

CHAPTER – V

GENERAL SECTOR

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GENERAL SECTOR

5.1 Introduction

This Chapter of the Audit report for the year ended 31 March 2014 deals with the findings on audit of the State Government units under General Sector.

The names of the State Government departments and the total budget allocation and expenditure of the State Government under General Sector during 2013-14 are given below:

Table No.5.1.1

(₹ in crore)

Name of the departments	Total Budget allocation	Expenditure
State Legislature	24.69	22.64
Head of State	4.67	4.64
Council of Ministers	13.51	13.14
Law & Justice	31.63	31.00
Election	24.63	24.56
Public Service Commission	4.51	4.50
Civil Secretariat	118.82	115.00
District Administration	188.38	98.67
Treasuries and Accounts	30.03	27.24
Police	946.02	948.15
Police Engineering Project	59.35	65.37
Village Guards	31.64	31.47
Jails	25.75	25.68
Stationery & Printing	17.50	17.48
Public Works(Housing)	116.39	119.51
CAWD	38.11	42.44
Mechanical Engineering	35.03	35.03
Home Guards	17.71	16.48
Vigilance Commission	5.66	5.49
Administrative Training Institute	3.87	3.84
Fire and Emergency Services	17.69	17.68
State Guest Houses	12.59	11.71
State Information Commission	1.46	1.41
Finance Department	3657.32	2686.10
Land Revenue	0.79	0.71
State Excise	16.66	16.64
Sales Tax	14.11	13.84
Taxes on Vehicles	9.04	8.86
State Lotteries and Small savings	2.30	2.29
Total number of departments=29	5469.86	4411.57

5.2 Planning and Conduct of Audit

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

After completion of audit of each unit on a test check basis, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled based on reply/action taken or further action is required by the auditee for compliance. Some of the important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit reports, which are submitted to the Governor of State under Article 151 of the constitution of India for being laid on the table of the Legislature.

During the year, test-check of audits involving expenditure of ₹1885.35 crore (including funds pertaining to previous years audited during the year) of the State Government under General sector were conducted. This chapter contains findings of audit on Police Engineering Project and two compliance audit paragraphs.

Home (Police) Department

5.3 Audit on activities of Police Engineering Project

The Police Engineering Project (PEP), functioning under the Home (Police) Department is the executive wing for all construction/maintenance works in the Police Department. Audit of the construction activities of the PEP was carried out from April 2014 to August 2014. Some of the major findings are highlighted below:-

Highlights

Work orders valued at ₹ 315.04 crore were issued (October 2009) for the works without prioritising and ensuring uninterrupted flow of funds for its completion resulting in creation of huge committed liabilities for the Department.

(Paragraph 5.3.8.2)

Consultants were appointed without inviting tenders and avoidable consultancy charges of ₹ 18.80 crore were paid.

(Paragraph 5.3.9.2)

In respect of four projects valued at ₹ 315.04 crore, works were awarded at exorbitant item rates without inviting tenders and the terms and conditions in the work orders/agreements with contractors were ambiguous and defective.

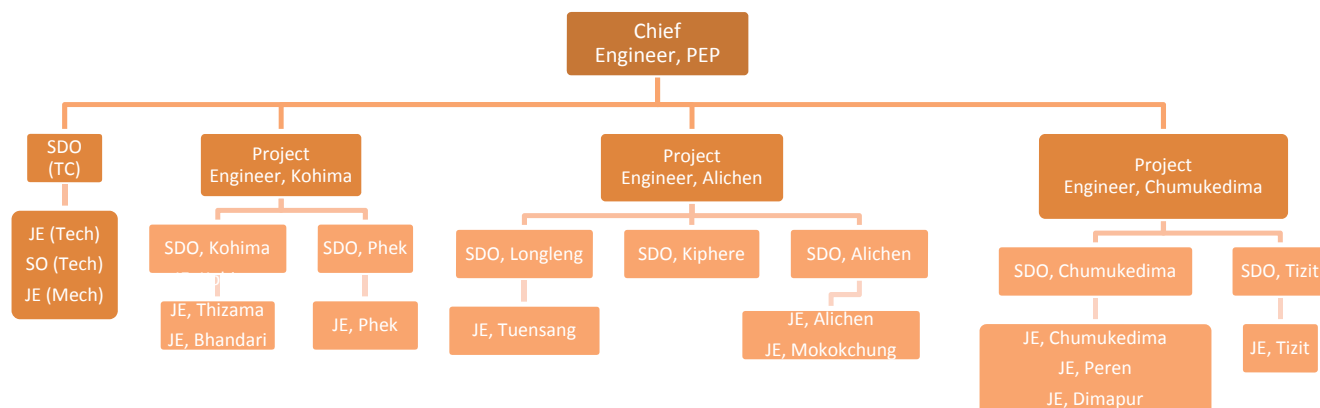
(Paragraph 5.3.9.6 (ii) & (iv))

5.3.1 Introduction

The Police Engineering wing is called Police Engineering Project (PEP) and functions under Department of Home (Police), Government of Nagaland. The PEP is the executive wing for all construction/maintenance works (Office buildings and functional units for the 11 District Executive Forces (DEF), 8 units of Nagaland Armed Police (NAP), 7 units of India Reserve Battalion (IRB) and housing for the Police force) in the Police Department.

The major activity (74 per cent of capital expenditure) of the Department during 2009-14 was execution of works for creation of permanent infrastructure for the seven¹ NAP (IR) battalions sanctioned by the Ministry of Home Affairs (MHA), Government of India (GOI) during 1998 to 2008.

5.3.2 Organisational setup



(Source: Departmental records)

The organisational set-up of the Police Engineering Project was as shown in the chart below:

5.3.3 Scope of Audit

The audit of the Police Engineering Project covering the projects executed/completed during 2009-10 to 2013-14 was conducted during April-August 2014. Projects/Works for detailed work analysis were selected by a two-step process—“Stratified Sampling” by partitioning the projects taken up during 2009-10 to 2013-14 into three strata as per

¹

- (i) 9th NAP (IR) Battalion at Saijang, Peren
- (ii) 10th NAP (IR) Battalion at Zhadima, Kohima
- (iii) 11th NAP (IR) Battalion at Aboi, Mon
- (iv) 12th NAP (IR) Battalion at Chingtok, Longleng
- (v) 13th NAP (IR) Battalion at Yachang, Mokokchung
- (vi) 14th NAP (IR) Battalion at Okhezung, Kiphere
- (vii) 15th NAP (IR) Mahila Battalion at Mpetsa, Dimapur

value of works and thereafter the individual works were selected by Simple Random Sampling With Out Replacement. Accordingly, 70 works, mostly relating to creation of infrastructure for the seven NAP (IR) battalions were selected for detailed analysis.

5.3.4 Audit Objectives

The objectives of audit were:

- To assess whether a proper system was in place for budgeting, release & utilisation of funds and management of cash;
- To examine whether works/projects were implemented efficiently and effectively in an economical manner.

5.3.5 Audit Criteria

The audit criteria adopted were derived from the following sources.

- i) General Financial Rules
- ii) NPWD/CPWD Code
- iii) Schedule of Rates
- iv) Detailed Project Reports
- v) Codes and Manuals, Policies, Rules and Regulations

5.3.6 Audit Methodology

Audit methodology comprised of an entry conference (25 April 2014) with the Secretary and officers of the Department, requisition and examination of records, issue of audit observation, examination of responses to audit observations, joint physical verification of projects conducted along with the departmental officers and an exit conference (7 November 2014) with the Departmental officers.

5.3.7 Acknowledgement

We acknowledge the cooperation and assistance extended to us by the officers and staff of the Police Engineering Project during the course of audit.

Audit findings

Objective 1: Budgeting, release & utilisation of funds and management of cash.

Preparation of realistic budget to ensure regular flow of funds, timely release of the funds and optimal utilisation of the funds made available is essential for successful execution of projects within a specific time. Examination of records on financial management revealed the following:

5.3.8.1 Financial outlay and expenditure

The budget allocation for the PEP was made under 'Grant No-68: Police Engineering Project'. Budget allocation, expenditure and savings/excess during the period from 2009-10 to 2013-14 was as follows:

Table No.5.3.1

(` in crore)

Year		Revenue		Capital		Total		
		Budget Provision	Expenditure	Budget Provision	Expenditure	Budget Provision	Expenditure	Savings (-)/ Excess (+)
2009-10	Plan	0.00	0.00	61.25	55.24	61.25	55.24	-6.01
	Non-plan	4.45	4.50	0.00	0.00	4.45	4.50	0.05
2010-11	Plan	0.00	0.00	47.51	67.96	47.51	67.96	20.45
	Non-plan	7.04	7.15	0.00	0.00	7.04	7.15	0.11
2011-12	Plan	0.00	0.00	70.75	64.59	70.75	64.59	-6.16
	Non-plan	7.58	7.57	0.00	0.00	7.58	7.57	-0.01
2012-13	Plan	0.00	0.00	45.00	49.62	45.00	49.62	4.62
	Non-plan	8.05	8.36	0.00	0.00	8.05	8.36	0.31
2013-14	Plan	0.00	0.00	47.98	55.19	47.98	55.19	7.22
	Non-plan	10.17	10.18	0.00	0.00	10.17	10.18	0.00
Total	Plan	0.00	0.00	272.49	292.60	272.49	292.60	20.11
	Non-plan	37.30	37.76	0.00	0.00	37.30	37.76	0.46
Grand total		37.30	37.76	272.49	292.60	309.79	330.36	20.57

(Source: Detailed Appropriation Accounts, Major Heads operated- 2055 and 4055)

It can be seen from the above table that the budget provision under Capital Head during 2009-10 to 2013-14 was ₹ 272.49 crore and the actual expenditure was ₹ 292.60 crore during the same period. Out of this, ₹ 217.17 crore (74 per cent) was spent on creation of infrastructure for seven NAP (IR) battalions. The total funds released and expenditure incurred against works executed for the seven battalions since inception of the projects till March 2014 and during 2009-14 were as shown below:

Table No. 5.3.2

(₹ in crore)

Sl No.	Name of the Battalion	Gross amount released since inception	Net amount ² released since inception	Expenditure incurred since inception	Expenditure during 2009-14
1.	9 th NAP (IR) Battalion, Saijang, Peren	79.67	NA ³	NA	19.68
2.	10 th NAP (IR) Battalion, Zhadima	66.44	NA	NA	32.50
3.	11 th NAP (IR) Battalion, Aboi, Mon	20.33	18.53	18.35	18.35
4.	12 th NAP (IR) Battalion, Chintok, Longleng	35.91	33.48	33.37	33.37
5.	13 th NAP (IR) Battalion, Yachang, Mokokchung	55.96	53.62	53.62	53.62
6.	14 th NAP (IR) Battalion, Okhezung, Kiphere	40.83	38.92	38.92	38.92
7.	15 th NAP (IR) Mahila Battalion, Mpetsa, Dimapur	21.89	20.74	20.73	20.73
	Total	321.03	--	--	217.17

(Source: Departmental records)

5.3.8.2 Award of work without provision of funds

As per Rule 129 of GFR, no work shall be commenced or liability incurred in connection with it unless funds to cover the expenditure have been provided by the competent authority. Further, as per the proposals contained in the Detailed Project Reports (DPRs), the execution of works was to be taken up in a phased manner as the project volume was vast.

Examination of records revealed that work orders valued at ₹ 315.04 crore were issued (October 2009) for a major portion of the works envisaged in the DPRs (Residential, Non-Residential and other works) in respect of construction of permanent headquarters for four NAP (IR) battalions⁴ without identifying or ensuring regular source of funds for completing the projects. As per the terms and conditions of work order and Agreement with the contractors, payment was to be made as per availability of funds and all the works were to be completed without claiming full payment within 5 years. However, as per Clause 9 of the terms and conditions, the Department had to pay escalation at par with RBI index for the unpaid balance after 5 years. It was observed that while a major portion of the works (especially residential) in respect of three projects⁵ were completed or in progress, ₹ 132.70 crore was released against those projects and payment of only ₹ 119.99 crore (49 per cent) had been made till July 2014 against work order amount of ₹ 242.54 crore. The status of work in respect of 11th NAP (IR) battalion at Aboi executed by Chumukedima

² After deduction of departmental charges and work charge/contingencies.

³ Figures not available as releases were jointly made against 9th and 10th NAP (IR) Battalions during 2004-05 to 2006-07.

⁴ 11th NAP (IR) Battalion at Aboi : ₹ 72.49 crore, 12th NAP (IR) Battalion at Chingtok: ₹ 75.90 crore, 13th NAP (IR) Battalion at Yachang: ₹ 73.62 crore) and 14th NAP (IR) Battalion at Okhezung: ₹ 93.03 crore

⁵ 12th, 13th and 14th NAP (IR) battalions at Chingtok, Yachang and Kiphere respectively executed by Alichen Division.

Division was not available on record. However, it was seen that only ₹ 20.33 crore was released by the Government against the project and payment of ₹ 18.35 crore (25 per cent) was made against work order amount of ₹ 72.49 crore.

During joint physical verification of works executed for 9th and 10th NAP (IR) at Saijang and Zhadima, it was observed that several buildings⁶ constructed were not occupied and was idle indicating that they were not urgently required. In view of the shortage of funds, the Department should have taken up phase-wise execution of works and should have prioritised the construction of barracks and quarters⁷ for the officers in all the projects.

Thus, issue of work orders for a major portion of the works envisaged in the DPRs without prioritising and ensuring uninterrupted flow of funds for its execution resulted in creation of huge committed liabilities for the Department. Further, the possibility of cost overrun of all the projects cannot be ruled out as the contractors are certain to claim escalation on the unpaid balances after five years (October 2014) of issue of work orders.

In reply (November 2014), the PEP stated that the issue of paying escalation to the contractors does not arise as all the works had not been completed within the stipulated period of five years. It was further stated that a Committee had been set up to review the actual requirement of buildings and other infrastructure in the light of the fact that most of the Type I quarters remained vacant and a Report had been submitted to the Government for approval.

Objective 2: Implementation of works/projects.

A project is a scientifically evolved work plan to achieve specific objectives within a stipulated period of time. The project so formulated has to be implemented with optimum utilisation of available resources that includes proper planning, control and regular monitoring.

Analysis of records related to implementation of the seven projects in the Department revealed several deficiencies in selection of sites, appointment of consultants and payment of consultancy charges, preparation of Detailed Project Reports (DPRs), procurement and execution of works etc. These deficiencies adversely affected efficient, effective and economical implementation of the projects as detailed in the succeeding paragraphs. Common issues noticed in respect of the seven projects have been clubbed together in the Report while project specific issues have been dealt with separately.

5.3.9.1 Selection of site

Selection of a suitable site after feasibility studies and proper survey is a key factor for successful implementation of a project. Records relating to selection of sites for construction of permanent headquarters for the seven Battalions were not available on

⁶ Type I and III quarters, Regimental School and L.P. School.
⁷ Type V and VI

record. Thus, it could not be ascertained whether feasibility studies after proper survey were carried out for selection of sites for the projects.

It was stated in the DPR prepared for construction of the 10th NAP (IR) Battalion at Zhadima that the land selected for the project was most suitable. However, examination of records and joint physical verification revealed that a major portion of the land selected for the project was steep and prone to landslides which necessitated expenditure on works not envisaged in the DPR viz., construction of retaining walls/breast walls and other protection works at a cost of ₹ 6.02 crore⁸. It was further seen that a large portion of the land could not be utilised due to the difficult terrain and the Department had to purchase another 28 acres of land for accommodating several buildings/parade ground etc.

Thus, an unforeseen expenditure of ₹ 6.02 crore not envisaged in the DPR of the project had to be incurred due to the lapses in selection of site.

The Department while accepting the facts during exit conference stated that they had no say in selection of site as the same is carried out by a Committee under the Police Department.

5.3.9.2 Appointment of consultants

(i) Appointment of consultants without following procedures

The employer should adopt two stage procedure in terms of Rules 168 to 175 of General Financial Rules (GFRs) for appointment of consultants. In the first stage, the employer shall identify the likely sources on the basis of formal or informal enquiries and by inviting Expression of Interest (EOI) through advertisement as per Rule 168 of GFRs. On the basis of responses received, consultants meeting the requirement have to be short listed for further consideration. In the second stage, the short-listed Consultants have to be invited to submit their Technical and Financial Proposals. The Consultant shall be selected based on evaluation of their Technical and Financial bids.

It was observed that consultants were appointed for all the seven projects without inviting tenders as detailed in the succeeding paragraphs.

(i) M/s Angami Associate Architects, Kohima was appointed (May 2004) Consultant for providing architectural and allied services for two projects i.e., construction of permanent headquarters for 9th and 10th NAP (IR) battalions at Saijang and Zhadima respectively with the consultancy fees being 2.5 *per cent* of the net amount released by the Government against the projects from time to time. No evidence that the appointment was made after inviting tenders/EOIs was available on record.

⁸ Work orders for ` 3.22 crore issued by CE and work orders for ` 2.80 crore issued by PE, Kohima.

(ii) M/s Fast Track, Building and Road Consultants, Dimapur was appointed (August 2008) Consultant for providing architectural and allied services for four⁹ projects with consultancy charges being 4 *per cent* of the net amount of the project cost. Examination of records of the CE (PEP) revealed that the appointment was made on the recommendation of a VVIP¹⁰ without inviting tenders.

(iii) Roofs Architect and Engineer, Kohima was appointed (May 2010) for preparation of DPR for the construction of permanent headquarters for 15th NAP (IR) Battalion on the basis of Government directions (May 2010) with consultancy fees being 3.5 *per cent* of the net amount of the project cost. No evidence that the appointment was made after inviting tenders was available on record.

The Superintendent, Central Excise, Dimapur Range could not confirm that the three above mentioned firms were registered with the Central Excise Department for the purposes of Service Tax. Thus, appointment of unregistered consultants on recommendation of VVIP and without following laid down procedures as stipulated in Rules was irregular and needs to be reviewed.

(ii) Avoidable/wasteful expenditure on payment of consultancy charges

Examination of records revealed that total consultancy charges of ₹ 22.09 crore was payable and ₹ 18.80 crore was paid for preparation of DPRs for construction of permanent headquarters for the seven NAP (IR) battalions as shown in the table below:

Table: 5.3.3

(₹ in crore)

Sl No.	Name of project	Name of Consultant	Total consultancy charges	Consultancy charges paid till March 2014	Withheld amount
1.	9 th NAP (IR) Bn., Saijang, Peren	M/s Angami Associate Architects, Kohima	0.86	0.86	0.00
2.	10 th NAP (IR) Bn., Zhadima, Kohima	M/s Angami Associate Architects, Kohima	0.86	0.86	0.00
3.	11 th NAP (IR) Bn., Aboi, Mon	M/s Fast Track, Dimapur	3.98	3.48	0.50
4.	12 th NAP (IR) Bn., Chingtok, Longleng	M/s Fast Track, Dimapur	4.16	3.48	0.68
5.	13 th NAP (IR) Bn., Yachang, Mokokchung	M/s Fast Track, Dimapur	4.05	3.48	0.57
6.	14 th NAP (IR) Bn., Okhezung, Kiphre	M/s Fast Track, Dimapur	5.02	3.48	1.54
7.	15 th NAP (IR) Mahila Bn., Mpetsa, Dimapur	M/s Roofs Architects & Engineers, Kohima	3.16	3.16	0.00
	Total:		22.09	18.80	3.29

(Source: Departmental records)

The requirement of all the battalions including the number and specification of buildings were common for all the seven projects and model drawings/estimates for the buildings (quarters, office buildings etc.) should have been prepared for all the projects.

⁹ Construction of permanent headquarters for 11th, 12th, 13th and 14th NAP (IR) battalions at Aboi, Chingtok, Yachang and Okhezung respectively
¹⁰ Home Minister, Nagaland

It was observed that the specifications and drawings in the DPRs prepared by M/s Angami Associate Architects (on plinth area basis) for two projects were identical. The specification of buildings in the DPRs prepared by M/s Fast Track for four projects were also identical with the DPRs prepared by M/s Angami Associate Architects except for minor changes in the elevation drawings. Thus, preparation of such identical DPRs did not warrant employment of consultants at such a high cost as the Department had sufficient technical manpower *viz.*, an architect in CEs office and Project Engineers, Sub Divisional Officers and Junior Engineers in the CEs/SEs office and all the three divisions.

On further examination of records, it was noticed that there were several deviations from the DPRs including reduction of plinth area when work order was issued and non-adherence to the master plan prepared by the consultants indicating that the DPRs were prepared without proper survey. Further, it was also noticed that separate drawings issued by the CE, PEP with reduced plinth area were used by the divisions for actual execution of the projects which resulted in the DPRs prepared by the consultants becoming redundant.

Thus, consultancy charges of ₹ 22.09 crore (including ₹ 3.29 crore which remained payable) to prepare DPRs for the seven projects which involved construction of standard buildings (quarters, office buildings etc.) identical across all the projects despite having qualified technical manpower in the Department was avoidable.

The PEP stated (November 2014) that the consultants were appointed on the recommendation of VVIP and approved by the Government. It was further stated that the Government had since stopped appointment of consultants.

5.3.9.3 Deviations from requirements and Detailed Project Reports

DPRs should be prepared after proper feasibility studies and after taking into consideration the requirement of the Department. Further, the work orders should have been issued as per the specifications contained in the DPR.

Examination of the departmental requirements as per preliminary estimates, DPRs and work orders issued against the seven projects revealed major variations especially in the plinth area of buildings to be constructed as detailed in **Appendix 5.3.1**.

Further, there were major deviations from the DPRs during actual construction of the buildings as detailed in **Appendix 5.3.1**. These variations indicate that the actual execution of work was not as per the DPRs prepared by the consultants or as per the requirement of the Department.

The PEP stated (November 2014) that the deviations were primarily due to the actual site conditions as some works could not be executed as per the original DPR.

5.3.9.4 Splitting up of work

Rule 130 of GFR provides that, for purpose of approval and sanctions, a group of works which forms one project, shall be considered as one work. The necessity for obtaining approval or sanction of higher authority to a project which consists of such a group of work should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such approval or sanction of a lower authority. As per Financial and Cognate powers¹¹ delegated to officers at different levels under Nagaland PWD, the financial limits for granting of Technical Sanction and accepting tenders are upto ₹ 5 lakh for Executive Engineers, upto ₹ 20 lakh for Superintending Engineers and full powers for Chief Engineer.

Examination of records related to all the seven projects revealed that works of similar nature were split up to bring it within the powers of the Project Engineers (below ₹ 5 lakh). It was noticed that works valued at ₹ 4.54 crore were split up to bring it below ₹ 5 lakh and 177 separate work orders issued by Project Engineers, in many cases to the same contractors, as detailed in **Appendix 5.3.2**.

Thus, splitting up of works of similar nature to avoid sanction of higher authority also prevented the Department from obtaining more competitive offers and exercising better quality control of the works executed.

The PEP accepted the facts and stated (November 2014) that works were split up as DPRs did not match with the actual site requirements and also because of recommendations of VVIP and claim of landowners for contract works.

5.3.9.5 Construction of permanent headquarters for 9th and 10th NAP (IR) Battalions at Saijang and Zhadima .

The 9th and 10th NAP (IR) Battalions were raised by the GON as per sanction¹² accorded by the GOI, Ministry of Home Affairs during 1998 and 2001.

Examination of the records related to the two battalions revealed that preliminary estimates for a total amount of ₹ 92.68 crore (calculated on plinth area rates as per SOR 1995 for buildings) after adding 100 *per cent* for anticipated higher tender rate was submitted (October 2003) by CE, PEP to the State Government as shown in **Appendix 5.3.3 (a)**.

Based on the preliminary estimates, DPRs for a total cost of ₹ 109.24 crore was submitted (date not available on record) by the Consultant¹³ based on SOR 1995 (calculated on plinth area rates) as shown in **Appendix 5.3.3 (b)**.

It was noticed that there was increase in the cost of both the projects despite both the Preliminary Estimates and the DPRs being prepared at plinth area rates (SOR 1995). Analysis revealed that this was attributable to variations in the number and plinth area

¹¹ Govt. Notification No. FIN/GEN/DF & CP-26/25 dated 27-6-2006.

¹² 9th NAP (IR) vide No.II-27011/10/97-PF.III (iv) dated 18.12.1998 and 10th NAP (IR) vide No.II-27011/102/2000-PF.III (vii) dated 18.07.2001.

¹³ Angami Associate Architects, Kohima.

of the buildings as detailed in **Appendix 5.3.1**. Further it was seen that 150 per cent was added to the cost of civil works in the DPR for anticipated higher tender rate.

A total amount of ₹ 92.86 crore¹⁴ was released for implementation of the two projects from 2003-04 to 2008-09 and ₹ 53.25 crore¹⁵ was released during 2009-10 to 2013-14. Thus, a total amount of ₹ 146.11 crore¹⁶ was released against the two projects since inception to March 2014. The funds released by the State Government against the two projects during April 2009 to March 2014 are shown in the table below:

Table No. 5.3.4

(₹ in crore)

Year	9 th NAP (IR) Battalion		10 th NAP (IR) Battalion		Total amount (Gross) released against the two projects
	Amount released (Gross)	Amount released (Net ¹⁷)	Amount released (Gross)	Amount released (Net)	
2009-10	14.50	13.78	9.50	9.03	24.00
2010-11	5.00	4.75	10.00	8.40	15.00
2011-12	0.00	0.00	6.00	5.01	6.00
2012-13	1.25	1.15	7.00	6.81	8.25
2013-14	0.00	0.00	0.00	0.00	0.00
Total:	20.75	19.68	32.50	29.25	53.25

(Source: Departmental records)

The issues noticed in the implementation of these two projects are detailed in the succeeding paragraphs.

(i) Construction of permanent headquarters for 9th NAP (IR) Battalion at Saijang

• **Payment for unexecuted item of work**

Tender Notice for ‘Construction of Boundary Security Fencing with MS Angle Post embedded in CC base brick masonry foundation and plinth wall and with punched barbed tape @ 9” c/c etc for 9th NAP (IR) Bn. HQ at Saijang under HUDCO (19000 rft)’ with approximate value of work of ₹ 1.88 crore was issued (02.09.2008) by the Project Engineer, Chumukedima. It was noticed that NIT was not published in local newspapers as required under Rules. As per comparative statement three bids¹⁸ were received and work was awarded (16.10.08) to the lowest bidder¹⁹.

¹⁴ 9th NAP (IR) Battalion, Saijang: ₹ 58.92 crore and 10th NAP (IR) Battalion, Zhadima: ₹ 33.94 crore.

¹⁵ 9th NAP (IR) Battalion, Saijang: ₹ 20.75 crore and 10th NAP (IR) Battalion, Zhadima: ₹ 32.50 crore.

¹⁶ 9th NAP (IR) Battalion, Saijang: ₹ 79.67 crore and 10th NAP (IR) Battalion, Zhadima: ₹ 66.44 crore.

¹⁷ After deduction of departmental charges and work charge/contingencies.

¹⁸ First from B.Wati Ao at par with SOR 2008, second from M/s Kahoto Jimomi at 20% above SOR 2008 and third from M. Angami at 30% above SOR 2008.

¹⁹ Shri B. Wati Ao

As per the approved Estimate, cost per running feet was worked out to ₹ 991.64 with the total cost of the work being ₹ 1.88 crore²⁰. Analysis of the MB revealed that the work commenced on 20.10.08 and was certified to have been completed as per specifications on 17.04.09. Measurements as per the Estimate were recorded in the MB and a total amount of ₹ 1.88 crore was paid to the contractor in three RA bills.

Examination of the estimate revealed that the items of work included 'Providing/supplying fitting and fixing of steel barbed tape punched on GI wire 10 swg complete' @ ₹ 36.31 per metre. It was also observed from the MB that this item of work (112858.08 m @ ₹ 36.31 per m) was shown as executed and ₹ 40.98 lakh paid to the contractor.

However, it was noticed during joint physical verification that ordinary barbed wire was fixed/fitted instead of steel barbed tape punched on GI wire (punched barbed tape with laser edged blades on both ways) as provided in the estimate and recorded as executed in the MB as evident from the photograph below:



Thus, ₹ 40.98 lakh was paid to the contractor on the basis of fictitious entries recorded in the MB.

In reply (November 2014), the PEP stated that the specifications were changed during actual execution as the length of the fencing worked out to be more than length specified in the estimates and that payments were made according to the proposed changes. The fact however, remained that payments were made by recording fictitious measurements in the MBs as per the specification in the estimates and not as per the actual works executed.

- **Idle expenditure on construction of Unit Hospital**

Examination of records revealed that NIT for 'Construction of Unit Hospital including water supply and sanitation' with approximate value of ₹ 66.45 lakh was issued by the Project Engineer, Chumukedima and the work was awarded to the lowest bidder²¹. Approved estimates for the work, if any, were not available on

²⁰ 19000 rft x ₹ 991.64

²¹ Shri B. Wati Ao

record. Analysis of the MB revealed that the work commenced on 30.11.09 and was certified to have been completed as per specifications on 27.09.10. Full payment of ₹ 66.45 lakh was also released to the contractor in 3 RA bills.

Further examination of records revealed that 'Extra work for Unit Hospital' was also carried out while the main work was in progress for a total amount of ₹ 9.02 lakh on the basis of work orders issued (08.06.10) by the Project Engineer to two contractors²². In both cases, date of commencement was 10.6.10 and completion was 29.6.10 and full payments were also released to the contractors. Thus, total amount spent on the work was ₹ 75.47 lakh²³ and exceeded the amount sanctioned for the work by ₹ 9.02 lakh.

It was seen during joint physical verification that the Unit Hospital completed and handed over in September 2010 was lying abandoned and had not been utilised. It was also noticed that almost all the window panes and some doors were damaged and the quality of construction was poor as shown in the photograph below. Reasons for not utilising the building could not be stated by the officials accompanying the Audit Team.

Photograph No.5.3.2



Unit Hospital constructed in September 2010 lying abandoned in poor condition

On enquiry, the Battalion Commandant stated that the Hospital was not occupied as water supply works were not completed. The reply highlights the fact that essential services such as water supply and sanitation were not provided resulting in the hospital constructed at the cost of ₹ 66.45 lakh remaining unoccupied. Further, the building was certified to have been completed as per specification and handed over to the Battalion in September 2010.

In reply (November 2014), the PEP stated that non-occupation of the building is not within their purview and that the responsibility lies solely with the Police Department.

- **Doubtful expenditure on construction of Isolation Ward for Unit Hospital**

Examination of records revealed that a separate estimate along with drawings was prepared by the Consultant as per SOR 2008 for an amount of ₹ 8.13 lakh for Construction of Unit Hospital Isolation Ward including site development, water

²² K. Medem Ao and C. Lema Ao.

²³ ₹ 66.45 lakh+₹ 9.02 lakh.

supply and electricity. NIT and tender documents were not available on record. It was however, observed from the MB that work order was issued (27.11.09) to T. Tali Imchen by the Project Engineer and the work which commenced on 30.11.09 was certified to have been completed as per specifications on 04.03.10. Full payment of ₹ 8.13 lakh²⁴ was released to the contractor.

During physical verification, it was however, observed that a small extension to the Unit Hospital with CGI roofing was stated to be the Isolation Ward (**photograph 5.3.3**). The purported building of the isolation ward was constructed in already developed site. It was further observed that the isolation ward was not provided with water and electricity facilities. It is thus evident that the work was not actually executed as per the estimate. The building also could not be put to use due to lack of water and electricity facilities which were essential to operate the ward even after four years of completion.



In reply (November 2014), the PEP stated that works were executed as per estimate. However, the fact remained that the building claimed to be the Isolation Ward was not commensurate with the cost incurred or as per the estimates.

(ii) Construction of permanent headquarters for 10th NAP (IR) Battalion at Zhadima

• Lack of clarity in issue of work orders

Examination of records in Kohima Division revealed that work orders for a total amount of ₹ 28.46 crore were issued by the CE against the project at Zhadima during December 2004 to March 2009. 133 Work Orders valued at ₹ 28.82 crore was also issued by the CE/SE, PEP from April 2009 to April 2013. As per information furnished by the Kohima Division, 129 work orders for a total amount of ₹ 6.22 crore was also issued by the Project Engineer, Kohima (date of issue of work orders not furnished). Work orders issued by Project Engineer, Chumukedima against the project from 2004-05 to August 2008 before creation of Kohima Division was not furnished. Thus, the total value of work orders issued against the project could not be confirmed/verified. Though an amount of ₹ 66.44 crore was released against the

²⁴ ₹ 99,200 on 21.12.09, ₹ 2 lakh on 2.2.10, ₹ 3 lakh on 5.3.10 and ₹ 2.14 lakh on 15.3.10.

project since inception in 2004, it was seen from the records furnished to audit that the total value of work orders issued against the Project was only ₹ 63.50 crore till April 2013. Due to the large numbers of work orders issued and poor maintenance of records in the Department, a complete and proper analysis of the works could not be carried out. It was further seen that the large number of work orders was due to separate work orders being issued for various items of work though the contractors were the same in most cases as detailed in **Appendix 5.3.4**.

The PEP accepted (November 2014) the facts and attributed the lack of clarity to the large number of contractors involved due to recommendations of political leaders and also to accommodate the land owners.

- **Delay in commencement/completion of work**

It was observed that as per terms and conditions in the Work Orders for buildings²⁵ issued in December 2012 & January 2013 against funds received under Thirteenth Finance Commission Grants for 2012-13, the works were to be completed within 12 months reckoned from the 20th day after the award of work. It was however, noticed from the progress report (May 2014) for ongoing works at Zhadima that the 15 works for which work orders were issued in December 2012 and January 2013 were in various stages of progress, 2 works had not been started and three works were not included in the Progress Report as detailed in **Appendix 5.3.5**.

Reasons for delay in completion of work or the action taken by the Department in this regard was not on record. Reasons for not including three works in the Progress Report for which work orders were issued could also not be clarified.

In reply (November 2014), the PEP attributed the delay in completion of work to problems in acquisition of land. It was further stated that one work was not included in the Progress Report due to human error, two works were completed and two works were in good progress.

- **Idle expenditure**

During physical verification, it was noticed that most of the Type I & III quarters (RCC blocks) were unoccupied. Further Regimental School and LP school constructed and completed in November 2009 at a cost of ₹ 37.24 lakh and ₹ 15.95 lakh respectively were idle and in very poor condition. It was stated that the quarters/buildings were not being used as most of the IRB jawans were single or staying without their families.

The PEP stated (November 2014) that the buildings were unoccupied as the IR Jawans were on outside duty and the allocation of quarters was in full progress. It was further stated that restoration and jungle clearance of the schools had been completed and would be in full operation from next year.

²⁵ 15 Nos. Type I quarters (RCC blocks consisting of 4 units each) and 5 Type I quarters (Semi Permanent type)

5.3.9.6 Construction of permanent headquarters for 11th, 12th, 13th & 14th NAP (IR) Battalions at Aboi, Chingtok, Yachang and Okhezung.

The 11th, 12th, 13th and 14th NAP (IR) battalions were raised by the Government of Nagaland as per sanction²⁶ accorded by the Ministry of Home Affairs, GOI during 2004-2008. The issues noticed during scrutiny of records in respect of construction of permanent headquarters for these four battalions are as follows:

(i) Conflict of interest

Examination of records related to the projects revealed that construction contract for three out of four projects for which the consultants were M/s Fast Track were awarded (October 2009) to M/s Singh Construction²⁷ and M/s National Construction²⁸. Further enquiries revealed that M/s Fast Track, M/s Singh Construction and M/s National Construction had the same partners.

Thus, award of subsequent contract for construction works to firms with the same partners as the firm who were engaged for architectural and structural consultancy along with stage-wise supervision resulted in conflict of interest.

The PEP accepted the facts and stated (November 2014) that the award of subsequent contract for construction works to firms with the same partners who were engaged in consultancy was done on the approval of the Government.

(ii) Ambiguities and defects in Work Orders and Agreement with contractors

Examination of work orders (₹ 315.04 crore) issued to the contractors²⁹ and agreements entered into with them revealed several ambiguities and defects which were not in the interest of the Government. As per the terms and conditions contained in the work orders, all the works were to be completed within 60 months from the date of issue of work order (October 2009) and the contractor was barred from seeking extension of time under any circumstances. Payments were to be released as per availability of funds and non-availability of funds was not to be an excuse for delay in completion of work within the stipulated time. The contractor was barred from claiming full payment of the completed work for a period of five years with effect from the issue of work order and escalation at par with RBI index was to be paid for balance amount after expiry of five years from the date of issue of work orders if the State Government was the defaulting party. It was also noticed that additional conditions were included in the work orders issued to M/s National

²⁶ (a) 11th NAP (IR) Battalion vide No.II-27011/102/2000-PF.II (vii) dated 18.11.2004, (b) 12th NAP (IR) Battalion vide No.16011/20/2005-PF. IV (vi) dated 22.03.2006, (c) 13th NAP (IR) Battalion vide No.16011/20/2005-PF. IV (v) dated 15.05.2007 and (d) 14th NAP (IR) Battalion vide No.16011/6/2006-PF.IV (v) dated 31.03.2008.

²⁷ 13th and 14th NAP (IR) battalion at Yachang and Okhezung.

²⁸ 12th NAP (IR) Battalion at Chingtok.

²⁹ (i) 11th NAP (IR) Battalion at Aboi: Hexad Syndicate, (ii) 12th NAP (IR) Battalion at Chingtok: M/s National Construction, (iii) 13th NAP (IR) Battalion at Yachang and 14th NAP (IR) Battalion at Okhezung: M/s Singh Construction.

Construction and M/s Singh Construction to the effect that in the event of rescindment/cancellation of contract for reasons other than stipulated in the Agreement, 50 per cent of the cost of balance work would be paid to the contractor and the rates once approved and entered in the Agreement would not be revoked, failing which it might be treated as cancellation of work for which the contractor shall be compensated with 50 per cent of the cost of the balance work to be done. However, there was no reciprocatory obligation on the part of the private parties to deliver the work in time nor were penalties specified for delay in completion/abandonment of work.

It was also observed that a large portion of the works included in the work orders for all the four battalions were not completed or even started (July 2014) despite the stipulated date of completion being October 2014. However, it was seen from the work orders that no condition applicable in the event of non-completion of works within five years was contemplated and incorporated.

Thus, the work orders and Agreements with the contractor were ambiguous and defective and were loaded in favour of the contractors.

In reply (November 2014), the PEP accepted the facts and stated that the Agreements with the contractors were being reviewed and defective clauses which were not in the interest of Government would be amended/rectified.

(iii) Works awarded in contravention to recommendation of SLTC

Examination of records revealed that a proposal (₹ 51.58 crore) for initiating tender for site development works and construction of approach roads in respect of the four battalions was submitted (29.10.2008) by the CE, PEP to Government along with estimates as shown in the table below:

Table: 5.3.5

(₹ in crore)

Sl No.	Description of works	Cost of jungle clearance and site levelling works	Cost of approach road cutting with soling and metalling	Total cost of site development works)
1.	Construction of permanent headquarters for 11 th NAP (IR) Battalion at Aboi, Mon	5.76	4.56	10.32
2.	Construction of permanent headquarters for 12 th NAP (IR) Battalion at Chingtok, Longleng	7.04	5.33	12.37
3.	Construction of permanent headquarters for 13 th NAP (IR) Battalion at Yachang, Mokokchung	7.44	7.15	14.59
4.	Construction of permanent headquarters for 14 th NAP (IR) Battalion at Okhezung, Kiphre	6.93	7.37	14.30
	Total:	27.17	24.41	51.58

Approval of the Government was received (17.11.2008) with directions that NIT be published in all local newspapers. In compliance, NIT was published (19.11.2008) in

the major local dailies. Original tender papers were not available in the office of the CE, PEP and it was stated that they were sent to Government along with the Comparative Statements. Only the Comparative Statements were returned with Government approval. A State Level Tender Committee (SLTC) was also constituted³⁰ by the Government for finalisation of tenders. On detailed examination of records, the following discrepancies were noticed:

(a) Construction of permanent headquarters for 11th NAP (IR) Battalion at Aboi, Mon

As per Comparative Statement submitted to Government, six regular bids were received out of which M/s Singh Construction Co., Dimapur had quoted the lowest (5 *per cent* below SOR 2008) which was found to be workable and recommended for acceptance. The SLTC constituted for the purpose also recommended that work be awarded to M/s Singh Construction. It was however, seen that the work order was issued (27.04.2009) to Hexad Syndicate at 5 *per cent* below SOR 2008 who quoted the second lowest as per directions (23.04.2009) received from the State Government.

It was noticed that though work order for approximate value of work amounting to ₹ 9.81 crore was issued (27.04.2009) to Hexad Syndicate at 5 *per cent* below SOR 2008, it was subsequently changed (08.07.2009) through a corrigendum with the approval of the Government (30.07.2009) to 'at par with SOR 2008' (₹ 1032.50 lakh) stating that this rate was quoted by the firm during bidding.

Thus, by not awarding the work to the lowest bidder as recommended by the SLTC the purpose of open tendering was defeated. The Department also incurred an excess expenditure of ₹ 45.62 lakh³¹ due to award of work at higher rates than L1.

Further, analysis of entries recorded in the MB and payments made revealed that the total value of work done as per 5th and Final RA Bill was ₹ 9.12 crore. To this, the Department added adhoc 5 *per cent* in the bill and made payment of ₹ 9.58 crore. Detailed analysis of measurements recorded also revealed that the actual work executed was not as per the estimates approved. Quantity of work done and rates for items were also not as per the Estimates. Further, works were certified to have been completed as per specification without several items (cutting of approach road including soling and metalling for 7 kms., construction of side drains etc.) in the estimate being taken up. It was also noticed that several items of work not envisaged in the estimates (cutting of trees etc=6935 of various girth) were executed. Payment of ₹ 9.58 crore was also released to the contractor in 5 RA Bills which resulted in excess expenditure of ₹ 45.62 lakh on account of variations in the rates and the quantities of the works as stipulated under the work.

Thus, the Department incurred a consolidated amount of ₹ 91.24 lakh³² by awarding the work at higher rates than L1 and also without actual execution of work.

³⁰ Vide Government Notification No.POL/Gen/62/2008 dated 21.01.2009

³¹ ₹ 957.87 lakh-₹ 912.25 lakh=₹ 45.62 lakh

³² Payment actually made ₹ 957.87 lakh – ₹ 866.63 lakh as per work order.

(b) Construction of permanent headquarters for 12th NAP (IR) Battalion at Chingtok, Longleng

As per Comparative Statement submitted to Government, bids were received from four contractors out of which three³³ were regular. The work order was recommended to be issued to M/s Technocon who had quoted the lowest which was also endorsed by the SLTC. However, it was noticed that work order for value of work amounting to ₹ 11.75 crore was issued (27.04.2009) to A.Pongshi Phom at 5 per cent below SOR 2008 which was also accepted (23.04.2009) by the contractor.

Analysis of the MB revealed that work commenced on 02.07.2009 and was certified to have been completed on 12.02.2010 as per specifications with total value of work done being ₹ 11.75 crore. Payment of ₹ 8.81 crore was also released to the contractor in 3 RA bills after withholding an amount of ₹ 2.94 crore.

Detailed analysis of vouchers/MBs related to the work revealed the following:

- **Excess payment on earthwork**

As per the approved estimates, a total of 418450 cum of earthwork for ₹ 8.70 crore³⁴ was to be executed. Analysis of work however, revealed that measurements for earthwork against site levelling and approach roads were recorded together (364335.77 cum). The rate for site levelling work was ₹ 160.13 per cum as against the rate of ₹ 268 per cum for earthwork in ordinary rock for roadway. However, while payments were made the rate of ₹ 268 per cum (earthwork) were applied for the entire work and ₹ 9.08 crore (**Appendix 5.3.6**) was made to the contractor. The actual amount of excess payment on this account could not be assessed as the measurements for earthwork (site levelling and roadway in ordinary rock) were recorded together in the MB. Besides, it was also seen that though the actual execution of earthwork was less than the estimated quantity by 53618.31 cum, the amount actually paid to the contractor exceeded the estimated amount for earthwork by ₹ 38 lakh.

The PEP stated (November 2014) that payments were made to the contractor as per actual execution and revised estimates have been sent to higher authority for approval. However, the fact remained that measurements for earthwork (site levelling and roadway in ordinary rock) were recorded together in the MB and excess payment

³³ Shri Vilelie Khamo @ par with SOR 2008, M/s M/s Tehnocon Enterprises @ 7% below SOR 2008 and Shri A. Pongshi Phom @ par with SOR 2008

³⁴ 332700 cum (50% in soil @ ₹ 160.13 per cum and 50% in ordinary rock @ ₹ 252.49 per cum) for site levelling works with total amount of ₹ 6.86 crore and 85750 cum (50% in soil @ ₹ 160 per cum and 50% in ordinary rock @ ₹ 268 per cum) for earthwork in roadways with total amount of ₹ 1.84 crore.

made on this account. Further, works were certified to be completed as per specifications and full payments released to the contractor without approval of revised estimates.

- **Deviation from Estimates (Hume pipe culverts/retaining walls)**

Analysis of the MBs revealed that works viz., construction of Hume Pipe Culverts/retaining walls not included in the estimate for Jungle clearance, site levelling and construction of approach roads at Longleng were executed for a total cost of ₹ 43.62 lakh as detailed in the following table.

Table: 5.3.6

Sl No.	Item of work	Unit	Quantity	Rate	Amount (₹)
1.	Excavation in soil by manual means	cum	479.54	142.54	68353.63
2.	Excavation in ordinary rock by manual means	cum	495.92	252.49	125214.84
3.	PCC 1:4:8	cum	40.98	5102.54	209102.09
4.	Providing reinforced concrete pipes etc (1000 mm)	m	116.28	12507	1454313.96
5.	Provision of CRSM wall 1:6 etc	cum	574.57	4327.34	2486359.74
6.	Provision of 20 mm cement plaster	sqm	89.18	205.34	18312.22
	Total:				4361656.48

Thus, works valued at ₹ 43.62 lakh which were not included in the estimate were executed and payment made to the contractor by the PE without approval of competent authority.

The PEP accepted the facts and stated (November 2014) that works were carried out as per site requirement.

(c) Construction of permanent headquarters for 13th NAP (IR) Battalion at Yachang, Mokokchung

Examination of records revealed that only one component i.e., jungle clearance and site levelling works valued at ₹ 7.44 crore was included in the NIT published on 19.11.2008 in local papers. The remaining component i.e., approach road cutting with soling and metalling valued at ₹ 7.15 crore was left out and tendered separately.

- **Jungle clearance and site levelling works**

As per Comparative Statement submitted to Government, three contractors³⁵ had submitted bids for the work. The bid of M/s Technocon (L₁) was stated to be not workable and the bid submitted by M/s Singh Construction (L₂) was recommended for acceptance which was also endorsed by the SLTC.

The work order (value of work: ₹ 7.07 crore) was issued (27.04.09) to M/s Singh Construction for jungle clearance and site levelling @ 5 per cent below SOR 2008 with stipulation to complete the work within six months. Analysis of MBs revealed that the work commenced on 27.04.2009 and was in progress³⁶ (20.12.2011). The

³⁵ Shri Vilelie Khamo @ par with SOR 2008, M/s Technocon at 11% below SOR 2008 and M/s Singh Construction Co., Dimapur at 5% below SOR 2008.

³⁶ The progress as recorded in MB upto 20-12-2011. Further progress of the work was not on record.

total value of work done was recorded as ₹ 7.32 crore and the amount payable worked out to ₹ 6.95 crore (5 per cent below SOR 2008 as per work order). A total amount of ₹ 6.74 crore was paid to the contractor in 4 RA Bills leaving a balance of ₹ 20.50 lakh being the withheld amount.

Reasons for not completing the work within the stipulated time or action taken by the Department in this regard were not found on records.

In reply (November 2014), the PEP accepted the facts and stated that work could not be completed due to non-stability of soil and realignment of approach road.

- **Construction of approach roads**

It was observed that separate NIT was issued (03.08.2009) for 'Jungle clearance, site levelling and construction of approach roads with estimated cost of ₹ 7.15 crore without publishing in the newspapers as required under Rules. As per Comparative Statement there were three³⁷ bids and work was awarded (26.08.2009) to the lowest bidder, M/s Singh Construction (value of work: ₹ 6.81 crore). Further examination revealed that the partners of the three firms were the same indicating collusive bidding. Thus, the bidding process was not fair and needs further investigation.

The total value of work done was recorded as ₹ 5.30 crore and the amount payable worked out to ₹ 5.11 crore (5 per cent below SOR 2008 as per work order). A total amount of ₹ 5.05 crore was paid to the contractor in 2 RA Bills leaving a balance of ₹ 6.54 lakh as withheld.

Reasons for not completing the work in time or the action taken by the Department in this regard were not found on records.

- (d) **Construction of permanent headquarters for 14th NAP (IR) Battalion at Okhezung, Kiphire**

As per Comparative Statement submitted to Government, three³⁸ contractors had submitted bids. The bid submitted by M/s Singh Construction, being the lowest, was recommended for acceptance which was endorsed by the SLTC.

Work Order (value of work ₹ 13.58 crore) was issued (27.04.2009) to M/s Singh Construction & Co, Dimapur with stipulation to complete the work within six months. Analysis of MBs revealed that the work commenced on 27.05.2009 and was in progress (30.03.2012). The total value of work done was ₹ 9.73 crore and the amount payable was ₹ 9.25 crore (5 per cent below SOR 2008 as per work order). A total amount of ₹ 9.02 crore was paid to the contractor in 4 RA Bills leaving a balance of ₹ 22.53 lakh being the withheld amount.

The reasons for not completing the work within the stipulated time or the action taken by the Department in this regard were not found on records.

³⁷ M/s M.S. Panesar at par with SOR 2008, M/s Singh Construction at 5 per cent below SOR 2008 and M/s National Construction at 3 per cent below SOR 2008

³⁸ M/s Singh Construction Co., Dimapur @ 5 per cent below SOR 2008, Shri Pele Khezhi @ 3 per cent below SOR 2008 and Shri Aien Meren Enterprises @ par with SOR 2008.

As per the estimate for Jungle Clearance and Site levelling works, the quantity of work to be done for earthwork in ordinary rock was 164197 cum @ ₹ 252.49/cum amounting to ₹ 4.15 crore. However, analysis of the MB revealed that quantity of work executed for the said item i.e. earthwork in ordinary soil was 219346 cum. Thus, extra work for an amount of ₹ 1.39 crore for 55149 cum not contemplated in the estimate was executed. Full payments were also released to the contractor by PE, Alichen without revising the estimate and approval of the competent authority.

In reply (November 2014), the PEP accepted the facts and stated that works could not be completed due to jhum cultivation near and around the location.

(iv) Award of works at exorbitant rates without NIT

Examination of records revealed that preliminary estimates (₹ 488.26 crore) for construction of buildings (Residential and Non-residential) and other departmental works was submitted (01.11.2007) by the CE. It was noticed that the preliminary estimates for buildings were calculated on plinth area rate (₹ 972 per sq ft) based on SOR 2004 with provision of 70 per cent for cost escalation.

Table: 5.3.7

(₹ in crore)

Sl No.	Particulars	Amount as per preliminary estimate
1.	Construction of permanent headquarters for 11 th NAP (IR) Battalion at Aboi, Mon	123.34
2.	Construction of permanent headquarters for 12 th NAP (IR) Battalion at Chingtok, Longleng	111.75
3.	Construction of permanent headquarters for 13 th NAP (IR) Battalion at Yachang, Mokokchung	108.44
4.	Construction of permanent headquarters for 14 th NAP (IR) Battalion at Okhezung, Kiphire	144.73
	Total:	488.26

Based on these estimates, DPRs (₹ 725.32 crore) were submitted (October 2008) by the Consultant. The State Level Programme Implementation Committee (SLPIC), headed by the Chief Minister, in its meeting (19.11.2008) observed that the cost was much too high and directed that the DPRs should be re-examined and verified by the High Level Technical Committee (HLTC). The DPRs were forwarded to the HLTC and was returned (17.07.2009) by them with several recommendations to reduce cost. This included reducing the length of roads as per requirement, removing provision kept for culverts as the same was covered by road works, reducing the lump sum provision made for water supply etc. The total cost of the projects was reduced to ₹ 485.74 crore including the cost of Site development (₹ 42.22 crore) for which work orders were already issued. The DPRs were returned (20.07.2009) to the Consultant for recasting with directions to follow all the guidelines/directions/corrections given by the HLTC. The recast DPRs (₹ 530.82 crore) were submitted (07.10.2009) by the Consultant stating that the increase in cost of Kiphire Battalion was due to discrepancies noticed during recasting. The DPRs were approved (09.10.2009) by the HLTC with the comment that the changes necessitated for Kiphire Battalion was due to the negligence of the Consultant. It was further recommended by the HLTC that

once the projects are sanctioned, the detailed tender documents indicating Bill of Quantities (BOQs) should be prepared by the Consultant and approved by the Committee before call of tender. However, HLTC approval for BOQs prepared, if any, was not seen on record. The amount as per the first DPR, amount recommended by the HLTC and amount as per the recast DPR approved by HLTC was as shown in the following table.

Table: 5.3.8

(₹ in crore)

Sl No.	Particulars	Amount as per first DPR	Amount recommended by HLTC	Amount as per recasted DPR
1.	Construction of permanent headquarters for 11 th NAP (IR) Battalion at Aboi, Mon	182.75	123.96	122.86
2.	Construction of permanent headquarters for 12 th NAP (IR) Battalion at Chingtok, Longleng	178.21	127.75	128.32
3.	Construction of permanent headquarters for 13 th NAP (IR) Battalion at Yachang, Mokokchung	183.86	120.63	124.72
4.	Construction of permanent headquarters for 14 th NAP (IR) Battalion at Okhezung, Kiphere	180.50	113.40	154.92 ³⁹
	Total:	725.32	485.74	530.82

Analysis of records revealed that the contractors who were awarded the work of Site Development were asked to submit their rates (item rates) for the main works on the basis of directions (03.10.09) received from the Home Minister to award the work through direct negotiation with them. The CE issued letters (12.10.2009) to M/s Singh Construction Co., Hexad Syndicate and M/s Perfect Construction asking them to submit their bids on item-rate basis. The tender documents submitted by the said contractors were not available on record and was stated to be with the Government. Only the Comparative Statements approved by the Government were available on record.

It was noticed from the Comparative Statements that all the three above mentioned firms had submitted bids (item rates) for all the works, of which the lowest bidders (both before and after negotiation) were awarded the contract in all the four cases. As directed by the Government (27.10.2009), work orders valued at ₹ 315.04 crore were issued (29.10.2009) separately for the Residential, Non-Residential and other departmental works as detailed in the **Table 5.3.9** without enclosing the Bill of Quantities (BOQs). Only the description of work (Plinth area and numbers of buildings) with total estimated cost and the rates approved/accepted for each item of work were enclosed. Agreement was also entered into with the contractors on 29.10.2009 which was essentially a copy of the tender documents.

³⁹ Huge variation due to non-inclusion of some components in the 1st DPR which was corrected during recasting.

Table: 5.3.9

(*₹ in crore*)

Sl No	Location	Name of the contractor	Work Order Amount (₹)			Total amount of work order
			Residential Building	Non-Residential Buildings	Other Departmental works	
1.	11 th NAP (IR) Battalion, Aboi	Hexad Syndicate	47.61	10.71	14.17	72.49
2.	12 th NAP (IR) Battalion, Chingtok	M/s Perfect Construction	49.56	11.21	15.13	75.90
3.	13 th NAP (IR) Battalion, Yachang	M/s Singh Constuction.	47.83	10.74	15.05	73.62
4.	14 th NAP (IR) Battalion, Okhezung	M/s Singh Construction.	60.55	13.97	18.51	93.03
Total:			205.55	46.63	62.86	315.04

Detailed analysis of records revealed that work was awarded at rates ranging from 1 to 856 *per cent* higher than the rates as per SORs, 2008, 2010 and 2013 which was exorbitant as work orders were issued by the Department at par with SOR, 2008 for similar works in Zhadima and Saijang during the same period and also subsequently. It was also noticed that work orders were issued for similar works in Zhadima and Mpetsa at par with SOR 2010 during December 2012. Thus, works were arbitrarily awarded at exorbitant rates without floating NIT. The other issues noticed on examination of records related to execution of works for the four battalions are detailed in the succeeding paragraphs.

(a) Construction of permanent headquarters for 11th NAP (IR) Battalion at Aboi, Mon

Comparison of the negotiated item rates with Schedule of Rates (SOR) revealed that the rates allowed (October 2009) for the various items were higher by 86 to 800 *per cent* (SOR 2008), 29 to 562 *per cent* (SOR 2010) and 1 to 424 *per cent* (SOR 2013).

Analysis of MBs revealed that the works executed did not match (quantity and rates and also total cost) with the estimates contained in the DPR or the item rates quoted by the contractor and accepted by the Department. On enquiry, it was stated that detailed working estimates were not available with the SDO/Junior Engineer (Tizit) and work was executed as per the drawings approved by the CE. However, the drawings could also not be submitted to audit as it was stated to be at the site of the work i.e., Aboi.

Reasons for not including BOQ with the work order and making payment at lower rates than the work order/Agreement could not be stated. Reasons for non-completion of the work within the stipulated time were also not available on records.

(b) Construction of permanent headquarters for 12th NAP (IR) Battalion at Chingtok, Longleng

It was noticed that a corrigendum was issued (19.07.2010) stating that M/s Perfect Construction had requested to transfer the work to their sister concern 'M/s National Construction, Dimapur' to avoid inconvenience faced by them in obtaining bank assistance and other account related matters. The work was transferred to M/s National Construction, as per the rate, work value, terms and conditions etc., already agreed. Fresh work orders was issued (21.07.2010) to M/s National Construction and fresh agreement was also signed on the same date. The stipulated date of completion was 60 months from the date of issue of work order. The original work order was issued on 29.10.2009 and the revised work order on 21.07.10. In effect, this resulted in allowing 9 more months to the firm to complete the work. Further, it was noticed that the partners of both M/s Singh Construction as well as M/s National Construction were identical and both the firms participated in the bidding process. This indicated collusive bidding.

Comparison of the negotiated item rates with Schedule of Rates (SOR) revealed that the rates allowed for the various items were higher by 98 to 838 *per cent* (SOR 2008), 16 to 517 *per cent* (SOR 2010) and 12 to 402 *per cent* (SOR 2013).

Analysis of MBs and other related records revealed that the work commenced on 09.09.2010 and was in progress (July 2014). The total upto date value of work done was ₹ 25.38 crore and payment of ₹ 19.68 crore was made to M/s National Constructions in one RA bill after withholding an amount of ₹ 5.71 crore.

Analysis of work revealed that payment was made on the basis of the negotiated item rate as per Agreement with the contractor. It was further observed that the payments made was against construction of Type IV quarters—16 Nos., Type III quarters—15 Nos., Type I quarters—30 Nos., Type V quarters—3 Nos., Barracks—6 Nos. and Dining Hall/toilet/kitchen.

The quantity of work to be executed as per work order, work order amount and the status of work as per the progress report submitted to Government was as shown in **Appendix 5.3.7**. It can be seen that most of the residential buildings were completed with the exception of Type I quarters (236 quarters not taken up out of 360). Extra works not included in the work order were also seen executed (Barracks-6 Nos., Dining hall and kitchen-3 Nos and latrine/bathroom-12 Nos.).

Reasons for allowing extra nine months (i.e., from 29.10.2009 to 09.09.2010) to the contractor even though the work was transferred only to its sister concern could not be furnished. Reasons for non-completion of the work within the stipulated time and taking up works not included in the work order could also not be stated.

(c) Construction of permanent headquarters for 13th NAP (IR) Battalion at Yachang, Mokokchung

Comparison of the negotiated item rates with Schedule of Rates (SOR) revealed that the rates allowed for the various items were higher by 89 to 837 *per cent* (SOR 2008), 32 to 575 *per cent* (SOR 2010) and 10 to 434 *per cent* (SOR 2013).

Analysis of MBs and other related records revealed that the work commenced on 12.01.2010 and was in progress (July 2014). The total upto date value of work done was ₹ 39.64 crore and payment of ₹ 37.46 crore was made to M/s National Constructions in 5 RA bills against the work order for Residential Buildings after withholding an amount of ₹ 2.18 crore.

Analysis of work revealed that payments were made on the basis of the negotiated item rate as per Agreement with the contractor. However, the number of buildings for which payment was made was not clear from the MBs.

It was noticed from the Progress Report as of July 2014 that a major portion of the Residential buildings were completed except for Type I (197 Nos out of 360 Nos. to be constructed as per work order not taken up) and type V (18 Nos. out of 60 Nos. to be constructed as per work order not taken up) as detailed in **Appendix 5.3.8**. It was also noticed that works not included in the estimate were also executed (Barracks-5 Nos, Dining hall and kitchen-4 Nos and Latrine/bathroom-4 Nos).

Reasons for non-completion of the works within the stipulated time and taking up works not envisaged in the work order could not be stated.

(d) Construction of permanent headquarters for 14th NAP (IR) Battalion at Okhezung, Kiphre

Comparison of the negotiated item rates with Schedule of Rates (SOR) revealed that the rates allowed for the various items were higher by 88 to 856 *per cent* (SOR 2008), 1 to 406 *per cent* (SOR 2010) and 1 to 253 *per cent* (SOR 2013).

Analysis of MBs and other related records revealed that the work commenced on 10.11.2009 and was in progress (July 2014). The total up to date value of work done was ₹ 61.16 crore and payment of ₹ 25.69 crore was made to M/s Singh Constructions in 4 RA bills against the work order for Residential Buildings after withholding an amount of ₹ 35.47 crore.

Analysis of work revealed that payments were made on the basis of the negotiated item rate as per Agreement with the contractor. However, the number of buildings for which payment had been made was not clear from the MBs.

It was noticed from the Progress Report as of July 2014 that a major portion of the work against the work order for Residential buildings was completed except type I quarters (75 completed and 16 in progress against 360), type III quarters (25 completed and 4 in progress out of 60) as detailed in **Appendix 5.3.9**. It was also noticed that one additional Type-IV quarter, not envisaged in the work order, was constructed.

Reasons for non-completion of the work within the stipulated time and taking up works not included in the work order could not be stated.

5.3.9.7 Construction of permanent headquarters for 15th NAP (IR) Mahila Battalion at Mpetsa, Dimapur.

The 15th NAP (IR) Mahila Battalion was raised by the Government of Nagaland as per sanction⁴⁰ accorded by the Government of India, Ministry of Home Affairs in October 2008.

Details regarding preparation of preliminary estimates and site selection for the project were not available on record. Findings on examination of records related to the works executed for the Battalion are detailed in the succeeding paragraphs.

(i) Deviation from DPR/Estimates

- It was noticed that infrastructural works⁴¹ for an amount of ₹ 7 crore commenced before the approval of DPR by the SLPIC and therefore the works were not as per the DPR prepared by the Consultant. During joint physical verification, it was noticed that the workmanship of some of the works executed were not satisfactory. The urgency for taking up the works before approval of DPR compromising the workmanship particularly in view of the fact that the Battalion had not occupied the buildings constructed could not be clarified.

In reply (November 2014), PEP stated that as there was need for immediately providing the basic minimum amenities for the 15th NAP (IR) Bn, the Division had to start the construction work before approval of DPR by the SLPIC on the direction of the Police Department and the deviation of work from the DPR was primarily due to the actual site conditions which becomes unfavourable for some works to be executed as per the original DPR.

- As per the DPR, the type-I quarters (18 Nos.) to be constructed was RCC type three storied blocks with 6 units each. However, it was noticed from the records and during joint physical verification that separate estimates for SP type-I building were prepared by the Division and the same were accordingly executed at the site.

In reply (November 2014), PEP stated that the same was done as per the direction of the higher authority.

(ii) Diversion of funds

Examination of records revealed that an amount of ₹ 7.25 crore⁴² was sanctioned by MHA, GOI for infrastructure development for the Battalion. It was also noticed that

⁴⁰ Vide No.16011/6/2006 dated 03.09.2008.

⁴¹ (i) Construction of Jawans Barrack (3 Nos), (ii) Construction of dining hall/kitchen (1 No.), (iii) Construction of bath & toilet units (24 Nos), (iv) Construction of roads inside the Battalion complex, (v) Construction of retaining walls at various locations, (vi) Construction of RCC slab culvert, (vii) Construction of Unit Gate and Sentry Post, (viii) Site leveling for various buildings, (ix) Construction of boundary security fencing and (x) Construction of Ring Wells (5 Nos)

⁴² ₹ 2.16 crore in November 2010 and ₹ 5.09 crore in August 2011.

work orders for a total amount of ₹ 7 crore was awarded (09.12.2010) to M/s Premier Enterprises without NIT on the basis of directions received from the State Government. Further analysis revealed that the work order consisted of several items of work including “Construction of retaining walls at various locations”. It was noticed from the MBs that the total value of work done for the said work was ₹ 35.10 lakh and payment of ₹ 35.10 lakh was released (29.05.2011) to the contractor. Details of works done as per MBs were as shown in the table below:

Table: 5.3.10

Sl.No.	Items of work	Qty. (cum)	Rate (₹/cum)	Amount (₹)
1.	Excavation work in foundation trenches or drains.	187.23	286.77	53691.94
2.	PCC in 1:3:6 in foundation	23.40	5106.40	119489.76
3.	Stone masonry work in cement mortar 1:3	550.19	6064	3336352.16
				3509533.86

However, it was noticed during joint physical verification that the works were not executed. On enquiry, it was stated that the amount was utilised for clearance of jungle around the site as construction of retaining walls was not required. Thus, an amount of ₹ 35.10 lakh was diverted for purposes other than for which it was sanctioned without approval of the competent authority. Further, payments were made to the contractor on the basis of fictitious entries recorded in the MB.

PEP stated (November 2014) that there was no necessity to construct retaining wall as the Battalion HQ area was covered by jungle. Therefore in order to clear the jungle area first, bills were prepared and utilised for jungle clearance.

(iii) Payment made on the basis of fictitious entries recorded in the MBs

- **Construction of quarters:** Examination of records revealed that work orders were issued to two contractors⁴³ for construction of type I and type IV quarters. As per the estimates, the roof truss of all the quarters were to be constructed with steel tubular structures. Analysis revealed that entries were recorded in the MB against the item of work ‘steel work in built-up tubular trusses including cutting, hoisting and fixing in position etc.’ and payments made to the contractors as shown in the table below:

Table: 5.3.11

Sl. No.	Type of Building	Name of Contractor	Nos.	Date of Commencement	Date of Completion	Steel work as per MB (Kg)	Rate (₹/Kg)	Amount (₹) (4x8x9)
1	2	3	4	5	6	8	9	10
1.	Type-I	M/s National Constructions, Dimapur	9	18.01.2012	30.04.2012	2102.71	154.12	2916627
2.	Type-I	-do-	9	23.01.2012	30.04.2012	2102.71	154.12	2916627
3.	Type-IV	M/s Kahoto Jinimi	2	27.0..2012	05.06.2013	1231	141.47	348299
	Total:							6181553

⁴³ Type IV quarter: M/s Kahoto Jinimi (08.02.2012) and Type I quarters: M/s National Constructions (18.01.12 & 13.01.12).

However, it was noticed during physical verification that the roof trusses were constructed with wood instead of steel. Thus, ₹ 61.82 lakh was paid to the contractors on the basis of fictitious entries recorded in the MBs.

It was stated by the PEP during exit conference (November 2014) that the contractors would be asked to replace the wood trusses with tubular structure in Type-I and Type-IV quarters.

- **Providing water supply to Quarters, Barracks & Dining Hall/Kitchen.**

Examination of records revealed that works regarding water supply were carried out in quarters, barracks and Dining Hall/Kitchen. However, during physical verification, it was noticed that the works shown as executed in the MBs were not actually executed as detailed in **Appendix 5.3.10**.

Thus, payments were made for unexecuted items of work by recording fictitious entries in the MBs.

(iv) Payments made without recording complete measurements

Analysis of MBs revealed that payments against several works were made by recording measurements for only one work and multiplying it by the number of similar works executed as detailed in **Appendix 5.3.11**.

Thus, payments were made to the contractor without taking complete measurements of the works executed.

PEP stated (November 2014) that as the measurement was all the same, only one work was recorded in the MB and multiplied by the number of similar works executed. It was further stated that this would not be repeated in future.

5.3.10 Conclusion

Works were not prioritised and work orders were issued for all the works envisaged in the DPR without identifying source of funds and ensuring uninterrupted flow of funds for their completion resulting in creation of huge committed liabilities for the Department. Consultants were appointed without inviting tenders on the recommendation of VVIP despite availability of technical expertise in the Department resulting in avoidable/wasteful expenditure on consultancy charges. Works were awarded in contravention of SLTC recommendations without inviting tenders and cases of collusive bidding were noticed. Works were awarded in October 2009 for four projects at exorbitant item rates without inviting tender and terms and conditions contained in the work orders/agreements with contractors were found to be ambiguous and defective. Further, several cases of excess payments, payments for unexecuted works and doubtful expenditure were noticed.

5.3.11 Recommendations

- Works should be prioritised/taken up for phase-wise execution after ensuring uninterrupted flow of funds for its completion.

- DPRs/Estimates should be prepared after proper study of requirements;
- The procedure for awarding works needs to be streamlined and made transparent;
- Cases of doubtful/inflated payments needs to be investigated.

PUBLIC WORKS (HOUSING) DEPARTMENT

5.4 Avoidable expenditure

The Department incurred an avoidable expenditure of ₹ 9.51 crore due to delay in handing over the project site. The Department also made excess payment of ₹ 3.88 crore to the contractor towards enhancement of rate for newly incorporated items of works not approved by the Government.

Rule 248 of the NPWD code states that the site for every building should definitely be settled before the detailed designs and estimates are prepared and the local authorities must be consulted in all cases.

The work order for the construction of new PWD Complex building at PWD Hill, Kohima was awarded (May 2006) to a contractor⁴⁴ on item rate basis at the negotiated amount of ₹ 9.84 crore (14.92 *per cent* above SOR 2004). The work order amount was subsequently revised to ₹ 35.16 crore (December 2009) as the estimated cost was enhanced⁴⁵ due to inclusion of additional works and increase in the cost of some items. The work commenced from February 2007 and was completed in March 2011. Examination of records (November 2013) of Executive Engineer (EE), Central Division, Kohima revealed the following:

A. Avoidable expenditure

Though the work order was issued in May 2006, the Department handed over (August 2008) the project site to the contractor after a delay of 18 months. The Contractor had accordingly requested (August 2008) for enhancement of rate for the remaining works @ 38.46 *per cent* above the approved tender rate of 2006 on account of delay in handing over of project site by the Department. The rate enhancement was approved by the Government in December 2009. The work was completed (March 2011) and the Contractor was paid ₹ 36.75 crore including cost escalation of ₹ 9.51 crore on account of rate enhancement.

Thus, delay of 27 months in handing over of the site after issue of the work order (May 2006) resulted in avoidable expenditure of ₹ 9.51 crore on account of rate enhancement/escalation of cost.

B. Excess payment of ₹ 3.88 crore

The EE Central Division, Kohima prepared the revised estimate valued at ₹ 38.66⁴⁶ crore incorporating 23 new scheduled items of work valued at ₹ 5.04 crore and 12 non-scheduled items valued at ₹ 2.95 crore in addition to the 42 scheduled items in

⁴⁴ Shri. Vilelie Khamo

⁴⁵ Enhanced from ₹ 13.90 crore to ₹ 38.66 crore

⁴⁶ Including Miscellaneous Departmental charges ₹ 3.50 crore

the original estimate. The revised estimate was approved in December 2009. As per the approved estimates all the non-scheduled items were excluded from the scope of rate enhancement. In respect of the newly incorporated scheduled items the rates were prepared based on the prevalent rates of SOR 2008. As such, no enhancement were admissible for those new items.

Further examination (October 2013) of the Measurement Book and the Running Account bills however, revealed that the Contractor was *inter alia* paid ₹ 13.95 crore for scheduled and non-scheduled items. The payment of ₹ 13.95 included inadmissible amount of ₹ 2.33 crore for newly incorporated scheduled items and ₹ 1.55 crore for non-scheduled items on account of enhancement of rate which were not admissible. This resulted in avoidable excess payment of ₹ 3.88 crore.

Thus, the Department incurred an avoidable expenditure of ₹ 9.51 crore due to delay in handing over the project site. The Department also made an excess payment of ₹ 3.88 crore to the contractor towards enhancement of rates for newly incorporated items of works not approved by the Government.

In reply, the Department stated (October 2014) that the commencement of the work was delayed due to incorporation of additional office space to accommodate new wings which had resulted in change of scope and design. Some unforeseen problems such as disconnection of electrical, telephone, water connections, etc. and evacuation of existing building had also contributed to the delay. The reply further stated that since the re-tendering would have caused further delay and litigation, it was decided to enhance the rate to 38.46 per cent above SOR 2004. With regard to excess payment, the Department stated that the payment was released on the basis of revised estimate duly vetted by both the State Level Programme Implementation Committee and High Level Technical Committee and approved by the State Government.

The reply of the Department confirms the fact that the tendering was done before assessing the requirement and finalisation of the scope and design of the project to be executed. The Department's claim that the cost of escalation was released as per approval was factually incorrect as the Government did not approve enhancement of rates for the non-scheduled items in the revised estimates and no escalation was payable on the newly incorporated scheduled items.

TRANSPORT AND CIVIL ADMINISTRATION WORKS DEPARTMENTS

5.5 Non-deduction/Non-deposit of Cess

Transport Commissioner, Nagaland and Executive Engineer CAWD failed to deduct Cess amounting to ₹ 73.26 lakh against the provision of the Building and other Construction workers Welfare Cess Act. In addition, ₹ 10.44 lakh deducted as cess was also not remitted to the Board.

As per the provision of Building and other Construction Workers Welfare Cess Act, 1996, a levy of cess at such rates not exceeding two percent but not less than one per cent of the cost of construction incurred by an employer is to be collected in such manner including deduction at source and paid to the "Building and Other

Construction Workers Welfare Board” constituted by the State Government. The Act also provides for levy of interest and penalty for delay/non-payment of cess within the specific time.

In exercise of the powers conferred under section 3 of the above Act, Government of Nagaland, Labour and Employment Department notified (August 2011) for levy of cess at one *per cent* of the cost of construction on all activities of civil construction in the State. The Drawing and Disbursing Officers were responsible for deducting the cess at the time of making final payment to the contractors and remitting the same to the Nagaland Building and Other Construction Workers (NBOCW) Welfare Board.

Audit of records (February 2013 and June 2013) of two departments revealed the following:

A During 2011-12 and 2012-13 Central Administration Works Department (CAWD), Nagaland paid ₹ 59.00 crore against several⁴⁷ minor works executed through various contractors. As per the act, an amount of ₹ 59 lakh was to be deducted as Cess at one *per cent* and deposited to the Board by the division. However, from the vouchers⁴⁸ it was seen that Cess (₹ 10.44 lakh) was deducted from 321 bills and no Cess was deducted in the remaining 1234 cases which amounted to ₹ 48.56 lakh. It was also noticed that ₹ 10.44 lakh deducted by the division was not remitted to the Board.

In reply, the Department stated (December 2014) that an amount of ₹ 10.44 lakh had been deposited (July 2014) to the Labour Department. Regarding non-deduction of ₹ 48.56 lakh the Department stated (December 2014) that though Notification was issued by the Labour Department in August 2011, there was no clear instruction from the Finance Department till September 2012 which led to non-deduction. However, the fact remained that lack of co-ordination between the departments led to non-deduction of ₹ 48.56 lakh.

B The Transport Commissioner, Nagaland (October 2011) drew an amount of ₹ 24.78 crore for construction of International Standard Truck Terminus (ISTT) at Dimapur District. The Department paid ₹ 24.70 crore out of the above amount without deducting at source 1 *per cent* Cess amounting to ₹ 24.70 lakh.

Thus, due to non-adherence to the statutory provision of the Act, cess amounting to ₹ 24.70 lakh was not deducted at source from the bills which led to an undue benefit to the contractor to that extent.

In reply the Transport Commissioner stated (March 2014) that the cess amounting to ₹ 24.70 would be deducted from the contractor while releasing the final payment. This was further reiterated (August 2014) by the Government. The reply was not acceptable as ₹ 16.99 crore out of ₹ 24.70 crore was paid against final bills/payments.

⁴⁷ 1555 cases

⁴⁸ Final bill/Running Account bills.