

## CHAPTER - III

### PERFORMANCE AUDIT

#### PUBLIC WORKS DEPARTMENT

##### 3.1 Pradhan Mantri Gram Sadak Yojana (PMGSY)

*Pradhan Mantri Gram Sadak Yojana (PMGSY) was taken up in 2000-01 as a Centrally Sponsored Scheme with the aim of providing all weather roads to habitations in rural areas. At the launch of the scheme, there were 189 eligible unconnected habitations, out of which only 114 eligible habitations were connected by roads under this programme upto March 2005. Under PMGSY, construction of 139 new roads sanctioned for an amount of Rs.84.50 crore and upgradation of 47 existing roads sanctioned for an amount of Rs.41.96 crore during 2000-05 were undertaken. Of this, construction of 119 new roads including five roads not permissible under the scheme, at a cost of Rs.32 crore and upgradation of 41 existing roads at a cost of Rs.37.58 crore had been completed.*

*Inadequate planning, non adherence to the guidelines in determining the priority criteria, inadequacies in contract management, irregularities in execution of works, financial irregularities and inadequate quality control measures led to non-achievement of the objectives/targets of the Programme.*

#### *Highlights*

*Against an eligible 189 habitations unconnected at the commencement of the programme only 114 habitations were connected by roads as on March 2005.*

*(Paragraph 3.1.9)*

*Expenditure of Rs.10.01 crore was incurred for connecting habitations already connected by roads.*

*(Paragraph 3.1.15)*

*Expenditure of Rs.15.78 crore was incurred for upgradation of existing roads in districts where unconnected habitations still exist.*

*(Paragraph 3.1.16)*

*PMGSY funds amounting to Rs.28.13 lakh could not be accounted for by DRDA, Mokokchung and Executive Engineer, PWD (R&B), Wokha.*

*(Paragraph 3.1.21)*

*Payment of Rs.1.67 crore was made to the contractors before actual execution of works resulting in undue benefits to contractors.*

*(Paragraph 3.1.28)*

*Works valued at Rs.85.72 lakh were executed without provision in the sanctioned estimates.*

*(Paragraph 3.1.29)*

### ***Introduction***

**3.1.1** Rural road connectivity is an important component of rural development. In the State of Nagaland 6807.47 km (56 *per cent*) rural roads out of the total road length of 12,225.62 km existed before the launching of PMGSY.

The PMGSY Scheme was launched by Government of India as a *cent per cent* Centrally Sponsored Scheme (CSS) in December 2000 with the objective to provide road connectivity through all weather roads to habitations with population of 1000 and above by 2003 and habitations with population between 500 and 999 by 2007. In respect of hill states including Nagaland there was also a provision to connect habitations with population of 250 and above by 2007. In Nagaland the implementation of PMGSY was started in 2000-01. All ongoing works under erstwhile Basic Minimum Services (BMS) were also included in the PMGSY from 2000-01.

Revised guidelines for implementation of PMGSY were received in January 2003 and November 2004.

Out of a total of 1,049 habitations identified, 834 habitations (80 *per cent*) were already connected by all weather roads prior to the launching of the scheme. The habitations to be covered under PMGSY were as follows:

72 habitations with population of 1000 and above.

61 habitations with population between 500 and 999.

56 habitations with population between 250 and 499.

The remaining 26 habitations were not eligible under PMGSY.

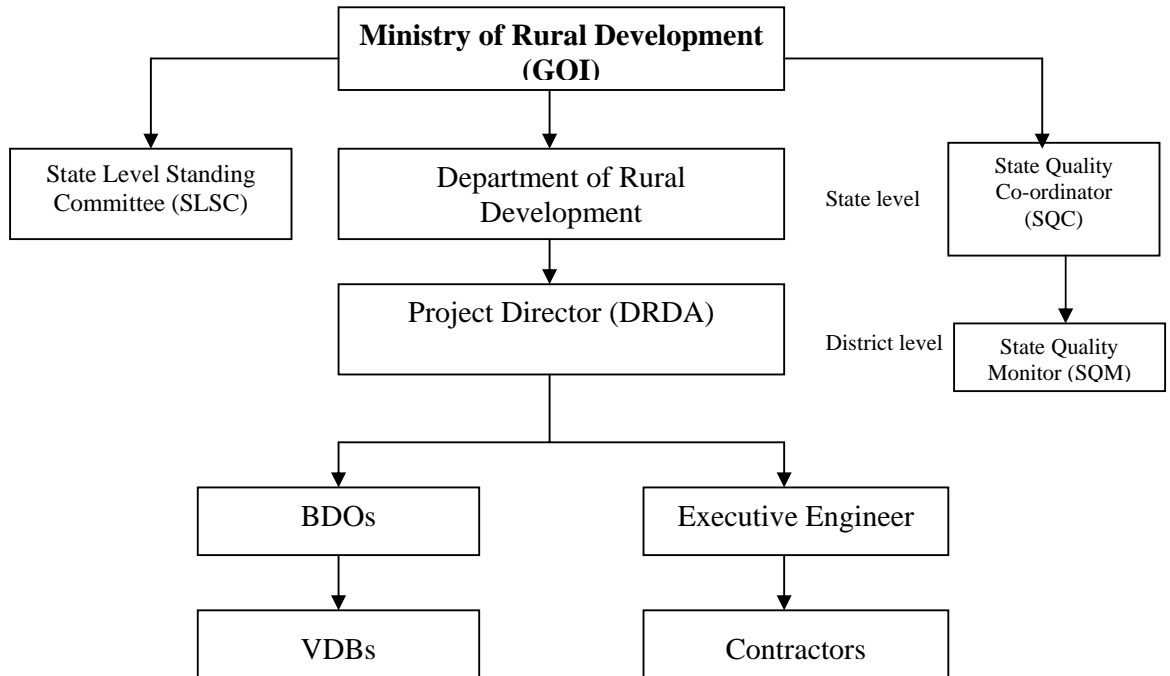
The new road length required to be constructed to achieve the target set under PMGSY was 1,576.03 km.

### ***Organizational set-up***

**3.1.2** At the time of launching the PMGSY, the Department of Rural Development (RD) was the nodal department for monitoring the programme and the fund received from Government of India was to be transferred through the respective Project Director, District Rural Development Agency (DRDA) to the Block Development Officers (BDOs) and Executive Engineers in all the eleven districts from time to time.

For the implementation of PMGSY the following organizational structure existed till March 2003.

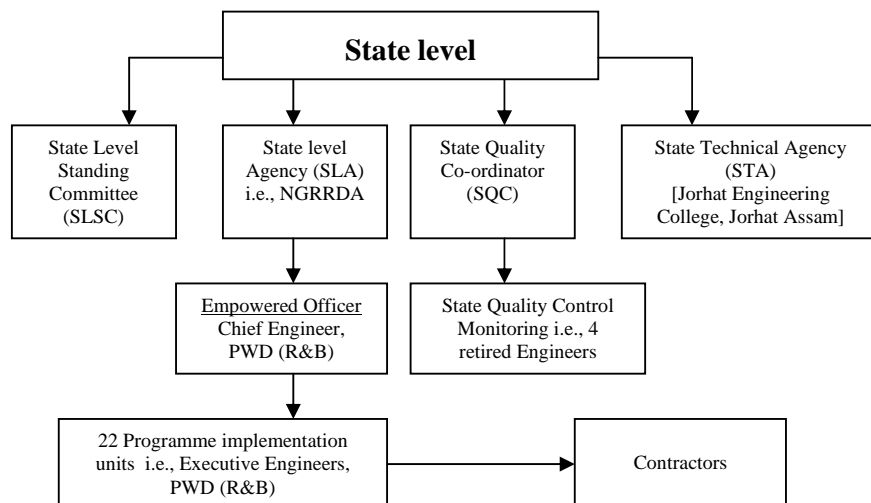
Chart No. 1



According to the revised guidelines the State Level Agency namely Nagaland Rural Road Development Agency (NGRRDA) was constituted in April 2003 which is monitoring the entire programme.

The following organizational set up exists in Nagaland from April 2003 onwards.

Chart No. 2



### *Scope of audit*

**3.1.3** In Nagaland, out of 11 districts, the performance of PMGSY from 2000-01 to 2004-05 was reviewed in five districts<sup>1</sup> (45 *per cent*) during February-May 2005. Out of total expenditure of Rs.81.94 crore (upto March 2005) test check was conducted for Rs.44.94 crore (55 *per cent*). The relevant records maintained by the Chief Engineer, Programme Implementing Unit i.e., Executive Engineer, PWD (R&B), Rural Development Department and District Rural Development Agency (DRDA) were also examined.

### *Audit Objectives*

**3.1.4** The main objectives of the review were to ascertain whether:

- the quantum of road construction assessed was realistic before launching of PMGSY;
- the targets were fixed after adequate and systematic planning to achieve the programme objective;
- appropriate administrative and financial controls were designed and implemented to secure optimum utilisation of funds;
- road works were taken up in consonance with the District Rural Road Plans (DRRP)/core net work;
- there was adequate technical input and whether the programme was implemented economically, efficiently and effectively;
- the quality control mechanism was effective;
- the monitoring system evolved was adequate and effective for achieving the desired objectives.

### *Audit Criteria*

**3.1.5** The criteria set out for achieving the above objectives were:

- Data on number of unconnected habitations as well as the total road work involved for providing connectivity.
- On-Line Management and Monitoring System (OMMS) to monitor the utilisation of fund.
- District Rural Road Plans, Core Net Work, Detailed Project Reports etc.
- Estimates, sanctions and approved specification.
- Quality tests conducted by State Quality Monitors/National Quality Monitors and follow up action.
- Controls exercised to give effect to target and priorities.

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<sup>1</sup> *Peren, Wokha, Phek, Mokokchung and Zunheboto.*

### *Audit Methodology*

**3.1.6** The performance audit began with an entry point conference (23 February 2005) attended by the Commissioner/Secretary, Public Works Department besides other implementing officers. This was supplemented by discussion between senior officers of the Department and the Accountant General (Audit). At the end, an exit conference (27 July 2005) which was attended by the Secretary and other officers responsible for implementation of the scheme was held and the review was finalised after taking into account the points put forth by the department during the exit conference.

Data, information etc. collected from the office of the Chief Engineer, Rural Development Department, Programme Implementing Units (PIUs), District Rural Development Agencies (DRDAs) were analysed and results thereof are incorporated in the form of audit findings as brought out in the succeeding paragraphs.

### *Financial arrangement*

**3.1.7** For 2000-01, funds were released by the Ministry of Rural Development in two parts, one for incomplete works under Basic Minimum Services (BMS) as additional central assistance and the other for new proposals under PMGSY.

From 2001-02 onwards funds for the programme were made available to District Rural Development Agency (DRDA)/State Level Agency (SLA) by the MoRD, Government of India. However, as per the revised guidelines issued in January 2003, the funds were transmitted directly to the accounts of the Nagaland Rural Road Development Agency (NGRRDA) by the Ministry of Rural Development, Government of India.

### *Programme Performance*

#### *Financial Performance*

**3.1.8** The phase-wise release of funds by Government of India and expenditure incurred during 2000-05 are given below:

**Table 3.1.1** *(Rupees in crore)*

Phase	Year	Value of proposals	Amount sanctioned	Amount released	Expenditure up to March 2005
I	2000-01	19.75	19.75	19.75	19.75
II	2001-03*	47.76	47.76	47.76	47.50
III	2003-04	21.44	21.44	21.44	14.69
IV	2004-05	37.51	37.51	18.00	Nil*
<b>Total</b>		<b>126.46</b>	<b>126.46</b>	<b>106.95</b>	<b>81.94</b>

*(Source: Departmental figures)*

\* Phase II covered both the years 2001-02 and 2002-03.

\* There was no expenditure in 2004-05 as the amount sanctioned was released in March 2005.

It would be seen from the above that against sanction of Rs.126.46 crore accorded by the Government of India only Rs.106.95 crore were released, against which expenditure of Rs.81.94 crore only could be incurred in implementation of the programme as of March 2005.

**Physical Performance**

**Comparison in terms of number of habitations connected**

**3.1.9** According to the approved core net work, there were 189 eligible habitations unconnected at the time of launching the PMGSY. Upto March 2005, 114 eligible habitations out of 189 were connected by roads under PMGSY, as per details given below:

**Table 3.1.2**

	Habitation of population sizes			
	Above 1000	500 – 999	250 – 499	Total
Number of Eligible unconnected habitations before launching the programme	72	61	56	189
Number of eligible unconnected habitations benefited upto March 2005	60 (83 %)	34 (56 %)	20 (36 %)	114 (60 %)
Number of habitations in which projects are ongoing	12 (17 %)	4 (6 %)	4 (7%)	20 (11 %)
Number of habitations where work yet to be started	---	23 (38 %)	32 (57 %)	55 (29 %)

(Source: Departmental and core net work figures)

**Comparison in terms of road mileage completed**

**3.1.10** Under PMGSY against the target of 1,576.03 km new road, 851.61 km (54 per cent) roads including 700 km road under BMS were completed. Besides, 365.50 km existing roads were also upgraded upto March 2005. Details are as below:

**Table 3.1.3**

Name of district	No. of eligible unconnected habitation before launching the PMGSY having population size				No. of habitation connected having population size upto March 2005				New road length required for connectivity (km)	Total road length constructed upto March 2005	
	Above 1000	500-999	250-499	Total	Above 1000	500-999	250-499	Total		New connectivity (km)	Up-gradation (km)
(1) Dimapur	1	5	3	9	1	4	1	6	80.50	41.50	37.50
(2) Kohima and Peren *	7	9	12	28	5	3	3	11	180.00	79.14	42.00
(3) Mokokchung	9	3	1	13	9	3	1	13	81.50	118.50	66.00
(4) Mon	8	11	2	21	8	9	2	19	101.00	106.50	53.00
(5) Phek	6	6	4	16	6	4	2	12	149.50	114.50	54.00
(6) Tuensang, Longleng, Kiphire **	31	11	6	48	22	1	1	24	583.37	197.37	21.00
(7) Wokha	8	5	13	26	7	3	2	12	182.00	87.00	26.00
(8) Zunheboto	2	11	15	28	2	7	8	17	218.16	107.10	66.00
<b>Total</b>	<b>72</b>	<b>61</b>	<b>56</b>	<b>189</b>	<b>60</b>	<b>34</b>	<b>20</b>	<b>114</b>	<b>1576.03</b>	<b>851.61</b>	<b>365.50</b>

(Source: Departmental figures)

\* Peren and Kohima district were separated during 2003

\*\* Tuensang, Longleng and Kiphire district separated during 2003.

Against 38 new connectivity and 21 upgradation works during phase II, III and IV approved between 2001-02 and 2004-05, 20 new connectivity and six upgradation works remained incomplete as on March 2005, although Rs.12.38 crore had already been incurred on these incomplete works.

A statement showing the overall position of the State with regard to the proposals submitted and sanctioned/implemented as on March 2005 is given in **Appendix-XIX**.

### ***Inadequate Planning***

**3.1.11** According to the guidelines issued in December 2000, District Rural Road Plans (DRRPs) are required to be prepared showing the habitations (block-wise), the existing status of road connectivity, the proposed new construction as well as roads requiring upgradation. The plans so prepared would be subject to close technical scrutiny so as to arrive at the most economical cost of achieving the targets. According to the guidelines, the core net work is required to be prepared for identifying the roads to be constructed/upgraded to ensure that each eligible habitation is provided with access (all weather road connectivity) to essential socio-economic services. It will consist of the existing roads as well as all the roads proposed for new connectivity under PMGSY.

As mentioned in para 3.1.13, no comprehensive planning was carried out to determine the quantum of work to be done under PMGSY. This is also reflected in the following paragraphs.

### ***Execution of works prior to preparation of District Rural Road Plans (DRRPs)***

**3.1.12** For the year 2000-01 (phase I), the Government of India released Rs.19.75 crore to Government of Nagaland. Out of Rs.19.75 crore, Rs.7 crore was meant for incomplete works under Basic Minimum Service (BMS) and Rs.12.75 crore for new proposals under PMGSY.

In the month of March 2001, 26 existing roads were selected for upgradation during phase-I at the cost of Rs.12.75 crore. As per the guidelines of PMGSY, priority is to be given to connect the unconnected habitations. In disregard to the guidelines and without obtaining prior approval of DRRP (approval of DRRP was received only in the month of June-August 2001), these upgradation works were carried out by incurring an expenditure of Rs.12.75 crore.

### ***Discrepancy between the District Rural Road Plans and the approved Core Net work***

**3.1.13** The details of the habitations to be connected under PMGSY were determined on the basis of district rural road plans (June–August 2001) and the approved core net work (December 2002).

The following discrepancies between district rural road plans and approved core net work were noticed in audit.

**Table 3.1.4**

Agencies	Total no. of habitation	Total No. of habitation Connected	Total no. of habitations unconnected having population of					Total road length required for new connectivity
			Above 1000	500-999	250-499	Below 250	Total	
DRRPs (August 2001)	1054	959	26	29	29	11	95	1786.50 km
Approved core net work (December 2002)	1049	834	72	61	56	26	215	1576.03 km

*(Source: Departmental figures)*

On the discrepancies being pointed out, the Chief Engineer, PWD (R&B), Kohima while admitting the existence of discrepancies stated (October 2005) that the matter has been taken up with the Government of India for approval to carry out the modifications. Approval from the Government of India is yet to be received (November).

No comprehensive survey was conducted by the Rural Development Department and PWD for the purpose of identifying habitations to be covered under PMGSY. The number of eligible unconnected habitations before launching PMGSY was compiled on the basis of information received from other Government departments and district authorities.

***Non-compliance with the Priority Criteria***

**3.1.14** As per the criteria mentioned in the guidelines, priority was to be given to new connectivity to all unconnected habitations and upgradation work was to be carried out only in those districts where all habitations have road connectivity.

The department did not follow the criteria of priority mentioned in the guidelines. The audit observations arising as a result of test check carried out in five of the 11 districts are mentioned below:

***Expenditure of Rs.10.01 crore was incurred for connecting habitations which were already connected by roads.***

**3.1.15** Test check of records revealed that expenditure of Rs.10.01 crore had been incurred for construction of five new roads for connectivity to five habitations i.e., Tepun, Niroyo, Thezatse, Metsale and Mollen, in respect of three selected districts i.e. Peren, Wokha and Phek. But as per the district rural road plans, these habitations were already connected by roads. Details are given below:



Table 3.1.5

Name of district	Year/Phase	Name of road	Length (in km)	Amount (Rs. in lakh)	Name of habitations connected.
Peren	2001-03/ Phase II	Tenning to Tepun	11.00	174.03	Tepun
Wokha	2001-03/ Phase II	Kontsonyu to Niroyo	11.00	257.97	Niroyo
Phek	2001-03/ Phase II	BRO Road to Thezatse	9.00	244.30	Thezatse
	2003-04/ Phase III	Ketsapo to Metsale	20.00	203.65	Metsale
	2003-04/ Phase III	Wazeho to Mollen	10.200	120.89	Mollen
<b>Total:</b>			<b>61.200</b>	<b>1000.84</b>	

(Source: Departmental figures)

Chief Engineer, PWD (R&B) stated (April 2005) that the habitations in question have been shown as connected by Fair Weather Roads in the district rural road plans but actually these were unconnected. The reply is not tenable since district rural road plans were prepared by the Rural Development Department and PWD (R&B) and the same were approved by the governing bodies of the respective District Rural Development Agencies. This is also substantiated by the fact that the road from Ketsapo to Metsale (2003-2004) was constructed under BMS as detailed in Para 3.1.19.

Thus, expenditure of Rs.10.01 crore for new connectivity of those habitations already connected by roads was against the norms of the PMGSY Scheme.

***Expenditure of Rs.15.78 crore was incurred for upgradation of existing roads in those districts where unconnected habitations existed***

**3.1.16** During test check of records it was noticed that in respect of four selected districts i.e., Peren, Wokha, Phek and Zunheboto, expenditure of Rs.15.78 crore had been incurred for upgradation of 167 km of existing roads during 2000-05 whereas 38 habitations still remained unconnected. Details are given below.

Table 3.1.6

Name of district	Total no. of eligible unconnected habitation	Expenditure incurred for up gradation								Total no. of unconnected habitation exists after Phase III
		Phase – I		Phase- II		Phase – III		Total		
		Length (in km)	Amount (Rs.in lakh)	Length (in km)	Amount (Rs. in lakh)	Length (in km)	Amount (Rs. in lakh)	Length (in km)	Amount (Rs. in lakh)	
Peren	27	10	75.00	-	-	-	-	10	75.00	14
Wokha	26	11	82.50	15	165.10	8	85.03	34	332.63	11
Phek	16	20	150.00	34	305.70	3	31.50	57	487.20	2
Zunheboto	28	24	180.00	42	503.09	-	-	66	683.09	11
<b>Total</b>	<b>97</b>	<b>65</b>	<b>487.50</b>	<b>91</b>	<b>973.89</b>	<b>11</b>	<b>116.53</b>	<b>167</b>	<b>1577.92</b>	<b>38</b>

(Source: Departmental figures)

On this being pointed out, the Chief Engineer, PWD (R&B), Kohima (April 2005) stated that the priority criteria could not be strictly followed.

Thus, expenditure of Rs.15.78 crore incurred for upgradation of existing roads in those districts, where unconnected habitations still exist, was against the criteria/norms given in the scheme guidelines.

***Failure in providing connectivity to the unconnected habitations with a population of 1000 persons and above within the specific period***

**3.1.17** The primary objective of the PMGSY is to provide connectivity by an “All Weather Road” (AWR) to the unconnected habitations in the rural areas in such a way that habitations with population of 1000 persons and above are linked by the year 2003 and habitation with a population of 250 persons and above, in hill states by the year 2007.

At the end of year 2005, out of 72 unconnected habitations having population of more than 1000 persons, only 60 habitations were connected by roads leaving 12 unconnected, whereas expenditure of Rs.37.58 crore had been incurred for upgradation of existing roads. The district wise position is given below.

**Table 3.1.7**

Name of district	No. of unconnected habitation having population above 1000 before launching PMGSY	No. of habitation connected upto March 2005	Remained unconnected	Expenditure incurred for up-gradation of exiting roads (Rs. in lakh)
Dimapur	01	01	---	395.41
Kohima and Peren	07	05	02	393.92
Mokokchung	09	09	---	777.12
Mon	08	08	---	612.00
Phek	06	06	---	455.69
Tuensang, Kiphire & Longleng	31	22	09	192.72
Wokha	08	07	01	247.60
Zunheboto	02	02	---	683.09
<b>Total :-</b>	<b>72</b>	<b>60</b>	<b>12</b>	<b>3757.55</b>

(Source: Departmental figures)

***Expenditure of Rs.2.44 crore incurred on providing connectivity to ineligible habitations under PMGSY***

**3.1.18** Expenditure of Rs.2.44 crore had been incurred for construction of one road namely BRO Road to Thezatse (Phek district) on providing connectivity to ‘Thezatse’ habitation whose population is below 250 persons which is the minimum required population for being eligible for connectivity under PMGSY.

***Expenditure of Rs.78.99 lakh incurred for work already done under Basic Minimum Services (BMS)***

**3.1.19** Scrutiny of records in Phek district revealed that a link road between Phugui–Metsale–Ketsapo–Ruzazho of 51.00 km length had been constructed by the Rural Development Department through the Village Development Board (VDB) under BMS. For this work, Rs.35 lakh had been spent from the PMGSY fund during 2000-01 (phase-I).

The road from Ketsapo to Metsale of length 15.00 km had been undertaken as new connectivity again with a sanctioned amount of Rs.2.04 crore during 2003-04 (phase–III) and Rs.78.99 lakh was paid to the contractor up to March 2005. This was for the same work which was already done by village

development board under BMS. (Also mentioned in Para 3.1.15).

Since both the habitations (Ketsapo and Metsale) were connected by the roads constructed by the Rural Development Department during phase I, therefore, the basis on which the same work undertaken by the PWD, (R&B), during phase – III for the same habitations is not clear. This resulted in extra expenditure of Rs.78.99 lakh, which needs investigation/justification.

#### ***Fund management***

##### ***Unspent balance***

**3.1.20** With the constitution of Nagaland Rural Road Development Agency (NGRRDA), all funds lying with different District Rural Development Agencies were required to be transferred to the accounts of NGRRDA.

In respect of one district i.e. Kohima, an amount of Rs.4.48 lakh lying with the Project Director, District Rural Development Agency, Kohima since April 2003 had not been transferred to the accounts of Nagaland Rural Road Development Agency (till March 2005).

##### ***Non accounting of PMGSY fund***

**3.1.21** The Project Director, District Rural Development Agency, Mokokchung had received Rs.27,12,500 from Directorate, Rural Development, Kohima for construction of incomplete roads under Basic Minimum Service (BMS). This was not reflected in the pass book as well as cash book of the office of Project Director, District Rural Development Agency, Mokokchung. In the absence of relevant records the chances of the funds having been misappropriated cannot be ruled out, and needs investigation.

Again, the Project Director, District Rural Development Agency, Wokha had released Rs.3,80,89,635 to the Programme Implementing Unit (PIU) i.e. Executive Engineer, PWD (R&B), Wokha during 2001-04, out of which only an amount of Rs.3,79,89,635 was reflected in the cash book and pass book of Executive Engineer, PWD (R&B), Wokha. Scrutiny of counterfoils of cheques issued by the Project Director, District Rural Development Agency, Wokha revealed that an amount of Rs.1 lakh was drawn in favour of Executive Engineer, PWD (R&B), Wokha. This was pointed out in audit, but no satisfactory reply could be furnished. In the absence of proper explanation the chances of the money having been misappropriated cannot be ruled out, and needs investigation.

##### ***Diversion of interest earned on PMGSY fund***

**3.1.22** As per para 8.4 of the PMGSY guidelines, the interest earned was not to be diverted to any other programme even on a temporary basis.

Scrutiny of records of PMGSY in respect of two districts i.e. Wokha and Phek revealed that amounts of Rs.0.96 lakh and Rs.0.34 lakh earned as interest were diverted for meeting of office expenses and other programmes run by District

Rural Development Agency (DRDA).

***Contract Management***

***Delay in completion of work***

**3.1.23** Para 13 of the guidelines (December 2000) of PMGSY, stipulates that the work be completed within a period of nine months and, in case the period of execution was likely to be adversely affected by monsoon or other factors, the time period for execution was to be suitably determined but was not to exceed 12 calendar months in any case. Further, as per para 13 (iv) of the guidelines, the period provided in the Notice Inviting Tender (NIT) was to be strictly enforced. Since timely execution of the work was very important, action was to be taken against the contractors in cases of delay, as per the contract provisions.

Accordingly, provision was made in the contract that for each day of delay in completion of works, the contractor was required to pay as compensation an amount equal to a maximum of one *per cent*, as may be decided, on the value of incomplete work after the stipulated date of completion subject to a maximum of 10 *per cent* of the tendered value of the work.

Test check of records revealed that in respect of six works (Wokha-1, Peren-1, Phek-2 and Mokokchung-2) there were delays in completion ranging from 38 days to 395 days, but the department did not levy the penalty amounting to Rs.44.75 lakh. In none of the cases could the request letters of the contractors seeking extension of time be made available to Audit. Details are shown in ***Appendix-XX***.

In reply, the department stated (April and October 2005) that the works could not be completed due to the rainy season, washing away of approach road etc. The reply is not tenable since the weather conditions were already taken into account at the time of issuing work orders.

***Non-deduction of tax on work contracts***

**3.1.24** As per the Nagaland Sales Tax Act 1967, as amended from time to time, sales tax on work contracts is to be deducted at the time of payment of bills at the rate prescribed by the Government from time to time. With effect from 1 April 2001 (Notification dated 27 March 2001) the rate of tax on work contracts was 8 *per cent* after allowing deduction at the rate of 25 *per cent*. The rate of tax was reduced to 2 *per cent* without allowing any deductions with effect from 1 August 2002 (Notification dated 16 July 2002).

Test check of records of five selected districts revealed that the total amount of Rs.20.95 crore was paid to the contractors during 2001-04 for construction/up gradation of roads without deduction of tax on work contracts worked out to Rs.61.52 lakh. Details are as below:

Table 3.1.8

Name of district	No. of roads	Payment made (Rs. in lakh)	Tax on work contracts (Rs. in lakh)
Wokha	05	582.50	14.52
Peren	03	430.68	10.38
Phek	02	75.00	4.26
Mokokchung	04	458.60	12.20
Zunheboto	04	547.95	20.16
<b>Total</b>	<b>18</b>	<b>2094.73</b>	<b>61.52</b>

(Source: Departmental figures)

Thus, due to non-deduction of tax on work contracts at the time of payment of bills as provided, there was shortfall in collection of Government revenue amounting to Rs.61.52 lakh for which no responsibility had been fixed.

#### *Non-deduction of Security Deposits*

**3.1.25** According to the terms of the contract and agreement made with the contractors, security deposits were to be deducted (at the rate 5 per cent) from each running bill, and the amount so deducted was to be released after six months from the date of successful completion of the works.

During test check of records in respect of works undertaken in five selected districts (i.e., Wokha, Peren, Mokokchung, Zunheboto and Phek) under PMGSY, it was noticed that in respect of the following four works, deductions of Rs.11.29 lakh on account of security deposits were not made at all.

Table 3.1.9

Sl. No.	Name of work	Amount paid to the contractor	Security deposit deductible but not deducted
1.	Phek to Ketsapo	Rs.60,00,000	Rs.3,00,000
2.	New Peren to Chalkot	Rs.66,96,327	Rs.3,34,816
3.	Alichen to Mangmetong	Rs.23,77,873	Rs.1,18,893
4.	Satakha to Sukhai	Rs.75,00,000	Rs.3,75,000
<b>Total</b>		<b>Rs.2,25,74,200</b>	<b>Rs.11,28,709</b>

(Source: Departmental figures)

Non-deduction of security deposit was thus an indirect benefit passed on to the contractors.

#### *Short recovery of cost of the materials from the contractor*

**3.1.26** When materials are issued to contractors in the interest of work, the cost of materials should be recovered from the contractors at the market rate or issue rate plus storage charge, whichever is higher.

During test check of records it was noticed that bitumen amounting to Rs.15.54 lakh (including carriage charge) was issued to the contractor in respect of one road i.e. New Peren to Chalkot (Peren district). The department had recovered only Rs.8.04 lakh from the contractor. However, no recovery rates were fixed by the department. In the absence of recovery rates, the

department should have at least recovered the cost of materials at the rate paid by the department.

Thus, due to short recovery of the cost of materials from the contractors, Government suffered a loss of Rs.7.50 lakh, for which action for fixing of responsibility/recovery was yet to be taken.

### ***Irregular release of Defect Liability Security (DLS)***

**3.1.27** According to the para 15.2 of revised guidelines (January 2003), the roads constructed under the programme are expected to be of very high standard, requiring no major repairs for at least five years after completion of construction. In order to realise this objective, a suitable clause relating to performance guarantee/routine maintenance was to be included in the contract documents.

As per the terms of the agreements made with the contractor, 5 per cent of the total value of work done was to be deducted as 'Defect Liability Security (DLS)' from the running account bills and retained by the Department for a period of two years called Defect Liability Period.

During test check of records it was noticed that in respect of three road works, an amount of Rs.28.07 lakh being defect liability security deducted from the contractor's bills had been released even before expiry of the liability period. Details are given below:

**Table 3.1.10**

<b>Name of work and district</b>	<b>Date of commencement of work</b>	<b>Date of completion of work</b>	<b>Amount of DLS deducted (Rs.)</b>	<b>Due Date of release as per agreement</b>	<b>Date of release of DLS</b>
NH 61-Longjang (Mokokchung)	28.2.2002	08-04-04	8,73,004	07-04-06	21-12-04
VK to Akuluto (Zunheboto)	28.2.2002	15-06-03	10,70,250	14-06-05	23-11-04
NH 61-Rotomi (Zunheboto)	28.2.2002	29-04-03	8,63,800	29-04-05	23-11-04

*(Source: Departmental figures)*

The release of defect liability security before expiry of liability period was irregular.

### ***Irregularities in execution***

#### ***Payment made to the contractors without execution of works***

**3.1.28** During test check of records it was seen that in respect of two road works an amount of Rs.1.46 crore was paid to the contractor during 2002-03 on the basis of records of measurement. Further cross verification of measurement books (MB), running bill etc. of the concerned roads with the physical verification reports of the National Quality Monitor (November 2003) revealed that certain items of works valued at Rs.21 lakh were not executed whereas final bills had been passed and paid. Details are given

below:

Table 3.1.11

Name of Road	Date of visit by NQM	Status of works in progress, completed as per physical verification report of NQM		Details of payment made				
				R/A Bill No. and date Total amount paid	Amount paid for the items		Amount paid with out execution of works.	
					Quantities of work for which payment made	Amount for the quantity of works paid (Rs.)	Quantities for which payment made without execution of works	Amount paid (Rs.)
Satakha to Sukhai	25.11.03	Sub base (GSB)	Nil	4 <sup>th</sup> and final R/A bill dated 12.8.02 (Rs. 75,00,000)	22500 sqm	86,873	22500 sqm	86,873
Chizami to Choba	24.11.03	Base Course	3 Km	3 <sup>rd</sup> & final bill date 26.4.02 (Rs.70,57,845)	10 KM (2812.25 sqm)	17,12,238	1968.57 sqm	5,13,675
		WBM Grading No. 2	6 Km		10 Km (2207.68 cum)	14,08,243	883.08 cum	8,88,740
		CD Works	3 nos		4 nos.	3,89,416	1 no	97,354
		Carpeting	Nil		5362.50 sqm	5,13,191	5362.50 sqm	5,13,191
<b>Total</b>				<b>1,45,57,845</b>				<b>20,99,833</b>

(Source: Departmental figures)

Again, Rs.6.24 crore was paid to the contractors in respect of five roads on the basis of record of measurements during 2002-04. Further cross verification of measurement books (MB), running bills etc. of the concerned roads with the physical verification report of the National Quality Monitor (November 2002, November 2003 and September 2004) revealed that certain items of work valued at Rs.1.67 crore were not carried out during the time of payment. Details shown in **Appendix – XXI**.

However, the National Quality Monitor in their subsequent inspections reported (September 2004) that the above mentioned items of works had since been carried out in respect of two roads (i.e., Pfutsero-Chetaba and BRO-Thezatse). Scrutiny of final bills in respect of other three roads revealed that the items of works were carried out subsequently.

Thus, payment of Rs.1.67 crore was made before actual execution of works and resulted in undue benefit being extended to the contractors.

In reply, the Department stated (October 2005) that the National Quality Monitor hurriedly carried out inspection during November 2003 covering three districts in three days and the reports may not be as per the exact details of the works. The reply is not tenable since the reports of the National Quality Monitor were neither rectified nor challenged.

#### **Works executed without provision in the sanctioned estimate**

**3.1.29** Test check of records revealed that expenditure of Rs.85.72 lakh had been incurred on items of works executed in respect of the following four roads for which no provisions were made in the Detailed Project Report (DPR) and sanctioned estimates. National Quality Monitor while pointing out the fact

had not suggested the necessity for these works. Details are given below.

**Table 3.1.12**

Name of work/ name of district	Items of works were not included in the estimate but executed	Expenditure incurred (in Rs.)`	Remarks
NEC Road to Shankitong (Wokha)	Jungle clearance, cutting of trees, earth work etc.	45,26,693	Instead of base course (non-bituminous) works these works were executed.
Phek Lanyee to Phek Village (Phek)	Base Course (non-bituminous) Grade I	6,26,564	Against the provision of Grade.III, both Grade-I and Grade III works were executed.
Satakha to Sukhai Road (Zunheboto)	Collection and supply of stone boulder (15 cm – 30 cm) etc. Laving of stone soiling etc.	3,24,025 6,07,500	Work executed without any provision in the DPRs.
V.K. to Akuluto (Zunheboto)	Retaining Wall	24,86,833	Against 43 no CD structures 27 CD structures constructed, the balance amount was utilised in this work.
<b>Total:-</b>		<b>85,71,615</b>	

(Source: Departmental figures)

Expenditure of Rs.85.72 lakh was thus beyond the sanctioned estimates and approved DPR and was, therefore, irregular.

The Chief Engineer, PWD (R&B), Kohima stated (April and October 2005) that during the actual execution of works, it was noticed that some essential items of work had not been included in the sanctioned estimate. Accordingly, considering the exigencies the same were executed within the sanctioned estimate.

The reply is not tenable as neither the National Quality Monitor nor any competent authority pointed out the exigency.

***Defective execution of works resulted in wasteful expenditure***

**3.1.30** According to the para 8.4 (vi) of the guidelines, in hilly states, the estimates for construction of roads were required to be prepared in two parts, the first part consisting of formation cutting, slope stabilization, protection works and drainage, cross drainage works. If black topping in the 2<sup>nd</sup> stage was intended, it was to be taken up after two rainy seasons had elapsed to ensure adequate stabilization of slide slopes. The 2<sup>nd</sup> stage was to include the water bound macadam (WBM) layers and bitumen layer. The State Government also recommended (October and November 2001) that a gestation period of one whole monsoon is to be provided for stabilization and settlement of soil for any newly cut roads. Therefore, only formation cutting and cross drainage works were to be included for all works under new connectivity.

During test check of records it was noticed that during Phase-II, two new road works namely Kontsonyu to Niroyo Road (Wokha) and BRO Road to Thezatse Road (Phek) were taken up at a cost of Rs.2.58 crore and Rs.2.44 crore respectively. The Detailed Project Reports (DPRs) approved by



the State Technical Agency (STA) included gravel surface bitumen (GSB) & water bound macadam (Grade II and III) works apart from formation cutting, drainage, cross drainage works. The works commenced from 10 June 2002 and 28 February 2002 and were completed on 17 January 2004 and 4 February 2004 respectively and total amount of Rs.1.80 crore (Rs.0.98 crore + Rs.0.82 crore) had been incurred on ‘Gravel Surface Bitumen’ and ‘Water Bound Macadam’ works.

While cross checking the records i.e. measurement books, running account bills, DPR etc with the physical verification reports of the National Quality Monitor (November 2003 and October 2004), it was noticed that the estimates did not include some important items of works like protection walls, shoulder proper and adequate cross drainage structures in respect of both the road works. As a result land slides had taken places in several locations. Due to soil erosion the road way width was reduced and rendered the road unsafe for traffic. Further, the construction of BRO Road to ‘Thezatse’ road had not connected the habitation Thezatse situated 15 km away.

The estimates instead of including gravel surface bitumen (GSB) and water bound macadam works should have included adequate cross drainage structures and protection works and the alignment of BRO – Thezatse road should be extended from nine km to 15 km to connect the habitation.

The department, contrary to the guidelines and recommendation of the Government, carried out the works up to water bound macadam layers before stabilization and settlement of slope. Had the works been provided with adequate protection works and cross drainage structures the land slips and land erosion could have been avoided. Thus, expenditure of Rs.1.80 crore on execution of gravel surface bitumen & water bound macadam works had not serve any useful purpose.

In reply, the department stated (April.2005) that as per suggestion of the National Quality Monitor (November 2003) the necessary rectification works have been carried out in respect of Kontsonyu to Niroyo road whereas in respect of BRO to Thezatse road though the proposal was prepared for the entire road but the Cabinet Sub Committee, Government of Nagaland approved only nine km and accordingly it was sanctioned by the Ministry of Rural Development, Government of India. The reply is not tenable as inclusion of gravel surface bitumen & water bound macadam works before stabilisation, settlement of slope in a hilly state like Nagaland was not allowed in the guidelines or by the State Government.

#### *Approved items of works not executed*

**3.1.31** Para 11.1 of the guidelines provides that after the project proposals have been cleared and technical sanction has been accorded, the Executive Agency would invite tenders. All the projects scrutinized by the State Technical Agency (STA) and cleared by the Ministry were to be put to tender as such, and no changes were to be made in the work without prior approval of the National Rural Road Development Agency.

Test check of records revealed that one road in Zunheboto district i.e., Satoi to Tsuruho (5.240 Km) was sanctioned (February 2004) at a cost of Rs.1.05 crore and the approved Detailed Project Report (DPR) included the items of preparatory works, base course, gravel surface bitumen, culverts etc. It was seen in audit that an amount of Rs.1.04 crore was paid to the contractor against execution of preparatory work, culverts and retaining wall. The items of work like base course, gravel surface bitumen, slab culverts were not carried out and the value of these items of works (Rs.37.26 lakh) was spent on preparatory works, culverts etc. While doing so, the department did not obtain approval of the higher authority. The details are given below:

**Table 3.1.13**

Sl No.	Item of work	As per DPR and estimate (Rs.)	Actual execution (Rs.)	Excess (+)/ Less (-) Execution (Rs.)
(i)	Preparatory works	55,23,664	74,31,819	(+) 19,08,155
(ii)	Drain	1,67,041	1,48,423	(-) 18,618
(iii)	Base Course	2,98,287	Nil	---
(iv)	GSB	26,03,232	Nil	---
(v)	Sign Board	52,400	Separately done	---
(vi)	Survey/Investigation	52,400	- do -	---
(vii)	Hume Pipe Culvert	9,99,000	16,96,441	(+) 6,97,441
(viii)	RCC slab culvert	8,25,000	Nil	---
(ix)	Retaining wall	---	11,39,194	(+) 11,39,194
	<b>Total</b>	<b>1,05,21,024</b>	<b>1,04,15,877</b>	<b>37,26,172</b>

Thus, expenditure of Rs.37.26 lakh was incurred in excess of estimate on some items of works, and other items of work required for an all weather road like base course, gravel surface bitumen and slab culverts were not executed, leading to non achievement of the objective.

***Irregular execution of works over Detailed Project Reports (DPRs)***

**3.1.32** The detailed project report was to be prepared in consultation with the Village Level Committee/Council based on proper survey and was to be as per the specification of Rural Road Manual subject to scrutiny and approval by the State Technical Agency (STA).

Para 11.1 of the guidelines also provided that after the project proposals had been cleared and technical sanction accorded, the executive agency would invite tenders. All the projects scrutinized by the STA and cleared by the Ministry, would be tendered as such and no changes were to be made in the work without prior approval of the Authority.

Test check of records revealed that an amount of Rs.89.96 lakh was paid against the approved cost of Rs.46.68 lakh in respect of three works. The executions of cross drainage works were carried out in excess of the quantities provided in the approved detailed project report. The quantum of works executed in excess of the approved detailed project report ranged from 121 per cent to 367 per cent. These excess quantities were not approved by the competent authority. The details are given below:

Table 3.1.14

Sl. No.	Name of Road	Approved CD as per DPRs		Execution of CD works		Percentage of excess quantities executed in excess of DPRs	Excess (Rs. in lakh)
		Qty	Amount (Rs. in lakh)	Qty	Amount (Rs. in lakh)		
1.	Ngam to Lalong	24	25.68	29	40.23	121%	14.55
2.	NH 61 to Salulemang	12	12.48	34	31.17	283%	18.69
3.	NH 61 to Longjang	6	8.52	22	18.56	367%	10.04
<b>Total:</b>			<b>46.68</b>		<b>89.96</b>		<b>43.28</b>

(Source: Departmental figures)

Thus, expenditure of Rs.43.28 lakh in excess of the sanctioned and approved cost was in violation of the guidelines.

***Execution of work in excess of requirement resulted in excess expenditure***

**3.1.33** According to the Rural Road Manual, the carriage way width of road should generally be three meters. Accordingly, estimates/detailed project reports were prepared and approved by the competent authority.

Test check of records, however, disclosed that in respect of five road works (Phek-2, Mokokchung-2, Zunheboto-1) execution of certain items of works valued at Rs.33.68 lakh had been done in excess of the approved/required quantities. Details are given below:

Table 3.1.15

Name of road	Items of work	Quantity required to be executed	Quantity executed	Excess executed	Amount for excess
Asukho-Lochomi Yezami	WBM grading No.2	2475.00 cum	2925 cum	450 cum	5,80,050
	- do – No.3	2475.00 cum	2756 cum	281 cum	3,75,697
Kilingmen to Asangma Road	- do – No.2 and consolidation	1125.00 cum	1806.70 cum	681.70 cum	4,15,052
	Carriage on above	1125.00 cum	1086.70 cum	681.70 cum	73,624
	Collection and supply of stone and consolidation	289.55 cum	699.00 cum	409.45 cum	2,21,656
	Carriage charge	289.55 cum	699.00 cum	409.45 cum	44,221
NH-61 to Longjang	Carpeting	45,000 sqm	51,971.25 sqm	6971.25 cum	7,66,838
Phek to Ketsapo	WBM Grading No. 1	2400 cum	3201.60 cum	801.60 cum	3,61,522
NEC to Sakraba	WBM Grading No. 1	600 cum	1102.95 cum	502.95 cum	5,29,103
<b>Total</b>					<b>33,67,713</b>

In reply the department stated (October 2005) that strict adherence to the sanctioned detailed project reports could not be followed in all cases since the existing road conditions were badly deteriorated and thus works were executed as per the site requirement on the basis of approved working estimates.

The reply is not acceptable because deviation from approved detailed project reports needed to be approved by the competent authority.

### ***Execution of works using material other than that specified***

**3.1.34** According to the para 8.4 of the guidelines, the road constructed under PMGSY must meet the technical specification standard as given in the Rural Road Manual. Accordingly, the detailed project reports were prepared and approved as per MOST specifications.

During test check it was noticed that in respect of four road works (Wokha-2, Phek-2) the materials used were not as per the prescribed standards & specifications. The prescribed quality control tests were also not conducted. The reports of the National Quality Monitor (August-November 2003) disclosed that the Programme Implementing Unit (PIU) admitted that due to non-availability of specified materials, locally available material worth Rs.2.10 crore were used.

In reply (October 2005), the department admitted that locally available materials were used and in several cases rectification works had been carried out.

### ***Quality Control Assurance***

**3.1.35** According to the guidelines, all works were to be effectively supervised since quality of works was very important. The Quality Control Register prescribed by the National Rural Road Development Agency (NRRDA) shall invariably be maintained for each of the road works. Payment shall not be made to the contractor unless the tests are found satisfactory. For this, a three-tier quality monitoring mechanism is envisaged under the PMGSY viz, the programme implementing unit i.e. Executive Engineer, PWD (R&B) of each division, the State Quality Monitor (SQM) and the National Quality Monitor (NQM) as the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> tier system respectively.

Test check revealed that no Quality Control Register was maintained in respect of roads works undertaken under PMGSY in five districts (i.e., Peren, Wokha, Phek, Mokokchung and Zunheboto) selected for review. The department also failed to establish any laboratory for conducting quality control test at District Programme Implementing Unit (DPIU) level as on March 2005.

In the absence of these basic records/facilities it is not clear as to how the Rural Road Development Agency (NGRRDA) could ensure that the works carried out under the scheme were as per the desired quality/standards.

The Additional Chief Engineer, PWD (R&B), Kohima had been nominated (September 2002) as State Quality Coordinator (SQC) alongwith four retired Engineers as State Quality Monitors (SQMs).

During 2000-05, 82 roads works (i.e., 35 new connectivity and 47 upgradations) had been completed under PMGSY by the PWD (R&B) but the State Quality Monitor inspected only nine road works (11 *per cent*), whereas National Quality Monitor (NQM) inspected 62 road works (76 *per cent*), which proved that the State Quality Monitors were not functioning

satisfactorily.

***Other points of interest***

***Maintenance of roads executed under PMGSY***

**3.1.36** As per guidelines, the rural roads constructed/upgraded under PMGSY will be maintained by the State Government. Though the State Government signed an undertaking to this effect, no fund provision was made on this account.

Test check revealed that expenditure of Rs.9.23 lakh and Rs.4.50 lakh had been incurred during 2003-04 from PMGSY funds for maintenance of roads constructed under PMGSY by the Project Director, District Rural Development Agency, Zunheboto and Wokha respectively. This was not permissible as per the guidelines.

***Monitoring and Evaluation***

**3.1.37** There is a PMGSY Cell constituted in the office of the Chief Engineer, PWD (R&B), for monitoring and coordinating the programme. However, no evaluation study of the scheme was carried out by the State Government.

***Conclusion***

**3.1.38** The performance audit of the PMGSY revealed the following:

- Inadequate planning before launching the scheme and execution of projects before approval led to non-adherence to the priorities set in PMGSY.
- There were wide variations between data projected in the district rural road plans and approved core net work, due to which the magnitude of the work to be done under programme was not assessed in an objective manner.
- Deficient contract management led to time overrun, execution of substandard work and undue benefits being extended to contractors.
- Inspections carried out by the State Quality Monitors (SQMs) were inadequate and did not serve any useful purpose.

***Recommendations***

**3.1.39** The following recommendations are made:

- Prioritisation of roads as per the guidelines should be strictly followed so as to achieve the objectives of the programme.
- The terms and conditions of the contract need to be strictly enforced. The contract agreements should contain specific provisions for release of payment only after the compulsory inspection of work done.

- Adequate trainings, workshops etc., should be conducted for officials engaged in implementation of PMGSY.
- The Quality Control Progress Registers should be maintained by the District Programme Implementation Unit (DPIU) and a well equipped laboratory should be established at the district programme implementation unit level for quality control tests.
- State Quality Monitors should inspect the works more frequently to ensure that the works are carried out as per the prescribed standards.