

CHAPTER - IV

WORKS EXPENDITURE

SECTION – A – REVIEWS

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.1 Greater Aizawl Water Supply Scheme-Phase-II

Highlights

The review details lack of proper planning for effective implementation of the project which led to cost overrun of Rs.41.67 crore besides undue financial aid to a firm, diversion of funds, etc.

Central funds of Rs.41 lakh had not been released by the State Government. The State Government also had not released its share of Rs.11.31 crore which adversely affected implementation of the scheme.

(Paragraphs 4.1.4)

There was no progress at all against 13 out of 18 major items of works even after incurring an expenditure of Rs.48.19 crore. The progress intimated to Government of India were based only on expenditure incurred of which Rs.26.28 crore was advance payment.

(Paragraph 4.1.5)

Defective tendering and delay in finalisation of tender led to cost overrun of Rs.41.67 crore.

(Paragraph 4.1.9)

There was unauthorised diversion of funds of Rs.77.46 lakh.

(Paragraph 4.1.10)

Lack of proper planning led to locking up of funds of Rs.55.02 lakh towards payment of indemnification fee.

(Paragraph 4.1.12)

Arbitrary change of specification of pumps resulted in wasteful expenditure of Rs.51.10 lakh.

(Paragraph 4.1.13)

There was undue financial benefit of Rs.16.27 crore in the form of interest free mobilisation advance and for supply of pipes, and Rs.38.96 lakh by way of advance payment for operation and maintenance even before actual commencement of physical execution, extended to the contractor.

(Paragraphs 4.1.14 & 4.1.15)

4.1.1 Introduction

The Greater Aizawl Water Supply Project is a part of the continuing programme of Integrated Project of Aizawl (IPA) of the Government of Mizoram to provide water supply facilities to the people residing in the Greater Aizawl town.

Under this programme, the Greater Aizawl Water Supply Scheme Phase-I with a capacity of 10.8 million litres per day (MLD) was initially formulated in 1983 for a population of 70,000 souls @ 135 litres per capita per day (LPCD) covering the old town area and was completed/commissioned in December 1988 at a total cost of Rs.18 crore.

To meet the increasing demand of water for the fast growing population in Greater Aizawl town and its adjoining areas, the need for taking up Greater Aizawl Water Supply Scheme-Phase-II was considered by the State Government. Accordingly, based on per capita water supply @ 78 LPCD, the Greater Aizawl Water Supply Scheme Phase-II having capacity of 24.10 MLD, was designed and proposed in December 1996 at an estimated cost of Rs.71.80 crore by the Public Health Engineering Department (PHED). The scheme was administratively approved (November 1997) for Rs.71.80 crore by the Government which was subsequently revised (April 2000) to Rs.153.22 crore excluding contingencies *etc.* The revised estimate was, however, technically approved by the Government of India for Rs.113.47 crore in April 2002 although administrative approval to the revised cost has not yet been accorded (June 2003) for reasons not on record. The source of water is river Tlawng from where water was to be pumped with the help of vertical turbine pump sets and to be distributed through a distribution system comprising feeder main and reservoirs.

4.1.2 Organisational set-up

The Secretary, PHED is in-charge of the department. The Chief Engineer (CE), PHED was responsible for overall supervision of the programme. He was assisted by the Superintending Engineer (SE) Aizawl Watsan Circle. The work of implementation of the project was initially entrusted to the Executive Engineer, Aizawl Water Supply Project Division-I, Aizawl till March 2000 and thereafter the work was transferred to Aizawl Water Supply Project Division-II renamed as Aizawl Water Supply Project Division.

4.1.3 Audit coverage

Records of the CE, PHED Aizawl, SE, Aizawl Watsan Circle, EE Aizawl Water Supply Project Division-I and II for the period from 1997-98 to 2002-03 were test checked covering total expenditure of Rs.48.19 crore

incurred on the project during the period. The results of test check are discussed in the succeeding paragraphs.

4.1.4 Finance

The project is financed with the support of Non Lapsable Central Pool of Resources (NLCPR). The funding pattern of the project is in the ratio of 75:25 between the Centre and the State.

Details of funds released by the Central Government under NLCPR, budget provision, funds released by the State Government and expenditure incurred during the period 1998-99 to 2002-03 are shown below:

Table 4.1

(Rupees in crore)

| Sl No | Year | Funds released by Central Govt. under NLCPR | Budget provision | | Funds released by the State Govt. | | | Expenditure | | | Excess(+) Savings(-) |
|--------------|-----------|---|------------------|-------------|-----------------------------------|-------------|--------------|--------------|-------------|--------------|----------------------|
| | | | NLCPR | State | NLCPR | State | Total | NLCPR | State | Total | |
| (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) |
| 1. | 1998-99 | 4 | --- | 0.20 | --- | 0.20 | 0.20 | --- | 0.20 | 0.20 | |
| 2. | 1999-2000 | 20 | 15.96 | 0.62 | 15.96 | 0.62 | 16.58 | 15.96 | 0.62 | 16.58 | |
| 3. | 2000-01 | --- | 8.04 | 2.87 | 8.13 | 2.87 | 11.00 | 8.04 | 2.87 | 10.91 | (-) 0.09 |
| 4. | 2001-02 | 10 | 10.00 | --- | 10.00 | --- | 10.00 | 10.00 | --- | 10.00 | |
| 5. | 2002-03 | 11 | 11.00 | --- | 10.50 | --- | 10.50 | 10.50 | --- | 10.50 | |
| TOTAL | | 45 | 45.00 | 3.69 | 44.59 | 3.69 | 48.28 | 44.50 | 3.69 | 48.19 | (-)0.09 |

(Source: Figures obtained from Detailed Appropriation Accounts)

The cumulative expenditure as on 31 March 2003, as reported by the Department to Government of India through quarterly report for the quarter ending March 2003, was Rs.49.19 crore against the actual expenditure of Rs.48.19 crore as per Appropriation Accounts for the years 1998-99 to 2002-03. The difference of Rs.1 crore had not been reconciled by the department.

Out of Rs.45 crore released by the Central Government under NLCPR during the period from 1998-99 to 2002-03, the State Government released only Rs.44.59 crore towards implementation of the project. Thus, there was short release of Central funds of Rs.41 lakh by the State Government.

Inspite of Government of India's decision to accord highest priority in funding the scheme so as to complete it by 2005-06, the State Government released only Rs.3.69 crore constituting only 24.6 per cent of its share of Rs.15 crore. The balance of Rs.11.31 crore had not been released.

Although Central fund of Rs.4 crore was released during 1998-99, neither was any budget provision made nor were any funds released by the State during that year. This affected the implementation of the programme.

4.1.5 Physical progress

The major components of the scheme are (i) civil works such as intake pump, pump house, pumping machinery and equipment, treatment plant, rising mains, booster pump, *etc.*, (ii) mechanical works such as pumps, machinery and associated equipment and, (iii) treatment plant, feeder main, zonal tank, main reservoir, distribution system, *etc.*

According to the original project report (1997) the scheme was to be completed within four years. This target was, however, re-scheduled to 2005-06 in the revised estimate of April 2002.

The construction of major electro-mechanical components including maintenance and operation of the scheme except distribution system was entrusted (November 1999) to a local firm on a turnkey basis with stipulation to complete the work within four years. The work of distribution system was, however, being executed departmentally/through contractors.

Component-wise target dates of completion, present status of the works upto March 2003, percentage of achievement and expenditure incurred thereagainst as reported to Government of India are given in **Appendix-XIX**. The department while forwarding the progress report of the project for the quarter ending March 2003 to the Government of India projected the physical progress ranging from 15 to 95 *per cent* against all the 18 items of work.

It was, however, seen in audit that out of the 18 major components of the scheme, even after incurring an expenditure of Rs.48.19 crore, there was 90 *per cent* achievement in only one item *viz.*, tools and plant, vehicles and other equipment. For the remaining 17 items, physical achievement ranged between 7 and 51 *per cent* against 4 items *viz.*, zonal tank, distribution system, construction of main reservoir and feeding main. There was, however, no physical achievement in the balance 13 items of work *viz.*, civil works such as intake pump and pump house, mechanical works, rising mains, treatment plant, *etc.*. Even after making advance payment of Rs.26.28 crore to the firm, the main components of the project *viz.*, land acquisition, intake weir and pump house, mechanical works and electrical equipment, power supply, rising main, treatment plant, installation of booster pump remained entirely unexecuted as of June 2003 with the likelihood of incurring extra cost in completion of the project.

In fact, the physical progress as reported to the Government of India was only based on expenditure incurred by way of advance payments on various items.

Implementation

Deficiencies in project planning

4.1.6 Population forecast

The “Manual on Water Supply and Treatment” of the Ministry of Urban Development, Government of India provides for making population forecast by several methods to facilitate a more accurate projection. It was, however, noticed that only one method *viz.*, graphical method based on the population (1,55,240) as per 1991 census Report was adopted by the department projecting 3,80,000 souls by 2026 AD. Due to adoption of only one method, correctness of the projected population remained unconfirmed.

4.1.7 Implementation schedule

The detailed Programme Evaluation Review Technique (PERT) diagram showing implementation schedule for the whole project as well as for each component was not prepared.

4.1.8 Financing plan

The department in November 1994 prepared an incomplete estimate amounting to Rs.32.07 crore for the project. The project report for an estimated cost of Rs.71.80 crore was, however, prepared and forwarded (December 1996) by the department to the Government of India. The project for Rs.71.80 crore was technically sanctioned by the Government of India in August 1997. The administrative approval of the project was accorded by the State Government in November 1997. The project report was revised to Rs.153.22 crore and sent to the Ministry of Urban Development, New Delhi (April 2000) for technical sanction. The Ministry pointed out (August 2000) certain shortcomings in framing the Project Report in regard to Booster Pump stations, land acquisitions, approach road, construction of bridge, intake well, rising main, intake structure, treatment plant, intake work sites, feeding main, 11 KV sub-stations *etc.*, and further observed that the scheme has been revised altogether completely changing the scope of the scheme and also projected a rosy picture without giving proper justification about economics of the project vis-à-vis budgetary support as well as revenue generation and advised the department to revise the project report accordingly and send it for its technical sanction. Though the department did not comply with the observation, the Ministry, however, accorded technical sanction in April 2002 for Rs.113.47 crore.

While revising the estimate, the department stated that the revision of the estimate was necessitated on account of increase in cost of labour and materials, higher tendered cost, delay in implementation of the project and entertainment of land compensation at enhanced rate. But the contention of the department was not tenable since the increase in project cost was mainly attributable to delay in finalisation of tenders for about two years, improper

planning and evaluation, lack of proper budgeting and other financial irregularities in implementation of the scheme as discussed in the succeeding paragraphs.

4.1.9 Defective tendering as well as delay in finalisation of tender

Though the project was administratively approved (November 1997) and technically sanctioned (August 1997) for Rs.71.80 crore, the department invited tender (December 1997) on the basis of the incomplete estimate for Rs.32.07 crore prepared in November 1994 considering only 13 items. In response, 5 tenderers quoted their rates, of which the lowest offer of an Aizawl based firm was accepted at the negotiated cost of Rs.99.33 crore. Accordingly, a "Turnkey agreement" was entered into in November 1999. Scrutiny of records, however, revealed that the offer of the firm as well as the agreement entered into included additional items *viz.*, land cost (Rs.1.62 lakh); bridge (Rs.32.40 lakh) and operation and maintenance (Rs.1.95 crore) valued at Rs.2.29 crore. Operation and maintenance was to be taken up after successful completion and commissioning of the project. Thus, inclusion of operation and maintenance as well as cost of land (owned by the firm) under extra items while finalising tender only proved that the agreement executed with the contractor was on his terms.

Although the tender was invited in December 1997, the department took two years in finalisation of the tender and award of the work in November 1999 necessitating the revision of the estimate from Rs.71.80 crore to Rs.113.47 crore. The delay in finalisation of the tender was attributed by the department to issue of stay order by the Hon'ble High Court and technical evaluation. But, the reasons furnished by the department were not tenable due to the fact that the stay order was only for 5 months and there was no scope for technical evaluation after the project was already technically sanctioned (August 1997) by the Government of India.

Thus, delay in finalisation of tender resulted in cost overrun of Rs.41.67 crore (Rs.113.47 crore – Rs.71.80 crore).

4.1.10 Unauthorised diversion of funds

It was seen in audit that between 1998-99 and 1999-2000, the department had incurred a total expenditure of Rs.77.46 lakh towards construction of eight different works (not related to the scheme) and charged the expenditure of Rs.77.46 lakh against the scheme as detailed below:

Table 4.2

| Sl. No. | Particulars of work | Expenditure (Rupees in lakh) | Work to which wrongly charged |
|--------------|--|------------------------------|---|
| 1. | Construction of counterfort retaining wall at Pump House No. 1 of GAWSS (Phase-I) | 34.05 | Greater Aizawl Water Supply Scheme Phase – II |
| 2. | Maintenance of vehicle | 0.82 | |
| 3. | Maintenance of pipeline and buildings, etc. | 0.08 | |
| 4. | Construction of counterfort retaining wall at PH No.-I as indicated at SI No. 1 above | 1.24 | |
| 5. | Clearance of Soil at PH No.1 as indicated above | 9.72 | |
| 6. | Re-construction of Lawpuii-Tlawng Road | 17.68 | |
| 7. | Expenditure on “Drainage Survey” as per progress report for the month of December,99 furnished (27.1.2000) by the EE, AWSP-I to the SE, PHE, Rural Circle, Aizawl. | 6.87 | |
| 8. | Solid Waste Management programme | 7.00 | |
| TOTAL | | 77.46 | |

Thus, the execution of these eight different works by charging them against this scheme (beyond the scope of the sanctioned estimate) had resulted in unauthorised diversion of plan funds and the consequential increase in the project cost to the tune of Rs.77.46 lakh for which no reasons were found on record nor stated.

4.1.11 Land acquisition

The department had neither assessed actual requirement of land to be acquired for execution of different components of the project nor was any land acquired for the project till the date of audit (June 2003).

Scrutiny of records however, revealed that based on Superintending Engineer (SE) PHE Circle, Aizawl’s report (May 2001) regarding damage caused to private land during laying of pipes for rising main, the CE, PHED moved (May 2001) the Government for acquisition of the said land through payment of compensation. But there was no record indicating that the work of laying of pipeline for rising main has been commenced till the date of audit (June 2003). Scrutiny further revealed that the department paid Rs.72.77 lakh to the Land Acquisition Authority in March 2001 (Rs.11.17 lakh) and January 2003 (Rs.61.60 lakh) for compensation/acquisition of the said land. Till the date of audit actual acquisition of the said land was not on records.

Thus, the payment of compensation for damages reported (May 2001) by the CE, PHED to have occurred even before actual execution of the work remained doubtful.

4.1.12 Lack of proper planning led to locking up of funds on payment of indemnification fee

As laying of pipelines along the roads maintained by PWD and Border Roads Task Force (BRTF) was likely to cause damage to the roads, the division paid

Rs.55.02 lakh between March 2000 and March 2003 to EE, PWD, Aizawl road North Division (Rs.4.77 lakh in March 2000), Hmuifeng PW Division (Rs.14 lakh in March 2001); EE, PWD, Aizawl Road South Division (Rs.7.43 lakh in March 2001 and Rs.22.53 lakh in March 2003) and BRTF, Selling, Aizawl (Rs.6.29 lakh in November 2001) being indemnification fee against estimates furnished by the respective divisions/departments.

Records, however, revealed that the department had not taken up the work of laying pipeline along the roads as of June 2003. Payment of indemnification fee of Rs.55.02 lakh much in advance of actual execution of the work proved lack of proper planning of the department due to which the amount paid so far remained locked up for 3 months to 3 years.

4.1.13 Wasteful expenditure due to change of specification arbitrarily by the department

The estimate technically sanctioned (November 1999) by the Government of India provided for construction of submersible weir across river Tlawng with Jackwell structure equipped with four vertical turbine pumps (two 165 KW electrically driven; and two 221 HP diesel engine). In order to save the running maintenance cost, the department while awarding the work allowed the firm installation of three submersible motor driven pumps for lifting of raw water for a contract value of Rs.5.11 crore without prior approval from the Government of India. Accordingly, the firm submitted (August 2000) drawing & design for submersible pumps against which a payment of Rs.51.10 lakh being 10 per cent of the contract value (Rs.5.11 crore) was released (November 2001) to the firm in terms of the agreement.

It was, however, seen in Audit that the Ministry, in their technical note against the revised estimate sought (August 2000) clarification for providing submersible pump sets for pumping raw water as against the vertical turbine pump sets as technically approved by the Ministry. Meanwhile, the department after conducting joint verification (13 February 2002) with the firm at site, asked the firm (February 2002) to execute the work as per revised arrangement and sketch of the scheme and fixation of various capacities of pumps and machinery, which included the work of construction of Raw Water Intake and Raw Water Pump House with three vertical turbine pumps. The firm, however, intimated (March 2002) their acceptance of the modified proposal with the right to claim additional expenses to be incurred and adjustment of the contract price commensurate with the costs of the modified proposals.

Further development in submission of modified drawing and design by the firm is awaited (June 2003).

Thus, the arbitrary change in the specification of intake weirs by the department against the technically approved design of the Ministry had resulted in wasteful expenditure of Rs.51.10 lakh being the advance payment made on submission of drawing and design of intake weirs with submersible pumps.

Other points of interest

4.1.14 Undue financial benefit

According to CPWD Manual Volume-II, grant of mobilisation advance is permissible subject to a maximum of 10 *per cent* of the estimated cost put to tender or Rs.1 crore, whichever is less. Payment of such advance shall be interest bearing.

It was seen in Audit that in terms of agreement the department paid (between December 1999 and March 2000) interest free mobilisation advance amounting to Rs.9.93 crore (being 10 *per cent* of the contract value of Rs.99.33 crore). The payment of mobilisation advance was thus not restricted to the maximum permissible limit of Rs.1 crore.

Thus, the payment of interest free mobilisation advance of Rs.9.93 crore in violation of the provisions of the Manual led to an undue financial benefit to the firm with consequential loss of Rs.3.58 crore towards interest (at the Government borrowing rate of 12 *per cent* per annum for three years upto March 2003).

Besides, as per agreement, further advance of Rs.6.34 crore being 78 *per cent* of the total contract value against proof of despatch for supply of OD pipes was paid to the firm between November 2000 and March 2003. Since the firm was not provided with the land required for construction of electro-mechanical work and the division also failed to prove the physical existence of the pipes with documentary evidence, the veracity of the claim about actual procurement of the pipes remained doubtful. Therefore, the payment of advance to the extent of Rs.6.34 crore to the firm purely on the basis of despatched document was unjustified leading to undue financial benefit to the contractor.

4.1.15 Undue financial aid to contractor towards payment for operation and maintenance before commissioning of the project

In terms of Clause 14 of the contract agreement, the maintenance of the project for a period of 12 months after successful commissioning of the project was entrusted to the contractor. The department, however, paid Rs.19.48 lakh (November 2001) being 10 *per cent* of the contract value of Rs.1.95 crore for maintenance even before the commencement of the work. Besides, mobilisation advance of Rs.9.93 crore being 10 *per cent* of the total contract value of Rs.99.33 crore included Rs.1.95 crore for maintenance. Thus, another 10 *per cent* of Rs.1.95 crore *i.e.*, Rs.19.48 lakh was also advanced

(March 2000) for the same purpose alongwith mobilisation advances. This resulted in extension of undue financial aid to the contractor to the extent of Rs.38.96 lakh (Rs.19.48 lakh + Rs.19.48 lakh) besides loss to the extent of Rs.10.13 lakh (Rs.3.12 lakh + Rs.7.01 lakh) by way of interest @ 12 per cent per annum (Government borrowing rate) upto March 2003.

4.1.16 Loss due to non execution of agreement

Between March 2000 and June 2000, the CE, PHED placed two supply orders with a Calcutta based firm for supply of 24,301 RM of ductile iron pipe (DI Pipe) valued at Rs.3.78 crore with the stipulation to complete the supply by May 2000 and August 2000 respectively and further extended upto June 2001 and May 2001 respectively.

It was however, noticed that no formal agreement was executed with the firm nor was any clause incorporated in the supply order regarding penalty in the event of failure to supply the materials in time, by way of liquidated damages.

The department, however, paid Rs.94.60 lakh during March 2000 (Rs.63.72 lakh) and August 2000 (Rs.30.88 lakh) to the firm without any proof of despatch document and even before the commencement of supply. The firm between May 2000 and June 2001 delivered 18,996 RM DI pipe valued at Rs.2.81 crore against which the department paid Rs.2.11 crore after adjustment of advance of Rs.70.32 lakh. Till March 2003 the balance quantity of 5305 RM (24301 RM – 18996 RM) worth Rs.97.13 lakh was yet to be delivered by the firm for which no reason was furnished by the department. As a result, the balance advance of Rs.24.28 lakh (Rs.94.60 – Rs.70.32 lakh) remained unrecovered even after a lapse of three years.

Thus, the entire advance payment of Rs.94.60 lakh was unauthorised and irregular. Besides, non-supply of the balance quantity of materials worth Rs.97.13 lakh, the department had to sustain a loss to the extent of Rs.37.84 lakh towards liquidated damages (at 10 per cent of the total value of Rs.3.78 crore) due to non inclusion of penal provision in the supply order.

4.1.17 Monitoring and evaluation

The Government of India instructed (November 2002 and February 2003) the State Government to nominate a nodal officer who would be responsible for timely implementation of the project within the approved cost. The State Government had not nominated any nodal officer till the date of audit (June 2003). As such, monitoring and evaluation of the project were confined only to submission of periodical progress reports to the Government of India through the existing monitoring cell in the CE, PHED's office.

The foregoing points were reported to the Government in August 2003; reply has not been received (November 2003).

4.1.18 Recommendations

The Government needs to take the following steps for effective implementation of the scheme:

- to investigate the reasons for delay in commencement of the work which led to cost overrun of Rs.41.67 crore;
- to ascertain the reason for taking up of the work without obtaining prior approval of the Government for acquisition of land;
- to ascertain the reason for short release of State's share of Rs.11.31 crore as well as unauthorised diversion of funds of Rs.77.46 lakh which had an adverse effect on the implementation of the scheme; and
- to investigate the reasons for slow progress of work and also to take remedial measures for ensuring timely completion of the scheme so as to avoid further price escalation.

PUBLIC WORKS DEPARTMENT

4.2 Construction of Zamuang-Hriphaw-Kolalian-Dullabcherra Road (under NEC Plan)

The review, interalia, highlights short release of NEC funds by the State Government to the implementing agencies, execution of work in reserved forest land without obtaining approval from the Government of India, diversion of funds, extra and wasteful expenditure, substandard execution of pavement works and unproductive expenditure due to delay in completion of the works. The purpose for which the NEC fund of Rs.19.89 crore was released to the State Government during 9th plan for development of interstate road communication between Mizoram and Assam, remained unrealised due to non-completion of the road falling within the State of Assam.

Out of the total fund of Rs.19.89 crore released by the NEC during 1998-2003 for implementation of the scheme, the State Government retained Rs.3.65 crore and diverted it for implementation of other schemes.

(Paragraphs 4.2.4 & 4.2.5)

Excess expenditure of Rs.64.64 lakh was incurred due to engagement of bulldozers from private parties for formation work at higher rate.

(Paragraph 4.2.9)

Extra expenditure of Rs.1.29 crore was incurred due to excess execution of formation cutting work.

(Paragraph 4.2.10)

Execution of formation cutting and preparation of sub-base course beyond the alignment of the road led to wasteful expenditure of Rs.17.02 lakh.

(Paragraph 4.2.11)

There was sub-standard execution of pavement and black topping works worth Rs7.63 crore due to preparation of defective estimate of the work.

(Paragraph 4.2.13)

There was unauthorised expenditure of Rs.1.28 crore in procurement of spare parts, HSD oil etc., without having any provision in the sanctioned estimates.

(Paragraphs 4.2.15)

4.2.1 Introduction

In order to facilitate easier, faster and economical transportation of food and other essential commodities between Mizoram and Assam, help the regional development of both the States and to serve as the shortest means of communication between the States, the North Eastern Council (NEC) approved (August 1998) the construction of Zamuang-Hirphaw-Kolalian-

Dullabcherra (ZHKD) Road (79 km) connecting Mizoram and Assam under NEC programme during 9th Plan period (1995-2000).

Out of the total length of 79 km of the road, the length of the road under Mizoram portion upto Kolalian (0-32 km) was divided into three sections viz., 0-10 km (Section I), 10-20 km (Section II) and 20-32 km (Section III) and the balance of 47 km (79 km-32 km) of the road was to be executed by Assam. NEC was to provide fund for the scheme while its execution rests with the State Public Works Department (PWD), Mizoram and Assam.

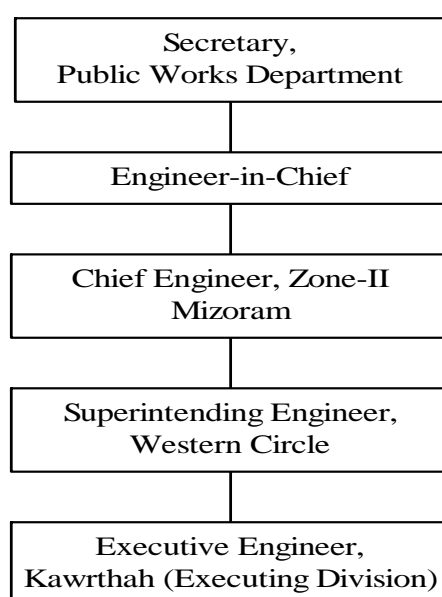
In respect of Mizoram portion, the work was implemented by the EE, PWD Kawrthah Division.

The progress of the work was slow in the State of Assam due to non-release of fund by the NEC.

4.2.2 Organisational set up

The agencies responsible for implementation of the scheme are depicted in a chart given below:

Chart 4.1



4.2.3 Audit Coverage

For Mizoram, the records of NEC, Shillong, the Engineer-in-Chief, PWD, Mizoram, Aizawl, the Chief Engineer Zone II, PWD Mizoram, Aizawl, the Superintending Engineer, PWD, Western Circle, Aizawl and Executive Engineer, PWD, Kawrthah Division, Kawrthah for the period from September 1998 to March 2003 were test checked covering *cent per cent*

expenditure during September 2002 and July 2003. Important points noticed in test check are brought out in succeeding paragraphs.

4.2.4 Financial outlay and expenditure

The details of funds released by the NEC, State Government and expenditure incurred there against during the period from 1998-99 to 2002-03 are given as under:

Table 4.3
(Rupees in lakh)

| Year | Fund released by NEC | Fund released by State Government | Excess(+) Less(-) funds released by the State Government | Actual expenditure |
|--------------|----------------------|-----------------------------------|--|--------------------|
| (1) | (2) | (3) | (4) | (5) |
| 1998-99 | 15.00 | 39.64 | (+) 24.64 | 39.67 |
| 1999-2000 | 176.00 | 148.67 | (-) 27.33 | 139.94 |
| 2000-01 | 575.00 | 438.64 | (-)136.36 | 438.64 |
| 2001-02 | 647.00 | 596.84 | (-) 50.16 | 599.72 |
| 2002-03 | 576.00 | 400.00 | (-) 176.00 | 550.44 |
| Total | 1989.00 | 1623.79 | (-) 365.21 | 1768.41 |

(Source: As per information furnished by the department)

It was noticed that during the period from December 1998 to March 2003, the Division incurred expenditure of Rs.7.22 lakh towards maintenance of Bhairabi-Zamuang Road (Rs.0.63 lakh), Kamhmun-Damcherre-Zamuang-Kawrthah road (Rs.4.49 lakh) and maintenance of Building at Kawrthah (Rs.0.54 lakh), Industrial workshop at Aizawl (Rs.1.00 lakh), resurfacing of Kawrthah town road (Rs.0.31 lakh) and construction of RCC tank at Kawrthah (Rs.0.25 lakh). The entire expenditure of Rs.7.22 lakh was booked under the scheme though actually these works were not related to the scheme. The booking of unnecessary expenditure of Rs.7.22 lakh against the scheme resulted in inflated exhibition of expenditure and thereby overburdened the scheme expenditure unnecessarily. The reason for such unauthorised booking of expenditure had not been furnished. The department had not taken any action to regularise the inflated expenditure booked against the scheme.

4.2.5 Irregular diversion of funds

It would be seen from the above table that the State Government did not release funds to the implementing agencies against the year-wise release of funds by the NEC and a total sum of Rs.3.65 crore (18 per cent of total NEC release) was lying with the State Government (March 2003). The State Government diverted the entire amount of Rs.3.65 crore for implementation of other plan schemes.

4.2.6 Physical target and achievement

According to sanctioned estimates, the entire scheme was to be completed by March 2002. But as per progress report upto the month of March 2003, 99.44 per cent of the work was completed and there was short fall of 0.56 per cent in achieving the target fixed by NEC. The targets set forth during 1998-99 to 2002-03 for the works sanctioned by the NEC were as detailed below:

Table 4.4

| Item of works | Target, Quantity/Volume as per sanctioned estimate | Achievement till March 2003 | Percentage of completion |
|--------------------------------|--|-----------------------------|--------------------------|
| 1. Survey | 32 km | 32 km | 100 |
| 2. Earth Work | 32 km | 32 km | 100 |
| 3. H.P. Culverts | 141 Nos | Completed | 100 |
| 4. Slab Culvert | 1 No. | 1 No | 100 |
| 5. R/Wall | 1460 RM | Completed | 100 |
| 6. Pavement Sub-base course | 32 km | 32 km | 100 |
| 7. Base Course | 32 km | 31.200 km | 97.50 |
| 8. Black topping | 32 km | 31.200 km | 97.50 |

(Source: As per information furnished by the department)

According to joint inspection report of February 2002, the common meeting point of the road between Assam and Mizoram was at 31.200 km. Thus, there was excess execution of work viz., formation cutting (earth work) and pavement sub-base course work of 800 metres. The details of such excess execution have been discussed in sub-paragraphs 4.2.20 and 4.2.21.

4.2.7 Implementation

The work of construction of 32 km ZHKD road was taken up in April 1998 and completed upto 31.2 km of the road as of March 2003 at a total expenditure of Rs.17.68 crore.

4.2.8 Unauthorised execution without obtaining Forest clearance

Forest (Conservation) Act, 1980 prohibits use of forest land for non-forest purposes without prior approval of the Government of India. The Government of India also clarified (March 1982) that diversion of forest land for non-forestry activities in anticipation of approval was not permissible and that request for *ex-post facto* approval would not be entertained.

Contrary to these provisions, the Kawrtha PW Division, on the basis of administrative approval and expenditure sanction of eight estimates for construction of ZHKD road accorded by the NEC between July 1998 and January 2002 incurred a total expenditure of Rs.17.68 crore till March 2003 without obtaining forest clearance certificate from the Government of India. Although the Forest Department of the Government of Mizoram advised (July 1999) the CE, PWD not to continue the construction work of the road in

violation of Forest (Conservation) Act, 1980, the Department continued the execution. The Government of India, Ministry of Environment and Forest, however, finally rejected (January 2003) the proposal submitted (December 2000) by the Government of Mizoram for diversion of required forest land for construction of the road due to non-submission of information by the State Government as called for (June 2002) by the Government of India.

Thus, due to unauthorised execution of work in the forest land in violation of the provisions of Forest (Conservation) Act, 1980 and subsequent rejection of the proposal by the Government of India, the fate of entire project of interstate road communication remained uncertain.

4.2.9 Excess expenditure due to engagement of bulldozer at higher rate from private parties

Test check of records revealed that during the period from March 1999 to March 2002, the division incurred an expenditure of Rs.2.53 crore towards payment of hire charges of bulldozers for formation cutting work. The dozers were hired from private parties and were engaged for 17,269.20 hours in formation cutting work of 0-32 km. The rate of hire charges was @ Rs.1250 per hour upto August 2000 and @ Rs.1500 per hour from August 2000 onwards. It was also noticed that in March 2002, the division hired one dozer for other works from Mechanical Division, Aizawl for 193.30 hours and paid Rs.2.10 lakh as hire charges @ Rs.1088 per hour. Thus, the rate of hire charge of Mechanical Division was much lower than that of the private parties. Had the division hired dozers from Mechanical Division for entire work or negotiated the same rate of hire charges with private parties, the division could have completed the work at a cost of Rs.1.88 crore without incurring an avoidable extra expenditure of Rs.64.64 lakh¹.

In reply, the division stated (November 2002) that the Mechanical Division was contacted verbally and the Mechanical Division also replied verbally that no such dozers were available with them. Reply was not tenable on the ground that the Mechanical Division in March 2002 had supplied the bulldozer for formation work on hire basis and was also having in their possession 10 functional bulldozers during March 1999 to March 2002. Further, the division could not produce any record to justify that they had made any requisition for supply of bulldozer on hire basis from the Mechanical Division.

¹ Actual expenditure

| | | |
|---|---|-----------------------------|
| 2603.10 hours @ Rs.1250 per hour | = | Rs. 32,53,875 |
| <u>14,666.10 hours</u> @ Rs.1500 per hour | = | <u>Rs.2,19,99,150</u> |
| 17,269.20 hours | | Rs.2,52,53,025 |
| Expenditure for 17,269.20 hours at higher charges | | |
| rate of Rs.1088 of Mechanical Division | | Rs.1,87,88,890 |
| Extra expenditure (Rs.2,52,53,025 – Rs.1,87,88,890) | | = Rs.64,64,135 |
| | | i.e., Rs.64.64 lakh. |

4.2.10 Extra expenditure

According to Expenditure Finance Committee (EFC) Report, the existing jeepable road was required to be upgraded to the standard of Other District Road (ODR). The CE, PWD, Zone II also confirmed (September 2002) the existence of 24 km village road of four metre width out of 32 km road in Mizoram portion. The technical note (July 1998) of NEC for formation cutting of 0-10 km indicated that there was an existing 4 metre wide jeepable road constructed by the State Government which needed improvement/widening, except for 5.08 km (out of 10 km) road in different chainages where re-alignment was necessary. The estimates and technical notes for formation cutting of 10-20 km and 20-32 km were, however, silent about the existing 24 km road (out of 32 km) of four metre width, for reasons neither on records nor stated.

Scrutiny of records revealed that the Division executed the formation cutting work for entire 0 to 24 km road in 5.95 metre width (ODR standard) with a total expenditure of Rs.2.43 crore although execution in only 1.95 metre width was required for the existing alignment in 18.02 km (24 – 5.08) of the road. Thus, failure of the NEC as well as State PWD to consider the existing four metre width road and also non-compliance of the report of EFC resulted in an extra and unauthorised expenditure to the extent of Rs.1.29 crore* on execution of extra width of four metre in formation cutting work.

4.2.11 Wasteful expenditure

According to original proposal of the scheme, total length of the road to be constructed was 79 km out of which 32 km was to be constructed by Mizoram PWD and 47 km by Assam PWD. The common meeting point after joint meeting and site inspection between Mizoram and Assam was fixed at 31.200 km in December 2001. The Kawrthah PW Division started the work (20-32 km) with effect from August 2000 and completed formation cutting and preparation of sub-base course upto 32 km besides base course and black topping upto 31.200 km as of March 2003 with a total expenditure of Rs.15.38 crore.

During the course of joint inspection by the two States held in February 2002, it was noticed that Mizoram PWD had already crossed the meeting point by 800 metre which was not a part of the alignment, (32 km – 31.200 km). Thus, the formation cutting and preparation of sub-base course of 800 metre (from 31.200 km to 32 km) already completed with an expenditure of Rs.17.02 lakh (FC: Rs.13.85 lakh; SBC: Rs.3.17 lakh) became wasteful expenditure as the 800 metre of the road will be of no use for construction of the road. The fate of unnecessary construction of 800 metre of the road had not yet been decided by the two Governments (March 2003).

* Total expenditure for 0-24 km:

Rs.243.17 lakh (-) (proportionate expenditure for 5.08 km) Rs.51.47 lakh

= Rs.191.70 lakh (expenditure for 18.02 km)

Extra expenditure = Rs.191.70 lakh / 5.95 x 4 metre = Rs.128.87 lakh i.e., Rs.1.29 crore

4.2.12 Excess utilisation of Bitumen

According to sanctioned estimate, 2 cm premixed carpeting and seal coat for 0-32 km was to be done and as per norm adopted in the estimate of the work 0.3096 tonne of bitumen was required for 100 m² of premix carpeting and seal coat. Test check of records revealed that the Division between June 2001 and March 2002 had executed the work of 2 cm thick premix carpeting and seal coat on 57833 m² area and utilised 300.24 tonne bitumen against the actual requirement of 179.050 tonne. Thus, the division utilised 121.19 tonne excess bitumen, the cost of which was Rs.19.39 lakh at the rate of Rs.16,000 per tonne. The reasons for excess utilisation of bitumen could not be stated by the division.

4.2.13 Sub-standard execution of work due to preparation of defective estimate of the work without testing of CBR value

The sanctioned estimate for pavement works of the road 0-32 km provided crust thickness of 25 cm (Sub-base 10 cm, Base two layers 7.5 cm each) which was designed as per minimum thickness permissible in the IRC and adopted by NEC. The IRC norm, however, prescribes California Bearing Ratio (CBR) method of testing before adoption of the norms. But for evaluating the strength of the sub grade and construction materials for estimating the required thickness of pavement no testing of CBR value was, however, conducted prior to preparation of estimate or execution of work.

The pavement work including black topping from 0-10 km was completed in March 2001 where pavement thickness of 25 cm and 2 cm premix carpeting and seal coat was done as per provision of estimate. After completion, some sign of pavement failure at several locations was noticed in October 2001, *i.e.*, just after one rainy season. For modification of pavement thickness of ZHKD Road, *i.e.*, 30 cm to 47 cm as per CBR value, the Chief Engineer, PWD Zone-II had taken up the matter with the Advisor (T&C) NEC Shillong in December 2001. The request of the CE for modification of pavement thickness was turned down by the NEC in January 2002 and the Advisor (T&C) NEC intimated the CE, PWD Zone-II that the road was cleared by EFC with 25 cm pavement thickness, and any change of pavement thickness, at that stage would lead to escalation of estimates approved by EFC. The NEC suggested that EFC specification be adhered to and the scheme completed within the target date. The NEC further suggested that the road could be taken up for upgradation in the 10th Plan.

As advised by the NEC, the Division between April 2000 and March 2003 had completed the pavement work in sub-base course (32 km) and base course (31.200 km) and 31.200 mm premix carpeting and seal coat with an expenditure of Rs.7.63 crore with a pavement thickness of 25 cm instead of 30 cm to 47 cm as per testing of CBR value conducted by the division between 29 October 2001 and 3 November 2001. This resulted not only in execution of sub standard work valued Rs.7.63 crore but is likely to cause

additional expenditure as and when the road is taken up for upgradation. No responsibility has been fixed so far for execution of such defective work.

4.2.14 Unauthorised expenditure towards maintenance during construction

Test check of records revealed that during the period from February 1999 to March 2003, the Division incurred an expenditure of Rs.23.18 lakh towards maintenance during construction against the scheme beyond the provision of sanctioned estimate of the work. This led to unauthorised expenditure of Rs.23.18 lakh. No effort has been made to regularise the expenditure yet. Thus, the maintenance expenditure incurred on ongoing works without any approval was irregular.

4.2.15 Unauthorised expenditure

According to CPWD Manual Volume-II, in addition to the provision for all expenditure which can be foreseen for a work, a provision of three *per cent* on the cost of the estimate should be added to cover the cost of unforeseen contingencies. Thus, the contingency provision in an estimate of a particular work is meant for covering the unforeseen expenditure related to execution of that work and not for the expenditure which are not related for execution of that work.

Between November 1998 and September 2002, the division incurred an expenditure of Rs.1.19 crore under contingency against the total provision of Rs.42.52 lakh in the six estimates of ZHKD road. The expenditure had been incurred towards procurement of spare part of vehicle, equipment, machinery and HSD oil, *etc.* Since such expenditure was not unforeseen and there was also no provision in the sanctioned estimates for incurring expenditure on such items, the extra expenditure of Rs.1.19 crore incurred by the division was unauthorised and irregular.

It was further noticed (July 2003) in audit that the division incurred an expenditure of Rs.8.84 lakh in March 2003, out of the fund allotted for construction of pavement of ZHKD road (20-32 km), for procurement of spare part of road roller, bulldozer, vehicle, air compressor and HSD oil without having any provision for procurement of such items in the sanctioned estimate of the work. This resulted in an unauthorised expenditure of Rs.8.84 lakh.

4.2.16 Monitoring and evaluation

Although monthly/quarterly progress reports on the implementation of the schemes were submitted by the implementing agencies from time to time to the concerned authorities (PWD), achievements of progress made against the work were not evaluated by the State Governments at any stage. Although NEC Authorities undertook routine inspection of the scheme, such inspections could not improve the execution standard of the work as it is evident that in respect of Mizoram, there was sub-standard execution of pavement work,

excess execution of 800 metre of formation work and diversion of funds by the State Government.

The foregoing points were reported to the Government in December 2002; reply has not been received (November 2003).

4.2.17 Recommendations

The faulty planning of the Public Works Department may invite extra expenditure due to idle outlay on Mizoram portion of the road. In order to derive the benefits of the interstate road scheme by the people of Mizoram, the State Government has to take the following steps:

- to investigate the causes for construction of the road in reserve forest land without obtaining clearance from the Government of India as required under Forest (Conservation) Act, 1980;
- to investigate the reasons for incurring wasteful expenditure of Rs.17.02 lakh towards formation cutting and preparation of sub-base course for 800 RM of the road at the chainage 31.200 km to 32 km and to fix responsibility against the officer(s) responsible for the loss;
- to investigate the reason for execution of sub-standard work worth Rs.7.63 crore without testing of CBR value as prescribed in the IRC norm; and
- to investigate the reason for execution of work at the chainage 0 to 24 km by ignoring the existing 4 metre wide jeepable road as per approved alignment of the road which resulted in extra expenditure of Rs.1.29 crore and to fix responsibility against erring officers.

SECTION – B – PARAGRAPHS

PUBLIC WORKS DEPARTMENT

4.3 Undue financial benefit to a firm by NH Division No.1, Aizawl

Irregular advance payment of Rs.99.90 lakh before handing over of work site resulted in undue financial benefit to a firm coupled with loss of interest of Rs.11.99 lakh on such advances.

According to CPWD Manual Volume-II, Mobilisation Advance (MA) to be paid to the contractors shall be interest bearing. Further, advances for plant and machinery should be restricted to 80 *per cent* of the cost of new machinery or 70 *per cent* of the used machinery acquired by the contractor for the work and brought to site. The total amount of such advance should not exceed Rs.10 lakh. Such advance should be given only after the machinery is hypothecated to Government by executing a suitable bond. Besides, secured advance to the extent of 75 *per cent* of the value of materials brought to site may be made to a contractor.

Scrutiny (May 2003) of records of the National Highway Division No.I, Aizawl revealed that the division entered (October 2001) into an agreement with a Kolkata based firm for execution of the work “Development of NH 44 ‘A’ in Mizoram, Sairang-Lengpui Sector – Package-II (Pavement Works)” at an agreed cost of Rs.3.81 crore with the stipulation to complete the work within 12 months *i.e.*, by October 2002. But the work was taken up by the contractor only in December 2002 due to non-availability of site as reported (January 2003) by the contractor to the concerned Executive Engineer. The progress of the work, if any, was not on record and the division also failed to furnish any record indicating the work executed by the contractor till the date of audit (May 2003).

Further scrutiny revealed that the division made payments of interest free MA amounting to Rs.38 lakh in February 2002 in violation of Rules. The division, against the permissible limit of Rs.10 lakh, also paid (March 2002) equipment advance amounting to Rs.19 lakh, to the firm, even though the work site was not made available to the firm till October 2002. The advance was paid without any proof that the firm had purchased any machinery and equipment and brought to work site and the same was hypothecated to the Department. Besides, the division also paid (March 2002) secured advance amounting to Rs.42.90 lakh against 5554 cum stone aggregates. The secured advance was to be paid against the materials brought to work site. Since the site was not made available till October 2002 and the contractor had taken up the work

only in December 2002, the veracity of the claim that the stone aggregate was procured and brought to site (March 2002) by the contractor remained doubtful.

Thus, the entire advance payment of Rs.99.90 lakh before handing over of work site was not only irregular but also led to undue financial benefit to the firm and consequential loss of interest (at the minimum Government borrowing rate of 12 *per cent*) amounting to Rs.11.99 lakh to the Government on the advances.

The matter was reported to the Government in June 2003; reply has not been received (November 2003).

4.4 Extra expenditure

Inordinate delay of about 8 years in selection of site for construction of District Court Building, resulted in extra expenditure of Rs.27.58 lakh towards payment of price escalation.

The work “construction of District Court Building at Aizawl” at an estimated cost of Rs.37.88 lakh was administratively approved and expenditure sanction accorded by the Government in March 1988. The work was allotted to a local contractor in July 1988 at the negotiated amount of Rs.30.07 lakh and the agreement stipulated completion of the work within two years. The contractor could not start the work as the department failed to hand over the site for the work.

Scrutiny (September 2002) of records of Project Division-I, Aizawl revealed that the work was taken up by the same contractor in April 1996 at the agreed cost of 1988. Reason for such abnormal delay in selection of site by the department and handing over the same to contractor for construction was neither on record nor stated to audit. However, the delay of about eight years in selection of site for execution of the work only indicated lack of conviction on the part of the department towards construction of the building ignoring likely cost overrun.

The contractor failed to complete the work even much beyond the scheduled period for completion and the division terminated the contract in October 2001. The contractor completed 96.5 *per cent* of the work and a total amount of Rs.1.01 crore was paid up to (March 2002) incomplete final bill, which included Rs.27.58 lakh for price escalation. Besides price escalation of Rs.27.58 lakh, the further increase in cost of Rs.43.35 lakh was due to increase (135.86 *per cent*) in plinth area of the building owing to changes in architectural drawings. The balance work was taken up departmentally and completed in March 2003.

Thus, for such an inordinate delay of about eight years in selection of site for the work and handing over the same to contractor, the department had incurred an extra expenditure of Rs.27.58 lakh towards payment for price escalation.

The matter was reported to Department in April 2003; reply has not been received (November 2003).

4.5 Avoidable expenditure by the EE, NH Division-I, Aizawl

Erroneous inclusion of 10 per cent extra width for curve and passing place twice in the estimated items of bituminous macadam work led to avoidable expenditure of Rs.16.60 lakh.

Government of India, Ministry of Road Transport and Highways accorded (July 2001) Administrative Approval and Technical Sanction to the work "Improvement of Riding Quality from 11/500 km to 25/00 km on NH 44 A in Mizoram" at an estimated cost of Rs.2.79 crore. The Executive Engineer, National Highway Division-I, Aizawl awarded (February 2002) the work to a Kolkata based firm for execution. The work was completed in February 2003 at a total expenditure of Rs.2.77 crore.

Test check (May 2003) of records of the Division revealed that the item "Providing and applying tack coat on the prepared surface, etc.," was executed on a total surface area of 55548.125 sqm which included 10 per cent extra width for curve and passing place. As such, the item "Providing and laying bituminous macadam on prepared surface, etc.," was to be executed for a total quantity of 2777.41 cum (55548.125 sqm x 0.05 m) at the approved compacted thickness of 50 mm. The quantity of 2777.41 cum included the provision for 10 per cent extra width for curve and passing place. But in the sanctioned estimate, an additional element of 10 per cent of 2777.47 cum (55549.32 sqm x 0.05 m) i.e. a further quantity of 277.75 cum was erroneously allowed to be executed although the same was already included in 2777.47 cum of work. Thus, against the required 2777.41 cum of bituminous work to be executed on the prepared surface, the firm executed 3054.740 cum of bituminous macadam on the same prepared surface resulting in an excess execution of 277.33 cum (3054.74 – 2777.41) and thereby the division had to incur an avoidable expenditure of Rs.16.60 lakh (277.33 cum x Rs.5985 per cum).

The matter was reported to the Government in June 2003; reply has not been received (November 2003).

4.6 Idle outlay and probable loss due to prolonged storage of cement

Unusual action of retaining 375.90 tonne cement worth Rs.16.49 lakh with the Quality Control Division for a period of more than two and half years, instead of issuing the same to executing division, had rendered the expenditure idle, with the possibility of loss owing to cement getting damaged during prolonged storage.

According to Cement Corporation of India, relative strength of cement is reduced to 50 *per cent* after storage of two years and should not be used at all unless tested in the laboratory.

Between August 1999 and November 2002, Store Division, Aizawl (renamed as Quality Control Division from June 2001) procured 5434.35 tonne cement by charging the expenditure to the work "Construction of State Referral Hospital" at Falkawn, Aizawl, under execution by Project Division II, Aizawl.

Scrutiny (January-February 2003) of records revealed that out of 5434.35 tonne cement procured, the Quality Control Division, Aizawl issued a total quantity of 4150.45 tonne cement to other executing divisions of Public Works Department on loan, while only 875.30 tonne cement had been issued to Project Division II, Aizawl. The balance 408.60 tonne cement had been lying with the Quality Control Division till the date of Audit (January 2003). Meanwhile, the Project Division II, Aizawl had procured 1275 tonne cement valued at Rs.55.07 lakh from local market for execution of the said work. Reasons for not issuing 408.60 tonne cement to the Division executing the work and issue of 4150.45 tonne cement to other divisions on loan were neither on records nor stated.

Scrutiny further revealed that out of 408.60 tonne cement lying with the Quality Control Division, 375.90 tonne cement had been procured prior to July 2000. Reasons for prolonged storage of 375.90 tonne cement were neither on records nor stated. There was also nothing on record to indicate whether any laboratory test was conducted to test the relative strength of this cement after such prolonged storage.

The unusual action of the Quality Control Division in retaining 375.90 tonne cement worth Rs.16.49 lakh for a period of more than two and half years without any reason had not only rendered the investment on purchase of cement idle, but there is every possibility of this cement becoming useless due to such prolonged storage, entailing loss to the Government.

The matter was reported to the Government in April 2003; reply has not been received (November 2003).

4.7 Extra avoidable expenditure on purchase of materials at higher rates by the Electrical Division, PWD, Aizawl

Failure of the Division to ascertain the lowest available rates and non-observance of codal formalities led to an extra avoidable expenditure of Rs.14.71 lakh.

According to Rule 103 of General Financial Rules, purchases shall be made in the most economical manner after verification of competitive rates in the market to safeguard the interest of Government.

Between March 2001 and March 2003, Electrical Division, PWD, Aizawl incurred an expenditure of Rs.38.76 lakh for procurement of different electrical items from several local firms by issue of supply orders and indents at rates fixed on the basis of spot quotations. No tender was invited to ascertain the lowest available market rates and authenticity of rates paid for. It was, however, noticed (June 2003) in audit that the same materials were also procured by this division during the same period at much lower rates. Besides, the rates of electrical items approved (July 2002) by the division on the basis of market survey and floating tenders were also lower than the procurement rates of materials costing Rs.38.76 lakh. Computed with reference to the rates at which the division procured similar materials in respect of 14 out of 16 items and also the rates approved by the division in July 2002 in respect of remaining 2 items, the division incurred an extra expenditure of Rs.14.71 lakh (*Appendix-XX*) which could have been avoided.

Thus, failure of the division to ascertain the lowest available market rates and non-observance of codal formalities before resorting to purchases resulted in an extra avoidable expenditure of Rs.14.71 lakh.

The Department while admitting the fact stated (August 2003) that after approval of rates for procurement of electrical items in July 2002, the purchase procedure has since been streamlined.

The matter was reported to the Government in July 2003; reply has not been received (November 2003).

PUBLIC HEALTH ENGINEERING DEPARTMENT
4.8 Extra avoidable expenditure on transportation of GI pipes at Aizawl, Kolasib and Khawzawl
Transportation of GI pipes by road, instead of by rail from Kolkata to Silchar led to extra avoidable expenditure of Rs.16.87 lakh.

Between August 2000 and January 2002, the Chief Engineer (CE), Public Health Engineering Department (PHED), Mizoram, Aizawl placed six supply orders with a Kolkata based firm for supply of 2,74,762.75 RM GI pipes of different diameter. The materials were to be delivered to PHE Store Divisions, Aizawl, Kolasib and Khawzawl PHE Divisions within periods ranging from 39 to 85 days from the dates of issue of supply orders. In terms of the supply orders, the rates were FOR destination railhead (Silchar) as per DGS&D rate contract. The CE, PHED, however, stipulated a condition in the supply orders that the firm should despatch the ordered quantity from Kolkata to respective destinations by road and for that, the difference of road freight over the rail freight upto the railhead destination Silchar would be reimbursed. Reasons due to which the CE, PHED directed the firm to despatch the materials by road from Kolkata to Silchar, inviting extra expenditure, were neither on record nor stated.

Test check (August 2002, February and April 2003) of records of three PHE divisions* revealed that the firm supplied 1,71,948.70 RM (827.612 tonne) GI pipes between November 2000 and February 2002 to PHE Store Division Aizawl (277.937 tonne for PHE Division-II, Aizawl); Kolasib (129.587 tonne) and Khawzawl (420.088 tonne) PHE Divisions. Accordingly, payments (including carriage charges) amounting to Rs.2.47 crore were made by the respective divisions between April 2001 and July 2002, which included an extra payment of Rs.16.87 lakh (**Appendix-XXI**) for carriage of the materials by road from Kolkata to Silchar after adjustment of railway freight charges as per condition of CE, PHED's supply orders.

Thus, due to transportation of GI pipes by road, instead of by rail, by stipulating an injudicious and uneconomical clause of road carriage in the supply orders, the Government had to incur an extra avoidable expenditure of Rs.16.87 lakh.

The matter was reported to the Government in June 2003; reply has not been received (November 2003).

* (i) PHE Division-II, Aizawl; (ii) PHE Division, Kolasib and (iii) PHE Division, Khawzawl.

