to 577. Further status of reduction of grievances may be intimated to Audit. Retirement is a known event for which proactive action of timely allocating charge by nominating another officer is a regular practice under office procedure. Reasons for not nominating and assigning the work to consultant may be intimated.