

**CHAPTER-III**  
**ECONOMIC SECTOR**



## CHAPTER - III

### ECONOMIC SECTOR

#### 3.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2019 deals with the audit observations on the State Government departments under the Economic Sector.

The names of the departments and the total budget allocation *vis-a-vis* expenditure of the departments under Economic Sector during 2018-19 is given below:

**Table 3.1 showing details of Departments with Budget provision and Expenditure**

(₹ in crore)

| Sl. No.      | Name of the departments                   | Total Budget Provision | Expenditure    |
|--------------|---|------------------------|----------------|
| 1            | Civil Supplies                            | 61.63                  | 59.64          |
| 2            | Land Records and Survey                   | 24.31                  | 24.20          |
| 3            | Planning and Coordination Department      | 1035.14                | 288.74         |
| 4            | Tourism                                   | 28.09                  | 26.69          |
| 5            | Rural Development                         | 1456.49                | 557.90         |
| 6            | Evaluation                                | 11.51                  | 10.93          |
| 7            | Cooperation                               | 38.38                  | 37.58          |
| 8            | Agriculture                               | 315.49                 | 289.09         |
| 9            | Soil and Water Conservation               | 83.80                  | 62.97          |
| 10           | Veterinary and Animal Husbandry           | 136.80                 | 113.73         |
| 11           | Fisheries                                 | 28.38                  | 27.83          |
| 12           | Forest, Ecology, Environment and Wildlife | 141.44                 | 102.61         |
| 13           | Industries and Commerce                   | 86.41                  | 85.67          |
| 14           | Geology and Mining                        | 36.68                  | 36.41          |
| 15           | Power                                     | 591.22                 | 581.41         |
| 16           | Road Transport                            | 93.09                  | 91.20          |
| 17           | Roads and Bridges                         | 870.68                 | 869.52         |
| 18           | Irrigation and Flood Control              | 226.58                 | 68.99          |
| 19           | Science and Technology                    | 7.66                   | 7.23           |
| 20           | Sericulture                               | 23.49                  | 22.23          |
| 21           | Horticulture                              | 68.86                  | 43.02          |
| 22           | Land Resources                            | 135.06                 | 63.09          |
| 23           | State Institute of Rural Development      | 6.54                   | 6.37           |
| 24           | Department of Under Developed Areas       | 69.62                  | 69.56          |
| 25           | Information Technology and Communication  | 19.15                  | 17.94          |
| 26           | New and Renewable Energy                  | 17.65                  | 16.80          |
| <b>Total</b> |   | <b>5614.15</b>         | <b>3581.35</b> |

(Source: Appropriation Accounts)

It is observed that none of the departments could fully utilise the allocated budget. Most notable being Planning and Rural Development departments where the utilisation of funds was 28 per cent and 38 per cent respectively. Out of an expenditure of ₹ 3581.35 crore on Economic Sector, we test checked expenditure of ₹ 8516.26 crore (including funds pertaining to previous years audited during the year). This chapter

contains audit findings on one Performance Audit (PA) viz., ‘**Construction and Maintenance of Government buildings by PWD (Housing)**’.

### *Performance Audit*

## **PUBLIC WORKS DEPARTMENT (HOUSING)**

### **3.2 Performance Audit on Construction and Maintenance of Government buildings by PWD (Housing)**

#### **3.2.1 Introduction**

The Nagaland Public Works Department (Housing) is entrusted with the responsibility of creating residential and non-residential infrastructure in the State.

During the period 2014-2019, the Government of Nagaland sanctioned 254 new projects for ₹ 671.95 crore comprising of residential and non-residential buildings.

Out of the 71 projects taken up by seven housing divisions, 26 were completed while 45 were on going as on March 2019. Similarly, out of 256 projects undertaken by 17 Engineering Divisions attached with other Departments during the period, 132 projects were completed while 124 were ongoing.

The Performance audit was conducted during June to September 2019 for the period 2014-19. The significant findings of audit are highlighted below:

#### **3.2.2 Organisational set up**

The PWD (Housing) is headed by the Commissioner and Secretary as the Administrative Head of the Department and Chief Engineer as the Head of the Department. The Department has Two Circles, Seven Divisions<sup>1</sup> and One Estate Officer. In addition, there are 17 Engineering Divisions<sup>2</sup> attached with other departments, which are under the administrative and technical control of PWD (Housing) but budgetary controls are under the departments concerned.

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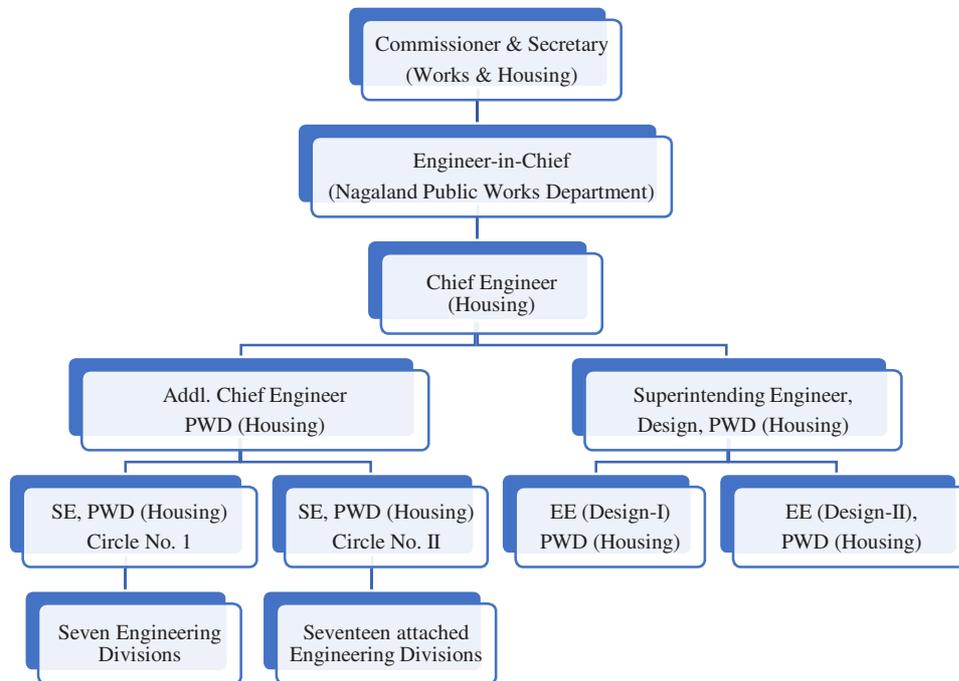
<sup>1</sup> Seven Engineering Divisions: (1) EE PWD (H) Division-I, Kohima (2) EE PWD (H) Central Division, Kohima, (3) EE PWD (H), New Capital Complex, Kohima, (4) EE PWD (H) Estate Division, Kohima, (5) EE PWD (H) Mokokchung Division, (6) EE PWD (H) Dimapur Division and (7) EE PWD (H) Tuensang Division.

<sup>2</sup> Seventeen Engineering Divisions: (1) EE PWD (H), Urban Development ; (2) EE, PWD (H) Youth Resources & Sports; (3) EE PWD (H) Municipal Affairs; (4) EE PWD (H) Industries & Commerce; (5) EE PWD (H) Rural Development; (6) EE PWD (H) DUDA; (7) EE PWD (H) Education; (8) EE PWD (H) Medical Engineering; (9) EE PWD (H) Division-II Social Welfare and Women Resource Development; (10) EE PWD (H) Forest Engineering; (11) EE PWD (H) Planning & Co-ordination; (12) EE PWD (H) CAWD; (13) EE PWD (H) Arts & Culture; (14) EE PWD (H) Horticulture; (15) EE PWD (H) Tourism; (16) EE PWD (H) Veterinary & Animal Husbandry; (17) EE PWD (H) Vigilance & Anti- corruption.

The organizational chart of PWD (Housing) Department is depicted below:

**Chart No. 3.1**

**Organisational Setup**



### 3.2.3 Scope of Audit

The Performance Audit covered the offices of CE (Housing), all seven Housing Divisions and nine out of 17 engineering divisions attached with other departments selected through stratified sampling method. The performance audit covered 37 projects (52 *per cent*) including 16 deposit works out of 71 projects executed by the seven Housing Divisions<sup>3</sup> and 82 projects (32 *per cent*) including 33 deposit works out of 256 projects executed by 17 engineering divisions attached with other departments during 2014-19. The projects were selected by Stratified Simple Random Sampling (SSRS) method with a minimum coverage of 25 *per cent*. The details of projects covered are given in the table below:

**Table 3.2 showing details of projects cost, expenditure and status of projects**

*(₹ in crore)*

| Sl. No.  | Total number of projects under 24 (7+17) Divisions | Number of Projects selected | Approved Cost for the selected project | Progressive expenditure | Number of Projects completed | Number of Incomplete projects |
|--|--|-----------------------------|--|-------------------------|------------------------------|-------------------------------|
| <b>Works executed by the Seven Housing Divisions</b>                         |  |                             |  |                         |                              |                               |
| 1  | 36   | 21                          | 355.57                                 | 251.82                  | 4                            | 17                            |
| <b>Deposit Works</b>   |  |                             |  |                         |                              |                               |
| 2  | 35   | 16                          | 322.16                                 | 256.12                  | 3                            | 13                            |
| <b>Sub-Total</b>   | <b>71</b>  | <b>37</b>                   | <b>677.73</b>                          | <b>507.94</b>           | <b>7</b>                     | <b>30</b>                     |
| <b>Works executed by Engineering Divisions attached to other Departments</b> |  |                             |  |                         |                              |                               |
| 3  | 160  | 49                          | 500.80                                 | 254.75                  | 22                           | 27                            |
| <b>Deposit works</b>   |  |                             |  |                         |                              |                               |
| 4  | 96   | 33                          | 203.98                                 | 134.05                  | 13                           | 20                            |
| <b>Sub-Total</b>   | <b>256</b>   | <b>82</b>                   | <b>704.78</b>                          | <b>388.80</b>           | <b>35</b>                    | <b>47</b>                     |
| <b>Total</b>   | <b>327</b>   | <b>119</b>                  | <b>1382.51</b>                         | <b>896.74</b>           | <b>42</b>                    | <b>77</b>                     |

*(Source: Replies furnished by the Divisions)*

From the above table, it is seen that out of 119 selected projects, 42 projects (35.29 per cent) were completed and 77 projects (64.71 per cent) remained incomplete during the period 2014-19.

### **3.2.4 Audit Methodology**

The Performance Audit commenced with an 'Entry Conference' on 20 May 2019 to discuss the audit objectives, scope and criteria of the Performance Audit. This was followed by issue of requisitions, questionnaires, examination of records, issue of audit observations, joint verification of selected projects and photographic evidence wherever required and issue of draft report to the Government.

A top down approach starting from the Office of Chief Engineer (Housing) to the divisional level offices including the Engineering Wings attached to various Departments was adopted for examination of records. Joint physical verification of 82 out of 119 selected projects along with the departmental officials and district administration (in two instances) was conducted during June to September 2019.

The draft audit findings of the Performance Audit were discussed in the 'Exit Conference' on 11 December 2019 with the Chief Engineer and departmental representatives. The views expressed by the Department in the Exit Conference and the replies of the Department are suitably incorporated in the Report.

### **3.2.5 Audit Objectives**

The Audit objectives were to assess whether:

- planning process was comprehensive and the systems and procedures for prioritisation and project planning were followed;
- the funds provided were adequate, released on time and utilized economically and efficiently by the implementing units;

- the projects were executed in a timely manner as per the guidelines and applicable technical specifications as agreed in the contracts, and
- monitoring and control mechanism was adequate and effective.

### **3.2.6 Audit Criteria**

Audit findings were benchmarked against the criteria derived from the following sources to assess the audit objectives:

- Prescribed house and land policies;
- Detailed Project Reports (DPRs), standard specifications and contract conditions;
- Policy and guidelines framed for implementation of the projects;
- Nagaland Schedule of Rates (SOR) for Works & Housing;
- Nagaland Public Works Account Code, Receipt & Payment and General Financial Rules;
- Sanction orders issued by Government of Nagaland;
- Guidelines, Circulars and instructions with regard to financial management and implementation of projects issued by Government of India and State Government from time to time.

### **3.2.7 Acknowledgement**

We acknowledge the co-operation and assistance extended by the Nodal Department and the implementing departments/agencies during the conduct of audit.

### **Audit findings**

The findings of audit are discussed in the succeeding paragraphs:

### **3.2.8 Planning of Projects**

Systematic planning is a strategic necessity for timely and successful completion of projects. The Department stated that long term/ strategic plans for construction of Government buildings were prepared for the State. However, the plan documents were not made available to audit for examination. It was observed that the projects were taken up on adhoc basis and in anticipation of fund provisions in the ensuing years resulting in time and cost overrun.

#### **3.2.8.1 Commencement of projects before acquisition of land**

Rule 225 of NPWD code stipulates that no work should commence on a land, the possession of which has not been duly delivered by responsible civil (revenue) authorities. When land is required by PWD for construction of buildings of other departments, the department concerned should arrange to hand over the land to PWD with information regarding agreed or estimated cost thereof.

Examination of records revealed that the work orders for four projects/works out of 119 selected projects were issued to the firms/contractors, before settlement of the land issues resulting in delay in commencement/completion along with cost and time overruns as detailed below:

**Table 3.3 Projects taken before settlement of land issues**

| <b>Name of PWD Office</b>                                       | <b>Name of Project with scheduled period of completion</b>  | <b>Estimated Cost (₹ in crore)</b> | <b>Status of Works</b>   |
|---|---|------------------------------------|--|
| EE, PWD, Municipal Affairs Division                             | Construction of Rental Housing for Urban Poor in Chumukedima; awarded in August 2014 to be completed within 24 months.                                | 18.60                              | Land owner demanded compensation during execution of work. The work is yet to be completed (March 2020).   |
| EE, PWD (H), Division-II  | Construction of Directorate of Social Welfare office building, Kohima awarded in April 2011 to be completed within 24 months                          | 17.70                              | Work is yet to be completed (March 2020) due to land dispute between the Department and the landowner.   |
| EE, PWD (H), Urban Development Division                         | Construction of Integrated Housing & Slum Development at Kezocha Town; awarded in July 2013; to be completed by June 2015                             | 4.99                               | The work is yet to be completed (March 2020) due to land dispute with local land owners.   |
| EE, PWD (H), Veterinary & Animal Husbandry Engineering Division | Construction of Directorate of Veterinary & Animal Husbandry office building at Kohima work awarded in January 2013, to be completed within 36 months | 36.70                              | Revision of project cost due to change of land topography and work specifications due to land dispute with private land owners.<br>The work is yet to be completed (March 2020). |

The Department in its reply stated (December 2019) that land compensation issue in regards to construction of Rental Housing for Urban Poor in Chumukedima has been resolved and work is in progress. In respect to construction of Directorate of Social Welfare office building, Kohima it was stated that despite having valid allotment order the landowner continued to interfere and created delay. In case of project at Kezocha, land dispute was resolved and works were in good progress. In respect of the Directorate of Veterinary and Animal Husbandry office building, it was stated (December 2019) that there was delay due to encroachment of land resulting in shifting of the proposed building to the adjacent area, thus the whole DPR had to be redone. The reply is an admission of the fact that the Departments were not in possession of land free from all encumbrances when work orders were issued.

### **3.2.8.2 Delay in handing over of site to the executing agency/contractor leading to time and cost overrun**

Rule 248 of NPWD code stipulates that the site of the building should be settled before the detailed designs and estimates are finalised and local authorities must be consulted in all cases. Further, in every work order issued to the contractors, the date of completion of the project should be reflected from the date of issuance of work order or handing over of the site whichever is later.

Examination of records revealed that the Department failed to hand over the site in respect of two important projects, out of 119 selected projects, to the contractors with delay ranging from seven months to 37 months after issue of work order due to land dispute. This resulted in delay in completion of projects, blockade of funds and cost escalation as discussed below:

**Table 3.4 showing delays in handing over of land to projects**

| Name of PWD office                                    | Name of Project and Estimated Cost  | Funds received and Expenditure incurred   | Handover of land  | Audit Observation   |
|---|---|---|---|---|
| EE, PWD (H), Medical Engineering Division, Kohima     | Nagaland Medical College, Kohima.<br>₹ 189.00 crore                         | GoI released ₹ 170.10 crore from November 2015 to February 2019 in 18 instalments. Expenditure incurred is ₹ 1.70 crore   | Land patta allotted to Department in March 2018 and work order issued in November 2018  | As per records, the State Government acquired a land measuring 50.25 acres in the proposed site in March 2017, after a delay of 15 months from the receipt of funds. As of September 2019, the Department had executed boundary walls and site development works and incurred an expenditure of ₹ 1.70 crore. This resulted in blockade of GoI fund of ₹ 168.40 crore released during November 2015 to February 2019 besides delay in execution of the project. |
| EE, PWD (H), Estate, PWD (H), Estate Division, Kohima | Nagaland Guest House at R.K. Puram, Delhi.<br>₹ 22.91 crore (original cost) | Government of Nagaland released ₹ 43.29 crore from March 2012 to December 2017 in 13 instalments against the project which includes approved revised cost of ₹ 33.27 crore for components of civil works. | Work commenced only in September 2010 due to delay in handing over land to contractor. Work finally completed in September 2017 | Cost escalation demanded by Contractor (₹ 10.36 crore) agreed by Govt. in November 2017. It was observed that the Department issued work orders for civil works before demolition of the existing building and without obtaining statutory clearance from MCD. It was further observed that against the approved revised cost of ₹ 33.27 crore, the Contractor was paid ₹ 38.11 crore. This led to time and cost overrun of ₹ 15.20 crore                       |

In respect of Nagaland Medical College, Kohima, the Department accepted (December 2019) the facts and stated that the acquisition of land was a difficult task and it could be achieved only in year 2017. The reply is not acceptable as the funds had been obtained from GoI without ensuring land for the project and these remained unutilised since November 2015.

In respect of the Nagaland Guest House, New Delhi, the Department in reply (December 2019) stated that work order was issued in August 2007 in anticipation of getting necessary statutory clearances from the Municipal Corporation of Delhi. However, despite of the best effort put in, the Department managed to get the construction permit only in March 2009. Also the old building had to be demolished first before the new construction could start.

The fact remains that issue of work orders before demolition of existing building and without obtaining statutory clearance from Municipal Corporation of Delhi led to avoidable cost escalation by ₹ 10.36 crore which the Government has agreed to pay.

In addition to the above cases, price escalation for ₹ 130.64 crore was irregularly allowed in 13 out of 119 projects (**Appendix 2.1**) due to delay in handing over of sites, land issues, absence of approach road etc. The above instances indicate that the Department awarded the work based on designs and estimates prepared without proper survey and feasibility studies which resulted in delay in commencement/completion of the projects and escalation of the cost by ₹ 141 crore (₹ 10.36 crore + ₹ 130.64 crore).

**Recommendation: Government should ensure that estimates for the projects are framed after detailed survey of the topography and site conditions. The work orders should be issued only after land free from all encumbrances is in actual possession of the Department.**

### **3.2.9 Financial Management**

During the period of audit, a total of 327 departmental and deposit works (including 73 spill over projects for ₹ 1708.39 crore) were taken up by 24 Engineering divisions of the PWD (Housing). The detail projects cost sanctioned, funds released by the State Government and the expenditure incurred by the divisions on the new projects during 2014-19 are given below:

**Table 3.5 showing details of project funds received and expenditure incurred**

(₹ in crore)

| Year         | Number of projects sanctioned during the year* | Total cost of new projects | Amount released by State Government (including spill over released during the year) | Expenditure incurred by the Division |
|--------------|--|----------------------------|---|--------------------------------------|
| 2014-15      | 39   | 177.90                     | 235.94  | 206.60                               |
| 2015-16      | 95   | 152.01                     | 123.40  | 126.47                               |
| 2016-17      | 73   | 97.39                      | 141.22  | 133.39                               |
| 2017-18      | 14   | 21.06                      | 155.98  | 131.89                               |
| 2018-19      | 33   | 223.59                     | 88.12   | 85.37                                |
| <b>Total</b> | <b>254</b>                                     | <b>671.95</b>              | <b>744.66</b>   | <b>683.72</b>                        |

(Source: Replies furnished by Divisions) \* Excluding spill over projects.

It is observed that for 254 new projects ₹ 671.95 crore were sanctioned during 2014-19, Government of Nagaland released ₹ 744.66 crore (including spill over released during 2014-19) to the divisions, who reported expenditure of ₹ 683.72 crore on the projects,

during the period covered in audit, leaving an unspent balance of ₹ 60.94 crore (March 2019).

### 3.2.9.1 Delay/short release of funds

Centrally Sponsored Schemes (CSS) under Nirbhaya Fund Scheme, National Ayush Mission, 10 per cent lump-sum provision scheme are implemented in the State on sharing basis of 90:10 and for Rajiv Awas Yojana, the sharing basis is 80:20. The Finance Department was required to release the funds to the implementing departments within 15 days.

Examination of records revealed that there were delays ranging from three months to 51 months in release of the fund to the implementing departments (*Appendix 2.2*). Audit also observed that, during the audit period, out of the approved cost of ₹ 273.76 crore in respect of seven projects<sup>4</sup>, GoI released its share of ₹ 212.92 crore (October 2019) whereas, the State Government was yet to release its matching share of ₹ 27.02 crore as of December 2019 as detailed below:

**Table 3.6 short release of State matching share**

(₹ in crore)

| Name of the Scheme                    | Total Approved cost | Share         |              | Fund released |             | Short release |              | Year of release |
|---------------------------------------|---------------------|---------------|--------------|---------------|-------------|---------------|--------------|-----------------|
|                                       |                     | GoI           | State        | GoI           | State       | GoI           | State        |                 |
| Nirbhaya Fund Scheme                  | 2.84                | 2.56          | 0.28         | 2.56          | 0           | 0             | 0.28         | 2017-18         |
| Rajiv Awas Yojana                     | 56.39               | 45.11         | 11.28        | 24.74         | 4.45        | 20.38         | 6.82         | 2017-18         |
| 10% lumpsum provision scheme          | 25.53               | 22.98         | 2.55         | 15.53         | 1.54        | 7.45          | 1.02         | 2017-18         |
| Establishment of new Medical Colleges | 189                 | 170.10        | 18.9         | 170.10        | 0           | 0             | 18.9         | 2015-19         |
| <b>Total</b>                          | <b>273.76</b>       | <b>240.75</b> | <b>33.01</b> | <b>212.93</b> | <b>5.99</b> | <b>27.83</b>  | <b>27.02</b> |                 |

(Source: GoI sanction orders and Drawal Authorities issued by Finance Department)

The short release of ₹ 54.85 crore (GoI- ₹ 27.83 crore, GoN - ₹ 27.02 crore) impacted the progress of the projects as these works remained incomplete.

The Department did not offer any comment on the issue.

### 3.2.10 Project approval

The Technical Estimates of the project prepared by the Divisional Engineers are vetted by the Chief Engineer. The technical estimates (both original and revised) of projects costing ₹ 5.00 crore and above are then submitted to the High-Level Technical Committee (HLTC) headed by the Engineer-in- Chief. The viable projects are then recommended for approval by the State Level Programme Implementing Committee (SLPIC), headed by the Hon'ble Chief Minister.

The SLPIC, in its 12<sup>th</sup> Meeting (16 November 2009) decided that no tender should be floated without the prior approval of SLPIC. Accordingly, the Planning Department

<sup>4</sup> Nirbhaya Fund Scheme (1), Rajiv Awas Yojana (3), Establishment of new Medical Colleges (1) and 10% lumpsum provision scheme (2) = 7 projects

was directed not to accord clearance of projects costing ₹ 5.00 crore and above without prior approval of the SLPIC. The decision was reiterated in the terms of reference of the notification (29 June 2018) by the Planning & Co-ordination Department.

The Engineer-in-Chief also issued (17 January 2011) instructions that all projects costing ₹ 5.00 crore and above should be routed through the office of the Engineer-in-Chief for technical approval, finalization of tender papers etc.

Further, as per instruction issued by GoI for sanction and implementation of projects under 10 *per cent* lump sum provision (a Centrally Sponsored Scheme) no change in scope or design shall be permitted. In case, the scope of the project gets changed due to unavoidable circumstances, revised DPR should be submitted and approved by the Ministry before execution of further works. This, however, shall not obviate the need for due diligence and vetting at state level by its own technical agencies.

Examination of records of four EEs out of 16 test checked divisions revealed that DPRs of four projects sanctioned during the period March 2015 to June 2016 were more than the prescribed limit of ₹ 5 crore and executed without obtaining approval of the Empowered Committees<sup>5</sup> as detailed below:

**Table 3.7 showing details of DPRs of four projects for which approval of Empowered Committee was not obtained**

(₹ in crore)

| Sl. No. | Implementing Divisions         | Name of the project and month/year of approval  | Original/ revised cost |
|---------|--------------------------------|---|------------------------|
| 1       | Dimapur Division               | Construction of RCC triple storied rental housing building, Gr-IV Quarter and Garage under Phase-IV, March 2015 | 7.42                   |
| 2       | New Capital Complex Division   | Site Development of Chief Minister's Residential Complex (CMRC), March 2015                                     | 7.76                   |
| 3       | Education Engineering Division | Construction of Wakching New Model College, Mon, June 2015  | 12.00                  |
| 4       | Youth Resources Division       | Construction of Multipurpose Hall at MLA Hostel, Kohima, Nagaland, February 2016                                | 7.00                   |

The Department in reply stated (December 2019) in respect of Construction of RCC triple storied rental housing building, that post-facto SLPIC clearance is awaited. In respect of site development of Chief Minister's residential complex, post facto clearance of SLPIC shall be sought, if required and no comments were given in respect of the other two projects.

Audit also observed that in project 'Construction of City Centre at Medziphema' sanctioned under 10 *per cent* lump sum provision scheme for North Eastern Region including Sikkim for ₹ 15.84 crore (April 2015), the civil works were earmarked at ₹ 10.25 crore. However, due to re-location of site, the provision of civil works was

<sup>5</sup> Empowered Committee comprised of Chief Minister (Chairperson), Members - Dy. Chief Minister (Home), Minister Planning & Co-ordination, Minister, Urban Development, Minister, Public Works Department, Chief Secretary, Finance Commissioner, Commissioner & Secretary to CM, Commissioner & Secretary, W&H, Engineer-in-Chief, NPWD and Pr. Secy. & Dev. Commissioner (Member Secy.)

revised to ₹ 11.22 crore (February 2019) without obtaining prior approval of the Ministry. The Government and Department accepted (December 2019) the facts and stated that the Ministry did not accept the revision of cost and the extra amount shall be borne by the State Government.

**Recommendation:** *The Government may ensure that all projects taken up for implementation are administratively and technically approved by competent authorities to ensure that the funds are properly utilised and to ensure all technical and administrative norms are fulfilled before tendering.*

### 3.2.11 Execution of the projects

As per Rule 135 of Receipts and Payments Rules, payment for all work done other than by daily labour and for all supplies shall be made on the basis of measurements recorded in Measurement Books (MBs). No payment other than an advance payment may be given, unless the correctness of the claim in respect of quantities and rates as well as the quality of the works done are carefully checked by a responsible officer.

Paragraph 341 of the NPWD Code, stipulates that before the bill of the contractor is prepared, entries in the MB relating to the description and quantities of work or supplies should be scrutinised by the sub-divisional officer and calculation of ‘contents or area’ should be checked.

The status of the selected projects implemented by the 16 engineering divisions and the position as observed in audit are shown below:

**Table 3.8 - Status of selected projects**

(₹ in crore)

| Sl. No.      | Particulars of projects       | Number of projects | Cost of projects | Expenditure incurred (September 2019) | Number of projects completed | Number of incomplete projects |
|--------------|-------------------------------|--------------------|------------------|---------------------------------------|------------------------------|-------------------------------|
| 1            | Departmentally executed works | 70                 | 856.37           | 506.57                                | 26                           | 44                            |
| 2            | Deposit works                 | 49                 | 526.14           | 390.16                                | 16                           | 33                            |
| <b>Total</b> |                               | <b>119</b>         | <b>1382.51</b>   | <b>896.73 (64.86%)</b>                | <b>42 (35.29%)</b>           | <b>77 (64.71 %)</b>           |

(Source: Abstract from Division replies)

As can be seen from the above table, out of the total of 119 projects, Department had completed 42 projects (35.29 per cent) and incurred 64.86 per cent of the total project cost.

#### 3.2.11.1 Irregular advance payment to Contractors

As per Rule 172 of GFR 2017, payments for services rendered or supplies made should be released only after services have been rendered or supplies made.

Paragraph 352 (a) (i) of the NPWD Code envisages that in cases requiring an advance payment on the security of materials brought to site, the EE may sanction advances up to an amount not exceeding 90 per cent of the value of such materials and a formal agreement should be made with the contractor under which Government secures a lien

on the material and is safeguarded against losses due to the contractor postponing the execution of the work, shortage or misuse of the material.

Examination of records revealed that two EEs<sup>6</sup> out of 16 selected EEs, paid advance of ₹ 17.15 crore to three contractors as detailed below:

**Table 3.9 showing details of payments made to the contractors**

(₹ in crore)

| Name of Division                              | Name of the project                                  | Amount released to the divisions | Date of payment of advance | Amount of advance paid | Position of advance |
|---|--|----------------------------------|----------------------------|------------------------|---------------------|
| EE<br>Municipal<br>Affairs Cell               | Construction of City Centre at Medziphema            | 11.52                            | 11.05.2018                 | 4.04                   | Recovered           |
|   |  |                                  | 14.03.2019                 | 1.99                   | Not recovered       |
|   |  |                                  | 25.06.2019                 | 2.00                   | Not recovered       |
|   | Construction of Housing for Urban Poor at Medziphema | 11.54                            | 24.06.2016                 | 1.52                   | Recovered           |
|   |  |                                  | 13.01.2017                 | 1.60                   | Not recovered       |
|   |  |                                  | 25.06.2019                 | 0.50                   | Not recovered       |
| Construction of Rental Housing at Chumukedima | 12.53  | 15.10.2015                       | 2.00                       | Recovered              |                     |
|   |  | 22.12.2016                       | 2.50                       | Not recovered          |                     |
| EE PWD (H) Dimapur Division                   | Construction of PWD Housing Complex, Dimapur         | 4.15                             | 20.06.2011                 | 1.00                   | Recovered           |
| <b>Total</b>                                  |  | <b>39.74</b>                     |                            | <b>17.15</b>           |                     |

(Source: Division records)

Audit observed that the EEs made advance payment of ₹ 17.15 crore to the contractors though there was no enabling payments clause in the contract deed agreement and also without citing any reason for such payment. The EEs did not execute any formal agreements with the contractors to secure a lien on the materials brought to site to safeguard against loss. Thus, the two EEs extended undue financial benefit of ₹ 17.15 crore to the contractors out of which an amount of ₹ 8.56 crore was adjusted through running account bills leaving ₹ 8.59 crore unadjusted, of which ₹ 4.10 crore remained pending since 2016-18 in respect of two incomplete projects.

The Department while accepting the audit observation stated (December 2019) that they had recovered ₹ 2.49 crore leaving ₹ 6.10 crore unadjusted which would be recovered in the subsequent running bills. The practice of giving advance payment should be stopped, henceforth.

### 3.2.11.2 Short/non-execution of items in works

We did joint physical verification of 87 projects costing ₹ 733.99 crore. During joint physical verification, audit observed short execution of 72 items of work in 40 projects costing ₹ 2.60 crore. It was also observed that 315 items of work costing ₹ 9.09 crore recorded in the MBs as executed were not actually executed by the contractors. This, resulted in excess payment of ₹ 11.69 crore (*Appendix 2.3*) to contractors without actual execution of items of works.

<sup>6</sup> EE, Municipal Affairs Cell and EE, PWD (H) Dimapur

The Government and Department in reply stated (December 2019):

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|---|
| <p>10 out of 26 projects are ongoing projects and as such unexecuted and short execution do not arise as execution is in progress.<br/>However, fact remains that the Department extended undue benefit towards unexecuted as well as short executed works by recording false measurement data in the Measurement Books.</p>            |
| <p>Nine projects were ongoing and hence, the items of works pointed out by audit would be completed later.</p>  |
| <p>In case of three projects, the Department had intimated the list of short or un-executed items for execution to the contractors.<br/>The reply only confirms that payments were made without deducting the cost of unexecuted items of works.</p>  |
| <p>In case of two projects, items in the DPRs were not executed and instead the funds were used for other works as requested by the user Department.<br/>The Department neither prepared working estimate nor any deviation statement to ascertain the execution of work in accordance to the request of the user department.</p>       |
| <p>Out of two projects, the Department in reply stated that in one case the project was executed as per working estimates and not as per DPR. In respect of the other project the Department stated in reply that some items of works which were purported to be executed could not be shown to audit during physical verification.</p> |

Further, in 14 out of 87 verified projects, audit noticed that items other than those specified in the work order and also inferior quality were used in the buildings. This resulted in excess payment of ₹ 2.42 crore to the contractors (*Appendix 2.4*).

The Government and Department furnished replies (December 2019) in respect of only seven projects stating:

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| <p>In case of three projects, the deviation was necessitated during execution as per the nature of projects.<br/>The reply is not acceptable as the Department was required to prepare deviation statement and obtain prior approval from the competent authority before execution of the works.</p> |
| <p>In case of one project, the Department had to negotiate with the contractor during the finishing stage in order to complete the project.</p>  |
| <p>Two cases were due to oversight while framing DPR and the other was due to error in entry of the item as 25 mm thick marble flooring.</p>   |

The reply of the Department is an indication that the responsible technical officers did not take accurate measurements and also did not check the correctness of the claim carefully in respect of quantities and rates as well as the quality of the works done in contravention of the provisions of Receipt and Payments Rules.

Results of test check of projects in sample Divisions are given in the table 3.10 below:

**Table 3.10 showing results of test check of projects in sample Divisions**

| Name of Project, Month & Year of Sanction, Cost   | Audit Observation in brief   | Department Reply in brief   |
|---|--|---|
| <p>Wakching New Model College, Mon<br/>Sanctioned: October 2014<br/>Cost: ₹ 12.00 crore<br/>(Central Share ₹ 10.80 crore, State Share : ₹ 1.20 crore)</p> | <p>MHRD, Department of Higher Education, GoI sanctioned the project under Rashtriya Uchchatar Shiksha Abhiyan (RUSA). Out of the approved cost of ₹ 12 crore, ₹ 8.10 crore was earmarked for civil works.</p> <p>The EE, Education Engineering Division awarded (April to July 2015) nine work orders for ₹ 8.14 crore to be completed within 36 months from the date of issue of the work order. The Division certified (December 2017) completion of civil works and released full payment of ₹ 8.14 crore to the contractor. The Administrative and Academic Blocks of project was digitally inaugurated by the Hon'ble Prime Minister of India on 3 February 2019 from Srinagar, Jammu &amp; Kashmir.</p> <p>During joint verification (September 2019) of the project, audit noticed that the project is yet to be completed as shown below.</p>  <p>Audit further observed that five components of work worth ₹ 1.63 crore were yet to be executed against five different works under the project.</p> | <p>The Department in reply stated (December 2019) that advance payment was made to the contractor to compensate the additional items of work, which was not in the approved DPR. The reply is an admission of the fact that the Department paid the contractor without actual execution of the works, in contravention of the canons of financial propriety and Financial Rules.</p>                                      |
| <p>Training Centre for Differently Aabled Persons, Dimapur<br/>Sanctioned: August 2012<br/>Cost: ₹ 30.00 crore</p>  | <p>EE, PWD (H), Division-II awarded the work for ₹ 13.49 crore for construction of Classroom, Administrative blocks, hostel for boys and girls, staff quarters, playground, electrification, security fencing, drinking water etc.</p> <p>The work also included construction of Cement Concrete (CC) drainage and upgradation of approach road.</p> <p>Audit observed that the division had paid ₹ 12.73 crore to the contractor for execution of works. However, Joint physical verification revealed that the progress of the work did not commensurate with the payment. Joint verification (September 2019) revealed the following:</p> <ul style="list-style-type: none"> <li>• Construction works for Classrooms and Administrative blocks, Hostels for Boys and Girls were only partially complete.</li> <li>• In respect of construction of Staff quarters, the contractor had constructed four blocks of 2 bedded G+1 buildings. The remaining construction work of four individual quarters (3 bedded single storey) had not even commenced.</li> </ul>                             | <p>The Department while admitting the audit observation stated (December 2019) that the project is ongoing work and therefore all incomplete works shall be completed in due course. Thus, even after a lapse of eight years, the construction work was not completed. This resulted in denial of the objectives of providing educational and vocational training to the blind children and children with disability.</p> |

**Recommendation: Government should consider to initiate action against the erring officials for payment without execution of works and supply of materials.**

### 3.2.12 Delay in completion of projects

Contract deed agreements for all the works are executed between the executing department and the contractors wherein the stipulated date of completion of each work and other parameters to be observed by the contractors with due diligence and ensure good progress. In case of contractor failing to complete the work in time, he shall be liable to pay compensation not exceeding 10 per cent on the estimated cost of the work put to tender.

Examination of records of 119 projects revealed delay in completion of four projects as discussed below:

**Table 3.11 showing the cases of delay in completion of Projects**

| Name of Division  | Name of Project, Cost, Month/Year of approval  | Audit Observation  | Department Reply   |
|---|--|--|--|
| EE, Dimapur   | Construction of RCC triple storied rental housing building, Grade-IV quarter & garage, Phase-IV, Dimapur<br>₹ 7.42 crore, March 2015 | The work orders were issued to the contractor in April 2015 to be completed within 24 months from the date of issue of the work order. However, as the works could not be completed even after extension of completion date, further extension was granted, to the contractor, on grounds of delay in handing over of site and non-availability of fund. Poor funding and slow progress of work resulted in delay of 35 months as on March 2020 and the project was still ongoing. | The Department while accepting the audit observation stated (December 2019) that the delay was due to poor funding.  |
| Engineering Division, Municipal Affairs, Nagaland, Kohima | Construction of Rental housing for urban poor including Infrastructure works at Chumukedima<br>₹ 18.60 crore, August 2014            | 384 dwelling units were to be constructed for migrant and floating population of labourers. Construction was awarded (August 2014) to a contractor for ₹ 14.40 crore to be completed within 24 months from the date of issue of the work order. Audit observed that an expenditure of ₹ 10.45 crore (up to August 2019) had already been incurred on the project, however, the project is delayed for 43 months as on March 2020 and still ongoing.                                | The Department while accepting the audit observation stated (December 2019) that the work could not start on time due to land dispute.   |
| EE, Municipal Affairs, Nagaland                           | (a) Construction of Urban housing for poor at Tseminyu<br>₹ 18.05 crore, March 2014  | The work orders to construct 320 and 350 Dwelling Units (DUs) respectively were awarded to two contractors to be completed by August 2016. However, till March 2020, the division reported completion of 135 and 180 DUs respectively even after expiry of the   | The Department in reply stated (December 2019) that GoI had so far released only first instalment of its share in respect of project at Tseminyu and the work was going on in good progress commensurate with the funding. |

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|--|--|--|--|
|  | <p>(b) Housing for Urban poor at Medziphema under RAY.<br/>₹ 19.74 crore, April 2015</p> | <p>dateline. Construction works in the remaining 185 DUs in Tseminyu and 170 DUs in Medziphema are yet to commence.<br/>Audit also observed during joint verification of the project that kitchen and toilets as per scheme specification and DPRs were not constructed.<br/>The project was delayed by 43 months as on March 2020 and is still ongoing.</p> | <p>In case of the project at Medziphema, the Department stated that GoI has so far released its share up to the 2<sup>nd</sup> instalment. As regards delays in completion of the project, the Department stated that they would monitor the project closely for funding and completion.<br/>The Department admitted that kitchen and toilet were constructed only in some dwelling units including those in the community centre.</p> |
|--|--|--|--|

In addition to the above there were delays in completion of 86 projects out of the 119 selected projects upto 165 months from the date of issue of the work order. The delay in completion was mainly attributed to delay in handing over of site and land disputes etc.

***Recommendation: Government may ensure that projects taken up are completed on time to avoid time and cost overrun. The completed building should be utilised for the purpose for which it was sanctioned and misuse of Government properties should be monitored and action initiated against the erring officials.***

### **3.2.13 Monitoring and Quality Control Mechanism**

#### **3.2.13.1 Monitoring of projects**

Rule 68 of NPWD code stipulates that the Chief Engineer is responsible as Head of the Department to the State Government for the efficient administration and general professional control of Public Works within its jurisdiction. He will exercise full technical and supervisory control over Superintending Engineers, the architect and all other Officers working in the Department.

Rule 77 of NPWD code also stipulates that it is the duty of the Superintending Engineer to inspect the various works, in progress within his circle, and to satisfy himself that the system of management prevailing is efficient and economical. He should record the result of his inspections of the works as frequently as considered necessary and ensure that the defects pointed out on each occasion are promptly rectified.

None of the divisions had furnished records on the inspection of projects under their jurisdiction, by the Superintending Engineer or any other officials on his behalf. Thus, in absence of these records, audit could not conclude that inspection/monitoring of projects, as envisaged by NPWD code, had been carried out.

The site accounts maintained by the executing divisions did not indicate any monitoring or quality checks being conducted by the Superintending Engineers.

Thus, there was no assurance that the duties assigned to Chief Engineer and Superintending Engineer as per Rules for inspecting/monitoring of projects were discharged.

### 3.2.13.2 Quality control

The PWD (Works & Housing), Government of Nagaland notified (18 March 2011) setting up of State Quality Control Board having the following powers:

- To inspect any project, construction work that are being undertaken in the State by various Government departments/undertaking etc.;
- To verify the quality of materials being used in the construction or materials supplied to the department are in accordance with specification or not; etc.

Examination of records of CE (H) and 16 divisions, revealed that no quality control checks or inspections were undertaken by the Board during the execution of the projects during 2014-19. It was also observed that the State did not establish any laboratory for undertaking quality test of the materials used for the projects. This indicated weak quality control mechanism in the Department and would result in compromising with quality of works and materials used for construction.

During the exit conference, the Department stated that the State Quality Control Board could not do the mandatory checks due to absence of supporting staff and laboratory.

### 3.2.13.3 Safety measures

Audit examined records of 16 Engineering divisions covering 119 projects. Out of 119 selected projects, there were 69 major projects like offices, schools, hospitals, market complex, multi-parking, emporiums etc.,

Examination of records revealed that provisions for fire-fighting works were provided only in the DPR of one out of 69 projects. It was also observed that provisions for emergency exit were also not made in any of the major projects thereby endangering the lives of its occupant and the users.

The Department in reply stated (December 2019) that for new projects, safety measures like firefighting, emergency exit etc. are taken into consideration while designing/preparing DPRs.

### 3.2.13.4 Compliance of Accessible India Campaign

Section 46 of the Person with Disabilities Act, 1995 stipulated that the appropriate Government and the local authorities shall, within the limit of their economic capacity and development, provide for ramps in public buildings, hospitals, Primary Health Centres etc. Again, Section 45 of the Right of Persons with Disabilities Act, 2016 stipulated that all the existing buildings shall be made accessible in accordance with rules formulated by the Central Government within a period not exceeding five years from the date of notification of such rules.

Further, Department of Empowerment of Persons with Disabilities (DEPwD), GoI has launched Accessible India Campaign (*Sugamya Bharat Abhiyan*) as a nation-wide Campaign for achieving universal accessibility for Persons with Disabilities (PwDs). In this regard, CE (H) notified (5 February 2019) that all public/Government buildings

in the State should be made accessible to person with disability (PwDs) and to create a barrier free environment in all the buildings.

Examination of records revealed that out of the 69 major projects, provision of lift was provided only in 10 projects<sup>7</sup> and provision of ramp was made in DPRs of eight projects<sup>8</sup>. Thus, the State needs to improve upon the implementation of Accessible India Campaign to create a barrier free environment in all the buildings.

The Department while accepting the audit observation (December 2019) stated that the Department would consolidate this compliance as interpreted in Section 46 of the Person with Disabilities Act, 1995, Section 45 of the Right of Persons with Disabilities Act, 2016 and Accessible India Campaign (*Sugamya Bharat Abhiyan*), afresh to a mandatory guideline (Qualification norm for technical endorsement) for any capacity of Detail Project Report (DPR) proposal and without compliance, DPR's would not be entertained. It further stated that the Department have also come up with guidelines for providing ramps and toilets for the Differently abled person.

### **3.2.14 Conclusion**

The Department had taken up projects as per proposal submitted by the user departments on need basis. During 2014-19, the Government of Nagaland sanctioned 254 new projects for ₹ 671.95 crore against which funds released were ₹ 744.66 crore (including spill over release during 2014-19) to the Engineering divisions. The reported expenditure was of ₹ 683.72 crore on 327 projects, leaving an unspent balance of ₹ 60.94 crore. Out of 119 projects selected for audit in 16 sampled divisions, 77 projects (65 per cent) remained incomplete. It was observed that work orders in four projects at an estimated cost of ₹ 77.99 crore were issued to contractors by the divisions before settlement of land issues. In two important projects, with an estimated cost of ₹ 211.91 crore, land was handed over to the contractors after delay ranging from seven to 37 months, leading to delay in commencement and completion of projects with avoidable cost escalation.

Four projects above ₹ 5 crore each under four divisions were not found to be approved by the Empowered Committee, in violation of existing provisions. Advance payment of ₹ 17.15 crore to contractors was made by two divisions though there was no enabling

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<sup>7</sup> (i) Construction of Directorate of Social Welfare Office Building at New Secretariat area, Kohima (ii) Construction of State Guest House at RK Puram, New Delhi (iii) Construction of Nagaland Emporium, Kohima (iv) Construction of Multi Parking at Old Medical Directorate, Kohima (v) Reconstruction of Kohima Super Market, Kohima (vi) Construction of Medical College Building, Kohima (vii) Construction of Multi Parking at Old NST, Kohima (viii) Construction of Staff Quarters at Dwarka, New Delhi (ix) Construction of Chief Information Commissioner Office complex, Kohima and (x) Construction of New High Court Complex, Kohima.

<sup>8</sup> (i) Construction of Multi Parking at Old Medical Directorate, Kohima (ii) Reconstruction of Kohima Super Market, Kohima (iii) Construction of Vocational Training Centre Administrative Block, Kohima (iv) Setting up of 50 bedded Ayush Hospital at Chedema, Kohima (v) Construction of Directorate of Social Welfare Office Building at New Sectariat area, Kohima (vi) Construction of Multi Parking at Old Medical office, Kohima (vii) Construction of Disable Park at Kohima and (viii) Construction of New High Court Complex, Kohima.

clause in the agreement, neither did the Executive Engineers secure any lien on the materials brought to site by the contractors to safeguard Government financial interest.

Examination of records and joint physical verification of works revealed short execution of 72 items of works in 40 projects costing ₹ 2.60 crore. It was also observed that 315 items of works, costing ₹ 9.09 crore recorded in the Measurement Books, were not actually executed, resulting in irregular and excess payment of ₹ 11.69 crore to contractors. Audit also observed delays in completion of 90 projects out of 119 selected projects due to delays in handing over land/ site and funding delays.

Monitoring of the projects remained deficient as none of the sampled divisions could furnish any record on inspections carried out by the respective Superintending Engineers as stipulated under NPWD Code. The State Quality Control Board did not conduct any check on the projects during the audit period. Neither did the State set up any laboratory for conducting quality test of the materials brought to site. Moreover, in 69 projects, provision for fire fighting was provided in the project report of only one project, thereby exposing the buildings and its inhabitants to dangers during a fire accident. Neither was any provision made for emergency exits in any of the major projects. The implementation of Accessible India Campaign remained poor as provision of lifts and ramps were made only in a small number of important projects.

### **3.2.15 Recommendations**

- The Government may ensure that detailed estimates for projects are prepared after detailed survey of topography and site condition. The Department may ensure possession of land before award of work to Contractors and handing over of site after award of work for commencement of works in time.
- Timely funding of projects may be ensured for completion of the projects within the stipulated time frame and approved cost.
- It may be ensured that the materials being used in the construction or materials supplied to the Department are in accordance with the specifications.
- It may be ensured that the monitoring of projects is done by the designated Authorities both for timely completion and quality control of works executed. The State may set up a quality control laboratory for testing of materials to be used for construction of its projects.
- The Department may ensure that fire safety measures are provided in all projects of the Government.
- The Department may initiate action against erring officials for irregularities committed in works.

