

CHAPTER II: ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2012 deals with the findings on audit of the State Government units under Economic Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under Economic Sector during the year 2011-12 are given in the table below:

Table 2.1

(₹ in crore)

Name of the Departments	Total Budget Allocation	Expenditure
Agriculture Department	317.75	129.66
Animal Resource Development Department	51.44	46.27
Co-operation Department	19.35	16.60
Fisheries Department	24.16	21.63
Forest Department	63.18	55.42
Horticulture Department	28.82	24.96
Industries and Commerce (Handloom, Handicrafts and Sericulture) Department	28.13	23.37
Industries and Commerce Department	38.73	34.61
Information, Cultural Affairs and Tourism Department	33.69	31.19
Information Technology Department	8.64	12.56
Power Department	82.88	74.95
Public Works (Roads and Buildings) Department	511.63	430.28
Public Works (Water Resource) Department	198.52	98.55
Science Technology and Environment Department	3.88	3.56
Total number of Departments = 14	1,410.80	1,003.61

Source: Appropriation Accounts – 2011-12.

Besides the above, the Central Government had transferred a sizeable amount of funds directly to the Implementing agencies under the Economic Sector to different agencies in the State during the year 2011-12. The major transfer (₹ 5 crore and above) for implementation of flagship programmes of the Central Government are detailed below:

Table 2.2

(₹ in crore)

Name of the Department	Name of the Scheme/ Programme	Implementing Agency	Amount of funds transferred during the year
Agriculture	Integrated Water Shed Mangement Programme (IWMP)	State Level Nodal Agency Department of Agriculture, Tripura	18.17
Total:			18.17

Source: 'Central Plan Scheme Monitoring System' portal in Controller General of Accounts' website

2.2 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/ complexity of activities, level of delegated financial powers, assessment of overall internal controls, etc.

The audits were conducted during 2011-12 involving test-check of an expenditure of ₹ 1,729.74 crore (including expenditure pertaining to the previous years audited during the year) of the State Government under Economic Sector. This Sector contains four Transaction Audit Paragraphs.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for being laid in the State Legislature.

The major observations detected in audit during the year 2011-12 are as detailed in the succeeding paragraphs:

PUBLIC WORKS DEPARTMENT (ROADS AND BUILDINGS)

2.3 Unfruitful expenditure

Failure of the Department to take prudent, timely and effective action against the contractor for inordinate delay in execution of the construction works of the residential quarters for the 6th Battalion TSR through closure/rescission of the agreements for getting the works completed resulted in unfruitful expenditure of ₹ 79.17 lakh as it could not yield any benefit despite lapse of over nine years from the scheduled date (s) of completion.

Administrative Approval and Expenditure Sanction for ₹ 2.81 crore were accorded (September 2001) by the Government for construction of residential accommodation¹ for the staff of 6th Battalion TSR Headquarters at Ramchandraghat, Khowai. However, construction of 64 quarters (Type-III: 4 and Type-II: 60) (including water supply and sanitation) was taken up during 2003-04 in phases by the Teliamura Division of PWD (R&B). Subsequently, the works were transferred to the Khowai Division of PWD (R&B) following departmental reorganisation (November 2006). Out of 64 quarters taken up for construction, 32 quarters (Type-II) had been completed and handed over (May 2010) to the TSR authority but the construction works for the remaining 32 quarters (Type-III: 4 and Type-II: 28) were not completed despite time lapse of over nine years (September 2012).

Scrutiny (April-May 2012) of records of the Executive Engineer (EE), Khowai Division revealed that for construction of the said 32 quarters, eight work orders (four under each) had been issued (seven on 27 August 2002 and one on 10 January 2003) to Contractor 'A', at his total tendered value of ₹ 1.19 crore² against total estimated cost of ₹ 1.03 crore³, allowing completion time of five and half months. Accordingly, eight different agreements were signed. Thus, 28 quarters were scheduled to be completed by 18 February 2003 and the rest four by 30 June 2003.

The specific reasons for delays were not made available to Audit by the Department, despite repeated persuasance except attributing (September 2012) the same merely to "various reasons".

There was no provision in the agreements to impose penalty for the failure of contractor to complete the works in time. The contractor was allowed provisional time extension upto January 2010 to keep the contract alive. No action was taken to close/rescind the agreements reportedly "to avoid the possibility of the contractor's going for arbitration".

¹ Type -I: 6, Type -II: 63 and Type -III: 3

² @ ₹ 14.44 lakh for 5 works under Agreement No. 50 to 54; @ ₹ 14.57 lakh under Agreement No. 55 and 56 and @ ₹ 17.55 lakh under Agreement No. 57

³ Estimated cost: ₹ 1.03 crore (@ ₹ 12.58 lakh for 7 works and @ ₹ 15.29 lakh for 1 work)

However, statutory notices were issued (March 2010) to the contractor rescinding the agreements and asking the contractor for conducting joint measurement on 25 April 2010, of the works executed. As per the latest measurement records, no works were executed by the contractor after 2008 when the last payment of ₹ 79.17 lakh in respect of all the eight works was made, against total value of work done for ₹ 1.01 crore.

The contractor, however, moved (November 2011) for arbitration in respect of five agreements, stating that the works were at finishing stage or at completed stage. According to the Contractor's submission before the Arbitrator, the delay in constructing the quarters was due to non-handing over of clear/complete work site at a time for simultaneous execution of the work as also delayed/irregular payment throughout the period of execution. Thus, the plea for not rescinding the works earlier proved imprudent in as much as it could not prevent the contractor from resorting to arbitration, and in the absence of these 32 quarters the families of the TSR personnel were facing shortage of accommodation, a good number of whom were staying outside the Battalion Headquarters.

Thus, failure of the Department to take prudent, timely and effective action against the contractor for inordinate delay in execution of the works of the residential quarters for the 6th Battalion TSR through closure/rescission of the agreements paving any alternative way out for getting the works completed, resulted in unfruitful expenditure of ₹ 79.17 lakh as it could not yield any benefit despite lapse of over nine years from the scheduled date (s) of completion.

The matter was reported to the Government in October 2012; reply had not been received (February 2013).

2.4 Undue financial benefit leading to loss of interest

In violation of the provisions of the manual seven package works were awarded to four private agencies by the Public Works Department (Roads and Buildings) allowing interest free mobilisation advances, which was beyond the scope of the MOUs signed, resulting in loss of interest to the tune of ₹ 2.46 crore. Besides, the works initiated earlier and due for completion were either lagging behind or were not completed in time defeating the very purpose of granting such advances.

According to the CPWD Works Manual, 2007 provision of mobilisation advance might be kept in the tender documents in respect of certain specialised and capital intensive works with estimated cost of ₹ 2 crore and above, against a Bank Guarantee of a Scheduled Bank for the full amount of advance. Such mobilisation advance was to be released to the contractor in not less than two installments on specific request as per the terms of the contract at 10 *per cent* simple interest and would be limited to 10 *per cent* of

tendered amount. The interest on the advance shall be calculated from the date of payment to the date of recovery.

Scrutiny of records of the Executive Engineers of four⁴ Divisions of PWD (R&B) revealed that with the approval (June 2008) of the Council of Ministers, the Public Works Department invited (between July 2008 and September 2008) Expression of Interest (EOI) from the reputed Private Sector Construction Agencies with a view to short-listing on the basis, *inter alia*, of evaluation of their technical and financial capabilities, and then asking the short-listed agencies for offering financial bids for a few specific packages of works in the State and awarding the works/packages to the lowest bidder on cost plus percentage basis.

On due completion of the above stages, four agencies (lowest bidders) were awarded (between December 2008 and December 2010) seven different packages of works on cost plus percentage basis with the approval (November 2008) of Works Advisory Board (WAB). Such works comprised of improvement of the existing roads at different locations, reconstruction of the existing culverts and also new construction of RCC culverts and bridges etc. during 2008-11 as detailed at **Appendix 2.1**. Time allowed for completion of each was two years, *i.e.* between January 2011 and January 2013. All the seven packages were in progress, of which completion of four⁵ were overdue between January 2011 and February 2012. The financial progress made till March 2012 in respect of the seven packages was as shown in **Appendix 2.2** which shows that three packages⁶ whose completion time was approaching had very slow progress.

It was seen in audit that a provision was made in the MOUs signed in respect of the works for payment of mobilisation advance equivalent to 5 *per cent* of the contract value in two equal installments, against an unconditional Bank Guarantee of any Scheduled Bank, which conformed only partially to the provision of the CPWD Works Manual. Neither any rate of interest chargeable was mentioned in the MOUs nor was there any indication that interest free mobilisation advance was to be paid. It was seen that the Superintending Engineer (SE), Planning Circle communicated (24th December 2009) the decision of the Department to the Divisions concerned to treat such advance as interest free. There could, however, be no reasonable ground for allowing interest free mobilisation advances in as much as all the agencies were assessed by the WAB as having adequate technical and financial capabilities. However, based on the decision of the Department, the four agencies were allowed interest free mobilisation advances of ₹ 19.49 crore against seven works awarded to them by four executing Divisions (**Appendix 2.2**).

⁴ Belonia (during February- March 2010 and December 2011- January 2012), Amarpur (during July 2010 and January – February 2012), Sonamura (during January 2012) and Santirbazar (during January 2012)

⁵ Sl. No. 1 to 4 of **Appendix 2.1**

⁶ Sl. No. 5 to 7 of **Appendix 2.1**

Thus, there was violation of the manualised provisions on the part of the Department in allowing interest free mobilisation advance to the agencies, which was also beyond the scope of the respective MOUs signed for the seven package works awarded to them. This led to a loss of interest to the Government to the tune of ₹ 2.46 crore (**Appendix 2.2**), which could have been realised by the four executing Divisions had such undue benefit not been extended to the agencies at the cost of public exchequer. Further, even though mobilisation advances were granted, none of the works was completed in time and were lagging behind the time schedule, defeating the very purpose of granting mobilisation advance.

The matter was reported to the Government in August 2012 and again in October 2012; reply had not been received (February 2013).

PUBLIC WORKS DEPARTMENT (WATER RESOURCE)

2.5 Faulty planning leading to idle investment

Faulty planning in taking up execution of work without proper survey and ensuring availability of clear site by the Public Works Department (Water Resource) led to inevitable necessity for re-alignment of the canal track, which coupled with continued problem of land acquisition thereafter, resulted in delay in commencement of the work and the work remained incomplete for more than five years from the stipulated date of completion. Further, funds of ₹ 61.02 lakh invested on the incomplete work could not yield any benefit for the targeted groups of people.

The work ‘Muhuri Irrigation Project at Kalashi (Diversion Scheme)/Construction of left bank main canal in between Ch. 6060 metres to Ch. 8555 metres excluding road bridges, cross drainage, road crossing and escape etc.’ was awarded (17 March 2006) by the Executive Engineer (EE), Water Resource Division No.IV, Belonia to a contractor at a tendered value of ₹ 91.21 lakh (35 *per cent* above the estimated cost of ₹ 67.56 lakh) with the approval (February 2006) of the Works Advisory Board (WAB), stipulating completion time of 12 months to be reckoned from 15 days after the date of issue of work order. An agreement was also signed fixing the completion date as 31 March 2007.

According to the CPWD Code⁷ and Manual⁸, the availability of a clear site was to be ensured before taking up the execution of any work.

⁷ Para 86 A(ii)

⁸ Para 5.1 and 15.2.1

Scrutiny (January-February 2012) of records of the EE revealed that tender had been invited for the aforesaid work without proper survey of the proposed site and it was only after the issue of the work order when the authority noticed (22 April 2006) that the canal alignment determined would pass through the sides of different ponds as well as the dead course of Pillakcherra (a rivulet) and also that the topographical position of the canal would exert hectic pressure during monsoon time, which might cause damage to the locality. Local people and different level of public dignitaries also expressed their opinion in this regard strongly. To overcome this problem and also considering the future aspect of the canal, the alignment was changed with the consent of the competent authority (19 May 2006). As a result, significant deviation from the approved items as well as fresh land acquisition for the re-aligned canal stood anew as inevitable necessity.

After finalising the re-alignment of the canal track, again there were delays in acquisition of land and it became possible to commence the work only on 7 March 2007 *i.e.* after more than 11 months from the issue of work order.

On the available site, total value of work done by the contractor, as per the last measurement taken between April 2009 and May 2009, was ₹ 61.02 lakh (including deviation for ₹ 35.19 lakh and extra item for ₹ 9.78 lakh) which was fully paid (March 2010) to the contractor through the 6th RA bill. There was no further execution of work due to non-availability of clear site.

Thus, faulty planning in taking up execution of work without proper survey and ensuring availability of clear site led to inevitable necessity for re-alignment of the canal track, which coupled with continued problem of land acquisition thereafter, resulted in delay in commencement of the work and the work remained incomplete for more than five years from the stipulated date of completion. Further, funds of ₹ 61.02 lakh invested on the incomplete work could not yield any benefit for the targeted groups of people.

The EE stated (June and July 2012) that land dispute still persisted and the contractor had represented (5 June 2012) for closure of the work due to efflux of time as also his serious illness. Further development was awaited (February 2013).

The matter was reported to the Government in July 2012 and again in September 2012; reply had not been received (February 2013).

**PUBLIC WORKS DEPARTMENT
(WATER RESOURCE, DRINKING WATER AND SANITATION)**

2.6 Blocking up of public funds on idle stores

Failure of the Public Works Department (Water Resource, Drinking Water and Sanitation) in assessing the actual requirement of store items and procurement thereof without keeping a special watch over slow moving items in contravention of the manualised provision and lack of co-ordination between the wings of the Department, resulted in accumulation of unutilised stock valued at ₹ 11.25 crore for the last 23 to 62 months, blocking up of public funds to that extent on idle stores, and also having the risk of deterioration due to prolonged storage.

As per manualised provision⁹ materials are to be purchased strictly in accordance with the requirements of the work and utilised to the best advantage of the Government. The purchase or indenting in excess of requirements should be avoided. The Divisional Officer concerned was also required to keep a special watch over slow moving items so as to avoid their accumulation in the stores.

Scrutiny (November 2010 and December 2011) of records of the Divisional Officer, Resource Division (PWD, Water Resource), Panchamukh, Agartala revealed that DI pipes (K-9 and K-7) of different diameters were procured by the Division in large quantities during 2007-11 mainly for urban water supply schemes but corresponding issues were much lesser resulting in accumulation of huge stock for a long period as detailed below:

- (i) 5,905.50 metres (m)¹⁰ DI pipes (K-9) of dia 400 mm, 450 mm and 500 mm were procured between May 2007 and August 2009, on the basis of requisition from the Chief Engineer, PWD (DWS) for the two years (2007-08 and 2008-09) for 12,540 m (400 mm: 5,500 m, 450 mm: 6,600 m and 500 mm: 440 m). The total stock of DI pipes (K-9) including opening balance of 529.00 m¹¹ (since March 2008), which stood at 6,434.50 m as of August 2009 had been lying in the Divisional Storeyards at Panchamukh, Agartala and Batarasi, Dharmanagar for the last 36 to 62 months without issue. The value of the stores so accumulated worked out to ₹ 3.51crore¹² at the then issue rate.
- (ii) 16,470 m DI pipes (K-7) of dia 300 mm, 400 mm and 450 mm were procured between February 2010 and August 2010 against requisition from the Chief

⁹ Para 37.9 and 38.9 of CPWD Manual Vol.II

¹⁰ 400 mm dia: 1,666.50 m in March 2008, 450 mm dia: 3,228.50 m in between April and August 2009, 500 mm dia: 1,010.50 m in between May 2007 and September 2008

¹¹ 400 mm dia as on March 2008: 475.50 m and 450 mm dia as on December 2008: 53.50 m

¹² 400 mm dia: 2,142 m x ₹ 3,571.82 = ₹ 76,50,838 (A); 450 mm dia: (742.50 m x ₹ 6693.49 + 2540 m x ₹ 6,795) = ₹ 2,22,29,216 (B); 500 mm dia: 1,010.50 m x ₹ 5,125.91 = ₹ 5,179,732 (C)

Total value: (A) + (B) + (C) = ₹ 3,50,59,786/-

Engineer, PWD (DWS) for two years (2007-08 and 2009-10) for 22,677 m (300 mm: 13,977 m, 400 mm: 8,400 m, and 450 mm: 300 m). The total stock of DI pipes (K-7) including previous balance of 2,057.50 m and issue (693 m) stood at 17,834.50 m (August 2010), out of which 67.50 m (300 mm) only was issued in February and June 2011. Thus, 17,767 m¹³ of DI pipes (K-7) valued ₹ 6.52 crore¹⁴ had been lying in the Divisional Storeyard at Panchamukh for last 23 to 29 months (till June 2012), with nominal issue 16 months back.

The Chief Engineer, PWD (DWS) during discussion (July 2012) stated that the Accelerated Urban Water Supply Scheme (AUWS) under which the pipes were requisitioned had been closed since 2008-09, where after no funds were available and therefore the pipes could not be lifted; and the pipes being usable only for urban schemes, could not be used in the ongoing works in rural areas. He further stated (August 2012) that (i) the Urban Development Department had been requested (August 2012) to examine the feasibility of utilising the pipes (400 mm dia and 450 mm dia) for their ADB Project in Municipal and Nagar Panchayat areas, (ii) a considerable quantity of 300 mm dia pipe and a small quantity of 350 mm dia pipe would be utilised in rising main line works by the DWS Divisions of Kumarghat and Kamalpur, and (iii) substantial quantities of the pipes would be utilised in urban areas during the financial year.

Cross-check of records revealed that supply orders for 16,500 m DI pipes (K-7) of dia 300 mm, 400 mm and 450 mm were issued by Resource Division in November 2009 *i.e.* even after discontinuation of AUWS Scheme, which indicated lack of co-ordination between the Water Resource and DWS wings of the Department. Had there been proper coordination between the wings, placement of supply orders for 16,500 m DI pipes (K-7) could have been held up. Thus, the DI pipes procured (K-9 and K-7) much in excess of actual requirement had been lying for the last 23 to 62 months without issue, blocking up public funds.

Further, while there was an opening stock of 2,583 m sheet piles as of November 2008, the Division procured (December 2008) further 3,064 m from SAIL, against requisition for 182.39 MT (3,194 m) from two WR Divisions¹⁵. The reasons for not taking due cognizance of the opening balance were not spelt out to Audit despite persuasion. Out of the total stock of 5,647 m sheet piles, the Division issued only 2,844 m¹⁶ during January 2009 to April 2011, the short-lifting being attributed to holding up of projects for unavoidable circumstances like site dispute, poor bearing capacity of foundation soil etc. Thus, total 2,803 m (160 MT) sheet piles had been lying in the Divisional Storeyard,

¹³ 300 mm dia: 8,948 m; 400 mm dia: 8,425.50 m and 450 mm dia: 393.50 m

¹⁴ 300 mm dia: 8,948 m x ₹ 2,914.37 = ₹ 2,60,77,783 (A); 400 mm dia: 8,425.50 m x ₹ 4,397 = ₹ 3,70,46,924 (B); 450 mm dia: 393.50 m x ₹ 5,180.69 = ₹ 20,38,602 (C)
Total value: (A)+(B)+(C) = ₹ 6,51,63,309

¹⁵ Division I, Agartala: 57.39 MT and Division IV, Belonia: 125 MT

¹⁶ 2,648 m upto May 2009; 97.75 m in January 2011 and 98 m in April 2011

Panchamukh, Agartala for more than three years with no issue over last one year (till June 2012). The value of the accumulated sheet piles worked out to ₹ 1.22 crore¹⁷ as per purchase rate from SAIL. Test check of records in an executing Division¹⁸ also revealed (March 2012) that sheet piles worth ₹ 32.96 lakh issued to it during March-May 2009 had remained unutilised till date of audit (December 2011).

Thus, failure of the Department in assessing the actual requirement of store items and taking into account the stock already in hand while making procurement thereof without keeping a special watch over slow moving items in contravention of the manualised provision and lack of co-ordination between the Water Resource and DWS wings of the Department resulted in accumulation of unutilised stock valued at ₹ 11.25 crore for the last 23 to 62 months, blocking up public funds on idle stores, fraught with the risk of deterioration due to prolonged storage.

The matter was reported to the Government in October 2012; reply had not been received (February 2013).

¹⁷ Total rate per MT (i.e.17.51 m): {₹ 66,879 + CST (4%): ₹ 2,675 + Transportation Charges: ₹ 6,589}= ₹ 76,143;

Total value: ₹ 76,143 per MT X 160 MT= ₹ 1,21,82,880

¹⁸ Water Resource Division No.1, Agartala