

# **CHAPTER-II**

## **ECONOMIC SECTOR**

## CHAPTER II : ECONOMIC SECTOR

### 2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2015 deals with the findings on audit of the State Government units under Economic Sector.

The names of the major State Government departments and the net budget provision and expenditure of the State Government under Economic Sector during the year 2014-15 are given in the table below:

**Table 2.1.1**

(₹ in crore)

| Sl. No. | Name of Department              | Budget provisions (Original and Supplementary) | Expenditure    |
|---------|---------------------------------|--|----------------|
| 1.      | Public Works                    | 741.01   | 625.72         |
| 2.      | Agriculture                     | 780.10   | 366.99         |
| 3.      | Planning                        | 402.99   | 97.81          |
| 4.      | Community & Rural Development   | 629.36   | 506.05         |
| 5.      | Power                           | 304.43   | 206.19         |
| 6.      | Forest                          | 224.24   | 146.66         |
| 7.      | Industries                      | 226.24   | 147.97         |
| 8.      | Mining & Geology                | 118.05   | 115.23         |
| 9.      | Fisheries                       | 34.29  | 18.20          |
| 10.     | Co-operation                    | 100.47   | 84.85          |
| 11.     | Soil Conservation               | 334.81   | 103.38         |
| 12.     | Animal Husbandry and Veterinary | 114.36   | 85.46          |
| 13.     | Tourism                         | 30.37  | 17.09          |
|         | <b>Total</b>                    | <b>4040.72</b>                                 | <b>2521.60</b> |

*Source: Budget Estimates, Appropriation Acts and Appropriation Accounts*

Audit process starts with the assessment of risks faced by various departments of the Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns. The audits were conducted during 2014-15 involving expenditure of ₹ 2096.07 crore (including expenditure pertaining to previous years audited during the year) of the State Government under Economic Sector. The chapter contains three Compliance 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 State under Article 151 of the Constitution of India.

The major observations under Economic Sector detected in audit during the year 2014-15 are discussed in the succeeding paragraphs.

## COMPLIANCE AUDIT PARAGRAPHS

### PUBLIC WORKS DEPARTMENT

#### 2.2 Wasteful expenditure

**Due to faulty selection of road for implementing the new technology and execution of road work using RBI Grade 81 without ensuring availability of proper equipment resulted in incurring wasteful expenditure of ₹ 51.44 lakh.**

In order to provide road communication to the mineral rich villages lying along the Mynska – Myntriang road, the Executive Engineer (EE), Public Works Department (PWD), (Roads), North Jowai Division prepared (2010) an estimate of ₹ 6.03 crore<sup>1</sup>, for improving and blacktopping the 10 km long Mynska – Myntriang road starting from 12 km of Shangpung Sutnga Road. For paving the road, the Department decided to use ‘RBI Grade-81’ which was a new pavement material and soil stabilizer technology. For success of this technology, factors such as optimum moisture content of the soil, proper compaction using a vibratory compactor, and curing time of minimum five hours were critical.

Administrative approval of ₹ 6.03 crore for the work was sanctioned (March 2011) by the Government and technical sanction accorded (July 2011) by the Chief Engineer (CE), N.H. PWD (Roads), Meghalaya, Shillong. The work order for a tendered value of ₹ 5.26 crore was awarded (July 2011) by the CE, NH PWD (Roads), Meghalaya to a contractor, with the stipulation to complete the work within 18 months<sup>2</sup> from the date of issue of the work order.

Scrutiny (March-April 2014) of records of the EE, PWD (Roads), North Jowai Division, revealed that the work of construction of pavement using RBI Grade 81 started from the 2<sup>nd</sup> km of Mynska – Myntriang road in February 2012. The work upto one km length using RBI Grade 81 was completed by April 2012 at a total cost of ₹ 51.44 lakh and the amount accordingly paid (December 2013) to the contractor. The laying of pavement was also carried out under the technical supervision of the representatives of the manufacturer<sup>3</sup> of RBI Grade 81. An inspection carried out by the Division during November 2012 found that the work had failed as depression/deformations had developed in some stretches and cracks had developed throughout the length of the road. The reasons for the failure were attributed to weak subgrade<sup>4</sup> and inability to close the road for traffic to allow a minimum curing time of five hours as it was a single lane road. The EE, PWD (Roads), Jowai North Division then proposed re-construction of the entire 10 km of road using conventional water bound macadam (WBM) method, and submitted (July 2013) a modified estimate of ₹ 6.03 crore to the Chief Engineer for approval. The modified estimate was also

<sup>1</sup> Estimate was drawn on the basis of Schedule of Rates of 2007-08 for National Highways Works

<sup>2</sup> December 2012

<sup>3</sup> Alchemist Toughnology Ltd.

<sup>4</sup> Material underneath a constructed road/pavement

drawn up for the same amount of ₹ 6.03 crore as in the approved original estimate and the expenditure of ₹ 51.44 lakh incurred on constructing the one km stretch of road using RBI Grade 81 was adjusted within it. A revised technical sanction was accorded (December 2013) and the work was executed using the conventional WBM method. Upto June 2015, an amount of ₹ 6.03 crore had been spent and only 90 per cent of the work had been completed.

Further examination revealed that during construction, the manufacturer had apprised the Division about the shortcomings in the execution process such as non-availability of vibratory compactor, the wearing course<sup>5</sup> not laid or not laid properly and heavy movement of traffic on the road. No remedial action was taken by the Division to address the issues raised by the manufacturer. No record was also available to justify why this particular road was selected for using the new technology when it was known that the road was a single lane and had no scope for diversion of traffic. Thus, due to faulty selection of road for implementing the new technology and poor execution of the work resulted in wasteful expenditure of ₹ 51.44 lakh.

The matter was reported (August 2015) to the Government; reply was awaited (December 2015).

### 2.3 Unfruitful expenditure

**Injudicious decision to substantially increase the height of the bridge than that provided in the DPR resulted in the project remaining incomplete even after expenditure of ₹ 18.08 crore and pending liabilities of ₹ 0.48 crore. The Department needs to incur additional expenditure of at least another ₹ 4.68 crore to complete the project. Besides, the project objectives to provide efficient transportation for the Leskha Hydro Power Project remained unachieved.**

Based on a detailed project report (DPR) prepared by the Meghalaya Public Works Department (PWD) for 'Improvement, widening, strengthening including reconstruction of bridges, culverts of Rymbai-Iapmala-Suchen Road (1<sup>st</sup> – 17<sup>th</sup> Km) by engaging a New Delhi based firm<sup>6</sup>, the Ministry of Development of North Eastern Region (DONER), Government of India (GoI), approved a project (February 2005) at an estimated cost of ₹ 18.77 crore under the Non-Lapsable Central Pool of Resources (NLCPR). The objective of the project was to boost industrial development by providing efficient transportation to agricultural and minerals rich villages lying along the Rymbai - Suchen road and also to enable transportation of heavy machineries for the Leskha Hydro Power Project<sup>7</sup>.

Government of Meghalaya (GoM) accorded (May 2006) administrative approval for the project and technical sanction was accorded (August 2006) by the Chief Engineer (CE), NH PWD (Roads), Meghalaya. The main scope of the work included

<sup>5</sup> The top layer of a road surface which is worn down by traffic

<sup>6</sup> Distinct Planning and Design Consult (P), Ltd., New Delhi.

<sup>7</sup> Project of Meghalaya Energy Corporation Limited.

upgrading the existing road to double lane blacktopped road with provision for major reinforced cement concrete Arch Type Bridge (RCC bridge) over Kalipai river.

Detailed Notice Inviting Tender (NIT) for Improvement, widening, strengthening of the Rymbai-Iapmala-Suchen Road (Road works) was called (January 2006) by the CE, PWD (Roads), Meghalaya in two groups (group I & group II) at a tender value of ₹ 7.07 crore for group I and ₹ 6.98 crore for group II. Another detailed NIT for construction of the RCC bridge over Kalipai river was called (March 2006) at a tender value of ₹ 2.57 crore. The work orders for groups I and II of the road works and constructing the RCC bridge over Kalipai river were issued (March, June and August 2006 respectively) to three contractors<sup>8</sup> at par with a stipulation to complete the work within two years.

The groups I and II of the road works commenced in June 2006 and were completed during April 2008. The construction of the RCC bridge commenced in August 2006 and was completed during October 2010. The scope of group I of the road work increased during execution due to site condition and accordingly the CE, NH PWD (Roads) enhanced (March 2010) the tender value of the work from ₹ 7.07 crore to ₹ 7.93 crore. Similarly, the tender value for construction of RCC bridge was also enhanced (March 2011) from ₹ 2.57 crore to ₹ 3.28 crore. Upto March 2015, the Executive Engineer (EE), PWD (Roads), NEC Division, Jowai, paid ₹ 18.08 crore to the three contractors with pending liabilities of ₹ 0.48 crore.

Examination of records (March 2015) of the EE, PWD (Roads), NEC Division, Jowai, however, revealed that despite the work being reported as completed, the desired connectivity between Rymbai-Iapmala-Suchen could not be established since the approaches to the bridge from both Rymbai and Suchen side had not been constructed. Audit noticed that the approaches could not be completed with the available funds as the height of the bridge was substantially raised than that provided in the DPR, resulting in the deck level of the bridge being higher than the existing road. As per the DPR the height of the bridge was only 8.013 metres (m), whereas the Division raised the height of the bridge to 11.50 m from Rymbai side and 18.00 m from the Suchen side. Reasons for increasing the height was neither on record nor furnished. As the height of the bridge was raised, the scope of the work also increased necessitating enhancement of the value of the work from ₹ 2.57 crore to ₹ 3.28 crore.

The photographs of the RCC Arch bridge as seen during the joint physical verification (November 2015) is shown below.

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<sup>8</sup> M/S Lyngdoh Engineers and Builders Co. Pvt. Ltd for group-I; Shri Phromiwell Lyngdoh for group-II; and , Shri Pyrkhat Hinge for the RCC bridge.



In order to construct the approach roads to raise it to the deck level of the new constructed RCC bridge, a fresh DPR at an estimated cost of ₹ 4.68 crore was prepared (April 2013) for ‘construction of missing approaches of bridge over Kalipai river on Rymbai-Iapmala-Suchen Road’. Accordingly, tender was invited (June 2014) by the CE, NH PWD (Roads), Meghalaya and the work was awarded (December 2014) to Shri Borin Shadap at a tender value of ₹ 4.44 crore with a stipulation to complete the work by December 2016. Administrative approval and technical sanction was however, accorded during February 2015 and March 2015 respectively.

Thus, due to injudicious decision of the Department to substantially increase the height of the bridge than that provided in the DPR, without any recorded reasons, resulted in the deck level of the bridge being higher than the existing road level and consequently the project remained incomplete even after more than 10 years of the project being sanctioned and an expenditure of ₹ 18.08 crore with further pending liabilities of ₹ 0.48 crore. The injudicious decision had also caused the Department to incur additional expenditure of at least another ₹ 4.68 crore in constructing the approaches to the bridge in order to complete the project. Besides, non-completion of the project had also resulted in the objectives of the Department to provide efficient transportation to agricultural & minerals rich on-route villages and enable transportation of heavy machineries for the Leskha Hydro Power Project remaining unachieved.

The matter was reported (June 2015) to the Government; reply was awaited (December 2015).

## BORDER AREAS DEVELOPMENT DEPARTMENT

### 2.4 Unfruitful expenditure

**Failure to monitor the project led to the Department incurring unfruitful expenditure of ₹ 0.94 crore on creation of tourism infrastructure at Ranikor. The objective of harnessing the potential of adventure and river cruise tourism to create employment opportunities and generate income for the people living in those areas also stood defeated.**

In order to harness the potential of adventure and river cruise tourism and develop new tourist circuits, the Director of Border Area Development (DBAD), Meghalaya prepared a detailed project report (DPR) of ₹ 2.03 crore for tourism development in two phases<sup>9</sup> at Ranikor through a Guwahati based consultant, M/s Brahmaputra Cruise Private Limited (BPCL), Guwahati. In phase –I the DPR proposed to procure river cruising, rafting and angling equipment and construct one tourist lodge. The phase –I of the DPR was approved (June 2007) by the State Level Screening Committee (SLSC) and on its recommendation the Ministry of Home Affairs, Department of Border Management, Government of India (GoI) approved and released (March 2008) an amount of ₹ 0.98 crore for the project as Special Central Assistance (SCA) under Border Area Development Programme (BADP) to the Government of Meghalaya (GoM). In addition, the SLSC also sanctioned (April 2011) an amount of ₹ 10.00 lakh under SCA for 2011-12 for constructing the approach road, parking place, chowkidar shed, septic tank and water supply installation of the tourist lodge at Ranikor.

For supply of river cruising and rafting equipment the DBAD, Meghalaya issued (January 2009) a work order to BPCL, Guwahati valuing ₹ 0.51 crore. BPCL completed (July 2010) the work and DBAD paid a total amount of ₹ 0.53 crore<sup>10</sup> between January 2009 and September 2010 to BPCL.

Since the BADP guidelines, permits that work be carried out by the beneficiaries themselves and assets created be handed over to them, the DBAD issued two work orders valuing ₹ 0.41 crore to the Syiem<sup>11</sup> of Maharam Syiemship for constructing the tourist lodge. The work was completed within the sanctioned estimate and the DBAD paid the amount between December 2008 and September 2011. The details are as shown below:

<sup>9</sup> Phase – I ₹ 0.98 crore, and Phase – II ₹ 1.04 crore.

<sup>10</sup> One luxury cruise vessel; one semi luxury cruise vessel; two speed boats; one inflatable rubber boats; consultancy charge ₹ 1.52 lakh and quality control charges ₹ 1.75 lakh.

<sup>11</sup> Included in the term ‘Chief’ of an administrative unit as defined in the United Khasi-Jaintia Hills Autonomous District (Appointment and Succession of Chiefs and Headmen) Act, 1959

Table 2.4.1: Details of payments made to Syiem of Maharam

| (₹ in lakh)  |               |                             |   |                    |
|--|---------------|-----------------------------|---|--------------------|
| Work   | Approved cost | Date of issue of work order | Amount paid to Syiem of Maharam between 12/2008 and 09/2011 | Date of completion |
| Construction of (C/o) tourist lodge  | 31.25         | 01/12/2008                  | 31.25   | 26/08/2011         |
| Completion of tourist lodge (C/o approach road, parking place, chowkidar shed, septic tank & water supply installation). | 10.00         | 20/06/2011                  | 10.00   |                    |
| <b>Total</b>   |               |                             | <b>41.25</b>  |                    |

Source: Records of DBAD

Scrutiny of records of the DBAD (May 2015) regarding execution of the project revealed the following irregularities:

- The DBAD without inviting any tender engaged M/s BPCL, Guwahati as a consultant for preparing the DPR and despite the conflict of interest gave the firm work order for supplying the river cruising and rafting equipment valuing ₹ 0.53 crore. The reasons and competencies for choosing the firm were not found evaluated on record.
- The DBAD handed over the river cruising and rafting equipment and the tourist lodge to the Myntri<sup>12</sup> Ranikor, Maharam Syiemship, Mawkyrwat, West Khasi Hills District on behalf of the village committee through two handing over agreements dated 15 September 2010 and 19 September 2011 respectively. The assets created at an amount of ₹ 0.94 crore were meant to enable the Maharam Syiemship to create employment opportunities and generate income to the people living in those areas. However, the rafting equipment was handed over without any stipulation and the tourist lodge was handed over with the only monitoring condition that the party operating the tourist lodge shall permit the representative of Border Area Development Department to inspect the premises from time to time. Even this clause was not followed since, as pointed out in subsequent paragraph, Audit found (May 2015) the assets in dilapidated condition.
- The DBAD instead of handholding the project and providing regular professional guidance and support to the village committee to ensure that the project fulfill its objectives, simply functioned as grant disbursing agency without having any stake in the success of the project. It left it to the Myntri, Ranikor Village to decide how and who would run the tourist lodge and operate the river cruising and rafting equipment. The Myntri Ranikor Village in turn entered (January 2011) into a 15 years lease agreement with the Green Hills Mawkyrwat Tourism Society (lessee) for management and maintenance of the asset on payment of negligible annual lease of ₹ 5000 for the first year, to be raised by an additional ₹ 5000 every year upto the fifteenth year. The lessee failed to operate the project and had paid only ₹ 0.15 lakh of lease rent till May 2015.

<sup>12</sup> Included in the term 'Headman' as defined in the United Khasi-Jaintia Hills Autonomous District (Appointment and Succession of Chiefs and Headmen) Act, 1959

- A joint physical verification conducted on 08 May 2015 by a team consisting of an audit party, the BADO, Ranikor and Myntri Ranikor Village revealed that the tourist lodge and the chowkidar shed were in dilapidated condition with no beds and other furniture. Most of the doors and windows were broken and bore signs of animal movement. Both the luxury and semi luxury cruise vessels were found damaged/submerged in water and un-operational. The speed boats were damaged while the inflatable rubber boats were found missing. Moreover, since the assets created more than four to five years ago were non-functional and deteriorating, they were at risk of becoming inoperable over time. There was nothing on record to show that the premises had been inspected from time to time by the DBAD so that the deterioration of the assets could have been checked in time.

Thus, failure to monitor the project led to the entire expenditure of ₹ 94.03<sup>13</sup> lakh incurred in procuring the river cruise and rafting equipment and in construction of the tourist lodge remaining unfruitful. The objectives of harnessing the potential of adventure and river cruise tourism to develop new tourist circuits and to enable the village committee to create employment opportunities and generate income to the people living in those areas also stood defeated.

On being pointed out (September 2015), BADD in its reply stated (October 2015) that as per the report submitted by the Myntri Ranikor, Maharam Syiemship the assets under river cruising was running smoothly and had helped the local people by generating annual income and employment to the local youth of the village and that due to causes of nature (August 2014) both the luxury and semi luxury cruise vessels sank in the river. The BADD also stated that since the river cruise functioned well from January 2011 to August 2014 the project was not a total loss. The BADD further stated that the DBAD had instructed the lessee (July 2015) to restore the building and other facilities available in the premises to good condition before terminating the contract.

The reply is untenable as DBAD had failed to monitor the project timely to prevent deterioration of the assets. Resultantly, the lessee failed to operate the project and the Myntri Ranikor Village received a negligible amount of ₹ 0.15 lakh only as lease rent upto May 2015. The assets too lay in a deteriorated condition without use from August 2014. No documentary evidence was also furnished to show that the project functioned well from January 2011 to August 2014.

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<sup>13</sup> ₹ 52.78 lakh paid to M/s BPCL and ₹ 41.25 paid to the Contractor.