

## OVERVIEW

This Report contains 30 audit paragraphs (including three general paragraphs), seven performance reviews, apart from comments on the Finance and Appropriation Accounts. There is a separate chapter on Integrated Audit of Public Health Engineering. According to the existing arrangements, copies of the draft audit paragraphs and draft audit reviews are sent to the Secretary of the Department concerned, with a request to furnish replies within six weeks. However, in respect of five audit reviews and 21 audit paragraphs included in this Report, no response was received by the time of finalisation of the Report (September 2007). A synopsis of the important findings contained in the Report is presented in this overview.

### ***1. Finances of the State Government***

The revenue receipts increased from Rs. 3,024.12 crore in 2005-06 to Rs. 3,333.36 crore (10.23 *per cent*) in 2006-07. Eighty seven *per cent* of the revenue came from the State's share of Central taxes and Grants-in-aid, which increased by 27.55 *per cent* and 5.36 *per cent* respectively over the previous year. Only 13 *per cent* of the revenue receipts came from the State's own resources. State's own tax collection (Rs. 341.55 crore) was much below the TFC projection (Rs. 444.65 crore).

The rate of growth of total expenditure (2 *per cent*) was much lower than the rate of growth of revenue receipts (10 *per cent*), capital expenditure was below 25 *per cent* of the total expenditure. There was overall fiscal surplus (Rs. 131.19 crore) in 2006-07 and the quantum of Central transfers was main contributor in the perceptible decrease in fiscal deficit and turning it to surplus. Debt burden (fiscal liabilities) of the State at the end of 2006-07 was Rs. 4,626.08 crore, up by 4.65 *per cent* from Rs. 4420.57 crore in 2005-06.

There was substantial increase in cash balance. Inability of the Government expenditure to keep pace with the receipts, year after year, resulted in progressive increase in the cash balances with the RBI which almost doubled in the year from Rs.399.16 crore in 2005-06 to Rs.783.01 crore in 2006-07 with the consequent implications for the delivery of programmes and services; the growth rate in education and health sectors, for example, were far below the TFC projections.

The dismal performance of the State public sector undertakings, leading to almost negligible returns on investment, remained an area of concern for the fiscal health of the State.

**(Paragraph 1)**

### ***2. Allocative priorities and Appropriation***

Against the total budget provision of Rs. 4,605.15 crore, the actual expenditure was Rs. 3,444.47 crore. The overall savings of Rs. 1,160.68 crore were the result of savings of Rs. 1,175.53 crore, in 55 grants and appropriations, offset by an excess of Rs. 14.85 crore in three grants and three appropriations.

The excess expenditure of Rs. 14.85 crore required regularisation by the Legislature under Article 205 of the Constitution of India.

In 25 cases, the supplementary provision of Rs. 234.34 crore proved unnecessary.

In 52 cases, the savings were more than Rs. 10 lakh in each case and also over 10 *per cent* of the total provision.

Expenditure of Rs. 39.41 crore was incurred in 11 cases under eight grants / appropriations without budget provision.

In 58 cases, the anticipated savings of Rs. 424.80 crore were not surrendered.

In four cases, against the actual savings of Rs. 10.94 crore, Rs. 16.21 crore was surrendered, resulting in excess surrender of Rs. 5.27 crore.

AC bills were drawn by almost all the departments as a matter of routine without due regard to the Financial Rules. As against drawal of 1328 AC bills only 64 were adjusted upto March 2007.

**(Paragraph 2)**

### **3. Performance Reviews**

#### **3.1 Technology Mission for Integrated Development of Horticulture in Tripura**

The Technology Mission for integrated development of horticulture in Tripura was taken up in 2001-02 and aimed mainly at area expansion, water management, production of planting materials, transfer of technology through farmers training, promotion of organic farming etc. The implementation of the Mini-Mission suffered due to defective planning which was not based on any base-line surveys. Even after five years of the commencement of the Mission, no centralised information was available regarding the beneficiaries and the extent of benefits received by them or the impact of the Mission in terms of production and productivity of horticultural crops.

- The implementation of the Mission was affected by the delays in release of funds, both by GOI and TSFAC, diversion and under-utilisation of available funds.
- The cluster approach recommended by the Mission guidelines was not followed and there were poor physical achievements in respect of fruits, spices, flowers etc., due in part to failure of the centralised procurement arrangement for planting materials.
- Transfer of technology through farmers training was affected by non-establishment of training centres and non-operationalisation of the training centres established.
- Diversion of Rs. 5.12 crore for purchase of pump sets affected other components of the programme.

- Linkages with other mini-missions for post harvest management and fruit processing needed strengthening for optimal benefits from the Mini-Mission to flow.
- Monitoring mechanism was not effective and no evaluation of the impact of the programme had been made.

(Paragraph 3.1)

### **3.2 Educational Development of Scheduled Castes and Scheduled Tribes**

A number of Central and State sector schemes were in operation in the State for the benefit of SC/ST children, with the main objective of improving their enrolment, upgrading their skills, and eliminating gender disparities. Despite the multiplicity of the schemes, the Nodal departments did not have reliable database of their own on the targeted population, which acted as impediment to effective planning and implementation of the schemes. The department needed to have a perspective plan, based on a comprehensive mapping of the SC/ST population and distribution of the SC/ST students so as to optimize the benefits of the available schemes.

- The Nodal departments did not conduct any surveys for collecting comprehensive and reliable data about the target group of beneficiaries.
- Large amounts of unspent funds had remained unutilised with some educational institutions for several years, while in others the funds were not utilised in time.
- Information about the benefits given under the Pre-Matric scholarship for children of parents engaged in unclean occupation was not reliable while there was no information about the students in Post-Matric classes.
- The income certificates given by unauthorised persons were accepted.
- There were delays in the construction of hostels, while those completed were underutilized. There was no perspective plan for hostels, based on the number and distribution of SC/ST students over the State.
- While the data available indicated improvement in enrolment and decline in dropouts, the level of dropouts in case of STs was much higher than for SCs. Similarly, gender disparity persisted in case of SC students, while no information about gender disparity was available in case of tribal students.

(Paragraph 3.2)

### **3.3 Audit of Computerisation of Treasury Operation System in Tripura**

To exercise better expenditure control and monitoring of fund flow, the Government initiated the computerisation of Treasuries in 1998, which was implemented in all treasuries and sub-treasuries in 2003-04 at a cost of Rs. 1.47 crore.

- Lack of supervision and monitoring resulted in delayed implementation of the system and non incorporation of important modules like PLA, Pension, Deposit and Stamp account etc leading to only limited use of TOS.
- Deficiency in designing of database structure resulted in slowing down of the system.
- In the absence of change management control policy, different versions of application software were being run in treasuries and sub-treasuries thereby increasing the risk of non recovery of data in the event of data loss due to disaster like virus attack etc.
- Lack of adequate processing controls resulted in payment of bills other than salary/wages being passed under salary/wages sub-object head without ascertaining the availability of funds in the concerned head of account.
- Discrepancy in the figures of expenditure generated by the system and actual payment made by the treasury were noticed, due to generation of expenditure reports from allocation table instead of actual payment transaction tables.
- In the absence of segregation of duty, the treasury personnel were performing the duties interchangeably and in some cases the data entry operators were virtually discharging the duty of Treasury Officer. This posed a major risk to the system.

**(Paragraph 3.3)**

### **3.4 Minor Irrigation Schemes**

During 2003-04 to 2006-07, the department took up 569 Minor Irrigation schemes for commissioning to cover 14,775 hectares of land. At the end of 2006-07, only 61 *per cent* of the target area was covered. The schemes suffered significantly due to defective planning, poor financial management and inability of the department to enforce strict implementation schedule.

- Though survey and investigation are prerequisites for successful implementation of a scheme, there was no evidence of survey and investigation being conducted in 122 Lift Irrigation and Deep Tube Well schemes out of 132 schemes test checked.
- Though availability of site is a prerequisite for planning and designing of a scheme, the department initiated proposal for acquisition of land 1 to 25 months after issue of work orders. In three diversion schemes, no action was taken by the Land Acquisition Collector to acquire the land even after one to four years of requisition.

- 33 Minor Irrigation schemes were completed at a cost of Rs. 3.90 crore without the minimum irrigation potential of 20 hectares each, in violation of AIBP guidelines.
- Majority of the schemes taken up remained incomplete.
- Against the target of 14,775 hectares, only 9,016 hectares (61 *per cent*) was brought under irrigation during 2003-07, the shortfall each year ranging from 24 to 55 *per cent*.
- A joint inspection of 14 LI schemes showed over-reporting of irrigation potential by 47 *per cent* and of the beneficiaries covered by about 50 *per cent*.
- The completed irrigation schemes were not fully handed over to the user groups and the operation and maintenance cost continued to be borne by the Government. Failure to implement this reform measure would entail forfeiture of central benefits.
- There was no evidence of laboratory testing of the materials used in the works. As a result, there was no assurance that the quality of material used conformed to the specified standards.

(Paragraph 3.4)

### **3.5 Audit of Computerisation of Land Records**

To overcome the problems inherent in the manual system of maintenance and updating of land records, Government of India initiated a scheme for Computerisation of Land Records in 1988-89. It was launched in Tripura on a pilot project basis in the North Tripura District in 1991-92. Thereafter, the project was taken up in other districts in 1993-94 with the help of National Informatics Centre, Agartala. Even after 15 years and after expenditure of Rs.4.87 crore (March 2007), the scheme had not become fully functional and the benefits of computerisation were not fully available to public or the department. A host of factors like defective planning, inadequate monitoring and control, and deficiencies in the software design contributed to the tardy implementations.

- Lack of definite time frame and effective monitoring led to indefinite delay in the implementation of the scheme. The scheme, which commenced in 1991, was not yet complete even in the pilot district.
- Due to lack of validation controls, program error, lack of interrelation among various tables and faulty data type description, the consistency, integrity and reliability of the data had been compromised.
- Due to non-feeding of data in crucial fields, database was incomplete and would be of limited use to the department.
- Mouja-wise total area of land available in manual records did not tally with Khatian-wise total area of land and plot-wise total area of land available in the database.
- Due to non-adoption of any business continuity policy, no back-up was being taken for mutation orders and the offsite storing of monthly database

back-up was not regular. No testing procedure to check the back -up data had been adopted.

- Due to non-utilisation of computers, generators and other peripherals expenditure of Rs. 1.14 crore remained idle.

(Paragraph 3.5)

### **3.6 Integrated Audit of Public Health Engineering**

The Public Works Department (PHE) is responsible for piped water supply system in the State, including water quality monitoring and surveillance. As of March 2007, only 591 (7.27 per cent) of the 8132 habitations in the State had access to adequate and safe drinking water. A review of the functioning of the Department brought out the following main points:

- Budgeting was unrealistic and lacked credibility in view of the persistent and substantial savings.
- The size of the capital budget was contracting, the funds for Centrally Sponsored Schemes were not being spent fully and there was poor control over receipts and expenditure.
- Programme implementation was marred by lack of sound planning, ad hoc implementation, delays in implementation, non enforcement of implementation schedules and deficient monitoring.
- The Department's preparedness to tackle the issues of quality control was seriously impaired by the lack of infrastructure, adequate planning, sub-optimal utilisation of the existing facilities and deficient monitoring.
- Physical verification of the stores was not conducted regularly and there were instances of surplus material lying unutilized blocking capital.
- Several weaknesses in the internal control system increased the vulnerability of the department to fraud and corruption.
- The monitoring was weak and deficient, which affected the programme implementation adversely.

(Paragraph 5.1)

### **3.7 Performance Review of power projects in Tripura**

Tripura has installed generation capacity of 142.5 MW and effective available capacity of 105 MW against the peak demand of 160 MW. In January 2005, the Power Department transferred these functions to a newly created corporate entity "Tripura State Electricity Corporation Limited (TSECL)", which is now responsible for generation as well as distribution of power in the State. The existing generating units were ageing and performing below the desired level. There were constraints on the inputs needed for power generation and inefficiencies in the generation process and utilisation of resources.

- The available capacity (105 MW) of power generation was inadequate to meet the peak demand for power which was expected to grow to 396 MW by 2011-12.

- There were major generation constraints due to inadequate availability of gas and water required for thermal and hydropower generations respectively, small sizes of the plants, and major shutdowns.
- Despite the huge gap in supply and peak demand, the annual target fixed for generation correspond to a Plant Load Factor of 56 to 64 *per cent* against the national average of about 74 *per cent*.
- The Plant Load Factor at Rokhia was much below the national average and the plant capacity utilisation was sub-optimal.
- More reduction in the cost of generation was possible by increasing the generation.
- There were inefficiencies in the process of fuel management, with lack of adequate supply in Rokhia, excess supply in Baramura and wastage of precious gas at huge cost due to flaring.
- The heat rate in the plants was much above the designed heat rate, implying wastage of gas and the attendant monetary loss. The reasons needed to be investigated for corrective action.
- There were abnormal delays in routine inspections and maintenance leading to high wear and tear and system breakdown. The resultant outages led to loss of substantial generation capacity.

(Paragraph 7.2)

### **3.8 Performance Review of Accelerated Power Development Reforms Programme (APDRP)**

The APDRP was launched in the State in 2001 with the objectives of reducing the AT&C losses, increasing consumer satisfaction, reducing cash losses and reducing outages and interruptions. More than six years after its launch, the impact of APDRP on reduction of AT&C loss was negligible, if any, which was the result of a host of factors including inertia in initiating the required reforms measures, defective planning, inefficient contracting and tardy implementation of the projects without subjecting them to a rigorous implementation schedule. While the power generation sector continued to grapple with the issues like systemic inefficiencies, fuel constraints, plant obsolescence and capacity constraints, the transmission and distribution losses were unabated, putting severe burden on the State's generation, transmission and distribution sector.

- There was delay in release of Central funds due to failure of the State Government to sign the Memoranda of Agreements as also to initiate the stipulated reform measures.
- There was wide variation in estimates made in DPR and procurement actually made.
- The delay in project implementation were mainly due to delays in signing the MoAs, not following the turn-key contract concept and inefficient contracting system, apart from failure to enforce a strict implementation schedule.

- None of the major components *viz.*, improvement of sub-transmission and distribution systems and 100 *per cent* metering had been implemented in any of the projects.
- The system for energy accounting and auditing was not implemented and the current estimates of AT&C losses were unreliable. Notwithstanding, the losses showed an increasing trend and were nowhere near the APDRP target of 15 *per cent*.
- The distribution losses ranged between 19 to 40 *per cent* during 2005-06 and 2006-07.
- The shortfall in consumer metering was further compounded by purchase of sub-standard meters.
- Very little was done to benefit from information technology developments and other technological options available to reduce the technical and commercial losses.

**(Paragraph 7.3)**

#### **4. Audit of transactions**

##### **(a) Civil**

- The Department failed to implement the Central schemes for strengthening of poultry farm at Panisagar and establishment of quail and broiler duck breeding farms at Gandhigram and Devipur respectively resulting in the expenditure of Rs. 1.58 crore incurred on the incomplete projects remaining unfruitful for several years.

**(Paragraph 4.1)**

- There was significant shortfall in compensatory afforestation, and there was no verifiable evidence of the actual area covered as well as survival rate of plants. Demands for Rs. 20.04 crore due from user agency for compensatory afforestation had not been raised and there was loss of Rs. 1.33 crore to the CAMPA due to keeping the funds in non-interest bearing Government account.

**(Paragraph 4.4)**

- The contracts for food park and multi-fruit processing unit were awarded to a promoter without ensuring transparency and without verifying his technical and financial soundness. Both the projects had remained unimplemented for over 5 years, despite availability of funds from GOI. This led to unfruitful expenditure of Rs. 4.10 crore on the food park while the failure to start the fruit processing unit resulted in an estimated annual loss of 40 MT of pineapples due to lack of processing facility.

**(Paragraph 4.6)**

- Rs. 85.76 lakh was drawn by two BDOs through Fully Vouched Contingent Bills in anticipation of meeting future liabilities, in contravention of financial rules, causing loss to Government and having serious implications for legislative accountability and risk of malpractice.

**(Paragraph 4.15)**



- Agartala Municipal Council lost the opportunity to generate employment for poor due to tardy implementation of SJSRY scheme. Out of Rs. 7.55 crore received during 1998-07, Rs. 4.58 crore (61 *per cent*) remained unspent as of 15 March 2007.

**(Paragraph 4.16)**

## **(b) Revenue**

- Underassessment of turnover and computation mistake resulted in short realisation of sales tax of Rs. 6.14 lakh.

**(Paragraph 6.15)**

- Rupees 14.47 crore due from different organisations was not realised due to failure to raise timely demands, lack of follow up action and due to incomplete and incorrect demands for the police services provided.

**(Paragraph 6.16)**

- Violation of financial rules and administrative inaction led to non realisation of Rs. 10.28 lakh of composite fee.

**(Paragraph 6.17)**

- Lack of control for collection of composite fee from the national permit holders resulted in short realisation of atleast Rs. 7.76 lakh.

**(Paragraph 6.18)**

## **(c) Commercial**

- Poor selection of loanees coupled with weak and deficient recovery process led to wastage of large public funds without any addition to the industrial development of the State. The Tripura Industrial Development Corporation Limited (TIDCL) had no written policy for monitoring the recovery of dues, and for enforcement of accountability. The supervision by the senior management and the BoD oversight needed strengthening.

**(Paragraph 7.4)**

- The TIDCL failed to establish an effective system for timely realisation of outstanding dues from Industrial Units at the Growth Centre, Bodhjungnagar leading to non-realisation of Rs. 27.29 lakh and loss of interest of Rs. 5.58 lakh as of March 2007.

**(Paragraph 7.5)**

- The Tripura State Electricity Corporation Limited (TSECL) incurred a loss of Rs. 11.76 crore paid as transmission charge to GAIL without any supply of gas.

**(Paragraph 7.6)**

- Despite construction of a diversion road in 2003, the TSECL did not take timely action for closing the road passing through the Rokhia Project which resulted in unfruitful expenditure of Rs. 26.41 lakh on the diversion road and also in loss of Rs. 12.15 lakh on account of damages to the diversion road due to its non utilisation.

**(Paragraph 7.7)**