

## CHAPTER - IV WORKS EXPENDITURE

SECTION: 'A'

### POWER, WORKS & HOUSING, AND TRANSPORT & COMMUNICATION DEPARTMENTS

#### 4.1 Implementation of North Eastern Council Schemes

*The North Eastern Council provides financial and other assistance to its constituent States on matters of common importance. Audit scrutiny revealed that, shortfall between approved outlay and actual release by North Eastern Council (NEC), irregular release/non-release of funds by NEC and State Government, inadequate planning, inaccurate preparation of estimates, improper award of contracts, unauthorised expenditure, misutilisation of funds, extension of undue benefits to contractors, and inadequate monitoring, adversely affected the implementation of NEC schemes.*

##### **Highlights**

Of Rs.7.70 crore received from NEC in 1993-94, State Government released only Rs.6.70 crore after 4 years, in 1998-99. The balance Rs.1 crore and allocation of Rs.2.53 crore received during 1994-2000 on the Tadubi-Pfutsero-Bible Hill Road had not been released as of December 2000.

**(Paragraph 4.1.4.1 (a) & (b) and (d))**

NEC funds of Rs.1.31 crore meant for construction of roads were unauthorisedly diverted and utilised on unrelated projects, office equipment, furnishing materials, and other road maintenance activities.

**(Paragraph 4.1.4.3)**

Six Divisions incurred extra expenditure of Rs.2.39 crore, through injudicious allowance of excess execution, price variation, and expenditure actually payable by contractors.

**(Paragraph 4.1.4.4)**

There were time overruns in completion of Duilomroi Miero Hydel Project (3 years) and Kohima-Doyang Transmission line (9 years). Cost overruns totalled Rs.4.91 crore.

**(Paragraph 4.1.5(b))**

Work orders for Rs.3.60 crore were improperly issued (1997-98) at the instance of the Minister, Works and Housing. Work orders for another Rs.31.52 lakh were issued unauthorisedly, by splitting up the amount to bypass sanction of higher authority.

**(Paragraph 4.1.6.1)**

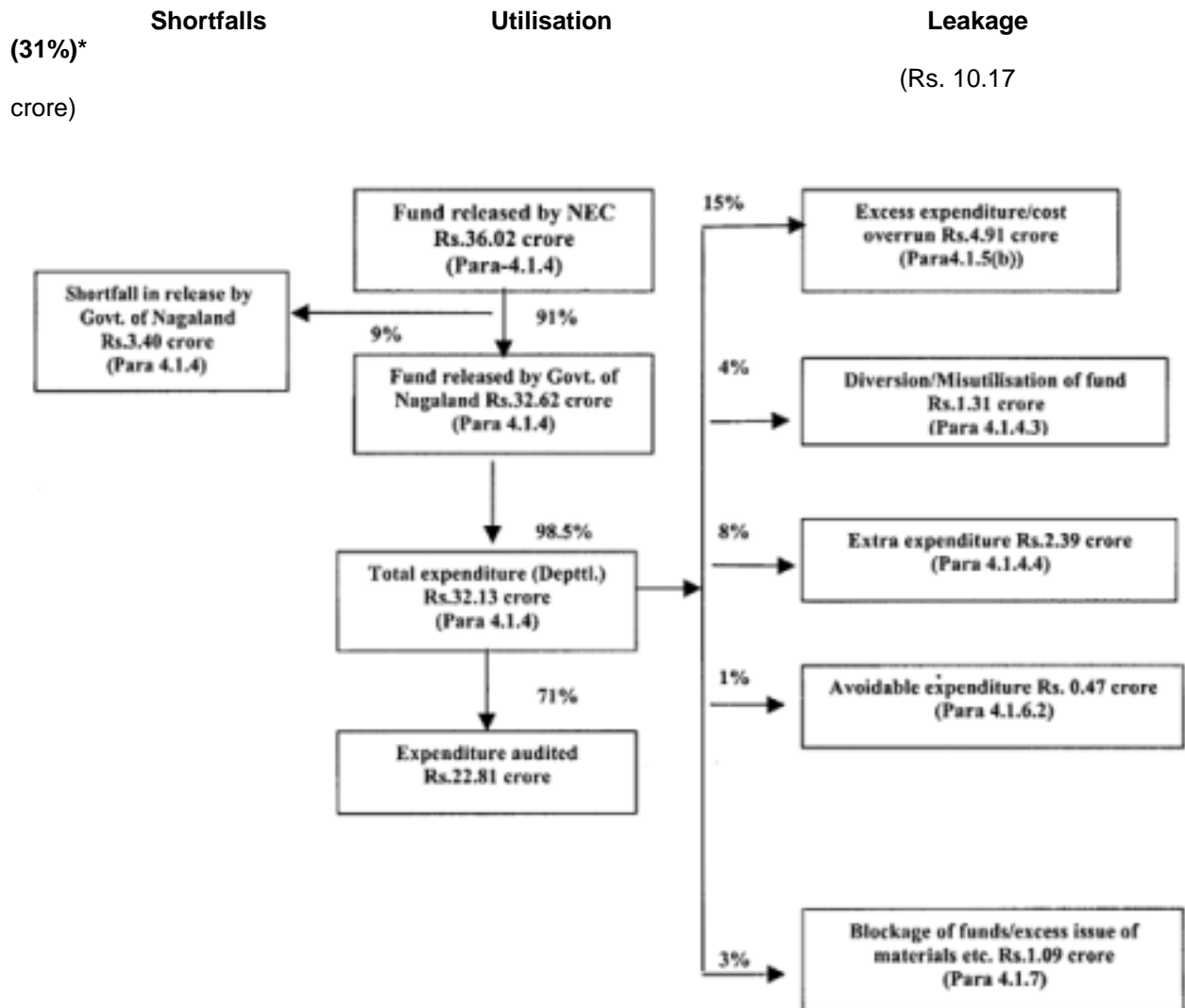
The Department incurred avoidable expenditure of Rs.46.66 lakh due to rejection of lowest tenders.

(Paragraph 4.1.6.2)

Instances of procurement of materials without provision (Rs.10.16 lakh), payment without receipt of materials (Rs.19.44 lakh), and doubtful procurement (Rs.7.94 lakh) were noticed. Materials worth Rs.59.26 lakh were issued in excess; cost of lost materials worth Rs.2.89 lakh had not been recovered from the contractors; contractor was paid Rs.2.28 lakh in excess.

(Paragraph 4.1.7)

### FINANCE TREE



\* Percentage of expenditure audited.

#### 4.1.1 Introduction

The North Eastern Council (NEC), set up on 1 August 1972 under the NEC Act, 1971, functions under the administrative control of the Ministry of Home Affairs, Government of India. The NEC is represented by the 7 North Eastern States (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura.), and functions both as an Advisory as well as Regional Planning Body. As an Advisory Body, the NEC discusses the common problems of the region. As a Regional Planning Body, it forwards proposals to the Central Government, after formulating regional plans for the constituent States on matters of common importance, and balanced development of the region. Funds are allocated by the Central Planning Commission.

#### 4.1.2 Organisational set up

The NEC Secretariat, Shillong, scrutinises schemes/projects proposed by the State Government, formulates budget and plan, releases loans and grants, and monitors the physical and financial performance of ongoing schemes and projects. The concerned departments of the respective State Governments are responsible for implementation of the scheme.

#### 4.1.3 Audit coverage

Implementation of 7 ((1) Road Sector: (a) Kohima-Bokajan Raod, (b) Tadubi-Pfutsero-Bible Hill Road, (c) Yanchan 'A' Tuli Road, (d) Tening-Tamei-Ntuma Road; (2) Power Sector: (a) Kohima-Doyang Transmission Line (b) Duilomroi Micro Hydel Project-Stage II; (3) Civil Sector (a) Inter State Bus Terminus.) (out of 11) schemes implemented in the State (*Appendix-XL*), and which account for 71 *per cent* of the total expenditure on the NEC schemes during 1992-93 to 1999-2000, was reviewed in audit (April-August 1999 and June 2000), by test check of records of 9 ((1) Chief Engineer, PWD (R&R), (4) Pfutsero Divison PWD (R&B), (5) Feeder Road Division, PWD (R&B), (6) Chief Engineer (Power), (7) Executive Engineer (Electrical) Hydel Investigation Diviion, Kohima, (8) Transmission Division, Mokokchung, (9) General Manager, Nagaland State Transport, Dimapur.)out of 15 Implementing Agencies.

#### 4.1.4 Financial performance

##### **NEC funds of Rs.340.48 lakh released by the State Government**

Funds required for implementation of the Schemes, are released by the NEC, in the form of loans and grants. Budget provision, funds released by the NEC and the State Government, expenditure incurred during 1992-93 to 1999-2000 (as reported by the Department), are given in *Appendix-XLI*. Against the total release of Rs.3602.18 lakh by the NEC, the State Government released only Rs.3261.70 lakh during 1992-93 to 1999-2000, against which, the 15 Implementing Agencies spent Rs.3213.05 lakh. The short release of Rs.340.48 lakh was attributed (September 1998) by the State Government to financial constraints. This explanation is not tenable, since funds released by NEC are committed against specified schemes and projects, and cannot be withheld by the State Government, or diverted for other purposes.

For ensuring effective control over expenditure, the Department was required to periodically reconcile its expenditure figures with those booked in the office of the Sr. Deputy Accountant General (A&E), Nagaland, before the end of the financial year. However, no reconciliation was conducted by the Department during the reported years. As a result, the discrepancy of Rs.294 lakh between the departmental figures (Rs.3213.06 lakh), and the figures booked by the Senior Deputy Accountant General (A&E) Nagaland (Rs.2919.06 lakh), remained unsettled (figures upto March 2000).

##### **4.1.4.1 Non-release and delay in release of fund**

Instances where funds were either not released, or released late by the State Government are given below:-

(a) NEC released Rs.1 crore each, on 11 October 1993 and 17 March 1994, to the State Government, for construction of the Tadubi-Pfutsero-Bible Hill Road. Of this, only Rs.1 crore was released by the State Government to the implementing agency as of June 2000. As records relating to utilisation of balance funds of Rs.1 crore were not produced to Audit, the possibility of diversion of NEC funds to meet the non-plan expenditure of the State Government cannot be ruled out.

##### **NEC funds of Rs.670 lakh was released by the State Government after a delay of 4 years**

(b) Rs.670 lakh received by the Government in 1993-94 for construction of roads under the Border Roads Organisation (BRO), was disbursed (1998-99) to State PWD Division after a delay of 4 years.

(c) There were delays ranging from 9 to 39 months in release of Rs.263.91 lakh (received between 1991-92 and 1998-99) to implementing agencies.

(d) Rs.252.94 lakh received from NEC between 1994-95 to 1999-2000 had not been released by the State Government to the implementing agencies as of December 2000.

#### **4.1.4.2 Liabilities**

##### **Committed liabilities of Rs.169.03 lakh for the year 1998-99 were awaiting payment**

Test check of records revealed that, in PWD (R&B) Pftusero Division, a liability of Rs.169.03 lakh on account of execution of works in anticipation of receipt of funds during the year 1998-99, was awaiting to be discharged (December 2000), even though, NEC funds of Rs.252.94 lakh payable to the Division were lying unutilised with the State Government. The Department also admitted (December 2000) that, the liability could not be cleared due to non-release of funds by the Government. This indicated improper management of NEC funds.

#### **4.1.4.3 Diversion of NEC funds**

##### **Unauthorised diversion of Rs.103.41 lakh**

Scrutiny of records in 4\* Divisions revealed that, NEC funds of Rs.103.41 lakh meant for construction of roads were unauthorisedly diverted for works not related to NEC schemes (purchase of furnishing materials, purchase of intercom/wireless systems, construction of village road, purchase of bulldozer), and Rs.28.05 lakh was diverted to another State plan scheme (Construction of Tuensang-Kiphire and Kohima-Likimro transmission lines.).

*Executive Enigneer, PWD (R&B), Dimapur	Rs. 24.70
	;lakh
Executive Enigneer, PWD (R&B) Peren	Rs. 71.97
	lakh
Executive Enigneer, (Elect Hydel Investigation	Rs. 6.77 lakh
Executive Enigneer, (Elect) Transmission, Mokokchung	Rs. 28.05 lakh
	<b>Rs.131.46 lakh</b>

#### **4.1.4.4 Extra expenditure**

##### **Extra expenditure of Rs.2.39 crore due to excess execution of works/unauthorized price variation**

Test check of records revealed that 6 (PWD , Pftusero; PWD (R&B), Peren; Hydel Investigation Division, Kohima; Transmission Division, Mokokchung; PWD (R&B), Chipfubozo; and PWD (R&B), Tuli) Divisions allowed excess execution of works, condoned unauthorised price variations, and incurred expenditure on execution of works that was to be met by the contractors (*Appendix-XLII*). This led to extra expenditure of Rs.239.34 lakh on the NEC works and undue financial aid to the contractors.

#### **4.1.4.5 Loans advanced by the NEC to the State Government**

The position of loans advanced by the NEC and repaid by the Government during 1992-93 to 1998-99 is as under:

*(Rupees in lakh)*

Year	Opening balance	Amount received during the year	Amount repaid during the year with interest	Amount written off during the year	Closing balance
1992-93	368.20	81.54	26.74 (P) 34.09 (I)	---	423.00
1993-94	423.00	113.20	47.40 (P) 41.93 (I)	---	488.80
1994-95	488.80	77.55	68.73 (P) 64.61 (I)	---	497.62
1995-96	497.62	6.70	45.31 (P) 55.23 (I)	---	459.01
1996-97	459.01	---	45.31 (P) 50.52 (I)	---	413.70
1997-98	413.70	5.00	45.31 (P) 113.93 (I)	---	373.39
1998-99	373.39	26.84	44.13 (P) 42.54 (I)	---	356.10
1999-2000	356.10	47.29			
<b>Total:-</b>		<b>358.12</b>			

Except in 1993-94, the NEC figures of loans released to the State Government during 1992-93 to 1999-2000, did not tally with the Finance Accounts placed before the Legislature (NEC: Rs.354.76 lakh and Finance Accounts: Rs.358.12 lakh). The discrepancies have not been reconciled, and are still continuing (December 2000).

#### **4.1.5 Target and achievement**

The target dates for completion of 7 schemes test audited, expenditure incurred, and position as of June 2000, are given in *Appendix-XLIII*.

The following irregularities were noticed in audit:

##### **(a) Roads and Bridges**

**There was shortfall of 9 to 56 percent in achieving targets**

(i) The 60 km. Kohima-Bokajan Road project included in the NEC 2000 at an estimated cost of Rs.1,745.62 lakh. However as on March 2000, the Department could only complete 91 *per cent* (54.5 km) of formation work, 48 *per cent* of pavement (27 km), 72 *per cent* of culvert (101 nos.), and 44 percent of retaining wall (500 RM) (Running Metres.), at a total cost of Rs.1065.62 lakh, resulting in shortfall of 9 to 56 *per cent* (Formation 9 *per cent* (100-91), Retaining wall 56 *per cent* (100-44)). against targets.

(ii) In 1998-99, NEC accorded administrative approval for Phase I (15 km. cost: Rs.140.84 lakh) and Phase II (20 km. cost: Rs.371.76 lakh) of construction of the 54 km. Tening-Ntuma-Tamei road. The work of Phase I was taken up in December 1998 with stipulated completion within 6 months for the work of formation (15 km), culvert (67 nos.), and retaining wall (588.75 RM). Against this, the total works executed against target upto December 2000 were, cent *per cent* formation work (15 km), and 51 *per cent* of culvert (34 nos.), at a cost of Rs.148.97 lakh (106 *per cent* of estimated total cost). The increase in expenditure was covered by revision of estimates without approval of NEC. The reasons for shortfall are not on record, but can be attributed to non-monitoring of progress of works by the implementing agency.

Although the works under Phase-II were taken up departmentally (June 1999), only 3 *per cent* of the work was completed as of December 2000. Reasons for delay were not on record, or furnished.

(iii) Though NEC approved the scheme for construction of 'Yanchan 'A' Tuli Road' (28 km.), in March 1996, the actual execution (Phase I: estimated cost of Rs.246.89 lakh) started only in May 1999. This delay of 2 years was mainly due to non-release of funds by NEC, which resulted in overall cost escalation to Rs.509.22 lakh (against original estimate of Rs.480 lakh). The contractors however, executed (December 2000) only 32 *per cent* of formation work at a cost of Rs.125.62 lakh (51 *per cent* of the estimated cost). Such disproportionate progress of work was due to change in classification of soil during execution of works, for which no deviation statement was prepared by the Division. The work of Phase-II had not been taken up by the Department (December 2000).

(iv) Phase-II (69 km.) of the Tadubi-Pfutsero-Sakraba-Bible Hill road was approved by NEC in three stages, between July 1985 and March 1992, for Rs.1359.69 lakh. NEC had also released 98.41 *per cent* (Rs.1,338.09 lakh) of the project cost by 1994-95; 90 *per cent* of the work was completed in 1995-96, and the remaining works (Culvert-42 nos, Premix Carpeting-16.5 km, and Retaining Wall-251 Running Metres.) had not been completed (December 2000), due to non-release of funds (Rs.252.94 lakh) by the State Government.

#### **(b) Power sector**

**Due to delay in finalization of tenders, there was time overrun of 3 years and cost overrun of Rs.46.71 lakh**

(i) Although Stage II of the "Duilomroi Micro Hydrel Project" (2 x 100 kw) was to be completed in March 1996 at Rs.131.59 lakh, the work was actually completed in February 1999, and commissioned in March 1999, with a time overrun of 3 years, and cost overrun of Rs.46.71 lakh. The delay in completion, was due to delay in finalisation of tenders, resulting in delayed commencement of work, improper planning resulting in frequent revisions (four times between December 1995 and January 1999) and irregular release of funds by State Government. Inclusion of additional work not included in the original estimate, coupled with price escalation, also added to the increase in cost.

(ii) The work of construction of 132 KV S/C Transmission Line from Kohima to Doyang was taken up in October 1989 at an estimated cost of Rs.451.26 lakh. The project cost was subsequently revised (August 1993) to Rs.718.79 lakh.

In May 1990, the work was awarded to a contractor with the stipulation to complete the works within 15 months. Against the revised estimate of Rs.718.79 lakh, Rs.895.84 lakh was spent (upto March 2000) without administrative and technical sanction of NEC. The Department stated (July 1999) that, the additional expenditure (Rs.177.05 lakh) had been met from State Plan funds. The project had not been completed as of December 2000. The delay in completion was due to delay in release of funds by the State Government, and foreseeable site problems caused by landowners not permitting construction of transmission lines over their land. Consequently, there was a time overrun of nearly nine years, and overall cost overrun of Rs.444.58 lakh.

#### **(c) Civil sector**

(i) *Inter State Bus and Truck Terminus at Dimapur*

**Due to delay in taking up the work the project cost shot up to Rs.837.82 lakh**

In February 1998, NEC approved the construction of an Inter State Bus and Truck Terminus at Dimapur, at an estimated cost of Rs.484 lakh. The work was to be executed in 3 phases, and completed by March 2000. The land for the project was acquired in November 1998, and work order was issued in November 1999. As a result of the delay in taking up the work, the cost of the project shot up to Rs.837.82 lakh. However, to keep within the original overall estimate (Rs.484 lakh), NEC approved only Phase I of the revised estimate (January 2000) for Rs.475.62 lakh (original estimate: Rs.100 lakh).

Against the targetted date of completion (March 2000) for the entire Project (Phases I to III), the Department could complete only 36 *per cent* of the work of Phase I at a cost of Rs.175 lakh upto 31 March 2000. The shortfall of achievement (64 *per cent* of Phase I and non-commencement of Phases II and III), was mainly due to delay in acquisition of land, delay in finalisation of tender, and delay/non-release of funds by the State Government.

#### **4.1.6 Implementation**

##### **4.1.6.1 *Impropriety and violation of codal provision in award of works***

(a) On 30 September 1997, the Minister of Works and Housing directed the Chief Engineer (CE), PWD (R&B) to directly negotiate with 2 Dimapur based contractors (M/s Tectonisco and (2) M/s Paneswar & Sons.) for construction of Phase-II of the 'Kohima-Bokajan Road' without call of tenders on the ground that the project was urgent, and there would be delay if tenders were floated. Accordingly, the CE, PWD (R&B) Kohima, without inviting tenders, collected quotations from both the contractors and without negotiation, awarded work orders of Rs.359.60 lakh on 27 October 1997 at their quoted rates for Phase-II (15 km.). The award of contract solely on the basis of the Minister's order without inviting tenders, and ascertaining the reasonableness of rates, violated propriety, and the provisions of the Nagaland Public Works Department (NPWD) Code.

(b) Between 1993-94 and 1994-95, the Executive Engineer (EE), PWD (R&B), Pftusero Division, unauthorisedly issued 104 work orders for Rs.31.52 lakh, by splitting up the amount to keep the work orders within his competence (Rs.50,000), and avoid sanction of higher authority.

##### **4.1.6.2 *Arbitrary rejection of lowest tenders***

(a) In September 1998, the CE, PWD (R&B) invited tenders for Phase-V of the 'Kohima-Bokajan Road'. Of the 4 tenders received, the work was awarded to the highest tenderer at SOR 1998. The tenders submitted by other contractors were rejected by the Government (November 1998) on the ground that the project was time bound, and the Department was not going to compromise on the quality of work. The contention of the Government that, there would be time overrun, and quality of the work would be affected had the work been allotted to the lowest tenderer (at 11 *per cent* below SOR 1998) was not supported by any documentary evidence/past performance report, and thus, is not acceptable. This resulted in extra avoidable expenditure of Rs.33.28\* lakh.

\*Estimated cost : Rs.302.55 lakh (as per SOR 1998)  
Rate approved : As per SOR 1998  
Lowest tender rate : 11 *per cent* below SOR 1998  
Avoidable expenditure : Rs.33.38 (Rs.302.55 - Rs.269.27) lakh

(b) Similarly, for construction of the 'Tening-Ntuma-Tamei Road' (0-15 km), the Government rejected the lowest tender (8 *per cent* below SOR 1998) on the unsubstantiated ground that the rates offered by the lowest tenderer were impracticable. This resulted in avoidable expenditure of Rs.13.38\* lakh.

*Estimated cost	: Rs.167.27 lakh (as per SOR 1998)
Rate approved	: As per SOR 1998
Lowest tender rate	: 8 <i>per cent</i> below SOR 1998
Avoidable expenditure	: Rs.13.38 (Rs.167.27 - Rs.153.89) lakh

Even after awarding these works to the highest tenderers, the Department could not get (December 2000) the works completed within the stipulated period.

#### **4.1.6.3 Inflation of estimate**

The NEC's approval of Rs.299.19 lakh for Phase-V of the 'Kohima-Bokajan Road' was as per SOR (Nagaland) 1996. Although no additional item was included in the estimates, the Department unauthorisedly modified the rate as per SOR (NEC) 1998, and increased the estimated cost to Rs.351.56 lakh without approval of NEC.

Scrutiny of records showed that the Executive Engineer, PWD Dimapur Division paid the contractor a secured advance of Rs.22 lakh in December 1998, for stone metal. There is no evidence that the materials have reached the site, and the work is yet to commence (December 2000). Therefore, Government funds were unnecessarily locked up. The advance represents interest free loan to the contractor, and involves unnecessary interest liability of Rs.5.72 lakh (at 13 *per cent*) for the Government upto December 2000.

#### **4.1.6.4 Undue benefit to the contractor**

(a) Even though the Nagaland PWD Code does not permit payment of any mobilisation advances aggregating Rs.34 lakh (10 *per cent* of work value) were paid (March 1998) by the Executive Engineer, PWD, Dimapur Division, to 2 contractors of Phase-II (Kohima-Bokajan Road), without any bank guarantee, of which, Rs.10.20 lakh was recovered till December 2000. This resulted in undue financial benefit to the contractors, in the form of interest free loan, and unnecessary interest liability of Rs.9.76 lakh (at 13 *per cent*) (Government borrowing rate.), for the Government upto December 2000.

(b) The work of Phase-II (Kohima-Bokajan Road) was awarded (27 October 1997) at 45 *per cent* above SOR 1996 for the first year, and at 60 *per cent* for the second year, with stipulation to complete 50 *per cent* of the work (value: Rs.179.80 lakh) by one year (27 October 1998). Against this, only 78 *per cent* of the work was completed even as late as June 2000. The shortfall in achievement (22 *per cent*), was due to irregular release of funds by NEC and State Government. Further scrutiny of records revealed that, the contractor had completed work valued at Rs.12.70 lakh in the first year, against the agreed work value of Rs.179.80 lakh. Consequent upon the shortfall of execution in the first year, escalation admissible upto 60 *per cent* under agreement led to additional benefit of Rs.17.29\* lakh to the contractor.

\* (Total estimated value: Rs.248 lakh)

(A) Agreed work value:	Ist year = Rs.124 lakh + 45%	Rs. 179.80 lakh
	2nd year = Rs.124 lakh + 60%	Rs.198.40 lakh
		<b>Rs.378.20 lakh</b>
(B) Execution	Ist year = Rs.8.76 lakh + 45%	Rs.12.732 lakh
	2nd year = Rs.239.24 lakh + 60%	Rs.382.784 lakh
		<b>Rs.395.516</b>



**lakh**

(B-A) = Rs.17.29 lakh

(c) Work orders for the 'Tadubi-Pfutsero-Bible Hill' were awarded (2 March 1990) at the rate of 170 *per cent* above SOR 1985. Even though the approved rates included the cost of bitumen and wages of labourers, the contractors were paid for these items separately also, which resulted in extension of undue financial benefit of Rs.12.13 lakh.

(d) The work order for the Duilomroi Micro Hydel Project was awarded in June 1996. Though, as per agreement, 10 *per cent* security deposit and 2 *per cent* income tax were to be deducted from the bills of the contractor, no deductions were made. This resulted in undue benefit of Rs.11.67 lakh to the contractor.

#### **4.1.7 Material Management**

##### **(i) Purchase in advance of requirement**

Test check of records of PWD Feeder Road Division, Tuli, revealed that, during 1998-99, the Division spent Rs.6.73 lakh on purchase of RCC Hume pipes required for Phase-II of the 'Road Yanchan A Tuli', even though, the works of Phase-I were not completed, and Phase-II had yet to commence (December 2000).

##### **(ii) Unnecessary purchase**

Scrutiny of records in PWD (R&B), Dimapur Division revealed that, though there was no provision for GI sausage wire in the approved estimates of the work (Phase-V of Kohima-Bokajan Road), the Division unnecessarily procured (between January and April 1998), 20,790 sq.m. of GI sausage wire at Rs.7.25 lakh. In addition, the Division also procured RCC Hume pipes of 1000 mm dia worth Rs.2.91 lakh, in September 1997, even though, there was no requirement for pipes of such specification. All these materials were lying unutilised in stock (December 2000).

##### **(iii) Excess issue of materials to contractor**

Against the actual requirement of 212.20 km. of conductor wire, and 69 km. of ground wire for the "Kohima-Doyang Transmission Line", the Department issued 292.99 km. and 115 km. respectively to the contractors, resulting in excess issue of 80.79 km. (Rs.47.25 lakh) of conductor wire, and 46 km. (Rs.12.01 lakh) of ground wire. No action has been taken to recover the cost of excess materials issued; nor has any responsibility been fixed for such excess issue (December 2000).

##### **(iv) Payment without receipt of materials**

During 1997-98 and 1998-99, the CE, PWD (R&B) Kohima, paid Rs.27.56 lakh for 620 metres of RCC Hume Pipes. Against this, the PWD (R&B) Dimapur Division who was the sole consignee had received only 220 metres of Hume Pipes worth Rs.9.12 lakh. Action initiated to receive the balance 400 metres of Hume Pipes worth Rs.19.44 lakh or to get refund of the balance amount, has not been intimated (December 2000). Reasons for short supply of materials to the Division were not on record.

##### **(v) Doubtful purchase**

The receipt and issue of 21000 m. of sausage wire procured by the EE, PWD (R&B), Pfutsero Division in 1994-95 for Rs.7.94 lakh, was not traceable from the stock register where such transactions were to be recorded. Also, since there was already an unutilised balance of 19,845 metres of sausage wire with the Division on the date of procurement, further purchase of 21,000 metres in 1994-95 was not necessary.

##### **(vi) Loss of materials and excess payment to supplier**

(a) During March and May 1999, 4.44 km. of conductor wires worth Rs.2.89 lakh were reported stolen from the work sites of the 'Kohima Doyang Transmission Line', but the cost had not been recovered (December 2000) from the contractor, as required under the agreement.

(b) Though the CE (Power), Kohima ordered deduction of sales tax of Rs.9.15 lakh on conductor wires, the Divisional Officer, Transmission Division, Mokokchung, deducted only Rs.6.87 lakh from the bill, resulting in excess payment of Rs.2.28 lakh to the contractor.

#### **4.1.8 Monitoring and evaluation**

Although as per guidelines, a State Level Coordination Committee under the Chairmanship of the Development Commissioner, Planning and Development Department, Government of Nagaland, is to be constituted for monitoring the progress of the schemes, and for sending periodic reports to the NEC, no such committee was constituted (December 2000). The State Government had also not conducted any study to evaluate the performance of the schemes, although Rs.3213.06 lakh was spent on implementation of the schemes.

#### **4.1.9 Recommendations**

In view of the irregularities mentioned in the various paragraphs of the review, the following recommendations are made:

- i. Adequate planning, budgeting, and regular release of funds, are essential for effective implementation of the scheme, and should be ensured.
- ii. Executing agencies should strictly adhere to codal procedures, as laid down, for execution of the Project.
- iii. Regular supervision and monitoring of the progress of implementation should be ensured. Evaluation study should be conducted to adjudge the effectiveness of implementation of the programme/schemes.

The matter was reported to the Government in November 1999; replies have not been received (February 2000).

### **SECTION: B**

#### **HOME DEPARTMENT**

#### **4.2 Undue financial aid to contractor (Rs.200 lakh) and loss of interest (Rs.36.71 lakh)**

##### **The Project Engineer, PEPD unauthorisedly paid Rs.200 lakh as mobilization advance**

Test check (October 1999) of records (September 1997 to September 1999) of the Police Engineering Project Division (PEPD) Chumukedima and information furnished by the Division (April and July 2000) revealed that the works regarding construction of office building for Police Headquarters at Kohima (estimated cost Rs.14 crore) were awarded (November 1998) by Addl. C.E. (PEP), Chumukedima to contractors 'X' (M/s Singh Construction Company, Dimapur) and 'Y' (M/s Azam Associates, Dimapur) after inviting quotations from 6 selected contractors. Reasons for not issuing "Notice Inviting Tenders" (NIT) as required under Para 291 of the Nagaland Public Works Department (NPWD) Code were not on record.

Even though the NPWD code does not provide for payment of mobilisation advance, the Project Engineer, PEPD, Chumukedima paid (December 1998) Rs.200 lakh to these two contractors as mobilisation advance. The work commenced only in June 1999 due to delay in handing over of site. Consequently, Rs.200 lakh was locked up unnecessarily for 6 months (December 1998-June 1999). The value of the work executed and measured as of March 2000 was Rs.167.69 lakh and

the contractors were paid (March 2000) Rs.100 lakh (Rs.50 lakh each) after effecting recovery of mobilisation advance amounting to Rs.25.15 lakh upto 1<sup>st</sup> RA bills.

The work order was also defective because, while a penalty is leviable on the Government (in case the work is not completed in 3 years), there is no such penalty provision for the contractors. As on March 2000 (9½ months after commencement of work) only 11.98 *per cent* (Rs.167.69 lakh x 100, Rs.1400 lakh) of the work was completed, against the scheduled 26.39 (Rs.1400 lakh x 9.5 months / 36 months=Rs. 369.44 lakh, Rs.369.44 lakh x 100 / Rs.1400 lakh=26.39 *per cent*) *per cent*. At this pace, only around 45 (Rs.167.69 lakh x 36 months / 9.5 months=Rs.635.46 lakh, Rs.635.46 lakh x Rs.1400 lakh=45.39%) *per cent* of the work was likely to be completed in 3 years after commencement, implying significant time and cost overrun, for which no provision exists in the work order to penalise the contractor.

#### **Loss of interest of Rs.36.71 lakh**

Thus, due to delay in handing over of site, non-inclusion of penalty clause securing Government interest, and by allowing the contractors to adjust only Rs.25.15 lakh out of the mobilisation advance of Rs.200 lakh, the contractors were given undue financial benefit of Rs.200 lakh and Rs.174.85 lakh between January 1999 and March 2000, and between April 2000 and June 2000 respectively. Besides, the Department also suffered a loss of interest of Rs.36.71\* lakh (at the Government borrowing rate of 12.50 per cent) on the funds locked up.

*Rs.200 lakh @ 12.50% for 15 months (January 1999 to March 2000)	= Rs.31.25 lakh
Rs.174.85 lakh @ 12.50% for 3 months (April 2000 to June 2000)	= Rs. 5.46 lakh
	Rs.36.71 lakh

The matter was reported to the Government in March 2000; replies had not been received (February 2001).

## IRRIGATION AND FLOOD CONTROL DEPARTMENT

### **4.3 Excess payment of Rs.3.71 lakh - materials worth Rs.28.83 lakh not accounted for**

#### **SE, I&FCD, Kohima irregularly paid Rs.3.71 lakh**

In November 1995, Joint Director (JD), Irrigation and Flood Control Department (I&FCD), Kohima, placed an order with a local supplier (M/s Zhato Angami, Dimapur) for supply of 6130 metres of Galvanised Iron (GI) pipes and fittings of various sizes, at DGS&D rates which included galvanisation charges.

Test check (August-September 1999) of records (September 1996 to September 1999) of the Superintending Engineer (SE) I&FCD, Kohima revealed that in July 1997, the SE had passed a bill of Rs.28.83 lakh which *inter alia* included the following:-

(i) Cost of 6130 metre (100 mm dia) GI pipe @ Rs.265.82 per metre	Rs.16.30 lakh
(ii) Galvanisation charges for 6130 metre GI pipe weighing 5.972* Metric Tonnes (MTs) @ Rs.62192 per MT	Rs. 3.71 lakh

\* 6130 metre = 6130 x 12.99 kg per metre / 1000 = 79.63 MT  
79.63 MT x 75 kg / 1000 kg = 5.972 MT.

Since by definition, these pipes were already galvanised, the additional payment of Rs.3.71 lakh for galvanisation was not necessary and hence doubtful.

Consequently, Government incurred a loss of Rs.3.71 lakh.

**Materials worth Rs.28.83 lakh not accounted for.**

Further, it was observed in audit that, SE, IFCD, Kohima paid the amount of the bill without obtaining a certificate from the EE, Tuensang confirming receipt of materials. The Government, in reply, forwarded (May 2000) a certified copy of the bill and stated (May 2000) that materials were received in full and entered in the stock register. The reply of the Government is not acceptable, since the stock entries which should have been made at the time of receipt of materials were not made in the Stock Register, at the time of verification by Audit two years later.

Thus, the genuineness of expenditure of Rs.28.63 lakh on procurement of materials was not verifiable by Audit.

**HOME (GENERAL ADMINISTRATION BRANCH) AND WORKS AND HOUSING DEPARTMENT**

**4.4 Unauthorised drawal of Rs.262.40 lakh without legislative approval, and unnecessary interest burden (Rs.95.28 lakh) due to blockage of funds**

Article 114 of the Constitution of India read with Rule 70 of the General Financial Rules, as adopted by the Government of Nagaland, stipulate that no expenditure shall be incurred out of the Consolidated Fund without legislative approval/budgetary provisions.

**CIDCO was paid Rs.262.40 lakh for acquisition of land at New Mumbai**

Test check (October-November 1999) of the records of the Estate Officer (E.O), Public Works Department (PWD), Housing and Special Officer (SO), Accounts, Civil Secretariat revealed that contrary to the aforesaid provisions, EO drew (September 1995) Rs.22.40 lakh on the strength of a Letter of Credit issued (September 1995) by the Finance Department (retrospective expenditure sanction accorded by the Works and Housing Department in October 1997), and SO drew (August 1997) Rs.240 lakh on the strength of expenditure sanction (August 1997) accorded by the Home Department (General Administration Branch). The entire amount of Rs.262.40 lakh was paid to the City and Industrial Development Corporation of Maharashtra Limited (CIDCO) in September 1995 (Rs.22.40 lakh) and September 1997 (Rs.240 lakh) for acquisition of land (cost: Rs.261.64 lakh) for construction of a State Guest House at New Mumbai. Home Commissioner, Government of Nagaland, however, took possession of the land on 26 May 1999 after executing agreement with the CIDCO. Reason for delay in executing the agreement and taking possession of the land were not on record.

**Entire money was withdrawn without legislative approval**

As the amount of Rs.262.40 lakh was drawn without any budget provision/legislative approval, the expenditure was irregular and unauthorised. No steps have been taken by the Government to regularise the expenditure as of January 2001.

**Government did not take any steps to commence construction**

Further, as per the terms and conditions of the agreement, the construction of the State Guest House was to commence within 6 months from the date of execution of the agreement for acquisition of land, but no such steps were taken by the Government as of January 2001. Chances of commencement of works during 2000-01 are also remote, since no budget provision has been made or money appropriated for the purpose; nor have any technical estimates of the works to be executed been prepared by the Department so far (January 2001).

### **Unnecessary interest payment on blockage of fund**

As a result, funds of Rs.262.40 lakh were locked up unproductively, which led to unnecessary interest burden of Rs.95.28 lakh\* on the State exchequer.

*Rs.22.40 lakh @ 14% from 9/95 to 3/2000	Rs.14.37 lakh
Rs.240.00 lakh @ 13.05 % from 9/97 to 3/2000	Rs.80.91 lakh
	Rs.95.28 lakh

The matter was reported to the Government in February 2000; reply has not been received (February 2001).

## **WORKS AND HOUSING DEPARTMENT**

### **4.5 Unauthorised expenditure of Rs.52.35 lakh on appointment of Work Charged (WC) staff in gross violation of Government orders**

**Blatant flouting of Government orders by EE, PWD (R&B), Kohima and EO, Pwd (Housing), Kohima resulted in authorised expenditure of Rs. 52.35 lakh**

Work Charged (WC) staff engaged on specific works are required to be discharged on completion of the works. Government of Nagaland banned (July 1990), the engagement of additional WC staff and directed that the strength of WC staff in all Departments be reduced to 50 *per cent*. In July 1993, powers delegated to Executive Engineers (EEs) to appoint WC staff were also withdrawn, WC staff could be appointed by the Chief Engineer with specific approval of the Government. In June 1996, Government completely banned engagement of WC staff.

Test check (September-November 1999) of the records of the following two DDOs revealed that WC staff continued to be appointed, in violation of the above Government orders.

(a) Para 4.1(iii) of the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 1998 mentioned that, the EE, Public Works Department (Roads and Bridges) Mechanical Division No.1, Kohima had unauthorisedly engaged 96 WC staff upto August 1996. Further test check (September-November 1999) revealed that, between November 1996 and April 1998, the Additional Chief Engineer, Mechanical, Kohima appointed an additional 51 WC staff who were shown against the EE, PWD (R&B), Mechanical Division No.1, Kohima. Consequently, the EE, PWD (R&B), Mechanical Division No.1, Kohima incurred unauthorised expenditure of Rs.25.31 lakh on 51 WC staff as of August 1999 irregularly employed between November 1996 and April 1998. No mention of the works against which the WC staff were employed, was made by the Department.

(b) Similarly, the Estate Officer, PWD (Housing), Kohima appointed 25 WC staff between November 1995 and April 1999, in clear violation of Government orders. This resulted in unauthorised expenditure of Rs.27.04 lakh as of September 1999.

The above two cases of blatant violation of Government orders, leading to unauthorised expenditure of Rs.52.35 lakh (Rs.25.31 lakh + Rs.27.04 lakh) were reported to the Government and the Department in November 1999 and February 2000; replies have not been received (February 2001).

### **4.6 Fictitious payment of Rs.5.76 lakh**

Additional Chief Engineer (ACE), Mechanical, Public Works Department (PWD), Nagaland, Kohima placed (5 March 1999) a work order for Rs.5.76 lakh with an individual 'A' who was

identified simply as Shri Tia Ao, Kohima on the work order, and as Shri Tia Ao, Mokokchung on the bill. Evidently, 'A' was not an authorised dealer, and had no settled address. The order was placed for the repair of one bulldozer (BEML D-50-A-15 No.7506) stationed at Pukpur under the Assistant Mechanical Engineer, Tuensang.

**EE, Mechanical Division, PWD, Kohima paid Rs.5.07 lakh on a fictitious bill.**

Test-check (September 1999) of the records of the Executive Engineer (EE), Mechanical Division, PWD, Kohima for the period September 1996 to August 1999 revealed that, the EE paid (31 March 1999) Rs.5.07 lakh to 'A' on the basis of a certificate recorded on the body of the bill (21 March 1999) by the Assistant Mechanical Engineer (AME), Mechanical Store Division, Kohima, countersigned by Mechanical Engineer, Mechanical Division, Kohima to the effect that the materials had been received in full, as per specification, and directly fitted to the machine through departmental mechanics. However, neither the log book, nor any other records like register of repairs to machinery etc., were made available to Audit, to substantiate the repairs/replacement actually done to the Bulldozer.

Since the said bulldozer was in the possession of AME, Tuensang (Mechanical Division, Mokokchung), he was the appropriate authority on location to record the certificate on the bill and not the AME, Kohima. There was no documentary evidence to show that the bulldozer was brought from Tuensang to Kohima; there was also no entry in the stock register to corroborate receipt/issue of materials. Therefore, the certificate recorded on the body of the bill was not authentic, and the payment was doubtful.

The matter regarding doubtful payment was reported to the Government and the Department in November 1999; replies have not been received (February 2001).

## **WORKS AND HOUSING (ROADS AND BRIDGES AND HOUSING) DEPARTMENT**

### **4.7 Failure of senior officials to enforce accountability and protect the interests of Government**

Accountant General (Audit) (AG) conducts periodical inspection of the Government departments to test check the veracity of transactions, and verify the maintenance of important accounting and other records, as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). When important irregularities etc., detected during inspection are not settled on the spot, these IRs are issued to the Heads of Offices inspected, with a copy to the next higher authorities. Though the State Government had accepted the recommendations of the Shakdhar Committee regarding establishment of appropriate mechanism in Government to monitor Government's response to Audit, no separate monitoring cell has been established by the State Government as of January 2001. The Heads of Offices and next higher authorities are required to comply with the observations contained in the IRs, and rectify the defects and omissions promptly, and report their compliance to the AG. Serious irregularities are also brought to the notice of the Head of the Department by the AG (Audit). A half yearly report of pending inspection reports is sent to the Secretary to the Department, in respect of pending IRs, to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued upto June 2000 pertaining to two Departments, viz., (i) Works and Housing (Roads and Bridges) and (ii) Works and Housing (Housing) disclosed that, 1445 paragraphs relating to 156 IRs remained outstanding at the end of January 2001. Of these, 58 IRs containing 419 paragraphs had not been replied to/settled, for more than 10 years. Year-wise position of the outstanding IRs and paragraphs are detailed in *Appendix-XLIV*. Even the initial replies, which were required to be received from the Heads of Offices within six weeks from the date of issue, were not received in respect of 12 Divisions/Offices for 164 IRs issued between 22 May 1987 and 12 June 1990. As a result, the following serious irregularities commented upon in these IRs had not been settled as of February 2001.

Serial number	Nature of irregularities	No. of paragraphs	Amount (Rupees in lakh)
1.	Avoidable expenditure/excess payment	323	4,099.55
2.	Misappropriation/shortage/loss of Government money/stores	69	331.22
3.	Irregular/unauthorised/purchase/blocking of Government money /stock/ unaccounted stores	422	8,967.30
4.	Loss due to non-realisation of Government money	82	104.27
5.	Money kept outside Government accounts	6	177.13
6.	Advance drawal	9	1,039.54
7.	Deviation of fund/mis-use of funds	11	564.61
8.	Fictitious/Doubtful drawal	66	354.89
9.	Miscellaneous/Others	457	3,166.40
	<b>Total:-</b>	<b>1,445</b>	<b>18,804.91</b>

A review of the IRs which were pending due to non-receipt of replies in respect of (i) Works and Housing (Roads and Bridges) and (ii) Works and Housing (Housing) Departments revealed that the heads of the Offices, whose records were inspected by AG and the Head of the Department, viz., (i) Chief Engineer (Roads and Bridges) and (ii) Chief Engineer (Housing) failed to discharge due responsibility as they did not send any reply to a large number of IRs/paragraphs indicating their failure to initiate action in regard to the defects, omissions and irregularities pointed out in the IRs of the AG. The Secretary of the respective Departments, who was informed of the position through half-yearly reports, also failed to ensure that the concerned officers of the Department take prompt and timely action.

The above also indicated inaction against the defaulting officers, and thereby facilitated the continuation of serious financial irregularities and loss to the Government.

It is recommended that Government should examine the matter, and ensure introduction of suitable procedure to ensure that (a) action is initiated against officials who failed to send replies to IRs/Paras as per the prescribed time schedule, (b) action to recover loss/ outstanding advances/overpayments in a time bound manner, and (c) establish an appropriate mechanism in Government to monitor Government's response to Audit.

The matter was referred to Government in August 2000; reply had not been received (February 2001).