CHAPTER-II

ECONOMIC SECTOR

2.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2016 deals with the findings on audit of the State Government units under Economic Sector.

During 2015-16, against total budget provision of ₹ 24,221.92 crore, total expenditure of ₹ 10,354.97 crore was incurred by 18 departments under Economic Sector. Department-wise details of budget provision and expenditure incurred thereagainst are shown in ***Appendix-2.1***.

2.1.1 Planning and conduct of Audit

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

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. Wherever replies are received, audit findings are either settled based on reply/action taken or further action is required by the audited entities for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State under Article 151 of the Constitution of India for laying on the table of the Legislature.

Test audits were conducted involving expenditure of ₹ 8,856.94 crore (including expenditure of earlier years) of the State Government under Economic Sector. This chapter contains one Performance Audit of "Pradhan Mantri Gram Sadak Yojana (PMGSY)" and two paragraphs including Compliance Audit of 'Procurement Activities in Agriculture Department' and one Compliance Audit paragraph.

Performance Audit

Public Works Department

2.2 Performance Audit of "Pradhan Mantri Gram Sadak Yojana"

To enhance socio-economic development as well as to ensure increased agricultural incomes and productive employment opportunities, the Government of India launched (25 December 2000) the 'Pradhan Mantri Gram Sadak Yojana' (PMGSY), a programme aiming to provide all-weather road access to eligible unconnected habitations. The National Rural Road Development Agency, Ministry of Rural Development, Government of India (GoI), has been entrusted with the task of *organizing the programme through State Level Agencies viz., State Rural Road Development Agencies. The PMGSY programme was a 100 per cent Centrally Sponsored Scheme upto the FY 2014-15. The funding pattern was changed to 90:10 from the FY 2015-16. The performance audit of PMGSY, covering the period of 2010-16 was carried out in 13 Project Implementation Units (PIUs) under eight selected districts. The audit revealed a number of irregularities in the implementation of the programme viz., deficiencies in the preparation of Core Network i.e., the network of all the Rural Roads that are necessary to provide basic access to all the Habitations, District Rural Road Plan, Detailed Project Report, non-achievement of targets, non-utilisation of funds in time, submission of fake Bank Guarantees, delayed completion of works; non-maintenance of roads, and inadequacies in quality control. Some of the significant audit findings are as under:*

Highlights

The Online Management and Monitoring System (OMMS) and the District Rural Roads Plans (DRRPs) prepared during the initial stage of implementation of the PMGSY based on the Census Report of 2001 had not been revised/updated.

(Paragraph 2.2.7)

In violation of the PMGSY Guidelines, the selected Project Implementation Units (PIUs) undertook construction of some roads outside the Core Network[1], and also executed inadmissible works.

(Paragraphs 2.2.7.1, 2.2.7.2 & 2.2.7.3)

Defying the National Rural Road Development Agency directive, the State Government transferred PMGSY fund (₹ 658.44 crore/2014-16) to Assam State Road Board (ASRB) with delays ranging from four to 95 days, creating a committed liability of ₹ 8.87 crore, being the interest payable to ASRB by GoA.

(Paragraph 2.2.8.2)

Against the Central release of ₹ 344.61 crore (2015-16), GoA released only ₹ 263.76 crore to ASRB, resulting in short/non-release by ₹ 80.85 crore.

(Paragraph 2.2.8.3)

During 2015-16, GoA released only ₹ 18.97 crore, against the State share of ₹ 34.46 crore.

(Paragraph 2.2.8.4)

There were delays in awarding the road construction Packages[2] ranging from three to 577 days besides delays in execution of works ranged from 30 to 3,440 days resulting in failure to provide the targeted habitations with all-weather roads in time.

(Paragraph 2.2.9.9)

[1] The Core Network is the network of all the Rural Roads that are necessary to provide basic access to all the Habitations.

[2] A 'Package' comprises of one or more road(s) and/or bridge work(s).

Routine maintenance of the PMGSY roads during 2010-16 was not carried out, despite availability of funds (₹ 23.92 crore).

(Paragraph 2.2.10.1)

Due to lack of proper monitoring and not ensuring the authenticity of Bank Guarantees, fake Bank Guarantees, worth ₹ 8.94 crore, were furnished by Contractors/Firms.

(Paragraph 2.2.11)

Deficiencies such as disintegration, development of potholes, damage of road surface *etc.*, were noticed during joint physical verification of 25 road and bridge works, in eight selected districts.

(Paragraph 2.2.13)

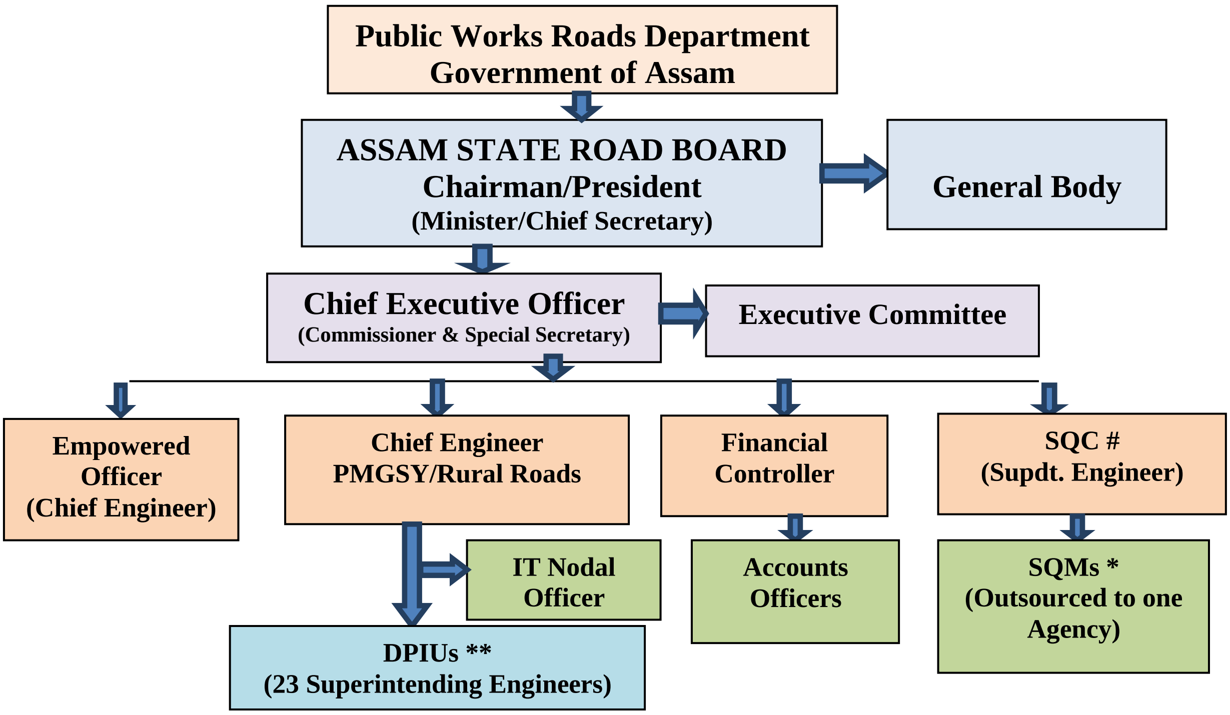
2.2.1 Introduction

Rural road connectivity is a key component of rural development, promoting access to economic and social services and thereby generating increased agricultural income and productive employment opportunities in rural areas. Government of India (GoI) launched the Pradhan Mantri Gram Sadak Yojana (PMGSY), a 100 *per cent* Centrally Sponsored Scheme, on 25 December 2000, with an aim to provide all-weather road connectivity to eligible unconnected habitations, in such a way that all unconnected habitations with a population of 500 persons and above, are covered in the plain area. In respect of the Hill States (North-East, Sikkim, Himachal Pradesh, Jammu & Kashmir, Uttarakhand) and the Desert Areas (as identified in the Desert Development Programme), as well as the Tribal (Schedule V) areas, the objective was to connect habitations with a population of 250 persons and above under the scheme. The funding pattern of PMGSY was subsequently changed to 90:10 from the FY 2015-16.

2.2.2 Organisational structure

Assam State Road Board (ASRB) is the Nodal Agency for implementation of PMGSY in Assam. It is headed by the Chief Executive Officer-*cum*-Commissioner and Special Secretary to the Government of Assam, Public Works Roads Department (PWRD). The organisational set up for the implementation of the scheme in the State is shown in **Chart-2.1**.

Chart-2.1
Organizational set-up for implementation of PMGSY in Assam



#SQC: State Quality Coordinator
***SQMs:State Quality Monitors**
****DPIUs: District Programme Implementation Units**

Source: Details furnished by the Department

2.2.3 Audit objectives

The objectives of the Performance Audit (PA) were to ascertain whether:

- The systems and procedures were in place and adequate for identification/ preparation of Core Network (CN) *i.e.*, the network of all the Rural Roads that are necessary to provide basic access to all the Habitations as well as District Rural Road Plan (DRRP) and also conform to the provisions of the programme;
- The allocation and release of funds under the PMGSY were made in an adequate and timely manner to ensure optimum utilization of funds;
- The road works were executed economically, efficiently and effectively; and
- The existing monitoring system and quality control mechanism was adequate and effective for achieving the desired objectives.

2.2.4 Audit scope and methodology

The Performance Audit of PMGSY in Assam was aimed at reviewing the efforts of the State Government in the implementation of the Scheme and highlighting the areas and issues of concern, which need to be addressed for the successful achievement of the programme objectives.

Audit was carried out during May-June 2016 through test-check of records maintained in the:

- Office of the Assam State Road Board (ASRB);
- Eight Heads of Project Implementing Units[3] (HPIUs) under eight selected Districts[4]; and
- Thirteen Project Implementing Units (PIUs).

The performance audit covered the period 2010-11 to 2015-16. During the course of audit, various records of 250 selected packages[5] relating to implementation of the PMGSY in the aforesaid units were reviewed and joint physical verifications of the assets created under the programme were also carried out, in association with the nominated Departmental officials.

The performance audit commenced with an entry conference held on 20 April, 2016 with the Administrative Head *i.e.*, the Chief Executive Officer, Assam State Road Board (ASRB)-*cum*-Commissioner and Special Secretary, Public Works Roads Department (PWRD), Government of Assam. The draft report was issued to the Government in October 2016. The exit conference was held on 17 November 2016 with the Commissioner and Special Secretary, PWRD wherein the audit findings were discussed. The replies to the observations received during the course of audit/at the time of exit conference and based on the discussion held, have been suitably incorporated in the Report.

2.2.5 Acknowledgement

Audit acknowledges the co-operation and assistance extended by the Public Works Roads Department and the Government of Assam at all levels during the course of conduct of the audit.

2.2.6 Audit criteria

The main sources of audit criteria were:

- The PMGSY scheme guidelines and subsequent amendments issued from time to time by the Ministry of Rural Development (MoRD), GoI;
- The PMGSY Operations Manual (OM), Accounts Manual, Rural Road Manual etc.; Annual Reports/ Instructions and Guidelines issued by National Rural Road Development Agency (NRRDA);
- Periodical Reports/ Returns, as prescribed by the State Government;

3 1. HPIU, Chirang District-*cum*- SE, Western Assam Road Circle, Goalpara; 2. HPIU, Dhubri District-*cum*- SE, Western Assam Road Circle, Goalpara; 3. HPIU, Lakhimpur District-*cum*-SE, Lakhimpur Road Circle, North Lakhimpur; 4. HPIU, Golaghat District-*cum*-SE, Jorhat Road Circle, Jorhat; 5. HPIU, Cachar District-*cum*-SE, Cachar Road Circle, Silchar; 6. HPIU, Karimganj District-*cum*-SE, Cachar Road Circle, Silchar; 7. HPIU, Nagaon District-*cum*- SE Nagaon Road Circle, Nagaon and 8. HPIU, Baksa District-*cum*-SE, Nalbari Road Circle, Nalbari.

4 Chirang, Dhubri, Lakhimpur, Golaghat, Nagaon, Cachar, Karimganj and Baksa.

5 Out of 995 packages of eight selected districts.

- Circulars/Instructions, issued from time to time, by the Department of Rural Development, GoI; and
- The three-tier monitoring reports[6].

Audit Findings

2.2.7 Planning

For sustainable development of rural population by providing all-weather roads, proper Master Plan is required to be prepared to ensure that all activities relating to rural roads such as construction, upgradation and maintenance could be taken up systematically within the framework of the Master Plan. In Assam, no Master Plan was prepared by the ASRB. However, District-wise District Rural Road Plan (DRRP), Core Network **(**CN)[7] and Comprehensive New Connectivity Priority List (CNCPL)[8] were prepared for implementation of PMGSY in the State.

The PMGSY programme was initially (2000-2001) implemented by the District Rural Development Agency (DRDA) in Assam. Subsequently, in the year 2001 the programme was handed over to the Public Works Department (PWD) by GoA. The data uploaded in the Online Management and Monitoring System (OMMS) and the DRRPs prepared under the auspices of Panchayat & Rural Development (P&RD) department during the initial stage of implementation of the PMGSY based on the Census Report of 2001, had not however, been revised/updated after 2011 Census.

In a district, CN is extracted out of the total Road Network of all the Rural Roads available in the DRRP that are necessary to be provided with basic access to essential Social and Economic Services. Basic access is defined as single all-weather road connectivity to each eligible habitation by way of connecting it to another in such a way that there is access, *inter alia*, to the market centres.

It was seen that all the test-checked PIUs (in the rank of Executive Engineer) had prepared their CNs and uploaded it in the Online Monitoring and Management System (OMMS). However, during scrutiny of the DRRPs and CNs, a number of errors, deficiencies and omissions were noticed, as discussed in the subsequent paragraphs.

2.2.7.1 Execution of works outside the Core Network (CN)

In four out of the eight selected districts, the PIUs had executed 22 roads under 12 Packages with a road length of 65.145 Km beyond the CNs of the respective districts, incurring an expenditure of ₹ 31.60 crore. The detailed position is given in ***Appendix-2.2***, an abstract of which is depicted in **Table-2.1**:

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6 (Reports of District Project Implementing Units (DPIUs); Reports of National Quality Monitors (NQMs), State Quality Monitors (SQMs)

7 The Core Network is the network of all the Rural Roads that are necessary to provide basic access to all the Habitations

8 Comprehensive New Connectivity Priority List (Once the Core Network is ready, the States are required to prepare CNCPL, at Block and District levels, of all proposed road links).

Table-2.1
Summarised position of execution of Road works beyond the Core Network

Name of district	Total Package	Total Road Works	Road length as per MPR[9] (In Km)	Expenditure incurred (₹ in crore)
Chirang	3	3	9.320	6.42
Dhubri	2	3	7.190	3.35
Golaghat	6	8	31.935	11.61
Karimganj	1	8	16.700	10.22
Total	**12**	**22**	**65.145**	**31.60**

Source: CN-1 and Monthly Progress Report (MPR)

In respect of Karimganj, it was noticed that the road 'Balia to Kayasthagram' (13.575 Km) was already incorporated as Through Route in the CNCPL of Karimganj District, the execution of which had been completed under PMGSY during 2003-07 and no road length was available for further construction, as per the CNCPL.

On this being pointed out, the Department accepted (November 2016) the fact of execution of the above road works outside the CN and stated that the eight road works under Karimganj District were taken up as per the request of the Hon'ble Member of Parliament and the Member of Legislative Assembly concerned.

2.2.7.2 Execution of excess road length

Scrutiny of records in 13 test-checked PIUs revealed that six PIUs had executed a total road length of 115.570 Km on 26 roads during 2010-16 against the actual road length of 63.29 Km as per the CN of the respective districts, which resulted in excess execution of 52.28 Km road length and incurring of an additional expenditure of ₹ 25.88 crore, as detailed in ***Appendix-2.3***.

Thus, by executing excess road length than the existing road length in the CN, the Department incurred an additional amount of ₹ 25.88 crore from the PMGSY programme fund, thereby depriving other eligible habitations of all-weather road connectivity.

In reply, while accepting the audit observation the Department stated (November 2016) that the excess length executed was as per site requirement. The reply is not tenable, since the site requirement should have been considered before preparation of CN. After approval of CN, any deviation in road length is irregular.

2.2.7.3 Irregular connectivity due to non-compliance of the priority criteria

In terms of Para 1.6, sub-para 1.6.1 of the PMGSY OM, habitations with a population of 1,000 persons and above are to be covered in the 1st stage.

Scrutiny of records in 13 selected PIUs revealed that nine PIUs had connected habitations with less than 1000 population, incurring an expenditure of more than ₹ 96.01 crore in the first stage irregularly, despite the existence of unconnected eligible habitations with 1000^{+} population. Details of connectivity provided to such

9 Monthly Progress Report

ineligible habitations in the first stage are summarized in **Table-2.2** and detailed in ***Appendix-2.4***.

Table-2.2

Summarized position of connectivity to habitations in 1st stage with less than 1000 population contrary to the provision

Sl. No.	Name of PIU	1st stage connectivity with habitations less than 1000			
		Total no of irregular connectivity	Minimum population against single connectivity	Maximum population against single connectivity	Total expenditure incurred against irregular connectivity (₹ in crore)
1	NRRD, Nagaon	12	65	898	8.07
2	KRRD, Jakhalabandha	04	493	935	*
3	MR&BD, Musalpur	01	-	359	0.39**
4	SRRD, Silchar	08	357	895	8.02
5	KRRD, Karimganj	04	351	788	4.97
6	DRRD, Dhubri	05	***		5.99
7	LRRD, Lakhimpur	14	376	981	47.61
8	LSRD, Ghilamara	03	614	840	8.42
9	GRRD, Golaghat	06	180	708	12.54
Total		57	-	-	More than ₹ 96.01 crore

Source: MPR of March 2016

*** Cost of irregular connectivity could not be separated as the expenditure was clubbed with eligible habitation.**

****This work is third phase connectivity (less than 500 population and total tendered value was ₹ 90.84 lakh).**

***** No. of habitation indicated as ≤500 ≥ 500 in the MPR.**

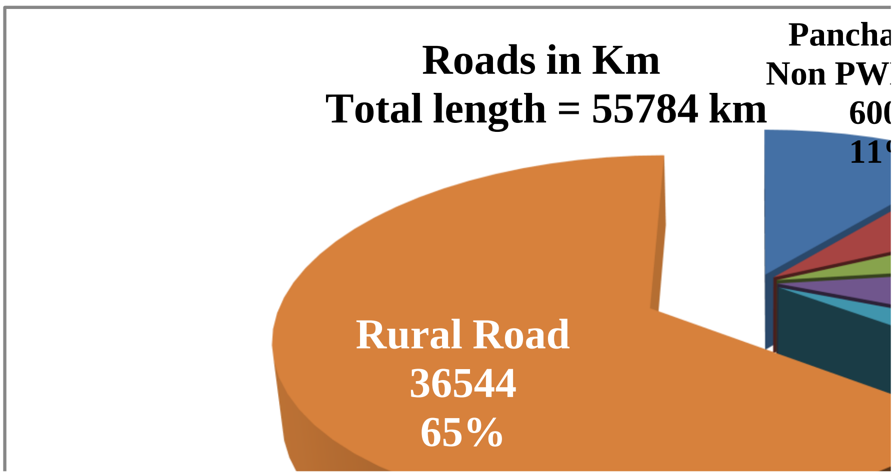
Thus, non-fulfilment of priority criteria of providing new connectivity to eligible habitations deprived the habitations with 1000+ population of all-weather roads.

The Department in its reply stated (November 2016) that incidentally some habitations of 500+ and 250+ population were connected while connecting the targeted habitations. The reply of the Department was not tenable as habitations having more than 1000 population remained unconnected.

2.2.7.4 Failure to execute sanctioned road length

The following pie chart depicts the various categories of roads in Assam and their overall length:

Chart-2.2



Source: Annual Administrative Report, 2014-15 (Public Works Roads Department)

Out of 36,544 Km of rural road length in Assam, the National Rural Road Development Agency (NRRDA) sanctioned 17,596.34 Km for coverage till 2013-14 under the PMGSY since its inception. The ASRB constructed 15,999.76 km of roads under the programme upto March 2016, leaving 1,596.58 km of road length yet to be constructed. During 2010-16, total road length of 3,171.60 km[10] was taken-up for execution in eight selected districts, against which a total road length of 2,490.79 km was completed leaving an incomplete road length of 680.81 km.

On this being pointed out, the Department stated (July 2016) that the reasons for non-execution of 1,596.58 Km of road construction works were due to flood, shifting of habitations, delayed allocation of terminated works, foreclosures, forests and environmental reasons etc. In November 2016 the Department, however, stated that the execution of 16,188 Km road length had been completed as of October 2016.

Thus, 1408.34 Km sanctioned road length were yet to be constructed (November 2016).

2.2.8 Fund Management

2.2.8.1 Financial Progress

The financial position of the PMGSY Programme Fund[11], Administrative Fund[12] and Maintenance fund[13], for the years from 2010-11 to 2015-16, are shown in ***Appendix-2.5***, a consolidated abstract of which is given in **Table-2.3**:

Table-2.3
Details of Funds and expenditure for the years 2010-16

(₹ in crore)

Year	Opening Balance	Allocation	Central release	State release	Other receipts	Total Fund	Expenditure	Closing Balance
1	2	3	4	5	6	7 (2+4+5+6)	8	9 (7-8)
2010-11	193.88	743.13	1900.73	12.13	9.05	2115.79	1393.05	722.74
2011-12	722.74	744.49	1682.84	46.33	18.94	2470.85	1164.93	1305.92
2012-13	1305.92	749.00	154.33	128.00	52.84	1641.09	666.20	974.89
2013-14	974.89	998.72	240.49	116.71	59.04	1391.13	760.87	630.26
2014-15	630.26	346.05	317.09	25.00	47.63	1019.98	575.99	443.99
2015-16	443.99	351.28	348.16	71.71	38.79	902.65	489.63	413.02
Total	**193.88**	**3932.67**	**4643.64**	**399.88**	**226.29**	**5463.69**	**5050.67**	**413.02**

Source: Data furnished by ASRB

It can be seen from the above table and ***Appendix-2.5*** that the Department could not utilize funds optimally during the period covered by audit especially under the Programme and Maintenance Funds.

10 1. Chirang: 350.37 km, 2.Dhubri: 45.30 km, 3. Lakhimpur: 200.25 km, 4. Golaghat: 518.86 km, 5. Nagaon: 923.27 km, 6. Cachar: 526.76 km, 7. Karimganj: 249.52 km and 8. Baksa: 357.27 km.

11 All payments for work related expenses under the programme are made from the programme fund account and released by the MoRD on the recommendation of the NRRDA.

12 Expenses on administration for items approved by MoRD guidelines such as administration and travel expenses of PIUs and SRRDA etc., are debitable to the Administrative Account and released by the MoRD.

13 Maintenance Fund is used to manage the funding of the maintenance contracts and is released by the State Government from the State Budget for the purpose.

2.2.8.2 Delay in transfer of Central Assistance

As per condition laid down in the fund sanction/release orders of MoRD, the State Government must transfer the funds to ASRB within three working days from the date of receipt of Central funds. In case of non-transfer of funds within three days, the State Government is liable to pay interest @ 12 *per cent* for the period of delay. During 2014-16, MoRD had released ₹ 658.44 crore to GoA for implementation of the PMGSY programme, which was transferred to the ASRB with delays ranging from four to 95 days, thereby creating an additional interest liability of ₹ 8.80 crore on the part of GoA. The interest due had not, however, yet been released (March 2016) to ASRB, by GoA.

In their reply the Department stated (November 2016) that at the initial stage, the State Government was not fully aware of the procedure to be followed in regard to transfer of central assistance to ASRB and the same had been noted for compliance. The reply is not tenable as the instruction for transferring funds within three days is laid down in each sanction.

2.2.8.3 Short/non-release of Central Assistance by the State Government

It was seen that, against the central release of ₹ 344.61 crore by GoI to GoA during 2015-16, the latter released only ₹ 263.76 crore to ASRB, resulting in short/non-release of central assistance of ₹ 80.85 crore (short release: ₹ 20.13 crore + non-release: ₹ 60.72 crore) in violation of the directives of GoI, thereby affecting the implementation of the programme along with the interest liability of ₹ 0.07 crore on the part of GoA.

The Department in their reply (November 2016) stated that due to release of funds by GoI at the fag-end of the financial year, GoA could not transfer the same in time. However, the entire amount of ₹ 80.85 crore was stated to have been released by GoA with a delay, only in May 2016.

2.2.8.4 Non-release of matching share by GoA

Up to 2014-15, GoI financed the PMGSY programme on 100 *per cent* basis. From 2015-16, the funding pattern was modified and the funding ratio between GoI and GoA became 90:10. It was, however, seen that during 2015-16, against GoI share of ₹ 344.61 crore under the programme fund, GoA was required to release ₹ 34.46 crore to ASRB. GoA released only ₹ 18.97 crore as matching share, resulting in a short release of ₹ 15.49 crore.

The Department stated (November 2016) that necessary budget provision of matching share (2015-16) was made only in the year 2016-17. The matching share was, however, yet to be released.

2.2.9 Programme implementation

2.2.9.1 Physical performance under PMGSY

The physical outcomes of the programme, for the years 2010-16, are shown in the **Table-2.4** below:

Table - 2.4

Details of physical outcomes of PMGSY during 2010-16 in eight selected districts

(In number)

Name of district	Years	Eligible habitations not connected (Out of sanctioned in previous years as on 1.4.2010)	Eligible habitations sanctioned during 2010-16	Total habitations to be connected during 2010-16	Habitations connected during 2010-16	Habitations remaining unconnected during 2010-16 (as on 31.3.2016)	Percentage of achievement
Cachar	2010-16	178	22	200	94	106	47
Dhubri	2010-16	189	17	206	128	78	62
Golaghat	2010-16	325	77	402	269	133	67
Karimganj	2010-16	44	32	76	56	20	74
Lakhimpur	2010-16	248	42	290	201	89	69
Nagaon	2010-16	306	87	393	300	93	76
Baksa	2010-16	128	39	167	122	45	73
Chirang	2010-16	76	28	104	86	18	83
Total		**1494**	**344**	**1838**	**1256**	**582**	

Source: Data furnished by Empowered Officer, ASRB

It can be seen from the above details that, in eight selected districts, there were 1,494 eligible unconnected available habitations (as of March 2010). During 2010-16, the NRRDA cleared 344 habitations for new connectivity, raising the number of unconnected habitations to 1,838. However, out of 1,838 available habitations, only 1,256 (68.34 *per cent*) habitations could be connected, leaving 582 eligible habitations unconnected (as of March 2016) due to various reasons such as flood, delayed awarding of terminated works, foreclosures and environmental issues etc.

In reply the Department stated (November 2016) that the matter of unconnected habitations would be reviewed and process of their connectivity would be expedited.

2.2.9.2 Transect walk

PMGSY guidelines envisage that, before the preparation of Detailed Project Report (DPR) the PIU should hold meeting with the local community through the mechanism of the Gram Panchayat in order to determine the most suitable alignment, sort out the issues of land availability (including forest land), moderate any adverse social and environmental impact and elicit necessary community participation in the programme. For this purpose, the PIU is to organise an informal 'Transect walk' with the Panchayats as well as with the local Revenue and Forest officials for remedying all sorts of hindrances and difficulties arising at the time of execution of road works so that no work is left out midway for the reasons of ambiguity amongst the stakeholders.

Scrutiny of records and information collected from 13 selected PIUs in eight Districts, however, revealed that out of 230 Packages sanctioned from 2005-06 onwards, transect walks were not carried out in respect of 186 Packages (80.87 *per cent*).

The Department stated (November 2016) that transect walk report were now being documented properly.

The fact however, remained that due to not carrying out of transect walks before preparation of the DPRs the instances of dropping/foreclosure of Packages midway due to non-availability of land, protests by the Forest Department/villagers *etc.*, were noticed as discussed in the subsequent paragraphs.

2.2.9.3 Non-ensuring availability of land for construction of roads

As per Sub-para 4.3.5 of the PMGSY OM, it is the responsibility of the State Government/District Panchayat to oversee the availability of dispute free land for taking up the proposed road works under the scheme. In the following cases, the executing authority did not ensure the availability of land before preparation of DPRs:

- In PIU, Dhubri, a road work from "Suapata Pt-III to Nayer Alga Pt-III" (L: 15.50 Km), including Cross Drainage (CD) works (HPC: 10; RCC bridges: 5) under Package No. AS 05-25 was awarded (August 2007) at a tendered value of ₹ 11.62 crore. As of February 2013, road work of 7.80 Km including one RCC bridge, was completed and one of the bridge works was dropped, after incurring an expenditure of ₹ 5.03 crore (upto March 2016) due to non-feasibility of site. In an investigation by National Quality Monitor (NQM) in May 2014, it was stated, *inter-alia*, that most of the road works were damaged due to defective DPRs prepared without taking into account the ground realities. Although the matter was taken up with the district Civil authority by the PIU, the land problem remained unsettled and finally the work was proposed for foreclosure in May 2015 by the ASRB. However, the work was yet to be foreclosed (November 2016).

Thus, due to defective preparation of DPR and non-ensuring of the availability of required land etc., an expenditure of ₹ 5.03 crore incurred against the project was rendered infructuous besides defeating the purpose of providing connectivity to five eligible habitations having 16,661 rural population.

The Department in its reply (November 2016) stated that the road works could not be completed due to heavy damage caused by flood. The reply of the Department was not tenable as the road works were damaged due to non-ensuring the availability of required land before execution of work and defective DPRs as observed by the NRRDA.

- During 2005-13 the NRRDA cleared of 17 packages consisting 19 road works of 78.401 km length to be implemented by the PIU, Silchar RR Division at a tender value of ₹ 39.31 crore. Against the above clearance, the PIU Silchar RR Division could execute only 49.744 km. The balance road length of 28.657 km had to be dropped/foreclosed on different dates after incurring an expenditure of ₹ 22.37 crore (56.91 *per cent*) due to non-availability of land.

Thus, laxity on the part of the PIU in carrying out proper transect walks, survey/investigation etc., before the preparation of DPRs, led to foreclosure of the works, besides depriving the eligible habitations of all-weather road connectivity.

In reply, (November 2016) the Department accepted the audit observation by stating that the balance road works would be completed from the State's own resources.

2.2.9.4 Non-recovery of Mobilisation/Equipment advance

The package No.AS 13-40 for construction of Kotamoni Pipla Punji Road (L: 5.200 km) under the PIU, Karimganj was awarded (March 2009) to a firm at a tendered value of ₹ 3.65 crore (construction: ₹ 3.55crore + maintenance: ₹ 0.10 crore), with stipulation to complete the work within 12 months *i.e.*, by March 2010. The PIU granted the mobilisation and equipment advances of ₹ 46.34 lakh[14] to the firm. The firm stopped the work due to constraints of transporting stone materials *etc.*, and also failed to complete the same even within the extended period of time, leading to a fundamental breach of contract. The work was terminated in January 2015. The Department could, however, recover only ₹ 9.19 lakh out of above advances, leaving ₹ 37.15 lakh un-realised for the last five years.

Thus, payment of advances to the contractor without duly safeguarding the interest of the Government, led to a loss of ₹ 37.15 lakh to the State exchequer.

In reply (November 2016), the Department accepted the audit observation by stating that the package was re-allotted to the firm and there was a scope for recovery. Audit may be informed of further progress.

2.2.9.5 Connectivity failure due to non-construction of bridges

(A) The work of construction of six bridge works along with approach roads (Package No. AS 25-59) under the PIU, Chirang was awarded (October 2009) to a contractor with the scheduled period of completion being 24 months at a tendered value of ₹ 9.33 crore (construction: ₹ 9.30 crore + maintenance: ₹ 0.03 crore). The contractor, however, failed to complete the works within the stipulated period (October 2011) and left four bridges[15] abandoned at the foundation stage since December 2013 and the works of the other two bridges [16] were yet to be started (March 2016). The contractor was paid ₹ 1.39 crore (14.96 *per cent* of tendered value) in February 2013 against the works done. The EE subsequently, rescinded (May 2014) the Package at the risk and cost of the contractor due to fundamental breach of contract. The contractor further submitted (March 2015) an incomplete final bill of ₹ 9.02 lakh, which was pending for payment (as of September 2016). Further,

14 Mobilisation advance: ₹18.25 lakh and Equipment advance: ₹28.09 lakh.
15 (Sl. No. 1, 2, 3 and 4 of the Table 2.5 below).
16 (Sl. No. 5 and 6 of the Table 2.5 below)

as per Final Settlement Account of the contractor, an amount of ₹ 1.35 crore[17] remained recoverable from the contractor.

Details of six RCC bridges, along with approach roads under the above Package and expenditure incurred on already constructed roads under six other Packages[18], on which the aforesaid bridges were approved, are shown in the **Table-2.5** below:

Table – 2.5
Details of rescinded Package of RCC Bridges under PIU, Chirang

(₹ in crore)

Sl. No.	Bridge No. and length (In meter)	Name of the PMGSY roads on which RCC Bridges are approved	Proposed length of approach road (In meter)	Expenditure incurred on road works under six other Packages
1	2/2 (L: 30)	Dahalpara-Makhnaguri Road	400	6.91
2	7/1 (L: 30)	Patkiguri-Jharbishpani Road	300	6.95
3	3/2 (L: 50)	Chapaguri-Odalguri Road	400	5.97
4	2/1 (L: 30)	Tengabari-Gumergaon Road	400	2.85
5	3/1 (L: 30)	Bijni-Panbari Road to Banduguri	300	4.88
6	7/1 (L; 30)	Bijni-Amteka Road to Baldi	400	7.63
Total			**2200**	**35.19**

Source: MPR of March 2016

Thus, the expenditure of ₹ 36.58 crore[19] incurred on road and bridge works, became infructuous for want of construction of the bridges**.** Besides, the Department failed to provide connectivity with all-weather roads to 11,020 population under seven eligible habitations.

The following photographs depict the position of these works:

Incomplete RCC Bridge No. 3/2 on Chapaguri-Odalguri Road at Ch. 2.850 Km (Chapaguri side) (28 June 2015)

Incomplete RCC Br.No.2/1 on Tengabari Gumergaon Road at Ch. 1.80 Km. (Tengabari Side) (28 June 2015)

17 Penalty on balance work ₹156.34 lakh + Other statutory deductions ₹1.35 lakh – Amount due to contractor ₹22.76 lakh.

18 1. Dahalpara-Makhnaguri road (AS 25-45), 2. Patkiguri-Jharbishpani road (AS 25-40), 3. Chapaguri-Odalguri road (AS 25-41), 4. Tengabari-Gumergaon Road (AS 25-42), 5. Bijni-Panbari road to Banduguri (AS 25-43) and 6. Bijni-Amteka road to Baldi (AS 25-39).

19 Roads: ₹35.19 crore + RCC Bridges ₹1.39 crore.

Incomplete RCC Br. No. 2/2 on Dahalapara-Makhnaguri Road (Dahalapara Side) (28 June 2015)

Incomplete RCC Br. No. 7/1 on Patkiguri Jharbishpani Road at Ch. 6.20 Km. (Patkiguri Side) (28 June 2015)

(B) The PIU, Silchar RR Division awarded three[20] left out bridges [21] (Package No. AS 03-123) under Katigorah and Kalain Development Blocks to a contractor at a tendered value of ₹ 3.02 crore with the stipulated date of completion being February 2011. Out of these three bridges, one bridge[22] was constructed (31 January 2014) leaving the remaining two bridges without any physical progress, with the entire work being ultimately withdrawn.

On this being pointed out, the Department accepted (November 2016) the audit observation by stating that the bridge work could not be taken up due to widening of the bridge-gap.

Thus, due to non-construction of two bridges, the objective of providing all-weather roads to the targeted habitations remained unachieved (March 2016).

2.2.9.6 Short-execution of cross drainage (CD)

As per Para 4.3.1 of the PMGSY OM, rural roads constructed under PMGSY must have proper drainage. Adequate number of Cross Drainage (CD) works including causeways where appropriate, are to be provided based on site requirement, ascertained through investigation. Further, as per para 5.9 of the OM *ibid*, one of the most important reasons for rapid loss in the level of serviceability of rural roads in the country is the lack of attention to appropriate drainage. However, during the course of audit instances of short-execution of drainage works were noticed. An illustrative case of short-execution of CDs noticed in audit was as under:

For proper flushing out of the upstream water, the PIU, NRRD, Nagaon was to execute 92 CDs under Package No. AS 19-88. Scrutiny revealed that the contractor had executed only 66 CDs out of the 92 sanctioned CDs, leaving 26 CDs unconstructed. The work was, however, certified as complete in all respects and the entire amount of ₹ 21.06 crore was paid to the contractor though 26 CDs were yet to be constructed.

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20 (i) 1/2 L: 17.120m on 'Sibnarayanpur to Balirbond' road (ii) 1/1 L: 17.120m and (iii) 1/2 L: 50.760m on 'NH-44 at Brahmangaon to Konapara via Pechacherra TE'.

21 Left out bridge' are those bridges, the length of which are more than 25 to 50 meter and cleared by the NRRDA during 2009-10 onwards under the nomenclature of 'Left out Bridge'.

22 Br. No. 1/1 L: 17.120 m.

The Department in its reply (November 2016) stated that against 92 CDs, 103 CDs were constructed. The reply was not acceptable as the MPR (March 2016) depicted construction of only 66 CDs.

2.2.9.7 Irregular execution of Road Works

Two road works under the PIU, Silchar *viz.*, (i) Madhuramukh to Khatilpar (Chapanal: L029[23]); and (ii) NH-54 to Balacharra Grant (L025) under Borkhala Development Block under Package Number AS 03-75 was allotted (October 2009) to a firm at a tendered value of ₹ 8.17 crore. Though the works were started (October 2009) they remained incomplete till March 2016 against the due date of completion in April 2011. However, a public complaint was lodged before the Deputy Commissioner, Cachar (August 2015) against the firm for changing the road alignment and constructing three roads [24] haphazardly located at distances ranging from one to 13 Km from the original sanctioned point (Madhuramukh). In case of road (ii) above, the work started from Daloo ME School instead of NH-54 as per sanction, which was 7 Km away from the NH-54.

The physical verification report submitted (August 2015) by the District Development Commissioner, Cachar also confirmed that the road works were not constructed in conformity with the plan and estimates. Further, the National Quality Monitor (NQM) also confirmed (January 2016) the allegations about change of alignment, inordinate delay in completion of road works and use of inferior quality materials.

In reply (November 2016), the Department accepted the audit observation and assured to get the two roads physically re-verified by the Chief Engineer (Roads). The fact, however, remained that the PIUs failed to execute the road works as per plans and estimates which led to deprival of all-weather roads for the targeted population of six habitations.

2.2.9.8 Irregular awarding of Package

(A) Sub-Para 8.1.1 of the PMGSY OM stipulates that after the project proposals are cleared and technical sanction is accorded, the executing agency would invite tender. The well-established procedure for tendering through competitive bidding is to be followed for all works under the PMGSY. However, awarding of works on single bid is considered valid by the NRRDA, in case of PMGSY Packages sanctioned under the financial assistance of Asian Development Bank (ADB).

Against the requisition of records by Audit relating to finalization of tendering process of 62 Packages in eight selected districts, the ASRB had furnished records in respect of 22 Packages (including four ADB Packages). Of the 18 regular PMGSY Packages, the works of eight Packages (44 *per cent*), valued at ₹ 26.21 crore, were awarded during May 2013 to May 2015, based on single bids without re-tendering, in violation of the provisions of NRRDA guidelines.

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23 'L029': Denotes 'Link Route' number.

24 (i) Kalipar to Afar Basti road (L: 1,800 m); (ii) Daloo-Mainerbond road point Nathparato IWP ferryghat (L: 1,100 m) and (iii) Daloo-Mainerbond road to Advallik road (L: 1,600 m).

(B) For the construction of three left out bridges (Package Number AS 03-136), under the PIU, Silchar RR Division, the CE, PWD (Roads) selected a contractor for award of work (being the lowest bidder) on the recommendation of the Executive Committee (EC), ASRB headed by the Commissioner and Special Secretary, PWRD at a tendered value of ₹ 3.92 crore. The Letter of Acceptance (LoA) was issued (11 December 2013) to the said bidder at the above price. However, the lowest bidder neither furnished the Performance Security (PS) nor did sign the agreement within the validity period as LoA and the offer became void.

It was, however observed in audit that without recording any valid reason, a fresh LoA was issued (3 March 2014) to another contractor, at a tendered value of ₹ 3.89 crore, whose tender had already been disqualified (4 December 2013) by the EC on the ground of his non-responsiveness and furnishing of misleading information for the commitment of the said work. Records disclosed that the Commissioner and Special Secretary, ASRB awarded the work unilaterally, without approval of the other four members of the EC.

Although the bridges under the Package were to be completed by March 2016, only 74 *per cent* of the work could be completed by the contractor as of the stipulated date of completion and after incurring an expenditure of ₹ 77 lakh.

Thus, awarding of the works to a non-responsive bidder without EC's approval was not only irregular/unauthorized but also fraught with risk of compromise with the timeliness and quality of work during its execution and thus, needed to be investigated.

In reply (November 2016), the Department accepted the audit observation by stating that the matter of irregular awarding of package (AS 03-136) was under examination. The outcome in this regard would be awaited in audit.

2.2.9.9 Delay in awarding and completion of works

Para 8.1.2 and sub-para 1.2.2 of the OM stipulate that awarding of PMGSY works is to be finalized at the State level within 71 days (120 days in case of re-tendering) after clearance by the NRRDA and awarded works are to be completed within 9-12 months so as to provide all-weather connectivity to the intended habitations within minimum time. Scrutiny of MPRs (March 2016) and relevant records in eight selected districts, however, revealed that there were delays, ranging from three to 577 days at the State level (ASRB) in awarding the Packages (calculation made after deducting 71 days)[25]. In addition, delays in completing the works ranged between 30 and 3,440 days as summarized in **Table-2.6** and detailed in ***Appendix–2.6.***

[25] Maximum period of 71 days is allowed for awarding Packages as per OM.

Table – 2.6

Details of delay in awarding and completion of packages

(in days)

Name of the PIU	Package under scrutiny	Delay in awarding of package (beyond prescribed 71 days as per Para 8.1.2)				Delay in completion of package beyond the prescribed time schedule			
		Minimum	Package No.	Maximum	Package No.	Minimum	Package No.	Maximum	Package No.
NRRD, Nagaon	35	10	AS 19-37	480	AS 19-88	102	AS 19-39	2835	AS 19-34
NSRD, Nagon	07	132	AS 19-158	377	AS 19-290	139	AS 19-290	1202	AS 19-158
KRRD, Nagon	19	42	AS 19-61	259	AS 19-89	30	AS 19-43	2038	AS 19-117
BR&BD, Musalpur	23	121	AS 24-77	577	AS 24-56	183	AS 24-93	1595	AS 24-57
SRRD, Silchar	37	17	AS 03-17	571	AS 03-45	357	AS 03-16	3440	AS 03-26
KRRD, Karimganj	19	61	AS 13-22	355	AS 13-105	153	AS 13-102	2226	AS 13-39
Dhubri Dist.	22	46	AS 05-36	450	AS 05-41	596	AS 05-34	1217	AS 05-15
Chirang Dist.	12	121	AS 25-120	376	AS 25-79	392	AS 25-52	1415	AS 25-41
Lakhimpur Dist.	27	44	AS 15-31	256	AS 15-24	42	AS 15-71	2193	AS 15-31
Golaghat Dist.	35	03	AS 08-154	456	AS 08-67	52	AS 08-46	1649	AS 08-96

Source: Compiled data from MPR 2016

Thus, owing to delays both on the part of the PIUs as well as the Department, the intended all-weather rural road connectivity could not be provided within the prescribed timeframe, as envisaged in the guidelines of the scheme.

In reply (November 2016), the Department while accepting the audit observation stated to make efforts to complete the works within the prescribed time frame in future.

2.2.9.10 Pending recoveries due to termination of Packages

In terms of clauses 52 and 53 of the General Conditions of Contract (GCC), the employer is empowered to terminate the contract, if the contractor commits fundamental breach of the contract. In the event of termination of contract, the engineer issues the certificate for value of work and, if the total amount due to the employer exceeds any payment due to the contractor, the difference is to be recovered from the deposit available with the employer. If any amount is still left unrecovered, it is a debt payable to the employer.

Scrutiny of records relating to 13 PIUs in the eight selected districts revealed that in five PIUs, as many as 15 Packages[26] were terminated due to fundamental breach of GCC. In case of one Package settlement through the dispute redressal system was under process, which was yet to be finalized (March 2016). Against the remaining 14 Packages, the Department imposed penalties amounting to ₹ 12.61 crore out of which only ₹ 1.63 crore could be realised leaving ₹ 10.98 crore unrecovered as of March 2016.

Thus, owing to failure on the part of the Department in taking effective and timely action against the defaulting contractors/firms, programme funds amounting to ₹ 10.98 crore, remained unrecovered. In reply, the Department while accepting (November 2016) the audit observation stated that action had already been initiated to recover the amount from the credit balances of contractors, as pointed out by Audit.

[26] Silchar: 9; Golaghat: 3 ; Lakhimpur: 2 and Dhubri: 1.

2.2.9.11 Loss due to non-rectifiable constructions

Records of the Empowered Officer, ASRB revealed that the Joint Secretary (RC, IC & CVO), MoRD intimated the ASRB that three road works[27] executed under the HPIUs[28] Nagaon and Dhubri districts, were rated 'unsatisfactory' and 'non-rectifiable' by the National Quality Monitor (NQM).

The MoRD deducted/adjusted ₹ 5.19 crore out of the sanctioned fund of ₹ 370.00 crore (1st instalment of PMGSY 2011-12), being the expenditure incurred on above mentioned non-rectifiable works executed under the HPIUs Nagaon and Dhubri. This had resulted in loss of PMGSY funds to the State to that extent. The Department, however, stated (November 2016) that action taken reports, after rectification of the defects pointed out by NQM had already been submitted to the NRRDA, but further action on the matter was awaited (November 2016).

This indicated that, due to inadequacy in technical supervision and monitoring during execution of works by the concerned PIUs, the State incurred a loss of ₹ 5.19 crore.

Accepting the audit observation, the Department stated (November 2016) that they had initiated action to get the works rectified by the contractor and submitted the Action Taken Reports (ATRs) to the NRRDA for re-grading.

2.2.9.12 Wasteful expenditure in execution of works

(A) The PIU, Silchar RR Division executed (January 2006 to May 2010) 22 road works (Total L: 97.139 Km) including 13 bridge works under 10 Packages[29] through different contractors at a total tendered value of ₹ 54.53 crore. Of which only two road works (L: 7.000 Km) were completed (Package No. AS 03-94) as of March 2016. As such, 20 road works with a total length of 90.139 Km remained abandoned at various stages[30] for periods ranging from four to 10 years. Scrutiny revealed that out of the remaining road length of 90.139 Km, 31.840 Km under seven road works was left without black-topping which was easily susceptible to damage due to their prolonged exposure to sun and rain, flood and vehicular movement etc., rendering the expenditure of ₹ 6.16 crore wasteful.

Thus, the Department could not provide all-weather road connectivity to 49 habitations with 57,527 rural population as planned.

(B) The PIU, Karimganj RR Division executed (July 2007) a road work "Kotamoni-Piplapunji Road" with two bridges under Package No. AS 13-23 through a contractor at the tendered value of ₹ 7.11 crore with the stipulation to complete the work by April 2008. Subsequently, a working estimate was prepared (December 2008) for construction of a causeway (CW) on the river Longai for the transportation

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27 Bhomoraguri II to Udmari Bazar (As 19-41), Kuhumtoli to NH 37 Rangagarah (AS-19-12), Nagaon district and NH-31 at Silkikhata to Kokrajhar district boundary road (AS-05-18), Dhubri district.

28 Head of Programme Implementing Units.

29 1. AS 03-26; 2. AS 03-55; 3. AS 03-56; 4. AS 03-59; 5. AS 03-65; 6. AS 03-67; 7. AS 03-68; 8.AS 03-90; 9. AS 03-93; 10. AS 03-94.

30 Earth Work: 74.824 km (83%); Granular Sub-base: 63.710 km (70.68%); Water Bound Macadam: 46.743 km (51.86%) Prime Coat & Seal Coat: 25.116 km (27.86%).

of construction materials. However, the SE, Cachar Road Circle, while vetting the proposal, stated that the CW would be functional only in the dry season and would be washed away during the rainy season. In spite of the SE's opinion (June 2008), a CW was constructed at a total cost of ₹ 29.20 lakh, outside the scope of the sanctioned amount, with the concurrence of the CE, PWD (R). The work was stopped due to damage caused to the CW by floods in 2010 and was ultimately terminated (January 2015) with a physical progress of 25 *per cent* due to fundamental breach of contract. Till March 2016, ₹ 1.10 crore (excluding the cost of CW) was paid to the contractor against the above work.

This had resulted in an infructuous expenditure of ₹ 1.10 crore incurred towards the work. Besides, the objective of providing all-weather road connectivity to seven habitations with a rural population of 5,733 remained unachieved.

2.2.10 Maintenance of roads

Para 14.1 of the PMGSY, OM states that road maintenance is a routine work performed to upkeep pavement, shoulders and other facilities provided for road users as nearly as possible in its constructed condition and at least at an adequate level of serviceability. Periodical maintenance helps in preserving the pavement surface of the road. Under Para 17 of the PMGSY guidelines, State Governments are required to undertake the maintenance of the entire CN, particularly the road works constructed/upgraded under the PMGSY. The State Governments are required to develop sustainable sources of funding for undertaking the maintenance functions. In respect of the PMGSY, five years' 'Routine Maintenance' is contracted out along with the construction itself to the same contractor who is constructing the road. In respect of 'Through Route'[31] subject to PMGSY investment, further maintenance for a period of five years is to be ensured on Zonal contract basis, as per Para 17.3 of the PMGSY guidelines. The issues relating to poor/non-maintenance of roads during Maintenance Contract Period (MCP) noticed during audit have been discussed in the succeeding paragraphs.

2.2.10.1 Non-execution of routine maintenance of roads during MCP

In 13 selected PIUs under eight test-checked districts, it was observed in audit that the mandatory routine maintenance works of 224 Packages, completed during November 2005 to August 2015 and due for maintenance during 2010-16, had not been carried out within the five years post construction period, despite availabilty of funds of ₹ 23.92 crore to the PIUs for the purpose of carrying out routine maintenance in violation of the terms and conditions of the contract agreement, as shown in ***Appendix-2.7***.

Due to deficiency in the management of maintenance contract, the roads falling within the five year MCP were poorly maintained, with deterioration of road surfaces and approach roads of bridges, development of potholes, rain-cuts, erosion of

[31] Through routes are the ones which collect traffic from several link roads or a long chain of habitations and lead it to a market centre or a higher category road, i.e., the District Roads or the State or NH.

edges/side-berms, hard crust etc., reducing their intended optimal serviceability, thereby hindering smooth movement of the public and transportation. Deteriorated conditions of the roads due to their non-maintenance within the MCP have been depicted in the photographs below and discussed in the succeeding Paragraph.

AS 13-39 Construction of road from 'Kayasthagram to Singaria' in Karimganj District (December 2015)

AS 03-44 Construction of road from 'Damarghat to Gubari Road' in Cachar District (21 August 2015)

2.2.10.2 Inadequacy in execution of routine maintenance works during the MCP

Against the amount of ₹ 81.50 crore sanctioned for maintenance of 732 Packages under eight test-checked districts during 2010-16, an expenditure of ₹ 16.76 crore (20.56 *per cent)* only was incurred, which indicated inadequacy in the execution of maintenance works despite the availability of funds there against as detailed in **Table-2.7**:

Table – 2.7

District-wise position of inadequacy in maintenance works during MCP

(₹ in crore)

Sl. No.	District	No. of Packages involving maintenance	Total funds available	Expenditure incurred during 2010-16
1	Chirang	66	6.38	1.36
2	Dhubri	42	6.18	0.25
3	Golaghat	129	12.74	3.03
4	Karimganj	65	4.98	0.46
5	Lakhimpur	87	11.75	1.97
6	Nagaon	192	21.83	7.00
7	Baksa	68	7.33	2.02
8	Cachar	83	10.31	0.67
Total		**732**	**81.50**	**16.76**

Source: Data furnished by the ASRB

Thus, owing to inadequacy in execution of routine maintenance during the MCP, the constructed roads were gradually deteriorating, causing great hardship in smooth movement and transportation to the rural population of the connected habitations.

On this being pointed out, the Department stated (November 2016) that the PIUs as well as the contractors were now being pressurised by the Department to carry out routine maintenance during the MCP.

2.2.10.3 Non-release of funds for post-maintenance of PMGSY roads

State Governments are to build capacity in the District Panchayats to maintain rural roads, as also to devolve funds and functionaries to the Panchayats to enable them to manage maintenance contracts for the rural roads. The PIUs are to function as technical agencies to operationally manage the contracts with the District Panchayat approving the contracting out of maintenance, on a zonal basis, by prioritising the road works within the maintenance budget allocation.

The PMGSY roads completed till 2005-06, fall under post-maintenance by the State Government, from 2010-11 onwards. During the last six years (2010-16), however, the State Government did not release any funds for post-maintenance of PMGSY roads beyond the MCP.

2.2.11 Other points of interest

Submission of 'Fake Bank Guarantee'

In terms of Clause 46.1 of the Contract, the Contractors/Firms/Agencies, to whom the PMGSY works are allotted for execution, are required to deposit performance security (PS) equal to five *per cent* of contract price with the employer. Out of a total PS equal to five *per cent* of contract price, half is to be delivered to the employer not later than the date specified in the letter of acceptance and is to be issued in the form of Bank Guarantee (BG), while the balance/half PS is to be retained from each payment due to the contractor, until completion of the whole work. Further, as per Clause 45 of the Contract, the employer could grant (a) Mobilisation Advance, upto five *per cent* of the contract price; and (b) Equipment Advance, upto 90 *per cent* of the value of new equipment brought to the site.

(A) It was observed that 15 BGs/Short Term Deposit Receipts (STDRs) valued at ₹ 6.56 crore deposited between October 2005 and April 2009 by eight contractors/firms against the PSs, were fake. No recovery had been made from the defaulting contractors/firms (as of March 2016). The Department was contemplating to lodge a title suit in court against one defaulting contractor, while the ASRB directed the concerned PIUs to file FIR against five contractors/firms. In case of two defaulters, the ASRB took necessary steps to recover the amount. However, the amount remained unrealised as of November 2016.

(B) In the PIU, Lakhimpur State Road Division, Ghilamara, Package No. AS 15-65 was allotted to one contractor, who had submitted a fake BG of ₹ 24.53 lakh against Performance Security (PS) in violation of the GCC, which remained unrecovered till date (November 2016).

(C) In the PIU, Lakhimpur Rural Road Division, Package No. AS 15-23 was allotted (February 2006) to one firm, which took an advance of ₹ 23.89 lakh (Equipment Advance: ₹ 15.93 lakh + Mobilisation Advance: ₹ 7.96 lakh) by submitting BGs of ₹ 24.00 lakh, which were subsequently confirmed to be fake. The work was terminated (January 2009) due to fundamental breach of contract. However, the Department could recover only ₹ 12.10 lakh (as of May 2016), resulting in non-recovery of advance of ₹ 11.79 lakh.

In reply (November 2016), the Department accepted the audit observation and stated that an FIR had been lodged against the defaulting contractor.

(D) In the PIU, Silchar Rural Road Division, Package No. AS 03-67 was allotted (February 2009) to a contractor, who took an advance of ₹ 2.60 crore by producing fake BGs. Before termination of the work, the Department could recover only ₹ 58.76 lakh (Mobilisation Advance: ₹ 19.58 + Equipment Advance: ₹ 39.18 lakh) against the above advance, leaving ₹ 2.01 crore yet to be recovered (March 2016).

It is evident from the above that the Department failed to exercise adequate control on financial management and to evolve any preventive measure/procedure to counter/block the submission of fake BGs by the Contractors. In spite of detecting the fact of submission of fake BGs, the authority released payments by extending undue financial benefit to the defaulting contractors at the cost of Government exchequer/scheme fund. Audit further observed that though such instances occurred seven to eleven years back, the Department did not take any corrective measures to avoid repetition of such instances. The Department had filed title suit, FIRs *etc*., only during 2015 to recover the amount, the finalisation of which was awaited (November 2016).

Thus, failure to confirm the authenticity of the BGs, before allowing advance payments by the ASRB led to a loss of ₹ 8.94 crore[32] to the Government.

While accepting the audit observation the Department stated (November 2016) to have an FIR lodged against the defaulting contractor.

2.2.12 Quality Control, Monitoring and Evaluation

2.2.12.1 Quality Management

As per Para 15.1 of the PMGSY guidelines and Para 11.3 of the PMGSY OM, the State Government is the implementing authority of PMGSY programme. It is the sole responsibility of the State Government to ensure the quality of the road works for effective supervision as per the general guidelines issued by the NRRDA. All implementing agencies are to maintain a Quality Control Register for each work and to carry out the tests, as prescribed in the Quality Control Hand Book. A site Quality Control Laboratory has to be set up by the contractor for each Package, so that quality control tests can be conducted regularly.

For effective quality management, PMGSY guidelines envisage a three-Tier Quality Control Mechanism (QCM):

First Tier: in-house (PIU) quality control system which has crucial responsibility in the quality assurance system in determining the quality standard delivered by the contractors;

32 ₹6.56 crore (A) + ₹0.25 crore (B) + ₹0.12 crore (C) + ₹2.01 crore (D)

Second Tier: an independent quality management unit setup by the State Government to improve the quality and effectiveness of the enforcement process for ensuring that the first tier quality control system is properly functional; carrying out quality tests to verify that the quality control system achieved the intended objectives; taking action to improve the process; and supervising deterrent and punitive measures in respect of the first tier and contractors etc., and

Third Tier: the NRRDA engages independent National Quality Monitors (NQMs) whose responsibility is to verify that the State's quality management is adequate; their role is to guide the quality management team and give feedback on quality management shortcomings to enable systemic improvements.

In this connection it was observed that though the selected PIUs claimed to have performed First Tier Monitoring, no recorded documents in support of the monitoring process by the PIUs could be produced to Audit. Second Tier QCM was found in existence in the ASRB under the charge of one State Quality Coordinator (SQC) of the rank of Superintending Engineer. The responsibility of State Quality Monitor (SQM) was outsourced to one agency (UNISON-MMS). The issues relating to quality management have been discussed in the succeeding paragraphs.

2.2.12.2 Inadequacies in quality control

The main functions of the SQC are to co-ordinate and control the activities of the SQM and operationalise the Second Tier of the QM by drawing up programmes for SQM inspections in such a way that every work is inspected at least three times. The first two inspections of every work are to be carried out during the execution of work, spaced at least three months apart, and the last inspection should be carried out on the completion of every work, within one month of its completion.

It was, however, observed in audit that contrary to the above provision, as many as 92 ongoing/completed road works in the State had not been covered under SQM inspection even once, as on 31March 2016.

Of the above, 37 works were executed by seven out of eight test-checked districts, as detailed in **Table – 2.8.**

Table – 2.8

Details of works with 'Nil' coverage of inspection by SQM

Sl. No.	Name of District	Sanction year	No. of works	Package Nos.	Status
1	Cachar	2005-06, 2008-09 and 2013-14	09	AS03-23, 18, 142 (2 Nos.), 150 (3 Nos.), 145 and 123	In progress for<2-12 months, Completed during 2014-15 and 2015-16.
2	Baksa	2013-14	02	AS 24-84(2Nos.)	In progress for < 2 months.
3	Dhubri	2006-07,2008-09 and 2013-14	05	AS 14-145(2 Nos.),AS 05-100,AS 05-61 and AS 05-36	In progress < 2 months to >12months.
4	Lakhimpur	2013-14	10	AS15-112,121,115,114,109,103 (2nos.)118 and117	In progress for <2 months,2-6 months6-12 months.
5	Nagaon	2012-13, 2013-14	09	AS19-334(3Nos.),326,278,230(2Nos.), 245 and 241	In progress for< 2 months,2-6 months,>12 months.
6	Golaghat	2012-13	01	AS 08-130	>12 months.
7	Karimganj	2008-09	01	AS 13-67	>12 months.
Total			37		

Source: ***OMMAS data/Monitoring Reports***

Non-inspection of the above mentioned ongoing and completed works as per the scheme guidelines for periods ranging from two to more than 12 months reflected the deficient quality control management of the SQC, risking the quality of the executed works.

2.2.12.3 Action Taken Reports pending against NQM inspections

In terms of the provisions of Three-Tier set up for quality management envisaged under Chapter 11 of the PMGSY OM, it is the basic duty of the SQC to obtain Action Taken Reports (ATRs) from the PIU within one month of inspection to ensure whether the grading of the inspected work had been communicated by NRRDA or not. Further, in case of communication of grading of a particular work to SQC, the compilation of collected ATRs was to be carried out and sent to the NRRDA within one month of receipt of grading of the work.

However, ATRs against 72 works under eight selected districts inspected by NQM during March 2011 to December 2015 and graded as 'U' (Unsatisfactory: 36 works) and 'RI' (Required Improvement: 36 works), were pending for submission to NRRDA (as of March 2016) as detailed in ***Appendix-2.8.***

Thus, non-submission of ATRs by SQC for periods ranging from three months to five years after the inspection by NQM, reflected the deficient quality control management of the SQC, as also non-adherence to the QC guidelines of the NRRDA.

The Department stated (November 2016) that due to delay in rectification works by the contractors for various reasons; there were delays in submission of ATRs. It was, however, stated that efforts would be made to submit the ATRs at the earliest.

2.2.12.4 Quality Control Laboratories

In terms of Para 11.7 of the PMGSY OM, the State Government is required to establish Field Level Quality Control Laboratories and District Level Laboratories (DLLs) in each district, to ensure the effectiveness of the testing process and accuracy of results of PMGSY works. Further, as per the Rural Road Manual, the DLLs are required to be provided with equipment and trained staff. In this regard, the Department stated that DLLs were established (2002-2007) in six[33] out of eight test-checked districts, except Baksa and Chirang.

Although the DLLs were stated to have been established, evidence of carrying out mandatory tests therein could not be furnished during physical verification of the DLLs, as no records or registers in support of conducting the tests in the DLLs could be produced to Audit. Instead, Quality Control Registers (QCRs) showing tests conducted in the field labs, established and maintained at site by the contractors, were shown to Audit. This indicated that the Department had to depend on Field Labs established and operated by the respective contractors during the execution of works.

[33] Lakhimpur, Golaghat, Dhubri, Nagaon, Silchar and Karimganj.

Further, out of six PIUs under the test-checked districts the periodical trainings in the Road Research Laboratory, Ambari, Guwahati had not been imparted in case of two districts/PIUs[34], during the period 2010-16.

Thus, inadequate utilisation of the DLLs reflected the inadequacy in quality control mechanism of the Department.

2.2.12.5 Pendency in uploading Lab report of field laboratories on Online Management Monitoring and Accounting System

As per NRRDA guidelines (August 2010) for Quality Monitoring under the Second Tier, the SQM should check whether the requisite equipment for the testing of various items of ongoing works during their inspection, are available in the laboratory. The guidelines make it compulsory to upload at least one digital photograph on the Online Management Monitoring and Accounting System (OMMAS) of the corresponding field laboratory and its equipment, for each inspected ongoing work. Further, the NRRDA made a provision in OMMAS (July 2015), which requires the PIUs to record the date of establishment of field lab by the contractor and to upload its geo-reference photographs against each Package, which have to be validated by the SQC in OMMAS, through the SQMs during their field visits.

The records from uploaded data in OMMAS, however, revealed that there were 144 Packages[35] in eight selected districts, where uploading the data of lab reports were pending as on date (May 2016), reflecting inadequacy in the quality control mechanism of the Department.

2.2.12.6 Shortfall in conducting pavement condition index survey

In terms of para 14.9 of OM, pavement condition index (PCI) survey is to be conducted once in two years immediately after the rainy season in order to manage the rural road network for up-gradation and maintenance planning. During the period covered in audit (2010-16), however, the survey was found to be conducted only once during 2014-2015 in the eight test-checked districts.

Non-conducting of the biennial PCI survey reflected inadequacy in proper evaluation of road conditions thereby affecting the development of prioritisation criteria for budgeted maintenance funds.

In reply (November 2016), the Department accepted the audit observation regarding shortfall in conducting of PCI.

2.2.13 Findings of Joint Physical Verification

Joint Physical Verification (JPV), with departmental officials, of 23 Packages (25 roads and bridge works) executed by 13 PIUs under eight selected districts, were carried out during June to October 2015. Out of 25 road works, the surface of only

[34] 1. Cachar (SRRD) & 2. Karimganj (KRRD).

[35] 1. Baksa:23, 2.Cachar:24, 3.Chirang:10, 4.Dhubri:30, 5.Golaghat:7, 6.Karimganj:18, 7.Lakhimpur:16 and 8. Nagaon:16.

one road[36] was found to be in good condition while the remaining 24 works (96 *per cent*) were found to be in poor condition. The major deficiencies noticed within the MCP were as under:

- road surfaces, side berms and edges were found to be disintegrated within the five year 'MCP' of the contractor;
- in many places, potholes had developed where rain water and mud was found accumulated;
- potholes/rain-cuts had developed in bridge approaches. causing hardship to users;
- no plantation work alongside the completed roads, as required under Para 6.9.6 of the OM, was found to be taken up, either departmentally or in convergence with other developmental programmes; and
- PMGSY signboard of permanent brick-masonry/concrete structure, required under Para 8.14 of the OM, was not found to have been erected at both ends of the road after their completion.

Photographic evidence in support of poor condition of some of the roads in the selected districts is given below:

Chirang District

Package No. AS 25-41 (Construction of road from Chapaguri to Odalguri) (28 June 2015)

Nagaon District

AS 19-158 Construction of 'Kampur Jamunamukh road' (3 July 2015)

In reply (November 2016), the Department stated that instructions had already been issued to the concerned EEs under test-checked districts to repair the damaged roads immediately.

2.2.14 Online Management Monitoring and Accounting System

The NRRDA has prescribed a software for PMGSY, known as the Online Management Monitoring and Accounting System (OMMAS). The OMMAS supports

36 Construction of'Road from Gossaigaon to Pakriguri' (Package No. AS 25-52) executed by the PIU Chirang R&B Division,Kajalgaon.

the accounting system and also enables the PIU, SRRDA to upload up-to-date field data for smooth running of the programme. In the process, the PIUs are required to make entry of Agreement details for original Contractors/balance work Contractors in OMMAS immediately after signing of Agreements. Such entries had not, however, been made by the PIUs of 16 districts in regard to 103 cases. In three of the eight test-checked districts, 36 cases (Cachar: 2, Karimganj: 14 and Nagaon: 20) of non-entry of agreement details/DPRs (34.95 *per cent*) were noticed, owing to which the payment vouchers also could not subsequently be entered in the OMMAS, thereby hampering the finalization of accounts for the State and submission of OMMAS based audit report to NRRDA, which had a direct impact on fund flow to the State.

The deficiencies indicated above were due to inadequate monitoring and supervision and thus, needed to be ensured for entering all the relevant entries relating to the agreements/contracts on the part of the Department for successful application of OMMAS in the State.

2.2.15 Conclusion

The Performance Audit of the PMGSY revealed that in the year 2000, the State Government had initiated the preparation of DRRPs, the main compendium of the existing and proposed road network of a district for the purpose of implementation of the PMGSY. The DRRPs prepared under the auspices of P&RD Department during the initial stage of implementation of PMGSY, based on the Census Report of 2001, had not, however, been revised/updated since the commencement of the PMGSY in the state. Further, the main objective of the PMGSY programme was not achieved as a number of eligible habitations more than 1000 population were yet to be connected. Moreover, in contravention of the main provisions of the PMGSY Guidelines, many habitations below 1000 population had been connected in Stage-I despite the existence of unconnected habitations of 1000^+ populations in the State. In several instances, works were taken up from outside the Core Network and inadmissible works with excess road length were executed. For want of upgradation, assets created between 2000 and 2009, falling under the cycle of routine maintenance, were damaged/disintegrated for want of maintenance by the contractors. The Department failed to utilise the available PMGSY funds optimally and significant funds remained unutilized at the end of every financial year. Fake Bank Guarantees were found to have been deposited by some contractors against whom the Department had failed to take any legal action. The Department was compelled to propose foreclosure/dropping of a number of works, either due to non-availability of required ‘Land’ or wrong ‘Road Alignment’. Owing to laxity on the part of the PIUs, as well as the Department, significant amounts of PMGSY funds, advanced for Mobilization/Equipment to contractors/firms, remained un-recovered. Instances of failure of Departmental officials on verification, inspection, data updation, taking penal action were also noticed during audit. Deficient quality control and monitoring were also observed in the implementation of the programme.

2.2.16 Recommendations

The following recommendations may be considered:

- *The Government may review and update the District Rural Road Plans.*
- *The department should take up the construction of roads according to prioritisation and categorisation. Effective steps should be taken to complete the works within the prescribed timelines.*
- *Enforcement of legal obligations on contractors/firms, for timely execution and completion of projects, may be ensured.*
- *The prescribed quality checks, by conducting the requisite inspections through the Three Tier QC Mechanism may be ensured and establishment of District level Laboratories equipped with trained staff/equipment may be considered.*

Compliance Audit

Agriculture Department

2.3 Compliance Audit of "Procurement Activities in Agriculture Department, Assam

2.3.1 Introduction

Agriculture forms the backbone of the economy of the State of Assam and accounted for 19.74 *per cent* of the State's income in 2013-14. Out of the total geographical area of 78.50 lakh hectares (ha) in the State, the total cropped area is 41.74 lakh ha (53.17 *per cent*), of which the area under food grains is 26.40 lakh ha (63.25 *per cent* of total cropped area). Various Government schemes, such as the Rashtriya Krishi Vikash Yojana (RKVY), National Food Security Mission (NFSM), National Agricultural Extension Programme (NAEP) *etc.*, are being implemented in the state of Assam. For smooth implementation of these schemes, the Department of Agriculture procures and supplies agricultural inputs, equipment and machinery to farmers at subsidised rate. These agricultural inputs, equipment and machinery are purchased in bulk by the Director of Agriculture (DoA), Assam, for being supplied to the District and Sub Divisional level functionaries.

Compliance Audit of the "Procurement activities in the Agriculture Department" was carried out with the objective of assessing whether:

- Procurement was made in a planned manner according to the requirements.
- Norms of financial propriety were followed during procurement; and
- Quality control over the purchases was effectively implemented.

2.3.2 Scope and Methodology of audit

Records in the Directorate of Agriculture and Directorate of Horticulture and Food Processing, Assam for the period from 2011-12 to 2015-16 were test-checked during March to May 2016. Further, records of four District Agriculture Officers (DAOs), *viz.*, Goalpara, Kamrup (R), Kamrup (M) and Bongaigaon, were also checked for verifying receipt of materials procured.

The audit findings have been discussed in the succeeding paragraphs:

2.3.3 Deficiencies in Procurement Planning

The Department did not prepare any perspective plan for systematic implementation of the schemes. For effective implementation of the schemes, the District Agriculture Officer (DAO) and Sub-Divisional Agriculture Officer (SDAO) were to prepare the Annual Action Plans (AAPs) based on their priorities and potential to execute the programmes. It was revealed that the Director of Agriculture had prepared a consolidated AAP covering the whole State and the AAPs for the period 2013-14 to 2014-15 for implementation of different schemes were prepared without obtaining inputs from the district/sub-divisional level implementing units. Consequently, targets were fixed for the implementing units without assessing field level requirements and feasibility. This resulted in poor progress in the execution of schemes.

Audit also observed that:

- The Directorate of Agriculture (DoA) placed 11 supply orders to the National Seed Corporation (NSC) for supply of 36,332 quintals of Black Gram Seed under NFSM-Pulse for 2015-16, for which the total sowing area required was 1.65 lakh hectares. Whereas, the total existing Pulse Area in Assam was only 1.13 lakh hectares. This indicated that the fixing of district level targets was unrealistic.

- The ideal time for sowing of mustard was middle of October to middle of November[37]. The DoA, however, placed supply order for the supply of mustard seeds under NAEP-III (Mission Double Cropping for the year 2014-15) to the Assam Seed Corporation Limited (ASCL) only on 27 October 2014 with the stipulation that the supply be completed within 13 November 2014. The ASCL supplied 1,064 quintal seeds between 29 November 2014 and 2 January 2015, with delays ranging from two to seven weeks after the sowing season, which indicated lack of planning for efficient implementation of the scheme.

2.3.4 Financial Performance

Procurement of agricultural inputs forms a major component of any agriculture scheme. The Government of India and State Government provide funds for procurement under plan head for implementation of various schemes/ programmes. The details of funds received for implementation of various agricultural schemes, during the period 2011-12 to 2015-16 vis-à-vis expenditure incurred for procurement activities were as under:

(₹ in crore)

Year	Funds received for procurement activities	Expenditure incurred	Savings
2011-12	250.10	197.32	52.78
2012-13	491.19	449.36	41.83
2013-14	358.47	322.32	36.15
2014-15	385.06	336.81	48.25
2015-16	231.09	194.38	36.71
Total	**1,715.91**	**1,500.19**	**215.72**

Source: Departmental records

37 Source: 'Package of Practice for crops of Assam' published (2009) by the Assam Agriculture University.

Release of funds at the fag end of each financial year was the main reason for funds remaining un-utilised.

2.3.5 Release of payments in violation of Supply Order conditions

Audit observed instances of supplies made to DoA, where terms and conditions of the supply orders had not been observed, resulting in extra expenditure, as indicated in the succeeding paragraphs:

(A) ***Supply of Tractors***

As per the scheme guidelines of the Farm Mechanization Programme of Government of Assam (GoA) for procurement of tractors, the selected beneficiaries should first deposit their respective shares to the Dealers concerned, following which the DoA will release the Government subsidy at the rate of ₹ 3.25 lakh per tractor or fifty *per cent* of the cost of the tractor, whichever is less on receipt of documents duly countersigned by the competent authority at district/sub divisional levels. GoA sanctioned (February 2015) ₹ 649.00 lakh for the year 2014-15, out of which the DoA released (March 2015) Government share of ₹ 188.50 lakh to nine firms towards the subsidy for the supply of 58 tractors without obtaining required satisfactory certificate from the president/secretary of the concerned agro service group.

Besides, scrutiny of records pertaining to 16 tractors involving release of Government subsidy of ₹ 52 lakh, which were shown as having been supplied (May 2015) to EE, Agriculture offices by M/s J.K. Engineering & Agro Service, Guwahati revealed that satisfactory certificates in respect of five tractors were issued by the President/ Secretary of the concerned agro service group while remaining 11 tractors shown as supplied at two or more different locations in respect of which satisfactory certificates were not available were either bearing the same chassis and engine numbers of the five tractors or duplicate numbers and therefore, release of subsidy (₹ 35.75 lakh) against the 11 tractors ***(Appendix-2.9)*** to the supplying firm was susceptible to fraud.

On this being pointed out, the DoA ordered for an enquiry into the matter. The report of the enquiry was awaited (November 2016).

(B) ***Supply of Liming materials***

Application of ameliorants[38] to treat acidic soil, was one of the components under NFSM. As per the operational guidelines, soil fertility status of the selected field should be known well in advance for deciding the use of fertilizer and soil ameliorants. It was observed that no periodical soil tests were conducted to assess the pH[39] value before taking the decision on the quantity of limes to be used for the treatment of soil. The National Bureau of Soil Survey and Land Utilisation Planning (NBSS & LUP), a research organisation under the Ministry of Agriculture, GoI, had conducted Soil survey before starting the NFSM programme and DoA had fixed the quantity of lime to be used based upon that report. In terms of NFSM Operational

38 Ameliorants (lime, borax *etc.*) are chemicals which are applied to improve the quality of the soil and thereby improve plant growth.

39 The pH value of soil gives the indication of the acidity or alkalinity of the soil.

Guidelines regarding application of lime/liming material and micronutrients in rice, an assistance of ₹ 500 per ha or 50 *per cent* of the cost of lime/liming material, whichever is less, was to be given to the farmers.

Audit observed that DoA placed supply order (September 2014) of liming materials to M/s JKR Enterprise for supply of 18,114 MT @ ₹ 2,760 per MT in 13 selected districts. The total allotment of liming material of 18,114 MT was bifurcated into two categories, as Government and farmers' share of 9,057 MT each. The supply order also specified that the Directorate was liable to pay for the quantity against the Government share only and the farmers' share was to be realised by the firm directly from the farmers, after delivering the full quantity of lime, as per allotment.

A scrutiny in this regard revealed that the firm supplied (September/ October 2014) 8,023 MT of liming materials to the farmers and claimed full value of materials amounting to ₹ 221.44 lakh[40], instead of ₹ 110.72 lakh due, being 50 *per cent* of the cost of materials. The DoA paid (January 2015) the claim in full, resulting in excess payment of ₹ 110.72 lakh, made to the supplier.

2.3.6 Fraudulent claims settled without proper verification

Although delivery of materials against the supply orders was required to be verified, both for the quality and quantity, before the payments were released, the same was not done by the DoA in the following cases:

- As mentioned in para 2.3.5 (b) above, M/s JKR Enterprise supplied (September/October 2014) 8,023 MT of liming materials and was paid ₹ 221.44 lakh by the DoA upon delivery shown against the consignments. However, cross check of the challans, with reference to the registration details of the delivery vehicles obtained from the office of District Transport Officer (Registration & License), Kamrup, revealed that, in 12 cases involving materials and transportation costs amounting to ₹ 14.79 lakh, the registration numbers of trucks embodied in the challans actually pertained to motor cycles/auto rickshaws/Taxis/three wheeler, pick up vans. This indicated that the payment of ₹ 14.79 lakh was made against fictitious claims. ***(Appendix-2.10)***.

- In compliance with supply order placed through Assam Seeds Corporation Limited (ASCL), M/s Lakshya Traders claimed supply of 27 quintals of Tarun jute seeds to the Sub Divisional Agriculture Officer, Pathsala, Barpeta, through a truck with a registration Number of a Maruti Car, rendering the payment of ₹ 2.44 lakh, shown as having been made to the supplier, fictitious as 27 quintals of jute seeds could not be transported through a Maruti car.

- DoA placed (December 2015) supply order to M/s Monsut Chem Industries, Guwahati, for supply of 36,546.80 quintals vermi compost, under the scheme 'Bringing Green Revolution in Eastern India' (BGREI) 2015-16 (Summer Paddy) to 14 District Offices, against which the firm claimed supply of 35,899.80 quintals by

[40] ₹2,760 x 8,023 MT= ₹221.44 lakh.

trucks to different field offices. Cross verification of the types of vehicles which were shown as having used for the supply with the records of the District Transport Officer (Registration & License), Kamrup, Guwahati revealed that the registration numbers indicated against the 14 trucks, reported to have transported 1,851 quintals of vermi compost valuing ₹ 11.38 lakh were actually pertaining to motor cycles, private cars, three wheelers passenger autos *etc.*, which rendered the veracity of the entire expenditure of ₹ 11.38 lakh doubtful ***(Appendix-2.11).***

Government needs to verify all cases of payment to identify fraudulent payments and to initiate action to reduce the weaknesses in the system

2.3.7 Purchase of seeds at higher cost

- As per the Memorandum of Understanding between DoA and the Assam Seeds Corporation Limited (ASCL), a State level Public Sector Company, one *per cent* transportation cost and four *per cent* Corporation margin plus five *per cent* Value Added Tax (if applicable) will be provided over and above the lowest tendered rate in the event of purchase of seeds from ASCL. For supply of seeds for the year 2014-15, the Departmental Purchase Committee (DPC) of the DoA selected M/s Lakshya Traders, being the lowest tenderer, for the supply of certified jute seeds (Tarun Variety) at ₹ 7,499 per quintal. As the seeds were being procured through ASCL, the rate should have been fixed at ₹ 8,248.90 (₹ 7,499 + four *per cent* corporation margin + one *per cent* transportation cost + five *per cent* Value Added Tax). Scrutiny of the relevant records revealed that the DoA placed (February 2015) orders for procurement of 3,356.25 quintals jute seeds (Tarun variety) at the rate of ₹ 9,023.11 per quintal, which was higher to the extent of ₹ 774.21 (₹ 9,023.11 - ₹ 8,248.90) per quintal over and above the lowest tendered rate. The ASCL supplied 3,125.50 quintals against the ordered quantity, resulting in expenditure of ₹ 24.20 lakh[41] which was avoidable.

- DoA placed supply order (June 2015) to the National Seeds Corporation Limited (NSC) for supply of 15,316 quintals (Government Share) of High Yielding Variety (HYV) paddy seeds (Swarna Sub-1) within 7 July 2015 at the rate of ₹ 4,500 per quintal. However, NSC could supply only 15,025.70 quintals Swarna Sub-1 seeds within the stipulated time, leaving a balance of 290.30 quintals to be supplied. Scrutiny of records revealed that DoA agreed for supply of another variety of paddy seeds (Naveen) by the NSC against the balance undelivered quantity of Swarna Sub-1. Accordingly, NSC supplied (March 2016) 290.30 quintals HYV (Naveen) paddy seeds through their authorised dealer at the same rate of ₹ 4,500 per quintal. Scrutiny further revealed that the Departmental Purchase Committee (DPC) under the DoA had previously selected (August 2015) two lowest bidders[42] for the supply of HYV (Naveen) paddy seeds for the year 2015-16 at the rate of ₹ 3,500 per quintal. Had the department procured the balance quantity of 290.30 quintal HYV Paddy from the lowest bidders at the rate of ₹ 3,500 per quintal, the department could have saved

41 (₹774.21 x ₹3,125.50 quintals).
42 M/s JK Commercial and M/s Trade Line.

₹ 2.90 lakh paid in excess of the prevalent rates for another variety of seeds supplied by the NSC.

2.3.8 Avoidable excess expenditure

While finalising (December 2015) the rates invited through a tender for the procurement of Zinc Sulphate, the Departmental Purchase Committee (DPC) under the DoA found the rate of ₹ 3,720 per quintal quoted by the authorised dealers[43] to be lower than ₹ 4,850 per quintal quoted by the manufacturer M/s Progressive Fertichem, who also participated in the tender process. The DPC however, decided to purchase the product directly from the manufacturer at the higher quoted rate, as the Committee concluded that selecting a rate below the rate offered by the manufacturer or the original source might have an impact on the quality of the supplied goods and therefore, did not consider the lowest tendered offer.

It was further observed that the manufacturer subsequently, expressed inability to supply the Zinc Sulphate and, on its request, the Department purchased (between December 2015 and January 2016) 11,977 quintals of Zinc Sulphate, at the rate quoted by the manufacturer from an authorised dealer, M/s Hitesh Enterprise, who had not even participated in the tendering process though the lowest (M/s BSM Agency) and second lowest (M/s Darjeeling Gardens) bidders were also authorised dealers of the same manufacturer. The entire payment of ₹ 5.81 crore (₹ 4,850 x 11,977 quintals) was made in March 2016.

Since the Department did not purchase the above commodity directly from the manufacturer, the Department should have preferred the lowest tenderer (M/s BSM Agency, the authorized dealer of the same manufacturer) who quoted ₹ 3,720 per quintal, instead of opting to purchase the same from M/s Hitesh Enterprise, a non-participant dealer, at the higher rate of ₹ 4,850 per quintal. This resulted in excess expenditure of ₹ 135.34 lakh ***(Appendix-2.12),*** which was avoidable.

2.3.9 Purchase of Grinding Mills at higher rates without any market survey

Based on a proposal submitted (July 2015) by the DoA, GoA sanctioned (January 2016) ₹ 474.70 lakh under the scheme 'Women Welfare as Gender Responsive Budget', during 2015-16. The DoA decided to distribute 548 Spice-cum-Pulse Grinding Mills (Pulveriser-2), at 100 *per cent* subsidy to Women Self Help Groups (SHG), under the scheme, through the District Officers. The NIT was floated (December 2014) by the Directorate of Horticulture and Food Processing (DoHFP) and the lowest rate per Pulveriser-2, offered by M/s J.K. Commercial was fixed at ₹ 86,625 (including five *per cent* VAT). The DoA adopted this rate and placed the supply orders (January 2016) on M/s J.K. Commercial for supply of 548 Mills to 26 different districts, at the above rate, without going for fresh tendering. The firm supplied 548 Mills to the districts in March 2016. Accordingly, the DoA paid an amount of ₹ 118.68 lakh (including VAT) for the supply of 137 Mills against the

43 M/s BSM Agency (lowest) and M/s Darjeeling Gardens Private Limited (second lowest).

Fixation of Ceiling (FoC) received, while payment for the balance quantity of 411 Mills, worth ₹ 356.03 lakh, was yet to be made (September 2016).

On cross verification (April 2016) of records of the Commissioner of Industries & Commerce, Assam, Audit observed that the Commissioner had procured (March 2015) 42 Grinding Mills (Pulveriser-2) of the same make and specifications at the rate ₹ 33,840 each including all taxes from M/s TFS Tele System. It was revealed that M/s J.K. Commercial also participated in this tender process and offered the rate of ₹ 47,800 each (including VAT) for the Grinding Mill. It was evident that, in the instant case, the rate offered by M/s J.K. Commercial (₹ 86,625), was accepted by the DPC (February 2015) of the DoHFP being the lowest, without any market survey and analysis, although the same item was procured at a much lower rate (₹ 33,840 each, including all taxes), by a sister Department, during the same period.

Thus, the injudicious decision of the department to procure Pulveriser-2 from M/s J.K. Commercial, without assessing the competitiveness of rates, not only resulted in extra avoidable expenditure of ₹ 72.32 lakh[44] on account of payment of 137 units of Pulveriser-2, but also created a further liability of ₹ 356.03 lakh, of which ₹ 216.95 lakh[45] was also avoidable.

2.3.10 Additional burden to the beneficiaries

As per the Annual Action Plan 2010-11 of the DoA, Government assistance per "Row Marker (Manual)"[46] to the beneficiaries was ₹ 1,500 per unit. Audit observed that the Chief Engineer (Agriculture) invited (December 2011) tenders for supplying Small Agricultural Implements & Accessories like MB Plough, Row Marker (Manual), spade, sieve, khurpi *etc.*, (13 items). Out of the 18 bidders who participated, 12 responded with the required specifications for supplying the Row Markers (Manual), of which six bidders quoted the lowest rate of ₹ 1,755. The DPC, however, accepted (10 January 2012) the 3rd lowest rate (₹ 2,350), which was quoted by M/s Fabricon Structurals without recording any reason for rejecting the lowest rate.

Scrutiny of the records of the DoA revealed that the Director placed (21 February 2012) supply order for 3,546 Row Markers (Manual) at the rate of ₹ 2,350 (3rd lowest rate) to five suppliers, including four bidders who had quoted the lowest rate on the personal request (17 February 2012) of these suppliers. Thus, due to rejection of the lowest rate and issue of the supply order at higher rate *i.e.*, at 3rd lowest rate, the Department created an additional financial burden of ₹ 21.10 lakh to the beneficiary farmers ***(Appendix-2.13)***, which could have been avoided had the "Row Marker" been purchased at lowest rates.

No reply had been received in audit (November 2016).

44 (₹86,625- 33,840)X 137 = ₹72.32 lakh.

45 (₹86,625- 33,840)X 411 = ₹216.95 lakh.

46 Row Marker (Manual) is a manually operated agricultural implement which is used to mark the rows in the paddy field for paddy transplantation.

2.3.11 Extra subsidy borne by the Government

(A) *Supply of Battery Operated Sprayers*

The Director of Horticulture placed a supply order (November 2014) on M/s Khusboo Enterprises (lowest rate of ₹ 4,250.00 per unit, excluding five *per cent* VAT*)*, for supply of 5,602 Battery Operated Sprayers (BOS) under the sub-scheme 'Bringing Green Revolution to Eastern India (BGREI)', under RKVY during 2014-15 for supply in 25 districts. The material was required to be supplied within 20 days from the date of issue of supply order. As per the scheme guidelines, the subsidy amount should not exceed 50 *per cent* of the cost of the BOS, subject to a maximum of ₹ 3,000 per Sprayer.

Audit observed that the supplier made supplies (November 2014) to only 20 out of the 25 districts. Also, against the total allotment of 4,522 BOSs for the 20 districts, for which subsidy amount was ₹ 100.90 lakh, only 2,261 BOSs were supplied. Scrutiny of the related bills, vouchers, invoices, APRs[47] and duly receipted challans revealed that, as against the 50 *per cent* Government subsidy required to be paid, the DoA paid (January 2015) the entire subsidy of ₹ 100.90 lakh to the supplier, which was tantamount to 100 *per cent* of the total cost of the 2,261 Sprayers. During cross verification with the records of the four DAOs (Goalpara, Kamrup (R), Kamrup (M) and Bongaigaon), it was also found that each DAO had received 100 BOSs against the allotted 200 BOSs and the distribution of the same to the beneficiaries was in progress (January 2015). The district-wise allotments made and actual quantities of BOSs supplied under BGREI 2014-15, have been shown in ***Appendix-2.14***.

Thus, due to payment of Government subsidy meant for the full quantity of 4,522 BOSs against the actual supplied quantity of 2,261 BOSs, the DoA incurred an excess expenditure of ₹ 50.45 lakh beyond the prescribed norms.

(B) *Supply of water pipes*

As per guidelines of the scheme 'National Food Security Mission-Pulses', maximum financial assistance of ₹ 15,000 per farmer for the purchase of 800 running metre (RM) pipes or 50 *per cent* cost, whichever is less, shall be provided as Government assistance, for carriage of water from the source to the farmers' field. GoI sanctioned (October 2011) ₹ 378 lakh, for implementation of the above scheme, for the year 2011-12, and GoA released (December 2011) the above amount to the DoA.

Audit observed that the DoA issued supply orders (February 2012) to six suppliers, for supply of 1,22,221 RM pipes, to 960 beneficiaries in 10 districts of Assam on the condition that the Director was liable to pay the quantity against the Government share only and the farmers' share was to be realised directly from the farmers, after delivering the full quantity of pipes as per allotment. Further, in cases where a farmer purchases less than 800 RM pipes, the assistance was to be reduced proportionately. The supplier was, however, liable to supply the full quantity (Government share + farmer's share) of materials to the farmers as per admissible quota (Maximum 800

47 Actual Payee Receipts.

RM pipes per farmer) or their required quantity for availing Government assistance at the rate of ₹ 15,000 per farmer or 50 *per cent* of the cost of pipes whichever is less. Scrutiny of records revealed that the DoA made a district-wise allotment of the materials to be supplied under 'Government share' only. The suppliers submitted (March/ April 2012) bills showing supply of Government share only and the District Agriculture Officers (DAOs) also acknowledged the receipt of supplied quantity showing Government share only. This negated any evidence of supply of the farmers' share of pipes, in violation of the stipulation that suppliers were eligible for 50 *per cent* of the cost of pipes supplied to the beneficiary. The details of supplier's bills preferred by suppliers have been given in ***Appendix-2.15*.** The DoA, however, instead of paying for the Government share of ₹ 82.50 lakh (50 *per cent* of the cost of pipe supplied), paid (May/June 2012) ₹ 165.00 lakh against the claims of the suppliers, which resulted in an extra and irregular payment of ₹ 82.50 lakh beyond the norms as per scheme guidelines.

2.3.12 Quality control

It was observed that though there were 13 Soil Testing Laboratories located in different districts of the State, no soil tests were being conducted annually to assess the quantity of fertiliser and micronutrient required for the soil. The DoA was using the 'Package of Practice'[48], prepared by Assam Agriculture University in 2009. On these being pointed out in audit, the DoA stated (May 2016) to enquire into the matter, the outcome of which was awaited (November 2016).

2.3.13 Conclusion

There were no codified Purchase Manuals containing detailed purchase procedures, guidelines and proper delegation of power in the Directorate, in the absence of which the Directorate could not ensure transparency and economy in procurement. The Procurement Plan should take into account the requirements of the field formations for it to be realistic, which was not being done as was seen in few instances. To streamline the process, there was a need to adopt e-Procurement plan. No soil tests were being conducted annually to assess the quantity of fertiliser and micronutrient required for the soil. There was absence of control checks over the quantity and the quality of materials delivered at the District levels and payments were found to be released without ensuring the veracity and the authenticity of the claims.

2.3.14 Recommendations

- *A codified purchase manual containing detailed purchase procedures, guidelines and proper delegation of power, needs to be prepared.*
- *Steps need to be taken to adopt e-Procurement.*

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48 'Package of Practices' for Crops of Assam is a book published by the Assam Agriculture University, in an endeavour to change the agriculture economy from a deficit to surplus state thereby improving the quality of life of the farmers of the state. In doing so, production technologies generated by Assam Agricultural University, in particular, and other research organisations, in general, are introduced among the farmers backed by appropriate policy support. A good number of new crop varieties and technologies are incorporated in this book for extension of machinery to farming community to boost up production and productivity.

- *The "Package of Practice" needs to be updated annually, to assess the required quantities of fertiliser and micronutrient.*

Public Works Department

2.4.1 Unproductive expenditure

Lack of proper planning prior to commencement of the work, led to expenditure of ₹ 102.50 lakh remaining unproductive.

An estimate was prepared by the Public Works Department for construction of a "RCC Bridge over river Bharalu on approach road to proposed cricket stadium at Barsapara, Guwahati from Embankment & Drainage (E&D) Bharalu Road." The proposed RCC Bridge was to provide facility for movement of 10,000 spectators from western side of the stadium and was to be an integral part of the connectivity to the stadium as well as over all road connectivity network of the comparatively underdeveloped part of the greater Guwahati City.

The administrative approval for the construction of RCC Bridge alongwith approach roads (23 December 2011) and technical sanction (7 September 2012) were accorded for ₹ 148.53 lakh under untied Special Central Assistance (SCA)-Plan for 2011-12. The approved estimates included an amount of ₹ 11 lakh being the lump-sum cost of shifting of electric posts, re-erection and illumination *etc.*, on the approach road of the bridge.

Scrutiny of records (January 2016) of the Executive Engineer (EE), PWD (Roads), Guwahati City-I Division revealed that the department awarded (17 May 2012) the work to a contractor (M/s Modern Construction) at a bid price of ₹ 139.70 lakh with the stipulation to complete the work within nine months from the date of issue of the work order. The contractor commenced the work on 24 May 2012. However, after achieving 75 *per cent* of physical progress with an expenditure of ₹ 102.50 lakh, the contractor stopped (August 2013) the work due to non-shifting of electric poles from the site of the approach road.

Further scrutiny of records revealed that on the request (December 2013) of EE, PWD (R), the Assam Power Distribution Company Limited (APDCL) had submitted an estimates for an amount of ₹ 17.69 lakh for shifting the electrical poles from the alignment of the approach road as Deposit Work. The EE, PWD (R) expressed (July 2014) the department's inability to bear the cost of shifting due to paucity of funds and made a request to shift the same from APDCL's own resource. However, till date neither any payment was made by the PWD nor APDCL had shifted the electrical poles from the alignment of the approach road (January 2016).

It was evident that, due to lack of proper planning in handing over of clear work site to the contractor prior to commencement of the work, the bridge could not be put to use for the last three years rendering the expenditure of ₹ 102.50 lakh spent on the construction of the bridge unproductive. Further, the possibility of completion of the balance work within the original estimate was remote considering the element of cost/price escalation which could not be ruled out.

Thus, intended objective of providing alternate approach to the stadium and strengthening of the overall connectivity of greater Guwahati City could not be achieved despite incurring an expenditure of ₹ 102.50 lakh, which remained unproductive.

The matter was reported to Government in May 2016; their reply had not been received (November 2016).