

CHAPTER-II

ECONOMIC SECTOR

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.

The names of the major State Government departments and the net budget provision and expenditure of the State Government under Economic Sector during the year 2015-16 are given in the table below:

Table 2.1.1 - Net budget provision and expenditure of major departments
(₹ in crore)

Sl. No.	Name of Department	Budget provisions (Original and Supplementary)	Expenditure
1.	Public Works	828.48	775.68
2.	Agriculture	686.59	330.59
3.	Planning	553.55	45.69
4.	Community & Rural Development	753.41	455.31
5.	Power	185.98	116.42
6.	Forest	187.38	122.80
7.	Industries	189.38	132.09
8.	Mining & Geology	89.31	69.71
9.	Fisheries	34.95	14.94
10.	Co-operation	30.08	22.31
11.	Soil Conservation	335.06	82.58
12.	Animal Husbandry and Veterinary	144.69	122.89
13.	Tourism	113.91	19.91
	Total	4,132.77	2,310.92

Source: Budget Estimates and Appropriation Accounts

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 and concerns. The audits were conducted during 2015-16 covering the expenditure of ₹ 1,422.70 crore incurred by various departments (including expenditure pertaining to previous years audited during the year) of the State Government under Economic Sector. The chapter contains two Compliance Audit paragraphs.

The major observations under Economic Sector detected in audit during the year 2015-16 are discussed in the succeeding paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

FISHERIES DEPARTMENT

2.2 Unfruitful expenditure

Injudicious decision of the Fisheries Department to allot the work to MeECL and failure to monitor the progress and quality of work during execution, resulted in the project being poorly executed and not functioning even after incurring expenditure of ₹ 2.05 crore. Besides, the objective of the project to increase the production to 50 lakh fish fingerlings per year by 2012-13 also remained unachieved

The project for 'Upgradation and modernisation of Umsning fish seed farm Phase I and II', under the *Rashtriya Krishi Vikas Yojana* (RKVY) was approved (September 2008, September 2009 and June 2011) by the State Level Sanctioning Committee (SLSC) at a cost of ₹ 2.32 crore. The objective of the project was to upgrade the Umsning Fish Seed Farm so as to enable it to produce 50 lakh fingerlings per year by 2012-13, up from production of 30 lakh fingerlings during 2011-12¹.

Scrutiny of records of the Directorate of Fisheries (July-August 2015) revealed that the Fisheries Department decided that the civil work of the project which included construction of check-dam, renovation of rearing ponds, nursery ponds, hatchery, etc. be entrusted to the Meghalaya State Electricity Board (now renamed as Meghalaya Energy Corporation Limited MeECL) as deposit work for speedy completion and quality of work. Accordingly funds of ₹ 2.04 crore was released to MeECL² between July 2009 and November 2011 for undertaking the civil work (₹ 1.99 crore) and installation of transformer (₹ 4.57 lakh). No records were available to indicate that MeECL had the necessary expertise in constructing the civil works for a fish hatchery farm. Records were also not available to indicate that the Department was monitoring the progress and quality of work during execution. By June 2012, MeECL completed the civil works at an expenditure of ₹ 2.05 crore which included agency charges of ₹ 18.67 lakh. No record was also available to show that the completed work was handed over by MeECL to the Fisheries Department.

During February 2013, the Department conducted an inspection of the work and found that all the nine constructed nursery ponds were leaking as MeECL had not sealed the nursery beds since the item was not included in the scope of work. No record was available to indicate the reason for not including the item in the scope of work or of action taken by the Department to rectify the defects. The work was again inspected by the departmental officers (July and August 2014) and the team found

¹ The Meghalaya State Agriculture Mission document (2012-17), published during 2011-12 mentions the production of fingerlings as 30 lakh during the 'present year'. Hence the present year is reckoned as 2011-12.

² ₹ 1.99 crore was paid out of RKVY funds while ₹ 4.57 lakh was paid out of interest earned by Fish Farmers' Development Agency, an autonomous body of the State notified on 08 February 2012 for the implementation of the Meghalaya State Aquaculture Mission .

that the nine nursery ponds, the circular breeding pool, the hatchery, the spawn collection chamber, the rearing ponds and stocking ponds were all leaking. Further some of the cemented tanks had crumbled due to high percentage of sand in the concrete mix. The inspection team concluded that the Umsning Fish Farm was not functional even five years after sanction and that the whole construction appeared to be of a very poor quality and needs to be reconstructed. Thus, even the existing production of fingerlings that the Umsning fish seed farm was achieving (30 lakh during 2011-12) had all come to a halt.

During the inspection conducted during July 2014, the Assistant Director of Fisheries, who led the inspection team, also suggested that the officers visit the neighbouring State of Assam to get an idea of how to construct a hatchery, indicating that the Fisheries Department, Meghalaya lacked experience in constructing hatchery.



Photographs of the non-functional Umsning fish seed farm taken during a joint physical verification conducted by Audit and the departmental officers (18 May 2016) showing no production of fish fingerlings since 2012-13, as the hatchery and nursery ponds were leaking

Thus, by allotting the work to MeECL which was not an agency specialising in construction of hatcheries and failure of the Fisheries Department to monitor the progress and quality of work during execution, resulted in the project being poorly executed and not functioning even after incurring expenditure of ₹ 2.05 crore³. Besides, the above unfruitful expenditure, not only the objective of the project to increase the production to 50 lakh fish fingerlings per year by 2012-13 remained unachieved but the existing production of fingerlings of the Umsning fish seed farm had come to a halt.

The matter was reported to Government (June 2016); reply was awaited (January 2017).

³ Includes outstanding liability of ₹ 1.79 lakh (Cost of civil works completed by MeECL ₹ 205.36 lakh minus payment released ₹ 203.57 lakh).

PUBLIC WORKS DEPARTMENT

2.3 Wasteful expenditure

Failure to identify the landslide prone areas during preliminary survey itself and decision to construct the Mawsahew-Nongsteng-Umlai-Mawphu road through terrain having unstable soil strata led to the Department incurring wasteful expenditure of ₹ 3.68 crore besides defeating the objective of providing the road link to the five villages with the rest of the State.

According to the 'Manual for survey, investigation and preparation of road projects' published by the Indian Roads Congress, while constructing new roads, landslide prone areas would normally be identified during preliminary survey itself and every effort would have to be made to avoid these. Where the same is not feasible, further investigations would be required to study the extent of the problem and plan appropriate remedial measures. For this purpose, services of geologist or soil specialist may often be needed.

The work 'Construction of remaining portion of the Mawsahew-Nongsteng-Umlai-Mawphu Road from 6th to 13th km under NLCPR' was sanctioned by Ministry of Development of North Eastern Region (MDONER) in September 2008 by Government of India (GoI). Administrative approval was accorded by the Public Works Department (PWD), Government of Meghalaya in February 2009 for ₹ 9.54 crore (₹ 8.59 crore as Central share and ₹ 0.95 crore as State share). While preparing the draft project report (DPR) for the work, the topographical survey was carried out based on the data available with the Executive Engineer (EE), PWD (Roads), Sohra Division and no services of geologist or soil specialist was used. The road to be constructed was to link the road connecting the villages Mawkma, Laitduh, Wahkalair, Mawsahew and Mawmihthied to the rest of the State.

Notice inviting tender was issued in November 2008 and work orders were issued to five contractors⁴ between April and September 2009 with a stipulation to complete the works within two to 24 months. The work commenced in May 2009 and upto July 2012, the contractors had completed earth work in formation, retaining walls, hume pipe culverts, side drain and granular sub-base up to 9th km and incurred expenditure of ₹ 2.50 crore.

Scrutiny of records of the EE, PWD (Roads), Sohra Division revealed that due to heavy rainfall during June-July 2012, landslides occurred at many stretches of the road and portions of the road at 6th km (30m long) and 7th km (70m long) along with hume pipe culverts were completely washed away. Although the topography of the

⁴ Shri R.D. Ramsiej for construction of road from 6th to 9th km and 10th to 13th km
Shri Hapbok Lyngkholi for constructing the bridge No.8/3 at chainage 7545 m
Shri Moses Lyngdoh for constructing the bridge No.13/7 at chainage 12922 m
Smti Rita Mawiong for supply of 'Retro-reflectorise Road Sign Boards'
Shri Binal Kr. Agarwal for supply of 'Electromeric bearing, Providing seismic arrestor pins, Strip seal expansion joints'.

land including its vulnerability to landslides should have been identified during preliminary survey, the Chief Engineer (CE), PWD, Roads, only while reporting the damage (December 2012) to Government stated that a team⁵ had inspected the road on 22 November 2012 and it observed that “*on their visual investigation it was seen that restoration of the above road by means of further earthwork in cutting or by constructing retaining wall or bridge through the same alignment seems to be not possible as the soil strata was very loose thus not stable and the height was very deep*”. The CE, PWD (Roads) also stated that the only alternative to restore the road formation is by realigning the route. The EE, PWD (Roads), Sohra Division again conducted a survey (December 2012) and reported that the portion of the road that was washed away cannot be reconnected as the soil condition is “*highly unstable*” but proposed realignment of 1,663 m of road length starting from chainage 5,526 m to meet at chainage 7,189 m of the existing road. Even though the Department was aware that the terrain was not stable, it approved the estimate (March 2013) for realigning the road at a cost of ₹ 1.05 crore. The work was allotted to the same contractor who was earlier awarded the work for construction of road from 6th to 9th km. From August 2012 onwards upto March 2015, the Division incurred further expenditure of ₹ 1.02 crore and had further outstanding amount of ₹ 16.19 lakh raising the total expenditure on the project to ₹ 3.68 crore⁶ on the work. No further progress of work was noticed thereafter.

Further scrutiny of records (June 2016) revealed that during October 2015, the EE, PWD (Roads), Sohra Division again inspected the road and reported to the SE, PWD (Roads), Eastern Circle, Shillong that during the years 2012, 2014 and 2015, due to incessant rain, landslides had occurred on many stretches of the road and road formation along with the retaining walls lying between the 3rd and 7th km had slipped away, including damage to 120 m of road length in the new alignment between chainages 5,556 – 5,676m. He also submitted an estimate of ₹ 18.12 crore for restoring the road but pointed out that in view of the huge cost and since on visual inspection the entire terrain was composed of unstable soil strata and loosely embedded rock/boulders resulting in damages occurring all along the entire stretch of the road, it was necessary to arrange for a reputable firm/consultant for a thorough soil investigation and for searching a suitable alternate new alignment. The CE, PWD (Roads) also reported the matter to the Government (September 2016). Upto October 2016, no decision had been taken by the Government/PWD to hire a reputable firm/consultant for a thorough soil investigation and for searching a suitable alternate new alignment.

Thus, failure to identify the landslide prone areas during preliminary survey itself and decision to construct the road through terrain having unstable soil strata and loosely embedded rock/boulders, though the same was foreseeable through visual inspection,

⁵ Team consisting of the Superintending Engineer (SE), PWD (Roads), Eastern Circle, Shillong, the EE, PWD (Roads), Sohra Division, the Sub-Divisional Officer, PWD (Roads), Cherra II Sub-Division, Sohra, the concern Junior Engineer and the contractor.

⁶ ₹ 2.50 crore + ₹ 1.02 crore + ₹ 16.19 lakh = ₹ 3.68 crore.

led to the Department incurring wasteful expenditure of ₹ 3.68 crore besides defeating the objective of providing the only road link to the five villages to the rest of the State. Further, had the Department hired a reputable firm/consultant for a thorough soil investigation and searched for a suitable alternate new alignment after the landslide of June-July 2012, it could have avoided ₹ 1.18 crore from becoming wasteful.

The matter was reported to Government in November 2016; reply was awaited (January 2017).