

CHAPTER-II

ECONOMIC SECTOR

2.1 Introduction

The findings based on audit of State Government units under Economic Sector feature in this chapter.

During 2014-15, against total budget provision of ₹20,932.49 crore, total expenditure of ₹14,453.18 crore was incurred by 18 departments under Economic Sector. Department-wise details of budget provision and expenditure incurred thereagainst are shown in *Appendix – 2.1*.

2.1.1 Planning and conduct of Audit

The audits were conducted during 2014-15 involving expenditure of ₹4,677.27 crore of the State Government under Economic Sector. This chapter contains six Compliance Audit Paragraphs.

The major observations detected in audit during the year 2014-15 are given below.

COMPLIANCE AUDIT

Agriculture Department

2.2.1 Avoidable extra expenditure

Director of Agriculture incurred an extra expenditure of ₹4.62 crore towards procurement of seed storage bins at a higher rate, which was avoidable.

As per Central Vigilance Commission (CVC) Guidelines on technical evaluation of tenders, once it has been established that the offers meet the laid down specifications, the question of grading based on certain additional features, which were never part of the specifications should not arise, rather the contract needs to be awarded to the lowest bidder meeting the laid down specifications.

For implementation of Oil Seeds Production Programme (Plan) under National Agricultural Extension Programme (NAEP) - Crop Development (Mission Double Cropping) for 2013-14, an amount of ₹28.45 crore was sanctioned by Government of Assam (GoA) in November 2013 with the stipulation that CVC Guidelines were to be observed by the Executing Agency while implementing the scheme. As per Programme Guidelines, 4142 numbers of Seed Storage Bins (SSBs) were to be

procured and to be given to small and marginal oilseeds growers of various districts preferably to those who were from the chronically flood affected areas.

Accordingly, the Director of Agriculture, Assam invited (July 2013) quotations for purchase of Agricultural Machineries and Equipment for the year 2013-14 where SSB was one of the items. The technical specifications of SSBs as specified in the notice inviting tender (NIT) were as under:

- Type: Seed Storage Bin of 100 kg capacity with secured loading/unloading facility;
- Quality of materials used for construction of body parts to be mentioned by the manufacturers; and
- Detail drawing & dimensions of fabricated item is to be furnished.

Scrutiny (February-March 2015) of records of the Director of Agriculture, Assam revealed that out of 15 bidders who participated in the bidding process, seven responded with required specifications. These seven bidders were requested to give demonstration (December 2013) of machineries in the Directorate Office. However, only three bidders¹ participated in the demonstration, after which the Departmental Purchase Committee (DPC) constituted for this purpose selected M/s Khusboo Enterprise at the quoted rate of ₹14,000 per unit ignoring the lowest unit price of ₹2,850 quoted by M/s Kamakhya Agro & Engineering Associates.

Further scrutiny of the records revealed that an additional feature of automatic insect protection, which was not a part of the original technical specifications while inviting quotation, was included in the technical comparison of the three bidders during December 2013. As per the documents furnished by the successful bidder in support of the additional feature of automatic insect removal from seeds, the container was useful for storage of rice, wheat, chickpea, pulses and coriander. Audit observed that the contract, which was to be awarded to M/s Kamakhya Agro & Engineering Associates based on technical specifications, originally indicated in the NIT, was awarded (January 2014) to M/s Khusboo Enterprise considering the additional feature also. The supplies were made by the firm during January 2014 to June 2014 in various districts.

¹

Sl No.	Name of bidder	Bid price offered (in ₹)
1	M/S Khusboo Enterprise	14000
2	M/S Kamakhya Agro & Engineering Associates	2850
3	M/S Sunrise Enterprise	4800

Source: Departmental records.

Thus, due to non-acceptance of the available lowest rate in violation of CVC Guidelines, the Director of Agriculture, incurred an extra expenditure of ₹4.62 crore² towards procurement of SSB, which was avoidable.

The matter was reported to Government; their reply had not been received (November 2015).

Public Works Department

2.2.2 Unproductive expenditure

Executive Engineer (EE) PWD, Karimganj NH Division, incurred an expenditure of ₹80.76 crore towards a road project, which remained incomplete for more than four years and, thus, proved unproductive.

Government of India (GoI), Ministry of Road Transport & Highways (MORTH), accorded (November 2007), Administrative Approval of ₹71.55 crore, for “Reconstruction/widening to 2-lane of NH-154 from 67/600 km to 89/000 km in Assam including paved shoulder from 67/600 km to 89/0 under SARDP-NE Phase-A”. The work order was awarded to a contractor in December 2008, at a tendered value of ₹62.97 crore with the stipulation to complete the work within 18 months from the date of issue work order i.e., July 2010. The AA was, however, revised (February 2012) to ₹82.60 crore, by GoI, due to change in the scope of work. As a result, the tender was also subsequently enhanced to ₹74.02 crore.

Scrutiny of records (November 2014) of the EE, PWD, NH Division, Karimganj revealed that the work commenced on 29 December 2008, but remained incomplete, as construction of five blocked stretches of the road measuring 1.306 km could not be taken up owing to non-eviction of dwellers from Government land, non-payment of forest jirat³ compensation etc. The provision/proposal for Land Acquisition compensation was sent earlier for the periodic patta land holders only and not for jirat compensation in respect of other occupants on Government khas land. The patta land owners were compensated but the other occupants on Government khas land obstructed the construction. The work was foreclosed on 30 June 2013, with a physical progress of 91.50 per cent. The division had incurred an expenditure of ₹80.76 crore (as of November 2014), including expenditure of ₹6.64 crore towards land compensation and structure utility shifting based on the sanctioned (March 2008) estimate for ₹4.84 crore, which was revised (March 2010) to ₹7.83 crore.

Scrutiny further revealed that the division again revised (August 2013) the land compensation estimate to ₹18.42 crore from ₹7.83 crore, for payment of jirat on Government Khas land/Forest land. The GoI’s approval in this regard was, however, still awaited even after a lapse of more than one year.

² (₹14,000 - ₹2850) X 4142

³ Compensation for trees and buildings.

The Government in its reply stated (October 2015) that though 1.306 km of road work in blocked stretches was not completed, road communication in the NH was not disrupted. The reply was not tenable as the objective of the project was to reconstruct/widen the existing road, from single lane to two-lane, considering the increasing volume of vehicular traffic, which remained unachieved till date (November 2015).

Thus, due to non-inclusion of provision for payment of jirat on Government land in the original/revised estimates and inordinate delay in finalising payment of jirat on Government Khas land/Forest land, the project remained incomplete, even after a lapse of four and half years from the stipulated date of completion, resulting in unproductive expenditure of ₹80.76 crore (₹74.12 crore + ₹6.64 crore). Besides, the objective of providing better road connectivity to the neighbouring State could also not be achieved.

2.2.3 Unproductive expenditure

Executive Engineer (EE), Silchar NEC Division, PWD incurred an expenditure of ₹17 crore towards a road project, which remained incomplete for more than six years and thus, proved unproductive.

Government of India (GoI) accorded (December 2005) Administrative Approval (AA) of ₹23.33 crore for “Construction of Rymbai-Betaw-Borsora-Jalalpur Road (Length 14.80 Km)” under North Eastern Council’s 10th Five Year Plan programme. The work for the entire length of 14.80 Km was divided into 14 packages and allotted to 10 contractors during October 2006 to July 2010 at a tendered value of ₹20.36 crore with the stipulation to complete the work within one year from the date of commencement.

Scrutiny of records (May 2014) of the EE, PWD, Silchar NEC Division revealed that the division could complete (August 2012) road work of 12 Km only at an expenditure of ₹17 crore. Work order for the incomplete length of 2.80 Km was awarded to two contractors in October 2006 and January 2007 respectively. It was, however, observed that the contractors could not start the work due to boundary disputes between Assam and Meghalaya. Accordingly, the matter was taken up by the two State Governments through a joint survey of the area conducted (November 2007) by the EE, PWD, Silchar NEC Division and the EE, PWD, Jowai NEC Division, Meghalaya along with the Sub-Divisional Officer, Khliehriat Sub-Division, Meghalaya, based on which the common areas for the construction of the road was fixed and demarcated. The Division, however, failed to ensure the construction of the road despite the joint survey and demarcation of common area and instead, the work was withdrawn (June 2009) citing no hope for resolution of the boundary problem. As the land was not free from the possession of the occupants, the end portion of work (2.80 km) could not be completed and was subsequently abandoned. As a result, even the completed road length of 12 Km, which was handed over to PWD, Rural Road

Division, Silchar on 12 November 2012, could not be put to use for vehicular traffic. Although the matter was again taken up (April and September 2011) with the Deputy Commissioner, Cachar but the dispute remained unresolved.

Thus, due to abandonment of the balance road work (2.80 km), the expenditure of ₹17 crore incurred on the completed road length of 12 Km proved unproductive. Besides, the intended objective of providing an alternative road at Sonapur (NH-44), where heavy landslide occurs every year causing communication disruption to Barak Valley of Assam, the entire state of Mizoram and Tripura, was also frustrated.

The matter was reported to Government; their reply had not been received (November 2015).

2.2.4 Undue financial aid

Executive Engineer (EE), Jorhat NH Division, PWD extended undue financial aid of ₹4.23 crore to a contractor by granting irregular equipment advance.

Government of India (GoI) accorded (January 2010) Administrative Approval (AA) of ₹83.55 crore for the “Construction of southern bank approach from 0.00 km to 8.00 km to Bogibeel Rail-cum-Road Bridge on NH-52B near Dibrugarh”. The AA was, however, revised (January 2011) to ₹94.88 crore due to change in the scope of work. The revised Technical Sanction (TS) was accorded (February 2011) for the same amount by the Chief Engineer (CE), PWD, NH Works. The work was allotted (February 2011) to a contractor at a tendered value of ₹84.66 crore with the stipulation to complete the work within March 2015. Till November 2015, an expenditure of ₹60.45 crore was incurred on the work with a physical progress of 67 per cent.

Scrutiny of records (June 2014) of the EE, Jorhat NH Division and information collected (June 2015) revealed that as per the terms of the contract, equipment advance was to be granted to the contractor, which was to be used for payment towards equipment⁴ required specifically for the execution of the work. Also the contractor was to demonstrate that the advances have been used as such by supplying copies of invoices or other documents to the Engineer. Further scrutiny of invoices revealed that while the equipment were purchased between April 2010 and December 2010, the contractor was paid equipment advance of ₹4.23 crore in May 2011 (against the bank guarantee for the same amount), which clearly indicates that the advance had not been used for the purpose for which it was granted and was an inessential part of the contract. Further, till June 2015, an amount of ₹1.15 crore remained unadjusted although the advance was to be fully adjusted within November 2011 as per the terms of the contract agreement.

On this being pointed out, the Government stated (August 2015) that procurement of machineries requires about six to 12 months from the date of placing the supply order. Considering the fact, the contractor had placed supply order for machineries in advance so

⁴ Motor Grader, Bull Dozer, Tipper, Loader, Vibratory Roller and Crawler Excavator etc.

as to complete the work on time. The reply was not tenable as the machineries were procured (April and December 2010) much before the allotment (February 2011) of the work to the contractor.

Thus, irregular grant (May 2011) of equipment advance and its non-adjustment even after elapse of more than three years from the stipulated time frame for the recovery of the advance, resulted in extension of undue financial benefit to the contractor.

2.2.5 Expenditure on incomplete works

Failure of the Executive Engineer, PWD, Haflong Road Division to get the balance work of the Umrangso / Jatinga via Dehangi- Haflong road completed despite elapse of more than three years from the scheduled date of completion, rendered the expenditure of ₹4.16 crore incurred on the project, unproductive.

Government of Assam, Planning and Development Department accorded (February 2010) sanction of ₹five crore from Chief Minister's Special Development Package (2009-10) for improvement and repair of Umrangso/Jatinga via Dehangi-Haflong road (13.50 km stretch between 95 and 112 km) of North Cachar Hills Autonomous Council (NCHAC). The road is of utmost importance for the entire North Cachar Hills district as it connects Halflong with Nagaon, Karbi Anglong and the State of Meghalaya and this project was conceived to improve connectivity in the region.

The Detailed Project Report (DPR) of the work was prepared (March 2010) by the Chief Engineer, PWD (Roads), Assam, Guwahati with the provisions of Water Bound Macadam (WBM), Bituminous Macadam (BM), Semi-Dense Bituminous Concrete (SDBC), Side drain etc. However, following the verbal instruction of Chief Executive Member, NCHAC, the Executive Engineer (EE), PWD (Roads), Haflong Division deviated from the original DPR and prepared a detailed working estimate for improvement and repair of the above road from Dehangi to Chotowapu (67 km to 94 km) with the provision for pot holes repairing, retaining wall, side drain etc., and from Chotowapu to Lower Haflong (95 km to 112 km) for execution of WBM, Prime Coat and Seal Coat (in place of original provision of BM and SDBC), side drain etc. The detailed working estimate was administratively approved (June 2010) at a cost of ₹five crore by the Principal Secretary, NCHAC and Technical Sanction (TS) to the work was accorded (June 2010) by the Additional Chief Engineer, PWD (R&B), Hills, Haflong for the same amount.

Scrutiny of records (February-March 2014) of the EE, PWD, Haflong Road Division revealed that the work was split into seven groups and awarded (June-December 2010) to three contractors at a total tendered value of ₹4.95 crore⁵ with the stipulation to complete the works of group I to VI and group VII within November 2010 and February 2011 respectively. While the works of the three groups (Group III, IV and VII) were completed in June 2011 after a lapse of six months from the target date of

⁵ Group I- ₹87.87 lakh + Group II- ₹53.71 lakh + Group III- ₹81.93 lakh + Group IV- ₹94.56 lakh + Group V- ₹71.89 lakh + Group VI- ₹74.82 lakh + Group VII- ₹30.29 lakh= ₹4.95 crore.

completion, the work of remaining four groups (Group I, II, V and VI) remained incomplete with physical progress of 55 to 85 *per cent* only, in spite of issue of notices (July 2010) to the contractors, due to heavy rains and landslides. The work of these four groups was withdrawn (November 2011) from the defaulting contractors on the instruction of the Executive Member i/c PWD, NCHAC. However, penalty of ₹500 each only was imposed on the defaulting contractors against the contractual provision (Clause 3) of forfeiture of the entire security deposit on rescinding the work.

Further scrutiny also disclosed that due to time and cost overrun, the available fund was insufficient to complete the balance work. The division therefore conceived of (July 2012) protection work of the road at vulnerable points, to prevent damage from probable landslide during the monsoon, out of the unspent amount of ₹0.84 crore (₹5 crore – ₹4.16 crore) without Government concurrence. The work was accordingly allotted (November 2012) to three contractors at a tendered cost of ₹0.82 crore which was completed between December 2012 and January 2013 at an expenditure of ₹ 0.82 crore. However, the original work i.e., improvement and repair of Umrangso/Jatinga via Dehangi- Haflong road, which was sanctioned by the Government in February 2010, remained incomplete and in a suspended state till March 2014, which rendered the condition of the road very deplorable requiring immediate restoration.

Thus, failure of the EE to get the balance work of the Umrangso/Jatinga via Dehangi-Haflong road completed, despite elapse of more than three years from the scheduled date of completion (November 2010), rendered the expenditure of ₹4.16 crore unproductive as the intended objective to improve connectivity in the region was not achieved.

The matter was reported to Government; their reply had not been received (November 2015).

Water Resources Department

2.2.6 Unfruitful expenditure

Inadequate survey, planning and non-completion of land acquisition process before construction of Flood Embankment resulted in unfruitful expenditure of ₹1.46 crore.

The Revised Guidelines (August 2009) of Government of India (GoI) on central assistance towards Flood Management Programme (FMP) stipulates that state governments while submitting a new proposal shall ensure acquisition of land required under the scheme and would submit a certificate to that effect, failing which no funds would be released. Rule 304 of the Assam Public Works Manual stipulates that no work should be commenced on land, the possession of which has not been duly delivered by the responsible civil authorities.

Government of Assam, Water Resources Department accorded (August 2011) administrative approval and technical sanction to the work “Construction of Flood Embankment (FE) along Left Bank (LB) of Digaru river from National Highway (NH) to Kurkuria Hill” for ₹14.65 crore. The project was funded on 90 per cent Central share and 10 per cent State share basis. Till the date of audit an expenditure of ₹1.46 crore⁶, out of the State share, was incurred on the work with a physical progress of 40 per cent.

Scrutiny of records (October 2014) of the Executive Engineer, Guwahati East Water Resources Division and further collection (May 2015) of information revealed that, as per the estimate, 648 bighas land was to be acquired for the execution of the work. In order to expedite the execution pending completion of land acquisition process, a discussion with the local people and land owners of the area was held (February 2012). As no objection was raised by the local people and the land owners, the work of construction of embankment from Chainage 2971 M to 9063 M was awarded (February-March 2012) to a number of contractors. However, the work on Chainage 0 M to 2941 M could not be started as most of the area fell under Tea Gardens and paddy fields and the land was yet to be acquired. Audit observed that although the Government of Assam was aware of the 2009 Revised Guidelines, it failed to ensure availability of land to become eligible for release of the Central funds. Therefore, due to non-receipt of Central funds for non-availability of land, the work remained incomplete as on date (November 2015).

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Sl. No.	Item of work	Estimated Amount (In ₹)	Expenditure (In ₹)
1	Preliminary	57700.00	10000.00
2	Land	14560000.00	0.00
3	Cutting and clearing light/medium jungle	735750.00	499450.00
4	Cutting of trees	223200.00	114328.00
5	E/W by truck carriage	111004014.00	13206622.00
6	Turfing	1508558.00	0.00
7	Supplying and driving Azar/Nahar/Zarul piles	0.00	0.00
8	i) Below ground	440004.00	0.00
9	ii) Above ground	363828.00	0.00
10	Making 150 cm wide bamboo foot bridge	103219.00	0.00
11	Removal of unserviceable soil	2939250.00	0.00
12	Construction of sluice gates at different reaches	9415000.00	0.00
13	Provision of de-watering	575000.00	0.00
14	Contingency	1273078.00	150000.00
15	K-Building	406500.00	0.00
16	O-Miscellaneous	387000.00	115000.00
17	P-Maintenance	1315133.00	110000.00
18	R-Communication	882000.00	440000.00
19	Y-Losses of stock	325495.00	0.00
Total:		146514729.00	14645400.00

Source: Departmental records.



Photographs of “Construction of FE along LB of Digaru from NH to Kurkuria Hill”
(08 October 2015)

Thus, commencement of the work without ensuring availability of land, in violation of codal provisions, rendered the expenditure of ₹1.46 crore unfruitful as the balance work remained incomplete. Besides, the State Government was deprived of Central assistance towards creation of assets due to non-availability of land.

The matter was reported to Government; their reply had not been received (November 2015).