

**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 departments and the total budget allocation vis-a-vis expenditure of the State Government under Economic Sector during 2014-15 are given below:

Table No. 2.1.1

₹ in crore

Name of the departments	Total Budget Provision	Expenditure
Agriculture	199.81	180.36
Horticulture	84.98	55.78
Soil and Water Conservation	42.55	35.75
Veterinary and Animal Husbandry	88.05	75.88
Fisheries	39.28	29.45
Land Resources	187.67	102.75
Cooperation	25.79	15.58
Civil Supplies	22.88	18.35
Rural Development	624.88	268.75
SIRD	7.78	6.68
Sericulture	28.21	22.35
Land Records and Survey	21.74	15.39
Irrigation and Flood Control	227.14	77.61
Power	433.81	394.13
New and Renewable Energy	24.67	13.94
Industries and Commerce	81.74	58.02
Geology and Mining	24.99	23.33
Roads and Bridges	563.92	528.31
Science & Technology	4.29	3.15
Tourism	52.97	38.98
Legal Metrology and Consumer Protection	10.50	9.41
Planning and Coordination Department	1101.74	176.63
Evaluation	8.49	7.51
Department of Under Developed Areas	78.00	29.53
Information Technology & Communication	19.15	10.95
Forest, Ecology, Environment and Wildlife	108.56	94.23
Road Transport	82.03	78.38
<b>Total number of departments=27</b>	<b>4195.62</b>	<b>2371.18</b>

Source: Appropriation Accounts

#### 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 and concerns of stake holders.

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are 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 based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of the 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 laying on the table of the Legislature.

During the year, test check of audits involving expenditure of ₹ 2059.69 crore (including funds pertaining to previous years audited during the year) of the State Government under Economic Sector were conducted. This chapter contains the findings on Performance Audits on 'Implementation of *Pradhan Mantri Gram Sadak Yojana* (PMGSY)', 'Effectiveness in the functioning of Nagaland Pollution Control Board (NPCB)' and 'Nagaland Bamboo Development Agency' and four compliance audit paragraphs.

## PERFORMANCE AUDIT

### PUBLIC WORKS DEPARTMENT

#### 2.3 Performance Audit on implementation of Pradhan Mantri Gram Sadak Yojana

The *Pradhan Mantri Gram Sadak Yojana* (PMGSY) programme was launched throughout the country by the Government of India (GoI) on 25 December 2000 to provide "all-weather road" to eligible unconnected habitations. As the programme unfolded, a need to consolidate the entire rural road network by up-gradation of selected 'Through Routes' and some Major Rural Links (MRLs) was felt and accordingly a new intervention was evolved in May 2013 namely PMGSY-II. Performance audit on the implementation of the programme covering the period from 2010-11 to 2014-15 was taken up during April 2015 to July 2015.

#### **Highlights:-**

*13 unidentified habitations not incorporated in the Core Network were included in the Core Network Comprehensive Priority List (CNCPL).*

#### **Paragraph 2.3.8.2**

*The prioritised Yezami village road was abandoned after formation cutting and widening works deprived an all weather road to unconnected habitation. ₹ 5.56 crore spent on the construction was wasteful.*

#### **Paragraph 2.3.9.1 (iv)**

An amount of ₹ 19.78 crore<sup>1</sup> was paid against fraudulent depiction of completion of work. A total of 2460.50 metres length of retaining walls valued at ₹ 8.35 crore was not found constructed during physical verification.

**Paragraph 2.3.9.1(i) to (iv) and 2.3.9.3(i)**

The road to Kezanglwa, taken up at a total cost of ₹ 2.14 crore, was not admissible under PMGSY as the existing State Highway from Jalukie to Peren passes through the village.

**Paragraph 2.3.9.1(v)**

There were delays in completion of 51 projects taken up in Phase VIII ranging from 67 to 574 days.

**Paragraph 2.3.9.3**

Out of 40 projects visited by the National Quality Monitors, 23 projects (58 per cent) were graded unsatisfactory. The State Quality Monitors graded 54 projects unsatisfactory (34 per cent) out of 160 visited by them.

**Paragraph 2.3.11.1& 2.3.11.2**

**2.3.1 Introduction**

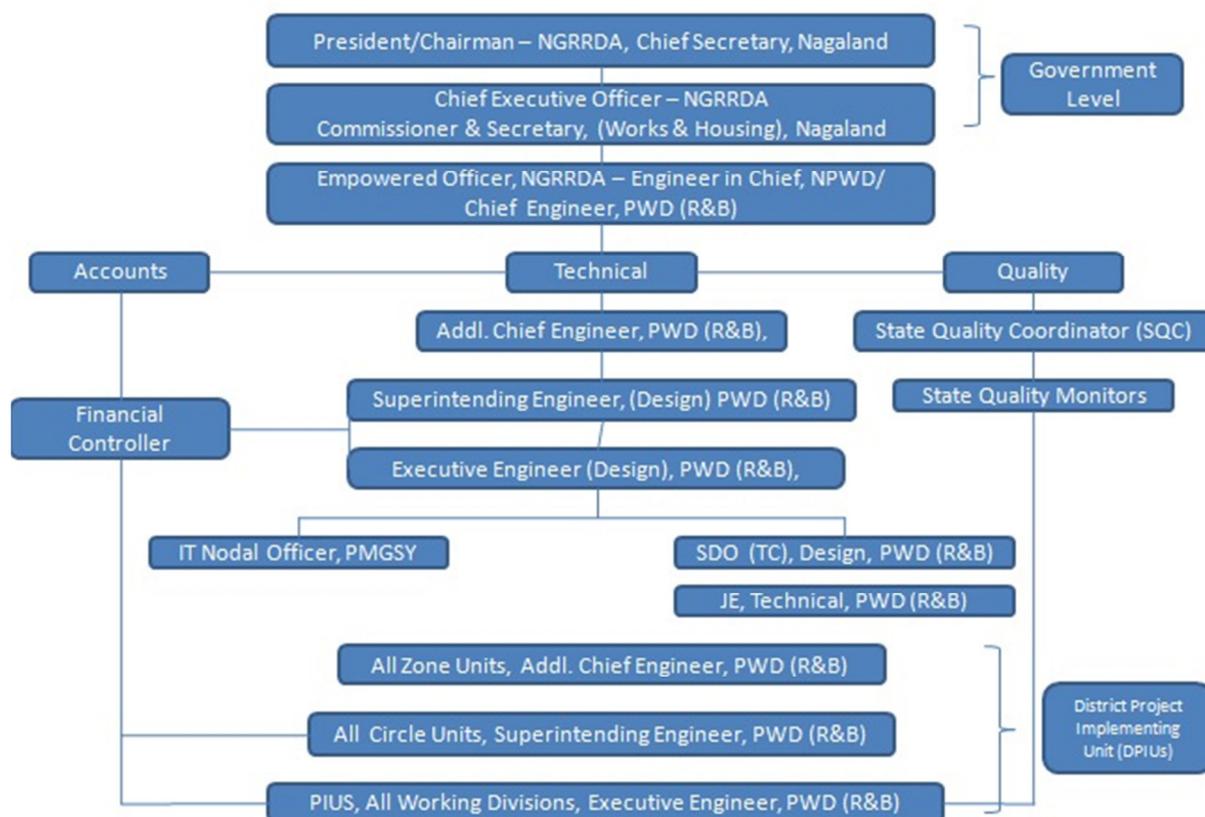
The State of Nagaland is situated in the North Eastern part of India. It has a total road network of 14377.30 Km, out of which 3629.63 Km was earmarked to be constructed under PMGSY since inception of the programme up to Phase VIII. During the period covered in audit, under Phase VIII, the Nagaland Government Rural Road Development Agency (NGRRDA) took up 56 projects involving an amount of ₹ 355.77 crore for construction of 954.76 Km out of which only 12 projects covering a length of 273 Km could be completed (by July 2015). During this phase no new connectivity to habitations was taken up.

**2.3.2 Organisational setup:-**

The PMGSY programme is implemented by the NGRRDA headed by the Chief Secretary as the Chairman and assisted by the Chief Executive Officer and the Empowered Officer at the Government level.

The organisational setup of the State is given below:-

<sup>1</sup> ₹ 3.33 crore + ₹ 6.03 crore + ₹ 6.97 crore + ₹ 1.10 crore + ₹ 2.37 crore



### 2.3.3 Audit Objectives

The audit was carried out to assess whether:

- the systems and procedures in place for identification/preparation of Core Network as well as District Rural Road Plan were adequate and conform to the programme provisions;
- the roads were executed economically, efficiently and effectively;
- the allocation and release of funds were made in an adequate and timely manner to ensure optimum utilization of funds; and
- the existing monitoring system and quality control mechanism were adequate and effective for achieving the desired objectives.

### 2.3.4 Scope of Audit

The Performance audit covered the implementations of PMGSY in three districts of Kiphire, Peren and Zunheboto for the period from 2010-11 to 2014-15 selected by Probability Proportionate to Size With Replacement Sampling method. Further, five projects each from the three districts were selected by applying Simple Random Sampling without Replacement method. Out of the 15 selected projects, eight had been completed and seven projects are ongoing. The office of NGRRDA which is the nodal agency for PMGSY was also covered.

### 2.3.5 Audit Methodology

The audit methodology comprised of Entry Conference (06 May 2015) where the audit objectives, criteria, scope and methodology were discussed with the top management, issue of audit questionnaires and queries, examination and analysis of records/data, physical verification of 15 selected projects and issue of draft report (August 2015) to the Department and the Government. The draft audit report was discussed with the representatives of the Department/Government in the Exit Conference (17 September 2015). The replies of the Department as well as the views expressed by the Department/Government in the Exit Conference have been considered and incorporated in the Report.

### 2.3.6 Audit Criteria

The audit criteria were derived from the following:-

- Guidelines of PMGSY-I and II and subsequent amendments issued by the Ministry of Rural Development;
- Operational, Accounts and Rural Road Manuals of PMGSY;
- Annual Reports/Instructions/Guidelines issued by NRRDA;
- Prescribed periodical reports and returns;
- Financial and Accounting Rules;
- Reports of National and State Quality Monitors and National Level Monitors etc.,

### 2.3.7 Acknowledgement

We acknowledge the co-operation and assistance extended by the Department and Government of Nagaland at all levels during conduct of audit.

### Audit Findings

Important Audit findings are discussed in the following paragraphs.

### 2.3.8 *Identification/ preparation of Core Network as well as District Rural Road Plan.*

#### 2.3.8.1 District Rural Road Plan and Core Network

Core network was defined as the minimum network of roads/routes essential to provide socio-economic services to all eligible habitations through all-weather road connectivity. Such networks were required to be prepared on the basis of District Rural Road Plan (DRRP) which would consist of an existing roads as well as the construction of new roads proposed for enhancing connectivity. The Block Level Master Plan and Core Network prepared at block level were required to be approved by the intermediate Panchayat and finally by the District Planning and Development Board (DPDB). The approved copy would then be sent to State Level Agency (SLA) and National Rural Road Development Agency (NRRDA) for verification and approval.

In Nagaland, the Department of Roads and Bridges prepared the Core Network on the basis of the DRRP prepared in 2002 and forwarded to NRRDA (January 2003). The Core Network underwent revision owing to creation of three new district headquarters and subsequent revision in connectivity status of habitations, length of roads, etc. The revised Core Network was approved by the Ministry in 2005. The selection of habitations was stated to be done on the basis of the approved Core Network. The status of connectivity is as given below:-

**Table-2.3.1**

Total number of habitation	Category of habitations				Total
	1000+	500-999	250-499	Less than 250	
	410	340	238	95	1083
Total number of connected habitations (as on 25-12-2000)	386	295	190	67	938
Total number of unconnected habitations (as on 25-12-2000)	24	45	48	28	145

Against a total of 145 eligible unconnected habitations incorporated in the Core Network, 150 habitations were incorporated in the Core Network Comprehensive Priority List (CNCPL) as detailed below:-

**Table-2.3.2**

Total number of habitation	Category of habitations				Total
	1000+	500-999	250-499	Less than 250	
Total number of unconnected habitations as per Core Network	24	44	48	29	145
Total number of unconnected habitations as per CNCPL	24	44	53	29	150

*Source:- Departmental records*

According to the Core Network, there were only 48 unconnected habitations under the category of 250-499 population whereas the number of unconnected habitations in CNCPL was shown as 53.

### **2.3.8.2 Discrepancy between Core Network and CNCPL**

Core network is a comprehensive document incorporating all eligible habitations through all-weather road connectivity. The core network comprehensive priority list (CNCPL) is prepared from the eligible habitations included in the core network. Cross examination of the Core Network and the CNCPL revealed discrepancies in eight out of 11 districts in the number of habitations as detailed below:-

Table-2.3.3

Name of the block/district	As per Core Network					As per CNCPL				
	>1000	500-999	250-499	<250	Total	>1000	500-999	250-499	<250	Total
Mon (Tobu and Tizit)	2	2	2	0	6	2	2	4	0	8
Phek (Meluri and Phek)	0	2	3	5	10	0	1	1	4	6
Tuensang (Chessore, Sangsangnyuand Thonoknyu)	6	5	0	0	11	6	5	0	0	11
Wokha (Bhandari and Sanis)	0	0	5	2	7	0	2	9	9	20
Zunheboto (Tokiye, Satakha and Suruhoto)	0	6	9	4	19	0	6	9	4	19
Peren (Jalukie, Peren and Tening)	3	10	9	5	27	3	10	10	5	28
Longleng (Tamlu)	1	1	0	0	2	1	1	1	0	3
Kiphire (PungroSitimi and Kiphire)	8	10	11	2	31	8	10	11	2	31
<b>Total</b>					<b>113</b>					<b>126</b>

Source: Departmental records

As shown in the above table, the Department identified 113 unconnected habitations in the eight districts and accordingly incorporated in the Core Network whereas 126 habitations were included in the CNCPL, an increase of 13 habitations over the Core Network. This resulted in over projection of unconnected habitations in the CNCPL.

The Department/Government in reply (September 2015) stated that there is no discrepancy. The reply of the Department/Government was not factually correct as the annexure submitted by them was the list of 126 habitations already provided all weather roads under the scheme and not the Core Network.

### 2.3.8.3 Deficiencies in preparation of Detailed Project Reports (DPRs)

To involve the local community in the process of deciding on the alignment since several social issues are also involved, the scheme guidelines provided that at the time of preparation of the DPR, the PIU should organise “Transect Walk”, along the alignment, together with the Panchayat Pradhan/ Ward Panch, local revenue and forest officials, wherein issues relating to alignments, land and impact on environment and landowners shall be discussed. At the end of the walk, alignment shall be finalised after recording the issues. Copy of these minutes along with digital photographs of transect walk must be attached to the finalised DPR.

It was observed that the Department had no records to indicate that transect walk was organised which resulted in deviations from DPRs while implementing the projects.

The Department/Government in reply (September 2015) stated that the DPRs were prepared by PIUs after consulting the village authorities and obtaining non-encumbrance certificate. However, the fact remains that the local people including those likely to be affected by the alignment were not given opportunity to put forth their views as envisaged in the guidelines. Also, issues relating to cattle crossings, irrigation field channels, integration of inter-village and field paths with the alignment, road safety, drainage measures to prevent damage to agricultural fields and dwellings were not discussed.

**2.3.9 Implementation of the project and execution of road works.**

**Deficiencies in project implementation**

According to paragraph 11.1 of the guidelines, the DPRs prepared by the PIUs should be scrutinised by the State Technical Agency (STA) and approved by the Ministry. After the approval, all the projects have to be put to tender and no changes were to be made in the work without prior approval of the NRRDA.

Examination of records in audit revealed the following deficiencies:

**2.3.9.1 Deviation in length of the road**

The work on 56 projects was approved for implementation and work order was issued in March 2012. Examination of the records and joint physical verification (June 2015) of 15 projects revealed deviations in eight projects as detailed below.

**Table-2.3.4**

Sl. No	Name of the road	Length of the road (in Km.) as per		Deviation from DPR (in Km)	Excess payment (₹in crore)
		DPR	Physical verification		
1	BRO road to Phulanger	5.00	4.20	0.80	0.24
2	Old Longmatra to Honito	21.00	15.80	5.20	1.72
3	Pungren-Mimi to Fakim	20.00	16.30	3.70	0.51
4	Sitimi-Shamatore to Kior	5.00	3.70	1.30	0.42
5	Kohima-Laike to Kezanglwa	6.00	5.60	0.40	0.13
6	Yezashi to Tsukho (O)	9.30	8.20	1.10	0.32
7	Kuisam to Sangkumti	35.00	36.00	+1.00	0.00
8	Heranglwa to Old Nkio	12.00	14.00	+2.00	0.00
	<b>Total</b>	<b>113.30</b>	<b>103.80</b>	<b>9.50</b>	<b>3.34</b>

As could be seen from the above table, in respect of six roads (*Sl. No 1 to 6*), the length as per DPR was 66.30 Km whereas the actual length of the roads as per joint physical verification was only 53.80 Km. It was noticed in audit that the Department had recorded execution of works as 66.30 Km in the measurement books and payments were made accordingly. Thus, there was an excess projection of 12.50 Km. As a result, the Department incurred an excess payment of ₹ 3.34 crore without actual execution of works on the above roads. The possibility of collusion between the officers concerned and the contractors for the excess payment cannot be ruled out.

Further, in respect of two roads (*Sl. No 7 & 8*), the actual length was more than the length projected in the DPR. The construction works of extra three Km was found executed in two projects as per joint physical verification. It was also observed that no additional fund was provided by the State Government for the purpose. The official in-charge of the works, however, stated that the works were internally managed by compromising some items of work.

While accepting the facts the Department/Government stated (September 2015) that in respect of the two roads, works were executed within the village area which is an admission of the fact that the works were internally managed by compromising some items of work as no separate funds was provided by the State Government. However,

no explanation was given in respect of works were the actual execution was less than the approved DPR.

### 2.3.9.2 Deviations in number of culvert

As per approved DPRs, slab culverts (55 of 1.5 metre, 3 of 3 metre) and 25 Hume Pipe culverts of 1000 mm were to be constructed during Phase VIII in the 15 selected projects as detailed below.

Table-2.3.5

Name of the District	Items of work	Number of culverts as per DPR
Peren	1.5 m slab culvert	5
	3 m slab culvert	1
	1000 mm HP culvert	25
Zunheboto	1.5 m slab culvert	25
	3 m slab culvert	2
	1000 mm HP culvert	0
Kiphire	1.5 m slab culvert	25
	1000 mm HP culvert	0

Source:-Departmental records and physical verification.

During joint physical verification (June 2015) it revealed that 60 slab culverts and 171 HP culverts of 1000 mm were constructed in the selected projects which was in excess of the DPRs. To ascertain the actual position, we examined the records pertaining to projects taken up prior to Phase VIII and found that nine projects out of the 15 selected projects were taken up earlier in Stage-I wherein a total of 108 slab culverts (103 of 1.5 metre, 4 of 5 metre, one 3 metre) and 247 HP culverts of 1000 mm were executed and paid accordingly. The number of 1.5 metre slab culverts and 1000 mm HP culvert taken up both in Stage I and II of phase VIII in respect of the selected projects worked out to 158 numbers of 1.5 metre slab culvert and 334 numbers of 1000 mm HP culverts respectively. However, during physical verification we found that the number of culverts actually constructed was much less than what was actually paid for as detailed below.

Table-2.3.6

Name of the District	Items of work	Quantity as per DPR			Quantity as per physical verification	Difference in quantity (Stage I+II)	Rate of * Stage I	Excess Amount (₹ in lakh)
		Stage I	Stage II	Total				
Peren	1.5 m slab culvert	10	5	15	0	15	220021.14	33.00
	3 m slab culvert	1	1	2	0	2	275009.80	5.50
	1000 mm HP culvert	48	25	73	63	10	141572.48	14.16
Zunheboto	1 m slab culvert	0	0	0	3	0	0	0
	1.5 m slab culvert	39	25	64	17	47	281083.31	132.10
	3 m slab culvert	2	2	4	2	2	308904.04	6.18
	1000 mm HP culvert	120	0	120	77	43	166473.00	71.58
Kiphire	1 m slab culvert	47	0	47	0	47	148881.35	69.97
	1.5 m slab culvert	54	25	79	43	36	341977.72	123.11
	2 m slab culvert	0	0	0	2	0	0	0
	5 m slab culvert	4	0	4	0	4	1084848.85	43.39
	1000 mm HP culvert	79	0	79	28	51	213833.45	109.06
<b>Total</b>								<b>608.05</b>

\* As the actual date of construction of the culverts could not be identified during physical verification the lowest rate as per stage -I was considered for calculation of excess payment.

As can be seen from the above table, a total of 98 numbers of 1.5 metre slab culverts, 104 numbers of 1000 mm HP culverts, 4 numbers of 3 metre slab culverts and four 5

metre slab culvert at a total value of ₹ 6.08 crore were not constructed in the selected projects.

While accepting the facts the Department/Government stated (September 2015) that measures would be taken to rectify the shortcomings.

### **2.3.9.3 Deviation in construction of Retaining Wall**

According to the approved DPRs, 3410 metres length of retaining walls (R/W) valued at ₹ 10.63 crore was proposed for construction during Phase VIII in the 15 selected projects as detailed below.

**Table-2.3.7**

Name of the District	Height (In metre)	Total Length (In metre)	Number of R/Wall as per DPR	Rate per metre (in ₹)	Amount (3 x 5) (₹in lakh)
1	2	3	4	5	6
Peren	3	721	34	28243.57	203.64
	4	219	10	44472.85	97.40
<b>Sub-Total</b>					<b>301.04</b>
Zunheboto	3	971	56	28913.31	280.75
	4	442	24	35582.67	157.27
<b>Sub-Total</b>					<b>438.02</b>
Kiphire	3	848	73	28913.72	245.19
	4	209	20	37685.02	78.76
<b>Sub-Total</b>					<b>323.95</b>
<b>Grand Total</b>					<b>1063.01</b>

During joint physical verification of the selected projects, we observed that only 835.50 metres length of retaining walls of different sizes valued at ₹ 2.28 crore were actually constructed as detailed below.

**Table-2.3.8**

Name of the District	As per physical verification			Rate per metre (in ₹)	Amount payable (3 x 5)
	Height (In metre)	Total length (In metre)	Number of R/Wall		
1	2	3	4	5	6
Peren	1	3.00	1	13374.77	0.40
	1.5	21.00	1	15138.14	3.18
	2	19.00	2	20587.33	3.91
	3	25.00	2	28243.57	7.06
	4	59.00	3	44472.85	26.24
<b>Sub-Total</b>					<b>40.79</b>
Zunheboto	1	48.00	2	9442.17	4.53
	2	15.00	1	18794.66	2.82
	2.5	23.00	1	21955.78	5.05
	3	111.69	6	28913.31	32.27
	4	50.00	3	35582.67	17.79
5	20.00	1	41785.85	8.36	
<b>Sub-Total</b>					<b>70.82</b>
Kiphire	1	13.00	1	12899.92	1.68
	1.5	15.10	1	16903.37	2.55
	2	194.60	8	20906.82	40.68
	3	141.60	12	28913.72	40.94
	3.5	14.40	1	32917.17	4.74
	4	35.00	2	37685.02	13.19
5	27.20	1	44927.52	12.22	
<b>Sub-Total</b>					<b>116.00</b>
<b>Grand Total</b>					<b>227.61</b>

Examination and analysis of records revealed that payments of ₹ 9.25 crore were made in accordance with the rates and quantity specified in the DPR, where as payment due for actual work done based on the measurement taken during joint physical verification works out to ₹ 2.28 crore. This resulted in excess payment of ₹ 6.97 crore without actual execution of works.

Further, retaining walls of 2574.50 metres valued at ₹ 8.35 crore were yet to be constructed. The scope for construction of retaining walls in these roads is remote as all the works had either been completed or only Bituminous works are remaining to be done.

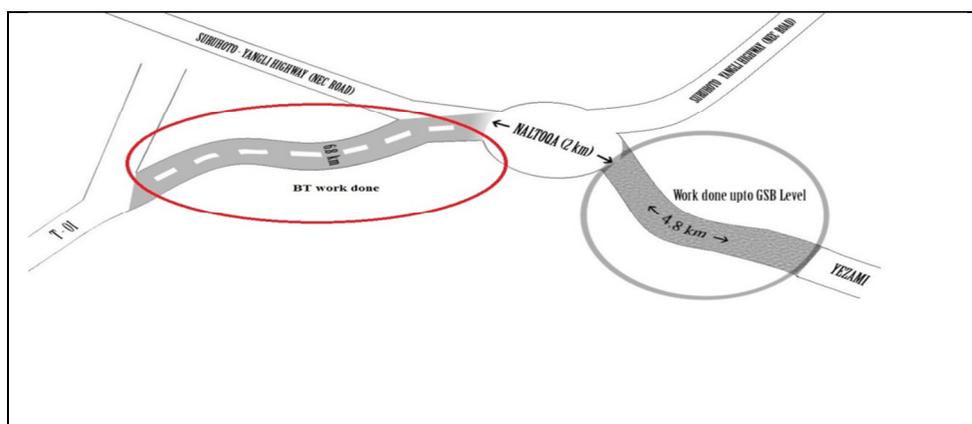
It was also observed that in approximately 95 per cent of the cases the locations of culverts and retaining walls mentioned in the DPRs did not match with the actual locations which indicated that the DPRs were faulty. Preparation of DPRs without proper field study/surveys involving field officials resulted in excess projection of the length of the roads, culverts and retaining walls and escalation of the cost of the projects.

While accepting the facts the Department/Government stated (September 2015) that measures would be taken to rectify the shortcomings.

#### 2.3.9.4 Inadmissible and incomplete works

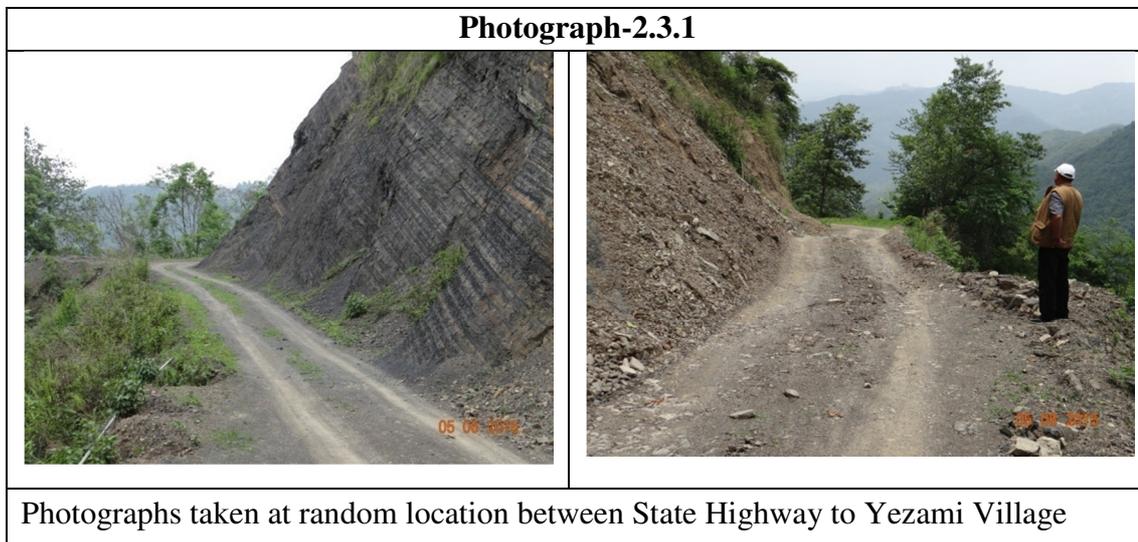
The construction of 11 Km road from T-01 to Yezami was taken up in the first phase (₹ 1.16 crore) during 2001-03 and second phase in 2008-09 at a total cost of ₹ 5.56 crore. The construction works of both phases were certified as completed in all respect and payment was made in full. However, the following aspects were observed during physical verification.

(i) The road from T-01 actually connects and bisects the Suruhoto-Yangli State Highway (NEC road) at 6.80 Km instead of Yezami village. The starting point to Yezami village was 2 Km away from 6.80 Km crossing through Naltoqa main town which is illustrated below:-



Construction of 6.80 Km road from T-01 to the State Highway, therefore, does not fall within the scope of PMGSY programme.

(ii) The actual length of 4.80 Km road from State Highway (Naltoqa town) to Yezami village was left abandoned after widening and construction of some retaining walls and cross drainage works. Granular Sub Base (GSB) and Water Bound Macadam (WBM) works were not found executed despite payments were made to the contractors for these items of work as shown in the following photographs.



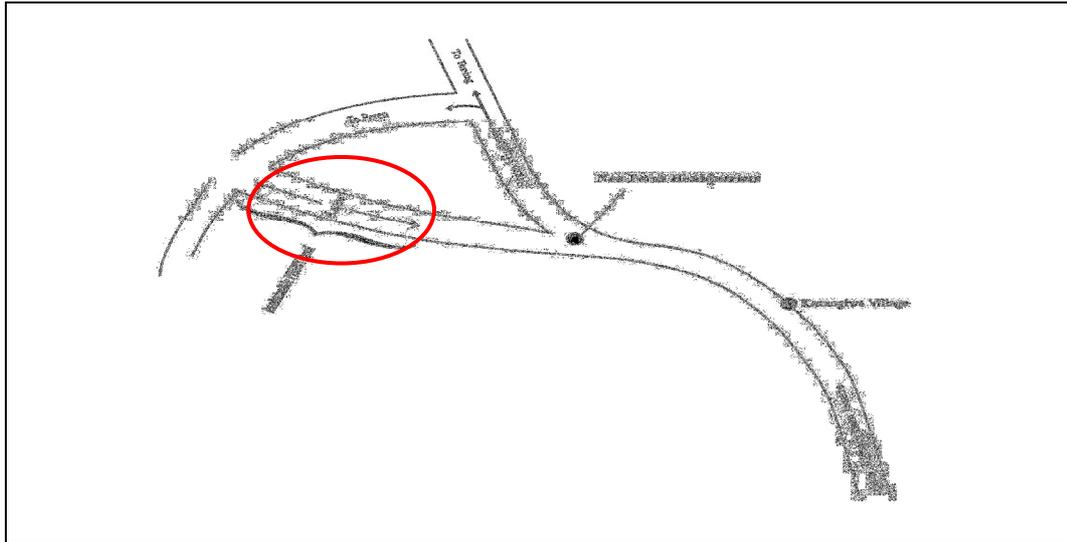
Thus, lackadaisical approach of the Department deprived the unconnected habitation of an all-weather road. In addition, the contractor was paid in full for the entire stretch of 11 Km though work was actually executed only in 6.80 Km resulting in excess payment of ₹ 1.08 crore.

While accepting the facts the Department/Government stated (September 2015) that formation cutting for the stretch of 4.7 Km was done by heavy machinery. The fact remains that the stretch of 4.7 Km had not been completed though full payment was released to the contractor.

#### **2.3.9.5 Inadmissible project from Kohima - Laike road junction to Kezanglwa**

Examination of records revealed that construction of 6 Km length Kohima-Laike to Kezanglwa road was awarded to M/s Quality Stone Crushing Unit at a total work order value of ₹ 2.14 crore. The work commenced on 5 March 2012 and completed on 27 May 2013 and the contractor was paid in full.

Joint physical verification (June 2015) of the road revealed that the State Highway from Jalukie-Peren/Tening road passes through Kezanglwa village. It was also observed that the total length of the road starting from “0” point of Kohima-Laike road was 11 Km bisecting the State Highway at New Peren headquarter. The distance of 5.60 Km from “0” point was constructed under PMGSY and remaining portion of 5.40 Km was stated to be constructed through other scheme. A pictorial representation of the road is as given below:-



As the habitation is already connected by the State Highway the project was inadmissible under the scheme. Besides, the habitation was also not in the CNCPL and therefore the scheme fund of ₹ 2.14 crore should have been utilised in other prioritised habitations. No citizen information boards were found erected or displayed at the starting point or the end point of the road as envisaged by the guidelines. Thus the authenticity of the claim that it was constructed under PMGSY was doubtful.

While accepting the facts the Department/Government stated (September 2015) that only 6 Km was taken up under PMGSY and the remaining stretch of the road was taken up under State Plan. The fact however remains that the habitation is already connected and therefore should not have been taken up under PMGSY.

#### **2.3.9.6 Single tenders**

As per General Financial Rules, single source of procurement and award of work may be resorted to when the case is emergent in nature or the user Department is in the knowledge that only a particular firm is competent to supply and execute the work. PMGSY guidelines also envisaged that established procedures of tendering through competitive bidding are to be followed for all projects. The matter was reiterated by the Ministry of Rural Roads Development by issue of a circular (January 2013) which inter-alia stated that if in the first invitation/call, single bid is received, the State Rural Roads Development Agency or authority inviting the tenders/bids shall not open the bid. In such cases fresh bids shall be invited.

Examination of the bid documents and minutes of the tender committee revealed that in respect of 17 projects, only single tenders were received and the works were also found awarded to them without re-tendering.

While accepting the facts the Department/Government stated (September 2015) that the Tender Committee recommended all the 17 single bidders after recording detail justification. Thus, the principles of competitive biddings were not followed in these cases.

**2.3.9.7 Delay in completion of projects**

As per paragraph 13.1 of the scheme guidelines, the projects should be completed within a period of nine months from the date of issue of work order. However, in Nagaland the stipulated period of completion was 18 months from the date of issue of work order.

It was observed that there were inordinate delays in completion of projects taken up in Phase V to VII during 2005-06 to 2007-08 but completed during phase VIII as detailed below:-

**Table-2.3.9**

Phase	Number of roads taken up	Year of Sanction	No. of roads completed		
			within the stipulated date of completion	with a delay of more than a month	during 2010-11 to 2014-15
Phase V	23	February 2006	17	1	5
Phase VI	29	June 2007	0	20	9
Phase VII	11	August 2008	10	0	1

Out of 63 roads taken up during Phase V-VII only 27 roads were completed within the stipulated date of completion and the remaining 36 roads were completed after a delay ranging from one month to 62 months.

Despite the relaxation in stipulated period of completion, out of 56 projects taken up under the programme during 2010-11 to 2014-15 (in Phase VIII), only five projects were completed within the stipulated date of completion. Of the remaining 51 projects, as of July 2015, only 17 projects covering a distance of 273 Km have been completed with the delays ranging from 67 days to 574 days and balance 34 projects (681.76 Km) taken up in phase VIII remained incomplete. (*Appendix:2.3.1*).

While accepting the facts the Department/Government stated (September 2015) that the timeline for completion was extended up to September 2015 on request of the contractors. The facts however remains that the incomplete projects had not been completed even after extension of time and deprived benefits of all-weather roads to the stakeholders.

**(i) Tizu river-Titha river road (T-01) to Lithsumi**

Construction of 11.20 Km road from Tizu to Lithsumi village was taken up both in first and second stages. The second stage was awarded (March 2012) to M/s Vertex Construction at a total cost of ₹ 3.55 crore with a stipulation to complete by September 2013. The contractor was paid an amount of ₹ 2.44 crore up to 2<sup>nd</sup> Running Account bill (WBM grade-II level).

Joint physical verification (June 2015), however, revealed that the road had been abandoned after execution of formation cutting and GSB work of around 900 metres from the starting point valued at ₹ 7.00 lakh only has been executed. No cross drainage and retaining wall works were found executed. Thus, the targeted habitation was deprived of the benefit of an all-weather road though an amount of ₹ 2.44 crore was

already paid. This resulted in excess payment of ₹ 2.31 crore to the contractor without actual execution of work.

While accepting the facts the Department/Government stated (September 2015) that due to unique social problem the contractor could not resume the work. However, assurance had been obtained from the contractor to resume and complete the work.

### **2.3.9.8 Deviations from technical specifications**

According to paragraph 8.5 (i) of the guidelines, all the rural roads construction must meet the technical specifications and geometric design standards given in the Rural Road Manuals of the Indian Road Congress (IRC) and also where required the Hill Road Manual.

Examination of records revealed that the road from Pungren-Mimi road to Fakim was awarded to M/s Hexad Syndicate with a work order value of ₹ 7.27 crore. It was seen that the contractor had been paid ₹ 4.59 crore up to the level of GSB and WBM work.

During joint physical verification (June 2015) of the road it was observed that no GSB was provided in the entire stretch of the road. Instead, base coarse grade-II non-bituminous work was directly applied without first applying GSB work or sub-base Grade-I works. No compaction was also carried out. As a result, the Grade-II works eroded and the top soil of the road remained exposed thereby compromising the quality of the road. The National Quality Monitors (NQM) who verified the spot in December 2013 also rated the entire work as unsatisfactory. Despite the adverse remarks made by NQM no tangible efforts were taken by the Department to rectify the deficiencies.

Further, out of the work order amount of ₹ 7.27 crore, an amount of ₹ 0.79 crore was earmarked for construction of 24 numbers of retaining wall (20 numbers of 3 Metre and 4 numbers of 4 Metre), out of which 22 retaining wall at a total cost of ₹ 1.01 crore was constructed and passed for payment (up to 3<sup>rd</sup> RA bill).

During physical verification of the road (June 2015) it was seen that five retaining walls situated at location 2.50 Km; 2.60 Km; 6.50 Km; 6.55 Km and 14.10 Km had collapsed as shown in the following photographs.

**Photograph-2.3.2**



**Location No.2.50 Km**



**Location No.6.50 Km**



**Location No.6.55 Km**



**Location No.14.10 Km**

The retaining wall at Location No.2.50 Km and 2.60 Km collapsed due to mudslide and the other three retaining walls collapsed due to non-adherence to the specified drawings, design and use of inferior quality of stone masonry in cement mortar works as shown in the photographs.

**Photograph No. 2.3.3**



This indicated that proper monitoring was not carried out by the PIU to ensure materials as per approved quality were used and workmanships conform to prescribed specifications.

The Department/Government in reply (September 2015) stated that the Department would initiate action to verify the audit findings and rectify the deficiency.

### 2.3.10 Financial Management.

#### 2.3.10.1 Fund position

During the period covered in audit, GoI sanctioned ₹ 355.58 crore. As on March 2015, GoI released ₹ 236.51 crore to the State Government whereas the State Government released ₹ 214.52 crore and kept the remaining fund of ₹ 22.00 crore in civil deposit.

In addition to the funds received from GoI, the Department received ₹ 11.51 crore as interest on Fixed Deposit Receipts which was accounted and utilised against projects. The NGRDA also received ₹ 1.14 crore as liquidated damages from the contractors which were accounted as receipts of the projects.

At the end of 31 March 2015, the total accumulated fund was ₹ 29.02 crore out of which ₹ 29 crore was kept in fixed deposit and ₹ 0.02 crore was retained in cash.

#### 2.3.10.2 Liquidated damages

According to the programme guidelines suitable clause may be incorporated in the contract agreement for time over-run. In line with the guidelines, the Department incorporated imposition of liquidated damages in clause 44 of the conditions of contract which stipulated that one *per cent* of the initial contract price per week would be the amount of liquidated damages for delay in completion subject to a maximum of 10 *per cent* of the initial contract price.

Examination of records revealed that out of 56 projects taken up during Phase VIII, only five projects were completed within the stipulated time frame. The remaining 51 projects were completed with a delay ranging from 67 days to 574 days. In terms of the conditions of contract, liquidated damages for delay in completion at the prescribed rate amounting to ₹ 34.25 crore should have been deducted from the contractors payments. However, the PIU did not invoke the clause to recover liquidated damages for the delays in completion of projects taken up in Phase VIII. The amount of ₹ 1.14 crore recovered as liquidated damages in 28 Running Account bills from 18 contractors pertained to projects taken up in Phase V-VII.

Failure on the part of the Department to invoke the clauses of the contract agreement resulted in providing undue financial benefit of ₹ 34.25 crore to the contractors.

While accepting the facts the Department/Government stated (September 2015) that the Department would impose the clause for recovery of liquidated damages for the works not completed after September 2015.

#### 2.3.10.3 Maintenance of rural roads

According to Paragraph 17.2 of the guidelines, all PMGSY roads will be covered by five year maintenance contracts entered into along with the construction contract, with the same contractor as per the Standard Bidding Documents. Maintenance funds to service the contract will be budgeted by the State Government and placed at the disposal of the State Rural Road Development Agency (SRRDA) in a separate Maintenance Fund Account within the stipulated time i.e. 50 *per cent* by 31 May and remaining 50 *per cent* by 30 November of each financial year.

Examination of records revealed that maintenance contracts were entered into with the same contractor as per the bidding documents. The State Government released a consolidated amount of ₹ 262.86 lakh as maintenance cost against the three selected districts during 2010-11 to 2014-15 for the projects which were completed and the defect liability period was over. As there were delays in completion of projects the requirement of maintenance cost relating to Phase VIII was not budgeted by the State Government.

### **2.3.11 Monitoring and quality control**

#### **2.3.11.1 Quality control laboratories**

As per guidelines, quality control laboratories were to be set up by the contractor and it is mandatory to carry out contractual stipulated test which should be recorded in the Quality Control Register (QCR).

As per records, all the contractors had set up quality control laboratory in the work site and test results recorded in the Quality Control Register. The Department/ Government stated (September 2015) that Quality Control Register is maintained by the PIUs.

#### **2.3.11.2 National Quality Monitors**

According to Paragraph 15.6 of the scheme guidelines, the National Quality Monitors shall inspect the road works with particular reference to quality who shall then cause to submit their report to the NRRDA. The NRRDA shall in turn send it to the State Quality Coordinator within a specified period. The Project Implementing Units (PIU) shall ensure that the contractor replaces the materials or rectify the workmanship in case the SQM and NQM report reveals unsatisfactory work. The NQM appointed by the NRRDA carried out inspection of 40 projects in Nagaland during April 2010 and March 2015. The results of NQM findings are summarised below:-

**Table-2.3.10**

Year of visit	Number of projects visited	Quality (number of projects graded)			
		Very Good	Satisfactory	Average	Unsatisfactory
April 2010 to March 2015	40	NIL	1	16	23

As can be seen from the above table, 23 projects were graded as unsatisfactory. However there was no record of action taken by the Department to rectify the work. The NQM did not visit any projects in Peren district and therefore the quality and workmanship in that district remained un-assessed till date.

The Department/Government accepted the facts (September 2015).

#### **2.3.11.3 State Quality Coordinators**

According to para 15.2 of PMGSY guidelines a three tier quality control mechanism is envisaged wherein the State Government would be responsible for the first two tier of monitoring. The SQM carried out inspection of 160 projects during April 2010 and March 2015. The results of SQM findings are summarised below:-

Table No. 2.3.11

Year of visit	Number of projects visited	Quality (Number of projects graded)			
		Very Good	Satisfactory	Average	Unsatisfactory
April 2010 to March 2015	160	NIL	21	85	54

Despite the adverse remarks comprising of 34 *per cent* by SQM there were no records to indicate that follow up action was initiated to rectify the defects or penalise the contractors as per terms of agreement.

The Department/Government accepted the facts (September 2015).

### 2.3.12 Conclusion

Habitations not identified and incorporated in the Core Network were included in the Priority List and works taken up. There were many instances of deviations and discrepancies between DPRs and actual execution of works indicating that DPRs were prepared without obtaining inputs from the grass root levels. Two prioritised habitations were denied all weather roads as some stretch of road were left half done and one project which was not admissible under the scheme was taken up. Out of 56 projects taken up in Phase VIII only five projects were completed in time. Of the remaining 51 projects, as of July 2015, 17 projects were completed after a delay ranging from 67 to 574 days and balance 34 projects remained incomplete. There were instances of compromise in specification and design and use of inferior quality of materials leading to damages. The Department did not initiate any action to rectify the workmanship and penalise the contractors on the adverse remarks made by NQM and SQM on the quality of the works.

***Financial fraud to the extent of ₹ 19.78 crore were detected in performance audit and all these cases pertained to payments made without actual execution of works.***

### 2.3.13 Recommendations:

- *Departmental and legal action should be initiated against delinquent officers and contractors to fix responsibility for financial frauds and recover amounts wrongly sanctioned and disbursed.*
- *The Core Network data and Priority List data need to be reconciled urgently to arrive at one single reliable set of information regarding road and habitations served.*
- *The NQM and SQM remarks need to be addressed urgently.*

**FOREST, ECOLOGY, ENVIRONMENT AND WILDLIFE DEPARTMENT**

**2.4 Functioning of Nagaland Pollution Control Board (NPCB)**

The Nagaland Pollution Control Board (NPCB) is the main agency in the State for enforcement of environment law and responsible for formulation of policy for prevention, control and abatement of pollution in the State. The NPCB, like other State Boards has been performing its functions enumerated under the Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981.

**Highlights:**

*The Nagaland Pollution Control Board (NPCB) did not prepare Annual Action Plan for 2010-15.*

**Paragraph 2.4.8.1**

*Out of 752 industries in the State as per Board's record, 617 industries (82 per cent) were operating without renewal of their Consent for Operation (CFO) from the NPCB after its expiry.*

**Paragraph 2.4.8.3**

*The Laboratory of the Board at Dimapur for analysing Water/Air samples lacked the basic minimum equipment required for sample analysis, due to lack of mandatory equipments and non-functional equipment the laboratory could analyse only 36 parameters out of 57 parameters given by Central Pollution Control Board (CPCB).*

**Paragraph 2.4.8.5**

*Out of 154020 registered vehicles in Kohima and Dimapur upto March 2015, PUCs were issued to 3833 vehicles only during the last five years.*

**Paragraph 2.4.8.6(ii)**

*The consent of authorization of 68 out of 112 Health Care Establishments (HCEs) had expired, however, these HCEs continued to operate.*

**Paragraph 2.4.8.9(i)**

*NPCB conducted only four board meetings against the requirement of minimum of 20 during the five year period (2010-15).*

**Paragraph 2.4.11.3**

**2.4.1 Introduction**

The Nagaland Pollution Control Board (NPCB), a statutory body under Government of Nagaland was constituted in the year 1991 in pursuance of sub section (1) of section 4 of the Water (Prevention and Control of Pollution) Act, 1974<sup>2</sup>.

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<sup>2</sup>Vide Government of Nagaland Notification No.FOR-194/87 Dated Kohima the 19<sup>th</sup> February 1991.

The Board started functioning full-fledged from March 2002 with the establishment of its Office-cum-Laboratory at Dimapur wherein analytical works are being carried out for air, water and soil samples.

The main responsibilities of the State Pollution Control Board are to plan comprehensive programme for the prevention, control or abatement of water and air pollution in the State and to secure the execution thereof. The State Pollution Control Board is to advise the State Government on any matter concerning the prevention, control or abatement of water and air pollution and to encourage, conduct and participate in investigation and research relating to problems of water pollution and prevention, control or abatement of water pollution. The Board is to inspect at all reasonable times, any control equipment, industrial plant or manufacturing process and to give, by order, such directions for prevention, control or abatement of air pollution. The Board is also responsible to evolve economical and reliable methods of treatment of sewage and trade effluents and to advise the State Government with respect to the suitability of any premises or location of any industry, which is likely to cause air pollution or likely to pollute a stream or a well; The Board is also responsible to perform other functions as may be prescribed or as may, from time to time, be entrusted to it by the Central Board or State Government.

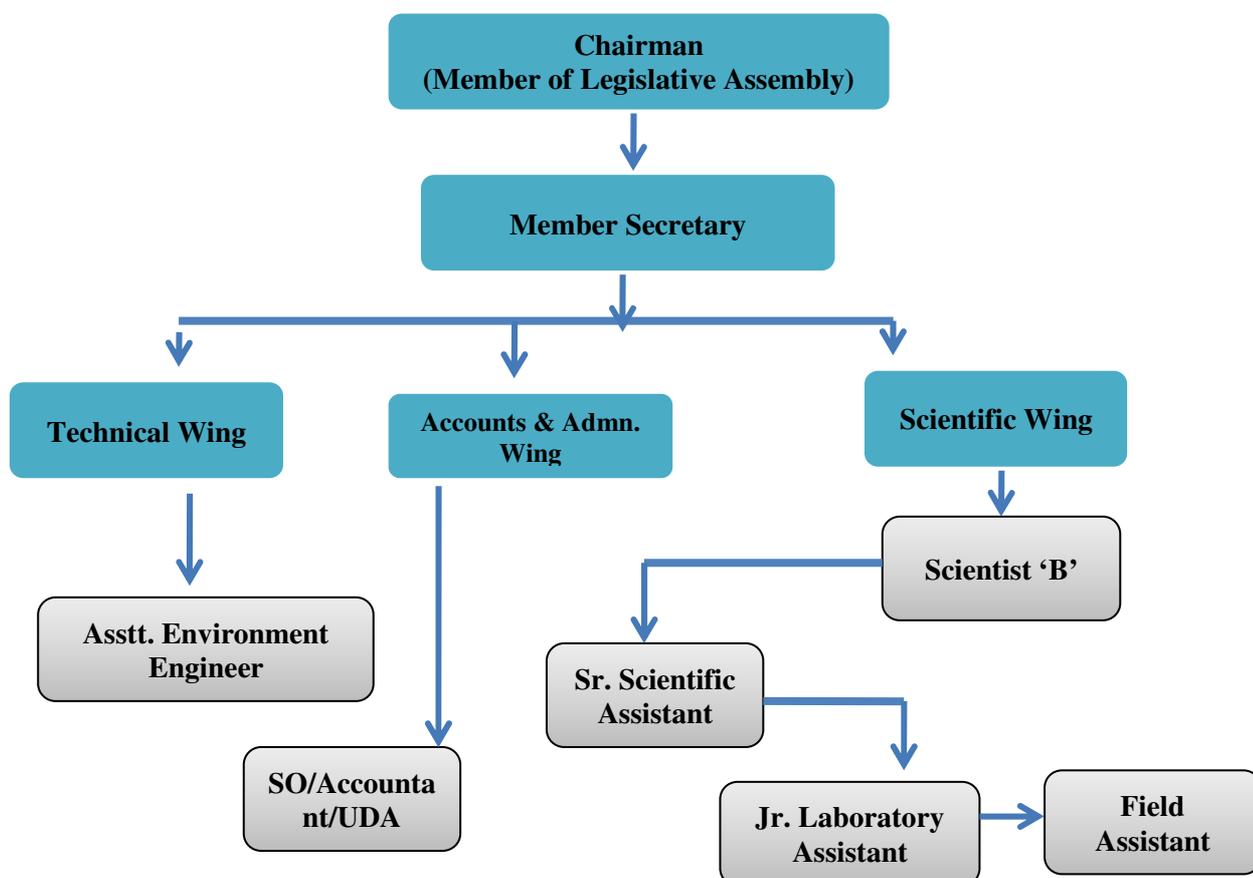
#### **2.4.2 Organisational set up**

The NPCB is headed by the Chairman and assisted by the Member Secretary. The NPCB consist of 11 members who are from the State Government and from other organisations.

There are three wings in the NPCB namely Technical, Scientific and Accounts & Administrative wing. The main function of the Technical Wing is to examine the technical aspects of the project submitted for consideration and issuance of consent. Further the technical person is also required to oversee the performance and assess the effectiveness of pollution control devices installed in the industrial units. The Scientific Wing is to carry out the sampling and analysis of air and water and also monitoring of different aspects for control of pollution in the industrial units/BMW/MSW etc., preparation of analysis reports, inspection of industrial units and up keeping of laboratory. The Administration & Accounts Wing is responsible to look after the establishment aspects, man power managements, preparation of Annual reports of the Board, to conduct Board meetings and any other official matter and to look after the accounting and financial matter of the Board and preparation of Annual Accounts, budget estimates etc.

The organogram of the NPCB is as follows:

**Chart 2.4.1**



### **2.4.3 Audit objectives**

The audit was carried out to assess whether:

- Mechanisms adopted by NPCB to prevent, control and for abatement of pollution are effective and efficient.
- Monitoring by the Board on the compliance of Acts, Rules and conditions, by the stakeholders is efficient and effective.
- Fund management by the Board is efficient to secure optimum utilisation.
- Adequate manpower and effective Internal Control mechanisms exists.

### **2.4.4 Scope of audit**

The Performance Audit on the “Effectiveness in the functioning of State Pollution Control Board” covered the period 2010-15. The adequacy of measures to address environmental pollution and the efficiency with which they were executed, its impact on the improvement of environment quality and fund management relating to pollution and compliance to relevant statutes were covered.

#### **2.4.5 Audit Methodology**

The audit methodology consisted of document analysis, responses to questionnaires, examination of reports & records collected at various levels viz., Board, Urban Development and Housing Department, Public Health Engineering Department, the Municipal Corporation, Healthcare, Health & Family Welfare Department (including hospitals there under), Geology & Mining Department and other involved entities.

A workshop on “Introduction to Environment Audit with special emphasis on Audit of State Pollution Control Boards” was held from 27<sup>th</sup> of April 2015 to 1<sup>st</sup> of May 2015 at International Centre for Environment and Sustainable Development (ICED), Jaipur along with other North Eastern Region (NER) states and discussed the methodology of audit with subject experts.

An entry conference was held (06 August 2015) with the Department of Forest Environment and Wildlife Management, Government of Nagaland and Chairman/Member Secretary of the Board in which scope and methodology of audit was discussed. The draft report was discussed with the representatives of the Government in the exit conference held (06 October 2015). The replies of the Department as well as the views expressed by the Government/Department in the exit conference have been considered and incorporated in the report wherever necessary.

#### **2.4.6 Audit Criteria**

The audit findings were benchmarked against the criteria devised from the following sources:

- The Water (Prevention and Control of Pollution) Act, 1974;
- The Water (Prevention & Control of Pollution) Cess Act, 1977;
- The Public Liability Insurance Act, 1981;
- The Air (Prevention & Control of Pollution) Act, 1981;
- The Environment (Protection) Act, 1986 and the rules made there under i.e. Environment (Protection) Rules, 1986 and the rules made for Management and Handling of Municipal Solid Wastes (1999), the Bio-Medical wastes (1998), Hazardous Wastes (2002), Plastic Wastes (1999), Batteries (2001) and E-waste (2011); and Noise (Regulation and Control) Rules 2000, as amended from time to time;
- Directions and notifications issued by CPCBs, GoI, State Government;
- State PWD Code, Manual and Schedule of Rates.

#### **2.4.7 Acknowledgement**

We acknowledge the co-operation and assistance extended at all levels during the conduct of audit.

## **Audit Findings**

Important Audit findings are discussed in the following paragraphs.

### **2.4.8 Systems to prevent, control and abatement of pollution.**

#### **Deficiencies in prevention and control of pollution**

##### **2.4.8.1 Annual Action Plan**

Annual Action Plan of any organisation defines various activities and sub-activities proposed to be taken up including physical and financial targets to be achieved in the ensuing year in line with the vision and long/short term goals of that organisation.

Audit observed that the Nagaland Pollution Control Board (NPCB) did not prepare Annual Action Plan during 2010-15 indicating lack of proper planning and monitoring of pollution control activities by the Board. The Board accepted it and agreed that Annual Action Plan will be prepared in future.

##### **2.4.8.2 Consent management**

As per Section 25 of the Water Act, 1974, no person shall, without the previous consent of the State Board, establish or take any steps to establish any industry, operation or process or any treatment and disposal system or an extension or addition thereto, which is likely to discharge sewage or trade effluent into a stream/well/sewer/land. Similar provisions were also contained in the Air (Prevention & Control of Pollution) Act, 1981 in respect of persons likely to discharge effluents into the air. Under these Acts, the Board is empowered to issue Consent for Establishment (CFE) and Consent for Operation (CFO). Before expiry of CFOs granted initially, the units are required to renew their CFOs. Examination of records of NPCB, Industry Department and Power Department revealed the following:

##### **2.4.8.3 Industries operating without consent from Board**

As per the records made available by Industries and Commerce Department and Power Department there were 906 and 22060 industrial units respectively in the State during the period. However, as per the records, the Board monitors 752 small scale industries in the State during 2010-15. Thus the Board is not maintaining updated data about the number of industries in the State.

Out of 752 industries, audit observed that 617 (82 *per cent*) were operating without renewing their CFO issued by the Board, after the expiry period ranging from 1 month to 14 years. The Board did not take any penal action such as closure of industry, disconnection of electricity and water supply and any other service as per section 5 of Environment (Protection) Act 1986. In this connection, the Board replied that notifications in the newspaper were made and directions were issued to the industrial units for applying of Consent. Reminders for renewal of Consent are also being issued but due to shortage of manpower the desired actions could not be taken.

#### **2.4.8.4 Non-renewal of Consent under Coal Mining Units**

Nagaland is blessed with rich natural resources. Coal is one such resource which can uplift the economy of the people and the State in general. The coal mining method practiced in the State is mostly rat hole mining but in some districts open cast mining is also practiced.

Examination of records revealed that there were 49 Coal Mining Units identified by the NPCB in the State. Out of this, the authorization of 44 units had expired, however, these units continued to operate without authorization. Further, as per records of Geology and Mining Department, there were three coal mining units operating in the State without consent of the NPCB. Details of these three units are shown in *Appendix-2.4.1*.

The Board in its reply mentioned that it has conducted studies on coal mines in Nagaland during 2011 and 2014 and had issued letters to the units for renewal of consent. Efforts are being made to take along the defaulting coal mines for renewal of consent but due to land ownership system in Nagaland implementation of the rules stringently becomes difficult.

#### **2.4.8.5 Lack of infrastructure facilities at Laboratory**

Under the Water Act, 1974 and the Air Act, 1981 the State Board may establish or recognise laboratory for analysing water/air samples to enable the Board to perform the functions stipulated in those Acts. As per CPCB guidelines, every laboratory should have facilities for a minimum of five essential group tests, viz physical, inorganic, organic, microbiological and toxicological tests for water analysis. For air analysis, the laboratory must have facilities for the first four of the above tests.

The Board had established one laboratory at Dimapur (March 2002). However, audit observed that the laboratory did not have the capacity for conducting all the mandatory tests in analyzing the water/air samples due to lack of mandatory equipments and non-functional equipments (*Appendix 2.4.2* and *2.4.3*). In this connection, the Board replied that out of 57 parameters given by CPCB the laboratory could analyse only 36 parameters due to non-availability of equipment. The analysis reports are being sent to CPCB from time to time.

#### **2.4.8.6 The Air (Prevention & Control of Pollution) Act, 1981**

Air pollution occurs due to increase in the concentration of foreign particles like Respirable Suspended Particulate Matter (RSPM), Sulphur Dioxide (SO<sub>2</sub>), Nitrogen Dioxide (NO<sub>2</sub>), Carbon Monoxide (CO), Lead, Ozone depleting substance etc. which are harmful to living organisms. Increased air pollution adversely affects human health by causing respiratory diseases like asthma, bronchitis, etc. Examination of records revealed the following:

##### **(i) Inadequate monitoring of air quality**

The Board monitored air quality in four monitoring stations in Kohima and Dimapur districts. The CPCB had prescribed (April 2011) a list of 12 important air quality

parameters to be analysed by monitoring laboratory. However, audit observed that the Board could analyse only four air quality parameters viz., Nitrogen dioxide (NO<sub>2</sub>), Sulphur dioxide (SO<sub>2</sub>), Respirable Suspended Particulate Matter (RSPM) and Suspended Particulate Matter (SPM).



As per the Annual Report 2014-15, the annual average Concentration of Respirable Suspended Particulate Matter (RSPM) and Suspended Particulate Matter (SPM) between 2010 and 2014 in respect of Kohima and Dimapur is given in the chart below.

**Chart -2.4.2**

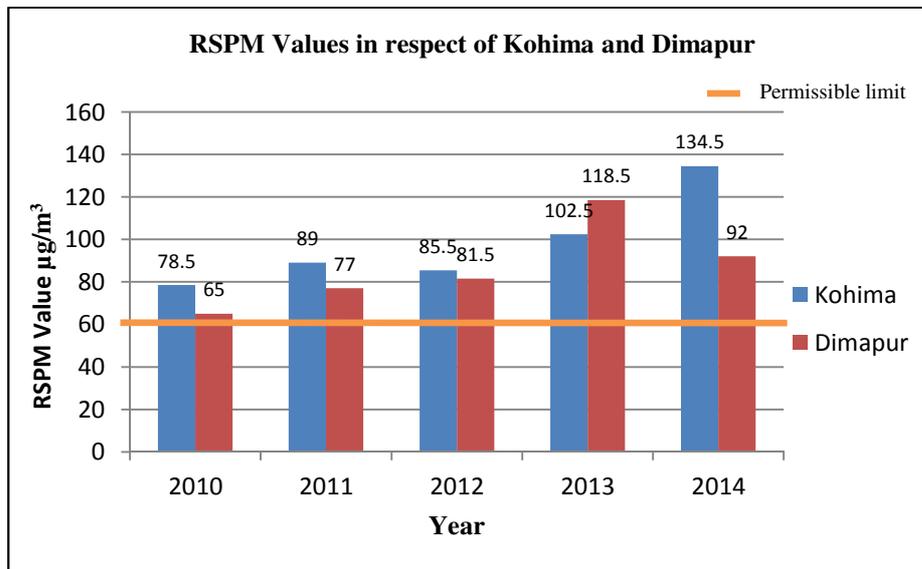
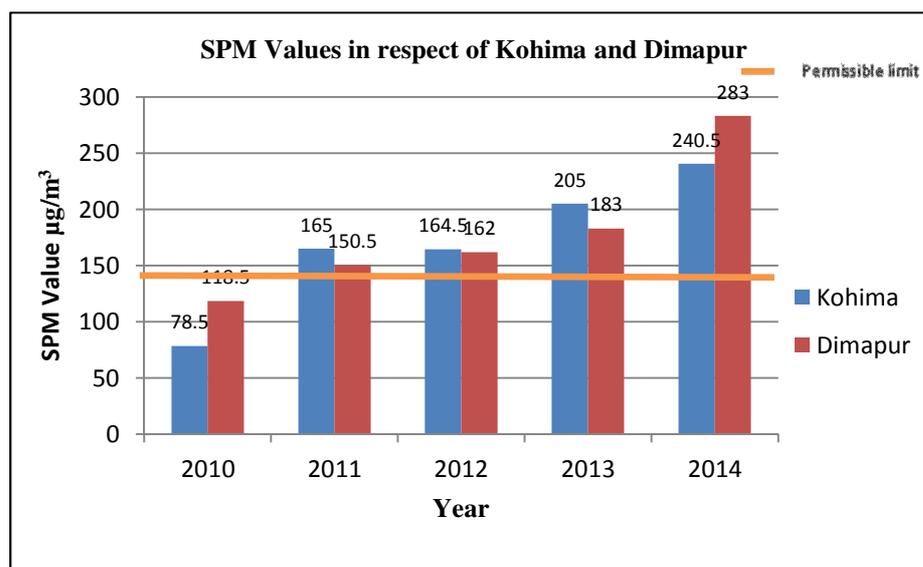


Chart-2.4.3



From the above, it can be seen that Respirable Suspended Particulate Matter (RSPM) values were above the National Ambient Air Quality (NAAQ) standards during the years 2010 to 2014 against the permissible limit prescribed by the Central Pollution Control Board (CPCB) and in respect of Suspended Particulate Matter (SPM) the level was above the permissible limit during the years 2011 to 2014.

The Board neither conducted any study to identify the causes for air pollution nor prepared any action plan to mitigate pollution levels. NPCB in its reply stated that the Board is monitoring 36 parameters only out of 57 parameters prescribed by CPCB with the available machinery. Further, NPCB intimated that the matter was taken up with the Chief Secretary, Government of Nagaland vide letter No. NPCB/NAMP/Tech-2/363 dated 25-05-2015 for preparation of an “Action Plan” for improvement of air quality especially in Dimapur, as Dimapur city has been placed under “Non-attainment city” with respect to Particulate Matter (PM<sub>10</sub>) as per the Ambient Air Quality Standards prescribed by the Government of India.

#### **(ii) Issue of Pollution Under Control Certificates**

As per Rule 115 (7) of the Central Motor Vehicle Rules, 1989, all vehicles after a period of one year from the date of registration are to obtain Pollution Under Control Certificates (PUCs) from the Transport Department once in six months.

There is no system in place for the NPCB to check and issue PUCs of the vehicles and also there is no Vehicular Emission Testing Centre in the State. Transport Department is the concerned authority for issuing Pollution Under Control Certificate of vehicles.

Audit observed that out of 1,54,020 registered vehicles in Kohima and Dimapur up to March 2015, PUCs were issued to 3,833 vehicles only during the last five years. The details of PUCs issued out of available registered vehicles each year is given in **Appendix 2.4.4**. The matter was referred to the Nagaland Pollution Control Board, however, no reply has been received (October 2015).

Thus, large numbers of vehicles are plying in the State without Pollution Under Control Certificate.

**(iii) Unabated air pollution by Stone Crusher**

Air pollution is also caused due to operation of stone crushers in the area. In fact, Silicosis, a lung disease, caused by breathing in tiny bits of silica, a mineral that is part of sand, rock, and mineral ores such as quartz emitted from the stone crushing units affects the workers and residents exposed to silica dust. Over the time, exposure to silica particles causes scarring in the lungs, which harm the ability to breathe. There is no cure for silicosis, but it can only be prevented.

As per the Guidelines issued by the Nagaland Pollution Control Board in 2010, the Stone Crushing Units should have a valid license and should not be located close to residential areas, the crushing machine is to be surrounded with wind breaking walls, growing of trees (green belt) along the periphery and the labourers should be provided with protective gears including mask and must undergo regular health check-up. Any stone crushing unit operating without valid consent shall attract legal actions as per Section 5 of the Environmental (Protection) Act 1986.

The Board identified 107 stone crushers in the State. Examination of records revealed that 90 stone crushers (84 *percent*) were operating without renewing their expired Consent for Operation (CFO) from the Board. There was no effective monitoring by the Board on compliance of the standards for operation of the stone crushers in the State as prescribed in the guidelines. Audit also observed that the Board did not take any preventive measures on the stone crushers located near the residential areas.



Photograph 2.4.2: Stone Crusher near residential area (Burma Camp)

The Board did not conduct regular inspections of the stone crushers; instead inspections were being conducted on receipt of public complaints or at the time of renewal of the Consent for Operation.

In this connection, NPCB replied that they were inspecting and issuing guidelines to the Stone Crushing Units by publishing advertisements on the awareness on “Silicosis disease” caused by pollution from Stone Crushers Units in the newspapers and distributing pamphlet to the public. The reply of the Board is not acceptable as public awareness about the pollution from the Stone Crushing Units is not sufficient. The Board should consider taking legal actions as per Section 5 of the Environmental (Protection) Act 1986 against the Stone Crushers for operating without consent.

**2.4.8.7 The Water (Prevention & Control of Pollution) Act, 1974**

The Water (Prevention & Control of Pollution) Act, 1974 empowers the Board to make any order for the prevention, control or abatement of discharge of waste into streams or wells and requiring any person concerned to construct new systems for the disposal of sewage and trade effluents or to modify, alter or extend any such existing system or to adopt such remedial measures as are necessary to prevent, control or abate water pollution.

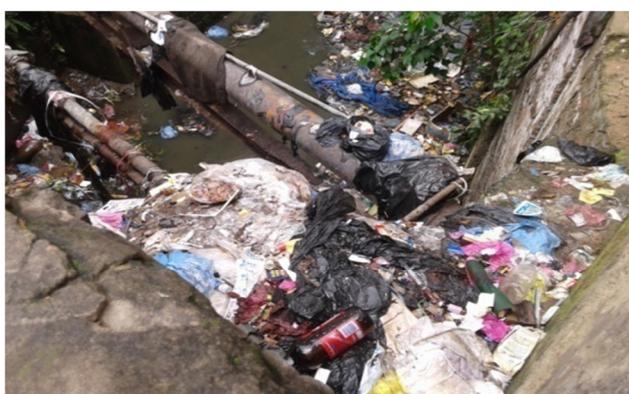
**(i) Lack of sewage treatment facilities in municipal bodies**

Sewage emanating from populated areas is one of the major sources of water pollution. Local bodies have to ensure that the sewage emanating from their jurisdictional areas are not released untreated and are responsible for management of sewage under their jurisdiction.



Photograph 2.4.3: Municipal drain

Audit noticed that no Sewage Treatment Plants (STPs) was set up in Nagaland and there was no information relating to estimated waste water generated per day with the Board or with the Municipalities. The Board had not taken up the issue of non-construction of STPs by the municipal bodies nor advised the Government to take remedial measures for treatment of waste water. NPCB replied that it had highlighted the pollution level of river Dhansiri in Dimapur to the Government in 2011 and had suggested to take up a Sewage Treatment Plant. However, no action has been taken to set up STPs.



Photograph 2.4.4: Solid Waste being disposed in Municipal drain

Thus, due to lack of Sewage Treatment facilities in the municipal bodies, the water bodies i.e. streams, wells, rivers and lakes are being polluted.

#### **2.4.8.8 Noise Pollution (Regulation & Control) Rules, 2002**

Noise has been widely recognised as a major environmental menace in the urban and industrial centres especially in densely populated areas. The annoyance and the consequent adverse health impacts of noise are well established. Noise generated from Industrial operations, transport sector, construction activities, and indiscriminate use of loud speakers during festival days and concerts and bursting of high intensity fire crackers creates serious environmental concern both from the point of view of public annoyance and public health.

Nagaland Pollution Control Board had been creating mass awareness through local papers about noise pollution and its effect on health and environment and subsequently monitors ambient noise level especially during Deepavali. The Board also requested the Transport Department in August 2015 to ban/prohibit manufacture and use of pressure horns/multi-toned horns in vehicles.

As per the Annual Report of the NPCB for the year 2012-13 and 2013-14 the noise pollution level during Deepavali night was higher than the permissible limit both in commercial and residential areas as per details given below:

Table 2.4.1

Year	Commercial Area				Residential Area			
	Permissible limit dB(A)		Actual level during Deepavali dB(A)		Permissible limit dB(A)		Actual level during Deepavali dB(A)	
	Day	Night	Day	Night	Day	Night	Day	Night
2012-13	65	55	87.8	89.1	55	45	73.1	66.4
2013-14	65	55	68.2	50.9	55	45	75.1	60.2

In normal days the levels of noise in both commercial and residential areas were within the permissible limit.

#### **2.4.8.9 Management of Bio-Medical Wastes (BMW), 1998**

As per the Bio-Medical Waste (Management and Handling) Rules-1998, it is the duty of every occupier of an institution generating bio-medical waste to take all necessary steps to ensure that such waste is handled without any adverse effect to human health and environment.

##### **(i) Health Care Establishment (HCEs) functioning without valid BMW authorization and BMW treatment facilities**

As per the Bio-Medical Waste (Management and Handling) Rules- 1998, every Health Care Establishments (HCEs) including veterinary institutions generating, collecting, receiving, storing, transporting, treating, disposing and/or handling bio-medical waste in any other manner, except such occupier of clinics, dispensaries, pathological laboratories, blood banks providing treatment/ service to less than 1000 per month, shall make an application to the NPCB for grant of authorization.



Photograph 2.4.5: Incinerator at District Hospital Dimapur

Examination of records revealed that 113 (excluding veterinary institutions) Health Care Establishments (HCEs) were identified by the NPCB in the State. Out of this, 112 HCEs were granted authorization by the NPCB. As of August 2015, the consent of authorization of 68 HCEs had expired, however, these HCEs continued to operate.

The Rules also stipulates that every occupier shall set up requisite BMW treatment facilities like incinerator, autoclave, microwave system for treatment of waste or ensure requisite treatment of waste by having a tie up with a common BMW treatment facility. Audit observed that 109 out of 112 HCEs did not dispose of the medical waste as per rule due to lack of facilities.

Also, Zunheboto District Hospital did not apply for consent/authorization as of August 2015. The Board had also directed the Medical Superintendent (MS), District Hospital, Zunheboto to obtain consent/ authorisation to establish/operate from the prescribed authority but no reply has been received as of August 2015.

Further, the Board had requested the Commissioner & Secretary, Department of Veterinary & Animal Husbandry to provide the list of Health Care Facilities but no reply has been received as of August 2015.

During 2011-12, the Health & Family Welfare Department had issued four incinerator machines amounting to ₹ 3.40 crore to four districts hospitals (Kohima/ Dimapur/ Mokokchung/ Phek). However, Audit observed that the incinerators in the four districts hospitals were not put into use as of August 2015 due to absence of trained operators. Thus, the purpose of procurement of incinerator machines by incurring an expenditure of ₹ 3.40 crore was defeated, further, due to wear and tear, the machines may not be fit for use as on date.

The matter was referred to the Board, however, no reply has been received (October 2015).

**2.4.8.10 Municipal Solid Wastes (Management and Handling) Rules, 2000**

As per the annual reports of town council/committees, submitted to the NPCB it is noticed that the collection of wastes in Nagaland is done manually in almost all towns; however in Dimapur town it is also collected by loaders. The wastes are dumped in the open spaces, which is the most primitive way of disposing. The waste are mostly untreated biomedical wastes, e-waste and are not segregated which gets mixed with other municipal wastes. The dumping sites are a breeding ground for flies, rats and other insects that spread disease as there are no facility for processing bio-degradable waste and all the waste generated from all the sources are dumped together, thus, creating unhygienic environment. Further, rainwater run-off from these dumping sites contaminates the nearby land and water bodies.



Photograph 2.4.6: Dimapur Municipal Council Waste Dumping Site

The Municipal Solid Waste (MSW) Rules also stipulates that both water and ambient air quality in and around landfill sites needs to be monitored to ensure that the ground water and ambient air quality is not contaminated beyond acceptable limit. Audit observed that the Board did not constantly monitor air and ground water quality in and around the dump yard/site. As a result, municipal solid wastes were being dumped at open places without treatment which was hazardous to human beings and the ecosystem.

NPCB replied that a demonstration project on the implementation of Municipal Solid Waste (Management & Handling) Rules, 2000 was carried out in Kohima by the Kohima Municipal Council sponsored by the Central Pollution Control Board with the technical inputs from NPCB. Further, it is also stated that a Solid Waste Management facility at Kohima District will be commissioned shortly.

**2.4.8.11 Hazardous Waste (Management, Handling & Transboundary Movement) Rules, 2008**

As per the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, “hazardous waste” means any waste which by reason of any of its physical, chemical, reactive, toxic, flammable, explosive or corrosive characteristics

causes danger or is likely to cause danger to health or environment, whether alone or when in contact with other wastes or substances.

As per the provisions of the Hazardous Wastes (Management, Handling and Transboundary Movement) Rules, 2008, every person who is engaged in generation, processing, treatment, package, storage, transportation, use, collection, destruction, conversion, offering for sale, transfer or like of the hazardous waste shall require to obtain an authorization from the State Pollution Control Board. Further, the Board has to perform inventorisation of hazardous wastes, grant and renewal of authorisation, registration and renewal of registration of recyclers/ re-processors, monitoring of compliance of various provisions and conditions of authorisation for implementation of programmes to prevent/reduce/minimise the generation of hazardous wastes and initiate action against the violations.

Examination of records revealed that there are only two industrial units in Nagaland generating hazardous waste viz., Greenply Industries Ltd. Mon and IOC Ltd Depot Dimapur. Since the hazardous waste generation in all the north eastern states including Nagaland is negligible the Government of India has initiated to set up a hazardous waste disposal plant in Assam.

Accordingly, hazardous waste is transported to Assam for disposal after authorisation from the Board as there is no Treatment Storage & Disposal Facility (TSDF) in the State. Audit observed that the hazardous waste generated by IOC Ltd Depot is being transported to Assam for disposal after obtaining No Objection Certificate (NOC) from NPCB. However, NPCB has intimated that hazardous wastes in respect of Greenply Industries Ltd is negligible and are not transported to Assam for disposal.

#### **2.4.8.12 Plastic Waste (Management & Handling) Rules, 2011**

Management of plastic waste has become a major concern which creates environmental problems as it is non-biodegradable. The Municipal Authorities are responsible for collection, storage, segregation, transportation, processing and disposal of plastic waste in their respective municipality. No data is available with NPCB regarding the amount of plastic waste generated in Nagaland. Plastic waste constitutes a significant portion of the total municipal solid waste. However, audit noticed that Plastic bags are disposed in a haphazard manner, thus, choking the drains and destroying landscapes.

To address the plastics waste disposal issue, NPCB constructed a road leading to its office by reusing the plastic waste as per the “Indicative Operational Guidelines on Construction of Polymer – Bitumen Roads for reuse of waste plastics” published by the Central Pollution Control Board.

As per the Board inventory report there are five plastic manufacturing industrial units in the State. These industries manufacture mugs, flower pots, water tanks & pipes, dustbins, jerry cans etc. NPCB in its reply stated that all the plastic manufacturing units in the State are small scale and as such no waste is generated. However, the fact remains that NPCB has no data regarding the amount of plastic waste generated in the State.

**2.4.8.13 Electronic Waste (Management & Handling) Rules, 2011**

E-waste consists of all waste from electronic and electrical appliances which have reached their end-of-life period or are no longer fit for their original intended use and are destined for recovery, recycling or disposal. E-wastes contain toxic substances many of which causes cancer.

As per the record of NPCB there is no collection/dismantling/recycling unit for electronic waste in the State. Scrap dealers are the main collectors of all kinds of waste including e-waste. After collecting the e-waste from various sources and common bins, they extract the valuable items and dispose the residue at the dumping site. NPCB has no data regarding the amount of electronic waste generated in the State. NPCB has accepted the fact and has not offered any comment.

**2.4.9 *Monitoring on the compliance of Acts, Rules and conditions by the Board.***

**2.4.9.1 Inadequate compliance of laws, Acts and Rules**

The Environment Acts empowered the State Pollution Control Boards to take all such measures necessary for prevention, control and abatement of environmental pollution, to take appropriate action for regulation and control of any industry, operation or process and to initiate legal proceedings in the cases of infringement of environmental laws.

Audit observed that the Board had issued 48 directions and orders under the Air/ Water/ Environmental Pollution Acts and Rules during the period from 2010-14. Based on these directions and orders, closure notices were issued to seven firms engaged in stone crushing/ hot mix plant/ diesel generator operating and mobile communication business. However, no records were available relating to legal action initiated by the Board against the defaulting firms and institutions. This indicates that apart from issuing notices, the PCB was not pursuing the matter relating to deviant entities.

NPCB replied that with minimum manpower it had implemented the various laws, Acts and Rules and had successfully close down the seven firms. It is also observed that the NPCB has not set up its own legal cell to address the issues (October 2015).

**2.4.10 *Financial Management.***

**2.4.10.1 Funds management**

Financial resources of the NPCB comprised of financial assistance from the Central Pollution Control Board (CPCB), GoI, GoN, consent fee, authorization fee etc. The available fund and expenditure of NPCB during the last five years is as follows:

Table: 2.4.2

*₹ in lakh*

Year	Opening balance	Assistance from CPCB and GoI	Assistance from GoN	Internal resources of NSPCB			Total available funds	Total Expenditure	Percentage of Expenditure	Closing Balance
				Consent Fee	Authorisation Fee	Other resources				
2010-11	25.93	222.62	57.44	11.33	1.59	0.30	319.21	247.78	77.62	71.43
2011-12	71.43	95.20	87.08	11.33	1.30	0.02	266.36	230.29	86.46	36.07
2012-13	36.07	132.78	94.08	16.53	1.81	1.39	282.66	246.73	87.29	35.93
2013-14	35.93	102.85	264.08	8.92	1.13	7.51	420.42	396.29	94.26	24.13
2014-15	24.13	99.58	64.08	11.71	1.27	4.61	205.38	178.10	86.72	27.28
<b>Total</b>		<b>653.02</b>	<b>566.76</b>	<b>59.82</b>	<b>7.10</b>	<b>13.83</b>		<b>1299.19</b>		<b>27.28</b>

(Source: Information provided by the NSPCB)

From the above table it can be seen that at the beginning of 2010-11 the opening balance was ₹ 25.93 lakh. During 2010-15 the Board received ₹ 653.02 lakh as assistance from Central Pollution Control Board (CPCB) and Government of India and ₹ 566.76 lakh from Government of Nagaland. The Board also collected revenue of ₹ 80.75 lakh from internal resources. The Board incurred expenditure of ₹ 1299.19 lakh during the five years for procurement of laboratory equipment, training purposes, stationeries and payment of salaries. The utilization of funds during the last five years ranged between 78 per cent and 94 per cent.

#### 2.4.11 Manpower management and internal control mechanism.

Efficient functioning of an organisation depends on the availability of requisite manpower and proper management of the available manpower. Besides, an effective internal audit provides assurance about proper maintenance of accounts and also to regulate the implementation of various schemes and programmes.

##### 2.4.11.1 Manpower management

Examination (August 2015) of records disclosed that the Board was functioning with eight scientific/technical staffs, out of which five were laboratory staffs. Moreover, with the increasing responsibilities and volume of work, the Board had proposed for sanctioning of seven additional technical posts to the Principal Secretary, Department of Forests, Ecology, Environment & Wildlife, Government of Nagaland in June 2014 and subsequent reminder in April 2015. However, no additional post was sanctioned. (December 2015).

Details of Sanctioned strength and men-in-position are as below:

Table-2.4.3

Sl. No.	Designation	Sanctioned Strength	Men-in-position
1.	Chairman	01	01
2.	Member Secretary	01	01
3.	Scientist 'B' (Grade I)	01	01
4.	Asst. Environment Engineer (Grade I)	01	01
5.	Sr. Scientific Assistant (Grade II)	01	01
6.	Asst. Field Officer	01	01
7.	Jr. Laboratory Assistant (Grade III)	02	02
8.	Data Entry Operator (Grade III)	01	01

Sl. No.	Designation	Sanctioned Strength	Men-in-position
9.	Field/Lab Attendant (Grade IV)	02	02
10.	Accountant (Grade II)	01	01
11.	Office Assistant (LDA) (Grade III)	01	01
12.	Driver (Grade IV)	02	02
13.	Office Peon (Grade IV)	01	01
14.	Chowkidar (Grade IV)	01	01
<b>Total</b>		<b>17</b>	<b>17</b>

From the above table, it can be seen that there is no shortage of manpower as per the sanctioned strength.

#### **2.4.11.2 Coverage of Internal audit.**

As per the section 40 (2) of the Water (Prevention and Control of Pollution) Act, 1974, internal audit of NPCB is to be conducted by a Chartered Accountant as per Section 226 of the Companies Act, 1956 (1 of 1956). However, audit noticed that no internal audit was conducted in NPCB during the last five years.

#### **2.4.11.3 Board meetings**

As per section 8 of the Water (Prevention & Control of Pollution) Act, 1974 and section 10 of the Air (Prevention & Control of Pollution) Act, 1981, the Board shall meet at least once in every three months with regard to functioning of the State Board.

Nagaland Pollution Control Board was constituted by the Government of Nagaland in the year 1991 in pursuance of Sub-section (1) of Section 4 of the Water (Prevention and Control of Pollution) Act, 1974. The Board consisted of eleven members and started functioning from March 2002 with the establishment of its Office-cum-Laboratory at Dimapur.

Audit observed that Nagaland Pollution Control Board (NPCB) conducted only four Board meetings against the requirement of minimum of 20 during the five year period (2010-15). Further, out of the total of 11 members, two to six members remained absent in each meeting. Thus, in the absence of the representatives in the meetings at regular intervals, the main objective of sitting of the board was defeated.

NPCB accepted (October 2015) the fact and stated that the same is noted for improvement in future.

#### **2.4.11.4 Non development of Management Information System (MIS)**

The Board monitors 752 industries (small/medium) directly in the State. The Board maintained data on all the industries manually. In the absence of computerized MIS, information like number of industries due for verification, number of industries verified, number of units running without obtaining CTE/CTO could not be verified in audit. NPCB accepted the fact and stated that it is noted for improvement in future.

#### **2.4.11.5 Inadequate inspection of industries**

As per instructions issued in the notification (December 1999) by the Ministry of Environment and Forest, GoI, small scale industries under Red (highly polluting) category classification shall be inspected at least once in a year. Audit observed that

173 small scale industries under red category existed in the State as of March 2015. Even if the minimum periodicity (once in a year) of inspection is considered, there was average shortfall of 45 *per cent* in inspection of red category industries during 2010-11 to 2014-15 as given in the table below.

Table: 2.4.4

Details of short fall in conducting inspections of industries					
Year	Total No. of Red Category Industries	No of inspections to be conducted as per the Act	No of Inspections Conducted	Shortfall in Inspection	Percentage of shortfall
2010-11	57	57	38	19	33.33
2011-12	92	92	44	48	52.17
2012-13	113	113	63	50	44.25
2013-14	145	145	83	62	42.76
2014-15	173	173	91	82	47.40
<b>Total</b>		<b>580</b>	<b>319</b>	<b>261</b>	<b>45</b>

Audit also observed that the Board was inspecting the industries only at the time of renewal of consent for operation or on receipt of specific complaints. In this connection, NPCB replied that the constraints of manpower and facilities to transport the testing equipment to the units had been the major drawbacks.

#### 2.4.12 Conclusion

During the period covered in audit the NPCB did not prepare Annual Action Plan and therefore the activities undertaken were adhoc in nature. The Laboratory at Dimapur did not have facilities and equipment to analyse necessary parameters of water and air quality. Available equipment was non-functional in some cases. Several industries, coal mining units and healthcare establishments were operating without valid/ renewed Consent for Operation. Out of 112 HCEs, 109 Health Care Establishments (HCE) did not have the Bio-medical Treatment facility. Majority of vehicles are plying without Pollution Under Control Certificates. There was substantial shortfall in conducting inspections of even highest polluting 'Red' category industries. Monitoring and action taken on compliance of environmental norms by the Board were not sufficient and effective. The Board did not efficiently take up the issue of non-construction of Sewage Treatment Plants (STPs) by Municipal bodies nor advised the Government to take remedial measures.

#### Recommendation

- *The Board should prepare comprehensive Action Plans to counter all types of pollution in the affected areas;*
- *Regular inspections should be conducted and follow up action initiated against industries particularly in respect of "Red" category;*
- *The Board should assess the requirement of Sewage Treatment Plants (STPs) in the State and ensure that sufficient number of STPs are installed to treat the sewage water especially the sewage discharged into rivers;*

- *The Board should take action as per Act against the industries which are running without Consent to Operate.*
- *The MIS of the Board should be computerised.*

## **AGRICULTURE AND ALLIED DEPARTMENTS**

### **2.5 Nagaland Bamboo Development Agency**

Nagaland Bamboo Development Agency (NBDA) is a registered society<sup>3</sup> set up with the objectives to protect and conserve bio-diversity associated with bamboo forest and bamboo grown areas in the State, sustainable development and utilisation of bamboo resources through scientific management, promotion of bamboo plantations for future economy of the State and promotion of bamboo based industries by utilising the available resources for generating income. The NBDA started functioning with effect from 06 October 2004.

#### **Highlights**

*Improper classification of Forest Area and Non-Forest Area led to avoidable expenditure of ₹ 47.10 crore.*

**Paragraph 2.5.8.2**

*Funds of ₹ 1.86 crore sanctioned by NBM for plantation activities was diverted to other activities.*

**Paragraph 2.5.9.4**

*The agency procured saplings in excess of norm resulting in avoidable expenditure of ₹ 7.09 crore.*

**Paragraph 2.5.10.1**

*An amount of ₹ 0.32 crore released by NBM for disease and pest control was not utilised by the Board for the purpose resulting in high mortality ranging from 33 per cent to 39 per cent.*

**Paragraph 2.5.10.2**

*NBDA failed to set up 11 bamboo bazaars and 3 whole sale markets resulting in retention of unutilised funds amounting to ₹ 0.93 crore.*

**Paragraph 2.5.11.1**

#### **2.5.1 Introduction**

Ministry of Agriculture, Department of Agriculture & Cooperation, Government of India has decided to implement a scheme 'National Bamboo Mission' in 2006-07 for addressing the issues relating to the development of bamboo in the country with 100 per cent central assistance.

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<sup>3</sup>A Government Autonomous Body under Societies Act 1860 as amended vide Registration of Societies (Nagaland First Amendment) Act 1969 on 06.10.2004

In Nagaland the NBM schemes are being implemented by NBDA through Village Bamboo Development Committees (VBDCs). The audit of Nagaland Bamboo Development Agency (NBDA) covering the period 2010-15 was taken up during May to July 2015 to examine the efficiency, effectiveness and economy in implementation of the policies of the National Bamboo Mission (NBM) in Nagaland. The activities of the NBDA *inter alia* include extending financial and technical support to the bamboo farmers for setting up nurseries, wholesale/retail markets & bamboo bazaars, bamboo crafts production units, pest and disease control, installation of micro irrigation facilities, providing saplings/planting materials, etc.

### 2.5.2 Organisational set up

The management of the NBDA is entrusted to the governing body<sup>4</sup> with the Chief Minister as the ex-officio Chairman. The governing body comprise of Advisor NBDA, Minister of Agriculture & Horticulture, Minister of Forest, Minister of Industries and Commerce, Minister of Rural Development, Chief Secretary, Agricultural Production Commissioner, Development Commissioner, Finance Commissioner, Principal Secretary, Forest, Principal Secretary, Agriculture and Secretary, Industry as its members. The governing body prepares, considers and approves the policies and strategies of the Society. The Chief Executive Officer (Team Leader) executes the decision of the governing body of NBDA. The Team Leader is assisted by three Deputy Team Leaders. The execution of the decisions of the governing body is carried out through the Group of Members who acts as nodal officers in charge of the districts. The Group of Members supervises and monitors the execution of the policies through Village Bamboo Development Committees (VBDC).

### 2.5.3 Audit Objectives

The audit of NBDA was conducted to ascertain whether:-

- proper planning exists for a scientific and holistic approach to the cultivation and management of Bamboo;
- finances of Bamboo Development Agency was managed economically, efficiently and effectively;
- execution of Government funded projects, research, training and developmental activities were managed economically, efficiently and effectively;
- promotional facilities/activities for entrepreneurs and provisions for marketing of the end products exist; and
- monitoring mechanism and evaluation procedures were in place to ensure achievement of the Mission's objective.

### 2.5.4 Scope of Audit

The audit covered office of the NBDA, Dimapur and plantation areas in eight districts for the period from 2010-15. Eight out of 11 districts were selected on the basis of accessibility. Twenty five *per cent* of the plantation area was physically verified and 25

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<sup>4</sup>Constituted as per Rules and Regulations of the Society.

per cent of the micro-processing units and Nurseries were selected for physical verification on the basis of funded amounts.

#### **2.5.5 Audit Methodology**

Audit methodology comprised examination of records, response to questionnaires, beneficiary survey, joint physical verification and issue of audit observations. An entry conference was held on 6 May 2015 with the Team Leader cum Secretary and other officers of NBDA in which audit objectives were discussed. The draft report was issued to the Department for their replies. The report was discussed in exit conference (11 September 2015) with the representatives of the Department. The replies and views expressed by the representatives of the Department/Government in the exit conference were taken into consideration while finalising the report.

#### **2.5.6 Audit Criteria**

Audit criteria was benchmarked from the following sources:

- NBM Operational guidelines–2008 & 2014;
- Nagaland Bamboo Policy 2004;
- Societies (Nagaland First Amendment) Act 1969;
- Memorandum of Association of NBDA;
- The financial propriety as stipulated in the GFR;
- Orders/Notifications issued by the competent authority.

#### **2.5.7 Acknowledgement**

We acknowledge the co-operation and assistance extended at all levels during the conduct of audit.

### **Audit Findings**

#### **2.5.8 A scientific planning and holistic approach to the bamboo cultivation.**

##### **2.5.8 Deficiencies in planning process**

###### **2.5.8.1 Non preparation of Bamboo Development Mission Document**

As per para 5.1 of the NBM Operational guidelines, the State was required to prepare a Bamboo Development Mission Document (BDMD) projecting a plan of action for the last quarter of the X Plan and XI Plan periods. The BDMD was to form the basis of the Annual Action Plan (AAP). However, audit observed that NBDA did not prepare the BDMD.

It was stated by NBDA that BDMD was prepared under the name and title of “Approach to Bamboo Development in Nagaland-Action Plan Report”. The reply is not tenable as the said document projected the plan of action for the period from 2006-07 to 2008-09. Thus, the fact remained that there was no mission document for the period from 2009-10 till date.

### 2.5.8.2 Improper classification of landholding

According to para 6.4.5 of NBM operational guidelines, “Forest Area” are the lands under title of the Ministry of Environment and Forest (MoEF) whereas the “Non-Forest Areas” are the areas under the title of the individual farmers/communities. It was observed that proper bifurcation of forest land was not done which resulted in the following lapses in the implementation of the mission:

As per the NBM operational guidelines, the estimated cost for area expansion in Forest area is ₹ 25000 per Ha and for Non-Forest Areas is ₹ 16,000 per Ha upto 2013-14 and ₹ 42,000 and ₹ 30,000 for forest and non-forest areas respectively during 2014-15. Upto 2013-14 the assistance in non-forest area was limited to 50 *per cent* of the cultivation cost subject to ceiling of ₹ 8,000 per hectre whereas from 2014-15 the financial assistance was admissible at 33.33 *per cent* of the cultivation cost amounting to a maximum of ₹ 10,000 which would be released in three annual installments in the ratio of 2:1:1 i.e. ₹ 5000, ₹ 2,500 and ₹ 2,500 in 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> year respectively. As per guidelines, the assistance for the second year would be subject to 90 *per cent* survival of the plants in forest and non-forest areas.

Examination of records revealed that financial assistance of ₹ 25.42 crore were extended to the farmers and communities at the rate applicable for forest areas instead of the rate for non-forest areas resulting in excess payment of ₹ 16.24 crore.

Audit also noticed that financial assistance of ₹ 30.86 crore in the second year was extended to the farmers where the survival rate of the plants was less than 70 percent in contravention of the guidelines.

Thus, there was an overall excess/inadmissible payment of financial assistance of ₹ 47.10 crore as shown in *Appendix –2.5.1*.

In reply, the NBDA stated that the lands on which the plantation was undertaken were forest lands as defined under the Nagaland *Jhum* land Act, 1970. It was further replied that the fact of land holding system and the rate of assistance to the private farmers were reconfirmed and approved by the peer review committee of the NBM led by Dr. K.G. Prasad in the year 2008. Further, the granting authority has taken note of the ground reality about the mortality and approved the extension of the second yearly assistance to the farmers. The reply is not acceptable as the classification of area according to NBM guidelines, was not on the basis of geographical nature but on the basis of land holding pattern since it was associated with the entitlement of plantation assistance.

### 2.5.8.3 Inadequate Nurseries

Para 6.5 of the operational guidelines-2014 of NBM stipulates that a sizeable quantity of quality materials would be required for raising plantation which would be achieved through establishment of centralised and decentralised nurseries. The forestry and non-forestry sector will deal with centralised nurseries capable of producing 50,000

seedlings per nursery per year and decentralised nurseries (Kisan & Mahila) capable of raising 10,000 and 5000 seedlings per unit per year.

As per annexure-6 of the guidelines-2008, 416 saplings were required for plantation per hectre of land. The State has a total of 28 nurseries (18 centralised, 8 Kissan/Mahila and 2 private nurseries) with a total capacity to produce 10.40 lakh <sup>5</sup>saplings which is equivalent to the requirement of 2500 Ha per annum. The area under plantation during 2010-15 was 22710 Ha. Thus, there was acute shortage of saplings in the State which required an intensive effort to increase the number of nurseries and sapling production.

The total bamboo cultivation area covered was 22710 hectares during the five year period (2010-2015) with an average annual coverage of 4542 hectares during those years. However, in the year 2014-15, the NBM accorded approval for coverage of 1000 hectares only which was much below the average annual coverage.

It was replied by the Government (September 2015) that 10.40 lakh sapling is the minimum capacity of the nurseries. Hence, the nurseries were engaged in raising three batches of saplings annually to cater the need of the state. However, the state agency is pursuing NBM for sanctioning more nurseries. The reply is not tenable as no documentary proof with regards to the production of three batches of saplings annually was made available to audit.

#### **2.5.8.4 Inadequate planning for irrigation system**

Availability of irrigation facilities is essential for bamboo plantation during the summer season for better yield. Areas in need of irrigation facilities were to be identified by Drought Prone Area Programme (DPAP) and financial assistance at the rate of ₹ 20,000 per hectare was to be extended to the beneficiaries in non-forest areas.

Examination of records revealed that for installation of micro irrigation facilities, NBM sanctioned ₹ 60 lakh for two years (2012-13 for 100 Ha (₹ 20 lakh) and 2013-14 for 200 Ha (₹ 40 lakh)). However, the agency spent only ₹ 50 lakh<sup>6</sup> covering only 250 Ha as per demand received from the farmers.

It was observed that during 2010-15, plantation was undertaken on 22710 hectares of land and the mortality rate during 2010-14 was recorded to be between 33 to 39 *per cent* (Mortality for 2014-15 was not worked out by NBDA so far). Beneficiary survey revealed that irrigation facilities was provided only in 250 hectares of land and the reason for such high mortality was attributed to scarcity of water which could have been effectively addressed by providing adequate irrigational facilities.

In reply, the NBDA stated that the matter is being taken up with NBM to increase the allocation for the purpose.

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<sup>5</sup> Information furnished by the NBDA

<sup>6</sup>2012-13: ₹10 lakh & 2013-14: ₹ 40 lakh

## 2.5.9 Financial Management

### 2.5.9.1 Fund Position

The grants received and utilized by NBDA during the period from 2010-15 is tabulated below:

**Table -2.5.1**

₹ in crore					
Years	Opening Balance	Grants Received from NBM	Total	Utilisation	Closing Balance
2010-11	0.44	11.55	11.99	10.65	1.34
2011-12	1.34	17.00	18.34	18.05	0.29
2012-13	0.29	16.60	16.89	15.01	1.88
2013-14	1.88	20.29	22.18	19.50	2.68
2014-15	2.68	11.36	14.04	12.72	1.32
<b>Total</b>		<b>76.80</b>		<b>75.93</b>	

(Source: Management figures)

It can be seen from the table above that NBDA received grant of Rs. 76.80 crore during 2010-15 and utilised Rs. 75.93 crore (98.87 percent). The unutilised balance was kept in current account of NBDA.

### 2.5.9.2 Differences in Receipt and Payment account and progress report

The UCs<sup>7</sup> prepared on the basis of receipt and payment account were required to be submitted regularly by NBDA to NBM along with the Progress Report in respect of funds received for extending support to bamboo growers and other associated activities.

Examination of records revealed that the plantation assistance extended to the bamboo growers were recorded under three heads namely (i) Plantation assistance (ii) Purchase of sapling and (iii) Transportation cost. As per the Receipt and Payment account, NBDA had spent ₹ 61.20 crore under these heads during 2010-15. However, the total expenditure as per the Progress Report for the same period was ₹ 53.37 crore only. Thus, the expenditure under the same head in the Receipt and Payment account was overstated by ₹ 7.83 crore as shown in *Appendix 2.5.2*.

The NBDA stated (September 2015) that the discrepancy was due to clearance of outstanding liabilities like delay in release of plantation assistance of previous years to the beneficiaries. The reply is not acceptable as all payments made during the year should be reflected in the accounts.

### 2.5.9.3 Excess expenditure for raising nurseries

As per para 6.6 of the NBM operational guidelines-2008, the financial assistance for raising centralised private nurseries i.e. the nurseries set up by the private parties with NBM assistance was 25 per cent of the cost subject to maximum of ₹ 68,000 and for kisan nurseries/mahila nurseries was 25 per cent subject to a maximum of ₹ 6,500. As per guidelines-2008, the required area for centralised private nurseries was 0.25 Ha (27225 sq ft) and 0.10 Ha (10890 sq ft) for kisan and mahila nurseries respectively.

<sup>7</sup>In Form GFR 19-A along with the Audit Report.

Thus, the rate of financial assistance was worked out at ₹ 2.50 per sq ft and ₹ 0.60 per sq ft for centralised private nurseries and kisan /mahila nurseries respectively.

Out of the 28 nurseries raised with NBM assistance in the State, there were eight kisan/mahila nurseries and 18 centralised private nurseries. The area of centralised private nurseries was 800 square feet each and that of the kisan/mahila nurseries were 300 square feet each. Hence, the amount admissible as per the Guidelines 2008 was 25 per cent of the estimated cost of the nurseries i.e. ₹ 2006 (800 sq ft @ ₹ 2.50) and ₹ 179 (300 sq ft @ ₹ 0.60/-) for centralised private and kisan/mahila nurseries respectively whereas the assistance extended to them was ₹ 68,000 per centralised private nursery and ₹ 6500 per kisan/mahila nurseries resulting in excess expenditure of ₹ 12.38 lakh<sup>8</sup>.

Further, physical verification of three<sup>9</sup> nurseries in Dimapur which were established in 2008-09, revealed that none of the nurseries dealt in bamboo saplings. The entrepreneurs stated that bamboo saplings production had been stopped since last three years. Thus the assistance extended to the entrepreneurs turn out to be fruitless. It was also noticed that no agreement was executed between the entrepreneurs and the NBDA with regard to the continuation of the production of bamboo saplings. As no conditions were laid down in the guidelines the beneficiaries discontinued producing the saplings after obtaining the financial assistance.

In reply, the NBDA stated (September 2015) that the area of 800 Sqft and 300 Sqft stated in report was not the total area of the nursery but the minimum land holding area which was used as pre condition for selecting the eligible beneficiaries. The reply is not tenable as the same information was furnished to audit by the management.

#### **2.5.9.4 Diversion of funds from NBM activities to administrative activities.**

During 2010-15, the agency was allocated an amount of ₹ 1.48 crore under “Consultancy Services” which are utilised to meet administrative expenses of the agency as other grants are received for bamboo development activities.

Examination of records revealed that an amount of ₹ 0.39 crore was spent on “Consultancy Services” and diverted ₹ 1.09 crore on other administrative components like payment of salary, honorarium, office expenditure etc. out of the total allocated fund of ₹ 1.48 crore.

In reply, the NBDA stated (September 2015) that the expenditure was incurred on bamboo activities such as Photograph/ Brochures/Leaflets (₹ 2.82 lakh), Hornbill Festival (₹ 15.88 lakh), World Bamboo Day (WBD) Expenditure (₹ 28.29 lakh), Base line data (₹ 4.00 lakh) and Advertisement (₹ 1.30 lakh). The reply is not tenable as funds were not allocated for the expenditures as mentioned by NBDA for those years.

#### **2.5.9.5 Diversion of funds from plantation activities to other activities**

During 2010-11 NBM sanctioned ₹ 6.88 crore for plantation activities (first year assistance). Examination of records revealed that the UC was furnished to the NBM

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<sup>8</sup>{18(68000-2006) + 8(6500-179)}.

<sup>9</sup>RD Nurseries, Heka Nursery and Bito Nursery.

indicating utilisation of the entire amount received from NBM under different components during the year 2010-11. However, the “Revised Progress Report” as on 31 March 2011 of NBDA disclosed that ₹ 5.02 crore was incurred as expenditure towards financial assistance. As the sanctioned amount during 2010-11 was shown as fully utilised, an amount of ₹ 1.86 crore was diverted to other activities.

In reply, NBDA stated (September 2015) that the diversion of fund was need based and inevitable. The reply is not acceptable as the agency had not obtained prior approval of GoI for diverting the funds for other activities.

#### 2.5.9.6 Expenditure incurred without approval of NBM

Scrutiny of Receipt and Payment Account of NBDA from 2010-14 read with the approved Action Plan for the respective years revealed that the agency incurred an expenditure of ₹ 59.30 lakh on different items which were not included in the approved Action Plan as per the table given below:

Table -2.5.2

		₹ in lakh
Year	Items	Amount
2011-12	Payment for Tissue Culture Saplings at Jagi Road	15.00
2012-13	Construction of Museum	14.30
2013-14	Treatment plant expenses	30.00
<b>Total</b>		<b>59.30</b>

(Source: Management figures)

Thus, the agency incurred an amount of ₹ 58.30 lakh on items not included in the approved Action Plan and also without obtaining prior approval from the NBM.

In reply, NBDA stated (September 2015) that the payment for tissue culture saplings was met out of the plantation assistance meant for the farmers and also setting up of the Treatment plant was essential to cater the need of the respective districts. The reply is not acceptable as the expenditure were not approved by NBM.

#### 2.5.10 Execution of projects, research, training and developmental activities

##### Irregularities in implementation

#### 2.5.10.1 Excess procurement of saplings

According to NBM operational guidelines, 333 saplings can be planted in one Ha of land in case of species like Tulda, Balcooa, Hamiltoni and Balgaris. The Bamboo Mission allows replacing the mortality up to 25 per cent. Thus, the required saplings including replacement up to 25 per cent was 416 per Ha.

Examination of records revealed that against the requirement of 416 per Ha, NBDA procured 610 saplings per Ha at ₹ 15 per unit during 2010-14. Thus, the agency procured 194 excess saplings per Ha and an amount of ₹ 1 per sapling was claimed as transportation charge. Thus, excess procurement of sapling led to excess expenditure of ₹ 7.09 crore as detailed in the table below:

Table –2.5.3

Year	Plantation Area (Ha)	Requirement as per norms	Actually procured	Procured in excess	Cost of excess procurement @ ₹ 15 each & (@ ₹ 17 each during 2014-15)	Transportation on excess procurement @ ₹ 1 each	Total expenditure on excess procurement
2010-11	5504	22,89,664	33,57,440	10,67,776	1,60,16,640	10,67,776	1,70,84,416
2011-12	4524	18,81,984	27,59,640	87,7,656	1,31,64,840	8,77,656	1,40,42,496
2012-13	5932	24,67,712	36,18,520	11,50,808	1,72,62,120	11,50,808	1,84,12,928
2013-14	5750	23,92,000	35,07,500	11,15,500	1,67,32,500	11,15,500	1,78,48,000
2014-15	1000	4,16,000	6,10,000	1,94,000	32,98,000	1,94,000	34,92,000
<b>Total</b>	<b>22710</b>	<b>94,47,360</b>	<b>13853100</b>	<b>44,05,740</b>	<b>6,64,74,100</b>	<b>44,05,740</b>	<b>7,08,79,840</b>

(Source: Management figures)

Further analysis showed that the expenditure incurred on procurement of saplings and its transportation was met from the financial assistance of ₹ 25,000 per Ha meant for the farmers. The farmers were paid ₹ 15,000 per Ha (in Cash) plus ₹ 9,760 for 610 saplings. The balance of ₹ 54.50 lakh (₹ 240 per Ha) was retained by the Agency towards administrative cost.

In reply, NBDA stated (September 2015) that the expenditure was met out of the plantation assistance meant for the beneficiaries and on the request of the farmers to supply adequate saplings to accommodate the on-field mortality of 25 per cent and in-transit mortality of 30 per cent. Thus, the purchase was made on behalf of the farmers. Further, NBDA stated that ₹ 54.50 lakh was retained as the overhead charges to meet the expenses incurred for procurement of saplings on behalf of the farmers for which NBDA did not get any allocation from NBM.

#### 2.5.10.2 Diversion of funds meant for Pest and disease control

As per para 6.4.11 of the NBM operational guidelines-2008, disease control in bamboo is essential which involve application of fungicides as well as other chemicals. NBM provides ₹ 200 per Ha towards pest and disease control. It is pertinent to mention here that NBM did not allocate the funds for disease and pest control on all the areas under plantation but a part of the plantation area.

Examination of records revealed that during 2010-15, NBM released an amount of ₹ 32.02 lakh for disease and pest control for 21010 Ha of bamboo plantations as detailed in the table given below:

Table–2.5.4

Year	Sanctioned by NBM for pest & disease control		As per Utilisation		Actual		Short Utilisation	Mortality percentage
	Area in Ha.	Amount	Area in Ha.	Amount	Area in Ha.	Amount	Amount	
2010-11	6000	12.00	0	0	0	0	12.00	39.24
2011-12	6010	12.02	0	0	0	0	12.02	38.03
2012-13	1000	2.00	0	0	0	0	2.00	35.23
2013-14	3000	6.00	3000	6.00	3000	6.00	0	33.33
2014-15	0	0	0	0	0	0	0	0
<b>Total</b>	<b>16010</b>	<b>32.02</b>	<b>3000</b>	<b>6.00</b>	<b>3000</b>	<b>6.00</b>	<b>26.02</b>	

(Source: Management figures)

From the table above, it can be seen that an amount of ₹ 26.02 lakh released by NBM for the purpose of disease and pest control, was not utilised resulting in high mortality rate ranging from 33.33 *per cent* to 39.24 *per cent*. It was also observed that the funds released for the purpose during 2013-14 was diverted for bamboo shoot management instead of pest and disease control. No fund was released by NBM during 2014-15.

In reply, NBDA stated (September 2015) that the amount was spent on charcoal training. The reply is not acceptable as the amount was spent on bamboo shoot management only.

#### **2.5.10.3 Non certification of the planting materials**

According to para 6.4.2 of the NBM operational guidelines-2008, the planting materials were required to be certified by the identified certifying agencies such as State Forest Research Institute (SFRI), Rain Forest Research Institute (RFRI), Cane and Bamboo Technology Centre (CBTC) or Krishi Vigyan Kendras (KVKs) in order to ensure quality supply of planting materials for commercial bamboo plantation.

Examination of records revealed that during 2010-15, NBDA procured 138.53 lakh saplings at a cost of ₹ 6.65 crore for supply to the bamboo farmers. Certificates were issued by CBTC for purchase of bamboo seeds made by NBDA for the central nursery managed by the agency itself. However, no certificate was available in respect of the saplings purchased from different nurseries for supply to the farmers. The agency could not ensure the quality of the planting materials supplied.

In reply, NBDA accepted the audit observation.

#### **2.5.10.4 Inadequate training to field functionaries**

Continuous training is essential for field functionaries for bringing improvement in any activities. During the period 2010-15, NBM had sanctioned an amount of ₹ 10.68 lakh for imparting training to 158 field functionaries.

Examination of records revealed that only 63 out of 158 field functionaries were trained by the skilled group members of NBDA for which an expenditure of ₹ 3.14 lakh<sup>10</sup> was incurred. Thus, 95 field functionaries were not trained and as a result, an amount of ₹ 7.54 lakh sanctioned for the purpose remained unutilised.

NBDA stated (September 2015) that the release of funds were made at such time that the field functionaries were busy in the field activities. The reply is not acceptable as the training programme could have been coordinated with the field functionaries to avoid such situation.

<sup>10</sup> 2010-11: ₹ 2.86 lakh for 50 participants and 2014-15: ₹ 0.28 lakh for 13 participants

**2.5.10.5 Inadequate conduct of workshops/seminars at District levels and State level**

In compliance to the norms set by NBM, the State agency furnishes the Action Plan containing the number of workshops and seminars to be conducted and the amount required there against. The objective of such workshops/seminars is to discuss the risk areas and the required remedial measures to address such problems. After due consideration, NBM accords approval and accordingly the funds are released to the State agency.

Examination of records revealed that as against the approval for conducting five workshops/seminars at State level and eight workshops/seminars at District levels during 2010-15, the agency conducted only two workshops/seminars at State level involving an expenditure of ₹ 13.00 lakh. No workshop/seminars were conducted at district level. Thus, due to non-conduct of the workshops and seminars, the risk areas and the required remedial measures to address such problems were not disseminated to the beneficiaries.

NBDA replied (September 2015) that remedial measures are being taken.

**2.5.10.6 Unfruitful financial assistance on innovative interventions**

As per the NBM operational guidelines 100 per cent of the estimated cost of all projects under innovative interventions was to be provided by NBM. The new interventions focussed on introduction of innovative technology in bamboo sectors.

Examination of records revealed that the State agency incurred an amount of ₹ 2.15 crore (*Appendix 2.5.3*) for various purposes such as handicraft, furniture, market development & linkage etc., as against the sanctioned amount of ₹ 1.99 crore. Audit also noticed the following:-

a) **Handicrafts:** The agency spent an amount of ₹ 46 lakh<sup>11</sup> for handicrafts during 2010-13, however, no innovative interventions were introduced and the craftsmen were engaged in manufacturing the old and conventional items being produced since inception.

b) **Incense stick making unit:** During 2011-13, the NBM sanctioned ₹ 45 lakh<sup>12</sup> for cluster development of incense stick making against which an amount of ₹ 62.16 lakh<sup>13</sup> was incurred for purchase of machineries. The machineries were procured and supplied to the entrepreneurs. As per guidelines, the role of NBDA was limited to provide financial assistance to the bonafide beneficiaries instead of purchasing machineries on their behalf. It was noticed that the specifications of the machines were neither suggested by the entrepreneurs nor by any expert in the fields concerned. It was noticed during physical verification that the kind of incense stick produced in those

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<sup>11</sup> ₹ 20 lakh each (2010-11 and 2011-12) & ₹ 6 lakh (2012-13)

<sup>12</sup> ₹ 25 lakh and ₹ 20 lakh

<sup>13</sup> ₹ 21.08 lakh each (2011-13) and ₹ 20 lakh (2012-13)

machineries were outdated in the market and thus could not secure the market share. As the machineries were outdated the beneficiaries stopped production of incense stick which indicates that the assistance extended to the beneficiaries did not yield the desired result.

c) **Bamboo Shoot & Pickle processing unit:** During 2012-14, NBM sanctioned ₹ 16.00 lakh for setting up of Bamboo Shoot & Pickle processing units. As per the Receipt & Payment Account, the entire amount was shown as expenditure for the projects but audit observed that no such units were in existence. Thus, an amount of ₹ 16 lakh was paid to unknown beneficiaries.

Thus, the expenditure of ₹ 124.16 lakh incurred on handicrafts, incense sticks making units and bamboo shoot & pickle processing units was unfruitful.

In reply, the Management stated that the expenditures were incurred in the best way to maximise the benefits. The reply is not tenable as no innovative interventions were introduced (handicrafts), incense stick making units were non-functional as the machineries were outdated and bamboo shoot & pickle making units were not set up.

#### **2.5.10.7 Self- sustenance through enterprises/projects**

Beneficiary survey was conducted in course of audit by issuing questionnaires to the bamboo farmers which revealed positive results on the generation of revenue to sustain the family economy and payment of wages to the manpower employed by the beneficiaries. Some of the beneficiaries who were yet to harvest were assured of adequate revenue to meet the operational requirement as well as strengthening their family economy.

**Photograph: 2.5.1**



Bamboo plantation grown with NBM funding at Phutso village, Dimapur

Management expressed that it was committed to empower the individuals and society economically.

**2.5.11 Promotional facilities/activities for entrepreneurs and provisions for marketing of the end products**

**2.5.11.1 Non utilisation of funds for setting up of bamboo wholesale and retail market**

As per the NBM operational guidelines-2008 (Para No. 6.5.1), the bamboo wholesale and retail markets were required to be set up near village level micro processing units with a view to facilitate easy access by the farmers and micro-processing units. During 2010-15 NBM sanctioned ₹ 173.31 lakh for setting up of 13 bamboo bazaars (₹ 117.00 lakh), 3 wholesale markets (₹ 15.99 lakh) and 3 retail markets (₹ 40.32 lakh)

Examination of records revealed that NBDA had set up seven numbers of retail markets and two bamboo bazaars utilising an amount of ₹ 80.62 lakh against the allocated fund of ₹ 173.31 lakh (2010-15). Thus, the agency failed to set up 11 bamboo bazaars and 3 wholesale markets resulting in retention of unutilised funds amounting to ₹ 0.93 crore.

It was, however, observed that all the units were located in Dimapur and Kohima. The micro-processing units such as craftsmen units, charcoal briquette manufacturing units, incense stick making units were located at different parts of the State. Thus, the entrepreneurs located at the districts other than Kohima and Dimapur have difficulties in availing market facilities.

NBDA stated (September 2015) that Kohima and Dimapur are the areas with more marketing potential. However, the reply was silent about the non utilisation of the funds amounting to ₹ 92.69 lakh and failure to set up another 14 marketing units.

**2.5.11.2 Inadequate infrastructure at bamboo bazaars**

According to para 6.5.2 of the NBM operational guidelines 2008, there must be an information centre adjacent to the bamboo bazaars with computers and V-SAT (Very Small Aperture Terminal) facilities to keep track of the demand and supply of bamboo products, costs, user industries, etc.

Examination of records showed that two bamboo bazaars were set up by NBDA at super market, Dimapur and at Kisama, Kohima. The bamboo bazaar set up at Super Market, Dimapur in 2010-11 at an expenditure of ₹ 35.40 lakh is still laying idle as it has not been allocated to the entrepreneurs by the Development Authority of Nagaland. However, bamboo bazaar set up at Kisama, Kohima at an expenditure of ₹ 2.76 lakh was lack of V-SAT facility though a computer was installed. Also information centre was not set up there despite incurring an expenditure of ₹ 38.16 lakh.

In reply, NBDA stated (September 2015) that steps were being taken to provide the infrastructure in the bamboo bazaars.

**Photograph: 2.5.3**



Bamboo Bazaar at Super Market, Dimapur

### **2.5.11.3 Resource Mapping**

Examination of records revealed that the agency was allocated ₹ 20.00 lakh during 2010-11 for resource mapping to assess the availability of bamboo resources and the amount was utilised during 2011-12.

In reply, NBDA stated (September 2015) that the resource mapping was conducted in 2010-11 and was implemented in 2011-12 to assess the availability of bamboo in Nagaland. The reply is incorrect as the resource mapping was done in 2007-08 and the report was earlier included in the “Approach to Bamboo Development in Nagaland”.

### **2.5.12 Monitoring and evaluation**

#### **2.5.12.1 In-house monitoring and independent evaluation**

Para 7 of the NBM operational guidelines specify that there should be continuous in-house monitoring by the State agency. It was observed that NBM-Implementing Team officers visited the sites twice a year. The first visit was to identify the proposed plantation site and the second visit was after plantation was made to verify the implementation. It was also observed that a third party independent evaluation was conducted during 2008-09 and 2011-12. However, the report was not made available to audit.

#### **2.5.12.2 Timely submission of Quarterly Progress Report**

The State agency was required to furnish the quarterly progress reports to the NBM about implementation of different schemes of the Mission. It was also required to highlight the problem areas in such report so as to attract the notice of the NBM with a view to take remedial measure.

Scrutiny of records revealed that the quarterly progress reports were not submitted regularly to the NBM by NBDA. Further, the quarterly reports did not highlight the

problem areas such as high mortality rate, ineffective market conditions, non-setting up of tissue culture nurseries, etc.,

In reply, NBDA stated (September 2015) that corrective measures would be taken.

#### **2.5.12.3 Annual General Meeting**

Clause 19 of the Memorandum of Association specifies that the Annual General Meeting (AGM) of the society shall be held at the Registered Office of the society not later than six months after the expiry of each financial year. Further, the date and time of AGM was to be decided by the governing body. In the AGM, the audited statement of accounts was to be adopted and the auditor for the next financial year was required to be appointed.

It was noticed that the 5<sup>th</sup> General Body Meeting was held on 09 September 2009 and the next General Body Meeting (6<sup>th</sup>) was held only after a lapse of five years (25 September 2014).

According to the minutes of 6<sup>th</sup> General Body Meeting, the audited financial statement for 2013-14 was tabled in the AGM but no mention was made regarding its adoption. Further, no records were made available to audit on the adoption of the audited financial statements for the earlier years 2010-11 to 2012-13.

In reply, NBDA stated (September 2015) that due to frequent change of Mission Director and also due to pre-occupation of the Chairman, the AGMs could not be conducted. The reply is not tenable as the required AGM was not held as per the provisions laid down in the Memorandum of Association and therefore the audited financial statements have not been adopted.

#### **2.5.12.4 Non assessment of employment opportunities**

There was no system in place to assess the magnitude of employment generation through implementation of NBM schemes. Further, conditions for generating employment opportunities, financial assistance to beneficiaries and payment of wages by the entrepreneurs to the workers were not streamlined and monitored by the agency. However, the beneficiary survey revealed that beneficiaries/entrepreneurs were paying wages to the workers at higher rate than the minimum wage prescribed by the Labour Department.

In reply, NBDA stated (September 2015) the matter would be taken up with NBM for formulation of policy.

#### **2.5.12.5 Impact of training**

The Agency stated that they provided employment opportunity of 1,91,476 man-days during 2010-15 out of which substantial employment opportunities (89 *per cent*) was created in “Plantation & Management” and “Handicraft & Furniture” as detailed in the table below:

Table -2.5.5

Profession	Employment Man-days	Percentage of total
Plantation & Management	85,996	44.91
Handicraft & Furniture	84,000	43.87
Mat Production	6,000	3.13
Construction	5,400	2.82
Bamboo Bazar & Retail Outlets	4,000	2.09
Bamboo Shoot	2,000	1.04
Charcoal Briquettes	1,680	0.88
Treated Bamboo	1,200	0.63
Flattened Bamboo Poles	1,200	0.63
<b>Total</b>	<b>1,91,476</b>	<b>100.00</b>

(Source: Management figures)

The agency should have taken adequate effective steps to generate more and more employment opportunities in the fields like “flattened bamboo poles”, “charcoal briquettes” and “bamboo shoots” etc.

In reply, NBDA stated (September 2015) that it is committed in bringing about more and more impacts of training on farmers and artisans.

### 2.5.13 Conclusion

NBDA has not prepared Bamboo Development Mission Document (BDMD) and Annual Action Plan was prepared without conducting feasibility studies. Faulty classification of “Forest area” and “Non-Forest area” led to excess and inadmissible financial assistance of ₹ 47.10 crore. The Agency submitted UCs without ascertaining the actual utilization of funds by the beneficiaries. Against the target to impart training to 130 field functionaries the agency trained only 63. The agency also could not achieve the target of conducting State and District Level Seminars. Expenditure of ₹ 59.30 lakh was incurred on items without approval of NBM. In-house monitoring by the NBDA-Implementing Team was deficient and not regular. Annual General Meetings were not held regularly, as a result, the Annual Accounts for the period 2009-10 to 2013-14 were not approved.

### 2.5.14 Recommendations

- *Financial assistance should be extended to the beneficiaries according to eligibility after considering the proper classification of the land.*
- *Procurement of saplings should be streamlined and intensive efforts should be made to increase nurseries and sapling production.*
- *UCs should be submitted to the NBM only after considering the utilisation of funds by the beneficiaries.*
- *Trainings and Seminars should be conducted as planned for proper dissemination of the benefits to the entrepreneurs.*
- *Annual General Meeting should be held regularly.*

**DEPARTMENT OF ROADS AND BRIGDES (NATIONAL HIGHWAYS)**

**2.6 Special Accelerated Road Development Programme**

**2.6.1 Introduction**

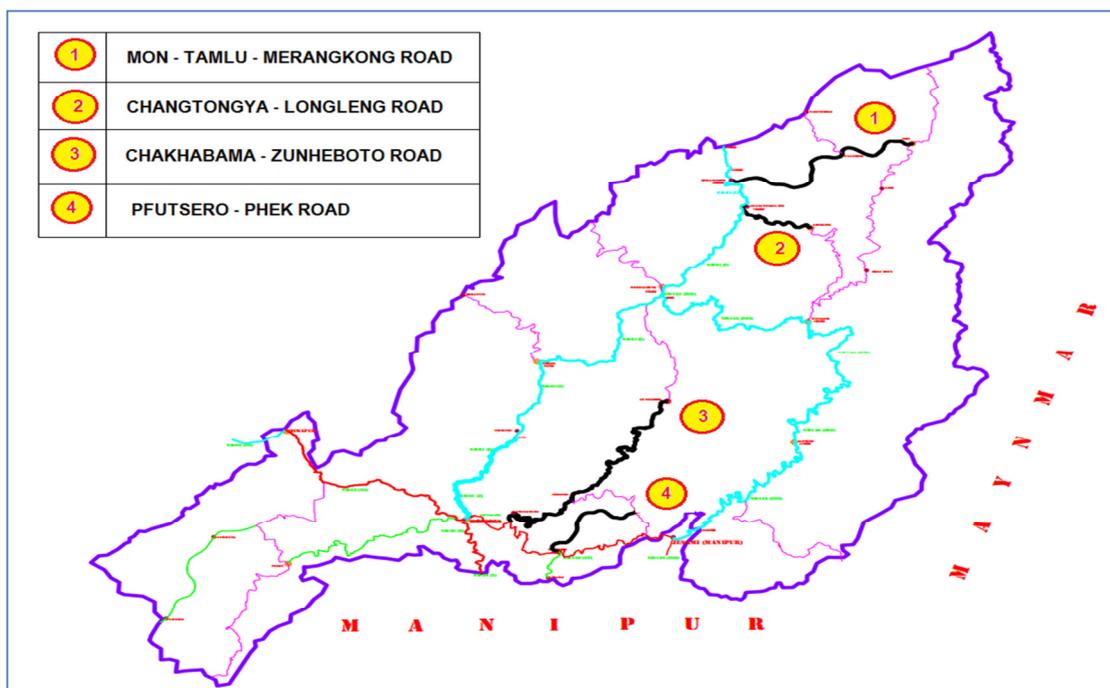
The Ministry of Road Transport & Highways (MoRTH) Government of India (GoI) initiated (April 2008) a mega road development programme in North East region as Special Accelerated Road Development Programme in North East (SARDP-NE) with the following objectives:

- (i) To upgrade National Highways connecting State Capitals to two/four lane;
- (ii) To provide connectivity to all 88 district headquarters' towns of North East Region (NER) by at least two lane road;
- (iii) To improve roads of strategic importance in border area; and
- (iv) To improve connectivity to neighbouring countries.

The Ministry approved (April 2010) for two-laning of the following four roads in the State of Nagaland in one package for ₹ 1,296 crore including centage charges.

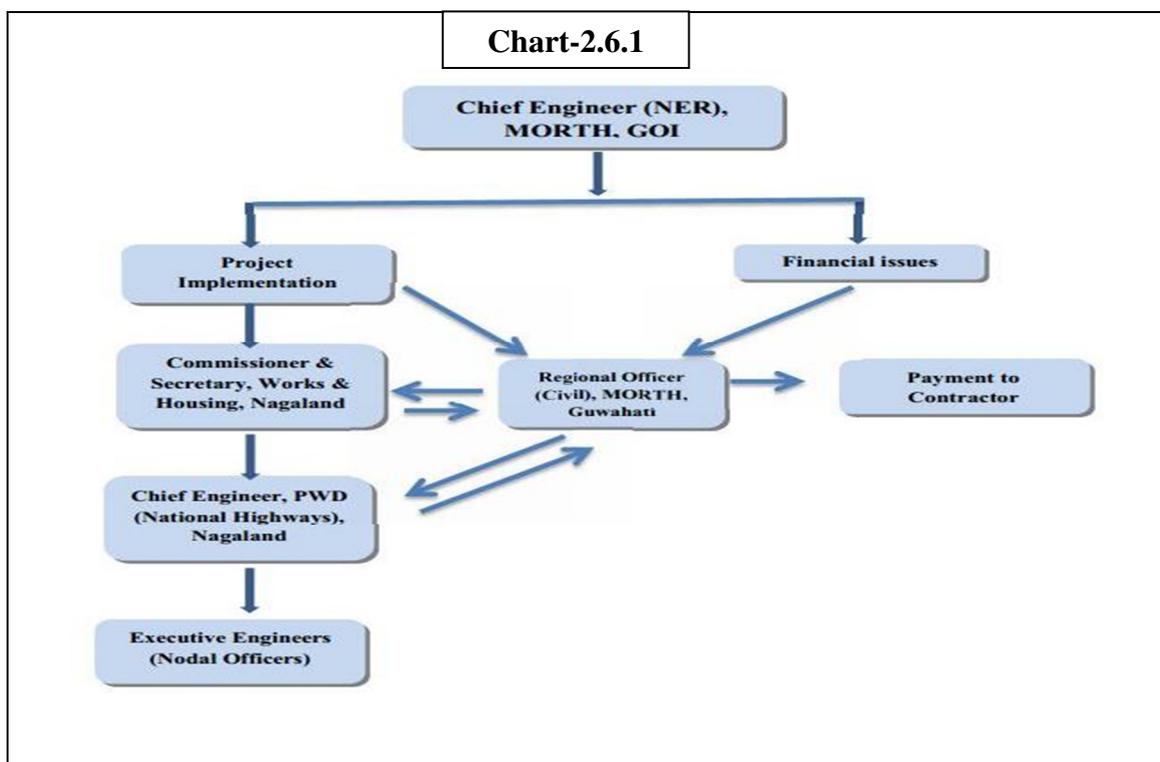
- (i) Changtongya–Longleng road (35 Km);
- (ii) Mon-Tamlu-Merangkong road (100 Km);
- (iii) Pfutsero-Phek road (66 Km); and
- (iv) Chakhabama-Zunheboto road (128 Km)

Accordingly administrative approval, technical approval and financial sanction for the work were accorded in December 2010.



### 2.6.2 Organisational Setup

The organisational structure for implementation of SARDP-NE in Nagaland is as given below:-



The audit of execution of two laning of the four roads in the State was taken up in September 2014 to March 2015.

Accordingly, project records maintained at the Office of the Chief Engineer, Public Works Department, National Highways (CE, PWD (NH)), Nagaland and four nodal offices of National Highways, entrusted for the implementation of the project was carried out. Joint physical verification (January- February 2015) of the project sites in 149.200 km<sup>14</sup> were also carried out to assess the present status of the road construction under this project. The Audit findings were discussed (March 2015) with CE, PWD (NH), Nagaland and the views of the CE, PWD (NH) have been incorporated in this report.

### 2.6.3 Preparation of DPR

One of the most important activities before implementation of any major project is the determination of the cost of the project through a Detailed Project Report (DPR) consisting of survey reports, technical specifications, detailed statement showing Bill of Quantities (BOQ) and rates, plans and drawings and a detailed estimate of each item of work.

<sup>14</sup> 21 Km of Mon-Tamlu-Merangkong road (out of 100 Km) + 41 Km of Pfutsero-Phek Road (out of 66 Km) + 30.200 Km of Changtongya-Longleng road (out of 35 Km) + 57 Km of Chakhabama-Zunheboto road (out of 128 Km) = 149.200 Km

As per the guidelines prescribed for preparation of DPR issued by MoRTH, the main objective of the assignment of consultancy services was to establish the technical, economical, and financial viability of the project with due consideration to environmental and social safeguards. MoRTH had also notified (May 2009) that consultancy proposal for the NH works and other Centrally Sponsored Schemes (CSS) should be invited, wherever needed from the empanelled consultants as per their eligibility for the type of work involved.

The Chief Engineer, PWD (R&B) appointed (June 2008) M/s Fast Track (FT), Dimapur, Nagaland as the consultants for preparation of DPR for the eight road projects, which inter-alia included the four roads to be executed under SARDP.

**Table- 2.6.1**

<b>Sl. No.</b>	<b>Name of the Project</b>	<b>Tentative Length (in Km)</b>
1	2 Laning of Pfutsero-Zhamai Road	18
2	2 Laning of Athibung-Khelma Road	55
3	2 Laning of Phek-Pfutsero Road	79
4	2 Laning of Longleng Changtongya Road	35
5	2 Laning of Tamlu- Merangkong Road	50
6	2 Laning of Mon-Tamlu Road	50
7	2 Laning of Peren-Kohima Road	96
8	2 Laning of Zunheboto- Chakhabama Road	128
<b>Total</b>		<b>511</b>

*Note: Roads at Sl. No. 3, 4, (5 and 6 combined as single road) and 8 were taken up under SARDP*

As per letter of appointment of the consultant, the consultancy fee shall be 2.5 per cent of the cost of the DPR or 2.5 per cent of the cost of the revised DPR or 2.5 per cent of the final project cost whichever is higher.

Examination of records relating to appointment of consultants revealed that no tendering process was followed during the selection of the consultant which indicated that the competence as per the nature of work involved was not assessed by the Department before issue of work order to the consultant. It was also noticed that the consultant was not amongst the empanelled consultants notified by the Government of India. Further, the Department did not issue any 'Terms of Reference' (TOR) for consultancy services. Instead, the Department accepted vague conditions stating that all necessary drawings and designs of the roads including the RCC bridges should be submitted as per the Indian Roads Congress (IRC) specification of Roads & Bridges.

The work order issued (June 2008) by the CE, PWD (NH) to the consultant was modified in June 2010 to include new clause regarding payment of service tax @ 12.36 per cent. The general procedure of discharge of service tax envisage, details service tax given by the Commissioner, Customs and Central Excise, GoI and should be endorsed with each claim.

M/s. Fast Track submitted, in May 2010, the DPR to the CE, PWD (R&B) for four projects for a total length of 329 Km. The total cost of these four projects was ₹ 1131.81 crore as detailed in Table 2.6.2

Table- 2.6.2

Sl. No.	Name of the Project	Tentative Length (in Km)	Total Estimated Project Cost (₹ in Crore)
1	2 Laning of Phek-Pfutsero Road	66 Km	205.23
2	2 Laning of Longleng -Changtongia Road	35 Km	142.32
3	2 Laning of Mon to Merangkong via Tamlu Road	100 Km	347.34
4	2 Laning of Zunheboto - Chakhabama Road	128 Km	436.92
<b>Total</b>		<b>329 Km</b>	<b>1131.81</b>

The consultant claimed an amount of ₹ 84.38 crore for consultancy services rendered. However, it was observed that the claim was passed for payment of ₹ 94.81 crore by the Department, which included ₹ 10.43 crore as service tax. Against this, the Department made payment of ₹ 74.81 crore in four instalments and remaining amount were withheld. Reasons as to why the element of Service tax was included in the amount passed for payment, though not claimed by the consultant, was not on record. Proportionately ₹ 36.44 crore would be the share of payment for four roads under SARDP in which Service tax component would be approximately ₹ 4.01 crore. As Service Tax payment details required to be presented with the bills was not furnished by the consultant, the possible evasion of service tax to that extent cannot be ruled out.

It was noticed that the consultant did not conduct detailed topographical field survey, road and pavement investigations, road inventory surveys, survey on site clearance etc. which were essential for preparation of the DPR. Instead, the DPR was prepared by the consultant based on the survey data and drawings provided by the Department. The DPR also did not adequately cover all the requirements of the project. As a result, there were wide variations in the quantity of various items of work executed so far and also, the DPR was revised twice<sup>15</sup> later.

Thus, the expenditure of ₹ 36.44 crore incurred on preparation of DPR was rendered waste as the subsequent implementation of the projects did not adhere to the DPR. It was also noticed that MoRTH had directed the CE, PWD (NH) to take punitive action against the consultant. However, the Department did not comply with the proposal indicating possible nexus between the departmental officers and the DPR consultant.

While accepting the facts and figures the Department in reply (May 2015), stated that punitive action against the erring officers and the consultants has been taken up. However, the follow up action taken up by the Government has not been communicated (December 2015).

<sup>15</sup> M/s. Krishna Consultants and M/s. Rites Ltd.

#### **2.6.4 Award of work**

MoRTH invited (June 2010) 'Request for Qualification' (RFQ) from eligible bidders via Global bid for construction of four roads (total length – 329 Km) at an estimated cost of ₹ 928.78 crore. In July 2010, MoRTH invited bids from qualified bidders.

Out of the seven qualified bidders through the global bidding, only three bidders qualified for financial bidding. MoRTH approved (December 2010) the bid of M/s. Maytas Gayatri Joint Venture (MG JV) for the project at a total cost of ₹ 1296 crore (work value ₹ 1130.67 crore + agency charges of 9 per cent and centage charges for a sum of ₹ 165.33 crore). An agreement between CE, PWD (NH) and MG JV was signed in February 2011. The project was to commence in February 2011 and was to be completed by February 2014.

#### **2.6.5 Financial progress**

Against the sanctioned project for ₹ 1296 crore, the Department had incurred an expenditure of ₹ 579.18 crore (45 per cent) as of March 2015 on execution of work. Expenditure details are given below:

**Table- 2.6.3**

*₹ in crore*

Sl. No.	Particulars	Expenditure (as of March 2015)
1.	Outstanding Mobilisation advance	99.49
2.	Outstanding Equipment advance	7.46
3.	Released upto 8 <sup>th</sup> RA Bills	376.32
4.	Cost of Quality control equipment	0.65
5.	Price variation bills (2 RA Bills)	33.22
6.	Land compensation	23.16
7.	Shifting charges	6.13
8.	Agency Charges <sup>16</sup>	32.75
<b>TOTAL</b>		<b>579.18</b>

(Source: Departmental figure)

#### **2.6.6 Physical progress**

As per the sanction accorded by the MoRTH, the project should be completed by March 2014. Examination of the records, however, revealed that only 20 per cent of physical progress was achieved (January 2015) against the expenditure of 45 per cent.

Joint physical verification (February 2015) revealed that the physical progress in respect of three road projects since February/August 2012 was dismal. The road project from Chakhabama to Zunheboto remained suspended since August 2012 and the work resumed after a gap of 28 months. Suspension of works was attributed to non-release of payment to the contractor for the works executed by the contractor over and above the approved DPR.

<sup>16</sup> ₹ 7.83 crore (1<sup>st</sup> RA Bill) + ₹ 9.01 crore (2<sup>nd</sup> RA Bill) + ₹ 9.52 crore (3<sup>rd</sup> RA Bill) + ₹ 4.92 crore (4<sup>th</sup> RA Bill) + ₹ 1.14 crore (5<sup>th</sup> RA Bill) + ₹ 0.33 crore (6<sup>th</sup> RA Bill) = ₹ 32.75 crore

### 2.6.7 Execution of work

Out of the total claim settled with the contractor for ₹ 376.32 crore, the contractor executed site clearance, earth work, sub base and base course and pipe culverts and RCC slab works. The details of work executed, payments made to the contractors and audit observation thereof are detailed in the subsequent paragraphs.

#### 2.6.7.1 Site Clearance and felling of trees

As per the approved detailed estimates, 125,082 trees of varying girth from 300 mm to above 1800 mm was identified to be cut down in 520.20 hectares<sup>17</sup> of land at an estimated cost of ₹ 31.06 crore. It was, however, noticed that the Department paid ₹ 38.03 crore to the contractor for felling 154,690 extra trees in the stretch of 227 km.

Thus, an additional amount of ₹ 6.97 crore was already incurred for felling 29,608 trees in excess of the approved DPR. This indicate the DPR was faulty.

Further, the details of the volume and types of trees felled during formation cutting of the roads were not on record. The details of the disposal of trees felled was also unaccounted.

#### 2.6.7.2 Earth work

As per clause 3 of the Technical Note of MoRTH, hill cutting for an additional width of 5.5 metre to 6.5 metre was approved to provide formation width of 12 metre including the width of drainage on the hill side and parapet wall. The DPR relating to earth work provided for formation cutting of 73,38,889 cum in soft soil and ordinary rock at a total cost of ₹ 273.40 crore.

Examination of records relating to earth works revealed that against the approved volume of 73,38,889 cum of formation cutting, the contractor executed formation cutting of 85,10,593 cum and accordingly, the Department made a payment of ₹ 314.27 crore. This resulted in extra payment of ₹ 40.87 crore to the contractor due to execution of 11,71,704 cum of earth work over the approved quantity in the detailed estimate.

It was also noticed from the physical and financial progress furnished (August 2014) to the MoRTH that formation cutting was executed only in 227 km (69 per cent) out of 329 km.

Out of 149.200 Km jointly verified, formation cutting (*Photographs No.2.6.1 and 2.6.2*) beyond the approved quantity in the detailed estimates was found executed, which was mainly due to bench formation cutting that was not envisaged in the DPR. In the absence of details of measurement in the measurement books, the volume of formation cutting actually executed could not be ascertained during audit.

<sup>17</sup> Cleaning grass and removal of rubbish (263.20 hectare), Clearance by Manual means of the Light Jungle (60 hectares), Clearance by Manual means of the thorny jungle (36.50 hectare), Clearance by Mechanical means of Light jungle (115 hectare), and clearance by Mechanical means of the Thorny jungle (45.50 hectare) = 520.20 hectare

Photograph 2.6.1	Photograph 2.6.2
	
<p>Bench formation cutting in Pfutsero Phek road (2.610 km)</p>	<p>Bench cutting of the hill. Changtongya-Longleng road (Chainage:23 Km)</p>

### 2.6.7.3 Sub base and base course

As per the detailed estimates the quantity approved for compacting original ground and for Granular Sub Base (GSB) with coarse graded materials was 606,281.52 cum (estimated cost: ₹ 9.09 crore) and 310,790.04 cum (estimated cost: ₹ 91.68 crore) respectively. The contractor executed (August 2014) GSB works in 36 km (10.75 per cent) out of 329 Km and ₹ 14.98 crore<sup>18</sup> was paid to the contractor.

As per BOQ, the cost of GSB work per kilometre work out to ₹ 0.31 crore<sup>19</sup>. However, it was observed that against the admissible cost of ₹ 11.16 crore for the completed GSB works for 36 Km the Department paid ₹ 14.98 crore. Thus, the Department paid ₹ 3.82 crore in excess by recording fictitious measurements.

Joint physical verification revealed that GSB work was mainly carried out in two roads viz. Mon-Tamlu-Merangkong road for 6.5 km and Chakhabama-Zunheboto road for 14 Km.

It was also noticed in joint physical verification that:

- GSB work was purportedly started at random stretches from Km. 4.200 to 5.500 and Km 5.800 to 7.450 in Mon-Tamlu-Merangkong road. The roads were filled with soil and mud. River gravel was used for GSB work.
- It was also noticed that GSB work was completed in locations 84.580 to 85.080; 86.280 to 87.010; 87.480 to 87.870; 88.080 to 89.100 and 89.480 to 90.480.
- As per Clause 3.2.2.2 of IRC SP-11 the stones utilised should be free of any weathered fragments However, it was noticed during joint spot verification of Chakhabama–Zunheboto stretch of road (at chainage 50.000 km) that the GSB used was weathered type of shale stone which was in contravention of the IRC specification.

The Nodal Officer in-charge of Chakhabama-Zunheboto road accepted (February 2015) that the rock shale was weathered type instead of approved quality for GSB which was

<sup>18</sup> Provision for GSB for 48.92 km = (₹ 10,07,772,846/329) per km x 48.92 km = ₹ 14.98 crore;

<sup>19</sup> Cost of laying of GSB in 329 Km = ₹ 100,77,72,846, the cost of laying of GSB per Kilometre = ₹ 0.31 crore.

in contravention to the contractual agreement and also assured that necessary rectifications would be done.

In reply the Department stated (May 2015) that the quantity of GSB varies from location to location and the GSB put into use in the work was tested as per IRC standards. The Department also added that there was no incorrect measurement of GSB in the work executed. However, the fact that the poor quality of GSB work was accepted by the Nodal Officer, PWD (NH).

#### 2.6.7.4 Pipe culverts and RCC slab works

The detailed estimates provided for construction of 1167 Hume pipe culverts, extension of 79 culverts, 105 RCC slab culverts, 2 major bridges and 12 minor bridges for a total estimated cost of ₹ 159.99 crore<sup>20</sup>. The Department reported (August 2014) that 125 Cross Drain structures (9.25 per cent) have been completed for which ₹ 7.17 crore (4.48 per cent of the estimated cost) was released to the contractor.

Joint physical verification (January 2015) of the four roads revealed that:

- (1) Hume pipe culverts were to be constructed at the locations specified in the Technical Note and as per the approved specification, with earth work excavation, stone masonry, catch pits, guide wall and apron. However, in Chakhabama-Zunheboto road, the Hume Pipe culverts of the ongoing projects were not constructed as per the above mentioned specifications (**Photographs No. 2.6.3 and 2.6.4**). When the matter was pointed out the Nodal Officer of the project stated (February 2015) that instruction to the contractor had already been served and also added that ₹ 0.50 crore had been withheld from the 8<sup>th</sup> RA Bill for rectification works.

Photograph-2.6.3	Photograph-2.6.4
	
<p>HP Culvert lying half buried in soil in Chakhabama-Zunheboto road</p>	<p>Incomplete HP Culvert construction Chakhabama-Zunheboto road</p>

- (2) In Changtongya-Longleng road, 19 HP culverts valued at ₹ 0.44 crore<sup>21</sup> were recorded in the MBs as executed and accordingly payment was made to the Contractor. However, audit could not locate six HP culverts at locations

<sup>20</sup> 1167 HP Culvert (₹ 67.44 crore), 184 RCC (₹ 39.09 crore), 14 bridges (₹ 53.46 crore) = ₹ 159.99 crore.

<sup>21</sup> Six HP culverts @ ₹ 0.073 crore/per unit=₹ 0.43 crore

7.760 Km; 7.850 Km; 7.945 Km; 8.240 Km; 11.110 Km and 14.620 Km during physical verification.

- (3) In Mon-Tamlu-Merangkong road, 36 HP culverts were recorded in the MB as executed in the entire stretch of 100 Km. However, 21 HP culverts valued at ₹ 1.53 crore reported as completed in 21 Km covered during the joint physical verification could not be located. The Nodal Officer of the project stated that the culverts could not be located due to excessive bush growth on the developed roads and filling of the culverts by eroded soil.

Thus, 27 HP culverts for ₹ 1.97 crore reported as constructed were not found during joint physical verification in respect of two roads.

The Department stated (May 2015) that rectifications would be made wherever necessary.

### **2.6.8 Compensation for damages to properties**

During the process of the project implementation, the Department proposed an amount of ₹ 23.16 crore<sup>22</sup> being the cost of damages in addition to the approved of project cost. The MoRTH released (October 2013) ₹ 23.16 crore<sup>23</sup> to the concerned District Administration to meet the cost of damages.

Scrutiny of records revealed that ₹ 23.00 crore was released to the Districts' Administration by the NHAI, Guwahati for payment of compensation to the owners for demolished buildings and damaged crops.

As per clause 2.01 and 2.04 of the BOQ, the excavated soil should be disposed by mechanical means up to 1.00 Km by the contractor and the rate applicable to this was also provisioned in the BOQ.

Joint physical verification of four roads totalling a length of 49.200 Km revealed that:

- The damage of crops/agri-land was due to haphazard dumping of soil by the contractor.
- Though buildings were reported as damaged/shifted in the estimate this was not supported by detail calculations of actual plinth area to arrive at the damage cost.
- Buildings, plantations and farms against which compensation was released in Pfutsero-Phek road (**Photograph No. 2.6.5**), Changtongya-Longleng road and Mon-Tamlu-Merangkong road amounting to ₹ 4.01 crore could not be identified during joint physical verification (**Appendix-2.6.1**).

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<sup>22</sup> Buildings (₹ 19.77 crore) + Plantation (₹ 0.95 crore) + Terrace field (₹ 2.44 crore) = ₹ 23.16 crore.

<sup>23</sup> Mokokchung (₹ 1.23 crore) + Longleng (₹ 6.82 crore) + Mon (₹ 1.91 crore) + Kohima (₹ 0.17 crore) + Phek (₹ 10.71 crore) + Zunheboto (₹ 2.32 crore) = ₹ 23.16 crore

Photograph 2.6.5



One of the locations identified for compensation for terrace field

- The owners of the affected buildings, water tanks and plantations in Pfutsero-Phek road who were paid compensation of ₹ 3.80 crore had not shifted/relocated (*Appendix-2.6.2*) their properties.
- The Department released ₹ 12.69 lakh in excess over the depreciated value of the assets in Pfutsero-Phek road (*Appendix-2.6.3*)

Thus, haphazard dumping of excavated soil caused destruction of standing crops and plantation in the agricultural land of the farmers. Further, out of the damages for ₹ 23.16 crore estimated by the Department, the properties and crops worth ₹ 7.81 crore for which the compensation was released could not be identified or found shifted.

In reply, the Department stated (May 2015) that the Actual Payee Receipts of the compensation paid through the Deputy Commissioners were yet to be obtained. The Department also assured that the excess over the depreciated value of the assets in Pfutsero-Phek road would be verified with the Deputy Commissioner, Phek.

### 2.6.9 Price Variation

Clause 47.1 of the Contract stipulates Contract price shall be adjusted for increase or decrease in rates and prices of labour, materials, fuels and lubricants in accordance with the principle and procedures and as per formula given in the contract. The price adjustment shall apply for the work done from the start date given in the contract up to end of the initial intended completion date or extensions granted by the Engineer and shall not apply to the work carried out beyond the stipulated date for reasons attributable to the Contractor.

The Department released an amount of ₹ 33.22 crore towards price variation to the contractor in two instalments based on the quantity of work executed in six RA Bills. Examination of records revealed that the Department paid ₹ 7.43 crore to the contractor as price variation against the non-executed bituminous components.

The Department stated (May 2015) that the price variation bill was released by the Regional office, MoRTH as per the contract conditions. However, the Regional Officers would release the payment to the contractor only on the basis of measurements made and recommended by the Nodal Officers of PWD (NH) of the State Government and hence could not absolve of its responsibilities.

### **2.6.10 Quality Control and monitoring of the project**

Quality control of construction materials and product was an essential requirement for obtaining an improved and uniform standard of roads. As per Clause 12.7 of the Contract, measures shall be taken to ensure quality of works in accordance with "Handbook of Quality Control for construction of roads and runways (Second Revision) – IRC: SP -11", which provide that testing facilities are required to be set up at Central, Regional and Field levels. Since it is neither feasible nor advisable to send samples for routine test all the way to the Regional Laboratories and thereby delay the work for want of test results, setting up of facilities for basic tests at the level of Junior Engineer/Engineering Subordinates was therefore necessary.

Further, it is desirable that out of the total tests, 70 per cent is carried out by the Junior Engineers, 20 per cent by the Assistant/Deputy Engineer and the remaining 10 per cent by the Executive Engineer. The test result record registers were to be presented with every third running bill so that the payments get linked with the assured quality of work. For setting up of the Quality control facilities, the Department purchased (January and March 2013) Quality Control Equipment worth ₹ 65 lakh. Joint physical verification (February 2015) of the PWD Store revealed that

- Though the equipments were procured, they remained idle, packed and dumped haphazardly in the PWD Store as shown in the **Photograph 2.6.6**.
- Stock register was not maintained for accounting the equipments purchased.
- No Quality Control testing was conducted by the Nodal Officers.



Thus, even after spending ₹ 65 lakh for procurement of quality control equipment, no quality control testing was being conducted and as a result use of sub-standard material in GSB work of Chakhabama – Zunheboto road, in contravention to Clause 3.2.2.2 of IRC SP-11, was unnoticed.

The Department stated (May 2015) that the equipment procured were kept in PWD store due to non-setting up of temporary testing laboratory at Chozuba, Phek district as the proposal for the project was turn down by the MoRTH. The Department admitted that no stock register was maintained since all the materials were issued to site. However, the fact remains that the equipment remained idle, packed and were dumped haphazardly in the Store itself.

### 2.6.11 Monitoring mechanism

As per the Clause 12.7 of the Technical Note of the MoRTH, measures should be taken to ensure quality of works in accordance with the "Handbook of Quality Control for construction of Roads & Runways (Second Revision) - IRC:SP 11" and the instructions contained in Ministry's letter No. NH-III/P/83 dated. 19/04/1984. Financial progress of the project should be monitored by the Regional Officer, MoRTH, Guwahati whereas the physical progress should be monitored by the designated officers assigned by the CE, PWD (NH).

Nodal Officer posted against each road was to monitor the work by giving necessary directions, supervising the work, recording of measurements, forwarding the claim of the contractor and coordinating with District Administration.

Though instructions were given to the contractor from time to time while executing the project, the contractor did not follow the instructions of the nodal officers. This resulted in excess execution of different items of work as discussed in previous paragraphs.

### 2.6.12 Proposal for revised estimate

During examination of records it was noticed that the CE, PWD (NH) submitted (February 2012) a revised DPR for an amount of ₹ 2978.20 crore to the MoRTH citing reasons that the approved quantity in the sanctioned estimate had already been exhausted and a revised estimate was prepared to accommodate the excess as well as anticipated quantity of work remained for execution. At the time of submission of the revised DPR, financial achievement was 46 *per cent* where as physical achievement was only 20 *per cent*. Thus, the Department submitted a proposal for revision of DPR to the MoRTH. However, the proposal was turned down by the MoRTH.

The revised proposal vis-à-vis approved DPR is tabulated below:

**Table-2.6.2**

₹ in crore

Sl No	Item of work	BOQ/ sanctioned amount as per original DPR	Proposed BOQ/amount as per revised DPR	Variation	Percentage of variation
1	Site clearance and dismantling of existing structures	60.86	108.79	47.93	78.75
2	Earth work	7338889.02 cum	38755110.72 cum	31416221.7 cum	428.08
		273.40	1536.91	1263.51	462.15
3	Sub base and base course	1552028.12 cum	2123710 cum	571681.88 cum	36.83
		309.95	373.35	63.40	20.45
4	Bituminous courses	329.000 Km	313.000 Km	(-) 16 Km	-4.86
		270.92	256.99	(-) 13.93	-5.14
5	Pipe culverts, RCC slab culverts, Retaining wall, Road safety appurtenances, Bridges	-	-	-	-
		215.54	322.21	106.67	49.49
<b>Sub total</b>		<b>1130.67</b>	<b>2598.25</b>	<b>1467.58</b>	<b>129.80</b>

Sl No	Item of work	BOQ/ sanctioned amount as per original DPR	Proposed BOQ/amount as per revised DPR	Variation	Percentage of variation
6	Contingencies	31.66	72.75	41.09	129.79
7	Quality control charges	11.62	26.71	15.09	129.86
8	Work Charged establishment charges	17.44	40.07	22.63	129.76
9	Agency charges	104.61	240.39	135.78	129.80
<b>Grand Total</b>		<b>1296.00</b>	<b>2978.17</b>	<b>1682.17</b>	<b>129.80</b>

(Source: Departmental figure)

It would be seen from above table that maximum variation of 462.15 *per cent* with reference to the approved DPR occurred in BOQ in respect of earth work. The Chief Engineer PWD (NH) justified the variations considering the formation cutting in the height of 12 metres, classification of soil conditions, increase in quantum of felling of trees etc.

The MoRTH assigned M/s. Rail India Technical and Economic Service (RITES) Ltd. for re-survey of the project to analyse the huge variation in earth formation cutting proposed by the CE, PWD (NH) in the revised DPR. The copy of the re-survey report was not made available to audit.

Interestingly it was noticed that the CE, PWD (NH) appointed (September 2013) M/s. Krishna Techno Consultants (P) Ltd.–HNBC (JV) for resurvey and preparation of revised survey report for two-laning of four SARDP road covering 329 Km. For resurvey and preparation of DPR, the Department allowed ₹ 2.50 lakh per kilometre. This may entail a liability of ₹ 8.22 crore<sup>24</sup> towards consultancy charges by awarding work order to the consultant for resurvey and preparation of revised DPR.

### **2.6.13 Conclusion**

The preliminary activities taken up by the Department of Public Works was inadequate for timely implementation of the project. The DPRs prepared for four roads were not based on adequate surveys and investigation resulting in large deviation in the implementation of the works from the approved DPRs. A proportionate amount of ₹ 36.44 crore paid to the Consultant for preparation of DPRs for four roads was a waste. As a consequence, **not a single kilometre in any of the four roads was completed as per the objectives of the scheme despite an expenditure of ₹ 602.34 crore on execution of work so far.** No further progress of work has been achieved on any of the four roads since August 2012. The single-lane roads which previously existed had since degraded and have been rendered almost unusable causing hardship to the commuters.

<sup>24</sup> 329 Km x ₹ 2.50 lakh = ₹ 8.22 crore

DEPARTMENT OF RURAL DEVELOPMENT

2.7 Backward Regions Grant Fund (BRGF)

Backward Regions Grant Fund Programme (BRGF) was launched by the Government of India (GoI) in 2006-07 for the development of 250 (increased 272) backward districts of the country including five districts<sup>25</sup> of the State of Nagaland. The scheme aims at focused development of backward areas by bridging gaps in critical infrastructure as well as other developmental requirements and to mitigate the regional imbalances. The BRGF programme has been delinked from the 100 per cent budgetary support by Government of India from the year 2015-16.

**Highlights**

➤ *BRGF was implemented in the State without identifying the critical developmental gaps in the villages.*

**Paragraph 2.7.8.1**

➤ *HPC decision to suo-moto formulate the rural housing scheme under BRGF defeated the very idea of participatory bottom up planning.*

**Paragraph 2.7.8.2**

➤ *There were delays in release of funds ranging from 62 days to 361 days to the implementing entities. and a penal interest of ₹ 2.68 crore on delayed release of fund, was not released to the implementing entities.*

**Paragraph No.2.7.9.1**

➤ *Rural housing materials supplied were not as per the quality specifications.*

**Paragraph No.2.7.10.1 (f)**

➤ *There were unexecuted works valued at ₹ 2.38 crore and inadmissible works valued ₹ 3.35 crore.*

**Paragraph No.2.3.10.2 (i)&(ii)**

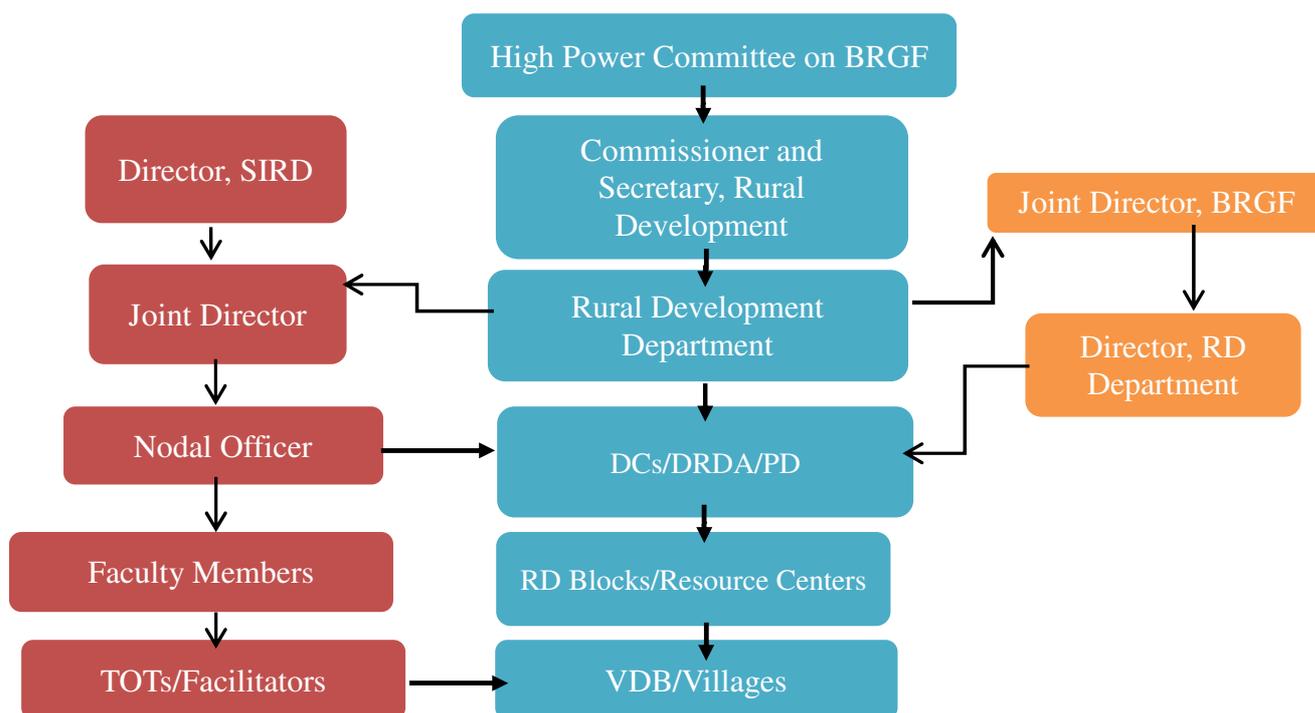
2.7.1 Introduction

In Nagaland, the BRGF scheme was implemented in the same manner as the grants-in-aid programme of the State Government implemented by the Village Development Boards (VDBs) for rural areas and ULBs for urban areas. Out of 11 districts, BRGF scheme was implemented in five backward districts in Nagaland on the following funding pattern:

- a. **Capacity Building Fund:** To build capacity in planning, implementation, monitoring, accounting and improving accountability and transparency.
- b. **Development Fund.** To address critical gaps in integrated development identified through participative planning processes.

<sup>25</sup>Kiphire, Longleng, Mon, Tuensang and Wokha.

### 2.7.2 Organisational setup



### 2.7.3 Audit objectives

The objectives of the Performance Audit of the BRGF programme were to assess whether:

- the planning process was comprehensive and participatory;
- the allocation and release of funds were timely and adequate;
- the scheme was implemented economically, efficiently and effectively and
- the internal control mechanism and evaluation systems were effective.

### 2.7.4 Scope of Audit

The Performance Audit covered the period from 2010-11 to 2014-15 through test check of records in the offices of the Directorate of Rural Development (RD), the State Institute of Rural Development (SIRD), three<sup>26</sup> District Rural Development Agencies (DRDAs), seven<sup>27</sup> Block Development Offices (BDOs), 35<sup>28</sup> Village Development Boards (VDBs) and three<sup>29</sup> Urban Local Bodies (ULBs).

<sup>26</sup> DRDA Mon, Tuensang and Wokha.

<sup>27</sup> Tuensang - Sangsangnyu, Chare, Noklak, Mon – Chen, Tobu, Wokha – Wozhuro-Ralan, Sanis

<sup>28</sup> ( Tuensang) - Sangsangnyu, Chendang, Hakching, Konya, Tuensang P Khel, C Khel. Chare, Kidding, Alisopur, Noklak, Nokyan B, Kusong, Aniyashu, Lengnyu, Waoshu, ( Mon ) – Chenwetnyu, Chenmoho, Changlang, Ngangching, Monyakshu, Changlangshu, Bumei, Ukha, Langmeang, (Wokha ) – Phiro, Shaki, Ralan Old, Pongithong, Liphayan, Chandalashung B, Pangti, Okotso, Sungro, Meshangpen, Tsopo.

<sup>29</sup> Mon, Tuensang and Wokha.

### 2.7.5 Methodology of Audit

The Performance Audit commenced with an Entry Conference on 15 April 2015, issue of requisition and questionnaires, examination and issue of audit observations, joint physical verification, beneficiary survey and issue of draft report to the Department. The draft report was discussed with the representatives of the Departments in an exit conference (28 Sept 2015). The replies received and the views expressed by the Department during the exit conference have been appropriately incorporated in the report wherever necessary.

### 2.7.6 Audit Criteria

The Criteria for assessing the achievement of the scheme are derived from the following sources:

- BRGF guidelines of the GoI.
- VDB grant-in-aid rules.
- Minutes of meeting of HPC for execution of BRGF projects.
- Perspective Plan and Annual action plan for implementation.
- Training calendar.
- Minutes of District Planning and Development Board.
- Records of Social Audit.

### 2.7.8 Acknowledgement

We acknowledge the assistance and cooperation extended to us at all levels during the conduct of this performance audit.

### Audit findings

Important Audit findings are discussed in the following paragraphs.

#### 2.7.8 *Planning and participatory approach*

BRGF guidelines envisage that each Panchayat or Municipality within the backward district concerned will be a unit for planning under BRGF. In terms of the defining features of the guidelines, the modalities of actual planning and implementation for the rural areas would be the same as grants-in-aid programme of the State Government implemented by the VDBs in the villages. The plan prepared by the VDBs are consolidated at the Block levels and forwarded to the District Rural Development Agency (DRDA). In the case of Urban Local Bodies (ULBs), the Urban District Level Committee (UDLC) on BRGF identifies and prioritises the schemes. The plans prepared by each VDB and ULB are consolidated into a District Plan which on approval by the District Planning & Development Board (DPDB) becomes the frame work for implementation of BRGF in the district.

#### 2.7.8.1 Inadequate planning

The guidelines of the BRGF envisage taking up of a diagnostic study of backwardness by enlisting professional planning support through Technical Support Institutions

(TSIs). This includes preparation of a baseline survey of assets available in the districts and requirement of the villages and important developmental gaps and programme fund deficiencies that are hampering development, identify the needs and priorities of the stakeholders etc. which can be used for undertaking evaluation at a later date. Thereafter a well-conceived participatory district development perspective plan was required to be prepared to address the backwardness. The plan should integrate multiple programmes that are in operation in the district concerned and address the backwardness through a combination of resources that flow to the district. The programme identified for implementation under the fund will be selected through people's participation, particularly through village and ward members. Participatory plan prepared should take into account all resources being spent in the village/urban region, taking into account sectoral and district segments of district plan, centrally sponsored schemes, fund flow of MGNREGS, tied and untied grants from Central and State Finance Commissions, fund flows from Bharat Nirman Programmes etc.

Examination of records revealed that the GoN appointed (October 2007) Moksha Group, a Guwahati (Assam) based firm for preparation of perspective plan for the BRGF districts of the State at an estimated cost of ₹ 30 lakh. However, terms of reference of appointment was not mentioned by the Government. As per the guidelines of the Ministry of Panchayati Raj, for preparation of perspective plans, the Agency appointed was required to visit districts, blocks, villages and also take up baseline study of the district.

It was noticed that the Agency did not visit any of the test checked villages and also did not take into account the convergence of resources and activities in the Village/Urban level as envisaged. It also did not take into account the training needs and infrastructure developments required under capacity development and training. However, full payment was released to the consulting firm though it did not observe the modalities in preparation of Perspective Plan.

Since the participatory approach was not followed, the awareness of the programme was poor amongst the stakeholders. The fact was confirmed during interaction and interview with different stakeholders of BRGF as 75 per cent of the persons interviewed were not aware about the BRGF programme.

Thus the BRGF programme was implemented without identification of critical development gaps.

While accepting the facts, the Department replied (September 2015) that the Agency had visited 24 blocks and villages in 2007 for preparation of perspective plan. In the second phase, due to lack of co-operation from the heads of the department in the districts, only district level workshop was conducted to complete the task of preparation of Perspective plan. However, there was no documentary evidence in support of such visits to villages by the Agency as well as conducting of district level workshop.

### 2.7.8.2 Deviation from decentralised Planning

The BRGF programme envisaged a decentralised bottom up planning approach. The projects/activities are required to be selected by the VDBs in the rural areas and ULBs for the urban areas. BRGF guidelines also stipulated that DPDB should not add or substitute any work proposed by any VDB/ ULB unless the DPDB finds variance with the guidelines or duplication of works.

During 2010-15, for implementation of BRGF in the selected districts, the VDBs identified and proposed the following programmes which were duly approved by the DPDBs of the respective districts.

**Table 2.7.1**

				<i>₹ in crore</i>
Name of District	Total number of Schemes	Total amount proposed	No. of proposals for rural housing	Amount proposed
Mon	697	84.82	199	20.67
Tuensang	638	61.62	40	2.65
Wokha	990	52.40	5	0.29
<b>Total</b>	<b>2325</b>	<b>198.84</b>	<b>244</b>	<b>23.61</b>

(Source: Departmental figures)

As seen from the table above, during the last five years, VDBs in the selected districts submitted 2325 proposals under BRGF, of which only 244 (10 per cent) were related to rural housing. This indicated that the rural housing was a low priority scheme under BRGF programme among VDBs in selected district.

Examination of records revealed that the HPC however decided (August 2009) to implement rural housing on a priority basis. Against the actual proposal to extend assistance to 244 household by the VDBs, the HPC arbitrarily decided to extend assistance to 11,398 household i.e., 11,154 households were extended assistance in excess of what was proposed by the VDBs. It was noticed that under BRGF programme CGI sheets (83451 bundles) at a total cost of ₹ 42.14 crore was supplied out of the total allocation of ₹ 94.51 crore. It was also noticed that VDB Association of districts wherein BRGF programme was being implemented represented (February 2014) to GoN and the Director, Rural Development against the policy of the HPC to allocate funds for materials for rural housing under BRGF. However, the policy of allocation of CGI sheets for rural housing continued as of 2014-15. As a result, other components of the programme such as rural connectivity, community toilets, water reservoirs, etc. was accorded low priority despite being proposed by VDBs.

It was observed that prior to 2010-11, proposals made by VDBs was considered by the HPC during the implementation of BRGF programme in the State. As a consequence, the VDBs could take up development of infrastructure facilities in their villages as can be seen in the **Photograph No.2.7.1**. However, since the decision to prioritise the rural housing in villages was taken by the HPC, other infrastructure development in the villages was neglected due to fund constraints. It was also observed that a multipurpose VDB house taken up by the VDB Nokyan B under BDO Noklak (**Photograph-2.7.2**)

remained incomplete (May 2015). Since the scheme was wound up, it is unlikely that this house will ever be completed.

Photograph No. 2.7.1	Photograph No.2.7.2
	
<p>Village council hall Cum rest house constructed by VDB Noklak during 2008-10 under BRGF.</p>	<p>An incomplete Multipurpose VDB House seen at Nokyan B village under BDO Noklak</p>

The Department while accepting the fact stated (September 2015) that though the percentage allocated to rural housing was more in some of the districts as pointed out in audit, the aim was to cover 100 *per cent* coverage of the villages in the district and intervention to continue with rural housing for the interest of the people was taken.

The reply has to be viewed in light of the fact there is a flagship programme, *Indira Aawas Yojana* (IAY), intended at tackling the problem of rural housing, which was being implemented in the State. The guidelines of BRGF programme allowed sourcing of funds for augmenting IAY and meeting a portion of the backlog in provision of new housing if a particular DPC aims at making the district free of a housing problem and the local PRIs see this as a priority. However, VDBs had other priorities, which were neglected. The decision of HPC was against the spirit of the programme to involve participation at the grass-root level in decision making.

### **2.7.8.3 Guidelines and instructions not issued**

The Government of India, Ministry of Panchayati Raj had amended (January 2011) paragraph 2.1 and paragraph 4.22 of BRGF guidelines empowering DPDBs to consolidate and approve the district Plan and changed the role of HPC from district plan approving authority to the body overseeing implementation and monitoring of the BRGF programme. For this purpose necessary guidelines and instructions were to be issued by the HPC.

However, policy frame work and guidelines were not issued on major issues of implementation like sub allocation of funds, grants-in-aid norms to women and youth, adoption of convergence activities, quality monitoring systems, equipping VDBs with professional administrative and technical help, in preparation of plans and their implementation and monitoring, using Panchayati Raj Institutions Accounting Software (PRIA soft) for accounting functions of VDBs/ULBs etc.

The Department did not furnish specific replies on all the points raised in Audit. However, it accepted (September 2015) that the norm of funding as per VDB grants

considering women and youth was not taken into BRGF and *inter se* allocation was made as per 2001 census for Rural and Urban areas.

### 2.7.9 Financial Management

#### 2.7.9.1 Financial Outlay

The year wise position of receipts of fund from GoI and corresponding releases by the State Government and utilisation by the Implementing entities is given in the table below:-

Table 2.7.2

₹ in crore

Year	Allocation and fund released by GoI				Funds released by State Government to		Amount utilised	
	Capacity Building		Development Grants		SIRD	RD	SIRD	VDBs / ULBs
	Allocation	Fund released	Allocation	Fund released				
2010-11	9.00	3.00	37.04	37.04	2.00	29.91	2.10	30.78
2011-12	3.00	3.00	38.48	38.48	3.70	43.30	4.59	32.58
2012-13	4.20	4.20	37.31	37.31	1.80	39.61	2.58	45.94
2013-14	0	0	9.12	9.12	2.70	7.70	2.90	12.92
2014-15	4.20	4.20	64.86	56.67	2.10	15.83	1.12	14.91
<b>Total</b>	<b>20.40</b>	<b>14.40</b>	<b>186.81</b>	<b>178.62</b>	<b>12.30</b>	<b>136.35</b>	<b>13.29</b>	<b>137.13</b>

(Source: Departmental figures)

#### 2.7.9.2 Delay in release of funds and parking of funds in Civil Deposit

Para 4.6 of the BRGF guidelines stipulated that all funds will be transferred to the Consolidated Fund of the State and the same shall be transferred to the bank accounts of the implementing entities (IEs) within 15 days from the date of release of fund to the State. Further, terms and condition of the GoI sanction orders stipulated that in case of delay in transfer of fund by the State Government beyond this stipulated period, penal interest at RBI rate shall be required to be transferred by the State Government to the IEs concerned along with the principal amount of fund.

Examination of records revealed that during 2010-15;

- ₹ 178.62 crore was released by GoI as Development Grants, of which ₹ 136.35 crore has been released by GoN and remaining ₹ 42.27 crore was kept in Civil Deposits;
- Further, ₹ 14.40 crore was released by the GoI for capacity building. Out of which ₹ 12.30 crore was released by GoN and balance amount of ₹ 2.10 crore was kept in Civil Deposit.
- There were delays ranging from 62 days to 361 days in release of funds by GoN. During the period 2010-15. Though there was delay in release of central allocation, the penal interest of ₹ 2.68 crore<sup>30</sup>.as provided in the guidelines was not released to the IEs.

<sup>30</sup> Development grant ₹ 2.49 crore and Capacity Building ₹ 0.19 crore.

The Department accepted (September 2015) the facts and stated that the matter was discussed in HPC meetings for timely release of funds. Since the programme has been discontinued from the year 2015-16, prospects of utilisation of ₹ 44.37 crore parked in Civil Deposit by end of March 2015 are remote and needs to be refunded to GoI.

#### **2.7.9.3 Grants-in-aid not released due to delay in approval AAP**

BRGF is a 100 *per cent* centrally sponsored scheme. Timely release of funds is crucial for any scheme to be effectively implemented. Scrutiny of the funds sanctioned and released by the GoI revealed that during 2013-14, no fund was released by the GoI under capacity building to the GoN though an amount of ₹ 5 crore was proposed and included in the Annual Action Plan (AAP) by the GoN. Under development grant, GoI released only ₹ 9.12 crore for Tuensang district (March 2014) against a proposal of ₹ 71.80 crore and the other four districts<sup>31</sup> did not receive any assistance from the GoI. The delay by the HPC for approval of the AAP was stated as the reason for late submission of proposals by SIRD and consequent non-receipt of assistance.

Since the anticipated assistance was not received, IEs could not implement the intended schemes.

#### **2.7.9.4 Criteria for allocation of fund to different categories not adhered to**

As per the BRGF guidelines and the HPC directions (August 2007), the funds was to be released on pro-rata basis to all the households in the case of villages and urban population in the case of ULBs. In Tuensang and Mon districts, the percentage share of VDBs and ULBs were 93 and 7 respectively.

However, the norms were not followed in the case of the above mentioned two districts during 2010-15. As against the admissible seven *per cent* for ULBs, the shares released to them were 15 to 20 *per cent* of the total allocation thus depriving the VDBs of their due share.

In reply (September 2015), the Department accepted the facts and stated that the changes in criteria for allocation of funds could not be proposed for approval in the HPC meetings by oversight.

#### **2.7.10 Implementation of the Scheme**

##### **Irregularities in implementation**

##### **2.7.10.1 Implementation of Rural Housing under BRGF**

(a) Para 4.3.2 (C) of the BRGF guidelines stipulates that if, by augmenting IAY, a portion of the backlog in provision of new housing can be met and if, a particular DPC aims at making the district free of housing problems and if, the local VDB sees this as a priority, funds may be sourced for rural housing.

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<sup>31</sup> Kiphire, Longleng, Mon and Wokha.

In the sample districts, the rural housing was given priority under BRGF at the behest of the HPC who had assigned no role in the selection of the schemes to be implemented under BRGF.

During 2010-15, the expenditure incurred on purchase of CGI sheets for rural housing of the three selected districts vis-à-vis funds received under BRGF is shown in the table below:

**Table 2.7.3**

₹ in crore

Year	Districts											
	Mon			Tuensang			Wokha			Total		
	Fund Received	Expenditure	Percentage of expenditure on CGI	Fund Received	Expenditure	Percentage of expenditure on CGI	Fund received	Expenditure	Percentage of expenditure	Fund received	Expenditure	Percentage of expenditure on CGI
2010-11	8.32	1.58	18.99	7.03	4.89	69.56	3.22	2.4	74.53	18.57	8.88	47.82
2011-12	8.83	0.91	10.31	8.5	7.91	93.06	4.69	4.38	93.39	22.02	13.21	59.99
2012-13	14.60	6.41	43.90	10.81	3.96	36.63	7.66	3.24	42.30	33.07	13.61	41.16
2013-14	4.97	1.83	36.82	2.85	0.35	12.28	0	0	0.00	7.82	2.18	27.88
2014-15	2.37	0	0.00	9.12	3.67	40.24	1.44	0.6	38.96	13.03	4.26	32.69
<b>Total</b>	<b>39.09</b>	<b>10.74</b>	<b>27.48</b>	<b>38.31</b>	<b>20.78</b>	<b>54.24</b>	<b>17.01</b>	<b>10.62</b>	<b>62.07</b>	<b>94.51</b>	<b>42.14</b>	<b>44.59</b>

(Source: Departmental figures)

The table above shows that expenditure on CGI sheets out of total expenditure during 2010-15 was 44.59 per cent and varied between 10 per cent and 93 per cent. The maximum expenditure was incurred in Wokha district during 2011-12 (93 per cent) whereas the proposal for rural housing by the VDBs of Wokha for the five years was only ₹ 29 lakh. The fund proposed from rural housing by the VDBs of Tuensang and Mon were 6 per cent and 35 per cent respectively of the total fund proposed for the five years period against the actual expenditure of 54 per cent and 27 per cent respectively. This was in spite of an already existing flagship programme, *Indira Awas Yojana* (IAY), which was exclusively meant for rural housing development.

The Department in reply (September 2015) stated that HPC had approved to continue with rural housing programme under BRGF to achieve 100 per cent coverage of rural housing.

As a consequence, the fund which would have otherwise prioritised for developmental projects under BRGF as proposed by the VDBs of the districts was expended for purchase of CGI sheets for rural housing. Under Wokha district, 46 per cent of the beneficiaries in the three<sup>32</sup> test checked villages responded that the CGI sheet they received were utilised for construction of kitchen, construction of sheds, etc. as the beneficiaries already had pucca houses.

<sup>32</sup> Phiro, Liphayan, and Shaki villages.

(b) During 2012- 13, PD, DRDA, Wokha released an amount of ₹ 1.09 lakh (March 2013) to a supplier<sup>33</sup> for supply of 2085 bundles of CGI sheets. It was however, observed that the supplier did not supply the materials even after full payment. The matter was confirmed during verification of records of the selected villages. Similarly, during 2014-15, supply order was issued to a supplier<sup>34</sup> for 1138 bundles of CGI sheets valued at ₹ 60 lakh. The CGI sheets were not received (May 2015) by the DRDA or blocks though full payment was made for the same.

The Department stated (September 2015) that the matter is under scrutiny and the results of the same will be intimated to audit at the earliest. However, no reply had been received as of December 2015.

(c) DRDA Mon had procured 6573 bundles of CGI sheets for ₹ 3.47 crore from a supplier<sup>35</sup> at the rate of ₹ 5279 per bundle during 2011-12 and allocated 1589 bundles (July 2011) to BDO Tobu. However, this was not received by the BDO resulting in non- receipt of CGI sheets worth ₹ 84 lakh. It was also observed that DRDA Mon issued supply order for 1136 bundles of CGI sheets and paid (March 2015) the full amount of ₹ 59.97 lakh though the supplier<sup>36</sup> did not supply the materials as of June 2015.

In reply (September 2015) the Department stated that reply would be furnished after cross verification of records. However, no reply was received (December 2015).

(d) During 2010-15, DRDA Tuensang allocated 7363 bundles of CGI sheets to BDO Sangsangnyu. However, it was observed that only 3031 bundles of CGI sheets was received by the BDO resulting in short receipt of 4332 bundles of CGI sheet worth ₹ 1.94<sup>37</sup> crore.

In reply (September 2015), the Department stated that the matter is under scrutiny and results of the same will be intimated to audit at the earliest. However, no reply was received (December 2015).

(e) In seven out of 35 villages test checked, it was observed that there was short/non receipt of 1348.20 bundles of CGI sheets worth ₹ 60 lakh (***Appendix 2.7.1***).

The Department did not offer any comments on this issue (December 2015).

(f) The specification of CGI sheet as per the supply order was 0.5 mm in thickness. However, during joint physical verification of 35 villages it was noticed that the material supplied was 0.3 mm thick CGI sheets in contravention of the supply order.

In reply (September 2015), the Department stated that there was no separate purchase committee under BRGF programme as the rural housing under BRGF was implemented in line with IAY programme and BRGF cell felt that same specification were being supplied to the districts. Further, there was no complaint from the beneficiaries so far

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<sup>33</sup> M/s. Tangit Jamir

<sup>34</sup> M/s. Shetovi Sema, Dimapur

<sup>35</sup> M/s. Walling Enterprises, Dimapur

<sup>36</sup> M/s. Shetovi Sema

<sup>37</sup> 4332 bundles X ₹ 4470 = ₹ 1.94 crore.

and the Department is of the view that materials were received as per the specification. However, the fact remains the beneficiaries in 35 test checked villages was distributed with CGI sheets of 0.33 mm thickness only.

(g) During 2010-15, 329 bundles of CGI sheets costing ₹ 15 lakh in 14 cases issued to the beneficiaries remained un-utilised (*Appendix 2.7.2*). Instance of a beneficiary who received CGI sheets under both IAY and BRGF (2011-12) and kept unutilised is shown in **Photograph No.2.7.4**.



The Department stated (September 2015) that it will verify and reply to audit at the earliest. However, no reply from the department was received (December 2015).

(h) During 2012-15, a total of 38,057 bundles of CGI sheets valued at ₹ 18.99 crore were issued in the three test checked districts. However, NVAT amounting to ₹ 1.08 crore (@ 4.75 per cent) was not deducted causing thereby a loss of ₹ 1.08 crore to the Government.

(i) Out of 1621 rural housing beneficiaries from 35 test checked villages, female beneficiaries accounted for only 18 per cent (288 beneficiaries) due to non-formulation of policies as per VDB grants-in-aid.

While accepting the facts, the Department stated (September 2015) that the VDBs had overlooked the selection criteria in distribution of CGI sheets.

#### 2.7.10.2 Execution of works

(j) **Unexecuted and incomplete works.**

During 2010-15, the VDBs and ULBs had taken up 375 works valued at ₹ 34.19 crore, out of which 335 works had been reported as completed and 42 works costing ₹ 1.54 crore (*Appendix 2.7.3*) were on-going. Examination of records and joint physical verification revealed that out of 82 works verified, 15 works valued at ₹ 2.38 crore (*Appendix 2.7.4*) were not actually executed though they were stated to be completed. It was also observed that DRDA Tuensang had released an amount of ₹ 50 lakh for construction of godown. During joint inspection, an old multi-storied building (*Photograph 2.7.5*) was stated to have been purchased and a room in the building used as store room. The rest of the building was occupied by tenants. However, no sale deed or other relevant documents relating to acquisition of the building was furnished. Hence, the actual purchase of the building meant for godown remains doubtful.



Further, two up-gradation/improvement of 4.02 Km roads works at a cost of ₹ 1.73 crore was reported as completed as per specification. Joint physical verification however revealed that only 2.4 Km valued at ₹ 1.03 crore was completed resulting in excess payment of ₹ 70 lakh.

**(ii) Idle expenditure.**

The construction of Scheduled Tribe (ST) Girl's hostel was taken up at a total cost of ₹ 50 lakh under BRGF during 2012-13. Examination of the records revealed that only ₹ 37 lakh had so far been released for the construction by DRDA Mon. The cement concrete floored building consisting of four rooms, a store room, veranda at the front and rear part was completed. During physical verification, it was observed that the doors, window panes and glass panels were broken and damaged (**Photograph 2.7.7**). The actual date of commencement and status of construction was not on record as the DRDA did not maintain the measurement books. The building was yet to be handed over to the college authorities. Thus, the girls' hostel on its construction ₹ 37 lakh has been spent remained idle (September 2015).



**Photograph 2.7.7**

The Department accepted the facts and stated that (September 2015) process has already been initiated to hand over the building to college authorities.

**(iii) Deviation from approved plans**

As per the scheme guidelines, all works executed should be from the approved AAP. It was noticed that in 12 cases, the IEs deviated from the approved AAP and executed works valued at ₹ 2.06 crore (**Appendix 2.7.5**).

**(iv) Execution of work outside the approved plans**

The construction of Konyak Baptist Bumeinok Bangjum (KBBB) Guest House at Ayikhongho was sanctioned during 2013-14 under ULB Mon at an estimated cost of ₹ 2.00 crore. An amount of ₹ 1.76 crore was released (March 2014) to Shri Aman Y Konyak for the construction. It was however, observed that the proposal for this construction was not approved by the DPDB and was not included in the AAP of BRGF (ULB) scheme. During joint inspection (June 2015), it was seen that the constructed building was occupied by KBBB without any agreement. On further inquiry, the PD, DRDA Mon stated that the work was carried out as per the Konyak Union resolution with the approval of the Deputy Commissioner, Mon.



**Photograph 2.7.8**

Konyak Baptist Bumeinok Bangjum (KBBB) Guest House at Ayikhongho

In reply the Department stated (September 2015) that the work was carried out in consultation with the Konyak community and Civil Societies headed by Konyak Union.

The reply of the Department is not acceptable as there is no documentary evidence to show that work was actually executed by the community and work orders were issued against particular individuals.

**(v) Criteria for selection of beneficiaries**

As per the instruction of the Directorate of Rural Development, VDBs select the beneficiary from the poorest of the poor. But the criteria for selection of the poorest of the poor was not defined and communicated to the VDBs. Similarly entitlement under BRGF rural housing was also not defined. As a result, two types of beneficiaries were created in the village (a) beneficiaries under BRGF received three to seven bundles of CGI sheets only (b) the beneficiaries under IAY rural housing received seven to ten bundles of CGI sheets, ridging and a cash component of ₹ 3000 for petty procurements. Thus, it is evident that no proper definition of the poor was set and the selection criteria of beneficiaries followed under BRGF.

The Department accepted (September 2015) the facts pointed out in audit.

**2.7.10.3 Implementation of Capacity Building component of BRGF**

As per BRGF guidelines, each district is entitled to ₹ 1.00 crore for taking up various capacity building activities in the district. In addition, funds are earmarked for certain aspects of capacity building from the development grant. The SIRD, Nagaland is the implementing agency for capacity building component of BRGF in the State. The SIRD organised trainings for various stakeholders and also took up infrastructure development of different training institutions. During the year 2010-15, the SIRD received an amount of ₹ 14.40 crore from the Ministry against which an amount of ₹ 10.20 crore was reported as utilised for implementation of various activities.

Examination of the activities of SIRD revealed the following:

**i. Discrepancies in training expenditure**

As per the information furnished to audit, an amount of ₹ 6.06 crore was utilised for various training programmes conducted by the SIRD. However, examination of records revealed that only ₹ 3.25 crore was utilised for training purpose. The Department could not furnish any documentary evidence in support of an expenditure of ₹ 2.81 crore towards training or capacity building under BRGF.

The SIRD in reply stated (September 2015) that the Department was compelled to incur expenditure on daily allowance, travelling allowance etc. of the trainees and faculties though these were not admissible as per the guidelines. The fact however remains that no supporting documents were furnished in support of the expenditure of ₹ 2.81 crore.

**ii. Diversion of funds for inadmissible works**

Para 3.22 (c) of the BRGF guidelines has listed various components of capacity building and sources of fund for the same. Acquiring computers and peripherals and

providing interface equipment which may be required for broadband connectivity and training for software use at each panchayat level and telephone connections to all panchayats can be funded out of Capacity building fund. Physical infrastructure for conduct of Panchayat affairs are to be funded through development grant, provided 30 *per cent* of the cost is contributed from other sources. Further as per paragraph 6.2 of the guidelines under national capacity building framework, an amount of ₹ 1.00 crore per state is admissible for infrastructural works.

Our examination of records revealed that an amount of ₹ 3.48 crore was spent on 32 infrastructure works (**Appendix 2.7.6**). This indicates that SIRD incurred ₹ 2.48 crore on inadmissible works

The SIRD in reply (September 2015) stated that capital cost at the rate of ₹ 1.00 crore for strengthening of SIRD is admissible under BRGF guidelines and it was utilised as per need and requirement of the SIRD.

The reply furnished by the SIRD is not acceptable as BRGF guidelines (paragraph 6.1) clearly stipulated that Capital cost is limited to maximum of ₹ 1.00 crore only.

**iii. Objective of helpline facilities not achieved**

As per Para 2.48 III (h) of BRGF guidelines, telephone helpline can be setup to provide a speedy channel of communication and information, between trained persons and persons seeking clarification/information. Wide publicity should be given to the helpline telephone numbers in all communications of the Government. They should also be widely publicised in the press. Arrangements will have to be made to send the complaints received to the authorities concerned to redress and to provide replies to the persons concerned.

SIRD launched (November 2010) a helpline facility at a total cost of ₹ 17 lakh for two helpline numbers and for procuring mobile sets and BSNL SIM cards for distribution to 412 VDBs.

During interview with Village Chairmen and Secretaries of the selected villages it revealed that none of the VDB members had used the helpline services and the BRGF beneficiaries interviewed were also not aware about the existence of such a helpline facility. Moreover, in almost all the villages visited during joint inspection, BSNL reception was unavailable in the villages and the VDBs were either not using the mobile sets or had substituted the SIM cards with their own self purchased SIM card of other service providers available in the village.

Though helpline facility as laid down by the guidelines of BRGF was followed, there was no awareness of the existence of such a facility and therefore the objective of the helpline remained unachieved. In addition, the SIRD did not undertake any feasibility study on the availability of service providers in the villages before acquiring and distributing the SIM cards.

The SIRD while accepting the facts stated (September 2015) that most calls received from villagers related to release of fund of MGNREGS.

**2.7.11 Internal controls and evaluation**

**Deficiency in monitoring and evaluation**

**2.7.11.1 Inspection of works**

Para 4.14 of BRGF guidelines provides for preparation of a schedule for inspection of BRGF works and for instituting a quality monitoring system for maintaining the quality of works. The working of the quality monitoring system is to be regularly reviewed by the HPC. No such monitoring was carried out in the selected BRGF districts as the HPC did not formulate guidelines.

**2.7.11.2 Audit of works**

BRGF guidelines required conducting regular physical and financial audit of works executed under the scheme in each district at the end of the financial year. It was however, noticed that though financial audit was conducted in all the test checked districts regularly, physical verification of works was not carried out. This resulted in payment for works without measurement.

**2.7.11.3 Peer review of BRGF schemes**

Para 4.13 of BRGF guidelines provides for conducting peer review of performance of one VDB by another to find out the bottlenecks in programme implementation under BRGF and other flagship programmes, with a view to share the best practices. A Review Committee was to be constituted by the District Planning Committee to review reports of the committee and take follow up action. However, no such arrangement was found constituted in the three test checked districts.

**2.7.11.4 Conduct of Social audit**

Social Audit of BRGF at VDB and ULB levels are to be carried out at regular intervals. However, it was observed that no social audit was conducted in the three test checked districts.

While accepting the audit views, the Department replied (September 2015) that action will be initiated by the Department to strengthen the monitoring system.

**2.7.12 Conclusion**

In the implementation of BRGF scheme instances of deficiencies and lapses in several areas were noticed. In planning the participatory approach as envisaged in the guidelines were not followed. The scheme was implemented without identification of critical development gaps. Financial management was not satisfactory. The funds were not released to the implementing entities in a timely manner. Deviations from the approved annual action plan was noticed. The HPC's decision to implement rural housing defeated the core idea of a decentralised bottom up planning approach. Monitoring and evaluation of the programme did not exist and there were cases of non-execution of works, short execution of works and execution of inadmissible works. There was no convergence with other flagship programmes.

**2.7.13 Recommendation**

*Since the BRGF programme has been wound up, deficiencies and lapses in the implementation of the scheme as pointed out in the report should be kept in mind while implementing programmes on similar lines so that such deficiencies and lapses do not recur.*

**COMPLIANCE AUDIT**

**RURAL DEVELOPMENT DEPARTMENT**

**2.8 Suspected embezzlement of MGNREGS fund**

**Out of ₹ 10.19 crore received under MGNREGS by BDO, Tokiye during 2011-12, the BDO transferred ₹ 1.37 crore to his personal account, ₹ 0.43 crore to another officer's account and ₹ 0.93 crore was transferred back to the account of the PD, DRDA.**

According to Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) Operational Guidelines, separate bank accounts are to be opened for managing funds under the Scheme at the State, District, Block and Panchayat (village) levels. The funds received from Government of India or the State Government by the District Rural Development Agency (DRDA) is to be transferred to the Blocks/Panchayats by bank transfer.

Project Director cum District Programme Coordinator, MGNREGS, Zunheboto sanctioned and remitted ₹ 10.19 crore between July 2011 and February 2012 for implementation of various works under the scheme during 2011-12 to Block Development Officer (BDO), Tokiye Block. The amounts were required to be transferred to the respective bank accounts of Village Development Boards (VDBs) under the block as the works were executed by the VDBs.

Examination (February 2014) of cash book and payment register revealed that the funds received against the Scheme as wage and material component were transferred (July 2011 and February 2012) to the bank accounts of 30 VDBs under the block. However, in support of payment of an amount ₹ 2.73 crore for material component, the BDO could not furnish the supporting documents such as remittance slips, actual payee receipts, etc. Therefore, we examined the statement of bank account maintained by the BDO for transacting MGNREGS funds which revealed that out of ₹ 2.73 crore, the BDO transferred ₹ 1.37 crore<sup>38</sup> to his personal account<sup>39</sup>, ₹ 0.43 crore to the account of the Junior Engineer<sup>40</sup> and ₹ 0.93 crore was transferred back to an account operated by the Project Director cum District Programme Coordinator, MGNREGS, Zunheboto.

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<sup>38</sup> ₹ 0.87 crore (July 2011) and ₹ 0.50 crore (February 2012)

<sup>39</sup> Account Nos 31113814413 and 11736610555, both maintained in SBI, Zunheboto

<sup>40</sup> Account No 30543643407 maintained in SBI, Zunheboto

Thus, in violation of the guidelines and contrary to the recordings made in the cash book, an amount of ₹ 2.73 crore was suspected to have been embezzled by the BDO. The matter needs further investigation.

The Department in reply (July 2014), stated that the amount sanctioned could not be utilised immediately and for the safe custody and security, the amount was temporarily transferred to private accounts mentioned above. However, the same was released to the concerned VDBs for implementation of the Scheme. The reply was also endorsed by the Government.

The reply of the Department is not acceptable as Government money was kept in private account of three departmental officials which amounts to mis-appropriation of public funds. Moreover, examination of bank statements of two bank accounts of the BDO revealed that ₹ 0.87 lakh transferred on 27/07/2011 was withdrawn in cash on three occasions between 27/7/2011 to 17/08/2011. Similarly, ₹ 0.50 crore transferred to his account on 02/02/2012 was withdrawn in cash on the same day itself and not transferred to any VDB accounts as claimed by the Department. The Department ought to have initiated disciplinary and criminal action against the errant officers, who transferred and received funds in private accounts.

## 2.9 Suspected Misappropriation

**MGNREGS funds of ₹ 118.40 lakh claimed to have been paid by the BDO, Aghunaqa was not received by 12 VDBs and is suspected to have been misappropriated.**

According to Para 7.2 of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) Operational guidelines all payments of MGNREGS wages were required to be made through banks or post offices. Para 8.2 further stipulated that the State Government should design a complete Financial Management System for the transfer and use of funds to ensure transparency, efficiency and accountability and track the use of funds towards the final outcomes. Separate bank accounts should be opened for the funds under the scheme at the State, District and Block level in public sector banks. Para 8.5.1 also stipulated that each Gram Panchayats should have a single bank account for the purpose of implementing MGNREGS works. In the absence of Panchayati Raj Institutions in Nagaland, the Village Development Boards (VDBs) were entrusted the responsibility of implementing MGNREGS at the village level.

Examination of records of the Block Development Officer (BDO), Aghunaqa revealed that an amount of ₹ 892.96 lakh (₹ 436.04 lakh for 2012-13 and ₹ 456.92 lakh for 2013-14) was received from the Project Director, DRDA Dimapur during 2012-13 & 2013-14 against 20 sanctions (*Appendix 2.9.1*) for implementation of MGNREGS in 36 Villages/VDBs. As per Cash Book of the BDO, the entire amount was recorded as disbursed to VDBs for implementation of MGNREGS.

We cross verified the transactions of the Cash book with the Bank statement of MGNREGS bank account maintained by the BDO and found that, out of the amount of

₹ 892.96 lakh, only ₹ 288.81lakh was transferred to the 36 VDBs' bank account and ₹ 604.15 lakh<sup>41</sup> was drawn in cash against 37 cheques (*Appendix 2.9.2*).

To ascertain the actual transfer of the funds, cash book of 12 VDBs (Out of 36 VDBs) were cross examined which revealed that against the sanctioned amount of ₹ 284.69 lakh for 12 VDBs, the VDBs actually received only ₹ 166.29 lakh (₹ 125.66 lakh through bank transfer and ₹ 40.63 lakh by cash) leading to a short receipt of ₹ 118.40 lakh (42 *per cent* of the total sanction) by the 12 VDBs (*Appendix 2.9.3*).

Thus, an amount of ₹ 118.40 lakh shown in the records of the BDO as paid to 12 VDBs was actually not paid. The possibility of short payment to the remaining 24 VDBs also cannot be ruled out in view of the facts that a total of ₹ 604.15 lakh was withdrawn in cash from the bank instead of transferring the same directly to the bank accounts of the VDBs.

The matter was reported to the Department and the Government (October 2015). No reply had been received (December 2015).

## INDUSTRIES AND COMMERCE DEPARTMENT

### 2.10 Excess payment of Marketing Incentives

**The Director of Industries and Commerce paid ₹ 2.32 crore to 48 ineligible and seven non-functional societies on the basis of false sales details and ₹ 65.71 lakh as Marketing Incentive to 16 Co-operative societies above the prescribed rate.**

Integrated Handloom Development Scheme (IHDS), envisaged providing Marketing Incentive to the handloom agencies for ensuring creation of conducive environment for marketing of handloom products. Marketing incentive is provided as a price incentive to ensure competitiveness in handloom sector but also to encourage the societies to invest in infrastructure and improve production and productivity on one hand and also to enable them to marginally reduce the price. The agencies were expected to use this amount towards activities that would attract the consumers in order to gear up overall sales of handloom goods. Marketing incentive is provided to State Handloom Corps, Apex Co-operative Societies, Primary Handloom Weavers Co-operative Societies & National Handloom Organizations. The quantum of assistance to be provided is as follows:

**Table-2.10.1**

Oranisation	Financial assistance	Sharing ratio
Marketing Incentive Handloom Corp., Apex Cooperative Societies, Primary Weavers Co-operative Societies, National Handloom Organizations	10 <i>per cent</i> of the average sales turnover of the last 3 years	50:50, except in the case of National Level Handloom Organizations/ Societies, where the entire assistance will be borne by the Government of India

<sup>41</sup> ₹ 423.15 lakh by BDO, ₹ 176.00 lakh by VDBs and ₹ 5.00 lakh without indicating any name.

Examination (October 2013) of records of the Director of Industries and Commerce (DI&C), revealed that the Department drew ₹ 6.54 crore (July and October 2013) (Central Share ₹ 3.27 crore, State matching share ₹ 3.27 crore) towards marketing incentive against 131 registered<sup>42</sup> Cooperative Societies dealing with Handloom products (Fabrics) and Nagaland Handloom & Handicrafts Development Corporation<sup>43</sup> for the year 2012-13. The incentive was paid (July and October 2013) to these 131 organizations/societies at the rate of 10 *per cent* of average sales turnover for the year 2009-10 to 2011-12 as certified by the Chartered Accountant<sup>44</sup>. On further examination of records audit observed instances of payment in cash instead of transferring the amount to the respective bank accounts of the societies.

To track and authenticate the transactions, the balance sheets of 71 registered societies (54 *per cent*) out of 131 societies maintained by the Registrar of Co-operative Societies were cross examined which revealed the following irregularities as summarized below:-

- (i) As per registration certificate issued by Cooperation Department, 48 Co-operative societies were dealing with Agriculture, Fishery, Dairy farming, piggery, fruits and vegetables, fertilizer etc. They were ineligible for assistance under the Handloom Development Scheme. However, these societies were paid ₹ 204.72 lakh as marketing incentive. This resulted in inadmissible marketing incentive payment of ₹ 204.72 lakh (**Appendix-2.10.1**).
- (ii) Seven Co-operative societies in Dimapur which were reported non-functional by Registrar of Co-operative Societies (RCS) since 2009 were paid marketing incentive of ₹ 27.60 lakh by providing false documents. (**Appendix-2.10.2**).
- (iii) As against the reported average sales turnover of ₹ 6.76 crore during the last three years (2009-12), the DI&C paid ₹ 67.56 lakh as marketing incentive to 16 societies. It was further seen that the balance sheets of five societies showed a NIL sales turn over but were however paid ₹ 21.94 lakh as marketing incentive. In respect of 11 Co-operative societies engaged in weaving (Fabrics) the average sales turnover was ₹ 18.51 lakh but were paid ₹ 45.62 lakh instead of the admissible amount of ₹ 1.81 lakh. This resulted in excess and inadmissible payment of ₹ 65.74 lakh (**Appendix-2.10.3**).

Thus, the Department paid ₹ 2.32 crore as marketing incentive to 48 inadmissible and seven non-functional societies due to negligence in cross examining the audited reports of these societies with the RCS before admitting the claims. The Department also paid ₹ 65.74 lakh to 16 societies being marketing incentive in excess of the prescribed rate of 10 *per cent* of the sale turnover.

In reply, the Director while accepting the fact stated (June 2015) that marketing incentive was granted to 48 societies dealing in Agriculture & allied activities and that 17 of them were also involved in promoting handloom and weaving though they were

<sup>42</sup> Registered under Multi-purpose Cooperative Societies Act

<sup>43</sup> State Public Sector Undertaking

<sup>44</sup> Shri. Ajit Jain, M-054545

basically registered in other names. Regarding release of marketing incentive to seven non-functional societies, the Director stated that the incentive was released on the basis of the certificate provided by the Chartered Accountant and the period of validity was not mentioned in the registration certificate. The Director further stated that there was no excess payment to 16 societies as the payments were released based on the claims made by the societies whose sales turnovers were certified by the Chartered Accountant. Reply from the Government had not been received (December 2015).

The reply is not acceptable since the RCS had furnished a report stating that all the 48 societies were not involved in any activities related to handloom development and seven societies were non-functional. Besides, the sales turnover certificates given by the Chartered Accountant was highly inflated.

## **NAGALAND STATE TRANSPORT DEPARTMENT**

### **2.11 Infuctuous expenditure**

**Due to lack of proper planning and consultation with stakeholders, the Inter State Bus Terminus constructed at a cost of ₹ 7.50 crore at Mokokchung Town remained idle for the last four years.**

With an objective to alleviate the perpetual traffic congestion in Mokokchung town, construction of Inter State Bus Terminus (ISBT) consisting of bus terminus, booking counters, staff quarters, parking bays, etc. at Mokokchung under NEC programme (90:10) at an estimated cost of ₹ 7.50 crore was taken up (April 2007) by the Department of State Transport. The operation of bus services from the old Bus station located in the heart of the town was proposed to be shifted to the new project site.

Our examination of records revealed that construction works which commenced in April 2007 was completed in March 2011 at a total expenditure of ₹ 7.50 crore and inaugurated on 1<sup>st</sup> August 2011. However, the project remained non-operational till June 2014 even after a lapse of 35 months of inauguration as shown in the photograph.

**Photograph 2.11.1**



On being pointed out, the Department stated that due to lack of co-operation from the travelling passengers and private operators the project could not be made functional. The Department further stated that efforts are being made to commence functioning of the ISBT in the new complex with the help of the District Administration.

Thus, the project constructed at a cost of ₹ 7.50 crore remained idle for the last four years which indicated that the project was taken up without proper planning and consultation with the stakeholders.

The issue was reported to the Government (July 2015), reply had not been received (January 2016).