Chapter II
Economic Sector
(Other than Public Sector Undertakings)

CHAPTER II
ECONOMIC SECTOR
(OTHER THAN PUBLIC SECTOR UNDERTAKINGS)

2.1 Introduction

The audit observations relating to the State Government Departments and their units under the Economic Sector other than State Public Sector Undertakings are featured in this chapter.

During 2017-18, against a total budget provision of ₹ 3,683.20 crore, a total expenditure of ₹ 2,324.31 crore was incurred by 17 departments under Economic Sector. The Department-wise details of budget provision and expenditure incurred there-against are shown in the following table.

Table No. 2.1.1 Budget Provision and Expenditure of Departments in Economic Sector during 2017-18

(₹in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Agriculture	223.22	134.98
2	Sericulture	25.41	27.53
3	Economic and Statistics	17.32	13.43
4	Commerce and Industries	138.70	76.81
5	Co-operation	26.30	21.56
6	Fisheries	40.09	37.98
7	Horticulture and Soil Conservation	85.82	67.05
8	Veterinary and Animal Husbandry	118.43	82.84
9	Science and Technology	11.95	6.02
10	Tourism	78.40	30.90
11	Forest Department (including Environment)	207.65	135.75
12	Water Resources Department	484.43	185.05
13	Minor Irrigation	152.91	47.20
14	Public Works	1,105.57	553.76
15	Power	624.70	573.50
16	Public Health Engineering	320.91	309.84
17	Information Technology	21.39	20.11
Total		**3,683.20**	**2,324.31**

Source: Appropriation Accounts.

Besides the above allocation of funds, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies of the State Government for implementation of various programmes of the Central Government. During 2017-18, out of ₹ 54.67 crore directly released to the different implementing agencies, ₹ 23.31 crore was released for activities under Economic Sector. The details are shown in ***Appendix 2.1***.

2.1.1 Planning and execution of Audit

Audit is conducted in accordance with the annual audit plan. The audit units are selected on the basis of risk assessment carried out keeping in view the topicality, financial significance, social relevance, internal control system of the units, and occurrence of defalcation/ misappropriation/ embezzlement as well as past audit findings *etc*.

Inspection Reports are issued to the heads of units as well as heads of departments after completion of compliance audit of a unit. Based on the replies received, audit observations are either closed or departments / units are advised to take further remedial measures. Important audit findings are processed for inclusion in the Audit Report of Comptroller and Auditor General (CAG) of India for placing of the same before the Legislative Assembly.

Audits conducted during 2017-18 covered expenditure of ₹ 2,286.38 crore including expenditure of the previous years of the State Government under Economic Sector as shown in ***Appendix 2.2***.

2.1.2 Records not produced to Audit for scrutiny

During audits conducted in 2017-18, there were 13 DDOs[55] belonging to three departments under Economic Sector who failed to produce records despite pursuance made by Audit to get auditable record and sufficient opportunity being provided to the Department concerned to produce the same. Details are shown in ***Appendix 2.3***.

As the records were not produced for scrutiny, Audit was unable to ascertain the genuineness of the underlying transactions and it, therefore, raises the red flag of fraud and unhealthy practices. It is also recommended that disciplinary action may be initiated against officers who failed to produce records to Audit even after sufficient notices were given by Audit to these DDOs.

This chapter contains one Performance Audit *viz*., "Performance Audit of NABARD Assisted Rural Infrastructure Development Fund for Rural Connectivity" and six compliance audit paragraphs as discussed in the succeeding paragraphs.

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Public Works Department

(i) Superintending Engineer (Headquarter),
(ii) Executive Engineer (EE), Jiribam,
(iii) EE, Building Division – II,
(iv) EE, Electrical Division – II,
(v) EE, National Highways Division – I.

Agriculture Department

(i) District Agriculture Officer, Senapati

Horticulture and Soil Conservation Department

(i) Horticulture Specialist, Regional Progeny Orchard, Maram, Senapati,
(ii) Vegetable Specialist cum Superintendent, Liyai, Senapati
(iii) Cashewnut Development Officer, Jiribam,
(iv) District Officer (DO), Bishnupur,
(v) DO, Ukhrul
(vi) Divisional Soil Conservation Officer, Imphal West,
(vii) Deputy Director, Kangpokpi, and District Agriculture Officer, Senapati.

PERFORMANCE AUDIT

PUBLIC WORKS DEPARTMENT

2.2 Performance Audit on Implementation of rural connectivity projects funded through NABARD Loan

The Rural Infrastructure Development Fund (RIDF) was created in 1995-96 in National Bank for Agriculture and Rural Development (NABARD) with the objective of funding the rural infrastructural gap. NABARD provides loans under RIDF to the State Governments for development of rural infrastructure. The eligible activities for RIDF funding are classified under three broad categories *i.e.*, Agriculture and related Sectors, Social Sector and Rural Connectivity Sector. 34 Rural Connectivity projects were sanctioned at a cost of ₹ 141.88 crore in Manipur during the period from 2015-16 to 2017-18 having NABARD share of ₹ 127.69 crore and State share of ₹ 14.19 crore respectively.

The Performance Audit (PA) on Implementation of rural connectivity projects funded through NABARD Loan in the State covering the period 2015-16 to 2017-18 was carried out to examine issues like utilisation of loans, compliance of NABARD Guidelines and applicable technical specifications in execution of the projects, achievement of desired objectives of the projects and the adequacy of existing mechanism for monitoring implementation of projects.

Highlights

- *Prioritisation of projects was done on adhoc basis without following any defined criteria as per NABARD Guidelines.*

{*Paragraph 2.2.8.1(a)*}

- *NABARD loan amounting to ₹ 9.13 crore was availed for four ineligible projects resulting in interest liability of ₹2.59 crore.*

{*Paragraph 2.2.8.1(b)*}

- *NABARD loan amounting to ₹76.43 lakh was availed for one bridge project already constructed under Asian Development Bank funding indicating lack of co-ordination among the various implementing units.*

(*Paragraph 2.2.8.2*)

- *The PWD had prepared inflated Statement of Expenditure which were, without ensuring their correctness, submitted by the Finance Department to NABARD. Further, NABARD also failed to verify the correctness of the claims before making the reimbursement of expenditure and subsequently made excess reimbursements ranging from ₹2.03 crore to ₹16.21 crore than the actual expenditure.*

(*Paragraph 2.2.9.2*)

- *The Detailed Project Reports of the 16 road improvement projects costing ₹70.37 crore were deficient of basic information on design traffic, design life, strength and thickness of the existing pavement etc.*

(Paragraph 2.2.10.2)

- *Incorrect analysis of rates and consequent award of Bituminous items of works in respect of seven projects at higher rates resulted in extension of undue benefit to contractors amounting to ₹1.83 crore.*

(Paragraph 2.2.10.7)

- *The unjustified execution of Bituminous Macadam (BM) item of works in respect of two inter village roads resulted in avoidable expenditure of ₹1.97 crore.*

(Paragraph 2.2.10.8)

- *No effective quality control and monitoring mechanism were in place for carrying out the required quality control tests. During 2015-18, five meetings of High Power Committee were held as against the requirement of 12 which indicated lack of monitoring.*

(Paragraphs 2.2.13.1, 2.2.13.2 & 2.2.13.3)

2.2.1 Introduction

The Ministry of Finance, Government of India (GoI) created Rural Infrastructure Development Fund (RIDF) in the year 1995-96 with an initial corpus of ₹ 2,000 crore to encourage quick completion of ongoing rural infrastructure projects. This fund was operated by the National Bank for Agriculture and Rural Development (NABARD). Subsequently, new projects were also funded and the number of eligible activities for RIDF funding was increased. At present, there are 36 eligible activities under RIDF which are classified under three broad categories *viz.*, agriculture and related sector, social sector and rural connectivity sector. The eligible activities under rural connectivity sector are rural roads and rural bridges.

The main objective of RIDF is to promote balanced and integrated economic development of rural areas by providing low cost financial support to State Governments and State owned Corporations in the form of loans for quick completion of rural infrastructure projects. NABARD provides loan assistance up to 90 *per cent* of the cost of a project to North Eastern Region States including Manipur. The balance amount is to be provided by the State Government as its share.

2.2.2 Organisational Setup

The Finance Department, Government of Manipur, is the Nodal Department for operationalisation of projects under RIDF. Project proposals submitted by various Departments are routed through the Finance Department only. The Detailed Project Reports (DPRs) of the projects prioritised by a High Power Committee (HPC) are submitted to NABARD Regional Office by the Implementing Departments through the Finance Department. Eligible projects are examined for sanction by a Project Sanctioning Committee of NABARD. Apart from sanctioning the project, NABARD was also responsible for monitoring the projects mainly to facilitate timely completion of projects, avoid cost overrun, and identify new investment opportunity.

After the projects are sanctioned, activities relating to submission of applications for drawal of loans, release of loans, execution of documents, repayment of loans *etc.,* are handled by the Finance Department.

The Public Works Department (PWD) under the administrative control of a Secretary or Commissioner is responsible for the implementation of rural connectivity projects. Execution of the projects is administered by one Chief Engineer who is assisted by three additional Chief Engineers, six Superintending Engineers and 12 Executive Engineers.

2.2.3 Scope of Audit

The Performance Audit (PA) on Implementation of rural connectivity projects funded through NABARD Loan covering the period from 2015-16 to 2017-18 was carried out during April 2018 to September 2018 through test check of records in the State Finance Department, Chief Engineer and 12 implementing divisions of PWD.

The State Government started availing NABARD loan under Rural Connectivity sector from tranche XXI (2015-16) onwards. During 2015-16 to 2017-18, out of 35 projects submitted to NABARD, 34 projects (Roads-23, Bridges-11) costing ₹ 141.88 crore (as shown in ***Appendix 2.4***) were sanctioned. Out of these 34 sanctioned projects, nine projects costing ₹ 31.87 crore sanctioned in March 2018 were yet to be started (September 2018) and hence, were not included in the audit sample. The Performance Audit covered the remaining 25[56] projects costing ₹ 110.01 crore.

2.2.4 Audit Objectives

The Performance Audit was conducted to ascertain whether:

(i) loan amount made available to the Implementing Departments/Agencies was used economically, efficiently and effectively;

(ii) execution of the projects of rural connectivity was as per the NABARD Guidelines and applicable technical specifications;

(iii) there was any improvement in the socio-economic indicators on completion of the rural connectivity under RIDF; and

(iv) quality control and monitoring mechanism in place were adequate and effective.

[56] 16 Roads and 09 Bridges Projects.

2.2.5 Audit Criteria

The audit criteria for the Performance Audit were drawn from the following sources:

- Handbook on RIDF issued by NABARD;
- Detailed project reports and contract conditions;
- Specific terms and conditions of sanction of loans;
- Manipur Schedule of Rates (MSR) and Analysis of Rates;
- Standard specifications of Indian Road Congress (IRC), and specifications prescribed by Ministry of Road Transport and Highways (MoRTH); and
- Manipur Public Works Department (MPWD) Works Manual.

2.2.6 Audit Methodology

The PA commenced with an entry conference (May 2018) with the Joint Secretary (Finance), Chief Engineer (PWD) and officers of the Finance Department and PWD, wherein the issues like audit scope, objectives and criteria of the PA were discussed. Thereafter, during the course of audit, audit requisitions and questionnaires were issued to the Nodal Department, Chief Engineer and the implementing divisions. Audit findings were developed based on the analysis of data, records and information furnished. Joint physical verifications of selected works were also carried out along with the officials of the PWD.

The draft Audit Report was issued (October 2018) to the State Government. The audit findings were discussed with the departmental authorities in an Exit Conference (December 2018) wherein representatives of NABARD were also present. The responses of the Department have been incorporated appropriately in the Report.

2.2.7 Acknowledgement

Indian Audit and Accounts Department (IA&AD) acknowledges the cooperation and assistance extended by the Departments concerned and the Government in providing necessary information and records for test checks during the course of conduct of audit apart from other inputs and replies to audit observations.

Audit findings

The audit findings of the PA of NABARD Assisted RIDF for Rural Connectivity are discussed in the succeeding paragraphs.

2.2.8 Planning

2.2.8.1 (a) Inadequate mechanism for proper identification of projects

As per Para 6 of NABARD Handbook on RIDF, the projects prioritised by the State Government should be technically feasible and financially viable.

Under the present system, project proposals submitted by the implementing Departments are initially placed before the High Power Committee (HPC) which is chaired by the Chief Secretary. The HPC is the highest body for project approvals and comprises of the Chief Secretary, Director (Planning), Heads of Finance and Implementing Departments and General Manager (NABARD), Imphal Regional Office. After approval by the HPC, the project proposals are sent to the NABARD Regional Office through the Finance Department for sanction.

Audit scrutiny of records revealed as under:

- PWD did not have any streamlined procedure for identification, prioritisation and selection of the projects for loan assistance under RIDF.
- Department did not have state road master plan which could help in infrastructure gap analysis of the various districts thereby facilitating proper prioritisation of projects in the State.
- Project proposals were not supported with the details of required quantifiable criteria as required under NABARD Guidelines.
- NABARD also failed to check basic requirements and approved such projects without ensuring fulfilment of basic inputs.

Thus, both the implementing department (PWD) and the HPC had failed to exercise due diligence in proper prioritisation of the RIDF projects due to which the possibility of leaving out high priority projects could not be ruled out. Moreover, Audit found that five ineligible projects were included in the project proposals submitted to NABARD as discussed in the succeeding paragraph.

(b) Inclusion of ineligible projects due to lack of streamlined procedure

As per RIDF Guidelines, road projects on State Highways and National Highways are not eligible while the construction of only new bridges is eligible under rural bridge projects.

For RIDF funding under Tranche XXI (2015-16), the implementing department proposed 26 projects which were approved by the HPC and submitted to NABARD. Out of the 26 projects, NABARD sanctioned 25 projects rejecting one Road project namely “Moirang Lamkhai to Moirang Bazar” on the ground that it was a State Highway.

Audit scrutiny further revealed that among the 25 sanctioned projects, there were four ineligible projects as detailed below:

1. Moirang Kumbi Road was a State Highway. However, NABARD Loan of ₹ 7.41 crore was availed (March 2016–September 2016) for this road *i.e.,* "Improvement of Moirang Kumbi Road" for which the interest liability worked out to ₹ 2.12 crore[57] which was avoidable, had this work been taken up under State funding being related to State Highway;
2. Two road projects on National Highways namely "Restoration of damaged road on NH-150 Churachandpur-Yaingangpokpi Section" and "Restoration of damaged pavement along Churachandpur New Bazar to Hebron Bazar" were taken up availing (March 2016–February 2017) NABARD loan amounting to ₹ 80.41 lakh for which the interest liability worked out to ₹ 22.92 lakh, which was avoidable; and
3. The work of "Restoration of Tarang Bridge on IMI Sugnu Road at chainage 50.80 km" was taken up availing (March 2016–February 2017) NABARD loan of ₹ 91.71 lakh for which the avoidable interest liability worked out to ₹ 24.49 lakh.

Thus, in the absence of a streamlined procedure, loan amounting to ₹ 9.13 crore was availed from NABARD for the above four ineligible projects for which the total interest liability worked out to ₹ 2.59 crore, which the state Government was liable to pay to NABARD.

On this being pointed out in audit, the Department accepted the audit findings stating that there was no formal system of identification/prioritisation of projects in place and stated that RIDF projects under Rural Connectivity were started in 2015-16, when the State had major flood calamity and the projects were selected on emergency basis without any formal prioritisation and assessment of financial viability. The Department further stated that the project proposals were approved by HPC in consultation with DCs, local MLAs and Chief Minister. The Department also admitted that few ineligible projects had been included inadvertently and the same shall not be repeated in future.

NABARD admitted that Road Projects on NH and SH and bridge restoration works were not eligible and they had conducted awareness programmes in this regard for the implementing Departments. Further, NABARD suggested that the State Government should study various infrastructure requirements and create shelf of projects under each category and the projects should be prioritised based on the intended benefits/ Government priorities.

The above replies clearly indicated that there was absence of a streamlined procedure and as a result, ineligible projects were implemented which defeated the very purpose of RIDF in addition to creating interest liability as worked out above. This calls for fixing of responsibility of the officials who had selected such ineligible projects wrongly thereby putting unavoidable burden on the State exchequer in the form of interest liability towards NABARD loan. Moreover, the four ineligible projects could have been replaced by other eligible projects like restoration of damaged rural roads, construction of rural

[57] Interest liability has been calculated considering simple rate of interest per annum with reducing balance of principal amount of loan.

bridges *etc.* Thus, the following lapses in prioritisation and approval of projects were observed:

- The inclusion of the above ineligible projects was a serious lapse on the part of the recommending/implementing department;
- The above wrongly recommended projects were approved by HPC without ensuring due diligent exercise indicating lack of proper scrutiny of projects;
- Action of the State Finance Department (as a State Nodal Department) for submission of the projects for seeking the approval of NABARD was not in order; and
- NABARD also failed to detect the ineligible projects during scrutiny for approval.

Recommendation (9): The State Government should put in place an effective mechanism for identification and selection of eligible projects. The Projects should be prioritised after conducting infrastructure gap analysis. Moreover, Government should not select ineligible projects as expenditure on their execution involves unavoidable interest liabilities. Besides, NABARD should approve only eligible projects through exercise of due diligence as per Scheme Guidelines.

2.2.8.2 Loan taken for a bridge project already constructed under another scheme

Apart from execution of the above four ineligible projects, one bridge project namely *"Construction of Khoirom Bridge over Tamengkhong"* already included (December 2013) as a component of one Asian Development Bank project[58] was again included (January 2016) in the project proposals submitted by the implementing Department. The project was approved by the HPC and sanctioned at a cost of ₹ 84.93 lakh for RIDF funding by NABARD for which NABARD loan amounting to ₹ 76.43 lakh was availed.

Audit scrutiny revealed that as against the sanction for the construction of the bridge at Khoirom, the implementing division[59] submitted detailed estimates for the construction of a bridge at another location (Bisnunaha) which was submitted by Executive Engineer, Thoubal Division and technically approved by the Superintending Engineer without submitting any formal proposal to the higher authorities of the Department, HPC and NABARD for their approvals.

Further scrutiny in this regard revealed that the work order and the drawal of loans were done in the name of the bridge at Khoirom. The construction of the bridge at Bisnunaha was completed at a cost of ₹ 84.64 lakh. A joint physical verification (August 2018) of the bridge by Audit along with the PWD Officials confirmed that the bridge was not constructed at the proposed site (Khoirom) but was constructed at another location (Bisnunaha). The following

58 Road project "Thoubal to Kasom Khullen" which was awarded in December 2013 and executed by Project Director, Externally Aided Project, PWD-Manipur.

59 Executive Engineer (EE), Thoubal Division, PWD. Proposal submitted by the Assistant Engineer and EE.

photographs show the bridges constructed under funding from Asian Development Bank and RIDF.

Photograph No. 2.2.1 Bridges constructed at Khoirom under Asian Development Bank funding and at Bisnunaha under RIDF funding

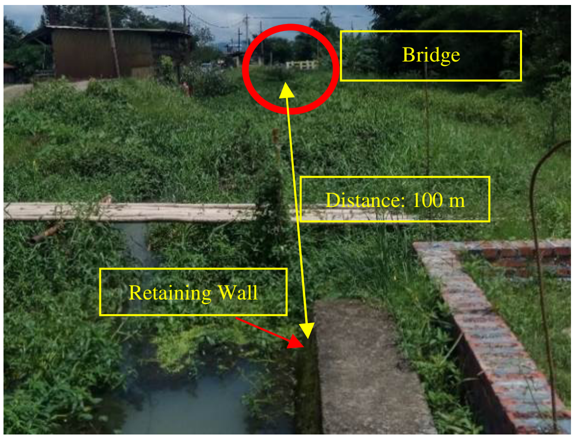
Bridge at Khoirom constructed under Asian Development Bank funding where the bridge under RIDF had again been proposed (20 August 2018)

Bridge at Bisnunaha constructed with RIDF funding for bridge at Khoirom (20 August 2018)

Audit scrutiny of records further revealed that the bridge at the new location (Bisnunaha) was smaller in size (6 metre span) than the original approved bridge (10 metre span) to be constructed at Khoirom. Retaining wall for a length of 267.80 m at a cost of ₹ 67.28 lakh was constructed of which 185.80 metres length constructed at a cost of ₹ 44.46 lakh was not connected with the bridge but constructed about 100 metres away from the bridge downstream. As such, the construction of 185.80 metres length retaining wall would not serve the purpose of protecting the bridge rendering the expenditure of ₹ 44.46 lakh wasteful. The following photograph shows the retaining wall constructed downstream at Bisnunaha.

Photograph No. 2.2.2 Retaining wall constructed 100 m downstream at Bisnunaha

Retaining wall constructed downstream at Bisnunaha was not connected with the bridge and started from 100 m away from the bridge downstream (20 August 2018)



Bridge at Bisnunaha (encircled in red) as seen downstream from the retaining wall (arrowed in red) which was 100 m away from the bridge (20 August 2018)

The proposal of the bridge project for NABARD loan though the bridge had already been constructed from ADB funding clearly indicated lack of proper planning and co-ordination among various implementing agencies. The interest liability on the NABARD loan of ₹ 76.43 lakh for this work amounted to ₹ 20.66 lakh, which was avoidable.

While replying to the audit observations, the Department admitted that this should not have happened but they were pursuing for regularization of execution of works by taking *ex-post-facto* approval from HPC.

Thus, the following lapses had taken place due to ill-planning and lack of due diligence by the authorities concerned:

- An already constructed bridge under another scheme was recommended for inclusion in the list of works for funding under RIDF, which was a serious lapse on the part of the recommending authorities;
- The above bridge work which had been wrongly recommended was further approved by HPC without ensuring due diligent exercise indicating lack of proper scrutiny of projects; and
- The action of NABARD in approving and financing this project raises a serious question mark on the functioning of NABARD. It is obvious that NABARD is neither exercising due diligence at the time of sanction nor at the time of disbursement of loans.

The above lapses revealed total disregard for the system and financial codes and thus, calls for fixing of responsibility of the officials for their failure to act as per the Guidelines and rules on the issue.

Recommendation (10): Government may order technical audit of the work in question through the Vigilance Department of the Government to find the lapses committed in execution of the work in question for fixing the responsibility of all concerned.

2.2.9 Financial management

2.2.9.1 Financial Performance

For Rural Connectivity Projects under RIDF, NABARD provides loan of 90 *per cent* of eligible project cost in North-eastern and hilly States on reimbursement basis except for the initial 30 *per cent* of the project cost released as mobilisation advance. The balance 10 *per cent* amount is shared by the State Government.

As per RIDF Guidelines, the drawal/reimbursement applications in the prescribed format are required to be submitted by the State Finance Department to NABARD. Mobilisation advance of ₹ 29.70 crore being 30 *per cent* of ₹ 99.01 crore (total loan sanctioned) was drawn by the State Government from NABARD in 2015-16.

The details of funds released, expenditure incurred, reimbursement claimed and loan disbursed by NABARD during 2015-16 to 2017-18 in respect of the 25 sampled projects is shown in the following table.

Table No. 2.2.1 Details of funds released, expenditure incurred, reimbursement claimed and reimbursed by NABARD (March 2018)

(₹in crore)

Year	Total Project Cost			Total Amount Released by State Finance Department			Expenditure			Reimbursement claimed as per SOE(Reported expenditure)	Amount reimbursed by NABARD
	NABARD	State	Total	NABARD	State	Total	NABARD Share	State Share[60]	Total		
2015-16	99.01	11.00	110.01	29.57	Nil	29.57	29.57	Nil	29.57	29.70	29.70
2016-17				38.48	9.71	48.19	38.47	9.39	47.86	49.36	49.36
2017-18				9.83	Nil	9.83	9.83	Nil	9.83	19.95	19.95
Total	**99.01**	**11.00**	**110.01**	**77.88**	**9.71**	**87.59**	**77.87**	**9.39**	**87.26**	**99.01**	**99.01**

Source: PWD records.

The following lapses in financial management were observed:

- Against expenditure of ₹ 77.87 crore, the State Government claimed reimbursement of ₹ 99.01 crore which was sanctioned by NABARD, resulting in excess reimbursement of ₹ 21.14 crore which was lying unutilised (September 2018), which entailed interest liability amounting to ₹ 5.11 crore[61] payable to NABARD.
- Out of the reported expenditure of ₹ 49.36 crore during 2016-17 from NABARD share, an amount of ₹ 1.50 crore remains parked (September 2018) under 8443-Civil Deposits for which interest liability of ₹ 11.81 lakh has already been created.

The Finance Department admitted that the amount of ₹ 1.50 crore should not have been deposited under 8443-Civil Deposits. The fact, however, remains that the State Finance Department had failed to exercise due diligence in its financial management, thereby resulting in avoidable interest liability of ₹ 11.81 lakh on the idle loan. The Finance Department has not offered any comments regarding wrong booking of expenditure without incurring expenditure and excess reimbursement of amount by NABARD.

2.2.9.2 Submission of wrong reimbursement claims by State Government to NABARD

As per RIDF Guidelines, NABARD provides loan on reimbursement basis except for the initial 30 *per cent* of loan as mobilisation advance. NABARD should disburse the loan amount on a monthly/weekly basis on submission of a statement of expenditure incurred by the State Government in execution of the works. The applications for drawal of loans were required to be submitted based on actual execution of work and expenditure incurred.

The total loan sanctioned by NABARD in respect of the 25 sampled projects was ₹ 99.01 crore (NABARD share). Scrutiny of records for drawal/reimbursement of loans revealed that the reimbursement claims were inflated and which were not in consonance with the actual expenditure was as given in the following table and discussed below:

[60] Including Agency Charges.
[61] Calculation based on balance unspent amount as on March 2018.

Table No. 2.2.2 Details of reimbursable amount vis-à-vis inflated reimbursable of NABARD funds

(₹in crore)

Actual Expenditure (Progressive Expenditure)			Statement of Expenditure (NABARD share)	Reimbursement claimed and sanctioned from/by NABARD *(Progressive fund from NABARD)*	Reimbursable amount against the Drawal	Inflated Reimbursable amount against the Drawal
NABARD Loan	State Share	Total				
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)=(5 –6)*
Expenditure reported on June 2016 and III-Drawal *(22-09-2016)*						
3.62 *(3.62)*	Nil *(Nil)*	3.62 *(3.62)*	31.47	19.83 *(19.83)*	3.62	16.21
Expenditure reported on December 2016 and IV-Drawal *(03-02-2017)*						
31.05 *(34.67)*	Nil *(Nil)*	31.05 *(34.67)*	88.79	29.53 *(49.36)*	14.84 *(34.67 - 19.83)*	14.69
Expenditure reported on December 2017 and V-Drawal *(13-03-2018)*						
32.61 *(67.28*)*	9.39 *(9.39)*	42.00 *(76.67)*	101.60	19.95 *(69.31)*	17.92 *(67.28 - 49.36)*	2.03
		Total		**69.31****		

Source: Departmental records.

* *The expenditure of NABARD share as on March 2018 has since increased to ₹77.87 crore.*

** *Mobilisation advance of ₹29.70 crore taken in February 2016 (I-Drawal - ₹14.61 crore) and March 2016 (II-Drawal - ₹15.09 crore)*

- Upto June 2016, the actual expenditure of NABARD share was ₹ 3.62 crore. However, the PWD prepared an inflated Expenditure of Statement (SOE) of ₹ 31.47 crore against which the Finance Department sought (June 2016) reimbursement of ₹ 19.83 crore, which was sanctioned by NABARD in September 2016 as III-Drawal[62] of funds. This resulted in inflated reimbursement of ₹ 16.21 crore (₹ 19.83 crore - ₹ 3.62 crore).

- Upto December 2016, the expenditure of NABARD share was ₹ 34.67 crore against which SOE of ₹ 88.79 crore was prepared. Against this, reimbursement of ₹ 29.53 crore was claimed (December 2016) and was sanctioned in IV-Drawal of funds in February 2017.

  Considering that reimbursement of ₹ 19.83 crore had been made upto III-Drawal of funds, the amount reimbursable in the IV-Drawal was ₹ 14.84 crore (₹ 34.67 crore - ₹ 19.83 crore). However, ₹ 29.53 crore was claimed and reimbursed, resulting in inflated reimbursement of ₹ 14.69 crore (₹ 29.53 crore - ₹ 14.84 crore).

- Expenditure of NABARD share upto December 2017 was ₹ 67.28 crore against which SOE of ₹ 101.60 crore was prepared. Against this, reimbursement of ₹ 19.95 crore was claimed (December 2017) and was sanctioned in V-Drawal of funds in March 2018.

  Considering that reimbursement of ₹ 49.36 crore had been made upto IV-Drawal of funds, the amount reimbursable in the V-Drawal in March

[62] I-Drawal and II-Drawal was drawn as Mobilisation Advance.

2018 was ₹ 17.92 crore (₹ 67.28 crore - ₹ 49.36 crore). However, ₹ 19.95 crore was reimbursed resulting in inflated reimbursement of ₹ 2.03 crore (₹ 19.95 crore - ₹ 17.92 crore).

Thus, the PWD had prepared inflated SOEs which were, without ensuring their correctness, submitted by the Finance Department to NABARD. Further, NABARD also failed to verify the correctness of the claims before making the reimbursement of expenditure and subsequently made excess reimbursements ranging from ₹ 2.03 crore to ₹ 16.21 crore than the actual expenditure.

Till March 2018, ₹ 99.01 crore was claimed/reported for reimbursement and the same was reimbursed by NABARD. However, the actual expenditure (NABARD's Share) upto March 2018 was ₹ 77.87 crore only, thereby resulting in excess reimbursement claim of ₹ 21.14 crore which remained unutilised (September 2018) as discussed in **Paragraph 2.2.9.1**.

2.2.9.3 Irregular inclusion of Agency Charges in the project estimates

As per Para 12.1 of MPWD Works Manual, no departmental charges are to be levied for Government works. However, SFD vide OM no 5/6/2006-FC dated 13 July 2007 directed State Government agencies including PWD to levy agency charges @11.75 *per cent* of the basic cost. Application of agency charges on a work executed by a Government department for a project funded by the Government is beyond any logic as this leads to taking out money from one pocket of Government and putting it to another pocket adding no value or revenue addition but certainly complicating the entire process.

In compliance to the above OM of SFD, agency charges amounting to ₹ 13.16 crore were included in the cost estimates of 24 out the 25[63] sampled projects which inflated the cost of the projects. However, NABARD had sanctioned the projects without taking into account the agency charges.

Though NABARD did not agree to the agency charges, the State Government in contravention of terms and conditions irregularly deducted the agency charges amounting to ₹ 5.27 crore (September 2018) in respect of six projects which not only resulted in booking of higher expenditure against the sanctioned cost of the project which was also unauthorised and irregular.

2.2.9.4 Creation of avoidable interest liability on implementation of ineligible projects

NABARD loans under RIDF carries certain specified interest liabilities. As such, the State Government is expected to exercise due prudence while taking loan from NABARD.

However, as pointed out in the preceding paragraphs, loans were also raised by the SFD for four ineligible projects and one project already executed, leading to creation of avoidable interest liability as discussed below:

- Loan of ₹ 7.41 crore was availed (March 2016–September 2016) for an ineligible project on State Highway "Improvement of Moirang Kumbi

[63] In case of one project, Agency Charges was not added in the Estimates. The reasons could not be ascertained.

Road", thereby creating an interest liability of ₹ 2.12 crore as pointed out in **Paragraph 2.2.8.1(b);**

- Two ineligible road projects[64] on National Highways were executed (March 2017) under RIDF funding for which loans of ₹ 80.41 lakh were availed (March 2016–February 2017). The interest liability on the total loan of ₹ 80.41 lakh for these two projects amounted to ₹ 22.92 lakh as pointed out in **Paragraph 2.2.8.1(b);**
- Loan of ₹ 91.71 lakh was availed (March 2016–February 2017) for implementation of an ineligible bridge project[65], thereby creating an interest liability ₹ 24.49 lakh as pointed out in **Paragraph 2.2.8.1(b);**
- Loan of ₹ 76.43 lakh was also taken for a bridge project already constructed under another scheme *viz.*, Asian Development Bank Scheme, and it was utilised on another bridge project in an unauthorised manner. This created an interest liability of ₹ 20.66 lakh as pointed out in **Paragraph 2.2.8.2**.

Thus, the State Government, which was already facing a resource constraint, was made liable to pay interest of ₹ 2.80 crore on loans raised for four ineligible projects and a bridge project already constructed under another scheme. Government should, therefore, fix responsibility of the erring officials for such lapses of raising loans on ineligible projects and a project already constructed under another scheme.

Recommendation (11): State Government should ensure correct reporting of expenditure in the Statement of Expenditure while submitting project proposals /seeking reimbursement claims from NABARD. Further, necessary action may be taken against the officials responsible for preparation and submission of wrong and inflated SOEs to NABARD.

2.2.10 Execution of projects

2.2.10.1(a) Status of projects

The status of 16 roads projects and nine bridge projects under Tranche XXI (2015-16) as on September 2018 is given in ***Appendix 2.5***.

Of the 25 projects, 18 projects had been completed on time and seven projects[66] remained incomplete with time overrun ranging from six to 18 months. The delay in completion of three of the four bridge projects was mainly due to change in scope of the projects resulting in delay in awarding the projects. For the remaining one bridge and three road projects, no records were available to ascertain the reasons for delays.

(b) Incomplete Projects

Till March 2018, the State Government had made reimbursement claim of the total sanctioned loan of ₹ 99.01 crore in respect of the 25 sampled projects.

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64 "Restoration of damaged road on NH-150 Churachandpur-Yaingangpokpi Section" and "Restoration of damaged pavement along Churachandpur New Bazar to Hebron Bazar".

65 "Restoration of Tarang Bridge on IMI Sugnu Road at chainage 50.80 km".

66 Four Bridge Projects and three Road Projects.

NABARD had also reimbursed the entire amount. Despite having shown such expenditure details, the following seven projects had not been completed (September 2018).

Table No. 2.2.3 Details of Incomplete Projects

(₹in lakh)

Sl. No.	Name of project	Sanctioned cost	Amount Reimbursed by NABARD	Stipulated date of completion	Delay (Months) (as on Sep-18)	Reasons for delay
1	Improvement of road connecting Lilong ITI from the National Highways	299.78	269.80	31/03/ 2017	18	No recorded reasons. Reply not furnished though called for.
2	Improvement of CJM road at District Head Qtr at Tamenglong	49.22	44.30	31/03/ 2017	18	
3	Improvement of MI Bishnupur road & MI Bengoon	221.57	199.41	31/03/ 2017	18	
4	Construction of bridge over Itok river at Chandrakhong	1,063.2	956.88	31/03/ 2018	6	
5	Construction of bridge over Wangjing river at Heirok Chingdongpok	772.68	695.41	31/03/ 2018	6	Change of design of the bridge as discussed in Paragraph 2.2.10.6.
6	Construction of bridge over Chakpi river at Anal Khullen	785.99	707.39	31/03/ 2018	6	
7	Construction of bridge over Chakpi river at Chakpi Karong	1,250.82	1,125.74	31/03/2018	6	
Total		**4,443.26**	**3,998.93**			

Thus, despite reimbursement of its entire share of sanctioned cost by NABARD (₹ 3,998.93 lakh) based on SOEs submitted by SFD, the seven projects remained incomplete even after delays ranging from six to 18 months from the stipulated date of completion as per NABARD's sanction order. As a result, the intended benefits of the projects could not be achieved. Thus, it is evident that inflated expenditure statements were submitted by the State Government to NABARD.

2.2.10.2 Deficient Detailed Project Reports

As per para BI (2) of Annexure IV of NABARD guidelines, Indian Road Congress (IRC) specifications should be followed for Road Projects. For improvement of the existing flexible road pavements, guidelines under IRC 81-1997 should be followed which stipulate that the overlay[67]thickness of an existing road should be computed based on the design traffic, design life (minimum of five years) and the strength of the existing pavement.

Under RIDF-XXI, 16 road improvement projects with a total estimated cost of ₹ 70.37 crore were taken up. However, none of the DPRs mentioned the strength or structural deficiencies of the roads, the details of improvement works carried out earlier, design life, design traffic, details of the existing thickness of the pavements *etc.* Despite absence of these basic details, provisions of ₹ 22.09 crore were made arbitrarily towards structural improvements of base layer such as Water Bound Macadam (WBM), Bituminous Macadam (BM) and Wet Mix Macadam (WMM) in the estimates of 13 projects. The estimates were sanctioned by the competent authority without assessing the actual requirements on ground. The history of the DPRs merely mentioned that the road surfaces had been damaged due to flood and conditions of roads were deplorable due to non-maintenance which did not

[67] Thickness of bituminous macadam laid over the existing road surface.

justify reconstruction of the roads from sub-base/base onwards. Flood damaged reports were also not available with the DPRs to ascertain the conditions/problems of the roads.

For problems related to road surfaces, it would have been sufficient to have surface correction with bituminous layer after filling up of pot holes *etc.* Thus, the provision of ₹ 22.09 crore which constituted 31 *per cent* of the estimated cost of works without any design based on the basic parameters such as design life, design traffic, details of the existing thickness of the pavements *etc* was not justified and was indicative of deficient DPRs. Also the basis of approval of projects by NABARD without disclosure of basic parameters in the DPRs related to design of the roads was fraught with sanction of projects on unrealistic basis leading to defective execution of works.

On the above being pointed out by Audit, the Department stated that due to fund constraints, the construction of roads was done phase-wise and they were yet to achieve the desired pavement thickness. Also, the Department admitted that the basic data such as traffic data, design life, and structural conditions of the existing roads were not reflected in the DPRs. Moreover, NABARD during Exit Conference also admitted that they had no technical expertise and had requested PWD for recommendation of retired Engineers to be utilised as Consultants to overcome the technical issues.

The reply of the Department was not acceptable as none of the DPRs of the 16 road projects contained design of the pavements and the thickness of the existing pavements without which the requirement of the base layers could not be ascertained.

Recommendation (12): It is recommended that DPRs of road projects should be prepared, based on prerequisite basic parameters like design traffic, design life and the strength of the existing pavement etc., to obviate the possibilities of defective execution of road works.

2.2.10.3 Award of works before obtaining Administrative Approval

Rule 129 of GFR *inter alia* provides that no works shall be commenced or liability incurred in connection with it, until Administrative Approval (AA) has been obtained from the appropriate authority in each case and sanction to incur expenditure has been obtained from the competent authority.

Audit scrutiny revealed that 14 works in respect of seven projects with a total tendered cost of ₹ 7.92 crore were awarded before obtaining AA as detailed in ***Appendix 2.6***.

On this being pointed out, the Department admitted that the works had been awarded before according AA as they misunderstood the approval for the call of tender as AA and assured that such mistakes would not be repeated in future.

The award of the works by the Department before according AA was thus, irregular and indicated lack of internal control besides non-compliance to the prescribed procedures.

2.2.10.4 Award of works without inviting open tenders

As per Para 17.1 of MPWD Works Manual 2014, tenders must be invited in the most open and transparent manner possible. Further, as per Para 15.6 of the manual, in case where restricted tender is resorted to for award of works, the Chief Engineer shall prepare a list of contractors who according to him are suitable to tackle the job under consideration. The list should be as large as possible so that competitiveness in the process is ensured.

Audit scrutiny revealed that the 25 projects were split into 50 works. None of the works were awarded through open tender. Instead, the works were awarded through restricted tenders from a few selected contractors on the ground of their being of emergent nature.

Out of 217 enlisted Special Class Contractors and 276 First Class Contractors, only six to eight Contractors were invited for each work, based on their past performance. However, no records for assessment of past performance, reliability, experience, *etc.*, of the shortlisted contractors were available to confirm justification for calling of tenders only from these Contractors. Only 108 out of the 493 enlisted contractors were shortlisted for restricted tenders of the 50 works, thereby leaving out a majority of the enlisted contractors from the tendering process and thus, the Department failed to maintain fair and transparent tender process. Thus, the action of the Department resulted in the following lapses.

- The project works were split in an arbitrary manner without resorting to open tenders through wide publicity which was both against the prescribed rules and the financial discipline;
- The action of award of works through restricted tenders amounted to denial of opportunities to similarly qualified contractors which was against the principle of equality fair play and justice; and
- Award of works to a few selected contractors without assessing their past performances indicated lack of transparency, absence of competitiveness of rates and possible favoritism.

The lapses being serious in nature call for fixing of responsibilities of the officials at fault for not inviting open tenders.

During the Exit Conference, the Commissioner (Works) advised the Departmental Officers against splitting of works and resorting to restricted tenders.

Recommendation (13): To ensure fair, transparent and competitive tendering process, the Department should take necessary measures to stop the practice of splitting of works and award of works through restricted tenders. Action should be taken against defaulting officials as per the provisions of Manipur Public Servants' Personal Liability Act 2006, for violation of prescribed procedures and rules.

2.2.10.5 Awarding of works without obtaining Performance Guarantee Bond

As per Para 21.1 of MPWD Works Manual, 2014 also applicable in Manipur, the successful tenderer shall deposit an amount equal to 5 *per cent* of the tendered and accepted value of the work (without limit) as Performance Guarantee (PG). The letter for commencement of work shall be issued to the contractor only after the submission of the performance guarantee by them.

Audit found that seven out of 12 divisions awarded 17 works at a total tendered cost of ₹ 9.99 crore out of 50 works, without collecting PG bonds amounting to ₹ 49.97 lakh from the contractors. Details are shown in ***Appendix 2.7***.

Non-collection of PG bonds from the contractors was in violation of the codal provisions which amounted to extending undue benefit to the contractors by the Department. The Chief Engineer (PWD) stated in reply that necessary instructions had been issued to all the Executive Engineers for ensuring collection of PG Bond in all the cases in future.

The reply of the Chief Engineer was not acceptable as PGs were required to be obtained as per rules. Non-compliance to rule position in this regard is a serious matter which indicates that there was no safeguard available with the Department in case of non-performance of contract by the contractors. Further, it is mentioned that one out of the above 17 works remained incomplete even after a delay of over 22 months from the stipulated date of completion and liquidated damage (LD) amounting to ₹ 4.77 lakh had not been recovered from the contractor. Had PG been obtained, LD charges could have been recovered. Thus, the inaction on the part of the officials concerned for not obtaining PGs calls for fixing of their responsibility.

2.2.10.6 Defective/ incomplete execution of work and delay in the execution of works due to deviations from Detailed Project Reports (DPRs)

As per para 6 of NABARD Guidelines, the cost estimates of the projects should be prepared after detailed field survey. Further, as per Para A (19) of Annexure IV of NABARD Guidelines, the State Government should ensure that the project is completed as per the approved technical design and cost estimates. In case, if any deviation is required, the State Government should inform NABARD in advance, justifying the need for such changes.

Audit scrutiny of approved DPRs, Technical Sanction documents, Work orders and Measurement Books *etc.*, revealed that there were major deviations from the approved DPRs in respect of the works executed in seven out of 25 sampled projects and such deviations had not been intimated to NABARD (September 2018). The cases of deviations, defective/ incomplete execution of work/delay due to deviations from DPRs and their impact on the projects are discussed in the table given below.

Table No. 2.2.4 Deviations, defective/ incomplete execution of work/delay due to deviations from DPRs (as on 30 September 2018)

Scope of work as per DPR	Actual execution	Implications	Department reply
Sl. No. 1. Improvement of Wangjing Tentha Road-10 km			
Earthwork in banking at a cost of ₹ 2.14 crore for raising the road level of 9.3 km length by 2.1 m was to be executed.	Earthwork in banking was not executed.	As raising of the road level of 9.3 km length by 2.1 m was not executed, the road was prone to damage by the flood.	While admitting the deviations, the Department stated that the earthwork in banking item was carried out by Irrigation and Flood Control Department on emergency basis and admitted that PWD should have revised the DPR.
Shingling, WBM and Semi-Dense Carpeting (SDC) were to be executed for a carriage width of 5.5 m for 0.7 km and for a carriage width of 3.75 m for the remaining length.	Item of WMM was executed in place of WBM without justification for a length of 7.6 km.	As against the provision of WBM, WMM was executed resulting in extra expenditure of ₹ 78.40 lakh for construction of the base layer.	The Department stated that it was to expedite the work and to improve the quality of the road. Department also stated that every detail could not be captured in the DPR and the project execution in this case was tweaked to meet the local requirement.
	Shingling was executed for 9.0 km and WMM and SDC were executed for a length of 7.6 km with carriage width of 5.5 m.	The increase in the carriage width from 3.75 m to 5.5 m was against the IRC norms and resulted in extra cost of ₹ 2.14 crore.	Further, the Department stated that the road stretch from 7.6 km to 10 km was not executed as there were paddy fields on both sides of the road without habitations, which showed unprofessional way of preparation of DPR.
No provision for construction of RCC culverts.	Two RCC culverts (1 m span) were constructed at a cost of ₹ 40.65 lakh.	Overall impact was non-execution of WBM, and SDC for a total road length of 2.4 km (7.6 km -10km).	-
Sl. No. 2. Improvement of Thoubal Charangpat Road via Nepra Company			
One layer of WBM and Bituminous Macadam (BM) from 5.60 km to 11.00 km were to be executed. SDC for the entire stretch of 11.00 km was to be executed.	One extra layer of WBM was executed for a stretch of 2.8 km without any recorded justification.	Execution of the extra layer caused an extra cost of ₹43.93 lakh.	Department stated that all details could not be captured in the DPRs and it becomes unavoidable to tweak the project execution to meet local requirements.
	The item of BM at an estimated cost of ₹ 2.75 crore had not been executed. The item of SDC was replaced with premix carpeting.	Due to the non-execution of BM and replacement of SDC by inferior item of Premix Carpet, the quality of road was not ensured. Damaged road surface at various stretches was found during	

Scope of work as per DPR	Actual execution	Implications	Department reply
		joint physical verification of the road (August 2018).	
Retaining Wall of length of 233 m at a cost of ₹ 1.49 crore was to be executed.	Retaining wall of pile foundation was constructed for a length 400 m at a cost of ₹ 3.47 crore without any justification.	Execution of extra length of retaining wall of pile foundation resulted in extra expenditure of ₹ 1.98 crore.	
Sl. No. 3. Improvement of Lamsang Sekmai Road			
Shingling, WBM and Built up Spray Grout (BUSG) at selected stretches and BM and SDC for a total length of 8.4 km were to be executed.	BM and SDC were executed for a length of 9.9 km as against the approved length of 8.4 km.	Execution of BM and SDC for extra length resulted in extra expenditure of ₹55.00 lakh over the estimate of the items.	Department while admitting the audit observations stated that the changes/deviations had been accorded technical sanction.
Three RCC slab culverts, Maintenance of Keirang bridge approach road and wing wall construction were to be carried out.	Three RCC culverts estimated at a cost of ₹ 23.30 lakh were not constructed. Work of Maintenance of Keirang bridge approach road and wing wall at a cost of ₹ 19.87 lakh was not executed.	As cross drainages of the road was not provided, the road was prone to damage during rainy season. Keirang bridge approach road remained in bad condition without bituminous surface.	The reply was not acceptable as comprehensive DPRs must be prepared after proper survey and the Department, in case of any unavoidable deviations from approved DPRs, should have intimated such deviations both to the HPC and the NABARD for their approval.
Sl. No. 4. Construction of Bridges Over Chakpi River at Anal Khullen			
RCC Box type bridge of 75 m span and Retaining wall of 120 m length were to be constructed.	Bailey Bridge was under construction.	The change in design after approval of the project resulted in delay in awarding the work and subsequent delay in completing the project.	Department stated that due to urgency, the DPRs were hurriedly prepared without soil survey investigation and after the projects were approved, a consultant was engaged to prepare the designs and consequently, the variations at the design stage were required.
	Retaining wall for a length of 270 m at a cost of ₹ 4.39 crore was included in the work order. Proper justification was neither found in the Report of the TS nor furnished for the increased length of the retaining wall.	Even after seven months of delay from scheduled date of completion, the project was only 60 *per cent* completed. The increase in length of the retaining wall would ultimately result in extra liability of ₹ 2.51 crore on the item.	
Sl. No. 5. Construction of Bridges Over Chakpi River at Chakpikarong			
RCC Bridge of 75 m span was to be constructed.	Steel Truss Bridge of 56 m span was under construction.	Delay in completion of the project.	Same reply as against S. No. 4 above
		Even after seven months of delay from scheduled date of completion, the project was only 70 *per cent* completed.	
Sl. No. 6. Construction of Bridges Over Wangjing river at Chingdompok			
RCC Box Triple Cell Bridge of 50 m span was to be constructed.	Steel Truss Bridge of 40 m span was under construction.	Delay in completion of the project.	Same reply as against S. No. 4 above

Scope of work as per DPR	Actual execution	Implications	Department reply
		Even after seven months of delay from the scheduled date of completion, the project was only 60 *per cent* completed.	
Sl. No. 7. Construction of bridge over Itok River at Chandrakhong			
Main bridge, approach road, retaining wall of 140 m length were to be constructed.	Construction of retaining wall of 272 m was included in the work order without justification.	The increase in length of the retaining wall would ultimately result in additional liability of ₹ 1.14 crore on the item.	Department stated that the deviations were as per the site requirement and as per the technical sanction.

The following are some photographic evidences of the impact of deviations from the DPRs.

Photograph No. 2.2.3 Unsurfaced road stretch of Wangjing Tentha Road

Unsurfaced road stretch of Wangjing Tentha Road-RD 7.6 km to RD10 km (20 August 2018)

Photograph No. 2.2.4 Damaged road surface at various stretches of Thoubal Charangpat Road via Nepra Company

Poor condition of road at RD 2 km (20 August 2018)

Poor condition of road near Benggi (20 August 2018)

These deviations being serious in nature, require detailed technical audit by the Vigilance Department and fixing of responsibility of the erring officials concerned.

Recommendation (14): Any deviation from the approved DPR without proper justification leading to financial implication is a serious matter. This requires fixation of responsibility under Manipur Public Servants' Personal Liability Act, 2006 and investigation by the Vigilance Department.

2.2.10.7 Extra carriage charge of mix from hot mix plant to work site

As per Rule 21(ii) of GFR 2005, every officer incurring or authorizing expenditure from public moneys should ensure that the expenditure should not be *prima facie* more than what the occasion demands.

Test check of records revealed that four divisions executed seven road projects involving bituminous items using Hot Mix Plants (HMP). The Department analysed the rates of the two bituminous items (BM and SDC) by adding carriage charge of mix from HMP to work sites over and above the basic rates of the mix of the Manipur Schedule of Rates (MSR). However, examination of MSR[68] revealed that the basic rates of the mix were inclusive of a lump sum carriage charge[69]of hot mix from HMP to work site. As the actual carriage charges of the hot mix from the HMP to the work sites had been added in the estimates of the mix of the two bituminous items, the lump sum carriage charges already included in the basic rates in MSR should have been deducted[70] while preparing estimates of the mix by the divisions concerned.

Thus, the incorrect analysis of rates resulted in award of the items at higher rates than the justified rates which led to incurring of extra expenditure of ₹ 1.83 crore in respect of 17 road works of the seven projects. The details have been shown in ***Appendix 2.8***.

On this being pointed out by Audit, the Department stated that the provision of Tipper Trucks in the rate analysis was meant for transportation of materials (stone aggregates, stone dust and bitumen) from the stock piling site to the respective bins of the hot mix plant by assuming a nominal distance of 200 m within the yard of the hot mix plant.

The reply was not acceptable as no payment was to be made separately for such transportation of materials within the yard of the hot mix plant. As the irregularity was serious having huge financial involvement, responsibility of the erring officials should be fixed besides effecting the recovery of excess expenditure from all concerned.

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[68] As can be seen from the Analysis of Rates of the MSR.

[69] Carriage Charge @ 8 Tipper trucks of ₹ 68.75 per sq. m. for BM and ₹ 35.94 per sq. m for SD was included in the basic rates of the MSR, as can be seen from the Analysis of Rates of the MSR.

[70] While preparing the estimates of the mix, either the carriage charge included in the basic rates of the mix in the MSR or the carriage charges separately worked out by the Department should have been included. Since both had been included, the money value of the para is worked by Audit based on the carriage charges of the MSR for the sake of simplification of calculation.

2.2.10.8 Inclusion of Bituminous Macadam (BM) item for inter village roads led to extra avoidable expenditure of ₹ 1.97 crore

As per IRC 37-2001/Rural Roads Manual, structural layer of bituminous mix need not be provided for rural roads with low volume traffic.

The two road projects *"Improvement of roads in and around Churachandpur District Headquarters"* and *"Improvement of road connecting ITI from NH"* were inter-village roads. However, the item of BM was included as base course in the improvement works of these two roads. The item was executed at a cost of ₹ 1.97 crore.

On this being pointed out by Audit, the Department stated that though the roads were under the category of Inter-Village Road (IVR), these were important roads utilised as link roads to NH where many heavy vehicles ply.

The reply was not acceptable as the BM Works were carried out on IVR which were local link roads and no supporting data of heavy traffic volumes was furnished to justify the claim of the Department.

Thus, the execution of the BM item in contravention of the IRC guidelines led to extra avoidable expenditure of ₹ 1.97 crore, which calls for fixing of responsibility for doing work in violation of prescribed benchmarks.

2.2.11 Non-assessment of socio-economic outcomes of completed projects

NABARD assisted RIDF projects of rural connectivity aims to promote socio-economic development of rural areas. As per NABARD Guidelines, the State Government was required to assess the potential created for generation of income and employment in areas where the projects had been executed and the same was to be reflected in its project completion reports to be submitted to NABARD. In its evaluation studies, NABARD had laid down some illustrative parameters for evaluating the projects such as improvement in access to education and health facilities, reduction in school dropout rates, increase in financial inclusion, *etc.*

Out of the 25 sampled projects, 18 projects had been completed (September 2018). However, the State Government had not carried out any outcome evaluation of the completed projects. Moreover, data for the period prior to the execution (baselines data) such as enrolment and attendance in schools, visits to health centres, opening of bank accounts, *etc.,* in the vicinity of the projects was not available with the implementing Department (September 2018) thus, making the outcome evaluation difficult.

On this being pointed out, the Department stated that there was no such policy of outcome assessment. However, efforts would be made for outcome assessment through outsourcing in future.

The reply of the Department was not acceptable as the outcome assessment was required for submission of project completion reports. Further, in the absence of any outcome assessment, the extent of achievement of desired objectives for rural connectivity projects could not be ascertained.

2.2.12 Non-maintenance of records

Maintenance of records, registers and accounts is one of the tools of the internal control mechanism to bring in transparency and accountability and ensure audit trail. The maintenance of proper records provides a basis for the decisions made in the past and useful Management Information System can be generated for monitoring the progress of activities. The MPWD Works Manual also prescribes maintenance of various basic records.

Audit, however, noticed that six such basic records were not maintained in any of the 12 sampled implementing divisions. The implications of non-maintenance of the records are summarised below:

Table No. 2.2.5 Details of Records/Registers not maintained

Sl. No.	Records/ Registers not maintained	Prescribed Section of MPWD Works Manual, 2014	Implications
1	Bills Register	10.1	Date of submission of bills could not be ascertained. Due to this, the possibility of payment of bills received afterwards could not be ruled out.
2	Contractors' Ledger	10.2	Details of works undertaken by each contractor and amount outstanding under each work could not be ascertained.
3	Register of Works and Works Abstract	10.3	Month-wise and Year-wise expenditure incurred on each work could not be ascertained.
4	Hindrance Register	29.7	The items of works affected due to any hindrance and the net delay on the part of the Department or Contractor could not be ascertained.
5	Site order Book	25.1	Details of defects on which action is to be taken by the Contractors based on the observations of the Supervising Officer could not be ascertained.
6	Inspection Register	25.2	Details of site visits of the Senior Officers such as Superintending Engineer and Chief Engineer, details of items inspected and corresponding observations could not be ascertained.

Source: Departmental Records.

In addition to the above deficiencies, information like time taken at various stages of projects such as Preliminary survey, Administrative approval, Expenditure sanction, Technical sanction and details of correspondences made with the contractors were not found available on record. Further, the basis of undertaking the projects under RIDF funding could not be ascertained from records.

As maintenance of records in all the 12 implementing divisions was poor, it was difficult in Audit to carry out performance assessment of implementation of various RIDF projects.

On this being pointed out, the Department stated that the maintenance of records would be ensured within three months. The Chief Engineer has issued (7 December 2018) an office memorandum to all the Additional Chief Engineers and Superintending Engineers to ensure maintenance of these records by the divisions under their jurisdictions.

Recommendation (15): Necessary follow-up action should be carried out to ensure that the records were being maintained properly to bring in transparency and accountability by the implementing divisions.

2.2.13 Quality and Monitoring Mechanism

Internal controls are intended to provide reasonable assurance of proper implementation of laws, rules and departmental instructions and safeguarding resources against loss, fraud and irregularities. Control, communication and monitoring are key components of internal control system. Existence of continuous and effective monitoring system is essential to secure the effectiveness of internal control system.

2.2.13.1 Non-existence of laboratory for quality tests

As per para B (I)(4) of Annexure IV of NABARD Guidelines, the State Government shall ensure that the technical personnel and well equipped laboratory system are available for exercising effective quality control. Periodical tests on material and finished works shall be conducted as per IRC/MOST and BI standards. The test certificates of manufactured materials from sources from where these are procured shall be obtained and preserved properly. Moreover, the results of quality control tests and observations shall be systematically recorded and carefully preserved.

Audit observed that there was no functional laboratory of PWD for carrying out the required quality control tests. The Department stated (December 2018) that the construction of Laboratory Building was complete and tender for procurement of equipment was under process. The Laboratory was expected to become operational by March 2019.

Audit found that Cube tests[71] had been carried out through Government Polytechnic Imphal in respect of four bridge projects only out of the nine bridge projects. The Department failed to furnish reasons for not conducting quality control tests in respect of the remaining 16 roads and five bridge projects.

Thus, the works were executed in an unprofessional manner and possibilities of poor quality of execution of works could not be ruled out in the absence of carrying out any quality test of material being used in the works.

2.2.13.2 Non-conducting of quality control tests by Contractors

As per IRC specifications for Road and Bridges works, the contractor shall set up field laboratory at locations approved by the PWD and shall equip the same with adequate equipment and personnel in order to carry out all required tests and quality control work as per specifications or as directed by the PWD. Para B(I)(4) of Annexure IV of NABARD Guidelines also provides that for ensuring requisite quality of construction, the materials and works shall be subjected to Quality Control Tests. For instance, quality controls for ensuring physical requirements of coarse aggregates for WBM Sub-base/Base Courses shall be as shown in the following table.

[71] A test where concrete specimens are cast and tested (usually after 28 days of curing) under the compressive loads to determine the compressive strength of concrete.

Table No. 2.2.6 Quality Controls for ensuring physical requirements of coarse aggregates for WBM Sub-base/Base Courses

Type of Test	Requirements	Frequency of test
Los-Angeles Abrasion Test or Aggregate impact test	50 (Max)	One test for every 200 cum or part thereof
Flakiness and Elongation Index	25 (Max)	One test for every 200 cum or part thereof

Source: RIDF Guidelines.

No record was available in any of the divisions to prove that the contractors had set up any field laboratory at locations approved by the PWD or carried out the required tests and quality control work as per specifications or as directed by the Department.

On this being pointed out, the Department admitted that the contractors were not conducting the required quality testing as per the norms prescribed in this regard.

Thus, the Department had failed in its duty towards monitoring the quality of the works executed under the Scheme.

2.2.13.3 Lack of monitoring by High Power Committee and non-constitution of District Level Monitoring Committee

As per Para 11 of NABARD Guidelines, meetings of High Power Committee (HPC) are an important institutional mechanism to review RIDF Projects and monitor the progress at highest level. The HPC should meet once in a quarter. Apart from the High Power Committee meetings, District Level Review Meetings under the chairmanship of District Collectors are required to be conducted quarterly.

Audit observed that only five HPC meetings were held during 2015-16 to 2017-18 as against the prescribed 12 meetings. Scrutiny of minutes of the meetings revealed that the meetings were held for approval of projects under RIDF including projects under other two sectors of RIDF. Review of the progress of the works under road and bridges projects was not done during any of these meetings. Moreover, District Level Review Committees (DLRC) had not even been constituted.

On this being pointed out, the Commissioner (Works), who was also a member of the HPC assured that holding of quarterly meetings of HPC would be ensured in future.

The fact, however, remains that HPC meetings had not been held regularly. Further, as no review of progress of the projects had been discussed in the few HPC meetings held, the monitoring of the progress of the works at the highest level was lacking.

The HPC Meetings and the DLRC Meetings should be held regularly to monitor the progress of the projects at the highest level.

2.2.13.4 Non submission of Project Completion Reports (PCRs)

As per NABARD Handbook on RIDF, PCR is a document of information to be furnished by the implementing department after completion of the sanctioned projects. The objective of obtaining PCRs is to make overall assessment of the potential created for generation of income and employment in areas where the projects have been executed and to chalk out strategy for funding identical projects in future and for ensuring policy interventions to be introduced *etc*.

PCRs in the prescribed format were to be submitted by the Implementing Department to the Regional Office of NABARD within a month from date of completion of the project. If a project is physically completed, the department can submit PCR even when some financial bills are pending.

Out of the 25 sampled projects, 18 projects had been physically completed during April 2016 to April 2017. However, the implementing department had not submitted (September 2018) PCRs in the prescribed format to NABARD even after a lapse of 17 to 29 months from the date of completion of the projects. Due to non-preparation and non-submission of PCRs by the implementing department, the intended objectives of the completed projects with regard to generation of income and employment could not be ascertained.

NABARD stated that Project Completion Reports had not been submitted to them inspite of writing letters in this regard. The Department assured that they would submit PCRs at the earliest.

However, the fact remains that the implementing Department had completely failed in its duty towards preparation and submission of PCRs. Further, NABARD also had not taken any stringent measures to ensure submission of PCRs by the implementing Department(s).

Recommendation (16): The Department should make Laboratory functional at the earliest to carry out the requisite quality control tests for ensuring the quality of material and workmanship. Further, the State Government should ensure regular monitoring of the projects at highest level through HPC, DLRC etc., for timely completion of the projects.

2.2.13.5 Lapses on the part of NABARD

The role of NABARD towards successful implementation of RIDF projects is manifold. However, Audit found that NABARD had not played its role well and had failed on the following fronts.

- Inspite of the fact that representatives from NABARD participated in the HPC Meetings for prioritisation of the projects, four ineligible projects were included in the priority list and the project sanctioning committee also failed to detect the ineligible projects and sanctioned the projects for funding under RIDF loan (**Paragraph 2.2.8.1**).
- In respect of the 16 Road projects, the DPRs were deficient in basic parameters such as traffic density, design life, existing pavement details and its strength. NABARD failed to impress upon the State Government for inclusion of the basic parameters while sanctioning the projects thereby violating their own Guidelines (**Paragraphs 2.2.8.1** and **2.2.10.2**).

- NABARD also failed to exercise due diligence in monitoring of the projects. It failed to detect the major deviations from the approved DPRs of seven projects during their execution as pointed out in **Paragraph 2.2.10.6**.
- Further, NABARD failed to detect the construction of a bridge at Bisnunaha instead of constructing the same at the approved location of Khoirom (**Paragraph 2.2.8.2**).

It is thus, obvious that NABARD is neither exercising due diligence at the time of approvals/sanction of projects nor at the time of disbursement of loans which raises a question mark on the role and functioning of NABARD.

2.2.14 Non-maintenance of assets created

The created assets are required to be maintained to derive full benefits of the projects. As per Para A (10) of Annexure-IV of Handbook on RIDF, the State Government shall make adequate annual budget provision for the recurring expenditure on account of maintenance and repairs of assets created. Further, as per clause 17 of General Conditions of Contract of PWD, Manipur, the Contractors are liable for defects arising out of improper materials or workmanship happening during the progress of the work or the maintenance period (12 months). The Contractors shall make good the defects at their own expenses upon receipt of a notice in writing from the Engineer-in-charge. In case of default, the Engineer-in-charge shall cause the same to be made good through other sources and deduct the expenses from security deposit or from any sum payable to the contractor.

Audit observed that separate budget provisions were not made by the Government for maintenance of the Projects executed under RIDF. During joint physical verification of 15 roads and six bridges out of the 16 roads and nine bridge projects, Audit observed that the following road stretches were damaged due to lack of maintenance:

Photograph No. 2.2.5 Photographs of damaged roads noticed during Joint Physical verification

Sunken portion of 'Senapati Hqrs. Roads (Colony road)
(30 June 2018)

"Improvement of M.I. Bishnupur road and M.I. Bengoon" (Badly damaged portion of the work 'School Leirak, Ningthemcha Karong Road')
(6 June 2018)

Improvement of Ukhrul District Hqrs road (Damaged portion of Approach road to District Hospital)
(12 July 2018)

Improvement of Roads in and around Churachandpur District Hqrs (Worn out bituminous surface for a length of 200m at Marian street)
(28 August 2018)

Improvement of Lamsang Sekmai Road (Badly damaged portion)
(16 August 2018)

Improvement of Thoubal Charangpat Road via Nepra Company (Pothole at RD 7.8 km)
(20 August 2018)

It was observed that damage reports were not maintained in the concerned divisions. As such, Audit could not ascertain the cause of damages to see whether the roads were damaged during the maintenance period or not. Further, security deposits were not deducted from the contractors.

Thus, due to non-maintenance of the assets created by providing separate budget provisions, or out of security deposits of the contractors, the full benefits of the projects could not be derived.

2.2.15 Conclusion

The implementation of rural connectivity projects funded through NABARD Loan in the State suffered from many lapses. There was no streamlined procedure for proper prioritisation of Projects. The projects were proposed without following any defined criteria as per NABARD Guidelines and infrastructure gap analysis *etc*. NABARD loans amounting to ₹ 9.13 crore bearing interest liability of ₹ 2.59 crore were availed for four ineligible projects.

The Public Works Department had prepared inflated Statement of Expenditure which were, without ensuring their correctness, submitted by the Finance

Department to NABARD. Further, NABARD also failed to verify the correctness of the claims before making the reimbursement of expenditure and subsequently made excess reimbursements ranging from ₹ 2.03 crore to ₹ 16.21 crore then the actual expenditure.

Till March 2018, against the actual expenditure of ₹ 77.87 crore (NABARD's Share), ₹ 99.01 crore was claimed/reported for reimbursement and the same was reimbursed by NABARD, thereby resulting in excess reimbursement claim of ₹ 21.14 crore which remained unutilised (September 2018), entailing interest liability of ₹ 5.11 crore payable to NABARD by the State Government.

The Detailed Project Reports of the 16 road projects were prepared without proper survey and were deficient, with lack of basic data such as design traffic, design life, strength and thickness of the existing pavement. There were numerous deficiencies in project execution such as non-invitation of open tenders, grant of undue benefits to contractors due to non-collection of Performance Guarantee Bonds, incorrect analysis of rates, non-levy of compensation for delay in completion of works and unauthorised execution of works *etc.*

The Quality Control and Monitoring Mechanism was weak. The Department did not have any functional laboratory for performing the required quality control tests and contractors also did not set up any testing laboratory for conducting the Quality Control tests as required. As a result, due to deficiencies in implementation, creation of infrastructure conceived under the scheme could only partially achieve the intended objectives of better rural connectivity in the State.

COMPLIANCE AUDIT

FISHERIES DEPARTMENT

2.3 Fraudulent expenditure

Funds amounting to ₹ 81.90 lakh meant for construction of houses and community tanks of BPL fishermen were drawn by presenting fictitious bills and the amount was fraudulently shown as spent without actual/partial execution of works.

As per Rules 204 (xiv) (a) read with 204 (xiv) (b) of the General Financial Rules (GFR), 2005, the terms of a contract, including the scope and specification once entered into, should not be materially varied and in case of variations, specific approval of the authority competent to approve the revised financial commitments must be obtained.

As per para 17.1 Manipur Public Works Manual (MPWD), 2014, wide publicity should be given to the Notice Inviting Tenders (NIT) through advertisement on the website/ in press. As per Para 7.1 (4) of the Manual *ibid*, the payments to contractors and others for the work done or other services rendered are to be made on the basis of measurements recorded in the Measurement Book. Further, works of civil construction should be done by the Departments having technical expertise and works should not be split.

As per order (July 2008) of Finance Department, Government of Manipur, in case of transfer of funds, bank account of Drawing and Disbursing Officer (DDO) should not be used.

Further, as per Section 4 of the Manipur Public Servants' Liabilities Act, 2006, any Public Servant who makes payment in violation of existing instructions and orders of the Government will be entirely and personally liable for payment and liquidation of the financial liability arising out of his action.

Audit scrutiny of records (July 2016) of the Director of Fisheries, Government of Manipur revealed that Ministry of Agriculture, Government of India (GoI) approved (March 2015) ₹ 230.40 lakh[72] for the construction of 300 Houses and 12 Community Tanks for BPL fishermen under National Scheme of Welfare of Fisherman. Out of this, ₹ 70.15 lakh was released (March 2015) as first instalment of Government of India (GoI)'s share to Government of Manipur for the scheme. Accordingly, the Government of Manipur (GoM) accorded (March 2016) expenditure sanction of ₹ 87.69 lakh (₹ 70.15 lakh being GoI share and ₹ 17.54 lakh being GoM share) for the construction of 122 Houses and five Community Tanks.

Audit noticed the following irregularities in drawal of funds and the expenditure:

- Out of the sanctioned amount of ₹ 87.69 lakh for the Scheme, ₹ 81.90 lakh[73] was drawn (March 2016) through two Fully Vouched

[72] Central share ₹ 172.80 lakh and State share ₹ 57.60 lakh in 75: 25 ratio.

[73] after deducting VAT of ₹ 4.91 lakh and ₹ 0.88 lakh as Labour Cess.

Contingent Bills for making the payment to a contractor (Shri G. Kakhangai Kabui) without execution of any work;

- ₹ 81.90 lakh drawn was kept (31 March 2016) in the Bank Account of the DDO *viz*., Additional Director of Fisheries as revealed from the Statement of Bank Account of the DDO. Out of this amount, ₹ 80.31 lakh was withdrawn in parts after a period ranging from 11 months to one year and five months. The whereabouts of the remaining amount of ₹ 1.59 lakh (₹ 81.90 lakh - ₹ 80.31 lakh) was, however, not known. This was in violation of Government of Manipur order dated July 2008;
- The works were relating to the civil construction. Such works should have been undertaken by technical agencies and not by the Fisheries Department. No technical sanction was obtained for the expenditure. Instead, the Department relied on the estimates prepared by a Section Officer of the Fishery Department;
- The work was split up into 12 sub-works without any reasons;
- The NIT was not widely published and only a copy of the NIT was given to the Secretary, Fisheries Department and one copy was displayed on the Notice Board;
- Subsequently, for the construction of 122 Houses and five Community Tanks (first phase works), 12 tenders[74] were called (April 2016) and altogether 13 contractors participated in the tender process. For each tender, only three contractors amongst these 13 contractors participated in rotation, which was a strong indication of cartel amongst the contractors;
- As the works were in the nature of civil construction, bills should have been prepared based on physical measurement recorded in Measurement Book (MB). No such records were, however, maintained. The bills were not prepared in "Running Account" (RA) Bill format. Expenditures were simply made on a plain paper duly signed by the contractors.

A Joint Physical Verification (JPV) of the works was conducted (March 2019) by a team of Audit and representatives of the Department. Out of 122 houses and five Community tanks, 22 houses and three Community tanks were visited through random statistical sampling.

Audit revealed that none of the houses had been constructed as per the approved dimension of the estimates. In case of only two beneficiaries, the contractors were involved in the construction. In 16 cases[75], financial benefits ranging from ₹ 25,000 to ₹ 75,000 were given and in one case, no financial assistance was given but some building material was provided. There was no involvement of contractors doing any work in these cases. In three cases, the beneficiaries were not available to furnish information and their houses were only verified from outside.

Some photographs taken during Joint Physical Verification are shown below:

[74] Tender Notice of the 12 sub-works were issued (April 2016), Work Orders were given (August 2016), and payments to the contractors were made during November 2016 to September 2017.

[75] Of these 16 cases, three beneficiaries also got some building material.

Photograph No. 2.3.1 Photographs from the Joint Physical Verification (March 2019)

Only a few CGI sheets had been provided to one of the beneficiaries.
(27 March 2019)

Structure constructed was being used as poultry house at the time of Joint Physical Verification.
(28 March 2019)

Of the three Community tanks jointly visited, one was found to be much larger than the dimension mentioned in the estimates and in one case, it was much smaller. In one case, it was admitted that no new pond was dug but only the renovation work was carried out in existing pond.

The above irregularities noticed during Audit and result of the Joint Physical Verification indicated fraudulent practices in the manner the fund was drawn, a part of which was not traceable, the manner in which civil construction works were executed through a cartel of contractors without following any due process and absence of entries in MB and preparation of RA bills.

In the light of above lapses, the matter needed further investigation and punitive action under Manipur Public Servants' Liabilities Act, 2006 should be taken against the erring officers for such fraudulent practices.

The Government should consider exploring the possibility to use Direct Benefit Transfer system to curb such fraudulent activities and to ensure that the benefits reach the intended beneficiaries.

PUBLIC WORKS DEPARTMENT

2.4 Undue benefit to contractors

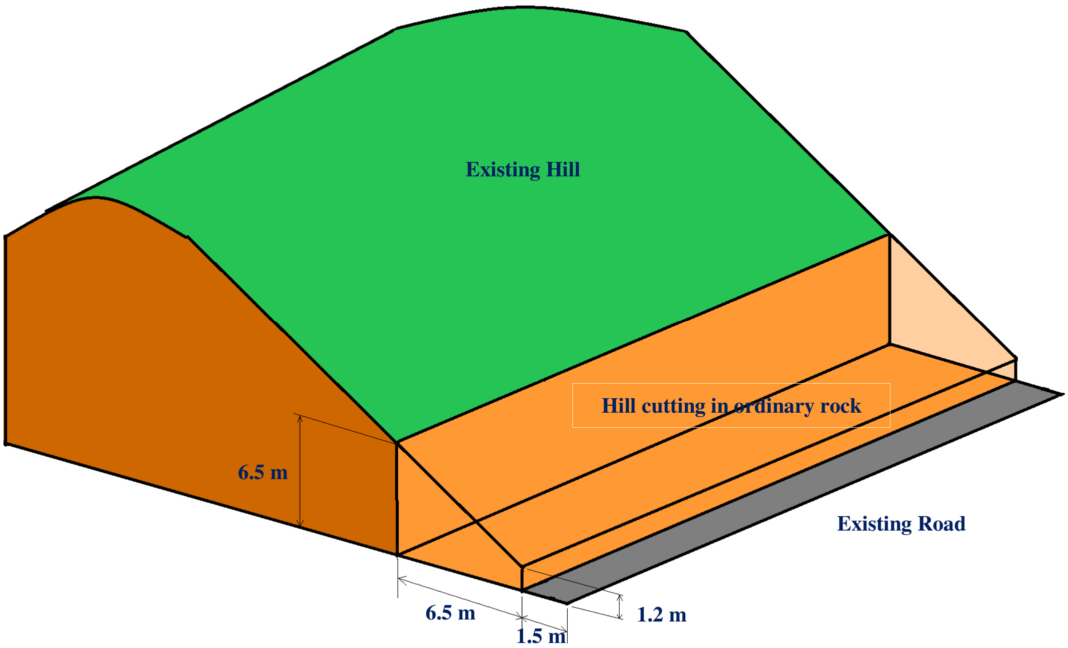
Adoption of a higher rate for earthwork excavation based on manual rate instead of lower mechanical rate led to extension of undue benefit to contractors amounting to ₹ 70.85 lakh.

Rule 21 of General Financial Rules envisages that every officer incurring or authorizing expenditure from public moneys should be guided by high standards of financial propriety. Every officer should also enforce financial order and strict economy. The expenditure should not be *prima facie* more than the occasion demands.

As per Indian Roads Congress (IRC), mechanical rates are required to be considered while preparing the estimates for the earthwork items and manual rates are to be taken into account in exceptional cases where areas are inaccessible and quantum of work are not large enough.

Scrutiny of records (September 2017) of the Executive Engineer, Tamenglong Division, PWD, revealed that nine works were awarded during February 2014 to December 2016 to four contractors at a total cost of ₹ 5.98 crore. The works *inter alia* included earthwork of hill cutting in ordinary rock involving 58,457.65 cum for ₹ 1.88 crore. Against this, earthwork of 59,322.90 cum quantity was executed at a cost of ₹ 1.92 crore till September 2017. An illustrative representation of the hill cutting work is shown in the following chart.

Chart No. 2.4.1 Chart showing an illustration of the hill cutting work



Source: Departmental Record; Illustration not to scale.

Audit observed that earthwork of 54,741.54 cum was shown to have been executed @ ₹ 320.12 per cum (*MSR*[76] *2013 rates*) in eight works while 4,581.36 cum was executed @ ₹ 366.38 per cum (*MSR 2015 rates*) in one work by adopting manual rates for the earthwork. The Department could have executed the earthwork by using mechanical means at lower rates prescribed in the MSR at the time of issuing work orders *i.e.*, @ ₹ 204.25 per cum for 54,741.54 cum *(MSR 2013 rates*) and @ ₹ 204.46 per cum for 4,581.36 cum *(MSR 2015 rates*) respectively. Due to adoption of higher manual rates, an expenditure of ₹ 192.03 lakh was incurred for the earthwork as against ₹ 121.18 lakh at the lower mechanical rates which were not adopted by the Department though required as per IRC specifications. This had resulted in extra avoidable expenditure of ₹ 70.85 lakh as per details below.

Table No. 2.4.1 Comparison of manual and mechanical rates for the earthwork excavation

(Amount in ₹)

Items	MSR 2013		MSR 2015	
	Manual rates	Mechanical rates	Manual rates	Mechanical rates
Cost per cum as per MSR	300.30	191.60	343.70	191.80
Add 5.6 *per cent* Sales Tax and one *per cent* Labour Cess	19.82	12.65	22.68	12.66

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76 MSR: Manipur Schedule of Rates.

(Amount in ₹)

Items	MSR 2013		MSR 2015	
	Manual rates	Mechanical rates	Manual rates	Mechanical rates
Cost per cum of the item	320.12	204.25	366.38	204.46
Quantity executed	54,741.54 cum *(in eight works)*		4,581.36 cum *(in one work)*	
Amount for execution of earthwork	₹ 175.24 lakh	₹ 111.81 lakh	₹ 16.79 lakh	₹ 9.37 lakh
Difference of amount *(manual rate and mechanical rate)*	Manual rate = ₹ 192.03 lakh *(175.24 lakh + 16.79 lakh)* Mechanical rate = ₹ 121.18 lakh *(111.81 lakh + 9.37 lakh)* **Difference = ₹ 70.85 lakh**			

Source: Departmental Records.

On the above being pointed out in audit, the Department stated (February 2019) that work was carried out as per the rate quoted by the contractor *i.e.,* manual rates as it was not specified in the work order whether the work should be done manually or mechanically.

The reply was not acceptable due to the following facts:

- If the hill cutting was done manually as claimed by the Department, the work would have required 2,326 workers for excavation of 59,322.90 cum over a total road length of more than 20 km and availability and engagement of 2,326 numbers of workers was not possible in Manipur. Calculation of number of workers required for such volume of earthwork (hill cutting) would be as follows:

Table No. 2.4.2 Calculation of labourer required for execution of the Hill cutting work[77]

Sl. No.	Name of work	Volume of Earth Work in hill cutting in Ordinary Rock executed (in cum)	Length of the road *(in km)*	No. of days taken in the hill cutting work as per MB	No. of workers required as worked out in audit as per norm
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
1	Construction of road from Thingkou to Okoklong (SH: E/W in formation cutting from 2.090 km to 5.275 km)	10,746.90	3.185	12	923
2	Construction of road from Thingkou to Okoklong (SH: E/W in formation cutting from 0 to 2.090 km)	6,461.90	2.090	11	606
3	Noney to Marangching (Railway Project Road) (SH: E/W in formation cutting 14.80 to 17.590) – 1st portion	6,425.40	2.790	24	276
4	Noney to Marangching (Railway Project Road) (SH: E/W in formation cutting 17.590 to 20.530 km) – 2nd portion	5,724.68	2.940	25	236
5	Constrn. of IVR from Changthuithok to Muktina (SH: E/W in formation widening 0 to 2.544 km)	2,999.85	2.544	37	84

77 As per Manipur Analysis of Rates, 2013 for hill cutting of Ordinary Rock, 26.5 number of labourer is required to execute 30 cum in one day (8 hours) and another 1/6 is to be added for paid holiday.

Sl. No.	Name of work	Volume of Earth Work in hill cutting in Ordinary Rock executed (in cum)	Length of the road *(in km)*	No. of days taken in the hill cutting work as per MB	No. of workers required as worked out in audit as per norm
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*
6	Construction of road from Namtiram II to Phellong (14 km) & Construction of road from Takou to Lenglong – 17 km (SH: Construction of road from Namtiram II to New Phellong)	8190.90	3.000	102[78]	83
7	Improvement. of Diversion of Nungba-Longpi road from KhangmuolLamkhai to Zathaikot (SH: E/W in formation cutting from 17.090 to 18.264 km)	4,581.36	1.174	69	69
8	Construction of road from Namtiram II to Phellong (14 km) & Construction of road from Takou to Lenglong – 17 km (SH: Construction of road from Takou to Lenglong – 17 km)	8,419.61	0.270	299[79]	30
9	Noney to Marangching (Railway Project Road) (SH: E/W in formation cutting 20.530 to 23.260 km) – 3rd portion	5,772.30	2.730	330	19
Total		**59,322.90**	**20.723**		**2,326**

Source: Departmental Records.

- Some stretches of road of more than 2 km of hill cutting was shown to have been completed within a short period of time of 11 to 12 days;
- The hill cutting work was done at an average height[80] and breadth of more than 6.5 m, which was more than the height of a normal two storied building, above which the workers had supposedly climbed for the hill cutting and completed the work. This does not appear feasible to be done manually.

In such a scenario of work being done by engagement of workers manually without use of machineries was clearly doubtful. Thus, failure of the Divisional Officer not to prepare the estimates considering the mechanical rates for the earthwork was a gross lapse and ultimately led to loss of State Government exchequer. The Divisional Officer had violated the norms of GFR *ibid,* to ensure financial economy besides failing to adhere to the provisions of IRC norms.

Thus, due to adoption of higher rate of earthwork excavation based on manual rates instead of adopting lower mechanical rates, the division incurred avoidable expenditure of ₹ 70.85 lakh which amounted to extending undue benefit to contractors.

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78 Work done in two spells of period of 34 days and 68 days. Calculation based on the total number of days taken *i.e.,* 102 days (34 + 68). Otherwise, number of worker required as worked separately works out to 114 and 68 respectively.

79 Work done in three spells of period of 9 days, 70 days and 220 days. Calculation based on the total number of days taken *i.e.,* 299 days (9 + 34 + 220). Otherwise, number of worker required as worked separately works out to 439, 40 and 9 respectively.

80 At some stretches, the height of hill cutting was more than 7.5 m.

The responsibility of the Executive Engineer who failed to comply with the provisions of GFR and the IRC to apply/adopt the mechanical rates for earthwork while preparing estimates of the hill cutting needs to be fixed for such failure which led to loss of ₹ 70.85 lakh to the State exchequer which was avoidable. The Department should adopt measures for ensuring compliance to the Codal provision by all concerned to safeguard the scarce resources of the Government.

2.5 Idle expenditure on purchase of furniture items

Purchase of furniture items despite sluggish progress of construction of building complex in violation of provisions of General Financial Rules and without proper planning and immediate requirement led to idle expenditure of ₹ 14.77 crore.

As per paras 29.7 (1), 29.7 (2) and 29.7 (4) (ix) of MPWD Manual, 2012, whenever any hindrance, whether on the part of department or on the part of contractor, comes to the notice of the Assistant Engineer, he should, at once make a note of such hindrance, and immediately make a report to the Executive Engineer within a week. The Executive Engineer shall review the register containing all such hindrances at least once in a month. The Superintending Engineer should review all such recorded hindrances whenever he visits the site of work.

Rule 137 (i) of General Financial Rules (GFR), 2005 stipulates that the specifications in terms of quality, type, quantity *etc.*, of goods to be procured should be as per the specific needs of the procuring organisations and should meet the basic needs without including superfluous and non-essential features, which may result in unwarranted expenditure. Care should also be taken to avoid purchasing quantities in excess of the requirement to avoid piling of inventory carrying costs.

Scrutiny of records (November 2017) of the Executive Engineer, Building Division-I, Imphal revealed that the work *"Construction of Capital Complex (Civil Secretariat Component)"* was awarded (October 2010) to M/s Simplex Projects Private Limited (Contractor) at a cost of ₹ 282.60 crore, which was to be completed within three years *i.e.,* by October 2013.

Since the work could not be completed, extension of time[81] was allowed for the twelfth time till February 2019. Beyond this date, extension of time had not yet been given. It was observed that though the Contractor had not requested any time extension, the Department allowed[82] (October 2013) time extensions from time to time which was not a prudent decision and against professional considerations. While giving the extensions, the Department had each time strongly cautioned the contractor for timely completion, failing which the contractor was liable to pay liquidated damages to be recovered from the bill payments for the construction work. It was, however, observed that no penalties had been imposed against the delinquent Contractor as liquidated damage for non-completion of work on time.

[81] Upto 18-04-2014, 17-10-2014, 18-04-2015, 17-10-2015, 18-04-2016, 17-10-2016, 18-04-2017, 30-06-2017, 31-12-2017, 31-03-2018, 30-09-2018 and 28-02-2019.

[82] There was no record to justify extension of time.

Even, as of May 2019, the work had remained incomplete despite passage of five years and seven months period from the initial target date of completion. An amount of ₹ 262.36 crore was paid to the contractor with the fact that 80 *per cent* physical progress was achieved against 93 *per cent* financial progress (May 2019), which implied that excess payment was made to the contractor as compared with the actual progress of work.

Even while the construction of Capital Complex was nowhere close to completion, just prior to allowing the fifth time extension, the Executive Engineer placed (March 2016) a supply order of 6,692 furniture items to a firm[83] for the Capital Complex of Civil Secretariat at a tendered cost of ₹ 16.67 crore. The details of furniture items are listed at ***Appendix 2.9***. The Department stated that the advance purchase was done in view of the requirements of the Civil Secretariat Complex as per the approved furniture layout drawings under the approval of the High Tender Committee.

The firm supplied (August 2016 and January 2017) 6,600 furniture items for which payment amounting to ₹ 14.77 crore[84] was made to the dealer in August 2016 and January 2017 respectively.

During the joint physical verification (November 2018), it was, however, observed that the furniture items so procured could not be put to use and had been kept inside 74 rooms in the Capital Complex as the construction of the Capital Complex had not been completed. The Department, thus, did not make a proper planning of inventory control and procured furniture items even when the completion of the Complex had suffered inordinate delays. The furniture items were still lying packed in the cartons and were yet to be installed as noticed during joint physical verification (November 2018). As on May 2019, the furniture items could not be utilized even after 28 to 33 months of their receipt. Hence, lack of proper planning in procurement of furniture in accordance to GFR Rule 137 (i) *ibid,* led to incurring of idle expenditure of ₹ 14.77 crore towards the procurement so made.

In their reply (October 2018) and during joint physical verification (November 2018), the Department stated that construction of the Capital Complex was delayed due to unseen exigencies. However, the Department failed to explain the nature of unseen exigencies and whether extension of time year after year was justified.

The comments of the Department substantiate the fact that the furniture items were purchased without immediate requirements, which could not be put to use as on date (May 2019).

Moreover, construction of the Civil Secretariat Capital Complex was started in October 2010 and was targeted to be completed in three years in October 2013. However, it was still (May 2019) incomplete even after elapse of five years and seven months period from the stipulated date of completion. During Joint Physical Verification (November 2018), it was seen that there was a likelihood

[83] M/s L. Kulabidhu Singh & Company, Imphal, authorized dealer of M/s Godrej and Boyce Manufacturing Company Limited vide supply order No. EE/BD-I/Supply Order/2015-16/1093 dated 22.03.2016.

[84] Amount paid to dealer for furniture supplied = ₹ 2.78 crore (August 2016) and ₹ 11.99 crore (January 2017) *i.e.* ₹ 14.77 crore.

of non-completion of the construction of Capital Complex in near future as can be seen from the following photograph.

Photograph No. 2.5.1 Photograph showing Civil Secretariat Capital Complex under construction (November 2018)

Civil Secretariat Capital Complex (03 November 2018)

Hence, lack of proper planning and non-compliance to codal provisions led to idling of expenditure of ₹ 14.77 crore as the furniture items so procured could not be put to use even after lapse of 28 to 33 months of its receipt and chances of wear and tear and obsolescence of the items procured, could not be ruled out. It was also observed that the Department was also not serious in supervising and taking necessary action to ensure completion of the construction work at the earliest. Considering the importance of the Civil Secretariat Capital Complex, lack of action of not penalizing the delinquent contractor was a serious lapse and needed immediate attention by the State Government.

Recommendation (17): It is recommended that in future purchase of item needs to be made in sync with the completion of the related infrastructure by the Departments concerned. Besides, there is a strong case for fixing of responsibility for procurement of furniture items much in advance of actual requirement before completion of the Capital Complex.

2.6 Undue benefit to contractor

Provision of additional lead[85] of one km for disposal of excavated earth led to inflated rate in analysis of rate and thereby leading to extension of undue benefit to the contractor by ₹ 36.78 lakh.

As paras 7.1 (4) and 9.1 (3) of Manipur Works Manual, 2014, the payments to contractors for the work done are made on the basis of measurements recorded in the Measurement Book (MB) and before the bills are passed, the entries in the MB relating to the description and quantities of work/supplies should be scrutinized.

[85] Lead is the average horizontal distance between site of earthwork and the area of disposal.

Scrutiny of records (July 2017) of the Executive Engineer, Monitoring and Quality Control Division revealed that the work[86] for construction of a pedestrian bridge for the development of a tourist circuit was awarded (April 2016) at tendered value of ₹ 4.29 crore to a local contractor through open tenders. As of October 2018, the work had been completed and expenditure of ₹ 4.29 crore[87] had been made. The work consisted of 40 items of work which *inter alia* included 22,750.99 cum of earthwork excavation at three different levels of depth[88] at a total cost of ₹ 77.47 lakh. Against estimated quantity of earthwork, 18,099.92 cum of earthwork excavation was executed for which payment of ₹ 61.47 lakh was made.

In the rate analysis of earthwork in surface excavation, carriage of one km of lead for disposal of the excavated earth was allowed in addition to the lead/carriage of 50 m which was already included in the rate as per Manipur Schedule of Rates (MSR), 2015. Accordingly, the work was awarded @ ₹ 325 *per cum* (*0 to 1.5 m depth*), ₹ 340 *per cum* (*1.5 to 3 m depth*) and ₹ 354 *per cum* (*3 to 3.66 m depth*) which was inclusive of lead charges of one km lead for the disposal of the excavated earth.

It was, however noticed that the distance of disposal of earth in the Work Order was shown for 50 m lead only. The Measurement Book also recorded disposal of excavated earth at a distance 50 m. The rates admissible for disposal of excavated earth at a distance 50 m were worked out to be ₹ 121.89/ ₹ 136.74/ ₹ 151.17 *per cum* respectively, as shown in detail in ***Appendix 2.10***. Against this, payment for the excavation of 18,099.92 *cum* of earthwork was made as per the higher rates of ₹ 325/ ₹ 340/ ₹ 354 *per cum* and payment of ₹ 61.47 lakh was made to the contractor. Had the correct rate been applied/adopted as per the lead mentioned in the Work Order, the earthwork could have been executed for an amount of ₹ 24.69 lakh as shown in the following table.

Table No. 2.6.1 Comparison of cost as per actual rate allowed *vis-a-vis* as per allowable rates

(₹in lakh)

Depth ***(in m)***	**Volume of excavated earth** ***(in cum)***	**Rates allowed*** ***(₹per cum)***	**Rate allowable**** ***(₹per cum)***	**Amount paid**	**Amount payable**	**Excess Payment**
1	***2***	***3***	***4***	***5 (2 x 3)***	***6 (2 x 4)***	***7 (5-6)***
0.00 to 1.50	4,090.99	325.00	121.89	13.30	4.99	**8.31**
1.50 to 3.00	10,175.77	340.00	136.74	34.60	13.91	**20.69**
3.00 to 3.66	3,833.16	354.00	151.17	13.57	5.79	**7.78**
Total	**18,099.92**			**61.47**	**24.69**	**36.78**

Source: Departmental Records.

* *with additional lead of 1 km for disposal of excavated earth.*

** *with lead of 50 m only as per the Work Order and Measurement Book.*

[86] Development of Tourist Circuit in Manipur Imphal – Moirang-Khongjom-Moreh (SH: Construction of pedestrian bridge over water body with Rip Rap Banks at Khongjom and Re-excavation and Rejuvenation of Kombirei lake along with lake front island and waterways – construction of Bridge across waterways)".

[87] In 17 items, more quantity was executed than the quantity in the Work Order, in 15 items, the quantity as per the Work Order was executed and in 8 items, lesser quantity had been executed as of July 2017.

[88] at depths of (i) 0 to 1.50 m, (ii) 1.50 to 3.00 m and (iii) 3.00 to 3.66 m.

On this being pointed out (September 2018), the Executive Engineer stated (December 2018) that the item of work had been executed as per the lead allowed in the rate analysis but it was erroneously quoted in the work order.

The reply was not acceptable as:

- *In the Notice Inviting Tender (NIT), there was a mention of earthwork excavation with lead of 50 m only,*
- *The Work Order was issued for 50 m lead, and*
- *The measurement book (MB) repeatedly recorded entries with 50 m only.*

Despite the fact that 50 m lead for disposal of the earthwork was provided in NIT, Work Order and repeatedly recorded in the MB, the payment at higher rates considering extra one km lead, led to extension of undue benefit of ₹ 36.78 lakh (₹ 61.47 lakh - ₹ 24.69 lakh) to the contractor which needed to be investigated and responsibility of erring officials may be fixed for causing loss of ₹ 36.78 lakh to the State exchequer.

2.7 Undue benefit to contractors

In absence of an effective monitoring mechanism, machineries valued at ₹ 2.61 crore which were not returned by the contractors for a period ranging from four years four months to 29 years four months, which resulted in extending undue benefit to the contractors.

As per the terms and conditions for hiring of machineries, machineries should be returned in good condition by the user and failure to return the machineries after the completion of the work/agreed period should be at the cost and risk of the users.

Scrutiny of records (July 2017) of the Executive Engineer, Mechanical Division-I, Public Works Department revealed that 58 machineries (11 types of machineries) were issued to 44 contractors on hiring basis through 18 working divisions for a period of 15 days to 60 days as shown in the following table.

Table No. 2.7.1 Details of Machineries hired

Sl. No.	Name of the division (Number of machinery)	Type of machinery	No. of machinery	Value of machineries[89] (*₹ in lakh*)
1	NEC*-II (1)	Atlas Copco Air Compressor	1	1.74
2	Churachandpur (1), Jiribam (2), Tamenglong (2) & Ukhrul (4)	Avelling Jessop Road Roller	9	5.70
3	Bishnupur (1), Chandel (1), Jiribam (1), NH*-IV (2), RTF*–II (1), Senapati (5), Tamenglong (3) & Ukhrul (4)	D50- A15 Dozer	18	176.61
4	Tamenglong (1) & Ukhrul (1)	D80- A12 Dozer	2	16.97
5	Tamenglong (1)	Excort JCB	1	9.49
6	Jiribam (2), NEC-II (1), NH-IV (1), Sardar Hills (1), Senapati (1), Tamenglong (1) & Ukhrul (1)	Jessop Road Roller	8	11.70
7	Bridge Division (1), Jiribam (1) & Senapati (1)	Marshall Stone Crusher	3	3.63

[89] at the time of issue/hire.

Sl. No.	Name of the division (Number of machinery)	Type of machinery	No. of machinery	Value of machineries[89] (₹ in lakh)
8	Highway South (1), Imphal East (2), NH-I (1), NH-II (1), NH-III (1), Senapati (1), Tamenglong (1) & Thoubal (1)	Speed Craft 8-10T Road Roller	9	37.99
9	NH –I (2) & Senapati (2)	Tata Tipper 1210	4	4.79
10	NH –I (1) & Senapati (1)	Tata Tipper 1613	2	8.58
11	Jiribam (1)	Wilson 8-10T Road Roller	1	4.55
		Grand Total	**58**	**281.75**

Source: Departmental Records.
**NEC – North Eastern Council, NH – National Highways & RTF – Road Task Force.*

Audit, however, noticed that despite completion of the related works, the above machineries had not been returned by the contractors as on July 2017. The value of these machineries based on Minimum Reserve Price of machinery worked out to ₹ 2.82 crore[90] as shown in ***Appendix 2.11***. There was no evidence of any effort made by the Division concerned to recover the machineries from the defaulting contractors. Audit also noticed that the Divisions had issued the aforesaid machineries despite the fact that the machineries issued earlier had not been returned by the contractors, and no evidences of hiring charges having been recovered from the contractors were also on record, indicating absence of an effective monitoring mechanism in the Division. The possibility of these machineries valued at ₹ 2.82 crore having been taken away for their own private purposes by the contractors could not be ruled out and the chances of their retrieval were now remote.

On the above being pointed out in audit, the Department stated (November 2018) that seven machineries valued at ₹ 20.61 lakh had since been returned/ retrieved from the contractors besides realizing the hiring charges of ₹ 1.86 crore in respect of 45 machineries. The fact, however, remains that 51 machineries valued amounting to ₹ 2.61 crore (₹ 2.82 crore - ₹ 0.21 crore) were yet to be recovered for a period ranging from four years four months to 29 years four months as on May 2019 from the defaulting contractors alongwith the outstanding hiring charges from 13 contractors for which further action either to retrieve the machineries or for effecting recoveries equivalent to the cost of such machineries was required to be taken by the Department expeditiously.

Besides, the matter needed thorough investigation for fixing of responsibilities of the officials concerned for their inaction and the Department should consider filing FIR against the Contractors for not returning the machineries and making payment of hiring charge.

Thus, due to lack of timely action and monitoring failures, the said machineries valued at ₹ 2.61 crore were yet to be returned by the contractors. Moreover, the hiring charges[91] were also remaining outstanding for recovery.

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[90] The values of machinery were assessed as on the date of hire/issue based on the Government of Manipur (Finance Department) Notification dated 29 April 1995 for assessment of Minimum Reserve Price of machinery.

[91] The rent due from the contractors needs to be worked out by the Division since no Rent Register was maintained.

2.8 Undue benefit to firm

Due to adoption of higher rate for earthwork excavation based on manual rate instead of adopting lower mechanical rate, undue benefit of ₹ 60.78 lakh was extended to the firm.

Rule 21 of General Financial Rules, 2005 stipulates that every officer incurring public moneys should be guided by high standards of financial propriety and follow strict economy.

As per Indian Roads Congress (IRC), mechanical rates are to be considered while preparing the estimates for the earthwork items and manual rates are to be taken into account in exceptional cases where areas are inaccessible and quantum of work are not large enough.

Audit scrutiny of records (November 2017) of the Executive Engineer, National Highway Division-III, Public Works Department, Manipur revealed that work[92] of expansion of road from Keishampat to Malom (Oil Depot Gate) for ₹ 54.18 crore (Revised cost at ₹ 91.20 crore after revision in scope of work) was awarded (March 2015) to a firm (M/s HVS Construction Material Private Limited). The work order *inter alia* included earthwork[93] excavation in trenches and drains (14.244 km) along the National Highway for the quantity of 55,836.48 cum, costing ₹ 1.23 crore @ ₹ 220 per cum. As of December 2016, earthwork of 45,614.31 cum was executed for which payment of ₹ 100.35 lakh was made.

Audit observed that for execution of earthwork, the firm was allowed a higher rate[94] of ₹ 220 per cum at manual rate in the rate analysis adopted by the Department for the earthwork instead of adopting the lower rate of ₹ 86.75 per cum through mechanical means as per the Manipur Schedule of Rates (MSR)[95] as shown in the following table.

Table No. 2.8.1 Comparison of manual and mechanical rates for earthwork per cubic metre excavation

(₹per cum)

Items	As per manual rate (per cum)	As per mechanical rate (per cum)
Item rate of the work as per MSR	204.44	80.62[96]
Sales Tax (5.6 *per cent*) and Labour Cess (1 *per cent*)	13.49 *(6.60 per cent of 204.44)*	5.32 *(6.60 per cent of 80.62)*
Item rate with tax & cess	217.93 *(204.44 + 13.49)*	85.94 *(80.62 + 5.32)*

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92 Expansion of road from Keishampat to Malom (Oil Depot Gate) {SH: Widening of NH-150 from km 459.930 (Kwakeithel Tiddim Ground) to km 462.150 (Keishampat), Construction of Culverts, Approach Culverts and Pucca Drain in between km 454.798 (Malom Oil Depot Gate) to km 462.150.

93 Earth Work in excavation in foundation trenches and drains and channels *etc*.

94 The estimate was framed at the level of the Divisional officer.

95 Manipur Schedule of Rates (National Highways), 2013.

96 In the rate analysis, the Division adopted ₹ 204.44 per cum, which is 80 *per cent* of ₹ 255.55 per cum, the manual rate of excavation of earthwork as prescribed in the MSR. Accordingly, 80 *per cent* of the mechanical rate of excavation of earthwork in the MSR *i.e.* 80 *per cent* of ₹ 100.78 per cum *i.e.* ₹ 80.62 per cum is adopted in the calculation.

Items	As per manual rate (per cum)	As per mechanical rate (per cum)
Percentage allowed to firm above Item rate with tax & cess*	2.07 *(0.95 per cent of 217.93)*	0.81 *(0.95 per cent of 85.94)*
Rate per cum of the item of work	**220.00** *(217.93 + 2.07)*	**86.75** *(85.94 + 0.81)*
Amount for execution of 45,614.31 cum of earthwork	₹ 100.35 lakh *(45,614.31 x 220.00)*	₹ 39.57 lakh *(45,614.31 x 86.75)*
Difference of amount *(manual rate & mechanical rate)*	**₹ 60.78 lakh *(100.35 – 39.57)***	

Source: Departmental Records.

** The firm was allowed 0.95 per cent above the Item rate with Tax & Cess.*

Had the Division applied mechanical rates in the rate analysis of the estimates, the Department was required to make payment of ₹ 39.57 lakh only for execution of 45,614.31 cum earthwork as against ₹ 100.35 lakh paid to the contractor as per the manual rate till December 2016, resulting in avoidable expenditure of ₹ 60.78 lakh.

Thus, due to adoption of a higher rate for earthwork excavation based on the manual rate instead of lower mechanical rate, the division incurred avoidable expenditure of ₹ 60.78 lakh leading to undue benefit to the firm towards the earth work excavation up to December 2016.

In their reply, the Government stated (August 2018) that nothing was mentioned in the schedule of quantity about the mode of execution of earth work either manually or mechanically. However, it was admitted that the work was actually done mechanically, which is a clear admission of the fact that the payment was made for the work by applying manual rates though the work was executed by using mechanical means.

Thus, the Department besides effecting the recovery of ₹ 60.78 lakh excess paid to the Contractor towards the earthwork excavation done up to December 2016, should also work out the excess payments made to the Contractor for the quantity of earth work done after December 2016 as the work was done mechanically, but paid for, as per manual earthwork rates. Further, the Department needs to fix responsibility of the officers for preparing estimates based on higher rate resulting into extra financial liability to the State, as their action was contrary to Rule 21 of GFR 2005 as also against directives contained in the Indian Road Congress.