CHAPTER-II

ECONOMIC SECTOR

(other than State Public Sector Undertakings)

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(Other than State Public Sector Undertakings)

2.1 Introduction

This Chapter of the Audit report for the year ended 31 March 2015 deals with the findings on audit of the State Government under Economic Sector (other than State Public Sector Undertakings).

The names of the State Government Departments and the total budget allocation and expenditure of the State Government under Economic Sector (other than SPSUs) during the year 2014-15 are given in the table below:

Table-2.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Planning & Programme Implementation	237.23	40.64
2.	Agriculture	202.00	162.31
3.	Horticulture	136.14	112.22
4.	Soil and Water Conservation	52.44	50.21
5.	Animal Husbandry and Veterinary	185.00	177.00
6.	Fisheries	31.74	31.76
7.	Co-operation	17.70	16.60
8.	Rural Development	431.50	286.10
9.	Industries	120.00	115.23
10.	Sericulture	34.61	33.70
11.	Tourism	16.30	8.44
12.	Trade and Commerce	11.73	10.35
13.	Public Works	532.21	540.00
14.	Minor Irrigation	77.43	11.43
15.	Information & Communication Technology	14.50	11.40
	Total	**2100.53**	**1607.39**

Source: Appropriation Accounts, Government of Mizoram, 2014-15

2.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls *etc*.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection reports are processed for inclusion in the Audit Report, which is submitted to the Governor of State under Article 151 of the Constitution of India.

The audits were conducted during 2014-15 involving expenditure of ₹ 580.61 crore out of the total expenditure of ₹ 1,607.39 crore of the State Government under Economic (other than State Public Sector Undertakings) Sector. This chapter contains one Performance Audit on 'Pradhan Mantri Gram Sadak Yojana (PMGSY)' and two Compliance Audit paragraphs.

The major observations made in audit during 2014-15 are discussed in the succeeding paragraphs.

PERFORMANCE AUDIT

PUBLIC WORKS DEPARTMENT

2.3 Performance Audit on Pradhan Mantri Gram Sadak Yojana (PMGSY)

The Government of India launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) on 25 December 2000 with the primary objective to provide connectivity, by way of all weather roads to the eligible un-connected habitations in rural areas with a population of 500 persons and above in Plain areas. In respect of Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand), the objective would be to connect eligible un-connected habitations with a population of 250 persons and above. A Performance Audit of Implementation of the PMGSY in Mizoram was carried out covering the period from 2010-11 to 2014-15.

During 2010-15 only works related to new connectivity were undertaken in the State. At the beginning of 2010-11 there were 60 eligible un-connected habitations, of which 55 habitations have been provided with connectivity progressively by 2014-15. The State has moderately successful in fulfilling the objective of providing connectivity to the eligible habitation. However, the scheme was not implemented in a time bound manner. Instances of shortcomings/lapses in the implementation of the scheme such as acceptance of invalid performance guarantees, incurring of excess expenditure, execution of deviated/extra items of works without written orders of the Engineers, execution sub-standard works, *etc.* were noticed. The Performance Audit of the Scheme brought out the following significant findings:

Highlights

The Nodal Department did not prepare any Block-Specific Master Plan for 26 Blocks. Moreover, the District Rural Roads Plans for eight districts were prepared by the Nodal Department without consulting the District Rural Development Agencies/District Planning Committees.

(Paragraph 2.3.10)

The State Government transferred a central assistance of ₹ 54.74 crore into the account of Mizoram Rural Road Development Authority (MiRRDA) with an inordinate delay ranging between 100 and 183 days, for which an interest of ₹ 2.67 crore was payable by the State Government to MiRRDA.

(Paragraph 2.3.11.6)

The Chief Executive Officer, MiRRDA without obtaining formal approval of the NRRDA diverted an amount of ₹ 132.86 lakh towards meeting expenditure for extra/deviated item of works in respect of four works.

(Paragraph 2.3.11.9)

Out of 109 works taken up for execution by three districts (Aizawl, Champhai and Lunglei) up-to March 2005, completion of 21 works was delayed upto two years, 11 works by two to five years and nine works for more than five years.

(Paragraph 2.3.12.3)

On termination of contract, a mobilization/equipment advance of ₹ 29.50 lakh could not be forfeited to PMGSY account due to irregular acceptance of Bank Guarantee, without validity and coverage upto the contract period.

(Paragraph 2.3.12.5)

Against the construction of road (Darlawn – N. Serzawl) the Executive Engineer, National Highway-II Division, Aizawl incurred an excess expenditure of ₹ 76.06 lakh.

(Paragraph 2.3.12.7)

In 13 packages under six PIUs an expenditure of ₹ 3.38 crore was sanctioned for meeting the cost of deviated/extra item of works without written orders of the Engineers.

(Paragraph 2.3.12.8)

In case of 13 works, under eight packages, the five PIUs extended undue financial benefit by releasing security deposits of ₹ 1.38 crore to the contractors before the end of the prescribed period thereby also risking the rectification of defects.

(Paragraph 2.3.12.10)

2.3.1 Introduction

Rural road connectivity is a key component of rural development without which necessary social and economic services cannot penetrate into the rural village and also, the agricultural products of the rural areas cannot find market in the urban areas. Thus, bad road connectivity or absence of road is a stumbling block to development.

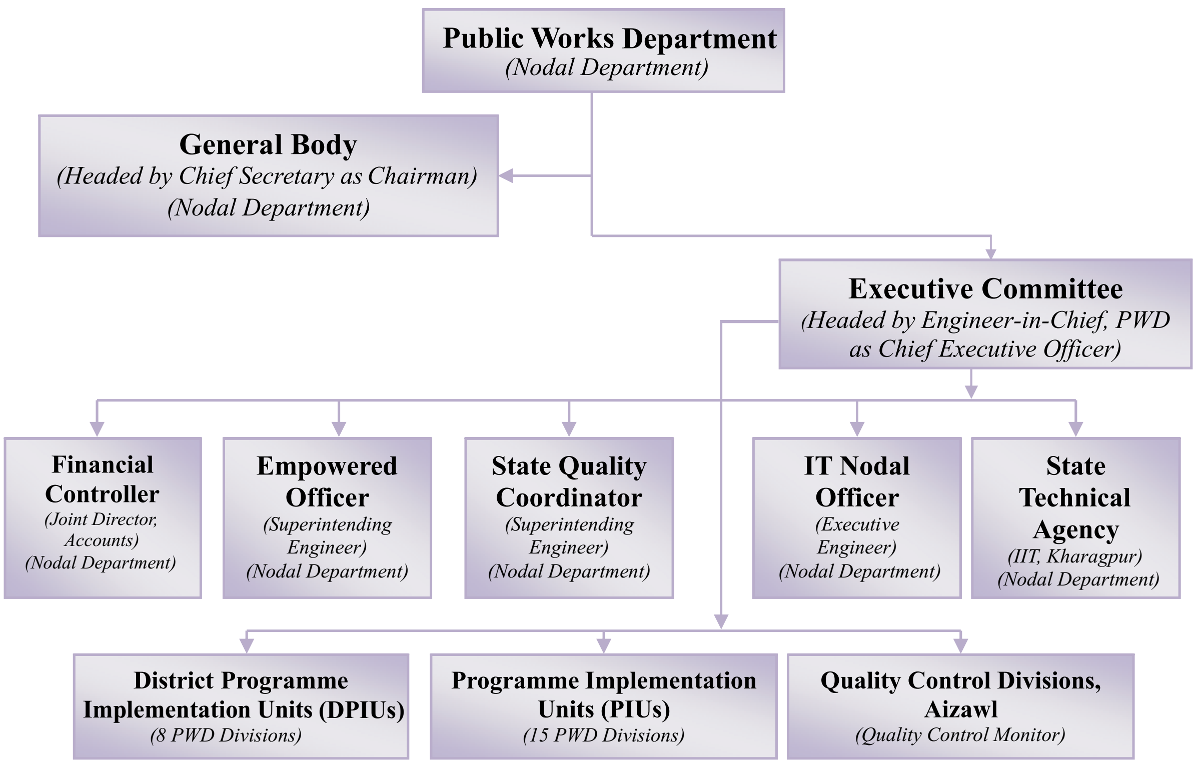
Government of India (GoI) had launched the Pradhan Mantri Gram Sadak Yojana (PMGSY) on 25 December 2000 to provide all-weather road (with necessary culverts and cross-drainage structures) access to the eligible unconnected habitations in the rural areas with a population of 500 persons and above in Plain areas. In respect of the Hill States[1], the objective was to connect eligible unconnected habitations with a population of 250 persons and above. PMGSY is a 100 *per cent* Centrally Sponsored Scheme.

2.3.2 Organisational Set-up

The organisational chart showing various agencies associated with the implementation of the programme in the State is given below:

Chart - 2.1

Organisational set-up of Mizoram Rural Roads Development Agency (MiRRDA)



1 North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir and Uttarakhand

2.3.3 Audit Objectives

The performance audit was undertaken to get a reasonable assurance that:

- The systems and procedures in place for identification/preparation of Core Network as well as District Rural Road Plan were adequate and conform to the Programme provisions;
- The allocation and release of funds under PMGSY were made in an adequate and timely manner to ensure optimum utilisation of funds;
- The road works were executed economically, efficiently and effectively; and
- The existing monitoring system and quality control mechanism was adequate and effective for achieving the desired objective.

2.3.4 Audit Methodology

An entry conference was held with the Secretary, PWD, Government of Mizoram on 18 May 2015, in which the audit methodology and the objectives of the performance audit were explained. The Performance Audit covered the period of 2010-15. The records of the Nodal Department and Mizoram Rural Roads Development Agency (MiRRDA) as well as District and Programme Implementation Units (PIUs) level implementing authorities for the selected three sampled districts (Aizawl, Champhai and Lunglei) were examined during the audit between May to September 2015. The draft review was sent to the Government on 14 October 2015 for their reference and response. An exit conference was held on 8 December 2015 with the Principal Secretary to the Government of Mizoram, Public Works Department during which important audit observations were discussed. The replies received during the course of audit and at the time of exit conference have been suitably incorporated at appropriate paragraphs.

2.3.5 Sample Selection of Districts

Out of eight districts in the State three districts, *viz.* Aizawl, Champhai and Lunglei districts were selected randomly using Probability Proportional to Size Without Replacement (PPSWOR) method.

2.3.6 Selection of Packages

Selection of packages from the sample districts was based on the criteria given below:

Table-2.2

Selected District having total packages	Packages being selected
Upto 5	All packages
Above 5 and upto 10	50 *per cent* of total packages subject to minimum of five
Above 10	25 *per cent* of total packages subject to minimum of five

The actual selection of packages in the selected districts for audit coverage is as under:

Table-2.3

Name of selected Districts	No. of packages	No. of packages selected
1. Aizawl	21	09 (43 *per cent*)
2. Champhai	20	09 (45 *per cent*)
3. Lunglei	11	09 (82 *per cent*)

2.3.7 Assessment of quality through technical examination

A Joint Physical Verification of nine completed roads (selected randomly) out of selected packages from selected districts in the State was carried out.

2.3.8 Audit Criteria

The main sources of audit criteria are the following:

- Guidelines of the programme;
- Operational, Accounts, Rural Road Manual, *etc*. of PMGSY;
- Annual Reports/Instructions/Guidelines issued by NRRDA;
- Periodical Reports/Returns prescribed by the State Government;
- Reports of National and State Quality Monitors and National Level Monitors; and
- Studies conducted by various agencies at Central/State level.

2.3.9 Acknowledgement

The Indian Audit and Accounts Department acknowledges and appreciates the co-operation rendered by the Nodal Department (Public Works Department), Officers and Staff of the Mizoram Rural Roads Development Agency (MiRRDA) and PIUs level functionaries of the sample districts during the course of the Performance Audit.

AUDIT FINDINGS

Significant audit findings noticed during the course of Performance Audit are discussed in the succeeding paragraphs.

2.3.10 Identification/preparation of Core Network as well as District Rural Road Plan

Planning

Proper planning is imperative for achieving the objectives of the programme in a systematic and cost effective manner. The District Rural Roads Plan (DRRP) is supposed to indicate the entire existing road network systems in the district and also clearly indentify the proposed roads for providing connectivity to eligible Unconnected Habitations in an economic and efficient manner. The Core Network will identify the roads required to assure each eligible habitation with a basic access (single all weather road connectivity) to essential social and economic services. Accordingly, the Core Network would consist of some of the existing roads as well as all the roads proposed for new construction under the PMGSY.

The DRRP was to be prepared at two levels-the Block and the District. The Block-wise Road Plans were required to be prepared in accordance with the priorities spelt out by the District Panchayat. The block-specific master plan was to be integrated into the District Level Road Plan and placed before the District Panchayat for consideration and approval. Then the Plan would be forwarded by the Programme Implementing Unit (PIU) to the Nodal Department/ SRRDA for the approval of the State Level Standing Committee (SLSC). After SLSC approval, it would become the final District Rural Road Plan (DRRP), and would form the basis for selection of road works under PMGSY through the Core Network.

In Mizoram, there are 26 Rural Development Blocks in the eight Districts of the State. The Nodal Department (PWD) instead of preparing Block-wise Master Plan for the 26 blocks, had straightaway prepared DRRPs for the eight Districts without prior consultation of the District level authorities. These were approved by the SLSC on November 2005 along with the Core Network.

There should be three types of habitations in the Core Networks *viz.* (i) those which are connected, having all-weather roads; (ii) those which are not connected at all; and (iii) those which are connected only by a fair weather road. Audit observed that only two categories of roads - connected and not connected roads were included in the Core Network. Habitations connected by fair weather roads with jeepable tracts were included under both 'connected with all-weather roads' or 'not connected with roads'. As such, the actual number of habitations which require new connectivity could not be ascertained in audit. As per abstract of the Core Network, the number of habitations not connected by all-weather roads was 253 (Table-2.4). Based on the Core Network, the Department prepared Comprehensive New Connectivity Priority List (CNCPL) grouping them in the following order of priority:

Table-2.4

Priority No.	Population Size	No. of Habitations	Category
I	1000^{+}	32	New Connectivity
II	500-999	105	-do-
III	250-499	116	-do-
Total		**253**	-

Source: Departmental records

The State Government stated (December 2015) that the Master Plan and Core-Network were made covering all eligible habitations based on the latest census data available at that time, in consultation with Rural Development and Planning & Programme Implementation Departments. It was further stated that due consideration has also been given to the suggestions from Public representative like MPs, MLAs, Members of Autonomous District Councils and Village Councils within the Programme Guidelines.

The reply is silent about audit contention that no prior consultation was carried out with District level authorities while formulating block-wise Master Plan as envisaged in PMGSY guidelines.

It is recommended that, the District Rural Roads Plans should be prepared with active involvement of District level Stakeholders.

2.3.11 Financial Management

2.3.11.1 Financial outlay and expenditure

The SRRDA of each state would receive the funds for implementation of PMGSY. These include the Programme fund, Administrative expenses fund and Maintenance Fund. SRRDA would be responsible for rendering its accounts to the MORD/NRRDA.

2.3.11.2 Programme Fund

The year-wise position in respect of programme fund, during 2010-15 is given in the following table:

Table-2.5

(₹ in crore)

Year	Opening Balance	Central release	Misc. receipt	Total	Expenditure	Closing Balance	Amount of utilisation reported	
							As per MPR	As per UC
2010-11	-2.21	95.59	0.09	93.47	87.70	5.77	82.24	91.88
2011-12	5.77	93.62	3.35	102.74	78.05	24.69	86.05	89.14
2012-13	24.69	70.32	2.19	97.20	36.64	60.56	41.37	36.64
2013-14	60.56	Nil	2.82	63.38	37.89	25.49	31.33	Not Available
2014-15	25.49	54.74	0.75	80.98	73.46	7.52	67.62	75.72
Total	**-2.21**	**314.27**	**9.20**	**321.26**	**313.74**	**7.52**	**308.61**	**293.38**

Source: Departmental records

Scrutiny of records pertaining to transactions of programme fund revealed the following:

2.3.11.3 Incorrect financial reporting

Based on Monthly Progress Reports (MPRs) received from the PIUs, the MiRRDA submit consolidated MPRs along with Utilisation Certificates (UCs) to the NRRDA.

As can be seen from the above table, there was a discrepancy between the actual expenditure incurred and expenditure reported to NRRDA through MPRs and UCs pertaining to programme fund during 2010-15.

While accepting the facts, the State Government stated (December 2015) that expenditure reflected in the MPRs comprises only those expenditure incurred for Civil works where as expenditure in the UCs covered the entire expenditure of the Scheme within a specified period and hence the two figures could not tally. However, the reply was silent about the discrepancies between actual expenditure and that reflected in MPRs.

2.3.11.4 Cash Book not maintained

Cash Book is one of the most important account records of the PMGSY. The Cash Book is the ledger account for cash and bank transactions. Paragraph-7.6 of Accounts Manual (PMGSY Programme Fund) provides that, an account of the cash transactions should be maintained in the Cash Book form PMGSY/IA/F-3A by the Officers in the capacity of Cheque Drawing and Disbursing Officers (CDDOs).

The CDDO of the MiRRDA, however, had not maintained a Cash Book during the period covered under audit for the transactions pertaining to the Programme Fund, except Monthly Statement of accounts. As a result, the closing cash balances at the end of each financial year during 2010-15 could not be verified in audit with the closing bank balances for the concerned financial years.

While accepting the fact, the State Government stated (December 2015) that Cash Book for the period of 2010-15 is being updated and will be continued for the subsequent financial years.

It is recommended that, the CDDO MiRRDA should maintain a proper cash book for the Programme Fund, otherwise there is a serious risk of financial irregularities including misapropriation.

2.3.11.5 Security Deposit utilised

As per Para 9.14 of Operation Manual, the Engineer would convert security deposits for the defect liability period into interest bearing securities of a scheduled commercial bank in the name of the Employer if so desired by the contractor.

There was a negative opening balance of ₹ 2.21 crore in Programme fund at the beginning of the year 2010-11. This is due to the fact that the MiRRDA had spent ₹ 2.21 crore prior to 2010-11 out of the security deposits deducted from the contractors' bills, which was deposited in the bank along with the Programme Fund. The negative balance was, however, adjusted during subsequent years.

Thus, incurring the expenditure out of contractors' security deposits without converting it into interest bearing securities was irregular.

While accepting the fact, the State Government stated (December 2015) that this kind of practice will not be repeated in future.

2.3.11.6 Delay in release of Central Assistance by the State Government

The Ministry of Rural Development, GoI, released (25 September 2014) a Central assistance of ₹ 54.74 crore for the year 2014-15 to the State Government. In their release order, the GoI specifically instructed the State Government to transfer the fund to the MiRRDA within three working days positively from the date of receipt of the fund. In case of non-transfer beyond this period, the State Government would be liable to pay interest @ 12 *per cent* for the period of delay beyond the specified period.

It was, however, observed that the State Government transferred the fund into the account of the MiRRDA in five installments with delay ranging between 100 and 183 days. For this delay ₹ 2.67 crore interest was payable by the State Government to the MiRRDA as detailed in table below:

Table-2.6

(₹ in crore)

Date of release by GoI	Amount released	Due date of release by the State	Actual date of release by the State	Amount release by the State	Period of delay (in days)	Interest payable
25.09.2014	54.74	29.09.2014	07.01.2015	10.00	100	0.33
		29.09.2014	22.01.2015	4.74	115	0.18
		29.09.2014	12.02.2015	10.00	136	0.45
		29.09.2014	03.03.2015	10.00	155	0.51
		29.09.2014	31.03.2015	20.00	183	1.20
Total	**54.74**	**-**	**-**	**54.74**	**-**	**2.67**

Source: Departmental records

The interest is still to be paid (September 2015).

While accepting the fact, the State Government stated (December 2015) that the MiRRDA continuously pursued the matter with Finance Department but no fruitful result has been obtained so far.

2.3.11.7 Investment not made in Fixed Deposit

As per Para 13.1.4 of the Operations Manual, a tripartite Memorandum of Understanding (MoU) was to be entered into between the Bank, SRRDA and Ministry of Rural Development wherein the parties would agree to abide by the provisions of the Guidelines. In particular, the Bank would agree to abide by the instructions issued from time to time by the MoRD/NRRDA regarding operation of the account. As per MoU all funds in excess of ₹ 50 lakh would be automatically maintained by the Bank as Fixed Deposits, at an interest rate not below that of Treasury bill for 91 days. The Bank may encash the Fixed Deposits in tranches of ₹ 25 lakh by paying the interest for the days of the FDR without any reduction in the rate of interest.

It was noticed that though the closing balances at the end of each financial year during 2010-15 were more than ₹ 50 lakh, the amount exceeding ₹ 50 lakh each year was not automatically invested by the Bank as FD except ₹ 16 crore in FD for a period from 14 October 2011 to 14 November 2014 at an interest rate of 6.5 *per cent*. For the remaining amount, the Bank allowed normal interest rate of five *per cent*.

Audit estimated the loss due to non-compliance of the Bank to provide interest as stipulated in the MoU. It was observed that due to non-investment of fund in excess ₹ 50 lakh, the MiRRDA sustained a loss of ₹ 1.21 crore of interest for the amount kept in normal saving accounts.

The MiRRDA needs to take up the matter with Bank for not complying the MoU. Detail of calculation of interest is given in **Appendix-2.1**.

While accepting the fact, the State Government stated (December 2015) that the matter will be pursued as per provisions of Tripartite Memorandum of Understanding (MoU) in future.

2.3.11.8 Special allocation not received

Para 5.3 of the Program Guidelines provides that in addition to the allocation to the States, a special allocation of upto five *per cent* of the annual allocation from the Rural Roads share of the Diesel Cess would be made for:

- District sharing borders with Myanmar, Bangladesh and Nepal (in coordination with Ministry of Home Affairs),
- Selected Tribal and Backward Districts (under IAP) identified by the Ministry of Home Affairs and Planning Commission,
- Extremely Backward Districts (as identified by the Planning Commission) which can be categorized as Special Problem Areas,
- Research and Development Projects and innovation.

Out of the eight Districts in the State, six districts (Champhai, Mamit, Lunglei, Lawngtlai, Saiha and Serchhip) are sharing international borders with Myanmar and Bangladesh. Thus, Mizoram State is entitled for additional allocation upto five *per cent* of the annual allocation from the Rural Roads share of the Diesel Cess.

It was, however, noticed that during the period 2010-15, the State Government had not received such kind of special allocation from the Government of India/NRRDA.

While accepting the fact, the State Government stated (December 2015) that they are pursuing the matter with MoRD.

It is recommended that the MiRRDA should take initiative for availing special allocation for the districts sharing international borders and utilise the funds received to give special thrust in this area.

2.3.11.9 Diversion of fund

Para 6.2 of PMGSY Accounts Manual for Programme Fund provides that re-appropriation of funds from one work to another are regulated as under:

- Change in scope of work by way of items of quantities, value of which does not exceed 10 *per cent* in a DPR may be approved under intimation to NRRDA, after making necessary entries in OMMAS. In case there is a material change in the scope of work during execution by way of items or quantities resulting in variation (*plus or minus*) exceeding 10 *per cent,* the matter should be analysed in detail and reported to NRRDA for prior scrutiny. The excess, if approved, shall be absorbed in the district level surplus out of works cleared in a phase failing which net saving at the State level will be used for the purpose.

Scrutiny of the records of the office of the CEO, MiRRDA revealed that, in Mamit district, the NRRDA cleared (27 February 2009) two road works (Bunghmun-W.Mualthuam and Bunghmun-Thaidawr) at a total cost of ₹ 1,136.35 lakh, against which, the Department incurred (August 2015) ₹ 658.76 lakh for the on-going works with an anticipated savings (more than 10 *per cent*) of ₹ 507.59 lakh. The CEO MiRRDA, however, without obtaining formal approval from NRRDA diverted ₹ 132.86 lakh towards meeting the expenditures for the extra/deviated item of works in respect of following four works as given in the table below:

Table-2.7

(₹ in lakh)

Sl. No.	Name of Works (Package No.)	Amount Sanctioned by NRRDA (date)	Up-to date expenditure (August 2015)	Anticipated savings	Details of diversion:	
					Name of Works	Amount diverted
1.	Bunghmun - W. Mualthuam (MZ-06-75)	662.70 (February 2009)	382.65	280.05	(1) W. Phaileng-Tirum &W. Phaileng-Damparengpui	13.47
					(2) Lungphun-Kanghmun	90.81
2.	Bunghmun - Thaidawr (MZ-06-72)	503.65 (February 2009)	276.11	227.54	(3) Lungsai-Maubuang	9.44
					(4) Aibawk-Darlung road from R. Tlawng	19.14
Total		**1166.35**	**658.76**	**507.59**	-	**132.86**

Source: Departmental records

While accepting the fact the State Government stated (December 2015) that the items of work for Bunghmun - W. Mualthuam and Bunghmun - Thaidawr are being revised and hence the exact amount that could be saved from these two roads could not be ascertained at this point of time. The actual saving, if it exceeds 10 *per cent*, would be intimated to NRRDA accordingly.

2.3.11.10 Administrative Fund

As per Chapter 4 of PMGSY Accounts Manual, MoRD provides the Administrative Expenses Funds to SRRDA for various administrative expenses such as travel expenses, purchase of computers, telephone, internet charges, stationery *etc.* The State Government may also provide administrative expenses fund for specific purposes. The SRRDA keeps the funds in a separate bank account, called Administrative Expenses Fund. It authorises the PIUs to spend from it for various administrative expenses.

The position of year-wise administrative expenses fund of the MiRRDA for the period 2010-15 is as given in table below:

Table-2.8

(₹ in crore)

Year	Opening Balance	Central release	State release	Interest earned	Total	Expenditure:			Closing Balance	Utilisation reported as per UC
						Expenditure by MiRRDA	Transferred to PIUs	Total		
2010-11	1.46	Nil	Nil	0.05	1.51	0.30	0.61	0.91	0.60	Not available
2011-12	0.60	Nil	Nil	0.08	0.68	0.18	0.50	0.68	Nil	0.86
2012-13	Nil	1.50	Nil	0.01	1.51	0.21	0.02	0.23	1.28	0.24
2013-14	1.28	0.06	0.23	0.05	1.62	0.52	0.04	0.56	1.06	0.54
2014-15	1.06	0.81	Nil	0.04	1.91	0.48	0.46	0.94	0.97	0.94
Total		**2.37**	**0.23**	**0.23**	**4.29**	**1.69**	**1.63**	**3.32**		**2.58**

Source: Departmental records

2.3.11.10 (i) Incorrect financial reporting

As can be seen from the above table, there was a discrepancy between the expenditure actually incurred and the expenditure reported to the NRRDA through Utilisation Certificates (UCs) pertaining to administrative fund during 2011-14.

While accepting the fact, the State Government stated (December 2015) that in future, Utilisation Certificates will be prepared based on the actual expenditure generated by OMMAS.

2.3.11.10 (ii) Excess expenditure over the prescribed limit

As provided in Para 1.4 of the Accounts Manual (Administrative Expenses Fund), the administrative and travel expenses of the PIUs and SRRDA will be met out of PMGSY funds to the following extent, with the State Government bearing any additional costs:

Table-2.9

Item	Percentage of the approved cost estimate of rural roads
(a) Administrative Expenses for PIUs	1.00
(b) Travel Expenses of PIUs	0.50
(c) Administrative and travel expenses (SRRDA)	0.25 (₹ 25 lakh maximum)
(d) Independent Quality Monitor 2nd tier	0.50
Total	**2.25 *per cent***

Source: Departmental records

Out of available administrative fund of ₹ 4.06 crore (excluding State release ₹ 0.23 crore) during 2010-15, the PIUs' share for administrative and travel expenses as per prescribed percentage worked out to ₹ 2.71 crore[2] and the share for MiRRDA including independent Quality Monitoring 2nd Tier worked out to ₹ 1.35 crore[3].

However, against the admissible administrative and travel expenses of ₹ 1.35 crore, the MiRRDA had spent ₹ 1.69 crore resulting in excess expenditure of ₹ 0.34 crore. Besides, against

[2] 1.50 X 4.06 crore/2.25

[3] 0.75X 4.06 crore/2.25

the administrative and travel expenses of ₹ 2.71 crore admissible to PIUs, the MiRRDA had released ₹ 1.63 crore only during 2010-15 which resulted in short release of ₹ 1.08 crore.

While accepting the fact, the State Government stated (December 2015) that PMGSY Administrative Funds are utilised on the basis of activities without considering the proportionate ratio made by NRRDA. Moreover, in the initial period, payment of Administrative Fund was centralized by SRRDA due to some problems faced by the PIUs. Thus expenditure of SRRDA seems to exceed the prescribed limit. This kind of practice was discontinued in the recent past.

2.3.12 Implementation of the programme

2.3.12.1 Physical Performance

In the State, during 2010-15, only works related to new connectivity were undertaken. No work for up-gradation was executed. The physical performances achieved by the State under PMGSY during 2010-15 as per MPRs are shown in the following table:

Table–2.10

Year	No. of eligible Habitations not connected/completed (out of sanctions in previous years)	No. of eligible Habitations connected	No. of eligible Habitationyet to be connected
2010-11	60	32	28
2011-12	28	7	21
2012-13	21	5	16
2013-14	16	11	5
2014-15	5	0	5

Source: Departmental records

As could be seen from above table, at the beginning of 2010-11 there were 60 eligible un-connected habitations. 55 habitations have been provided with connectivity progressively by 2014-15 and there are five habitations left unconnected.

2.3.12.2 Difference in physical achievement between MPRs and OMMAS

There were differences in the achievement shown in MPRs and achievement figures entered in the Online Management, Monitoring & Accounting System (OMMAS).

Table–2.11

Year	Habitations sanctioned			Habitations completed during the year out of sanctioned Habitation			Habitations under construction at the closing of the year		
	MPR	OMMAS	*Difference*	MPR	OMMAS	*Difference*	MPR	OMMAS	*Difference*
2010-11	60	56	**4**	32	32	**Nil**	28	24	**4**
2011-12	28	24	**4**	7	6	**1**	21	18	**3**
2012-13	21	16	**5**	5	11	**-6**	16	5	**11**
2013-14	16	16	**Nil**	11	12	**-1**	5	4	**1**
2014-15	5	4	**1**	-	-	**-**	5	4	**1**

Source: Departmental records

Reasons for discrepancies of achievement figures between MPRs and OMMAS were not on record.

While accepting the fact, the State Government stated (December 2015) that at the inception of OMMAS in PMGSY, many mistakes have been committed in the Core-Network due to absence of expert personnel at MiRRDA. The statistics of the State profile has been correctly maintained in the MPRs. The Agency will once again request NRRDA to open OMMAS for correction of this mismatched data.

Scrutiny of the records of the PIUs under three sampled districts revealed the following deficiencies/lapses in the execution of works:

2.3.12.3 Delay in completion of works

PMGSY Guideline envisaged that, the project sanctioned had to be executed by the PIUs and completed within a period of twelve months and eighteen months for formation cutting works and pavement works respectively.

It was observed that, out of 109 works taken up for execution by the three Districts upto 31 March 2015, 68 works (62 *per cent*) were completed within the stipulated period. Out of the remaining 41 works, completion of 21 works was delayed upto two years, that of 11 works from two to five years and that of nine works for more than five years as detailed in Table-2.12:

Table–2.12

Name of District	No. of works cleared by the MoRD as on 31 March 2015	No. of works taken for execution	No. of works completed beyond the stipulated period (as per Para-13 of Programme Guideline)		
			With a delay upto two years	With a delay from two to five years	With a delay above five years
Aizawl	45	45	11	7	3 (ongoing)
Champhai	29	29	4	2	3 (ongoing)
Lunglei	35	35	6	2	3
Total	**109**	**109**	**21**	**11**	**9 (Six ongoing)**

Source: Departmental records

The formal extension of time was granted by the Department for the delays beyond the stipulated date of completion of these works as per the agreements. However, in case of Aizawl and Champhai districts, the concerned PIUs could not furnish the hindrance registers for verification by audit. As such, the genuineness of the hindrances for which extensions were granted could not be ascertained in audit.

While accepting the fact, the State Government stated (December 2015) that instructions to all PIUs would be issued afresh to keep a good record of Hindrance Registers.

It is recommended that the MiRRDA should take effective steps for completion of the works under the programme within the prescribed time limit.

2.3.12.4 Performance Security

According to clause 32 of General Conditions of Contract (GCC), a Performance Security valued at five *per cent* of the work was to be obtained from the contractor as a security/guarantee for compliance of his obligations with the terms and condition in the said agreement. The Performance Security may be in the form of Bank Guarantee or Fixed Deposit Receipt from a scheduled commercial bank. If the bidder/contractor fails to maintain the above Performance Security, the employer would recover the same from any dues payable to the contractor. Scrutiny of the PIU level records revealed the following irregularities:

(i) In case of package No. MZ-01-66 (B), construction of Zohmun-N.Tinghmun road, executed by the EE, PWD, National Highway Division-II, Aizawl against the value of work order for ₹ 191.91 lakh, Performance Bank Guarantee of ₹ 9.60 lakh was to be obtained. However, this was not obtained from the contractor except a Bank Certificate from Mizoram Co-operative Apex Bank Ltd., Main Branch Aizawl stating that if the work is awarded to the contractor, the Bank will be able to provide overdraft/credit facilities to meet the contractor's working capital. As per Clause 32 of the GCC, the Employer should have recovered the same from any dues payable to the contractor. It was however noticed that the concerned PIU had not recovered any amount from the contractor's bills towards bank guarantee.

The State Government had accepted the fact.

(ii) The Sakawrdai-Zohmun Road (package No. MZ-01-WB-0) under the EE, PWD, National Highway Division-II, Aizawl was executed by a contractor at a work order value of ₹ 452.95 lakh. Against the required Performance Security of ₹ 22.65 lakh (five *per cent*), the concerned EE had however obtained a Bank Guarantee of ₹ 11.32 lakh only from the contractor. Further, the said Bank Guarantee obtained from Axis Bank, Silchar Branch did not cover the stipulated completion date of the work. As a result, on termination of the contract on 09 August 2010, the Bank Guarantee for ₹ 11.32 lakh could not be forfeited to the PMGSY account as the bank refused to honour the bank guarantee. Thus, laxity on the part of the Government resulted in loss of ₹ 11.32 lakh.

While accepting the fact, the State Government stated (December 2015) that legal actions against the contractor will be initiated. However, it was silent about the action against those who accepted the Bank Guarantee.

(iii) In case of package No. MZ-02-WB-01, construction of Khuangleng-Bungzung road, executed by the EE, PWD, Champhai Division, against the value of work order for ₹ 587.24 lakh a Term Deposit Receipt of ₹ 14.68 lakh from Axis Bank, Silchar Branch, Assam was provided by the Contractor, which turned out fake at a later date. The contractor had abandoned the work on 24 December 2014. The SLSC had also approved (June 2015) the termination of the contract. But the Performance Guarantee in the form of Term Deposit however could not be forfeited to PMGSY account as it was a false document. Thus, acceptance of Guarantee without verifying its genuineness with the issuing bank led to loss of ₹ 14.68 lakh.

While accepting the fact, the State Government stated (December 2015) that steps were taken to locate the contractor but all in vain and hence an FIR has been lodged with the Police.

(iv) In case of package No. MZ-05-52, construction of Haulawng-Bualpui 'V' road, executed by the EE, PWD, Lunglei Division, against the value of work order for ₹ 236.14 lakh, a Performance Bank Guarantee of ₹ 11.48 lakh was obtained from Mizoram Rural Bank Ltd. Vaivakawn Branch, Aizawl covering the validity period from November 2006 to June 2013. The contract was terminated on 1 April 2011 with forfeiture of the Performance Bank Guarantee. However, without forfeiting the Performance Bank Guarantee of ₹ 11.48 lakh to the PMGSY accounts, the CEO MiRRDA irregularly released the same to the contractor on 29 March 2012.

No administrative action has been taken against the fraudulent action of the CEO. The irregular release of Performance Bank Guarantee to the contractor resulted in a loss of ₹ 11.48 lakh to the Government.

It is recommended that valid performance guarantee as stipulated in the contract should be obtained from the contractors.

2.3.12.5 Mobilization/Equipment Advance

As per clause 45 of GCC, on request of the contractor, the employer will make the following advance payment against provision by the contractor on an unconditional Bank Guarantee from a Scheduled Commercial Bank acceptable to the employer in amounts equal to the advance payment:

(a) Mobilization Advance upto 5 *per cent* of the contract price and

(b) Equipment Advance upto 90 *per cent* of the cost of new equipment brought to the site, subject to a maximum of 10 *per cent* of the contract price

The Guarantee shall remain effective until the advance payment has been repaid.

Scrutiny of the records of the EE NH Division-II, Aizawl revealed that, in package (construction of Sakawrdai - Zohmun Road, pavement works), the PIU had granted a Mobilization and Equipment Advance of ₹ 39.50 lakh to the contractor against the Bank Guarantees which did not cover the validity upto the contract period. As a result, when the contract was terminated on 9 August 2010, ₹ 29.50 lakh could not be recovered from the contractor due to expiry of the currency period of Bank Guarantee. Thus, the Government incurred a loss of ₹ 29.50 lakh due to payment of advance to the contractor against Bank Guarantee which did not cover entire contract period.

While accepting the fact, the State Government stated (December 2015) that an amount of ₹ 19.94 lakh will be adjusted from the outstanding dues payable to the contractor and immediate action for recovery of the outstanding amount of ₹ 9.56 lakh will be initiated.

It is recommended that Mobilization/Equipment advance should not be granted without obtaining valid Bank guarantee. Necessary action may be initiated against the erring officials.

2.3.12.6 Execution of inadmissible works

Para 1.6.1 of the Operational Manual of PMGSY provides that the primary objective of the PMGSY is to provide connectivity, by way of an all weather road to the eligible unconnected habitation in the rural areas.

(i) Scrutiny of the records in respect of Executive Engineer, NH Division-II Aizawl Division revealed that the PIU had taken up the construction of the existing two roads as new connectivity as detailed below:

Table–2.13

Sl. No.	Name of PIU	Package No.	Name of road	Existing status of the road prior to PMGSY	Amount spent for new connectivity (₹ in lakh)
1.	EE-NH-II, Aizawl	MZ-01-66	Zohmun-N.Tinghmun	Fair weather road through for light vehicles	348.23
2.		MZ-01-67	Darlawn-N.Serzawl	Fair weather road through for light vehicles	342.33
Total					**690.56**

Source: Departmental records

As the above two roads works executed under PMGSY were already connected through fair weather road for light vehicles, the expenditure of ₹ 690.56 lakh incurred on their execution was unauthorised and the funds could have been utilised for providing new connectivity to unconnected habitations.

(ii) Further, scrutiny of the records of the EE, PWD Lunglei Division revealed that for construction of a new road, Buarpui – Kawlhawk road (Package No. MZ-05-62) the PIU had incurred ₹ 328.11 lakh during April 2008 to June 2013. As per 2001 census, the population of Kawlhawk village was only 139 persons, which increased to 162 persons as per 2011 census. The New Connectivity under PMGSY for the village Kawlhawk was thus not admissible under the PMGSY and its inclusion in the Core Network as un-connected Habitation under 250 - 499 population was incorrect.

Thus, the Department had incurred an inadmissible expenditure of ₹ 328.11 lakh towards construction of this in-eligible road under PMGSY.

The State Government stated (December 2015) that:

(i) PMGSY aims to provide a good all-weather road connectivity to the unconnected habitations in rural areas by way of an all-weather road with necessary culverts and cross-drainage structures, operable throughout the year.

As seen and tabulated by Audit, two roads under EE, NH Div-II, namely, Zohmun-N.Tinghmun and Darlawn - N.Serzawl are fair-weather roads for light vehicles. This means that these two roads are operable during fair weather (*i.e*. dry season) only and non-motorable during rainy seasons. Further, even during dry seasons, only light vehicles could ply on these roads. Therefore, these habitations are to be treated as 'unconnected' in the context of PMGSY and hence provision of connectivity by way of an all weather road has to be done under PMGSY.

(ii) As per the record available during preparation of Master Plan of PMGSY, the population of Kawlhawk village was 149. As per Guidelines, the Village is not eligible for connectivity under the Scheme. However, the objective of the programme is to provide connectivity to all eligible habitations within the country from the Block Headquarters or nearest all-weather road. As such, Sertlangpui village (525) has to be connected from Bunghmun, the Block headquarters. The road project has to originate from Buarpui village, the nearest connected habitation for Sertlangpui within Bunghmun Block. Kawlhawk Village, being situated *enroute* to Sertlangpui cannot be avoided. These types of ineligible villages that fall on the way to eligible habitations are called 'incidental' to the Scheme.

Further, the recommendations of the Audit will be strictly followed in future.

The reply of the Government is not acceptable for the following reasons:

(i) If the two existing fair-weather roads (Zohmun-N.Tinghmun and Darlawn-N.Serzawl) did not satisfy the minimum requirements specified for all-weather roads, these roads could have been taken up for 'Upgradation' instead of 'New Connectivity', and

(ii) The construction of Buarpui-Kawlhawk road under Package No. MZ-05-62 was taken up as a specific New Connectivity without being treated as 'incidental' to any other new connectivity. As such, the Department had incurred an inadmissible expenditure of ₹ 328.11 lakh towards construction of this ineligible road.

It is recommended that under the programme, the Department should take up the construction of roads according to prioritization and categorization.

2.3.12.7 Excess Expenditure

Scrutiny of the records of EE, NH Division-II Aizawl revealed that in package No. MZ-01-67 'A', (construction of Darlawn-N.Serzawl road) against the estimated cost of ₹ 168.61 lakh, a work order of ₹ 160.80 lakh was issued (20 March 2008) to a contractor. But due to change of alignment the entire estimate was revised (26 March 2008) by the Chief Engineer, PWD, NH to ₹ 83.25 lakh. After revision of the estimate, the agreement was not revised and ₹ 159.31 lakh was un-authorisedly disbursed to the contractor based on the original estimate and BOQ though the work was executed as per revised alignment/estimate, which resulted in excess payment of ₹ 76.06 lakh.

The State Government (December 2015) stated that the construction work of Darlawn to N.Serzawl road package No. MZ-01-67 'A' was awarded to Lalhmachhuana Fanai for an amount of ₹ 160.80 lakh. After award of the work, the Chief Engineer, PWD, Highways, Mizoram inspected the road and explored the possibilities of changing the approved alignment to save government money. In doing so, he instructed the PIU to prepare the estimate for execution in the new alignment, without any proper survey, and transect walk. The new estimate was for civil works only amounted to ₹ 83.25 lakh. This estimate was technically sanctioned by the Chief Engineer, PWD, Highways, Mizoram on 26 March 2008 vide TS No. B.17025/15/CE-HW/07/14 assuring the Government money will be saved by the Department.

However, the SRRDA decided not to follow the new alignment as suggested by the Chief Engineer, PWD, Highways, Mizoram. This was not formally reported to the Chief Executive Officer, MiRRDA and Engineer-in-Chief, PWD, Mizoram and hence written documents were also not kept in support of this decision and the execution went ahead as per agreement and sanction accorded by the MoRD.

The reply of the Government is not acceptable for the following reasons:

(a) The SDO PWD, NH Sub-Division-III vide his letter No.C-6/NHS-III/07/441 dated 9 May 2008 had already intimated the contractor about the change of alignment.

(b) The SDO PWD, NH Sub-Division-III vide his letter No.C-6/NHS-III/07/593 dated 25 June 2009 had already intimated the Executive Engineer, NHD-II about the change of alignment as per revised technical sanction dated 26 March 2008 and the contractor vide his letter dated 1 April 2009 intimated the Executive Engineer, NHD-II that the execution of work was delayed due to revision of alignment by the Department.

2.3.12.8 Execution of deviated/extra item of works

As per General Conditions of Contract (GCC), the Engineer shall, having regard to the scope of the works and the sanctioned estimated cost, have power to order, in writing, variations within the scope of the works he considered necessary or advisable during progress of the works. Oral orders of the Engineer for variation, unless followed by written confirmation, shall not be taken into account.

In the following 13 packages ₹ 338.15 lakh was incurred by the six PIUs for payment of deviated item without written orders/confirmation:

Table-2.14

(₹ in lakh)

Sl. No.	Name of PIU	Name of packages	Expenditure incurred on deviated/extra item of works
1.	EE, Hmuifang Division	MZ-01-64	32.95
		MZ-01-65	20.78
		MZ-01-WB-01	0.47
2.	EE, NH Division-II	MZ-01-66	7.65
3.	EE, Aizawl Road North Division	MZ-01-79	12.00
4.	EE, Champhai Division	MZ-02-WB-54	2.03
		MZ-02-WB-03	13.13
5.	EE, Lunglei Division	MZ-05-52 A	76.97
		MZ-05-712 A&B	17.78
		MZ-05-64 A&B	20.41
		MZ-05-62	13.74
6.	EE, Tlabung Division	MZ-05-61 A&B	85.17
		MZ-05-78 A	35.07
Total		**13 packages**	**338.15**

Source: Departmental records

It was observed in audit that the sanctioning authority had accorded expenditure sanction for each deviated/extra item of works without any written order of the Engineers. The site orders containing variations within the scope of the works considered by the Engineers necessary or advisable during progress of works were also not maintained and not issued.

Thus, in absence of written orders of the Engineers, the genuineness of the expenditure of ₹ 338.15 lakh incurred for deviated/extra item of works could not be ascertained in audit.

The Government stated (December 2015) that Site Order Books were actually maintained during construction period, however, these were either lost or disposed off after completion of the project. Instructions to all PIUs would be issued afresh to keep records till such time the works are audited.

The reply of the Government is, however, not acceptable as it was noticed in audit that the test checked PIUs had not at all maintained any site order book

It is recommended that the sanctioning authority should not accord expenditure sanction for deviated or extra item of works without examining the written orders of the Engineers issued for deviated/ extra items during execution of works.

2.3.12.9 Execution of sub-Standard Work

Paragraph 31 of CPWD Works Manual 2014 provides that the contractors are required to execute all works according to the specifications laid down, and in a proper workmanlike manner. The motto of the department shall be to maintain quality, speed and economy in cost in the executions of any work. There shall be no compromise on the quality of work. The field staff, namely, the Junior Engineer/Assistant Engineer/Executive Engineer, shall remain vigilant to see that the contractor does not execute any defective/poor quality work. If, despite their vigilance and issue of directions, certain items of work are done below specifications, and/or if they have not been done in a proper workmanlike manner, the contractor should be immediately instructed to rectify or redo them according to the specifications and according to sound engineering practice. If the contractor does not rectify the defect or make good the deficiency, the work should be got re-done or rectified through other agency, or departmentally at the contractor's cost.

(a) Scrutiny of the records of the EE, NH Division-II revealed that in package No. MZ-01-WB-03 (Sakawrdai-Zohmun road), the work was executed partially by two contractors at a total cost of ₹ 358.12 lakh against the estimated cost of ₹ 471.10 lakh. The contract agreements in respect of the two contractors were terminated by the Department before completion of the works. However, the State Quality Control Monitor and the National Quality Control Monitor had graded the works executed by the two contractors as unsatisfactory. The work remained sub-standard due to lack of proper supervision/monitoring by the field staff and the PIU during execution of the work. There was little scope for rectification of the defects at the cost of contractors after termination of the contracts. Thus, only ₹ 115.66 lakh was available for completion of the remaining work. But, it was noticed that on 14 September 2015 the Department issued Notice Inviting Tender for execution of the remaining work at an estimated cost of ₹ 275.80 lakh and decided to meet the additional requirement out of State Budget.

Had the Department monitored the work properly, the work could have been completed at the sanctioned cost of ₹ 473.78 lakh and the additional amount of ₹ 160.14 lakh could have been utilised for some other priority road connectivity.

(b) Scrutiny of the records of the EE, Champhai Division revealed that in respect of package No. MZ-02-WB-01 (Khuangleng - Bungzung road) estimated at a cost of ₹ 587.24 lakh, the work to the extent of ₹ 395.98 lakh was executed before the contractor abandoned the work on 24 December 2014. The National Quality Control Monitor had graded as early as on December 2013 that the work executed by the contractor was unsatisfactory. It was, however, noticed that the PIU had irregularly released ₹ 23.11 lakh under RA-XVI dated 25 February 2014 without taking any action for rectification of the defects by the contractor. Lack of proper monitoring/supervision by the field staff and the PIU led to the sub-standard execution of work.

As per the CPWD Manual, these sub-standard works need to be re-done or rectified through other agency, or departmentally at the contractor's cost. The Department is yet to take any action/decision about these sub-standard works.

The State Government (December 2015) stated as under:

(i) the work for construction of Sakawrdai to Zohmun was located on the most difficult part of the State. There were frequent unrest and insurgency within the areas. The supervisory staff as well as the contractors were facing threat from the insurgent people. Due to the above fact, construction and supervision of the work was very difficult for the contractors and the supervising staff.

(ii) the work Khuangleng - Bungzung road (package No MZ-02-WB-01) has been inspected by NQM on 13 December 2013 and graded the road 'Unsatisfactory'. It added that the payment made to the contractor under RA-XVI seems to be made against the work-done prior to the inspection of NQM.

But the Government reply was silent about the irregular release of payment to the contractor for the defective work.

It is recommended that during execution of works, the advice/grading of quality monitor should be strictly followed.

2.3.12.10 Security Deposit

As per clause 43 of GCC, the employer shall retain a security deposit of five *per cent* from each payment due to contractor till completion of the whole construction works. However, on satisfactory completion of work, half of the total amount of security deposit is to be repaid to the contractor, one-fourth of the security deposit at the end of second year from the date of completion and the balance amount at the end of the third year after completion of the work subject to the condition that the Engineer has certified that all defects notified by the Engineer to the contractor before end of the period prescribed for repayment have been corrected.

Scrutiny of the records of the following five PIUs revealed that, in case of 13 works under eight packages, security deposit of ₹ 137.55 lakh was deducted from the contractors' bills. These deposits were irregularly repaid to the contractors in full before the end of the third year.

Table–2.15

Sl. No.	Name of PIU	Package number	Date of completion of work	Security Deposit retained (₹ in lakh)	Security Deposit released	
					Date	Amount (₹ in lakh)
1.	EE, Hmuifang Division	MZ-01-64A	20.07.2009	10.32	30.03.2011	10.32
2.	-do-	MZ-01-64B	11.04.2009	9.16	25.05.2011	9.16
3.	-do-	MZ-01-65A	19.02.2009	6.52	25.11.2010	6.52
4.	EE, National Highway Division	MZ-01-66A	23.03.2009	6.86	30.09.2010	6.86
5.	-do-	MZ-01-66B	15.12.2009	9.60	02.02.2011	9.60
6.	-do-	MZ-01-67B	22.03.2011	9.15	21.06.2013	9.15
7.	EE, Aizawl Road North	MZ-01-79	11.11.2011	5.88	17.04.2013	5.88
8 .	EE, Champhai Division	MZ-02-WB-12	15.10.2011	16.61	14.10.2013	16.61
9..	EE, Khawzawl Division	MZ-02-62B	15.12.2011	14.54	07.03.2013	14.54
10.	-do-	MZ-02-62C	28.03.2012	11.20	12.07.2013	11.20
11.	-do-	MZ-02-710A	25.06.2011	12.02	20.12.2012	12.02
12.	-do-	MZ-02-710B	16.03.2012	12.26	12.06.2013	12.26
13.	-do-	MZ-02-710C	16.03.2012	13.43	09.01.2014	13.43
Total				**137.55**	--	**137.55**

Source: Departmental records

By early release of the security deposits, the Department passed on undue benefit to the contractors. Further, there would be uncovered risk involved if any defects were noticed in the subsequent period.

The State Government stated (December 2015) that as per Condition of Contract, Special Condition of Contract SI. No. 3, the defect liability period was shortened to one year instead of five years. Thus, there was no irregularity in repayment/release of Security Deposits to the contractors.

The reply is not acceptable as it violated GCC which govern the PMGSY works.

It is recommended that Security deposit should not be released to the contractors before the prescribed time limit as prescribed in the General Condition of Contracts of the Agreement.

2.3.12.11 Irregular payment

Scrutiny of the records of the Executive Engineer, NH Division II, Aizawl revealed that in respect of package No. MZ-01-721 (Construction of Zohmun – Mauchar Road, Formation Cutting), the execution of works by the three contractors were stopped by the PIU on 30 September 2009 due to non-receipt of the forest clearance. The PIU however, issued orders for resumption of the works only on 15 January 2013.

It was further noticed that the Executive Engineer, in contravention of his own orders, had irregularly accepted running bills presented between May 2011 and September 2012 by the three contractors and sanctioned payment of ₹ 331.20 lakh. The details of payments made to the contractors are shown in the following table:

Table-2.16

(₹ in lakh)

Sl. No.	Name of Contractor	Value of work order	Date of issue of work order	Date of order for stop work	Date of order for resumption of work	Date of payment of running bill	Amount paid
1.	Rokamlova, Electric Veng, Aizawl	189.71	01.09.09	30.09.09	15.01.13	07.08.11	43.65
						13.02.12	61.72
						10.09.12	28.42
2.	Zodingliana, Mission Veng, Aizawl	125.52	01.09.09	30.09.09	15.01.13	31.05.11	59.82
						03.09.12	29.50
3.	C. Lalthanmawia, Vaivakawn, Aizawl	193.88	09.09.09	30.09.09	15.01.13	31.05.11	55.26
						21.08.12	52.83
Total							**331.20**

Source: Departmental records

As such, the entire amount of ₹ 331.20 lakh paid to the three contractors remained irregular.

While accepting the fact, the State Government stated (December 2015) that due to prevailing acute involvement of unlawful outfits and immense public pressure, the contractors - Rokamlova, Zodinliana and C. Lalthanmawia for the construction work of Zohmun-Mauchar road were compelled by the situation to continue their works even though they were stopped by PIU on 30 September 2009. Hence, the contractors carried on their works at their own risk without resumption order from the PIU. As a result of this, the Divisions/Department could not stop making payments to the contractors as their commitment and struggle to execute the works to provide the immediate relief and convenience for the general public.

2.3.12.12 Liquidated damages not levied

As per clause 44 of the General Conditions of Contract (GCC), both the Contractor and Employer have agreed that it is not feasible to precisely estimate the amount of losses due to delay in completion of works and the losses to the public and the economy, therefore, both the parties have agreed that the contractor shall pay liquidated damages to the Employer and not by way of penalty at the rate per week or part thereof as stated in the Contract Data. However, in case the contractor achieves the next milestone, the amount of liquidated damage already withheld shall be restored to the contractor by adjustment in the next payment. The liquidated damage shall not exceed 10 *per cent* of the contract price.

Also, under clause 52.2(e) of the GCC, the employer may terminate the contract, if the contractor causes a fundamental breach of contract by delaying the completion of the work by the number of days for which the maximum amount of liquidated damages can be paid.

Scrutiny of the records of two PIUs[4] revealed that in case of execution of construction of Lungsai-Maubuang road and Zuangtui-Muthi road by the EE-Hmuifang Division and EE-Aizawl Road North Division, the two PIUs had not levied liquidated damage of ₹ 26.41 lakh to the contractors for the delay in execution of works beyond the stipulated date of completion not covered under extension. The details of period of delays and liquidated damage to be levied against the contractors are shown in the following table.

Table-2.17

Sl. No.	PIU	Works	Particulars		
1.	EE-Hmuifang	Lungsai-Maubuang road	(i)	Value of work order (₹ in lakh)	158.64
			(ii)	Date of commencement	9.1.2009
			(iii)	Schedule date of completion	21.6.2010
			(iv)	Actual date of completion	4.3.2013
			(v)	Period of delay	973 days
			(vi)	Extension of time (EOT) granted	285 days
			(vii)	Delay not covered under EOT	688 days
			(viii)	Liquidated damage to be levied @ one *per cent* for 688 days (subject to maximum limit of 10 *per cent* of the initial contract price) (₹ in lakh)	15.86
			(ix)	Liquidated damage actually levied	Nil
			(x)	Total payment made (₹ in lakh)	159.11

[4] PIUs: (1) Executive Engineer, Hmuifang Division and (2) Executive Engineer, Aizawl Road North Division

Sl. No.	PIU	Works	Particulars		
2.	EE-Aizawl Road North Division	Zuangtui-Muthi road	(i)	Value of work order	105.51
			(ii)	Date of commencement	5.2.2010
			(iii)	Schedule date of completion	4.2.2011
			(iv)	Actual date of completion	11.11.2011
			(v)	Period of delay	277 days
			(vi)	Extension of time (EOT) granted	Nil
			(vii)	Delay not covered under EOT	277 days
			(viii)	Liquidated damage to be levied @ one *per cent* for 277 days	10.55
			(ix)	Liquidated damage actually levied (subject to maximum limit of 10 *per cent* of the initial contract price)	Nil
			(x)	Total payment made (including extra items of work) (₹ in lakh)	117.51

Source: Departmental records

While accepting the fact, the State Government stated (December 2015) that the two PIUs had not levied liquidated damage on the contractors for the delay in execution of works beyond the stipulated date of completion. The matter was viewed seriously by the CEO and explanation is being called for from the defaulting PIUs and their reply was awaited.

Further, the Government added that instructions to all PIUs would be issued afresh to strictly adhere to the terms and conditions of Contract Agreement.

2.3.13 Monitoring and quality control

2.3.13.1 Quality Management

Para 11.3 of Operations Manual of PMGSY envisages that, ensuring the quality of the road works is the responsibility of the State Government who are implementing the Programme. To this end, all works must be effectively supervised. The Quality Control Register prescribed by the NRRDA to operationalise the provisions of mandatory testing prescribed under the specification shall invariably be maintained for each of the road works. A three-tier quality management mechanism is envisaged under the PMGSY. The first tier of quality management mechanism is in-house quality control system of the Executing Agency whereas, the second tier of quality management mechanism will be independent quality assurance system operationalised by the State Government. Therefore, the State Government would be responsible for the first two-tiers of the Quality Management Structure. The third tier is envisaged as independent quality management mechanism operationalised by the NRRDA, as such, this tier would be enforced by the NRRDA through the National Quality Monitor (NQM).

2.3.13.2 Records for Quality Control Management not maintained

Eight PIUs in three sampled districts did not furnish the records in respect of three-tier Quality Management along with the reports and returns as per prescribed formats of the operational guidelines to audit. As such, details of quality control management in respect of PIUs could not be assessed.

While accepting the facts the State Government stated (December 2015) that instructions to all PIUs would be issued to produce QC Registers to Audit.

2.3.13.3 Inspection of works by SQM/NQM

Scrutiny of records of the CEO, MiRRDA pertaining to the two-tier and three-tier Quality Management Mechanism revealed that during 2010-15 the State Quality Monitor (SQM) and National Quality Monitor (NQM) had inspected altogether 48 works of which 24 works were graded as unsatisfactory by the SQM and NQM. After receipt of rectification reports for all the 24 unsatisfactory works, the SQM and NQM had again re-inspected 21 works, out of which the 10 works were again rated as unsatisfactory by the SQM and NQM.

It was, thus, evident that the field staff and the PIUs did not monitor and supervise the works properly, which resulted in poor execution of works by the contractors and non-execution of corrective actions in many cases even after this was pointed out by the SQM and NQM.

While accepting the fact, the State Government stated (December 2015) that it is mandatory on the part of the contractor to rectify all the defects, detected by the PIU, SQMs and NQMs. A system has been developed in MiRRDA to keep the Bank Authorization pending until such time the contractor has rectified the defects and compliance duly certified by competent authority.

2.3.13.4 Insurance

As provided in Para 9.3.1 of Operations Manual, the Contractor is required to provide insurance coverage from the start date to the date of completion as per clause 13 of the GCC for the following events:

(a) Loss of or damage to the works, plants and materials;

(b) Loss of or damage to equipments;

(c) Loss of or damage to property in connection with the contract; and

(d) Personal injury or death.

Insurance policies and certificates shall be delivered by the Contractor to Engineer for approval before the start date.

It was, however, noticed that out of seven sampled PIUs, in case of only two PIUs (EE-Tlabung and Khawzawl PW Divisions), the contractors had delivered the insurance policies and certificates to the Engineers before the start dates of the works allotted to them. Remaining five PIUs however, had not taken any action against the contractors who had not provided the insurance coverage and breached the contracts.

While accepting the fact the State Government stated (December 2015) that instructions would be issued to all PIUs to strictly adhere to the terms and conditions of Contract Agreement.

2.3.13.5 Work Programme

As provided in Para 9.4(c) of Operations Manual, based on the Bill of Quantity (BOQ) and list of requirement of men, material and machinery, the Engineer is required to guide the Contractor for the preparation of the Work Programme. Based on the guidance of the Engineer and availability of resources, the Contractor is required to prepare his work programme and assess the requirement of men, material and machinery. The work programme should be detailed in such a way that the date of start and date of completion of every item of work is clearly laid down.

Audit observed that all the seven sampled PIUs had duly maintained work programme against all the works executed by the Contractors under them during the period covered under audit.

2.3.13.6 Management Meetings

Para 9.6 of the Operations Manual provides that as per clause 29 of GCC, there is a provision for Management Meetings to review plans and progress of works. The Engineer may require the Contractor to attend the Management Meetings. It is highly desirable that the Engineer should work out a schedule of Management Meetings in relation to the work programme. The Management Meetings should be an integral part of the Contract Management process to ensure that there are no deficiencies or delays on the part of contractor or the Engineer.

However, it was noticed that out of seven sampled PIUs only three PIUs (EE-Lunglei, Tlabung and Khawzawl PW Divisions) had maintained the records of Management Meetings in respect of all the works executed during the period covered under audit.

In remaining four PIUs (EE-Hmuifang, NH-II, Aizawl North and Champhai) the works were executed without conducting Management Meetings to review plans and progress of works.

While accepting the fact, the State Government stated (December 2015) that instructions would be issued to all PIUs afresh to conduct Management meetings at regular intervals and to submit reports to the CEO.

2.3.13.7 Establishment of Field Laboratory

Para 9.4 (h) of the Operations Manual read with clause 31 of the GCC provide that for carrying out the mandatory test as prescribed in the specifications, the Contractor will establish the Field Laboratory at a convenient location as approved by the Engineer. It will be ensured by the Contractor that the Laboratory has all equipments as required by the Engineer. It should be noted that the Contractor will not be allowed to commence the work if the Field Laboratory is not established in the stipulated time frame. Non-establishment of the Field Laboratory within the time given is a fundamental breach of the contract.

It was, however, noticed that out of seven sampled PIUs only under three PIUs (EE-Lunglei, Tlabung and Khawzawl PW Divisions) the contractors had established the required Field Laboratories for the works executed by them. The remaining four PIUs (EE-Hmuifang, NH-II, Aizawl Road North and Champhai PW Divisions) could not produce any record to show that the required Field Laboratories were established and therefore, it could not be ascertained in audit as to whether the mandatory test as prescribed in the specifications were conducted or not.

The State Government stated (December 2015) that Field Laboratories were actually established in work-sites fully equipped with field testing instruments.

2.3.13.8 Deployment of Contractor's Personnel

Para 9.4 (a) of Operations Manual provides that as per clause 9 of GCC, the Contractor is required to employ the technical personnel enumerated in the Contract Data. At the start of the mobilization time, technical and administrative instructions will be passed on to the contractor by the Engineer and therefore, to fully understand the instructions and before any further activity is allowed, the contractor will be required to employ his key technical personnel who will interact with the Engineer. The technical personnel required for the field laboratory should be in place till the completion of the work. The details of technical persons to be employed by the contractor as per contract data are as under:

(A) For Construction Work:

Technical Personnel		Number	Experience in Road Works
1.	Degree Holder in Civil Engineering	01	5 years
2.	Diploma Holder in Civil Engineering	01	3 years
3.	Diploma Holder in Civil Engineering for Quality Control	01	3 years

(B) For Field Testing Laboratory:

	Technical Personnel	Number	Experience in Road Works
1.	Diploma Holder in Civil Engineering for Testing	01	3 years

It was, however, noticed that out of seven sampled PIUs only four PIUs (EE-Lunglei, Tlabung, Champhai and Khawzawl PW Divisions) had maintained the records showing employment of prescribed technical personnel for the construction works and for the Field Testing Laboratories.

Thus, in absence of records it could not be ascertained in audit whether the contractors under the other PIUs (*viz.* EE-Hmuifang, NH-II and Aizawl Road North PW Divisions) had deployed adequately trained personnel for the construction works.

While accepting the fact, the State Government stated (December 2015) that the records of these are seldom kept in the Divisional office and hence instructions to all PIUs would be issued to keep a good record of laboratories and technical personnel in the Divisional Office and or to display in a separate Notice Board *etc.*

2.3.14 Internal Audit

Para 16.5 of Accounts Manual, PMGSY Programme Fund envisages that SRRDA will appoint Internal Auditors to ensure the true and fair record of accounts. The Auditors should have experience of Public Works audit. The SRRDA may identify, with the help of the NRRDA, Competent Organisations for this task.

The CEO, MiRRDA, however, had not appointed the Internal Auditors during the period covered under audit. The State Government stated (December 2015) that steps will be taken to appoint Internal Auditors with the help of NRRDA.

2.3.15 Evaluation

It was noticed that the State Government has not conducted any independent evaluation study of the execution of the scheme through a reputed Institution.

The State Government stated (December 2015) that steps will be taken to appoint reputed Institution for Independent Evaluation from with the help of NRRDA.

2.3.16 Conclusion

The Performance Audit of the PMGSY brought out that the Department has moderately succeeded in fulfilling the objective of providing connectivity by way of an All-weather Road to the eligible un-connected habitation. The Department has failed to formulate the DRRPs involving grass-root level participation at Block and District levels, which has affected proper implementation of the scheme. The Chief Executive Officer, MiRRDA did not follow laid down financial practices/processes. The scheme was not implemented in a time bound manner to provide new-connectivity to the eligible habitations. While executing the works, the concerned PIUs had irregularly accepted invalid Performance Bank Guarantees, incurred excess expenditure, executed deviated/extra items of works without written orders of the Engineers, and executed sub-standard works without proper technical supervision at field level.

2.3.17 Recommendations

For effective and efficient implementation of the programme, it is recommended that:

- The District Rural Roads Plans should be prepared with active involvement of District level Stakeholders. Initiative should be taken to avail special allocation for the districts sharing international borders.
- The Department should take up the construction of roads according to prioritization and categorization. Effective steps should be taken to complete the works within the prescribed time limit. Expenditure sanction should not be accorded for deviated or extra item of works without examining the written orders of the Engineers.
- Valid performance guarantee should be obtained from the contractors. Mobilization/ Equipment advance should not be granted without obtaining valid Bank guarantee. Security deposit should not be released to the contractors before the prescribed time limit.
- Maintenance of basic records such as Cash Books, Site records, Quality reports should also be ensured.
- The advice of quality monitor should be strictly followed.

The State Government stated (December 2015) that the recommendations of Audit are noted and will be followed in future.

COMPLIANCE AUDIT PARAGRAPHS

ANIMAL HUSBANDRY AND VETERINAY DEPARTMENT

2.4 Loss of public money in purchase of cows disregarding recommendation of expert committee

Director, Animal Husbandry and Veterinary Department failed to comply with earlier recommendation of an expert committee leading to death of 126 cows in transit and loss of ₹ 68.04 lakh which could have been largely avoided.

Under New Land Use Policy (NLUP) a number of trades and programme are being implemented in the State through various Departments. Animal Husbandry and Veterinary (AH & Vet.) Department is the implementing agency for the Dairy Trade Programme. During 2010-11, the Department selected 947 beneficiaries who were to be given two milking dairy cows each for a sustainable livelihood.

The Departmental Purchase Advisory Board (DPAB) under NLUP on 01 August 2011 recommended the purchase of dairy cow from outside the State by floating Notice Inviting Tender (NIT). Accordingly, the Director, AH & Vet. Department obtained offers from four firms. The DPAB, however, did not make any recommendation as the four firms quoted rates which were higher than the NLUP's approved rate of ₹ 45,000 per cow. Subsequently, the rate was enhanced to ₹ 59,000.

However, the Department placed orders for supply of 800 dairy cows @ ₹ 55,000 per cow from two firms, M/s Kwality Dairy and Agro Sales, Karnal (500 cows) and M/s Model Dairy Cattle Breeding Farm, Ludhiana (300 cows) which were not among those four firm.

The two firms together dispatched 788 cows, of which 43 died during transit. When the supply and distribution of dairy cows was in full swing, there was sharp public criticism and protest over the health conditions and quality of cows distributed to the beneficiaries. Amongst others, the import of cows from outside the State was alleged to be the cause of the death of many domestic cows due to outbreak of Foot and Mouth Disease (FMD). As a result, the State Government constituted (24 July 2012) a three members Enquiry Committee, headed by Principal Secretary, Industries and Disaster Management & Rehabilitation Department, as Chairman. The Committee's recommendation among others suggested was to preferably complete procurement and transportation of dairy cows from far-off places like Punjab and Haryana during the winter season before the end of February.

The Director, AH & Vet. Department again placed orders for supply of 1,400 cows from the same two firms @ 54,000 each. Disregarding the recommendation of the Committee, the department allowed the two firms together to supply 1,372 cows between March and May 2013. As a consequence, 16 cows died during transit and another 110 cows died in transit camp in Mizoram.

Due to failure of the Director, AH & Vet. Department to comply with the recommendation of the expert committee, during the second time procurement, 126 out of 1,356 cows died. The loss from the death of livestock was ₹ 68.04 lakh, which could have largely been avoided.

The Government in their reply stated (October 2015) that due to the logistic problems faced by the Department, the system of procuring dairy cows from far off States through suppliers were discontinued.

RURAL DEVELOPMENT DEPARTMENT

2.5 Excess expenditure towards purchase of GCI sheets

The Director, RD Department provided undue benefit of ₹ 0.52 crore to the supplier towards purchase of 12,546 bundles of GCI sheets by agreeing to accept inferior quality product.

Under Rural Housing Scheme of the State Government, the Rural Development Department distributed Galvanised Corrugated Iron (GCI) Sheets to the poor and needy families in Mizoram with a view to provide decent dwelling houses to them in Rural and Urban areas including the victims of natural calamities.

During 2012-13, the State Government allocated ₹ four crore for procurement of GCI sheets and its distribution to the needy families. It was decided (September 2012) that out of ₹ 4.00 crore, ₹ 3.80 crore would be utilised for procurement of GCI sheets and the remaining ₹ 20 lakh will be set aside for meeting transportation cost from Aizawl to various block headquarters.

Accordingly, the Director, RD Department issued (October 2012) Notice Inviting Tender (NIT) for procurement of GCI sheets. In response to the NIT, five Aizawl based firms offered their rates. The rates offered by a supplier (M/s LRS Enterprise, Chanmari) of ₹ 3,029/- per bundle was found to be the lowest.

The State Purchase Advisory Board (SPAB) headed by the Chief Secretary, in its meeting held on 03 December 2012 recommended M/s LRS Enterprise, Chanmari for supply of GCI sheets at the rate of ₹ 3,029/- per bundle with the following specifications – Rhino brand, weighing 53.60 kg per bundle, 0.35 mm in thickness and nine feet in length. The recommendation of the SPAB was duly approved by the Government on 15 January 2013.

The State Government accorded (25 February 2013) Administrative Approval and Expenditure Sanction for purchase of GCI sheets for ₹ 3.80 crore during 2012-13. However, before the purchase was administratively approved, the Director RD Department obtained (17 January 2013) a Proforma Bill from the supplier for ₹ 3.80 crore for supply of 12,546 bundles of GCI sheet @ ₹ 3,029/- per bundle with specifications of Rhino brand, weighing 53.60 kg per bundle, 0.35 mm in thickness and nine feet in length. Against the said Proforma

Bill, the entire amount of ₹ 3.80 crore was drawn (21 March 2013) from the Government Accounts and retained by the Department.

Scrutiny (August-September 2015) of the records of the Office of the Director, RD Department revealed that a note prepared by the Assistant Director (G) and submitted to the Director RD Department on 26 March 2013 stated that the firm had started supplying of the stores *w.e.f.* 21 March 2013. However, the GCI sheet so supplied was rejected on the ground that the weight of the GCI sheet was less than the actual weight specified in the supply order.

The supplier, submitted an application (20 March 2013), stating that he was unable to supply GCI sheets weighing 53.60 kg per bundle at the approved rate of ₹ 3,029/- per bundle as the manufacturer of Rhino brand GCI sheet had raised the rate. As such, he had requested the Department to accept the GCI sheet weighing 41 kg per bundle at the rate of ₹ 3,029/- per bundle. As a matter of fact, the Department should have forced the supplier to provide goods as specified in the supply order or should have gone for fresh bid. However, the Department accepted the request without obtaining the recommendations from the SPAB with Government approval. Accordingly, the supplier had supplied 12,546 bundle of GCI sheet weighing 41 kg per bundle @ ₹ 3,029/- per bundle between March and May 2013. After receipt of the stores the Department released ₹ 3.80 crore to the supplier during 26 March 2013 to 15 May 2013.

The prevailing market rate of GCI sheet weighing 41 kg per bundle during March – May 2013 was ₹ 2,616/- per bundle. At this rate, cost of 12,546 bundles of GCI sheet weighing 41 kg per bundle would be ₹ 3.28 crore. Thus, an undue benefit of ₹ 0.52 crore was extended to the supplier. Further, by obtaining GCI sheets of less thickness the beneficiaries were provided inferior quality products. Mizoram being a heavy rainfed State, the sheets would not last for long. Hence, the Department needs to recover ₹ 0.52 crore from the supplier for supplying inferior quality sheets.

Further, the GCI sheets procured were to be distributed to the deserving and eligible beneficiaries as per list submitted by the BDOs. It was, however, noticed that out of 12,546 bundle of GCI sheets procured during 2012-13, the Department allocated only 10,128 bundles to 26 BDOs for onward distribution to the identified beneficiaries. The remaining 2,418 bundles were irregularly distributed directly by the Directorate of RD Department to various individuals and politicians without any proper justification of their requirements.

The Government in their reply (October 2015) stated that it was necessary to secure expected stock of GCI sheets at the earliest in view of various natural calamities like fire outbreak, wind, hailstorms, torrential rainfall, landslides *etc.* which regularly cause heavy damage and loss of life as well as loss of property (especially houses) during the impending dry season followed by seasonal monsoon downpour during April – mid October every year. Hence the department reviewed and considered the application for supply of GCI sheets with specification weighing not less than 42 kg instead of 53.6 kg at the rate of ₹ 3,029/- per bundle subject to *ex-post-facto* approval of SPAB. Further, it was stated that *ex-post facto* approval was accorded by the SPAB and which was conveyed by the State Government on 05 October 2015.

As regard to direct distribution of 2,418 bundles of GCI sheets by the Directorate of Rural Development Department, it was stated that the distribution were done in a genuine and *bonafide* manner after considering the plight of the applicants and *ex-post facto* approval will be obtained from the State Government. But, the Government had not furnished *ex-post facto* approval as of January 2016.

The reply of the State Government is not acceptable for reasons mentioned below:

(i) The letter (5 October 2015) under which the Government's approval was conveyed did not have any mention about approval by the SPAB. Thus, the Government had approved the change in specifications of GCI sheets without the recommendation of the SPAB; and

(ii) As per the terms and conditions of the agreement entered into by the Director, RD Department with the supplier, it was a Fixed Price Contract as there was no provision for escalation of price of GCI sheets in case of rise of basic prices/inflation *etc.* As such, the extra payment of ₹ 0.52 crore is recoverable from the supplier.

FOLLOW UP OF AUDIT OBSERVATIONS

2.6 Non-submission of *suo moto* Action Taken Notes (ATNs)

With a view to ensuring accountability of the Executive in respect of all the issues dealt with in various Audit Reports, the Public Accounts Committee (PAC), issued (May 2000) instructions for submission of *suo moto* Action Taken Notes (ATNs) on all paragraphs and performance audits featured in the Audit Report within three months of its presentation to the Legislature. For submission of the (ATNs) on its recommendations the PAC provided six months time.

A review of follow up action on submission of *suo moto* ATNs disclosed that the various departments of the State Government had submitted *suo moto* ATNs in respect of all paragraphs/reviews that had featured in the Audit Reports up to the year 2012-13 with certain delays. The Audit Report for the year 2013-14 was laid on the table of the State legislative assembly on 08 July 2015. The *suo moto* ATNs in respect of four paragraphs/performance audits that had appeared in the Audit Report were due by the end of October 2015. However, no replies in respect of the paragraphs/performance audits that have been included in the Reports of the Comptroller and Auditor General of India were received as of February 2016, even after a delay of about four months.

Thus, due to the failure of the respective departments to comply with the instructions of the PAC, the objective of ensuring accountability remained unachieved.

2.7 Response to audit observations and compliance thereof by the Executive

Accountant General (Audit) conducts periodical inspections of Government Departments to test-check the transactions and verify the maintenance of significant accounting and other records as per the prescribed rules and procedures. These inspections are followed by Inspection Reports (IRs) issued to the Heads of Offices inspected, with a copy to the next higher authorities. Rules/orders of the Government provide for prompt response by the Executive to the IRs issued by the Accountant General to ensure corrective action in complying with the prescribed rules and procedures and accountability for the deficiencies, lapses, *etc*., noticed during the inspection. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs and rectify the defects and omissions promptly and report their compliance to the Accountant General. Serious irregularities are also brought to the notice of the Head of the Department by the Office of the Accountant General.

As of March 2015, 423 paragraphs relating to 106 IRs remained outstanding as shown in the following Table:

Table-2.18

Name of the Sector	Opening Balance		Addition during the year 2014-15		Disposal during the year 2014-15		Closing Balance	
	IR	Paras	IR	Paras	IR	Paras	IR	Paras
Economic (other than SPSUs)	72	357	42	215	08	149	106	423

2.8 Audit Committee Meetings

State Government had notified (04 September 2013) constitution of an Audit Committee to consider and take measures for timely response and speedy settlement of outstanding paragraphs of Inspection Reports lying in different departments.

During 2014-15, no audit committee meeting was held in respect of Economic (other than SPSUs) Sector.