

CHAPTER-IV WORKS EXPENDITURE

AUDIT PARAGRAPHS

POWER DEPARTMENT

4.1 Extra expenditure because of delay in Likimro Hydro Electric Project

The department incurred extra expenditure of Rs.8.66 crore due to delay in execution and award of work to the highest bidder

4.1.1 Test check (November – December 2001) of records of the Executive Engineer, Likimro Electrical Construction Division, Likimro revealed that the work “Supply of Turbine and Generator sets for Likimro Hydro Electric Project including erection, testing and commissioning” was awarded (May 1990) to M/S Eastern Overseas Corporation (EOC), Mumbai at Rs.42.72 crore (Rs.41.94 crore : cost of supply and Rs.0.78 crore : cost of erection, testing and commissioning). The supply of turbine and generator sets was completed between December 1993 and July 1994 at Dimapur but could not be transported to project site owing to bad road conditions and was kept in the store. On completion of construction of an alternative road in May 1998 the equipments were transported to the site. Citing clause 10 of the condition of the supply order which stipulated erection, testing and commissioning within 2 months of supply of the equipments, the firm refused to execute the work after delay of 5½ years at earlier quoted and approved rates.

4.1.2 In response to enquiry made by the Chief Engineer (CE), Power (September 1999) three firms¹ including M/S EOC offered their rates for erection, testing and commissioning and the rate quoted by M/S Reliance Pneumatic (Rs.3.50 crore) was the lowest. M/S EOC had quoted Rs.11.63 crore and subsequently revised it to Rs.9.44 crore. Overruling the CE’s recommendation in favour of the lowest bidder, the Government awarded the work to highest bidder M/S EOC at Rs.9.44 crore (February 2000).

4.1.3 Thus, delay in execution of work due to lack of proper planning, inept financial and project management, as reflected in procurement of machinery before creating required infrastructure and injudicious award of work to the

¹ M/S EOC, Mumbai – Rs.11.63 crore and subsequently revised to Rs.9.44 crore.
M/S Reliance Pneumatics, Thane – Rs.3.50 crore.
M/S Swamina, Kolkata – Rs.4.20 crore.

highest bidder resulted in excess expenditure of Rs.8.66 crore (Rs.9.44 crore – Rs.0.78 crore) on erection, testing and commissioning.

4.1.4 The matter was reported to Government in May 2002. In reply (September 2002), the Government attributed the delay to shortage of funds and award of work to M/S EOC to apprehension of litigation on the ground of loss of business for over five years. The Government also stated that M/S EOC was preferred to the bidders because of its accountability for the equipments supplied by them.

4.1.5 The reply is not tenable since failure to provide fund clearly points to departmental lack of planning and poor financial and project management.

4.2 Avoidable expenditure due to omission to take insurance cover

Avoidable expenditure of Rs.23.57 lakh on repair of the rotor of the generator due to carriage of the same without insurance cover

4.2.1 Electrical equipment like generator etc., were supplied by M/S Eastern Overseas Corporation, Mumbai to the Executive Engineer, Likimro, Electrical Construction Division, Likimro, Nagaland with insurance cover during shipment and carriage upto Dimapur Store of the department. There was no insurance cover from Dimapur to the instalation site of Likimro, Tuensang. Without any formal order of the competent authority and agreement, a private contractor was entrusted to carry one of the generators on a trailer, from Dimapur to Likimro Hydro-electric Project (LHP). Enroute the trailer met with an accident (26 May 1998) between Kekrima village and Pfutsero town resulting in damage to the rotor of the generator.

4.2.2 The damaged rotor of the generator was repaired at a cost of Rs.23.57 lakh by Reliance Pneumatics Private Limited and Bangalore Electrical Works. As the generator was not covered under insurance for transit from Dimapur to the site, the department had to bear the entire cost of repair. While accepting the observation made by audit, Government in their reply (September 2002), stated that insurance coverage, agreement and observance of other codal formalities were overlooked with a view to complete transportation of the equipment before monsoon for expediting early completion of the project without further cost escalation. It was further stated that the department explored the requirement to insure the equipment but due to shortage of funds insurance at the rate of 0.5 *per cent* of the value of the equipment could not be provided.

4.2.3 Thus, due to non-observance of the formalities and poor fund management the department had to incur an avoidable expenditure to the tune of Rs.23.57 lakh.

4.3 Excess expenditure of on purchase of equipment

The department incurred excess expenditure of Rs.8.48 lakh due to non-procurement of equipment directly from authorised firm

4.3.1 Test check of records (November 2001) of the Executive Engineer, Likimro Electrical Construction Division, Likimro for the period May 1992 to November 2001 revealed that for execution of Likimro Hydro Electric Project, the division procured (July 2001) 3 LAVT-panel from a local supplier² at a cost of Rs.17.53 lakh (paid in October 2001) when the equipment could have been procured at Rs.9.05 lakh from M/S J.M Controls, Kolkata who had supplied the equipment to the local firm. Had the department procured the equipment directly from M/S J.M. Controls, an amount of Rs.8.48 lakh (Rs.17.53 lakh – Rs.9.05 lakh) could have been saved.

4.3.2 The matter was reported to the Government in May 2002. In reply (September 2002) the Government stated that the department had no experience in execution of such size and the local supplier who was the turnkey contractor of the works relating to switchyard was asked to supply the equipment at their quoted rates. The Government also stated that due to fund constraints the equipment could not be procured directly and the local firm was willing to wait for payment.

4.3.3 The reply is not acceptable as the department should have prepared the detailed project report in consultation with experts incorporating requirement of all the machinery and equipment and their cost as per manufacturers price list. Further, before issue of supply order, rates quoted by the local firm should have been verified and negotiated.

WORKS AND HOUSING (R&B) DEPARTMENT

4.4 Refund of security deposits against doubtful claims

Executive Engineer, PWD (R&B), Zunheboto paid Rs.1.34 crore being the refund of security deposits against doubtful claims

4.4.1 According to CPWA code as followed by the department, a record of transactions relating to Public Works Deposit should be maintained in the divisional office in a register showing details work-wise and month by month details of total receipts and refunds and the closing balance of each deposit item. Before making any refund out of such deposits, the original realisation should be traced out and a reference to the repayment should be recorded

² M/S Nezone Power System, Dimapur

against the original entry in the cash book and other accounts, so as to make a double or erroneous claim impossible.

4.4.2 Test check (May 2001) of the records of the Executive Engineer (EE), Public Works (Roads and Bridges) division, Zunheboto revealed that in contravention of the aforesaid provisions, the Chief Engineer had paid Rs.1.34 crore (October 1993 to October 1994) being the refund of security deposits to 628 contractors/suppliers though receipt/recovery of such security deposits were not recorded in the cash book. The Divisional Officer also did not maintain any deposit register to show that deposits, had indeed been made by these contractors/suppliers, nor were there any records to show that they had executed any work or supplied materials to the division in respect of which the security might have been deposited.

4.4.3 Thus, the Divisional Officer drew and disbursed Rs.1.34 crore to contractors/suppliers against doubtful claims.

4.4.4 The matter was reported to the Government in April 2002. In reply (September 2002), Government reiterated the reply furnished by the division in July 2002 that though funds were made available for release of security deposit, scrutiny by the division revealed that a good number of outstanding bills on works were cleared.

4.4.5 The reply is not acceptable as the Government repeated the division's statement without verifying the correctness and could not furnish any document in support of their statement. Further, as per financial rules funds sanctioned for a particular purpose cannot be utilised for other.

4.5 Avoidable expenditure on work charged employees

Deployment of work charged employees in excess of prescribed norms resulted in excess expenditure of Rs.27.08 lakh towards pay and allowances

4.5.1 As per norms labour for maintenance of National Highways (NH) should be restricted to 0.3 labourer per km.

4.5.2 Test check of records (August 2001) of Executive Engineer, PWD (R&B), National Highway Division No.1, Kohima revealed that against the requirement of 34 labourers³ for maintenance/renovation of 113.336 km stretch of National Highway (NH-36 = 6.536 km, NH-39 = 1.8 km and NH-61 = 105 km) the Divisional Officer had engaged 44 work charged employees between October 1998 and March 2001.

4.5.3 Deployment of 10 work charged employees in excess of prescribed norms resulted in excess expenditure of Rs.27.08 lakh towards pay and

³ 113.336 km X .03 labour/km= 34 labour

allowances of the extra labour force during the period from October 1998 to March 2001 which could have been avoided.

4.5.4 The matter was reported to the Government in January 2002. Admitting the fact the Government stated (September 2002) that it was not possible to terminate the existing staff considering the fact that they had put in long years of service and excess strength would be brought down to size.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.6 Failure to respond to Audit objections and non-compliance

12 divisions did not furnish initial replies to 36 Inspection Reports issued between June 1985 and March 2002.

4.6.1 The Accountant General (Audit) conducts periodical inspections of 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 by 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 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 July 2002. 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 compliance to the Accountant General. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the AG(Audit). A half yearly report of pending inspection reports is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of settlement of the audit observations.

4.6.2 Review of Inspection Reports, (issued upto June 2002) pertaining to Public Health Engineering Department disclosed that 780 paragraphs relating to 66 IRs remained outstanding at the end of June 2002. Of these, 34 IRs containing 351 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 - XXV*. Twelve division/offices did not furnish even the initial replies to the 36 IRs issued between June 1985 and March 2002, although the Heads of Offices are required to furnish reply within a period four weeks of their receipt. As a result, the following serious irregularities commented upon in these IRs had not been settled, as of July 2002.

Table No.4.1

<i>Sl. No.</i>	<i>Nature of irregularities</i>	<i>No. of paragraphs</i>	<i>Amount (Rupees in lakh)</i>
1.	Avoidable expenditure/excess payment	43	1277.12
2.	Misappropriation/shortage/loss of Government/money/stores	10	3.16
3.	Irregular/unauthorised purchase/blocking of Government money/stock and unaccounted stores	26	1223.42
4.	Loss due to non-realisation of Government money	4	2.58
5.	Fictitious/doubtful drawal	27	386.65
6.	Miscellaneous/Others	670	4867.10
	Total:-	780	7760.03

4.6.3 A review of the IRs awaiting replies revealed that Heads of Offices and the concerned Head of the Department (Chief Engineer, Public Health Engineering Department) had not discharged their responsibilities as they did not send any reply to a large number of IRs/paragraphs indicating thereby their failure to initiate action in regard to the defects, omissions and irregularities pointed out by Audit. Secretary of the concerned department, who was apprised of the position through half-yearly reports, also failed to ensure that the concerned officers of the department take prompt and timely action.

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

4.6.5 It is recommended that Government re-examine this matter and ensure that procedure exists for (a) action against the officials who fail 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 also to (c) establish an appropriate mechanism in government to monitor Government's response to audit.

4.6.6 The matter was reported to the Government in June 2002; their replies had not been received (February 2003).