CHAPTER II: AUDIT OF TRASACTIONS (CIVIL DEPARTMENTS)

Misappropriation/Loss

RURAL DEVELOPMENT DEPARTMENT

2.1 Temporary misappropriation of Government funds

Lack of financial propriety and internal controls over handling and management of cash resulted in temporary misappropriation of Government funds of ₹ 6,41,817 over four to seven months.

Financial Rules *inter-alia* require that withdrawal of money should not be made from the Government Account except by presentation of bill in support of claim made for the relevant purpose; all monetary transactions should be entered in the Cash Book as soon as they occur and attested by the Drawing and Disbursing Officer (DDO) as token of check; all bank withdrawals be reconciled with bank scrolls on monthly basis.

Scrutiny (January – February 2010) of records of the Executive Engineer (EE), Rural Development Planning and Monitoring Cell, Agartala, (who is also the DDO[1]), revealed that the above requirement of the financial rules was not strictly followed, *viz.* all the monetary transactions were not entered in the Cash Book and bank withdrawals were not reconciled properly. This resulted in temporary misappropriation of Government funds, as detailed below:

- During September 2008 and October 2008, ₹ 1,15,000, ₹ 71,965 and ₹ 4,54,852 were withdrawn from the DDO's account in Tripura Gramin Bank through three cheques (**Appendix - 2.1**), but the pay orders, sanction orders, copy of the bills etc., in support of the drawals were not made available to audit. In the counterfoils of the cheques, the amounts written were ₹ 15,000, ₹ 1,965 and ₹ 54,852 respectively. The transactions were not routed through the Cash Book**.** Though the said cheques were entered in the "Cheque Issue Register" and the entries signed by the DDO, there was no indication of any bill reference against the cheques drawn. Hence, it is evident that the amounts (totaling ₹ 6,41,817) were misappropriated.
- There were unauthorised deposits of ₹ 7,70,000[2] in the bank on 18 February 2009 and 5 August 2009.
- Bank reconciliation, found to be noted in the Cash Book, was not done properly and therefore, failed to detect the above irregularities.

---

[1] Operated two current bank accounts for Government transactions: One in State Bank of India, Agartala Branch and the other in Tripura Gramin Bank, Gurkhabasti Extension Branch, Agartala.

[2] ₹ 7,00,000 and ₹ 70,000 on 18-2-09 and 5-8-09 respectively.

Thus, lack of financial propriety and internal controls over handling and management of cash resulted in temporary misappropriation of Government funds of ₹ 6,41,817 over four to seven months.

Besides the above, there was a drawal of ₹ 42,076 on 8 December 2008 against ₹ 2,076 and an unauthorised deposit of ₹ 64,500 on 31 August 2009 for which an FIR was lodged (4 September 2009) against the cashier and the cashier was placed under suspension (September 2009).

The Government stated (October 2010) that: (i) subsequent audit of the accounts for the period pertaining to the accused cashier, carried out by engaging a private CA firm indicated that the accused cashier had deposited (2 February 2009) ₹ 7,00,000 clandestinely and therefore, there is no loss of Government money, (ii) investigation against the accused cashier is going on, (iii) show cause notices have been issued to the concerned DDOs and (iv) instructions have been given (7 August 2010) to all concerned to take steps to obviate fraudulent activities in financial transactions. The fact, however, remains that the prescribed financial rules were not followed due to lack of financial propriety and internal controls over handling and management of cash, which facilitated temporary misappropriation of Government funds. Further, the deposits could not be co-related with the temporary misappropriation and, therefore, the matter requires thorough investigation at appropriate level.

PUBLIC WORKS (DRINKING WATER AND SANITATION) DEPARTMENT

2.2 Loss in procurement of UPVC pipes

Purchase of 900 Km pipes by CE, WR and EE at higher rates despite being aware of availability of lower rates for the same pipes, points towards not only lack of prudence in expending Government funds on their part but is also resulting in loss of ₹ 3.61 crore, of which the loss of ₹ 2.88 crore had already been incurred on supply of 731.830 Km pipes upto June 2010.

The Drinking Water & Sanitation (DWS) wing of the Public Works Department (PWD), headed by a Chief Engineer (CE), is responsible for construction and maintenance of piped water supply system in Tripura. However, the procurement of different categories of pipes is with the Water Resource (WR) wing of the Department, headed by another CE. The Resource Division under WR wing is responsible for procurement, stocking and issue of pipes required for both the DWS and WR wings of PWD.

For procurement of 902.526 Km[3] UPVC[4] pipes of different dia of 6 kg/ sq. cm pressure required for utilisation in DWS works during 2008-09 for all the four districts of the State, the CE, DWS placed the requirement to the CE, WR in April 2008.

Test-check (November 2009) of records of the Executive Engineer (EE), Resource Division, Panchamukh, Agartala revealed the following:

- For procuring 286 Km[5] pipes (out of total 902.526 Km) the EE invited tenders in May 2008 and with the approval (January 2009) of the Supply Advisory Board (SAB) issued (February 2009) supply orders to the lowest tenderer, a local firm, M/S Tripur Polymer Private Limited (Firm-A) at the agreed rates (₹ 128, ₹ 186 and ₹ 305.10 *per* metre for 90 mm dia, 110 mm dia and 140 mm dia pipes respectively) with stipulation to complete the supply within six months.
- The EE again invited tenders in August 2008 for procuring 351.361 Km[6] pipes (out of balance 616.526 Km). Observing the rates quoted by the tenderers being high in view of fall in prices of PVC resin[7] the CE, WR instructed (January 2009) for re-tendering. Out of three tenders received (March 2009) in the 2nd call, the rates of a local firm, M/S Hightension Switchgears Private Limited (Firm-B) being the lowest (₹ 101.90, ₹ 145.90 and ₹ 236.90 *per* metre for 90 mm dia, 110 mm dia and 140 mm dia pipes respectively) were recommended (29 April 2009) by the CE, WR for approval of the SAB.
- While this tendering process was in progress, the CE, DWS, in contravention of the established procedure of channelising demands through WR wing, directly submitted (18 May 2009) a proposal to the SAB for procurement of additional 900 Km[8] pipes required for utilisation against the target of 180 new DTWs for the first and second quarter of 2009-10 by repeat order of existing agreements (with Firm-A), stating that the procurement of such quantity pipes through WR wing by call of tenders would be almost an impossible task.
- The SAB approved the proposal of CE, DWS (for procuring 900 Km pipes at the rates of Firm-A, by repeat order of existing agreements) on 19 May 2009. The SAB also approved on the same day (19 May 2009) the rates of Firm-B (for procuring 351.361 Km pipes) recommended through tendering process, which were lower by about 30 *per cent* than the rates of Firm-A.
- Based on the approval of the SAB, the CE, WR in spite of being aware of availability of lower rates instructed (2 June and 8 June 2009) the EE to procure the 900 Km pipes

[3] 90 mm dia: 395.087 Km; 110 mm dia: 316.122 Km; and 140 mm dia: 191.317 Km.
[4] Un-Plastcised Poly Vinyl Chloride.
[5] 90 mm dia: 141 Km; 110 mm dia: 100 Km; and 140 mm dia: 45 Km.
[6] 90 mm dia: 160.892 Km; 110 mm dia: 122.318 Km; and 140 mm dia: 68.151 Km.
[7] Raw material of UPVC pipe.
[8] 90 mm dia: 360 Km; 110 mm dia: 360 Km.; and 140 mm dia: 180 Km.

from Firm-A and Firm-B (450 Km[9] each) at the rates of existing agreement. The EE in spite of availability of lower rates went ahead and issued supply orders on 12 June 2009 at higher rates (₹ 128, ₹ 186 and ₹ 305.10 *per* metre for 90 mm dia, 110 mm dia and 140 mm dia pipes respectively) to Firm-A and Firm-B.

- On receipt of approval of SAB from the CE, WR (3 June 2009), the EE issued supply orders again to Firm-B on 18 June 2009 to supply 351.361 Km pipes at the approved lower rates (₹ 101.90, ₹ 145.90 and ₹ 236.90 *per* metre for 90 mm dia, 110 mm dia and 140 mm dia pipes respectively) with the stipulation to complete the supply within six months.

Upto June 2010, against the total ordered quantity of 736 Km pipes to Firm-A and 801.361 Km pipes to Firm-B, 568.081 Km and 750.543 Km respectively had been supplied (**Appendix - 2.2-A and 2.2-B).** Against the supply orders for 900 Km, the two firms had supplied 731.830 Km pipes upto June 2010 (Firm-A: 282.081 Km and Firm-B: 449.749 Km) and the rest supply was in progress (July 2010).

Thus, purchase of 900 Km pipes by CE, WR and EE at higher rates despite being aware of availability of lower rates for the same pipes, points towards not only lack of prudence in expending Government funds on their part but is also resulting in loss of ₹ 3.61 crore **(Appendix - 2.2-C)**, of which the loss of ₹ 2.88 crore had already been incurred on supply of 731.830 Km pipes upto June 2010.

The matter was reported to the Government in July 2010; reply had not been received (October 2010).

RURAL DEVELOPMENT DEPARTMENT

2.3 Loss on procurement of GC sheets

Piece-meal procurement of GC sheets lower than the approved quantities and at the higher rates by calling fresh tender subsequently rendered the Department to sustain a loss of at least ₹ 1.48 crore on procurement of 1,897.995 MT GC sheets from two private firms instead of M/S Tata Steel Limited.

For implementation of different construction works under IAY, PMGY, SSA, NLCPR etc. during 2007-08, the Rural Development (RD) Department assessed requirement of 14,000 MT galvanised corrugated (GC) sheets (0.40 mm: 9,500 MT and 0.50 mm: 4,500 MT).

[9] 90 mm dia: 180 Km; 110 mm dia: 180 Km.; and 140 mm dia: 90 Km.

Test-check (January-February 2010) of records of the Executive Engineer (EE), RD Store Division, Agartala revealed that for procuring the above quantity of GC sheets, the EE invited tenders on 2 March 2007, and the lowest rates offered by three firms[10] were submitted (7 May 2007) by the Superintending Engineer (SE), RD Circle to the Supply Advisory Board (SAB) for approval. The SAB, without recording any reasons, instructed (9 May 2007) to procure 50 *per cent* of tendered quantity i.e.7,000 MT GC sheets at the proposed rates. The EE, after a lapse of three months from the date of approval, issued supply orders to two[11] firms on 6 September 2007 for procurement of only 2,500 MT GC sheets (0.40 mm only) against which the firms supplied 2,475.301 MT during November 2007 to May 2008 valued at ₹ 13.77 crore, as detailed in **Appendix - 2.3(A).**

For procurement of the balance quantity GC sheets (7,000 MT**),** the EE invited fresh tenders on 24 May 2007 and again on 24 September 2007. But in both the instances, the proposals for the lowest rates submitted on 25 July 2007[12] and 24 November 2007[13] were rejected by the SAB on 21 August 2007 and 4 January 2008 respectively without recording any reasons.

After rejection of the proposals by the SAB, the EE stating to meet the urgent requirement of GC sheets for 2007-08, without tender process, called for (14 January 2008) rates from four[14] firms to now procure 3,000 MT GC sheets (0.40 mm: 2,000 MT and 0.50 mm: 1,000 MT). Out of rates received from two[15] firms, the rates offered (January 2008) by M/S Tata Steel Limited being the lowest (₹ 50,441 per MT for 0.40 mm and ₹ 49,430 per MT for 0.50 mm), were approved by the Principal Secretary (RD) as well as the Minister (RD) on 8 March 2008 under Rule 22(5)(v) of the Delegation of Financial Power Rules, Tripura, 2007. However, the EE, with the consent (15 March 2008) of the SE, issued supply order on 18 March 2008 to M/S Tata Steel Limited for procurement of only 1,000 MT GC sheets (0.40 mm) though the approved quantity was for 3,000 MT (0.40 mm: 2,000 MT and 0.50 mm: 1,000 MT). The firm supplied 981.60 MT during July 2008 to September 2008 valued ₹ 4.87 crore, as detailed in **Appendix - 2.3(B).**

[10] (1) M/S Tata Steel Limited (₹ 54,076 per MT for 0.40 mm); (2) M/S Jindal (India) Limited (₹ 51,189 per MT for 0.50 mm); and (3) M/S Evergrowing Iron & Finvest Private Limited, Agartala, a local SSI unit, eligible for supply of 65 *per cent* tendered quantity as per guidelines of the Tripura Incentive Scheme (₹ 56,634 per MT for 0.40 mm and ₹ 54,173 per MT for 0.50 mm).

[11] M/S Tata Steel Limited: 1,000 MT and M/S Evergrowing Iron & Finvest Private Limited: 1,500 MT.

[12] (1) M/S Tata Steel Limited (₹ 50,441.16 per MT for 0.40 mm and ₹ 49,430.28 per MT for 0.50 mm); and (2) M/S Evergrowing Iron & Finvest Private Limited (₹ 56,961 per MT for 0.40 mm and ₹ 54,483 per MT for 0.50 mm).

[13] (1) M/S Tata Steel Limited (₹ 49,568 per MT for 0.40 mm and ₹ 48,164 per MT for 0.50 mm); and (2) M/S Evergrowing Iron & Finvest Private Limited, Agartala, a local SSI unit (₹ 55,144 per MT for 0.40 mm and ₹ 52,983 per MT for 0.50 mm).

[14] M/S Steel Authority of India Limited, M/S Tata Steel Limited, M/S Indian Iron and Steel Company Limited and M/S Rashtriya Ispat Nigam Limited.

[15] M/S Steel Authority of India Limited and M/S Tata Steel Limited.

Scrutiny further revealed that the EE again invited (11 March 2008) tenders, just after three days of approval for quantity of 3,000 MT departmentally, to procure more quantity of 10,500 MT GC sheets (0.40 mm: 6,500 MT and 0.50 mm:4,000 MT) for 2008-09. The lowest rates offered (April 2008) by two firms (out of five) *viz*., (1) M/S Stelco Strips Limited, Ludhiana (₹ 57,688.55 per MT for 0.40 mm and ₹ 56,379.58 per MT for 0.50 mm); and (2) M/S Evergrowing Iron & Finvest Private Limited, Agartala, a local SSI unit (₹ 65,024 per MT for 0.40 mm and ₹ 62,973 per MT for 0.50 mm) were approved (31 July 2008) by the SAB. The EE once again issued (August 2008) supply orders for only 3,900 MT (0.40 mm: 3,000 MT and 0.50 mm: 900 MT) to the two firms. The firms supplied 3,893.011 MT (0.40 mm: 2,995.016 MT and 0.50 mm: 897.995 MT) during October 2008 to December 2008 valued ₹ 22.93 crore, as detailed in **Appendix - 2.3(C).**

It would be seen from the above that in all the three occasions, the Department had done piecemeal procurement without ordering the full quantities as per the rates approved by the higher authorities. In spite of inviting four tenders at different occasions during 2007-09, only 7,400 MT GC sheets were actually procured against the total assessed requirement of 24,500 MT.

Rule 22(5)(v) of the Delegation of Financial Power Rules, Tripura, 2007 provides that the Department may procure GC sheets by obtaining rates directly from Steel Authority of India Limited, Tata Steel Limited, Indian Iron and Steel Company Limited and Rashtriya Ispat Nigam Limited at the lowest offer, without inviting tenders and approval of purchase committee, but the Department went ahead with the tender processes and ultimately purchased 3,900 MT in August 2008 from private parties.

Had the whole quantity of 3,000 MT GC sheets (0.40 mm: 2,000 MT and 0.50 mm: 1,000 MT) been procured from M/S Tata Steel Limited at the departmentally approved rates of March 2008 (i.e. ₹ 50,441 per MT for 0.40 mm and ₹ 49,430 per MT for 0.50 mm), the Department could have saved a loss of at least ₹ 1.48 crore on the procurement of 1,897.995 MT GC sheets (0.40 mm: 1000 MT and 0.50 mm: 897.995 MT) from two private suppliers at the higher rates of (i) ₹ 57,688.55 per MT for 0.40 mm and ₹ 56,379.58 per MT for 0.50 mm; and (ii) ₹ 65,024 per MT for 0.40 mm and ₹ 62,973 per MT for 0.50 mm as detailed in **Appendix - 2.3(D).**

Thus, piece-meal procurement of GC sheets lower than the approved quantities and at the higher rates by calling fresh tender subsequently rendered the Department to sustain a loss of at least ₹ 1.48 crore on procurement of 1,897.995 MT GC sheets from two private firms instead of M/S Tata Steel Limited.

The matter was reported to the Government in August 2010; reply had not been received (October 2010).

PUBLIC WORKS (ROADS & BUILDINGS) DEPARTMENT

2.4 Undue financial benefit to a firm

Grant of interest free mobilisation advance to a firm resulted in loss of interest of ₹ 97.75 lakh to the Government and undue financial benefit to the firm to that extent.

CPWD Works Manual adopted by the State Government provides for mobilisation advance to the contractors limited to 10 *per cent* of tendered amount at 10 *per cent* simple interest. The mode of granting the advance, safeguards and procedure for recovery have to be included in the Notice Inviting Tenders (NIT).

Scrutiny (December 2009) of records of the Executive Engineer (EE), Bishalgarh Division revealed that with the approval (6 October 2007) of the Works Advisory Board (WAB), the EE awarded (26 October 2007) the work "Planning, Designing, Details Engineering and Executing of Central Prison at Bishalgarh on Turnkey basis" to the lowest tenderer (M/s Engineering Projects (India) Limited, a Government of India Enterprise) at negotiated tendered value of ₹ 62.55 crore with the stipulation to complete the work by November 2009. The work which commenced on 2 November 2008 was still in progress (May 2010) and the firm has been paid ₹ 38.38 crore upto March 2010 against total value of work done as per 23rd RA bill.

Scrutiny further revealed that though the NIT of the work provided for sanctioning mobilisation advance to the firm but no mention was made in the NIT regarding interest to be charged thereon as required under the CPWD Manual. The EE paid (between 15 and 25 March 2008) mobilisation advance of ₹ 6.25 crore to the firm but no interest has been recovered on the same as per the provision of the CPWD Manual.

Thus, grant of interest free mobilisation advance to the firm resulted in loss of interest of ₹ 97.75 lakh[16] to the Government and undue financial benefit to the firm to that extent.

The EE stated (April 2010) that the matter regarding non-recovery of interest had been taken up with the higher authority. Further development was awaited (October 2010).

The matter was reported to the Government in July 2010; reply had not been received (October 2010).

[16] Interest @10 *per cent* for the period from 15 March 2005 to 25 March 2010 after adjusting recovery as and when made from the firm.

Violation of contractual obligations/ Avoidable expenditure

PUBLIC WORKS (DRINKING WATER AND SANITATION) DEPARTMENT

2.5 Avoidable extra expenditure

Due to delay in finalisation of the first tender within the validity period of 180 days, the Department had to incur an extra expenditure of ₹ 1.16 crore, which could have been avoided had the Department adhered to the provision of tender under the CPWD Manual.

As per Para 20.1.15.5 of CPWD Manual Vol-II, top priority for awarding a work should be given on receipt of tenders. Further, as per time schedule prescribed in Appendix - 28 of the Manual, the maximum time allowed for scrutiny and disposal of tenders requiring orders of the highest authority (here Supply Advisory Board (SAB)) is 40 days including the issue of work order by the Executive Engineer (EE) after approval.

Test-check (October-November 2009) of records of the EE, Rig-Division, Agartala revealed that tenders were invited (3 May 2006) for "Supplying of one higher capacity direct Rotary Drilling Rig (2000 ft.) mounted on Leyland make model 'Tourus' (4×6) wheel Truck chassis along with all its operational equipment and accessories including commissioning complete". Tenders[17] were valid for 180 days (upto 16 January 2007). JVM Engineering Co., Gujarat (Firm 'A') quoted the lowest rate for ₹ 1.55 crore (estimated cost put to tender: ₹ 1.03 crore). But, the Department got the tender approved from SAB only on 23 February 2007. The Department communicated (17 March 2007) to the tenderer, after expiry of validity of the tender, their approval of the tender with the request to extend the validity upto 30 April 2007 and issued supply order on 23 March 2007. But, the tenderer did not agree (26 March 2007) to extend the validity due to price hike and demanded 25 *per cent* enhancement on their quoted rate which comes to ₹ 1.94 crore. After that, the Department cancelled the supply order on 2 April 2007.

The EE invited (2 April 2007) tenders afresh, which were opened on 21 May 2007. The SAB approved (21 August 2007) the tender in favour of the lowest tenderer (LMP Precision Engineering Co. (P) Ltd., Gujarat: Firm 'B') at the negotiated tendered value of ₹ 2.71 crore (estimated cost put to tender: ₹ 1.03 crore). The supply order was issued on 4 October 2007 allowing six months time to complete the supply including commissioning. The supply of the Rig was completed on 21 July 2008 and commissioned on 3 June 2009.

[17] Opened on 20 July 2006.

Thus, due to delay in finalisation of the first tender within the validity period of 180 days, the Department had to incur an extra expenditure of ₹1.16 crore[18], which could have been avoided had the Department adhered to the provision on tender under the CPWD Manual.

On this being pointed out in audit, the EE stated (March 2010) that as all the technical specifications were not specified in the tender of Firm 'A' the same was not accepted by the Department and hence moved for fresh tender. The fact however, remains that the Department had issued supply order to the firm only after ascertaining all the technical specifications and had also requested the firm for extending the validity period. The reply is therefore, an afterthought to justify the revised call of tender and cannot be accepted.

The matter was reported to the Government in May 2010; reply had not been received (October 2010).

PUBLIC WORKS (ROADS & BUILDINGS) DEPARTMENT

2.6 Avoidable time and cost overrun

Improper survey, investigation and soil testing and failure of the Department to resolve technical problems in time led to avoidable time overrun of more than six years and cost overrun of at least ₹ 1.76 crore in constructing the RCC bridge over river Gumti at Mohanbhog.

A construction work of RCC bridge over river Gumti at Mohanbhog on Melaghar – Mohanbhog road was awarded (16 September 2002) to National Projects Construction Corporation (NPCC) Ltd., a Government of India Enterprise, at a negotiated tendered value of ₹ 4.01 crore (33 *per cent* above the estimated cost of ₹ 3.02 crore put to tender) with the stipulated completion time by March 2005.

Test-check (December 2009) of records of the Executive Engineer (EE), Sonamura Division revealed that the work which commenced on 3 January 2003 and continued till February 2006[19] was rescinded on 9 November 2006 at the risk and cost of the agency.The agency was paid ₹ 1.22 crore (upto March 2006) (10th RA) against the value of work done for ₹ 1.23 crore[20] and the final bill (11th RA) for ₹ 0.29 lakh was awaited for payment (December 2009).

The Department invited (February 2007) fresh tenders for the balance work and awarded (6 July 2007) to another contractor at a negotiated tendered value of ₹ 4.67 crore (108 *per cent* above the estimated cost of ₹ 2.24 crore put to tender) with the stipulation to

[18] ₹ 2.71 crore– ₹ 1.55.
[19] Provisional time extension was given upto 30 June 2005 by the Department unilaterally.
[20] Agreed items: ₹ 1.10 crore; extra items: ₹ 0.07 crore and price escalation: ₹ 0.06 crore.

complete the work by July 2009. The work which commenced on 24 August 2007 was under progress (October 2010) and expected to be completed by December 2011.

Scrutiny of the records revealed the following:

- NPCC requested (30 May 2005, 7 November 2005 and 1 December 2005) the Department for review of the design, method of sinking of the wells and the required depth of the wells as it had encountered technical problems during sinking of wells as per the approved design due to hard rocky strata in all the locations of the bridge, which was not matching with the data provided in the agreement. But the Department did not take appropriate steps to resolve the problems.
- Due to price hike as a result of time overrun, NPCC demanded (4 June 2005) 45 *per cent* enhancement of rate (quoted in December 2001) on different items. But no further communication in this regard was found on record.
- NPCC sought for (17 February 2006) closure of the agreement mainly on the ground that the project had come to a stand still due to unresolved technical reasons and non-decision on enhancement of rate sought for (June 2005) and suspended the work since March 2006 and the Department instead of resolving the problems, rescinded the contract on 9 November 2006.
- The sinking of the four wells of the bridge were completed by the second contractor between July 2008 and December 2009 after reduction of the depth of the wells by 4.50 to 7.40 metres from the approved design (**Appendix - 2.4**) due to hard strata of soil, which proves that NPCC's request for review of the design, method of sinking of the wells and the required depth of the wells was justified.

This indicated that survey, investigation and soil testing on the basis of which the design and drawing of the bridge were made were not done properly. Had the Department resolved the technical problems encountered by NPCC Ltd. during the sinking of the wells, time overrun of more than six years (April 2005 to December 2011) and cost overrun of at least ₹ 1.76 crore[21] could have been avoided.

Thus, improper survey, investigation and soil testing and failure of the Department to resolve technical problems in time led to avoidable time overrun of more than six years and cost overrun of at least ₹ 1.76 crore in constructing the RCC bridge over river Gumti at Mohanbhog.

21

Value of work done by NPCC Ltd. (against agreement items only) and paid for	₹ 1.10 crore
Add: Tendered value of the balance work	₹ 4.67 crore
Total	**₹ 5.77 crore**
Less: Tendered value of NPCC Ltd.	₹ 4.01 crore
Cost overrun	**₹ 1.76 crore**

The Government stated (October 2010) that at the request of NPCC the soil strata was examined and it was confirmed that there was no rocky layer and the strata was in conformity with the bore chart shown in the agreement with NPCC. This is not acceptable as in case of the balance work, the Department had to reduce the depth of the wells as sinking upto the depth as per the approved design could not be made due to hard strata of soil.

2.7 Avoidable expenditure

Failure of the Department to take timely action on the agency's claim for enhancement of rate led to avoidable expenditure of ₹ 71.15 lakh and delayed the construction of a bridge by more than two years.

With the approval (15 January 2003) of Works Advisory Board (WAB), the Executive Engineer (EE), Kailashahar Division awarded (17 February 2003) the work of "Construction of permanent bridge over river Manu at Kailashahar (Bridge proper only)" to an agency at the negotiated tendered value of ₹ 5.32 crore (2.9 *per cent* below the estimated cost of ₹ 5.48 crore put to tender) with the stipulation to complete the work by 2 September 2005. The work commenced on 21 February 2003 and was completed on 3 January 2008, after a delay of more than two years. The agency was paid ₹ 7.24 crore[22] (March 2009) against value of work done for ₹ 7.29 crore.

Scrutiny (January-February 2010) of records of the EE revealed that the agency suspended the work from 5 July 2004 to 12 October 2006 (830 days) when there was delay in decision on the part of the Department on enhancement of rates of steel due to exorbitant price hike. It was seen that for agreement item (AI) No.13 of superstructure (supply of fabricated steel) the agency demanded (5 July 2004) enhancement of rate. After a lapse of one year, the EE asked (27 June 2005) the agency to submit the claim with supporting documents. The reason for delay as stated (October 2010) by the EE was lack of information about stoppage of work by the contractor indicating inadequate monitoring of work by the EE. The agency submitted (6 July 2005) its claim for AI No. 13 @ ₹ 55,100 per MT by enhancing the agreement rate (₹ 37,500 per MT) by ₹ 17,600 per MT[23]. The EE, after a lapse of another one year, however, communicated (14 July 2006) that the agency would be allowed enhancement on the difference between actual cost of procurement of structural steel *vis-à-vis* the tendered cost (except 158.085 MT of structural steel already procured by the agency prior to the price hike). Thus, the Department took about two years to decide on the enhancement of rate on AI No. 13. The

[22] ₹ 7.06 crore upto 11^{th} RA bill + ₹ 0.18 crore (part payment of 12^{th} RA & Final bill).

[23] Based on the difference of market rate of steel as per Steel Authority of India Limited (SAIL) at the time of submission of tender in September 2002 and the market rate of steel as per SAIL prevailing in April 2005.

EE also stated (October 2010) that the time was consumed by the higher authority to decide on the enhancement of rate of steel.

Thereafter, due to upward increase in the prices of steel and other allied items including fabrication charge, labour charge, transportation charge, etc., the agency demanded (14 September 2006) further enhancement of rate on AI No. 13 (₹ 60,640 per MT); and also enhancement of rate on AI No. 14 of superstructure (Assembling and erection of fabricated structural steel at ₹ 13,600 per MT against agreement rate of ₹ 4,500 per MT). After discussion the Department had with the agency in November 2006, the latter finally agreed to execute the work for AI No. 13 on the basis of decision communicated by the Department on 14 July 2006. But as for AI No.14, a higher enhancement @ ₹ 16,600 per MT was accepted by the Department. A formal Supplementary Memorandum of Agreement was made with the agency in December 2006 and the work was to be completed by March 2008. Upto the 12th RA & Final bill, the agency executed 528.898 MT of AI No.13 and 529.139 MT of AI No.14.

It was observed in audit that the agency was finally paid ₹ 2.71 crore[24] for AI No.13 consumed. Had the Department accepted the rate (₹ 55,100 per MT) offered by the agency in July 2005, the Department could have saved avoidable expenditure of ₹ 7.12 lakh[25]. In respect of AI No.14, the Department paid the agency ₹ 87.84 lakh[26] which included ₹ 64.03 lakh[27] paid on enhancement of rate on AI No.14 as well.

Thus, failure of the Department to take timely action on the agency's claim for enhancement of rate led to avoidable expenditure of ₹ 71.15 lakh[28]. This has also delayed the construction of bridge by more than two years.

The matter was reported to the Government in July 2010; reply had not been received (October 2010).

2.8 Non-recovery of penalty

The Executive Engineer, Capital Complex Division, Agartala failed to impose and recover penalty of ₹ 2.86 crore from the construction agency for the delay in completion of a work despite provision in the supplementary memorandum of agreement.

The work 'Construction of new Secretariat Building (a part of the new Capital Complex Project)' was awarded (September 2001) with the approval of Works Advisory Board to the lowest tenderer (M/S. Mackintosh Burn Ltd., Kolkata) at the negotiated tendered

24 ₹ 198.34 lakh (528.898 @ ₹ 37,500) *plus* ₹ 72.56 lakh (difference in cost for 371.813 MT purchased by the agency after the price hike).

25 (₹ 198.34 lakh *plus* ₹ 72.56 lakh) *minus* (157.085 MT X ₹ 37,500 = ₹ 58.91 lakh *plus* 371.813 MT X ₹ 55,100 = ₹ 204.87 lakh).

26 529.139 MT X ₹ 16,600).

27 ₹87.84 lakh *minus* ₹ 23.81 lakh (529.139 MT X ₹ 4,500) = ₹ 64.03 lakh.

28 ₹7.12 lakh *plus* ₹ 64.03 lakh.

value of ₹ 21.34 crore (3.52 *per cent* above the estimated cost) with the stipulation to complete the work by October 2004. The work commenced in October 2001 but was not financially and physically closed (October 2010) though the building was inaugurated in September 2009.

Against the value of work done, as per 26th RA bill of ₹ 38.35 crore (prepared in March 2010), the EE paid ₹ 34.18 crore[29] to the agency upto October 2010.

Scrutiny (October 2009) of records relating to the above work as maintained by the Executive Engineer (EE), Capital Complex Division, Agartala revealed the following:

- The agency executed agreement items of only ₹ 6.04 crore[30] (28.30 *per cent* of the total value of agreement) upto the original stipulated date of completion;
- The Superintending Engineer, 4th Circle, PWD had imposed (May 2006) compensation for delay of ₹ 2.06 lakh for the period from October 2004 to May 2006 which was waived off by the Chief Engineer, PWD (R&B) with the approval of Council of Ministers;
- The Department reviewed (May 2006) the slow progress of work and executed (October 2006) a Supplementary Memorandum of Agreement (MOA) with the agency which, *inter alia*, provided for stringent penalty in the event of failure in completion of work by December 2007;
- There was a total time over-run of 60 months from the original completion date due to which there was a cost over-run of ₹ 6.94 crore[31];
- The hindrance register for the work (maintained upto August 2008) attributed the delay mainly to Sundays, holidays, festival, rainy days etc. which cannot be construed as hindrances since these are given due weightage while arriving at the completion date;
- Despite non-completion of the work within the revised target date, the Department had not imposed penalty of ₹ 2.86 crore[32] on the agency as provided in supplementary MOA.

---

[29] ₹ 28.85 crore through 25th RA bill *plus* part payment of ₹ **5.33** crore against 26th RA bill awaiting finalisation.

[30] Excluding extra item valued ₹ 0.33 lakh and price escalation of ₹ 0.17 crore.

[31] Excluding extra items valued ₹ 6.16 crore, substitute items valued ₹ 1.56 crore, additional works valued ₹ 2.35 crore and including price escalation charges paid to the agency ₹ 1.97 crore.

[32] From 1 January 2008 to 30 January 2008 (30 days) @ ₹ 12,500 per day for default for 1 to 30 days = ₹ 0.04crore.

From 31 January 2008 to 29 February 2008 (60 days) @ ₹ 25,000 per day for default for 31 to 60 days =₹ 0.07 crore.

From 1 March 2008 to 31 August 2009 (549 days) @ ₹ 50,000 per day for default for 61 days onwards =₹ 2.75 crore.

Total= ₹ 2.86 crore

This has resulted in non-recovery of penalty of ₹ 2.86 crore from the agency even if the time over-run of 60 months, cost over-run of ₹ 6.94 crore and non-recovery of waived penalty of ₹ 2.06 lakh is ignored.

The EE stated (March 2010) that the matter regarding recovery of ₹ 2.86 crore would be regularised at the time of final payment. Further development was awaited (October 2010).

The matter was reported to the Government in July 2010; reply had not been received (October 2010).

Regularity issues

RURAL DEVELOPMENT (PANCHAYAT) DEPARTMENT

2.9 Delay in implementation of e-Panchayat Project

Non-inclusion of delivery and implementation schedule for the application software in the form of project plan in the contract agreement led to delay in implementation of the first phase of e-Panchayat Project for about three years till June 2010. Due to non-implementation of the first phase of the project, the second phase could not be commenced and thus funds of ₹ 3.45 crore already released for the project remains unutilised for over two years.

The Rural Development (Panchayat) Department allocated ₹ 5 crore[33] of TFC (Twelfth Finance Commission) grant for computerizing the Panchayati Raj Institutions (PRIs) and the ADC villages in the State under e-Panchayat Project. The objective of e-Panchayat Project *inter alia* includes streamlining administrative process, empowering citizens through efficient and responsive local administration at every village, block, district and the State. The estimated fund requirement for the Project was ₹ 7.66 crore for 1,088 selected units[34] (**Appendix - 2.5-A)** to be implemented in phases**.**

Scrutiny (June 2010) of records of the Director of Panchayats, Agartala revealed that the Department released ₹ 1.70 crore in March 2007 (first phase) for purchase of computers for 200 GP/ ADC villages (subsequently modified to 138 GP/ ADC villages in October 2007). For the second phase, the Department released ₹ 3.30 crore in March 2008 for purchase of computers for 489 GP/ ADC villages. The amounts were drawn by the Director in March 2007 (₹ 1.70 crore) and March 2008 (₹ 3.30 crore) and kept in the CD account of the Tripura Gramin Bank.

The offer of ITI Ltd. (a Government of India undertaking), Kolkata, being the lowest for establishment of e-Panchayat Project, was accepted by the Supply Advisory Board (June 2007). Work order valued ₹ 1.70 crore for supply, installation and commissioning of computer hardware (₹ 68.86 lakh), networking equipment (₹ 21.65 lakh), HRD and Training (₹ 7.40 lakh) and application software (₹ 72 lakh) (**Appendix - 2.5-B)** was issued to the firm in June 2007 for 138 units selected (first phase) with a stipulation to complete the work within two months. The firm informed (4 July 2007) the Department that the application software cannot be developed and implemented in two months time; and a project plan for customisation of one of the existing NIC applications alongwith its implementation and delivery schedule can be worked out as per mutual acceptance. The Department entered into a formal agreement (30 July 2007) with the firm modifying the

[33] ₹1.70 crore in March 2007 and ₹ 3.30 crore in March 2008.
[34] 1040 GP/ ADC villages, 40 Panchayat Samities/ BACs, 4 Zilla Parishads, and 4 District Panchayat Offices.

work order issued in June 2007 for supply and installation of hardware to be done within two months from the date of signing the agreement (September 2007).

Scrutiny of records further revealed the following:

- The agreement did not spell out anything about the supply of application software, and no project plan for delivery and implementation schedule was also stipulated. The penalty clause was made applicable to only supply of computer hardware and was silent on the supply of application software. However, ₹ 24.74 lakh was paid (October 2008) to the firm in addition to the mobilisation advance (₹ 36 lakh paid in August 2007) without any project plan and deliverables, in contravention of the payment terms stipulated in the agreement.

- The computer hardware were supplied between September 2007 and January 2008, but their installation including networking in all the 138 units was completed only in September 2008. The Department paid ₹ 1.55 crore[35] (**Appendix - 2.5-C**) to the firm till October 2008.

- The first version of the application software was presented to the Department by the firm in August 2008 after a lapse of 13 months. Due to non-inclusion of specific delivery and implementation schedule in the agreement, the Department could not effectively enforce on the firm for timely supply and implementation of the software. After several rounds of correspondence/ meetings by the Department, the firm committed (February 2010) to supply the application software by March 2010, but the same has not been delivered till June 2010.

Thus, non-inclusion of delivery and implementation schedule for the application software in the form of project plan in the contract agreement led to delay in implementation of the first phase of e-Panchayat Project for about three years till June 2010. Due to non-implementation of the first phase of the project, the second phase could not be commenced and thus funds of ₹ 3.45 crore[36] already released for the project remained unutilised for over two years. The objective of the project has, therefore, not been achieved.

The Director stated (June 2010) that the application software is expected to be installed in July 2010 and the funds for the second phase would be utilised after successful implementation of the first phase. Further development, if any, was not furnished to audit though called for till the finalisation of the report (October 2010).

The matter was reported to the Government in August 2010; reply had not been received (October 2010).

---

[35] ₹ 84.95 lakh in August 2007 as 50 *per cent* mobilisation advance and ₹ 70 lakh in October 2008 after installation of the computer hardware and networking equipment in all the units.

[36] Balance amount of ₹ 0.15 crore of 1st phase of e-Panchayat Project and ₹ 3.30 crore being the cost of 2nd phase of e-Panchayat Project.

INDUSTRIES AND COMMERCE DEPARTMENT
(Handloom, Handicrafts and Sericulture)

2.10 Non-utilisation of Central assistance

Inadequate planning and lack of active monitoring led to non-utilisation of central assistance of ₹ 1.00 crore even after a lapse of 27 months depriving the beneficiaries from the intended benefits.

With a view to facilitate the handloom weavers' groups for becoming self-sufficient and to enable the weavers to produce quality products with improved productivity to meet the market requirements, Government of India (GOI) introduced the Centrally Sponsored Scheme 'Integrated Handlooms Development Scheme (IHDS)' for implementation during the XI Plan period. The scheme has a component called 'Cluster Development Programme', which provides for formation of handloom cluster units at various districts of the States. This Programme aims at identifying beneficiaries in the form of the weavers who would run the handlooms in the cluster units (the size of a cluster restricted to 300-500 handlooms per cluster). Maximum project cost of each cluster as per the Programme is ₹ 60 lakh for a project period of three years.

For implementation of the above Programme in Tripura (Part of Phase II and III)[37], Government of India sanctioned ₹ 1.73 crore in January 2008 for four[38] clusters (Phase II- Project cost: ₹ 1.90 crore) and ₹ 1.82 crore in February 2008 for five[39] clusters (Phase III – project cost: ₹ 1.97 crore) and released ₹ 52.49 lakh and ₹ 47.78 lakh respectively, being the 1st installment of Central share of grant component **(Appendix - 2.6)**.

The sanction order *inter alia* stipulated that utilisation certificates (UCs) in respect of grant released should be submitted under the provision contained in the General Financial Rule 19-A (i.e. within a period of 12 months of the closure of the financial year), failing which the grantee shall be required to refund the amount of the grant with interest thereon, as applicable from time to time.

Scrutiny of records (October 2009) of the Director, Handloom, Handicrafts and Sericulture (HH&S), Agartala revealed that the Central share of ₹ 1.00 crore (₹ 52.49 lakh and ₹ 47.78 lakh) was released to the Department, in March 2008 by the Finance Department, Government of Tripura. The Director (HH&S) drew (March 2008) the amount in three grants-in-aid bills[40] and released (between May 2008 and September 2009) ₹ 51.31 lakh to the nine **(Appendix - 2.6)** Handloom Cluster Executives (HCE) of

[37] Phase I of the Programme was not implemented in Tripura. The Programme started in Tripura with the implementation of Phase II onwards.

[38] Nalchar, Govindapur, Natunnagar and Amarpur.

[39] Muhuripur, Shankhola, Halahali, Malaya and Mungiakami.

[40] Bill Nos. 1325 (₹ 52.14 lakh), 1326 (₹ 31.08 lakh) and 1327 (₹ 17.05 lakh), dated 19 March 2008.

the State for the implementation. The balance amount of ₹ 48.96 lakh was kept in the CD account of the Director (May 2010).

As per progress report submitted (February 2009) to GOI by the Director (HH&S) the financial progress was shown as ₹ 21.34 lakh only. But till May 2010, no UCs against ₹ 51.31 lakh were submitted by the nine HCEs to the Director (HH&S).

The reasons for slow progress were attributed (June 2010) by the Director (HH&S) to delay in engagement of designers in each cluster and to absence of skill upgradation training. After getting (November 2009) approval from the GOI, the designers were engaged (December 2009) in each of the nine clusters and skill upgradation training was conducted in each of the nine clusters between 18 August 2008 and 18 September 2009 with other funds available.

Thus, even after a lapse of 27 months (March 2008 to May 2010), central assistance of ₹ 1.00 crore could not be fully utilised due to inadequate planning and lack of active monitoring depriving the beneficiaries from the intended benefits.

Though the progress reports submitted (August 2010) to the GOI indicated financial achievements upto July 2010 were ₹ 100.47 lakh, out of ₹ 101.91 lakh disbursed to the HCEs, but no UCs for the amount utilised by the HCEs were received by the Director (HH&S) till October 2010. Release order of State share of ₹ 10.69 lakh was issued only in May 2010 to the nine HCEs and an amount of ₹ 3.45 lakh for project management cost was lying (October 2010) with the Director (HH&S). As a result, further release of ₹ 2.55 crore[41] for Phase II and III (second installment) from GOI has been held up and the objectives of the programme are yet to be achieved even after two years of the receipt of the Central assistance.

The matter was reported to the Government in July 2010; reply had not yet been received (October 2010).

[41] (₹ 1.73 crore + ₹ 1.82 crore) –(₹₹52.49 lakh and ₹₹ 47.78 lakh).

General

CIVIL DEPARTMENTS

2.11 Outstanding Inspection Reports

First reply for 274 out of 1,083 Inspection Reports issued upto 2009-10 were not furnished by the Civil, Power and Public Works Departments within the stipulated period.

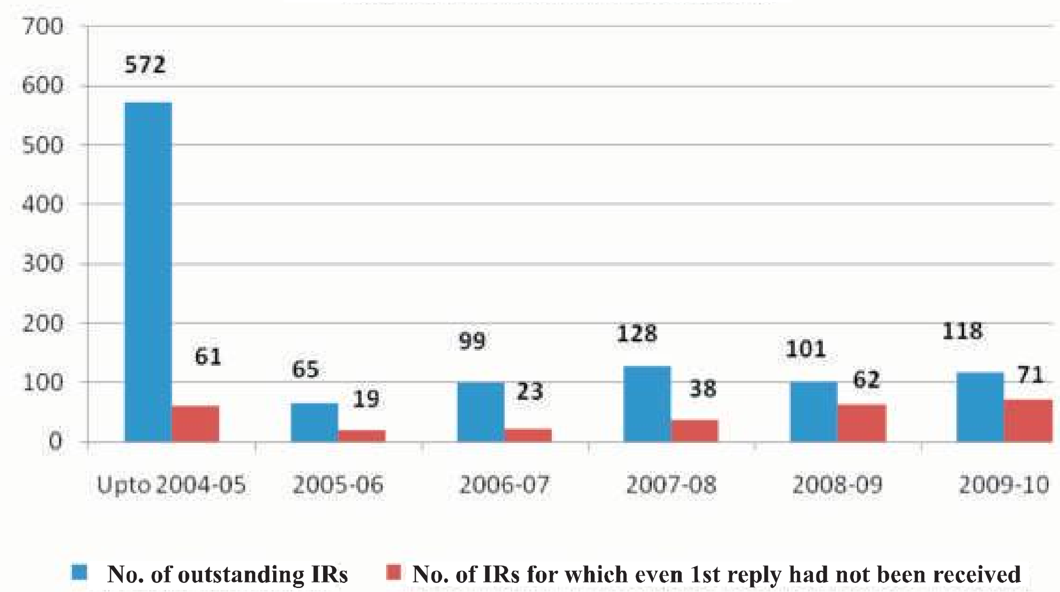
Audit observations on financial irregularities and deficiencies in maintenance of initial accounts noticed during local audit and not settled on the spot are communicated to the auditee departments and to the higher authorities through Inspection Reports (IRs). The more serious irregularities are reported to the Government. The Government had prescribed that the first reply to the IRs should be furnished within one month of the date of receipt.

The position of outstanding reports in respect of the Civil Departments (including Power and Public Works Departments) is discussed below.

3,286 paragraphs included in 1,083 IRs issued upto 2009-10 were pending settlement as of March 2010. Of these, even the first reply had not been received in respect of 274 IRs in spite of repeated reminders. The year-wise break up of the outstanding IRs and the position of response thereto is given in the chart below:

Chart No. 2.11.1

Position of total outstanding IRs



As a result, the following important irregularities commented upon in these IRs, had not been addressed as of March 2010.

Table No. 2.11.1

Nature of irregularities	Number of cases	Amount involved (*Rupees in crore*)
Excess/ Irregular/ Avoidable/ Unfruitful/ Wasteful/ Unauthorised/ Idle expenditure	78	35.80
Blocking of funds	64	35.50
Non-recovery of excess payments/overpayments	157	85.29
Others	1350	590.19
Total	**1649**	**746.78**

2.11.1 Departmental audit committee meetings

During 2009-10, fourteen Audit Committee meetings were held. 90 IRs and 369 paragraphs were discussed in the meetings out of which 18 IRs and 188 paragraphs were settled.

2.11.2 Outstanding Inspection Reports of Local Bodies / Autonomous Bodies

As of March 2010, 266 paragraphs included in 37 IRs issued upto 2009-10 to the local Bodies/Authorities were pending settlement. During 2009-10, 2 Audit Committee meetings were held for settlement of IRs on Autonomous Bodies. Three IRs and 13 paragraphs were discussed in the meetings, out of which 2 IRs and 12 paragraphs were settled.

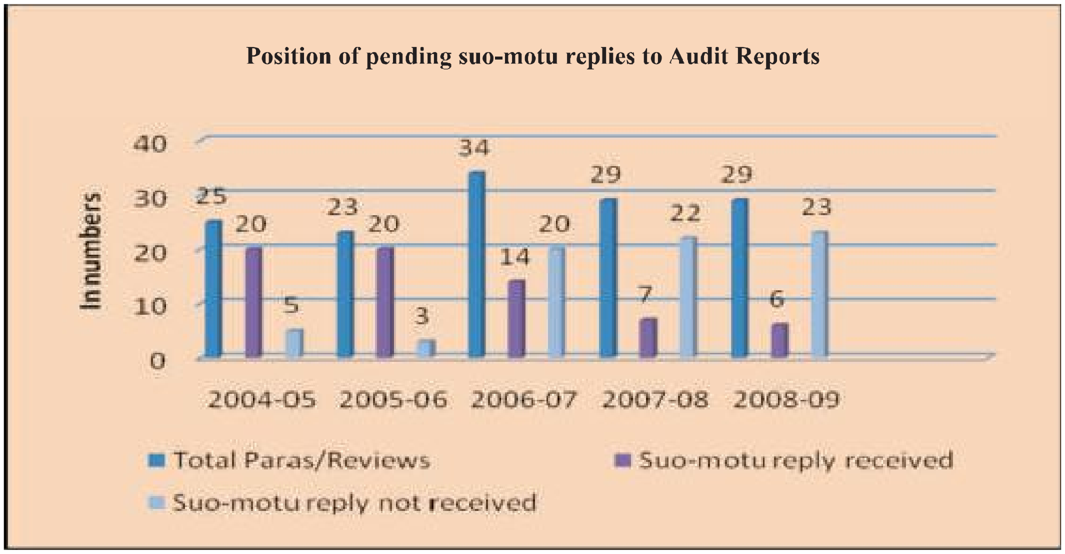
2.12 Follow up action on earlier Audit Reports

2.12.1 Non-submission of explanatory notes

Serious irregularities noticed in audit are included in the Report of the Comptroller and Auditor General of India (Audit Reports) and presented to the State Legislature. According to the instructions issued by the Finance Department, Government of Tripura in July 1993, the Administrative departments are required to furnish explanatory notes on the paragraphs/reviews included in the Audit Reports within three months of their presentation to the Legislature.

It was noticed that in respect of Audit Reports from the years 1988-89 to 2008-09, 19 Departments did not submit explanatory notes on 109 paragraphs and 28 reviews as of October 2010. The position of *suo motu* replies during the last five years is shown in the chart below.

Chart No. 2.12.1



The departments largely responsible for non-submission of explanatory notes were Power, Public Works (R&B) and Transport.

2.12.2 Response of the departments to the recommendations of the Public Accounts Committee (PAC)

Finance Department, Government of Tripura issued (July 1993) instructions to all departments to submit Action Taken Notes (ATN) on various suggestions, observations and recommendations made by PAC for their consideration within six months of presentation of the PAC Reports to the Legislature. The PAC Reports/Recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the Legislature and it is appropriate that they elicit timely response from the departments in the form of Action Taken Notes (ATNs).

As of October 2010, out of 594 recommendations of the PAC, made between 1988-89 and 2005-06, ATNs in respect of 443 recommendations had been submitted to the PAC, out of which 425 had been discussed. The concerned administrative departments are yet to submit ATNs for 151 recommendations. Of these 77 recommendations were due from two departments (*viz.* Public Works Department and Agriculture Department).

2.12.3 Monitoring

The following Committees have been formed at the Government level to monitor the follow up action on Audit Reports and PAC recommendations.

Departmental Monitoring Committee

Departmental Monitoring Committees (DMCs) have been formed (April 2002) by all departments of the Government under the Chairmanship of the Departmental Secretary to monitor the follow up action on Audit Reports and PAC recommendations. The DMCs were to hold monthly meetings and send Progress Reports on the issue every month to the Finance Department.

The details of DMC meetings held during 2009-10 were awaited (October 2010) from the Finance Department.

Apex Committee

An Apex Committee has been formed (April 2002) at the State level under the Chairmanship of the Chief Secretary to monitor the follow up action on Audit Reports and PAC recommendations.

The details of Apex Committee meetings held during 2009-10 were awaited (October 2010) from the Finance Department.