EXECUTIVE SUMMARY

Executive Summary

This Audit Report has been prepared in six chapters. Chapters I to V deal with Social, Economic, State Public Sector Undertakings, Revenue and General Sectors. Chapter-VI deals with Follow up of Audit observations.

This Report contains 23 paragraphs including 12 general paragraphs, three Performance Audits, audits of Management of State Disaster Response Fund, Collection of Revenue from Outsourced Activities in Motor Vehicle Tax and IT Audit of Computerisation of Treasury Operation System and nine Compliance Audit paragraphs. According to the existing arrangements, copies of the draft paragraphs and draft Performance Audits were sent to the Principal Secretary/Secretary of the departments concerned with a request to furnish replies within six weeks. However, in respect of two Performance Audits and seven Compliance Audit paragraphs included in the Report, no replies were received till the time of finalisation of the Report (October 2016). A synopsis of the important findings contained in the Report is presented below:

SOCIAL SECTOR

Performance Audit

Implementation of National Rural Health Mission

The National Rural Health Mission (NRHM) was launched in April 2005 in the country with a view to provide accessible, affordable and quality health care to the rural population, especially the vulnerable sections of the society. The key strategy of NRHM was to support and supplement the efforts of the State for strengthening health system through the provision of financial and technical assistance.

The Department did not follow a ‘bottom-up’ approach to planning, as was envisaged by the Mission. Absence of perspective planning, non-conduct of household surveys and inadequate community involvement had resulted in failure to identify gaps in health facilities and areas of intervention.

Budget Estimates were not realistic as there was short release of ₹ 273.46 crore by Government of India due to non-utilisation of funds in the previous years and non-fulfilment of prescribed conditions. Financial management and coordination was poor as percentage of utilisation of available funds was in the range of 51 to 69 *per cent*.

The desired level of capacity building and strengthening of physical infrastructure had not been achieved. Existing number of Sub Centres (SCs), Primary Health Centres (PHCs) and Community Health Centres (CHCs) were short of the targets by 12, 47 and 56 *per cent* respectively. Many of the existing SCs lacked basic amenities and construction activities were delayed on account of various reasons. Shortages of specialists in District Hospitals and non-availability of specialists in CHCs and PHCs in the test checked districts were symptomatic of a wider trend, where access to health care in rural areas remained limited to primary health care due to non-availability of specialists. Adequate training was not being provided to the existing medical staff.

The effectiveness of the programmes under the Mission could not be fully vouched for as gaps had been found in their implementation. For instance, a third of pregnant women did not receive Tetanus Toxoid and 40 *per cent* did not receive the required Iron and Folic Acid tablets. In the last five years the Department could not track the fate of about 29 to 33 *per cent* of registered pregnant women for which no reasons were found on record.

Assessment and reporting of quality of health care in health centres were not done in the three test checked districts. Monitoring at the State level had been inadequate.

(Paragraph 1.3)

Management of State Disaster Response Fund

Ministry of Home Affairs, Government of India framed (September 2010) the guidelines on constitution and administration of State Disaster Response Fund (SDRF) for providing immediate relief to the victims of natural calamities. The guidelines became operative from 2010-11.

There was lack of adequate planning, monitoring and assessment in management of SDRF as evident by the fact that the fund was being administered in an adhoc manner without a State Disaster Management Plan over the years. Consequently, the Department did not prepare annual plans for management of the fund. The Department did not monitor the expenditure made out of SDRF. As a result, incorrect figures to the GoI were reported. The Department did not invest the unspent balances of SDRF prudently. The funds earmarked for providing assistance to the beneficiaries were diverted by the Sub Divisional Magistrates for purposes not admissible under the scheme guidelines.

(Paragraph 1.4)

Compliance Audit Paragraph

Failure to enforce the extant provisions regarding handling of Government money received by Government officials coupled with deficient monitoring of the collection and deposit by the Agartala Government Medical College and G.B. Pant Hospital, Agartala led to misappropriation of ₹ 3.72 lakh, apart from non-accounting of unascertained amount of Government revenue collected through 19 missing TR-5 Receipt books.

(Paragraph 1.5)

ECONOMIC SECTOR

Performance Audit

Pradhan Mantri Gram Sadak Yojana

Rural road connectivity is a key component of rural development as it provides access to economic and social services thereby generating increased agricultural income and productive employment opportunities leading to poverty alleviation. The Government of India, Ministry of Rural Development launched (December 2000) the Pradhan Mantri Gram Sadak Yojana (PMGSY) with the objective to provide all weather roads to all unconnected habitations having a population of above 1,000 by the year 2003 and those having population between 500- 999 (250 -999 for North East States except Assam) by the year 2007. Besides, upgradation of existing rural roads was also to be carried out under PMGSY.

The targets set for construction of roads/habitations coverage were not met mainly due to land disputes and slow progress of work. Absence of District Rural Road Plan led to 40 priority habitations remaining unconnected in the State even after lapse of more than eight years from the scheduled completion period *i.e.* by 2007. Project management was weak and there were unexpected delays. The authority did not initiate timely action for recovery of dues from defaulting contractors. There were instances of inflated measurements of works and consequential overpayment to contractors and short levy of liquidated damages for delays. Quality measures were deficient. Maintenance of roads was weak, funds were not utilised and many roads were found damaged. Action Taken Notes on the rectification of defects pointed out by the State Quality Monitor and National Quality Monitor were pending. The monitoring mechanism was weak as the State Level Standing Committee meetings were not held regularly. Impact assessment was not carried out as envisaged which indicated weak internal control mechanism.

(Paragraph 2.3)

Compliance Audit Paragraphs

The Executive Engineer, Kanchanpur Division rescinded the work due to slow progress and thereafter balance work was awarded to another contractor at higher rate. This resulted in extra expenditure of ₹ 19.65 crore which had not been recovered from the defaulting agency by invoking the risk and cost clause of the agreement.

(Paragraph 2.4)

Failure of the Department to include Bituminous work in the agreement resulted in re-execution of the same work subsequently through another contractor which led to wasteful expenditure of ₹ 1.81 crore.

(Paragraph 2.5)

Construction of Reinforced Concrete Cement bridge over river Khowai on the road from Seoratali to Paharmura remained incomplete even after a lapse of about five years due to suspension of work by the agency, thus rendering an expenditure of ₹ 75.14 lakh as idle and unfruitful. In addition, penalty on account of delay amounting to ₹ 1 crore which was leviable as per terms and conditions of contract was not levied by the Department.

(Paragraph 2.6)

Payment for repair of potholes on the basis of filling by Brick Aggregate rather than Stone Aggregate while upgrading a rural road resulted in inadmissible payment of ₹ 51.70 lakh besides cost overrun of ₹ 81.86 lakh.

(Paragraph 2.7)

Failure on the part of the divisional authorities to recover the value of store materials and non-deduction of statutory dues from the contractor's bill resulted in over payment of ₹ 0.81 crore to the contractor.

(Paragraph 2.8)

Award of similar nature of works under the same division at two different rate(s) in the same year led to extra expenditure of ₹ 59.68 lakh.

(Paragraph 2.9)

ECONOMIC SECTOR
(STATE PUBLIC SECTOR UNDERTAKINGS)

Performance Audit

Working of Tripura Small Industries Corporation Limited

The Tripura Small Industries Corporation Limited (Company) was incorporated in April 1965 with the aim to finance, protect and promote small enterprises in the State of Tripura. At present, the activities of the Company include production of bricks, blending and sale of rectified spirit, marketing of miscellaneous items, etc.

There were wide variations between annual turnover targets of the Company fixed under the Memorandum of Understandings (MoUs) entered between the Company and State Government and that mentioned in the Action Plan submitted by State Government to Government of India (Planning Commission). Besides, the turnover targets under the MoUs and the State Government's Action Plan were fixed without reference to previous year's achievements of the Company.

Losses had been incurred by 11 out of 13 branches of the Company in all five years covered in Audit. This was mainly due to high fixed costs and consequent high levels of break-even turnover of the Company. Among loss incurring branches, the production of bricks incurred the highest loss mainly on account of inadequate production of bricks, excess damage to green bricks, failure to ensure standard production of different classes of burnt bricks and limit consumption of coal.

The number of vendors enlisted with the Company was low as compared to total number of operational Micro, Small and Medium Enterprises (MSME) units (2,500 units) in the State as of March 2016. The Company failed to effectively monitor the performance of MSME vendors in absence of comprehensive database relating to enlistment, renewal, order position and performance evaluation of the vendors.

Steps were not taken to increase sales of country spirit by brand creation, improving packaging, introducing value added country spirit, etc. There was no consistency in the methodology adopted for fixation of selling prices of country spirit during 2012-16.

There were no delegation of powers, management information systems and operational manuals.

(Paragraph 3.2)

REVENUE SECTOR

Collection of Revenue from Outsourced Activities in Motor Vehicle Tax

Following the direction of the Supreme Court of India to implement the Scheme of High Security Registration Plates (HSRPs) as envisaged under the Central Motor Vehicle (1st Amendment) Rules, 2001, Transport Department, Government of Tripura resorted to outsourcing of services in the areas of "HSRP Project" for supply of HSRP including its affixation on all motorised road vehicles. "Smart Card Project" for issue of Driving Licenses (DLs) and the vehicle Registration Certificates (RCs) in smart cards commenced from 1st April 2006.

The extant instructions governing the outsourced activities had not been adhered to by the vendor. Despite this, there was no mechanism in existence in the Department to monitor and control the activities of the vendor. Non-submission of daily activity report for scrutiny by the registering authority, affixation of HSRP by vendor without formal authorisation, absence of periodical verification of vendor's activity, etc. reflected lack of transparency in the whole exercise being carried out by the vendor without the required intervention of the Department. The fact that 82 *per cent* of the existing vehicles are without HSRP even after a lapse of three years of the conversion deadline indicated lack of intent of the Department in project implementation. Neither the vendor nor the District Transport Officers maintained any records on actual issue of RCs/DLs in smart cards for pre and post smart card periods. As a result, the Department was not aware of the position of actual coverage of new vehicles on registration, conversion of paper based RCs of old vehicles, etc. Consequently, suitable action for ensuring compliance by the defaulting vehicles owners/licensees had also not been contemplated. There was short payment of ₹ 6.83 lakh, representing about 25 *per cent* of Government revenue derivable from space rent for HSRP project as also non-payment of ₹ 3.34 lakh due to less disclosure of Learner Licenses printed by the vendor. Thus, the Department seemed to have reduced its role to mere recipient of monthly revenue paid by the vendor without doing any related cross verification with its own records.

(Paragraph 4.2)

Compliance Audit Paragraphs

Concealment of turnover by the dealers which escaped notice of the assessing authorities resulted in short levy of tax of ₹ 24.32 lakh, non levy of interest of ₹ 6.80 lakh and penalty of ₹ 3.48 lakh.

(Paragraph 4.3)

Failure to impose penalty by the Assessing Authority on evaded tax resulted in loss of revenue of ₹ 10.99 lakh.

(Paragraph 4.4)

GENERAL SECTOR

IT audit on Computerisation of Treasury Operation System

The Government of Tripura initiated the Computerised Treasury Operation System (CTOS) in 1998, which was implemented in all the Treasuries and Sub-Treasuries by 2003-04 at a cost of ₹ 1.47 crore. Subsequently, in 2010, the State Government decided to upgrade the CTOS from Client Server Architecture to Web Based Online Treasury Operation System (WBOTOS) to achieve better financial management. Further, during 2014, it was decided to include budget module for preparation of budget and releasing of funds to departments through online system, integration of bank portal for direct online payment from treasury through e-payment and integration with Public Financial Management System (PFMS) to capture details of funds received from Government of India. These modules had not been developed.

Lack of adequate planning and assessment had resulted in piecemeal implementation of the project, where requirements of many modules were being firmed up only as the project was underway, with consequences on the completion of the system being developed.

The Department had failed to put in place the required technical staff at the directorate level for maintenance of application software. Therefore, it continued to rely entirely on the firm (RITES Ltd.) for maintenance of the software. The legacy data had not been fully imported into WBOTOS.

The application was being run in a poorly controlled environment with weak password policy, which in conjunction with lack of audit trails makes it extremely difficult to fix accountability/responsibility on those who had performed duties using the application software.

(Paragraph 5.3)