CHAPTER – III

ECONOMIC SECTOR
(OTHER THAN STATE PUBLIC SECTOR UNDERTAKINGS)

CHAPTER-III

ECONOMIC SECTOR
(Other than State Public Sector Undertakings)

3.1 Introduction

This Chapter of the Audit Report for the year ended 31 March 2018 deals with the findings arising from audit of State Government departments under Economic Sector (other than State Public Sector Undertakings).

During 2017-18, against a total budgetary provision of ₹ 2,663.14 crore, a total expenditure of ₹ 2,335.94 crore was incurred by 14 departments under the Economic Sector. The department-wise details of budget provision and expenditure incurred there-against are shown in Table-3.1.

Table-3.1:- Details of department-wise budget provision and expenditure

(₹ in crore)

Sl. No.	Name of the Department	Total Budget Allocation	Expenditure
1.	Planning and Programme Implementation	99.51	88.56
2.	Agriculture	322.06	241.63
3.	Horticulture	87.15	79.79
4.	Soil and Water Conservation	21.72	21.55
5.	Animal Husbandry and Veterinary	83.87	75.19
6.	Fisheries	13.67	13.31
7.	Co-operation	26.32	24.55
8.	Rural Development	468.15	377.73
9.	Commerce and Industries	160.01	99.33
10.	Sericulture	19.96	16.55
11.	Tourism	88.67	86.18
12.	Public Works	1,185.84	1,173.04
13.	Irrigation and Water Resources	66.01	30.75
14.	Information and Communication Technology	20.20	7.78
Total		**2,663.14**	**2,335.94**

Source: Appropriation Accounts: 2017-18

Besides, the Central Government has been transferring a sizable amount of funds directly to the implementing agencies of State Government for implementation of various programmes of the Central Government. During 2017-18, ₹ 90.16 crore was directly released to different implementing agencies under Economic Sector. The details are shown in **Appendix-3.1.1.**

During the year, an expenditure of ₹ 1,015.86 crore (including funds pertaining to previous years audited during this year) of State Government under Economic Sector (other than State Public Sector Undertakings) was test checked in audit. Out of this, approximately 62 *per cent* was committed expenditure (expenditure incurred on Salary and Wages, Pensions, Interest and subsidies).

PERFORMANCE AUDIT

PUBLIC WORKS DEPARTMENT

3.2 Performance Audit of "Implementation of rural connectivity projects through NABARD Loan"

3.2.1 Introduction

GoI set up the Rural Infrastructure Development Fund (RIDF) in National Bank for Agriculture and Rural Development (NABARD) in 1995-96, to finance rural infrastructure projects and promote balanced and integrated economic development of rural areas in the States.

During 2013-14 to 2017-18, NABARD sanctioned 20 projects (15 road projects of 322.91 kms and five bridges) at an estimated cost of ₹ 368.38 crore.

3.2.2 Organisational set up

Finance Department is the Nodal Department for operationalising RIDF. It is responsible for sanctioning funds for the projects, release of funds to the Public Works Department (PWD), submission of reimbursement claims to NABARD and repayment of loans. The PWD is responsible for implementation of rural connectivity projects through NABARD loans.

Audit Framework

3.2.3 Audit Objectives

Audit was carried out to assess whether:

- ➢ State Government has prepared appropriate plans to ensure coverage of rural areas through road connectivity; and
- ➢ Project reports were prepared in a comprehensive manner as per the applicable standards, and projects were executed as per the relevant quality standards in a timely manner.

3.2.4 Audit Criteria

Audit findings were benchmarked against the criteria sourced from the following:

- ➢ Terms and conditions of NABARD loans and norms for selection of projects prescribed by NABARD;
- ➢ Detailed project reports, standard specifications (Indian Road Congress (IRC) by Ministry of Road Transport and Highways (MoRTH), CPWD Manual, State Schedule of Rates, *etc.*); and
- ➢ Quality control, project monitoring and evaluation system prescribed.

3.2.5 Scope and Methodology of Audit

Audit was carried out during August to October 2018 and covered the implementation of rural connectivity projects through NABARD loans in the State during the five years' period from 2013-14 to 2017-18. Audit methodology involved scrutiny of records in the office of the Engineer-in-Chief, PWD at the State level and four out of 12 PWD divisions[1] executing the projects at division level. In addition to the scrutiny of records, joint physical verification along with departmental officials, collection of photographic evidence and interview of beneficiaries from habitations covered through the projects through questionnaires were also carried out to assess the impact of implementation of the projects.

Audit objectives, criteria, scope and methodology were discussed (August 2018) in an Entry Conference with Secretary (Finance) and Principal Secretary (Public Works), Government of Mizoram. After conclusion of Audit, the draft Report was issued (November 2018) to State Government and Engineer-in-Chief, PWD for their response. Replies of the Government have been received in April 2019. Audit findings were discussed with Joint Secretary (Public Works) and Chief Engineer (Roads), PWD in an Exit Conference held on 21 January 2019. The replies furnished by State Government and views expressed during the Exit Conference were incorporated in the report at appropriate places.

3.2.6 Audit Sample

For the purpose of Audit, statistical sampling for coverage was as follows:

Four out of twelve implementing divisions in Mizoram were selected on the basis of Probability Proportional to Size Sampling Without Replacement (PPSWOR) method. All four completed projects in the sampled divisions were selected. Out of three on-going projects in the sampled divisions, two projects were selected. One on-going project was left out, as the progress of expenditure was below ten *per cent*.

The details of sample selection are given in **Table-3.2.**

Table-3.2:- Details of sample selection

	Divisions	Projects		
		Completed	On-going	Total
Total number in the State	12	4	19	23[2]
Selected	4	4	2	6
Total number in the selected divisions	--	4	3	7

Source: Departmental records and sample selection

In addition to the above, 120 beneficiaries of six villages were also surveyed.

Audit Findings

The extent of road connectivity in the State as of 2017-18 was as follows:

Table-3.3:- Status of road connectivity in Mizoram

Category of Roads	No. of Roads	Road Length (km)	Black-topped (km)	Un-surfaced (km)
Major District Roads	10	601.40	601.40	0.00
Other District Roads	22	978.30	769.70	208.60
Village Roads	115	1,863.15	440.34	1,422.81
Total	**147**	**3,442.85**	**1,811.44**	**1,631.41**

Source: Departmental records

[1] Twelve out of 29 divisions under PWD are implementing NABARD assisted projects under RIDF in Mizoram

[2] Twenty projects sanctioned during 2013-18 and three projects sanctioned prior to 2013-14, but completed during the audit period

While provision of road connectivity improved economic activities in the beneficiary villages surveyed in audit, there were several lacunae in planning for the road projects, preparation of DPRs, obtaining approvals and overall execution of projects. Significant audit findings in this regard are discussed in the succeeding paragraphs.

3.2.7 Planning

Comprehensive planning is imperative for expansion and upgradation of road network for providing connectivity to all habitations and ensuring speedy development and integration of rural areas. It also facilitates assessment of future requirement of roads in the State keeping in view growth of traffic and existing status of different categories of roads.

NABARD guidelines envisage preparation of a Master Plan by the State, indicating the status of existing road network in the State and priority index for selection of road projects. This is especially necessary, considering that the road network in the State is also constructed/ strengthened/ expanded with funding from Ministry of Development of North Eastern Region (MoDoNER) (Non Lapsable Central Pool of Resources, North Eastern Council), PMGSY, *etc.* Audit noticed that although 'core road network' prepared under PMGSY was available with State Government, Master Plan of projects to be funded through NABARD loan and priority list to facilitate systematic selection of road projects as required under RIDF guidelines were not prepared by State Government.

On being asked about the method adopted for selection of projects for RIDF loans, the Department stated (October 2018) that it was done on the basis of petitions received from public representatives (Members of Legislative Assembly), the general public and keeping in view the condition of existing roads.

While giving weightage to the requests of public representatives and/ or the general public cannot be faulted, Government could have still prepared a priority list of projects based on traffic loads and need, rather than taking up projects in an *ad-hoc* manner.

3.2.8 Achievement of physical targets

3.2.8.1 Status of physical progress of projects

During the five year period 2013-14 to 2017-18, NABARD sanctioned 20 projects for rural connectivity under RIDF. The tranche-wise physical progress of these projects is given below:

Table-3.4:- Physical achievement of the State during 2013-14 to 2017-18

Tranche No. & Year	No. of sanctioned projects	Sanctioned cost (₹ in crore)	Total length (km)	Stipulated date of completion	Status as of March 2018
XIX (2013-14)	01	19.71	21.90	March 2017	Completed in 2017-18
XXI (2015-16)	05	99.69	95.13	March 2019	On-going
XXII (2016-17)	08	108.11	92.08	March 2020	
XXIII (2017-18)	06	184.67	113.80	March 2021	05 ongoing and 01 not started
Total	**20**	**-**	**322.91**	**-**	

Source: Departmental records

As on 01 April 2013, there were three projects in progress, which were completed during 2013-14 to 2017-18, thereby taking the total number of completed projects to four during the audit coverage period. Out of the 20 projects sanctioned during 2013-14 to 2017-18, only one project was completed, one project has not been started and 18 projects are in progress.

3.2.8.2 Delays in grounding of projects

It is important that the competent authority accords necessary approvals within the prescribed time schedule to ensure timely execution and completion of the projects. NABARD guidelines stipulate the following timeframe for grounding of projects:

Administrative approval	Technical sanction	Tendering	Issue of Work Order
To be issued by State Government within one month from date of sanction by NABARD	To be issued within three months of sanction of the project	To be completed within six months from the sanction of the project	To be issued within nine months from the date of sanction of the project

Audit scrutiny of 23 sanctioned projects (20 during 2013-18 and three prior to 2013, which were implemented during the audit period) **(Appendix-3.2.1)** revealed the following with regard to completion of the necessary procedural formalities:

Table-3.5:- Delay in completion of procedural formalities for grounding of projects

Procedural formalities	Delay beyond the admissible timeframe (No. of projects)				
	No delay	< 1 month	> 1 month and < 3 months	More than 3 months	Total
Administrative approval	1	0	12	10	**23**
Technical sanction	0	0	10	5	**15***
Tendering	0	4	8	11	**23**
Issue of work order	0	0	2	21	**23**

** Technical sanction was not obtained in respect of eight projects*

Tenders were floated for 12 projects even before according administrative approval and work orders were also issued in respect of two of these before administrative approval. Similarly, tenders were floated for ten projects before according technical sanction and work order was also issued for one of these projects before technical sanction.

Inordinate delays in according administrative approval adversely affected the commencement and completion of projects within the stipulated time frame. As a result, four projects were completed with delay of more than one and half years and four on-going projects have crossed the stipulated date of completion.

Government did not provide any specific reply in this regard (July 2019).

Recommendation: *Projects may be taken up after obtaining requisite approvals, to avoid deviations in their designs at a later stage and consequent delays in their execution. NABARD should monitor the progress closely to ensure that project execution is not derailed and timelines are adhered to.*

3.2.9 Financial Management

3.2.9.1 Flow of funds

NABARD provides loan assistance up to 90 *per cent* of eligible project cost to all the NER States and the balance amount is to be provided by State Government. The interest rate on RIDF loans is 1.50 *per cent* lower than the bank rate as on the date of disbursement. Loans are released on reimbursement basis against the actual expenditure incurred in execution of sanctioned projects and transferred by Finance Department to the implementing divisions.

The GoM makes annual budgetary allocation for projects as per NABARD loan phasing and sanctions the amount to the implementing divisions. Thereafter, State Government submits reimbursement claims to NABARD on the basis of expenditure already incurred by the implementing divisions.

3.2.9.2 Receipt and Utilisation of Funds

The year-wise details of funds released by State Government and expenditure incurred there-against during 2013-14 to 2017-18 are shown in Table-3.6:

Table-3.6:- Receipt and utilisation of funds

(₹ in crore)

Year	Budget Allocation	Release to the implementing Department	Expenditure	Funds lying in PWD Deposits
2013-14	24.98	16.00	11.83	11.07[3]
2014-15	9.00	7.78	9.29	9.56
2015-16	12.87	12.87	9.28	13.15
2016-17	30.00	29.74	33.45	9.44
2017-18	110.58	110.58	60.28	59.74
Total	**187.43**	**176.97**	**124.13**	**---**

Source: Information furnished by the Department

During the period, ₹ 176.97 crore was released by State Government to the implementing Department against which, an expenditure of ₹ 124.13 crore was incurred for execution of projects. As on 31 March 2018, an amount of ₹ 59.74 crore remained parked in Public Works Deposits.

3.2.9.3 Incorrect reporting of expenditure to NABARD

NABARD guidelines envisage that the loan amount shall be disbursed based on submission of Statement of Expenditure (SoE) by State Government. During 2013-14 to 2017-18, NABARD reimbursed expenditure pertaining to 15 projects[4]. Year-wise details of expenditure incurred on these projects against which reimbursement was made by NABARD during this period are shown in Table-3.7:

[3] As on 01 April 2013, the Opening Balance of Public Works Deposits was ₹ 6.90 crore

[4] Out of 23 projects (20 projects sanctioned during 2013-18 and three projects sanctioned prior to 2013-14), reimbursement was made only for 15 projects during 2013-18 (14 projects sanctioned during 2013-18 and one project sanctioned prior to 2013-14)

Table-3.7:- Details of NABARD reimbursement against actual expenditure

(₹ in crore)

Year	Actual expenditure incurred by divisions	Claims made by GoM as per SoEs	Excess claimed	Reimbursement by NABARD	Excess reimbursement
2013-14	11.83	25.37	16.32	9.05	(-) 2.78
2014-15	9.29	13.86	0.18	13.68	4.39
2015-16	9.27	8.06	0.00	8.06	(-) 1.21
2016-17	33.45	27.69	0.00	27.69	(-) 5.76
2017-18	60.28	79.71	19.43	79.71	19.43
Total	**124.12**	**154.69**	**35.93**	**138.19**	**14.07**

Source: Departmental records

It was noticed that during 2013-14 to 2017-18, NABARD reimbursed ₹ 138.19 crore against ₹ 154.69 crore claimed by the State Government. Audit scrutiny revealed that the actual expenditure incurred during the period was ₹ 124.12 crore, resulting in excess claim of ₹ 35.93 crore, against which NABARD reimbursed ₹ 14.07 crore in excess of the actual expenditure.

Audit team could not find any recorded reasons for variations in the reimbursement claims made by the State Government. Details in this regard in respect of the sampled projects are as under:

a. **West Phaileng to Marpara Road:** NABARD was to reimburse ₹ 44.05 crore (90 *per cent)* on the basis of sanctioned cost of ₹ 48.95 crore for the project. While the Department downsized project cost to ₹ 43.14 crore by reducing the scope of the work, it spent the originally sanctioned amount for the project in full but has not intimated NABARD. While NABARD guidelines do provide for time over-run up to two years in special circumstances, the cost over-run pursuant to time over-run has to be borne by State Government. To that extent, State Government erred in its planning and designing of the project. The project was completed at an expenditure of ₹ 48.94 crore with a cost over-run of ₹ 5.81 crore.

b. **Muallungthu-Khumtung Road**: NABARD was to reimburse ₹ 17.49 crore (90 *per cent*) on the basis of sanctioned cost of ₹ 19.71 crore for the project. State Government reported an expenditure of ₹ 18.23 crore in Project Completion Report (PCR) and claimed reimbursement of ₹ 18.61 crore against which, NABARD reimbursed ₹ 17.03 crore. However, on the basis of expenditure reported through PCR, the NABARD share of the project should be ₹ 16.41 crore (90 *per cent* of ₹ 18.23 crore).

   Further, State Government claimed (March 2014) Mobilisation Advance of ₹ 524.58 lakh, which was to be adjusted from subsequent claims submitted to NABARD. We noticed that an amount of ₹ 503.05 lakh only was adjusted up to the final claim submitted to NABARD leaving an unadjusted Mobilisation Advance of ₹ 21.53 lakh.

While NABARD failed to exercise the mandatory checks before accepting the reimbursement claims, State Government only deferred its burden of repaying this amount to NABARD at a later date along with interest, by giving an incorrect picture of the expenditure incurred on the projects and claiming reimbursement from NABARD.

Recommendation: *State Government needs to streamline the process of compilation of expenditure based on monthly accounts of the implementing Divisions. Responsibility should be fixed on the concerned officials in case of submission of incorrect Statements of Expenditure.*

3.2.10 Project Implementation

NABARD guidelines stipulate that projects under RIDF should comply with the necessary technical specifications and the projects should be completed within the shortest possible time and in any case not later than the period stipulated in the sanction letter. Audit observations with regard to implementation of projects during the period 2013-14 to 2017-18 are as follows.

3.2.10.1 Deficiencies in preparation of Detailed Project Reports (DPRs)

Preparation of cost estimates has a direct bearing on the total project cost, quality of works executed and timeliness of completion of road works. It is essential that the prescribed rules and IRC specifications are strictly adhered to in preparing cost estimates. Audit, however, observed serious deficiencies in preparation of cost estimates as discussed in succeeding paragraphs.

i. Improvement and upgradation of steep gradient in between Kamalanagar – Chhotapansury Road

NABARD sanctioned this work in January 2010 at an estimated cost of ₹ 14.50 crore. Administrative approval (March 2010) and technical sanction (May 2010) were accorded to the project estimate for widening of the road from four meters to six meters (16.64 kms[5]) and diversion of 17.96 kms of existing road by formation cutting in chainage 0.000-34.600 kmp. PWD justified the project (July 2010) stating that the existing road had an average width of five meters and it is required to be widened up to six meters to make it suitable for truck movement. The work commenced in June 2010 and was completed in May 2013 at a cost of ₹ 14.54 crore.

Audit scrutiny revealed that improvement and upgradation of the road by widening the existing road from four to six meters in the chainage 0.000-19.210 kmp of this project had already been completed in April 2010 with NLCPR[6] funding. Therefore, the proposed widening of 10.98 kms of existing road in the chainage 0.000-19.210 kmp was a duplication of work.

ii. Construction of pavement in Hnahthial – Thingsai Road

(a) Hnahthial–Thingsai Road (0.000–10.500)

Administrative approval for this project was accorded in March 2010 for ₹ 424.00 lakh. The DPR included construction of earthen shoulders (43,312.50 m^3) and carriage of materials (4,311.71 m^3) at an estimated cost of ₹ 92.28 lakh. Scrutiny of sanctioned estimate revealed that quantities for the above mentioned two items were calculated incorrectly in the DPR and the actual quantities to be executed were only 2,835 m^3 and 19,109.85 m^3 respectively, which was to cost only

5. Scattered between chainage 0.000 to 34.600 kmp
6. Construction of Chawngte-Borapansury Road (up to Momtola)

₹ 24.41 lakh. Due to calculation errors in preparation of DPR, the entire process of obtaining administrative approval and tendering were done on the basis of an inflated estimated amount of ₹ 67.86 lakh.

Government stated (April 2019) that quantities of earthen shoulder were rectified in the Bill of Quantities (BOQs) and estimate of second contractor. However, the first contractor was awarded the work on the basis of incorrect estimates.

(b) Hnahthial – Thingsai Road (10.500 – 52.000)

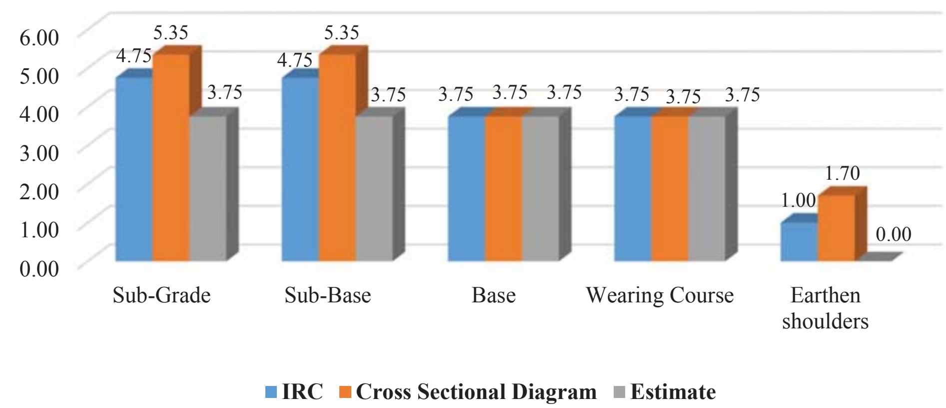
Scrutiny of DPR and contract documents revealed that quantity for construction of earthen shoulders (41.50 kms) was wrongly estimated at 8,818.75 m^3[7] costing ₹ 46.65 lakh @ ₹ 529 per cum due to taking into consideration incorrect thickness, while the actual quantity required for construction of earthen shoulders was 5,291.25 m^3[8] costing ₹ 27.99 lakh. Thus, the quantity and amount required as per the estimate was inflated by 3,527.50 m^3 and ₹ 18.66 lakh respectively. Subsequently, the BOQs was signed for an inflated quantity costing ₹ 14.11 lakh (quoted rate @ ₹ 400 per cum).

While accepting the fact, Government stated (April 2019) that necessary rectification would be carried out before execution of earthen shoulder. However, the rectification in the BOQs was not intimated by the Department as of July 2019.

iii. Construction of Zote – Chhipphir Road

The entire road width on which construction activities like pavement and earthen shoulders take place is defined as road bed which is the sub-grade. The sub-grade and granular sub-base are the lower layers which are compacted for the entire roadway width *i.e.*, carriageway width *plus* width of the shoulders. The geometric designs of the road as *per* the estimate and BOQs *vis-à-vis* IRC specification are given below:

Chart-3.2.1: Road specification in the estimate *vis-à-vis* IRC specification *(width in meters)*



It can be seen from the above that the cross sectional design of the pavement in the DPR included compaction of sub-grade, laying of sub-base for the entire roadway

7 Quantity for earthen shoulders (8,818.75 m^3) = Length (41,500 m) x Breadth (0.85 m) x Height (0.25 m)
8 Quantity for earthen shoulders (5,291.25 m^3) = Length (41,500 m) x Breadth (0.85 m) x Height (0.15 m)

width (5.35 m) and construction of earthen shoulders. It was observed in audit that the Department made provision for compaction of sub-grade, laying of sub-base for carriageway width (3.75 m) only and provision was not made for earthen shoulders in the cost estimation of the project.

Thus, the technical specification of the cross sectional diagram of the pavement and specification of the pavement included in the cost estimation of the DPR were contradictory. Moreover, both the specifications of the pavement included in the DPR were not in conformity with the IRC specification.

In the absence of earthen shoulders, the road would be prone to the risk of faster deterioration as earthen shoulders reinforce and provide support and protection to the pavement edges from traffic damage. The Department while accepting the audit observation, stated that the defects in the DPR will be rectified as the works are on-going.

Government accepted the fact and stated (April 2019) that during the tendering process, essential items of lined side drains were not provided in the sanctioned estimate, and the provision of sub-grade and sub-base to 3.75 m was made to accommodate these. The Government's reply is not acceptable as the provision of earthen shoulder is included in the cross sectional diagram but not included in the cost estimation of the approved project.

Recommendation: *Government needs to ensure that the DPRs are prepared in a careful and comprehensive manner in keeping with the relevant standards. Where deviations are necessitated, these have to be appropriately documented and approved.*

3.2.10.2 Execution of Projects

i. Strengthening and rehabilitation of West Phaileng to Marpara Road

This project was accorded administrative approval and technical sanction in September 2011 for an amount of ₹ 48.95 crore. The scope of the work involved construction of new pavement for the entire length of the road (80 kms), cross drainage, protection works, side drains, *etc*. The road was divided into three packages and awarded to three contractors in September 2011.

During the Engineer-in-Chief's site inspection (December 2011), instructions were given to re-cast the estimate as construction of new pavement was not required for the whole stretch of the road. Accordingly, a revised estimate was prepared to construct new pavement for 15.34 kms and to repair the remaining portion of the road. The estimate was accorded administrative approval (March 2012) at a downsized cost of ₹ 43.14 crore. The Department did not, however, obtain a revised technical sanction. It did not also revise the scope of work of the contractors to this effect.

Audit scrutiny of records in this regard revealed the following:

(a) Delay in execution of project

The work commenced in September 2011 and was scheduled to be completed by September 2013. The project was completed in March 2016 *i.e.*, two and half years beyond the targeted completion date.

Audit scrutiny revealed that after execution of work for two months, the scope of work was changed and the estimates were re-cast leading to stoppage of works. As of February 2013[9], only one contractor had executed four kms of pavement works while the other two contractors had not started pavement works. Damage to the pavement compounded during this period, resulting in increased quantities to be executed and consequent time and cost overrun in the project.

Government stated (April 2019) that heavy rainfall of approximately 2,500 mm *per annum* during 2011-13 resulted in slow progress of work and that, the surrounding area of the road was affected by insurgency during the period which was substantiated by the order issued from the Superintendent of Police (April 2014). Government's reply is not acceptable, as only one contractor had completed four kms of the road in the dry season of 13 months during 2011-13 and not a single instance of communication from the Department to expedite the work was issued to the other two contractors. Further, the insurgency cases reported by SP were in April 2014 and not during the period 2011-13.

(b) Deviation in execution of project

The CPWD Works Manual[10] envisages that when an excess beyond permissible variation (+/ - 10 *per cent*) over the sanctioned estimate is foreseen, revised estimate should be prepared and submitted to the competent authority for approval. Further, as per State Government's instructions, no deviation from the approved items and quantities of work should be made without prior approval of the competent authority.

Due to delays and slow progress of work as discussed in the previous paragraph, the condition of the road deteriorated significantly leading to increased scope of pavement works, protection works, drainage works and landslip clearances. Despite deterioration in condition of the road at the time of preparation of revised DPR (March 2012) and commencement of pavement works (February 2013), the Division went ahead with the work without assessing the viability and feasibility of the scope of works included in the revised DPR. The process of planning, survey and preparation of DPRs lost its relevance, as the extra items of works were executed as per actual need in the field, which were not considered during the preparation of the revised DPR. For instance, new pavement for 15.34 kms was proposed in the revised estimate against which, the Department constructed 30.321 kms of new pavement. As a result, the actual execution of works varied well beyond the permissible variation and increased the cost of the project by ₹ 5.80 crore (13.45 *per cent*) as shown in **Appendix-3.2.2**.

The Department neither notified the competent authority about the increase in scope of work nor revised the estimate for obtaining administrative approval or technical sanction during execution. A Working Estimate was however, prepared (January 2016) and administrative approval and technical sanction were obtained after the completion of the project in contravention of Rule 129[11] of the General Financial Rules.

[9] Milestone 2 (40 *per cent*) for physical works to be completed

[10] Clause 4.6 of the CPWD Works Manual

[11] **Rule 129, General Financial Rules** stipulates that no works shall be commenced or liability incurred in connection with it until (i) administrative approval has been obtained from the appropriate authority in each case; (ii) sanction to incur expenditure has been obtained from the competent authority; and (iii) a properly detailed design has been sanctioned

Finally, the project "West Phaileng to Marpara Road" that envisaged construction of a new pavement for 80 kms at a cost of ₹ 48.95 crore, ended up with a new pavement of only 30.321 kms at a cost of ₹ 48.94 due to poor planning and implementation issues. Clearly, preparation of estimates was done merely to fulfil the procedural formalities and as such, the checks and balances inbuilt in the processes of estimation and approval were conspicuously absent.

Government stated (April 2019) that additional works were taken up due to unforeseen circumstances at the time of execution of work and that, it was difficult to work out the exact quantum of work, quantity, length, *etc.* to be executed. The reply of the Government is not acceptable due to the fact that the deviation in quantities in the instant case was (-) 80 *per cent* and 200 *per cent* as compared to the initial DPR and revised DPR respectively. Deviations beyond (+/ -) 10 *per cent* invariably require preparation of further revised estimates and approval from competent authority before execution of work in terms of the rules/ guidelines mentioned above.

(c) Cost overrun due to delay in execution

As per clause 47 of the contract, the contractors can claim price escalation for increase in rates of labour, material, fuel, *etc*. from the start date to the stipulated date of completion or extension granted. The bill amount considered for price escalation should exclude the value of works executed under variations for which price adjustment will be worked out separately as per Clause 38[12]. Clause 47 was to safeguard the interest of the contractor on account of increase in rates of agreed items within the stipulated date of completion, while Clause 38 was to compensate the contractor in the event of execution of quantities in excess of 25 *per cent* over the agreed quantities.

Scrutiny of records revealed that the Department made payments for price escalation of ₹ 332.72 lakh to contractors for increase in rates of labour, material, fuel, *etc*. as per Clause 47. Further, the Department increased the rates for quantities exceeding 25 *per cent* against the revised estimates as per Clause 38 amounting to ₹ 332.51 lakh. It was noticed that against the quantities for which price adjustment was made, the Department also allowed an additional payment of ₹ 84.57 lakh for the exceeded quantities as price escalation in violation of Clause 47 **(Appendix-3.2.3)**.

Thus, the division ended up paying price escalation in excess of ₹ 84.57 lakh for the exceeded quantities, which was already covered under price adjustment. *Responsibility needs to be fixed for irregular and excess payments made and the excess amount may be recovered from the contractors.*

Government stated (April 2019) that price escalation was paid in accordance with Clause 47 which stated that price escalations shall be paid for the work done up to extension of time granted by the engineer. The reply is not acceptable as Clause 47 clearly prescribes that the bill amount considered for price escalation should exclude value of works executed under variations for which price adjustment is required to be worked out separately.

[12] The Engineer shall adjust the rate for variations in quantity of work done, if (i) the final quantity of the work done differs from the quantity in the BOQs for the particular item by more than 25 *per cent* provided that and (ii) the change in quantity exceeds one *per cent* of initial contract price

(d) Physical condition of the road

The road, which was completed in March 2016, had a defect liability period of one year. During the physical inspection[13] (August 2018) of the road (39 out of 80 kms) by the Audit team along with the Sub-Divisional Officer and Junior Engineer, West Phaileng Sub-Division, it was noticed that 4.48 km was completely damaged, requiring repairs from the sub-grade level; 25.81 km was partially damaged requiring patch repairs up to the level of water bound macadam-I (WBM-I) leaving only 8.71 km in good condition with minor potholes.

Physical condition of West Phaileng – Marpara Road

While accepting the fact, Government stated (April 2019) that road condition deteriorated due to constraints in funding maintenance costs. Further, the Government stated that efforts will be made for provision of funds for maintenance of the road in the next year.

ii. Construction of pavement on Hnahthial-Thingsai Road

The project was accorded administrative approval (March 2010) for construction of pavement (0.000-10.500 kmp) of 10.50 kms at a cost of ₹ 424.00 lakh. The work was awarded (January 2011) to a contractor[14] but the contract was terminated (July 2012) due to slow progress of work. Thereafter, the Department initiated re-tendering and awarded the work (January 2013) to another contractor[15] who completed the work in May 2014. The total expenditure incurred on the project was ₹ 424.00 lakh. Audit scrutiny of the relevant records revealed the following in implementation of the project:

(a) Irregularities in tendering

The project was accorded administrative approval (March 2010) amounting to ₹ 424.00 lakh for constructing pavement of length 10.50 kms having width of 3.75 m. The Department considered the Schedule of Rates (SOR) 2009 for National Highways for arriving at the cost of the project instead of the prevailing SOR for rural roads in the State. Accordingly, NIT was floated (June 2010) for the tendered amount of ₹ 398.14 lakh[16] on the basis of SOR 2009.

---

[13] Condition of road was recorded with the assistance of SDO, JE, West Phaileng Sub-Division, PWD

[14] N. Joshua

[15] P. C. Lalthantluanga

[16] ₹ 424 lakh (Approved cost) = ₹ 398.14 lakh (cost of work) + ₹ 25.86 lakh (6.5 *per cent* for Work charged establishment, quality control, contingencies and maintenance during construction)

Audit scrutiny revealed that out of five bidders, four quoted the same amount of ₹ 484.57 lakh for the project, which was 22 *per cent* higher than the tendered amount. As the amount quoted by the lowest bidders was well above the permissible variation[17] and also exceeded the administratively approved amount, tendering should have been cancelled and re-tendering initiated. However, the Department increased the tendered amount to ₹ 510.06 lakh taking into account the prevailing market rates to accommodate the lowest quoted amount of ₹ 484.57 lakh ((-) 4.99 *per cent*). This resulted in increase in the cost of the project and subsequently led to reduction in scope of work as discussed in the subsequent paragraphs.

Government stated (April 2019) that the prevailing market rates increased considerably in 2013 than the rates used in the estimates and that, re-tendering was not initiated in order to save time for early completion of the project. The reply is not acceptable as the tendered cost was beyond the administratively approved amount and also, the tender was floated during June 2010 and work was awarded to the contractor in December 2010. **Further, the Department was silent on the basis on which the prevailing market rate was computed. The Department has also not responded as to how N. Joshua was awarded the work, when four contractors quoted the same amount for the work.**

(b) Reduction in width of the pavement

As *per* IRC: SP 48-1998 (Hill Road Manual) it is necessary to acquire additional right of way to ensure proper sight distance. The width of carriageway, shoulder and roadway for Other District Roads (ODR) are 3.75 m, 2 x 0.5 m and 4.75 m respectively. The Department planned to construct the pavement as per these specifications in the sanctioned estimate.

It was observed that the safety and adequate carriageway width of the road as per IRC standard was compromised by the Department due to fund constraints for the project as shown below:

Table-3.8:- Dimensions of road as *per* IRC *vis-à-vis* actual execution

(Units in meters)

Particulars	As *per* IRC: SP 48-1998	As *per* Estimate	Actual Execution
Carriageway width + 10 *per cent* curves and passing places	3.75 + 0.375 = 4.125	3.75 + 0.375 = 4.125	3.00 + 0.30 = 3.30
Shoulder width	2 x 0.50 = 1.00	2 x 0.90 = 1.00	2 x 0.08 = 0.16
Roadway width	5.125	5.925	3.46

Source: Departmental records

The total length of Hnahthial – Thingsai road is 52.00 kms, of which, 0.000 to 10.500 kmp was completed with a carriageway width of 3.30 m instead of 4.125 m. However, the pavement for the remaining portion (10.500 - 52.000 kmp) is being constructed currently with a carriageway width of 4.125 m.

While accepting the facts, Government stated (April 2019) that the road (0.000-10.500 kmp) was constructed with a reduced carriageway width of 3.00 m due to fund constraints.

[17] Permissible variation as per GoM, O.M dated 24 August 2007 is five *per cent* on the lower side and 10 *per cent* on the higher side of the tendered amount

iii. Improvement and upgradation of steep gradient in between Kamalanagar – Chhotapansury Road

The project was proposed with a view to improve the steep gradient between 6.000-28.000 kmp at seven locations and widening of the remaining portion from four to six meters of the existing road. Accordingly, Administrative Approval (March 2010) and Technical Sanction (May 2010) was accorded for ₹ 14.54 crore to divert the road (17.96 kms) and widen the remaining portion (16.64 kms) in the chainage 0.000-34.600 kmp. The work was divided into 12 packages and awarded (June 2010) to 12 contractors.

(a) Alignment of the road without survey

Audit scrutiny of formation cutting works for 28.60 kms[18] out of 34.60 kms of the road revealed that the Department diverted the road in an unplanned manner at 20 different locations (14.57 kms) against the initial plan to divert it at seven locations (13.63 kms) for improving the steep gradient and widening of 10.38 kms against 14.97 kms of the road **(Appendix-3.2.4)**.

Government stated (April 2019) that the alignment of the road was changed to accommodate the demand for inclusion of Buisek village in the new road alignment. The reply is not acceptable, as the observation was based on the revised road alignment meant for connecting Buisek village itself.

(b) Wasteful expenditure of ₹ 1.03 crore

As per the estimate, the Department planned (December 2009) to widen 10.98 kms of the road from the existing width of four meters to six meters and diversion of 8.23 kms of the road in the chainage 0.000-19.210 kmp. However, as discussed in paragraph 3.2.10.1 (i), the width of the road was already widened to six meters under NLCPR (2003 to 2010) for 0.000-19.210 kmp and had already met the standard of IRC specification that prescribes the roadway width for major/ other district roads as 5.125 m.

Scrutiny of the actual execution through Measurement Books (MBs) revealed that the Department executed formation cutting for widening of 8.55 kms and diversion of 10.66 kms in the chainage 0.000-19.210 kmp already executed under NLCPR. As a result, the widening of 8.55 kms of the road under NABARD increased the average width of this portion from six meters to 10.86 m by incurring an expenditure of ₹ 1.03 crore, which could have been avoided.

Government stated (April 2019) that due to unprecedented climatic effect of erosion that occurred during construction, the average road width under NLCPR was only four meters. The reply is not acceptable as there was no documentary evidence in support of the Government's claim and this fact was also not mentioned in the DPR approved under NABARD.

(c) Avoidable execution of formation cutting works

As per the estimate, formation cutting of two meters for widening the existing road and six meters width for diverting the road was planned. Scrutiny of records revealed

[18] Six kms portion in the chainages 15.000 – 18.000 kmp and 25.000 – 28.000 kmp could not be analysed due to non-production of Measurement Book No. 365(CH) and 370(T)

that formation cutting works for widening and diversion of the road were executed in excess of the standards prescribed in IRC[19] for other/ major district roads. The details of extra widening (more than three meters) and diversion in excess of the requirement (more than seven meters) of the road are shown below:

Table-3.9:- Range of excess width *w.r.t.* estimate

Widening of the road			Diversion/ new cutting of the road		
Estimated roadway width (m)	**Range of roadway width executed (m)**	**Length (km)**	**Estimated roadway width (m)**	**Range of roadway width executed (m)**	**Length (km)**
2	3-5	1.68	6	7-8	0.69
2	5-7	0.45	6	8-9	0.69
			6	9-10	0.12
			6	10 and above	0.24
Total		**2.13**	**Total**		**1.74**

Source: Departmental records

It can be seen from the above table that widening of 2.13 kms and diversion of 1.74 kms of the road had a roadway width of more than seven meters which was in excess of the proposed width of the road. As a result, the Department executed formation cutting works in excess of 37,667.47 cum for widening (2.13 kms) and diversion (1.74 kms) of the road which was in excess of the requirement as per the estimate and IRC specification of other district roads as shown in the table below:

Table-3.10:- Excess execution of formation cutting for widening and diversion

Execution of excess width (Widening and Diversion)	Excess Quantity (cum)			Excess Amount (₹ in lakh)		
	Ordinary Soil	**Ordinary Rock**	**Hard Rock**	**Ordinary Soil**	**Ordinary Rock**	**Hard Rock**
Widening (3-5 m)	2606.81	2603.88	193.75	2.28	3.83	0.55
Widening (5-7 m)	1568.43	650.38	0.00	1.37	0.96	0.00
Diversion (7-8 m)	4543.93	1148.34	1148.34	3.97	1.69	3.28
Diversion (8-9 m)	6929.45	6864.90	949.53	6.06	10.11	2.72
Diversion (9-10 m)	1425.11	1199.93	238.43	1.25	1.77	0.68
Diversion (10 m and above)	4057.38	970.35	568.56	3.55	1.43	1.63
Total	**21131.10**	**13437.76**	**3098.61**	**18.48**	**19.79**	**8.86**

Source: Departmental records

Excess formation cutting works of 37,667.47 cum led to an excess expenditure of ₹ 47.13 lakh for widening and diversion of the road.

Government stated (April 2019) that estimate was prepared on emergency basis for obtaining sanction purposes from the competent authority but execution of work was as per actual site condition which included passing places, extra widths, curves, *etc.* The reply is not acceptable as the road dimension included in the estimate were as per IRC norms. Further, the roadway width of more than six meters for other district road/ district road is not at all required as the pavement (including curves and passing places), shoulders, side drain and parapets can be accommodated within the width of six meters.

[19] 5.125 m (Roadway width) = 3.75 m + 0.375 m (Pavement width) + 2 x 0.50 (Shoulders)

(d) Non-execution of widening and diversion of road

Audit scrutiny of records revealed that nine contractors had to widen 10.65 km and divert 16.35 km of the road by formation cutting as per the BOQs. Against this, the contractors did not execute widening of 1.57 km and diversion of 2.09 km of the road which was estimated at ₹ 72.73 lakh **(Appendix-3.2.5)**.

The Division, while recording the measurement of actual work done by the contractors, did not ensure completion of formation cutting works for the total length of their respective chainages. Due to negligence on the part of the Department in terms of proper monitoring and supervision, the improvement of the steep gradients and widening of the road remained incomplete for a length of 3.66 kms. *Responsibility of the concerned officials needs to be fixed in this regard so as to ensure that the work is executed as per the agreement.*

While accepting the fact, Government stated (April 2019) that proposed work could not be carried out as per the estimate due to public pressure. On the other hand, Government also stated that no physical work was left incomplete, in contradiction of its own statement. However, the fact remains that 3.66 km out of the total length of the road was left unexecuted as per the measurements recorded in the MBs.

(e) Double payment for same work

The formation cutting works of some chainages as detailed below, were completed by three contractors at a cost of ₹ 83.53 lakh during 2010-11. It was noticed that formation cutting for the same chainages were again shown as executed by three different contractors during 2011-12 and 2014-15 and recorded in the MBs and fraudulent payment of ₹ 21.26 lakh was made for works which had already been completed.

Description of Works	Chainage	Quantity Executed (Cum)	Excess Amount Paid (₹ in lakh)
Formation Cutting	3.000-3.570	8573.85	7.50
	12.000-12.030	67.80	0.06
	20.000-21.680	15678.80	13.70

Government stated (April 2019) that no double payment was made for three chainages and the contractors were paid as per the agreement *plus* deviation amount. The reply is not acceptable as the details of entries made in the measurement books and Running Account (RA) bills clearly suggest that works were shown as executed twice and payments were made accordingly.

Responsibility needs to be fixed in this regard and disciplinary action should be initiated by Department against the erring officials.

(f) Doubtful expenditure

The CPWD works manual stipulates that the Measurement Book (MB) is the basis of all accounts of quantities whether of works done by contractors or by labourers employed departmentally, or materials received. Audit scrutiny revealed that payment of ₹ 57.32 lakh[20] and ₹ 102.93 lakh[21] were made to two contractors for formation cutting works based on MB No. 365(CH) and 370(T). The measurement of works

[20] RA-I dated 22.12.2010 of ₹ 1.21 lakh and RA-II dated 29.03.2011 of ₹ 56.11 lakh

[21] RA-I dated 14.12.2010 of ₹ 10.09 lakh, RA-II dated 29.03.2011 of ₹ 56.17 lakh, RA-III dated 21.12.2011 of ₹ 25.93 lakh and RA-IV dated 08.06.2012 of ₹ 10.74 lakh

recorded and authenticity of payments made could not be verified as the related MBs were not made available to Audit. In the absence of the MBs, the expenditure incurred towards the work shown as executed amounting to ₹ 160.25 lakh could not be vouched in audit.

The implementing division stated that the MB could not be traced and was declared as lost. However, this was not intimated to the Chief Engineer for write off of the lost MBs. Nor did the Department lodge a First Information Report (FIR) regarding the loss of MBs as per section 7.14 of CPWD Works Manual.

Government stated (April 2019) that the Division was not aware of the lost MBs, so it was neither reported to Chief Engineer nor was FIR filed. It was added that, MBs could not be located after a thorough search of all sub-divisions and hence, it was proposed to be written off by the Chief Engineer (Roads).

Recommendation: *Government needs to ensure that execution of works are supervised scrupulously for quality and quantity and take stringent action against the officials responsible for the misplacement/ loss of MBs.*

3.2.11 Maintenance of roads

3.2.11.1 Defect liability period

As per NABARD guidelines, the contract document shall include defect liability period so that the contractors are responsible for maintenance of roads for three years and in no case less than two years.

Audit scrutiny revealed that the Department included a defect liability period of only one year in the contract. This benefit granted to the contractor not only absolved them of the liability in case of low quality construction, but also increased the financial burden of State Government for repair works.

3.2.11.2 Adequacy of funds for maintenance

As per NABARD General Terms and Conditions, State Government should make adequate annual budgetary provision for recurring expenditure on account of maintenance and repairs of the assets created. The Mizoram Rural Roads Maintenance Policy (MRRMP) stipulates that the quantum of funds for periodic renewal and routine maintenance of roads is ₹ 5.33 lakh per km per year for black-topped roads and ₹ 5.21 lakh per km per year for nonblack-topped roads. The Department worked out annual maintenance cost for each completed project in the Project Completion Report (PCR). The details of requirement for maintenance as per MRRMP, PCR and the actual allotment there against for the project are shown below:

Table-3.11:- Requirement of maintenance funds *vis-à-vis* actual allocation

(₹ in lakh)

Year	Name of the Project	Completion Date	Requirement as per MRRMP (per km)	Requirement as per PCR (per km)	Funds allotted for the road (per km)
2017-18	West Phaileng to Marpara Road (80 kms)	31.03.2016	5.33	0.82	0.05
2015-16	Hnahthial to Thingsai Road (10.50 kms)	13.05.2014	5.33	0.06	0.39
2016-17			5.33	0.06	0.47
2017-18			5.33	0.06	0.51

Year	Name of the Project	Completion Date	Requirement as per MRRMP (per km)	Requirement as per PCR (per km)	Funds allotted for the road (per km)
2014-15	Kamalanagar to Chhotapansury Road (34.60 kms)	13.05.2013	5.21	0.35	0.00
2015-16			5.21	0.35	0.00
2016-17			5.21	0.35	0.00
2017-18			5.21	0.35	2.15

Source: Departmental records

It can be seen that the assessment for annual maintenance made by the Department in the PCR and actual allocation for these three completed projects was significantly lower (85 to 98 *per cent*) than the required funds prescribed by MRRMP. Further, State Government could not even meet the requirement assessed by the Department for two projects indicating lack of effective budgeting process. Inadequate provisioning and funding by State Government is bound to impact the proper maintenance of the roads leading to rapid deterioration in their condition.

Recommendation: *State Government should ensure that adequate funds are available for maintenance of completed projects so that the assets created continue to provide service to the people.*

3.2.12 Project Monitoring

3.2.12.1 High Power Project Monitoring Committee and District Level Review Committees

As per NABARD guidelines, a District Level Review Committee (DLRC) under the Chairmanship of Deputy Commissioner (DC) is to be constituted and implementation of RIDF funded projects is to be reviewed on a quarterly basis. Further, the Chief Secretary to Government of Mizoram had instructed (November 2011) all the DCs to institutionalise a mechanism to conduct regular monthly review meetings of RIDF projects at the district level.

The Department stated during Exit Conference that the DLRC was not formed and that, it monitors the projects through departmental field officers, EEs, SEs, CE and E-in-C on a regular basis.

There is a need for strengthening the monitoring and reviewing mechanism by the Department.

3.2.12.2 Submission of Project Completion Report

Project Completion Report (PCR) is to be furnished by the implementing Department after completion of the projects indicating the overall assessment of the potential created for generation of income and employment in rural areas, chalk out strategy for funding identical projects in future/ policy interventions to be introduced, *etc*. As per the NABARD guidelines, State Government has to submit PCR for each of the sanctioned projects within one month of its completion.

During the period 2013-14 to 2017-18, four projects were completed and the Department submitted the PCRs relating to these, with delays ranging from three to 15 months.

Audit scrutiny of the PCRs submitted by the Divisions to the Engineer-in-Chief revealed variation between the reported expenditure on the projects and the actual expenditure incurred at the Division level, as shown below:

Table-3.12:- Details of expenditure in PCR *vis-à-vis* actual expenditure

(₹ in crore)

Name of the project	Sanctioned cost	Expenditure reported in		Amounts lying in PW deposits
		PCR	Monthly accounts	
Kamalanagar to Chhotapansury Road	14.54	14.54	14.20	0.34
Muallungthu-Khumtung Road	19.71	18.23	18.61	1.10
West Phaileng to Marpara Road	48.95	48.94	48.94	0.01
Total	**83.20**	**81.71**	**81.75**	**1.45**

Source: Departmental records

The Divisions had submitted PCRs before clearing their financial liabilities and were making payments from the amounts lying in the public works deposits even after submission of PCRs. As on 31 March 2018, an amount of ₹ 1.45 crore was lying in public works deposits in respect of three projects. Thus, the amounts indicated in the PCRs are incorrect to that extent.

Recommendation: *Government should institute an effective monitoring mechanism for timely completion of the projects and to remove any legal or procedural hurdles in the smooth implementation of the projects. NABARD should also liaise with the State Government to strengthen the monitoring mechanism and review the progress of works at regular intervals.*

3.2.13 Conclusion

The State has not prepared any Master Plan for prioritising the projects for establishing road connectivity in rural areas under RIDF funding. There were delays in according necessary approvals for the projects, which led to substantial delays in grounding of projects and increased the cost of the projects. DPRs were not prepared with due regard to the relevant standards and needs at the ground level, which necessitated several variations to plans and quantities of material subsequently. The actual execution deviated from the DPRs in several instances as new items of works were executed without approval and on the other hand, the designed width and length of the roads were compromised. There were instances of fraudulent payment and excess expenditure due to execution of same works twice and errors in Measurement Books. Maintenance of roads was poor due to inadequate funding by the State and there was inadequate quality control and monitoring mechanism in the State. On its part, NABARD had not monitored the planning process of the State with regard to projects for road connectivity; nor did it monitor delays at various stages of project formulation, designs, approvals and execution.

COMPLIANCE AUDIT PARAGRAPHS

COMMERCE AND INDUSTRIES DEPARTMENT

3.3 Compliance Audit of "Implementation of New Land Use Policy"

3.3.1 Introduction

New Land Use Policy (NLUP), a flagship programme of Government of Mizoram (GoM), was launched in January 2011 with the main objective of putting an end to *jhum* cultivation[22] in the State. The programme aims to stop *jhum* by weaning away the farmers from *jhumming* to alternative sustainable economic activities. The programme was implemented by nine line departments[23] and was to be completed in five years. Performance Audit of NLUP covering four departments *viz.* Agriculture Department, Animal Husbandry and Veterinary Department, Environment, Forests and Climate Change Department and Fisheries Department had featured in the Comptroller and Auditor General of India's Report of the State for the year ended March 2016. This report covers only one Department *viz*. the Commerce and Industries Department (C&ID).

C&ID had implemented 24 major trades and 40 Special Micro Enterprises (SME) to provide alternative sustainable means of livelihood to the beneficiaries. Under Phase- I to IV of NLUP, 27,196 beneficiaries had been covered at a total expenditure of ₹ 29,148 lakh during 2010-11 to 2017-18 under this Department.

3.3.1.1 Aims and Objectives of New Land Use Policy

NLUP has been in existence in the State since 1985-86 in various forms. As per NLUP Manual 2009, the aims and objectives of this programme *inter alia* are as follows:

- To put an end to wasteful shifting cultivation; and
- To ensure that all the farmers have land of their own so that each of them can pursue a permanent means of livelihood under Agriculture (and allied sectors), Industry or Animal Husbandry sector.

3.3.1.2 Target Group under the New Land Use Policy

Chapter–III of NLUP Manual 2009 (Revised Version) also provided the eligibility criteria for selection of beneficiaries. The main criteria are given below:

- Families who eke out subsistence livelihood from *jhumming*; and
- Families not depending on *jhumming* but having no permanent trade for their livelihood.

For a family to be eligible for assistance under NLUP, their annual income ceiling has been fixed as below:

1. For families living in the urban areas, not exceeding ₹ 1,00,000; and
2. For families living in the rural areas, not exceeding ₹ 50,000.

---

22 Shifting cultivation

23 1. Urban Development and Poverty Alleviation (UD&PA), 2. Fisheries, 3. Commerce and Industries, 4. Soil and Water Conservation, 5. Agriculture (Nodal Department), 6. Animal Husbandry and Veterinary (AH & Vety), 7. Sericulture, 8. Horticulture and 9. Environment, Forests and Climate Change

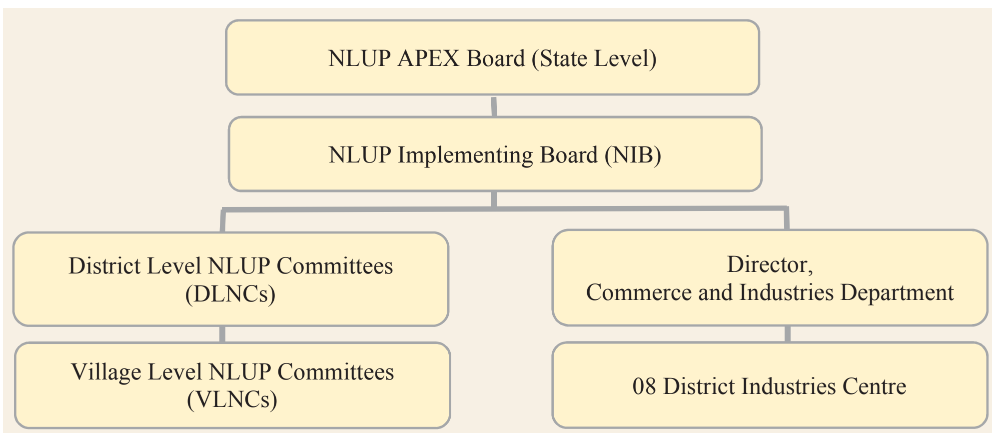
3.3.2 Organisational Structure

At the State level, there is the NLUP Apex Board which is headed by the Chairman (Chief Minister) and assisted by Vice-Chairman (MLA), Member Secretary (Chief Secretary) and other members[24]. The duties of NLUP Apex Board are to approve the Annual Budget, project and schemes prepared/ drafted by the NLUP Implementing Board, and allocate, advise and supervise the departments concerned and select villages and areas under the NLUP.

The executing body of NLUP Apex Body is the NLUP Implementing Board (NIB) headed by the Chairman (Vice-Chairman of NLUP Apex Board). At the district level, there is a District Level NLUP Committee (DLNC) headed by the Deputy Commissioner. Village Level NLUP Committee (VLNC) at the local level is headed by a Chairman appointed by the NLUP Apex Board. The schemes under industries sector are being implemented by the Director, C&ID.

An organogram showing the various agencies associated with the implementation of the programme is given below:

Chart-3.3.1



3.3.3 Audit Objectives

Compliance audit of implementation of the New Land Use Policy under Commerce and Industries Department was conducted with the objective of assessing whether:

- beneficiaries were selected in a transparent manner in accordance with the guidelines of the policy; and
- the programme objective of weaning away *jhum* cultivators and providing them an alternative source of livelihood was achieved.

[24] 1. All ministers; 2. Vice-Chairman, State Planning Board; 3. All Ministers of State of Mizoram; 4. Vice-Chairman and CEO, NLUP Implementing Board; 5. Principal Secretary/ Commissioner/ Secretary of all the NLUP Line Departments (nine departments); 6. Secretary, Finance Department; 7. Secretary, Planning and Programme Implementation Department; 8. Commissioner/ Secretary, Rural Development Department; 9. Secretary, Land Revenue and Settlement Department; 10. Vice Chancellor, Central Agriculture University or his Representative and 11. Prominent Citizen (Appointed by the Government)

3.3.4 Scope of Audit

Audit was carried out between June–August 2018 and covered the implementation of NLUP under C&ID for the period 2010-11 to 2017-18. Two Districts (Aizawl and Lunglei) out of eight districts in the State were selected for detailed scrutiny. Four[25] out of nine Blocks[26] in the sampled districts and twenty villages out of 105 villages in the four selected blocks were selected on the basis of number of beneficiaries.

Records relating to implementation of NLUP were examined at District Industries Centre (DIC), offices of the Secretary, NIB, Directorate of C&ID, and Deputy Commissioner offices at Aizawl and Lunglei Districts. A joint physical verification of 709 out of 1,272 beneficiaries in 20 sampled villages was carried out.

The details of audit sample are given in **Appendix-3.3.1**.

3.3.5 Audit Criteria

Audit findings were benchmarked against criteria from the following sources:

- New Land Use Policy Manual (2009) and Detailed Action Plan;
- Calendar of Works for different trades/ activities under NLUP;
- Budget and release orders of Government of India (GoI);
- Instructions/ orders issued by the GoI/ State Government from time to time;
- Reports/ Findings of Research Team from Mizoram University[27]; and
- General Financial Rules (GFR) and Receipt and Payment Rules (being followed by State Government).

Audit Findings

Significant audit findings are discussed in the succeeding paragraphs.

3.3.6 Planning

Chapter IV of the NLUP Manual 2009 stipulated that Works Programme be prepared every year. Chapter VI *ibid* says that a Detailed Project Report (DPR) indicating the names of trade/ activities including the amount of grant, *etc.* will also be made accessible to the public.

NLUP Implementing Board prepared a Detailed Action Plan (DAP) for implementation of the programme for five years (2009-14). As per the Action Plan, 9,500 beneficiaries were proposed to be covered under C&ID at an estimated cost of ₹ 7,600 lakh as shown in table below:

---

25 Aizawl: Thingsulthliah and Tlangnuam Block; Lunglei: Lunglei and Hnahthial Block

26 Five blocks in Aizawl District and four blocks in Lunglei District

27 Survey and impact analysis of NLUP beneficiaries (industrial activities) for 1st and 2nd phase was carried out by Mizoram University on the request of C&ID which was approved by the NIB on 10 March 2015

Table-3.13:- Details of Action Plan proposed

Year	Targets	
	Physical (No. of beneficiaries)	Financial (₹ in lakh)
2009-10	1100	880.00
2010-11	2100	1680.00
2011-12	2100	1680.00
2012-13	2100	1680.00
2013-14	2100	1680.00
Total	**9500**	**7600.00**

Source: Action Plan 2009-14

During test check of records, it was found that NLUP Technical Committee[28] reviewed and approved (October 2010) Model Schemes[29] for implementation by C&ID. The Committee had approved plan for covering 13,720 beneficiaries, with an addition of 4,200 beneficiaries (increase of 44.42 *per cent* above the Action Plan). Further, during implementation, the Department had covered 27,196 beneficiaries (increase of 186.27 *per cent* above the Action Plan) with financial involvement of ₹ 29,148 lakh.

Frequent changes in the proposed number of beneficiaries and cost estimates had impacted the programme implementation manifold as its resulted in irregularities in selection of beneficiaries (as discussed in paragraph 3.3.7); hindered the programme from achievement of its objectives *viz.* to wean away *jhum* cultivators from the destructive practice and put an end to *jhum* cultivation (as discussed in paragraph 3.3.8.1); and create alternative sustainable sources of livelihood (elaborated in paragraph 3.3.8.2).

The Secretary, NLUP Implementing Board (NIB) in response stated that substantial changes in the physical targets were mainly due to (a) trade choice made by beneficiaries, (b) recommendation of the Village Level Committee and (c) viability/ feasibility of a trade, *etc.*

3.3.7 Irregularities in selection of beneficiaries

Chapter-IV of NLUP Manual 2009 stipulated that a careful survey for selection of beneficiaries and trades/ activities has to be carried out by mobilising Government Servants and NGOs so that the data is accurate. The Village Level NLUP Committee (VLNC) was responsible for selection of beneficiaries.

A baseline survey was conducted in September 2009 and a total of 9,500 beneficiaries were identified for coverage from 2009-10 to 2014-15. During test check of records, it was noticed that 784 beneficiaries out of 1,272 beneficiaries in the sampled districts (62 *per cent*) were not included in the baseline survey **(Appendix-3.3.2)**.

[28] The Government constituted (02 June 2010) NLUP Technical Committee consisting of five members with Vice-Chairman, NIB as the Chairman. The committee was to look after the technical and financial parameters of all model projects

[29] Model Schemes or Calendar of Works were prepared showing component-wise fund requirement and schedule of implementation of the trades

Audit team interacted with 709 out of 1,272 beneficiaries during joint field visits and beneficiary survey and found that:

- 290 out of 709 beneficiaries had been selected by the Village Level NLUP Implementing Committee (VLNIC) on the recommendations of MLAs or Local Units of political party **(Appendix-3.3.3)**;
- 39 beneficiaries[30] were either pensioners or Government employees; and
- 422 beneficiaries[31] out of the total surveyed 709 beneficiaries (59.52 *per cent*) were not *jhum* cultivators (details in **Paragraph 3.3.8.2**).

Thus, the main objective of the programme *viz.* to wean away *jhum* cultivators from the destructive practice and put an end to *jhum* cultivation was not achieved due to non-selection of eligible beneficiaries. Huge increase in the number of beneficiaries exacerbated by the exercise of political influence paved way for selection of ineligible beneficiaries.

While accepting the possibility of selection of ineligible beneficiaries, the Secretary, NIB stated that 1,086 ineligible beneficiaries had been removed and corrective action through the monitoring system would be taken as regards the others.

3.3.7.1 Irregularities in selection of Auto-rickshaw beneficiaries

Implementation of 3rd and 4th phases of NLUP started in September 2013. The beneficiaries of these phases were however, selected in February 2016. Scrutiny of the minutes of the NIB held on 10 February 2016 revealed that quotas had been allotted to the MLAs for selection of beneficiaries from their respective constituencies and a list of 293 beneficiaries had been submitted to NIB in violation of the programme guidelines.

A total number of 270 auto-rickshaws had been procured (May 2016 and December 2016-March 2017) at a cost of ₹ 3.37 crore and distributed to the beneficiaries. In February 2016, auto-rickshaw trade was transferred to the State Transport Authority (STA) as per the instructions of the NIB. In December 2017, the C&ID transferred ₹ 5.20 crore to the Director, Transport Department, Mizoram for providing auto-rickshaws to 472 beneficiaries.

Scrutiny revealed that 173 beneficiaries of the 1st and 2nd phases who had not been provided with auto-rickshaws were proposed to be covered during the 3rd and 4th phases which meant that a total of 466 beneficiaries were to be covered in these two phases. As 270 out of the total 466 beneficiaries had already been covered by C&ID, funds of ₹ 2.45 crore only was to be provided to the STA for covering the remaining 196 beneficiaries. As such, transfer of ₹ 2.75 crore in excess of the requirement to the STA was not justified. Further, details of utilisation of this amount was not furnished to audit by the STA despite requisitioning the same.

Recommendation: *Government needs to display firm resolve in identifying and selecting genuine beneficiaries for financial assistance based on a proper baseline survey rather than use this programme as a means of doling out financial benefit to people with certain political affiliation.*

[30] Twenty four Government employees and 15 pensioners
[31] Total beneficiaries surveyed in audit (709) *minus* beneficiaries who practiced *jhum* before NLUP (278)

3.3.8 Achievement of programme objectives

3.3.8.1 Wean away *jhum* cultivators and put an end to *jhum* cultivation

One of the main objectives[32] of NLUP was to wean away *jhum* cultivators from the destructive practice of shifting cultivation and put an end to *jhum* cultivation.

However, while setting the eligibility/ ineligibility criteria, the Manual opened the scope for selection of beneficiaries other than *jhum* cultivators who do not have sustainable sources of livelihood. Neither was it categorically mentioned that priority should be given to *jhum* cultivators nor was the proportion for accommodation of *jhum* cultivators or others set.

Baseline survey was conducted in 2009 for identification of eligible beneficiaries. However, the survey did not identify *jhum* cultivators. Further, year-wise consolidated data of *jhum* cultivators and *jhum* cultivation in the district/ block/ village was not maintained by the Department. During Audit, joint household visit and interaction with 709 beneficiaries (349 in Aizawl and 360 in Lunglei) in the presence of the Departmental officials and Village Council members was conducted. It was found that out of the 709 beneficiaries interacted with, 287 beneficiaries **(Appendix-3.3.3)** constituting 40.48 *per cent* only were *jhum* cultivators. Non-identification of *jhum* cultivators in the baseline survey and lack of emphasis on *jhum* cultivators in the selection process were indicative of lack of intent on achieving the programme objective *viz.*, putting an end to *jhum* cultivation.

Out of 287 beneficiaries (who were *jhum* cultivators) surveyed during joint field visit, 184 beneficiaries[33] constituting 64.11 *per cent* were found to have given up *jhum* cultivation, while 103 beneficiaries still continued the practice (**Appendix-3.3.3**).

Thus, in the sampled districts, 40.48 *per cent* of the selected beneficiaries were *jhum* cultivators out of which only 64.11 *per cent* had given up the practice. However, as consolidated data of *jhum* cultivators and *jhum* cultivation was not maintained, it could not be analysed to what extent the programme succeeded in its objective of putting an end to *jhum* cultivation.

The Secretary, NIB in response (January 2019) stated that Government will focus on addressing the key factors like storage facilities, better marketing channels to make each and every trade settled and explore viable alternatives to the traditional *Jhum*/ shifting cultivation and sustainable means of livelihoods.

Recommendation: *Government needs to survey the extent of jhum cultivation prevalent in the State and identify the persons who are actually involved in jhum cultivation so that it can formulate a targeted approach to ending this practice.*

3.3.8.2 Provide alternative sources of livelihood to the beneficiaries

Another main objective of NLUP was to provide alternative sustainable sources of livelihood to *jhum* cultivators who were to be weaned away from *jhum* cultivation.

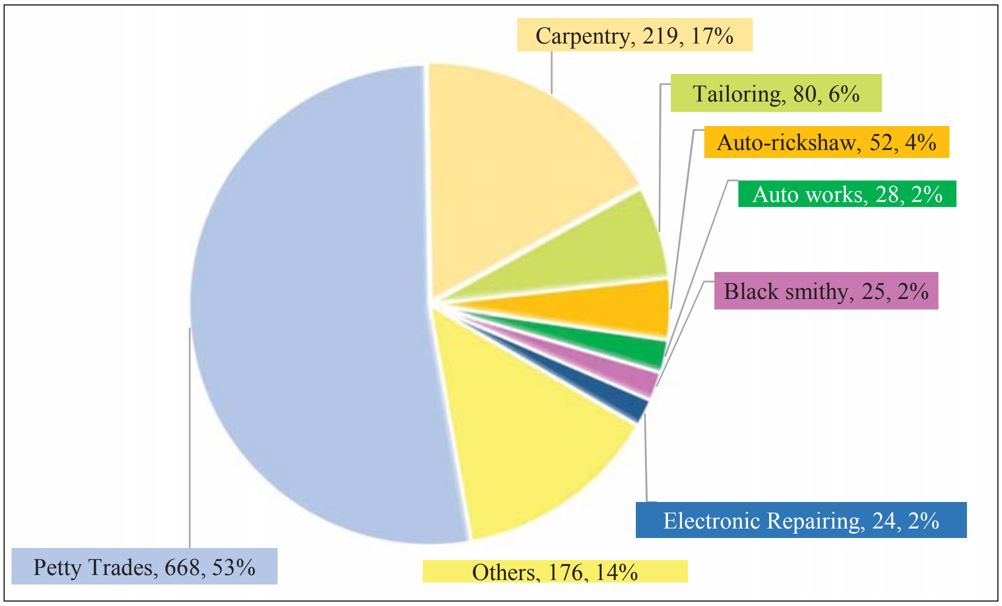
[32] Clause 2 of chapter–II (Aims and Objectives of New Land Use Policy) of New Land Use Policy Manual, 2009 (Revised Version)

[33] Beneficiaries who practised *jhum* before NLUP (287) *minus* who continued *jhum* after NLUP (103)

As mentioned in Paragraph above, the Manual opened the scope for non-*jhum* cultivators without any specified proportion. During joint field visit and beneficiary survey in the two sampled districts/ blocks[34], it was found that 59.52 *per cent* of the selected beneficiaries were non-*jhum* cultivators.

The performance of the programme in terms of providing alternative sustainable livelihood sources to the beneficiaries was studied in audit. There was a total of 1,272 beneficiaries in the sampled districts out of which, 709 beneficiaries were surveyed during joint field visit. The percentage distribution of the trades in the sampled villages under the districts is shown below:

Chart-3.3.2: Percentage distribution of trades in the sampled districts



Note: Other trades comprised - Beauty Parlour, D.T.P, Hair Cutting, Rice Hulling, Shoe Repairing, Photo/ Videography, Tinsmithy, Bakery, Chow Making, Handloom, Stone Quarry, SME, Square Agarbatti-stick making, Broom making, Steel fabrication, Butchery, Painting and Pumping

The performance of various trades is given below:

Table-3.14:- Details of status of trades surveyed

Name of Trade	No. of beneficiaries					
	In the sampled districts	Surveyed in audit	Who had professed the trade as source of livelihood before NLUP	Continued the trade	Discontinued the trade	Who had not taken up the trade
Petty Trades	668	372	125	293	65	14
Carpentry	219	134	80	118	13	3
Tailoring	80	53	27	48	5	0
Auto-rickshaw	52	28	3	26	2	0
Auto works	28	8	4	6	2	0

[34] Two blocks under each of Aizawl and Lunglei Districts and five villages under each block

Name of Trade	No. of beneficiaries					
	In the sampled districts	Surveyed in audit	Who had professed the trade as source of livelihood before NLUP	Continued the trade	Discontinued the trade	Who had not taken up the trade
Black smithy	25	17	5	16	1	0
Electronics Repairing	24	16	8	15	1	0
Others	176	81	23	58	19	4
Total	**1272**	**709**	**275**	**580**	**108**	**21**

Source: Departmental records and Beneficiary Survey Report

As can be seen in table above, 580 beneficiaries (81.81 *per cent*) out of 709 beneficiaries had continued the trades; 108 beneficiaries (15.23 *per cent*) had discontinued the trades while 21 beneficiaries (2.96 *per cent*) had not taken up the trades. Three trades *i.e.* Painting, Pumping and Stone quarry, which were not included in the approved trades, were also implemented.

Further, 275 beneficiaries had already established the trades before implementation of NLUP. As given in the NLUP Manual, persons who had a stable and permanent livelihood, were not eligible for availing NLUP assistance. Therefore, these 275 beneficiaries were not entitled to any assistance under the scheme. They were, however, selected by the Government for monetary assistance for taking up the same trades again in violation of the project guidelines.

Of the 25 trades surveyed in the two sampled districts, Petty trades covered 52.52 *per cent* of the total beneficiaries. There were 668 beneficiaries under Petty trades in the sampled districts out of which, 372 beneficiaries had been surveyed. It was found that 125 beneficiaries under Petty Trades who were already practising the trade before implementation of NLUP had been given assistance. The performance of the trades is as under:

Table-3.15:- Details of performance of the trades

Sl. No.	Category of beneficiary	No. of beneficiaries	No. of beneficiaries who		
			Continued the trade as of date of audit survey	Discontinued the trade	Not taken up the trade
1.	Who had professed the trade as source of livelihood before NLUP	125	120	5[35]	0
2.	Took up trade after NLUP	247	173	60	14
	Total	**372**	**293**	**65**	**14**

Source: Beneficiary Survey Report

As can be seen from the table above, although the success rate of the trade was 78.76 *per cent*, (293 out of 372 beneficiaries), the success rate of the programme in terms of providing alternative source of livelihood was 45 *per cent* only (168 beneficiaries[36] out of the total surveyed 372 Petty trades beneficiaries).

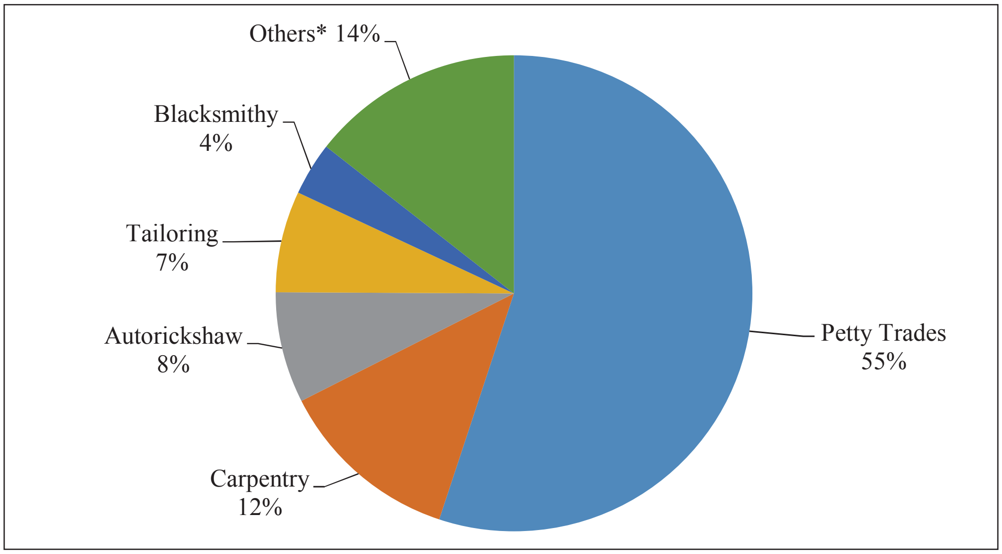
[35] One beneficiary had shifted to Beauty Parlour while others could not state reasons

[36] Beneficiaries who continued the trade- 293 *minus* beneficiaries had practised the trade prior to NLUP- 125

Selection of beneficiaries, who have been practicing a particular trade as a means of their livelihood prior to implementation of NLUP, was not only irregular but also deprived the genuine beneficiaries, who could have benefited from the programme.

Thus, in the sampled districts/ blocks, the programme provided alternative source of livelihood to 305 beneficiaries[37] (43 *per cent* of the surveyed beneficiaries) as shown below:

Chart-3.3.3: Performance of trades in the sampled districts



* ***Others***: Beauty Parlour, D.T.P, Hair Cutting, Rice Hulling, Shoe Repairing, Photo/ Videography, Tinsmithy, Bakery, Chow Making, Handloom, Stone Quarry, SME, Square Agarbatti-stick making, Broom making, Steel fabrication, Butchery, Painting and Pumping

The Secretary, NIB in response stated that although 100 *per cent* of the target could not be achieved on account of reasons such as discontinuance of NLUP trades by the beneficiaries, the beneficiaries who have successfully switched over to their alternative livelihood sources have tremendously improved their livelihood and living standard, with sustainable livelihood opportunities.

Recommendation: *Government should identify the reasons for discontinuance of NLUP trades and take necessary steps to explore viable trades for providing improved living standards to the beneficiaries. Government may also consider incentivising the beneficiaries for adopting various trades.*

3.3.8.3 Non-recovery of assistance

Chapter III of the NLUP Manual contains provision to deter the beneficiaries from mis-utilising the assistance meant for the trade/ activities. Chapter VI *ibid* further provides that beneficiaries who misused the assistance received by him/ her shall be made to repay the assistance whether in kind or in cash, failing which, relevant

[37] Beneficiaries who continued the trade- 580 *minus* beneficiaries had practised the trade prior to NLUP- 275

provisions under Public Demand Recovery Act, 2001 shall be invoked for the recovery. The provisions *inter alia* are as follows:

- ➢ They will forfeit the right to receive any other grants/ assistance from the Government.
- ➢ Assistance already given may be recovered with a penal interest of five *per cent*. In case of recovery of assistance given in kind, the value will be calculated as per the prevailing rate.

During joint field visit and beneficiary survey, it was found that 23 beneficiaries had not taken up the trade as shown in the table below:

Table-3.16:- Details of trade not taken up by beneficiaries

Sl. No.	Name	Trade	Phase	Assistance	Village	Reasons
1.	Chhandami	Agarbatti-II	1st	1,00,000	Sairang	Not stated
2.	Dawli	Broom	1st	50,000	Sairang	
3.	Zothankhuma	Carpentry	1st	50,000	Sairang	
4.	Englawmi		3rd	1,05,000	Tuirial	
5.	Lalzikpuia		3rd	1,00,000	Zobawk	He was a blacksmith
6.	Thangsuanpauva	Handloom	3rd	1,00,000	Tuirial	Not stated
7.	C. Lalruatkima	Petty Trades	3rd	1,00,000	Zobawk	Not stated
8.	P. C. Lalropuia		4th	1,00,000	Zobawk	
9.	Zohmingthangi		1st	1,00,000	Tuirial	
10.	Hrangchhunga		1st	1,00,000	Sairang	
11.	Laithianga		4th	1,00,000	Muthi	
12.	Lalruatfela		2nd	1,00,000	Zobawk	They ran tailoring business
13.	Lalnunrema Colney		2nd	1,00,000	Zobawk	
14.	Hmingchungnunga		2nd	1,00,000	Hnahthial N-I	He was a barber
15.	Dokima		2nd	1,00,000	Hnahthial S-I	He was a tailor
16.	Roenga		2nd	1,00,000	Sairang	Construction of dwelling house
17.	K. Lalchhanhima		1st	1,00,000	Zotlang	
18.	H. Lalnunnema		1st	1,00,000	Zobawk	
19.	R. Vanlalrina		3rd	1,00,000	Zobawk	Household needs
20.	Lalfakzuala		1st	1,00,000	Sairang	Medical treatment
21.	Lalhmangaiha		1st	1,00,000	Sairang	
22.	K. Mawii		1st	1,00,000	Sairang	
23.	Lalthlamuana	Photo/ Video	3rd	1,00,000	Hnahthial S-I	He was a cement mistry
Total				**22,05,000**	--	--

Source: Departmental records

No action for recovery of the assistance along with penal interest has been taken against the beneficiaries, who mis-used the assistance, in keeping with the rules *ibid*.

Recommendation: *Government may initiate recovery of assistance with a penal interest from the above beneficiaries as stipulated in the Manual.*

3.3.9 Failure of square Agarbatti-stick making trade

One of the objectives of NLUP was to set up marketing infrastructure so that successful farmers and beneficiaries under NLUP can have a viable commercial outlet for their products. Chapter IV of the Manual also states that selection of trade/ activities must be done with special care as it is better to identify a fewer number of trade/ activities that can be selected by the beneficiaries instead of having a large number to choose from, in view of market and economic viability.

C&ID had implemented 'square agarbatti-stick making' as a trade without proper and sufficient analysis for market outlets.

C&ID procured 1,620 square agarbatti-stick making machines at a total cost of ₹ 72.90 lakh during 2012-17. A total of 626 beneficiaries had changed (December 2012) their trades after receiving 1st instalment under square agarbatti-stick making trade in Aizawl district. Further, 144 beneficiaries were paid full instalment allowed under square agarbatti-stick making trade, although they did not continue with the trade. The total monetary impact of the above events was as follows:

- ₹ 72.90 lakh for procurement of machines;
- ₹ 86.10 lakh paid as 1st instalment to 626 beneficiaries who later changed trade; and
- ₹ 84.85 lakh paid to 144 beneficiaries.

Thus, a total expenditure of ₹ 157.75 lakh under square agarbatti-stick making trade was wasteful, whereas ₹ 86.10 lakh paid to beneficiaries who later changed trade proved to be unfruitful. Further, during joint field visit in the sampled villages, it was found that two out of the 626 beneficiaries who shifted from square agarbatti-stick making trade had not continued the new trade as well.

The Department stated that the mass changes in the trade were due to sudden change in EXIM Policy towards ASEAN countries, which slashed the import duty to 50 *per cent* during 2010. As the agarbatti could then be procured from the South East (SE) Asian countries at cheaper rates, agarbatti stick making trade in Mizoram had no market outlet for the products.

Recommendation: *Government may formulate a reliable marketing system to ensure sale of products at adequately remunerative prices before selection of a trade.*

3.3.9.1 Wasteful expenditure of ₹ 33.30 lakh

Clause 1 under chapter VI of New Land Use Policy Manual, 2009 (Revised) prescribes that grants should be released as per the Calendar of Works (CoW). The CoW was prepared at a project cost ranging from ₹ 0.50 lakh (minor trades/ SMEs) to ₹ 1.05 lakh (major trades) to be released in two or three instalments. Thus, for full completion of trade, financial assistance was required as per the stipulated amount in the CoW for each trade.

During implementation of 3rd and 4th phases (2013-14 to 2017-18), in contravention of the CoW, a lump sum amount of ₹ 10,000 each was released (September and October 2013) to the beneficiaries as 1st instalment. Audit observed that after releasing the 1st instalment, 331 (202 *plus* 129) beneficiaries who had been given assistance of ₹ 0.10 lakh were later removed from the list without specifying any reasons as given in the following table:

Table-3.17:- Details of District-wise beneficiaries removed from the list without specified reasons

District	3rd Phase		4th Phase		Total payment (in ₹)
	No. of beneficiaries	Amount (in ₹)	No. of beneficiaries	Amount (in ₹)	
1	2	3 (Col. 2 X ₹ 10,000)	4	5 (Col. 4 X ₹ 10,000)	7
Lunglei	67	6,70,000	51	5,10,000	11,80,000
Serchhip	61	6,10,000	58	5,80,000	11,90,000
Kolasib	60	6,00,000	14	1,40,000	7,40,000
Champhai	14	1,40,000	06	80,000[38]	2,20,000
Total	**202**	**20,20,000**	**129**	**13,10,000**	**33,30,000**

Source: Departmental records

Audit scrutiny revealed that local units of Congress Party/ Village Councils lodged complaints against beneficiaries who had voted against Congress Party in the election[39]. The C&ID[40] stated that the beneficiaries have been dropped or cancelled by NIB.

Thus, irregular denial of NLUP assistance on the basis of political affinities led to wasteful expenditure of ₹ 33.30 lakh as trade completion could not be ensured as the financial assistance was stopped mid-way and desired outcome could not be achieved.

The Secretary, NLUP Implementing Board (NIB) in reply stated that the main reason for release of lump sum amount of ₹ 10,000 was that the Village Councils had to finalise allotment of land for land-based activities so that beneficiaries could commence their trade.

Recommendation: *Government should take up necessary steps to prevent the exercise of political influence in the process of implementation of the programme.*

3.3.9.2 Excess expenditure of ₹ 7.69 lakh

The C&ID floated (17 November 2015) short quotation for supply of auto-rickshaws to be distributed to beneficiaries of NLUP during 3rd and 4th phases. The short quotation, however, did not mention the basic information such as quantity, specification and brand of auto-rickshaw. In response to the quotation, LD Enterprise, Lunglei and Standard Motor Works, Aizawl submitted their quotations as given below:

Table-3.18:- Details of quotation for supply of auto-rickshaw

Name of supplier	Brand/ Company	Engine description	Rate (in ₹)
LD Enterprise, Lunglei	TVS King	4-stroke, 199.26 CC	1,22,000
Standard Motor Works, Aizawl	Bajaj Rickshaw	2-stroke, 145.50 CC	1,27,695

Source: Departmental records

C&ID selected Standard Motor Works for supply of 270 auto-rickshaws contrary to Rule 160 (xiv) of GFR which provides that contract should ordinarily be awarded to the lowest bidder. Supply Order was issued on 04 April 2016 and advance payment of ₹ 172.39 lakh was made on 05 May 2016. Supply was made during June 2016 to March 2017.

[38] Two beneficiaries under Champhai District were given assistance @ ₹ 20,000 each
[39] The 7th Mizoram Legislative Assembly election was held on 25 November 2013
[40] Monthly Progress Report of DIC Serchhip, November 2015

The Chairman, NLUP Input Purchase Board, Mizoram approved the highest bidder citing the reasons that (i) M/s Standard Motor Works (highest bidder) quoted their rate for Bajaj auto-rickshaw whereas M/s LD Enterprise (lowest bidder) quoted for TVS auto-rickshaw, (ii) Price of Bajaj auto-rickshaw is within the work Calendar of NLUP and that of TVS auto-rickshaw is above the provision in the work calendar, (iii) Cost of spare parts and fuel consumption of Bajaj Auto is less compared to TVS Auto and (iv) M/s LD Enterprise did not enclose the earnest money/ deposit cheque in the sealed cover.

Further, it was observed that the LD Enterprise filed a court case in May 2016 challenging the selection of Standard Motor Works. The Court found that the LD Enterprise could supply more powerful auto-rickshaw at a cheaper rate and its bid was rejected on the basis of non-depositing of earnest money only, which was not mandatory as per the terms and condition of tender. Thus, selection of Standard Motor Works was found irregular.

In compliance with the Court's decision, on 15 November 2016, supply order was issued to LD Enterprise for supply of 135 number of TVS auto-rickshaws at ₹ 1,22,000 per auto-rickshaw and an amount of ₹ 164.70 lakh (₹ 82.35 lakh on 07 December 2016 and ₹ 82.35 lakh on 09 March 2017) was paid to the supplier. The supply was made during January to March 2017.

The Secretary, NLUP Implementing Board stated that the excess payment of ₹ 5,695 per auto-rickshaw was made as the price quoted by lowest bidder was not accepted on account of non-submission of earnest money of ₹ 25,000 and that, the short quotation clearly stated in point No. 3 that "the quotation must be accompanied by earnest money of ₹ 25,000 in the form of deposit at call in pledge of Director of Industries."

Recommendation: *Rules prescribed relating to procurement of goods under General Financial Rules (GFR) may be observed scrupulously at the time of procurement of goods.*

3.3.10 Fund Flow Mechanism, Financial outlay and expenditure

The GoI released Additional Central Assistance (ACA)/ Special Plan Assistance (SPA) to State Government, which was released to the Director, C&ID during 2010-11 to 2017-18, for transfer to the District Industries Centres (DICs). The DICs transferred the amount to the beneficiaries concerned. The details of Development Component are in **Appendix-3.3.4**.

Table-3.19:- Fund under the Development and Management component

(₹ in lakh)

Sl. No.	Component	Sanctioned	Released	Expenditure
1.	Development[41]	30,389.72	30,848.90	29,147.67
2.	Management[42]	200.00	268.92	205.65
Total		**30,589.72**	**31,117.82**	**29,353.32**

Source: Departmental records

[41] Development Component: Fund under the development component is earmarked for assistance to the beneficiaries

[42] Management Component: fund under this component is utilised to meet the management cost, administrative cost and capacity building cost

3.3.11 Parking of funds in Civil Deposits

Chapter-VI of NLUP Manual provides that all grants will be released as per the Calendar of Works and grants will be released in instalments depending on the progress of works made by the beneficiaries.

Test check of payment to beneficiaries revealed that the first instalment was paid in September 2013 while the 2nd instalment was paid during September 2016 to April 2017, after a gap of more than 35 months.

Scrutiny of records revealed that during 3rd phase, ₹ 5,582 lakh was sanctioned in December 2013. The entire amount was deposited by the C&ID in Civil Deposits in March 2014 and released during July 2014 to December 2017 with the approval of Finance Department. During 4th phase ₹ 6,133 lakh was sanctioned in March 2015. The entire amount was once again deposited by the C&ID in Civil Deposits in March 2015 and released during May 2016 to October 2017.

Thus, parking of the total sanctioned fund in Civil Deposits and deferment of their subsequent release contributed to the delay in completion of the projects by three years[43].

The Secretary, NIB attributed the delay in release of funds to reasons such as:

- Parliamentary elections, Assembly elections, Village Council elections due to which, the entire Calendar for implementation had to be rescheduled;
- unsatisfactory cash balance with the Finance Department; and
- election schedule in the Autonomous District councils (ADC) where the release of entire fund could affect the concerned ADC areas.

The Government accepted the facts and figures and stated that fund was parked in Civil Deposits as per the verbal instructions of the Finance Department.

Recommendation: *State Government needs to put an appropriate mechanism in place to ensure that project funds are not used as a means to fund its budgetary deficit and ensure timely release of funds to execute the works within the stipulated timeframe.*

3.3.12 Monitoring and Evaluation at the Village, District and State level

The Secretary, NLUP Monitoring Cell, NIB issued (17 August 2011) guidelines for monitoring of the programme. Monitoring committees were to be constituted at the District Level (DLNC) and the Village Levels (VLMC) and monitoring reports were to be submitted monthly as well as quarterly by the VLMC to the DLNC, who in turn is to submit to the State Level Monitoring Committee. The Secretary, NIB instructed (21 July 2011) all the Deputy Commissioners to verify the utilisation of the 1st instalment of assistance before release of 2nd instalments.

During joint physical verification, 183 beneficiaries stated that VLNC did not conduct monthly/ quarterly monitoring of the progress of implementation of their trades.

[43] The programme was started in January 2011. As per NLUP Action Plan, the programme was to be completed within five years. Delay was calculated till 2018

On scrutiny of the monthly reports/ verification reports of utilisation of assistance and during joint physical verifications, it was found that the reports were not prepared properly after actual verification. The reports had simply stated that the beneficiaries had utilised the assistance for which it was granted and they are eligible for receiving further instalments. However, during physical verification, it was found that 21 beneficiaries out of 709 were extended assistance although they had not taken up any trade. The verification reports submitted by the Monitoring Committee were incorrect to that extent.

Recommendation: *Proper monitoring systems should be set up at the State, District and Village Levels for better monitoring of the programme.*

3.3.13 Conclusion

NLUP had planned to wean away the *jhum* cultivators from the destructive practice and provide them with alternative sustainable means of livelihood, there were certain concerns observed in the course of this compliance audit. Improper survey and non-preparation of firm list of eligible beneficiaries coupled with several changes in beneficiaries during each phase, led to irregularities in the selection of beneficiaries. Political interference in the process of selection also resulted in denial of assistance to the genuine beneficiaries. Parking of funds in Civil Deposits and deferment of their subsequent releases led to delay in the implementation of the programme. Non-adherence to established rules and regulations during procurement resulted in excess/ wasteful expenditure. Monitoring at the State and District Levels was inadequate and was mainly through reports submitted by the Village Level Monitoring Committees (VLMCs) which were not always credible.

PUBLIC WORKS DEPARTMENT

3.4 Infructuous expenditure on pavement construction

Due to inadequate planning and preparedness in taking up a project involving new technology, incurred an infructuous expenditure of ₹ 2.84 crore

The Union Ministry of Rural Development (MoRD) approved (May 2013) the work "Construction of Thingfal-Mamte Road (Soil-Aggregate stabilised with Liquid Polymer Soil Tech MK-III at 0.000 - 10.590 km)" under PMGSY[44] Phase-VII Stage-II to provide all-weather access to eligible unconnected habitations. The work *inter alia* consisted of flexible pavement (stabilised soil and aggregates with bituminous surfacing), rigid pavement, protection works, lined side drain, construction of parapets, *etc*. The work for construction of 10.59 kms pavement was awarded to a contractor[45] at a cost of ₹ 6.31 crore. The work commenced in December 2013 and was scheduled to be completed in December 2015 (24 months). It was however, completed in June 2017 by incurring an expenditure of ₹ 6.42 crore.

[44] Government had launched the Pradhan Mantri Gram Sadak Yojana on 25 December 2000

[45] Shri Biakliana, Sikulpuikawn, Aizawl

Scrutiny of records of the Executive Engineer, PWD, Lawngtlai Division, revealed that the original approved project involved construction of base course by employing soil stabilised base course technique using liquid polymer by spreading and mixing with the selected soil[46]. Further, the wearing course consisting of Stress Absorbing Membrane Interlayer, applying Tack coat with bitumen emulsion, open-graded premix carpet using bituminous binder and laying seal coat were to be laid over the base course. However, after constructing pavement of 4.89 km as per the original project proposal[47] at a cost of ₹ 2.84 crore, the division proposed (March 2016) to change the specification of the balance work (4.85 km) to cell filled concrete road[48]. The proposal was accepted (January 2017) by the competent authority[49] and the remaining pavement construction work was completed as per cell filled concrete technology.

The following irregularities were noticed in this regard:

- The division could not block vehicular traffic movement at the work site before proper curing of the sub-base, as it could not provide alternative route for vehicular movement on the road connecting Thingfal to Mamte village. In order to avoid damage to the base course due to vehicular movement, the contractor laid the wearing course (bituminous layers) on the base course before proper drying/ curing of the latter, leading to improper sticking of wearing course on the base course. It was stated in the proposal[50] (June 2016) that 2.40 km out of 4.89 km of the road portion was damaged due to the above reasons.
- Construction of pavement using soil stabilised base course technique was done during the rainy season (May to November 2015) and the compacted base course surface was exposed to monsoon rains.
- The training of Engineer, PWD Mizoram for pavement with liquid polymer has not yet been conducted to supervise this work as per specification of the sanction obtained from NRRDA[51].
- Due to the long distance of the work site from the Firm, the required quantity of liquid polymer could not reach the work site on time, resulting in delay in progress of work and labourers remaining idle.
- Field visit by the audit party along with the departmental officials (07 March 2018) also showed that wearing course of approximately 90 *per cent* of the 0.00 - 4.89 km road constructed using soil stabilised base course technique at Thingfal to Mamte using liquid polymer was absent.

---

[46] 60 *per cent* along with 0-40 mm aggregate 40 *per cent* mixing the compound, *etc*.

[47] Soil Stabilised Base Course using liquid polymer technology

[48] A new technology for the construction of roads with flexible concrete at a cost lower than that of a black top road. The method of construction makes the concrete flexible, and the surface does not crack. It is labour based, maintenance free and ideally suited for rural road construction as per the policy of the government where employment generation is very important for the empowerment of the poor. It requires less initial cost than the conventional pavement. It can also be used for overlays over damaged black top roads, pavements of footpath, roads of housing complex, container yards, haul roads for transport of mineral products, parking area of heavy vehicles, *etc*.

[49] Chief Executive Officer, Mizoram Rural Roads Development Agency (MiRRDA)

[50] Senior Executive Engineer's letter No. T-20011/39/2015-EE)LTD)/67 dated 01 June 2016 addressed to the Superintending Engineer, PWD, Lunglei Circle, Lunglei

[51] The Ministry of Rural Development has set up the National Rural Roads Development Agency (NRRDA) to provide Operational and Management support to PMGSY Programme

The following photographic evidence proved the absence of wearing course constructed using the soil stabilised base course technique.

- Further, as per the contract agreement[52], the Contractor was to maintain the assets created under the project up to June 2022 during the defect liability period (five years).

It was, however, observed that the maintenance of 4.89 km of the constructed pavement using soil stabilised base course technique (liquid polymer) was absent except for filling up of stone chips in the potholes as seen in the photograph below:

It is evident from the above that the PMGSY road between Thingfal to Mamte completed during June 2017 did not last even for a year due to the reasons discussed above.

Thus, improper planning and lack of preparedness on the part of the Department and the contractor to take up a project involving new technology led to infructuous expenditure of ₹ 2.84 crore.

Further, owing to laxity on the part of the Department in monitoring maintenance of the road by the contractor during its defect liability period, 0.00 - 4.89 km portion of Thingfal to Mamte road which was expected to provide all-weather access rural road connectivity largely remained unfulfilled.

The matter was reported to the Government in September 2018; their reply was awaited (June 2019).

[52] Clause 32 of the General Condition of Contract

TOURISM DEPARTMENT

3.5 Undue benefit

Tourism Department awarded contract for Integrated Development of Eco-Tourism Mega Circuit before obtaining sanction from GoI and also extended undue benefit of ₹ 2.41 crore to a consultancy firm

Union Ministry of Tourism accorded (November 2014) approval for "Integrated Development of Eco-Tourism Mega Circuit" at Thenzawl, Serchhip district at a cost of ₹ 48.30 crore based on a concept paper prepared by M/s Fore Consultants Private Limited, New Delhi (hereinafter referred to as Consultant). An amount of ₹ 2.41 crore, being the first instalment of the cost of the project was also released at the same time for preparatory works. The work was to have been commissioned within 24 months *i.e.,* by November 2016.

GoM appointed (March 2015) Mizoram Tourism Development Authority (MTDA) (March 2015) as the implementing agency for the project and transferred the entire amount of ₹ 2.41 crore to it.

Audit scrutiny of records of Tourism department revealed the following:

i. State Government awarded the work relating to preparation of DPR, architectural designs, drawings, *etc*. and monitoring of project implementation to the Consultant in **September 2013** itself, *i.e.*, more than a year before the sanction of the project by GoI in November 2014.

ii. Tendering procedure was not followed by State Government for award of work relating to this project. The firm requested GoM to appoint it as Consultant to the project on turnkey basis, which was accepted by State Government on the ground that the firm was empanelled with the Union Ministry of Tourism.

iii. As per the terms of MoU (signed in April 2015) with the firm, GoM was to release payment as per the following schedule.

Table-3.20:- Details of scope of work and payment mode

Scope of work as per MoU			Amount (₹ in lakh)
Stage-I	As retainer on signing of the agreement	40 *per cent* of the agreed consultancy fee	96.59
Stage-II	On submitting detailed specifications, bill of quantities, detailed working drawings, structural and services design together with cost estimates sufficient to invite tender	30 *per cent* of the total fee less payments already made	72.45
Stage-III	During the course of construction of work	30 *per cent* balance to be paid at the completion of the construction works, consistent with the value of work of the construction works	72.45
Total			**241.49**

Source: Departmental records

iv. MTDA disbursed the entire amount of ₹ 2.41 crore to the firm as detailed below:

Table-3.21:- Details of disbursement of consultancy fee

Sl. No.	Date	Amount (₹ in lakh)	Purpose
1.	24.04.2015	96.59	40 *per cent* of the consultancy fee
2.	28.04.2015	72.45	30 *per cent* of the consultancy fee
3.	02.12.2015	72.45	30 *per cent* of the consultancy fee (Final payment)
Total		**241.49**	--

Source: Departmental records

v. While the retainer fee was paid on signing the MoU, the payment due after submission of detailed specifications, bill of quantities, architectural drawings, designs was made within four days thereafter. Further, the project monitoring fee of ₹ 72.45 lakh was released to the firm even without commencing the project. Clearly, the State Government gave an undue benefit to the firm.

vi. It was also noticed that Utilisation Certificates (UCs) was submitted[53] for ₹ 2.41 crore to GoI in May 2015 prior to the payment of monitoring service fee of ₹ 72.42 lakh, which was made only in December 2015.

vii. Meanwhile, GoI decided (January 2016) to cancel its support to such projects [due to higher devolution of finances to States pursuant to the recommendations of the Fourteenth Finance Commission (FFC)] but offered a one-time special assistance for completion of projects which were in progress. Despite a request from GoI, State Government did not furnish details in this regard. Consequently, GoI stated (January 2019) that the DPR already prepared for the project would not be utilised in future. Therefore, the expenditure of ₹ 169.04 lakh already incurred on preparation of DPR was wasteful.

Thus, an expenditure of ₹ 2.41 crore was rendered wasteful due to undue favour to the consultancy firm in award of work and irregular payments made even before commencement of the construction work.

While accepting the facts, State Government intimated in the exit conference (January 2019) that the matter was not referred to GoI, as the Department was not aware of it and it would now take it up with the Ministry of Development of North Eastern Region (MoDoNER).

COMMERCE AND INDUSTRIES DEPARTMENT

3.6 Infructuous expenditure

Non-utilisation of the building constructed for Food Testing Laboratory rendered an expenditure of ₹ One crore infructuous

Government of Mizoram submitted (January 2010) a proposal to the Union Ministry of Commerce and Industry, for setting up a Food Testing Laboratory (FTL) at Zokhawthar at an estimated cost of ₹ 13.13 crore. However, the Ministry approved only ₹ 3.08 crore as non-recurring cost *i.e.*, one time capital cost for the following:

[53] Under the signature of Member Secretary, MTDA and the Director, Tourism Department

Table-3.22:- Details of approval of fund by Ministry

Sl. No.	Project activities	Amount (₹ in lakh)
1.	Office cum State Food Laboratories building	100.00
2.	Procurement, Installation of lab equipment	200.00
3.	Training and other expenses	8.00
Total		**308.00**

Source: Departmental records

Agricultural and Processed Food Products Export Development Authority (APEDA)[54] released (March 2011) ₹ 2.93 crore[55] for the purpose.

Scrutiny of records revealed that the design of the FTL building was not available. Thus, planning for installation of the lab equipment could not be ascertained. It was also noticed that the location for setting up of FTL was later shifted to Thenzawl[56] and an expenditure of ₹ 100 lakh was incurred by the C&ID (Commerce Wing), GoM during 2010-11 for establishment of the FTL at Thenzawl. Details of component-wise expenditure incurred and status of UCs submitted as of March 2019 were as under:

Table-3.23:- Details of component-wise expenditure incurred and status of UCs submitted

Project activities	Expenditure incurred (₹ in lakh)	Status of UCs submitted	
		Amount (₹ in lakh)	Date
Office cum State Food Laboratories building	100.00	100.00	07.11.2013
Procurement, Installation of lab equipment	97.22	--	not yet submitted (March 2019)
Training and other expenses	0.00	--	
Total	**197.22**	**100.00**	--

Source: Departmental records

Out of ₹ 100 lakh sanctioned for construction of FTL building and office, the Department utilised the entire fund for construction of one storey laboratory building, four numbers of staff quarters, over ground and underground water reservoir, guard room and brick wall fencing of the campus. These components were completed on 29 June 2015. The GoM then sanctioned (March 2016) ₹ 67.00 lakh for water supply and electrification of FTL, which however were not executed as of February 2019.

In the meantime, location of FTL was proposed for change by the C&ID in consultation with the Health and Family Welfare Department. It was found that the C&ID justified change in location of FTL on the grounds that (1) the design and construction of the building at Thenzawl was not suitable for installation of sophisticated machineries and (2) there was difficulty in deploying technical persons at Thenzawl.

Government approved shifting of the FTL to the building of Central Medical Store (CMS), Zemabawk, Aizawl and the GoM sanctioned (March and November 2017) ₹ 7.32 lakh for renovation of the same. After renovating, FTL started functioning at CMS building from September 2018.

[54] APEDA is an export promotion organisation under Ministry of Commerce and Industry, GoI

[55] After deducting five *per cent* processing fee as per GoI's directives *i.e.,* ₹ 3.08 crore *minus* ₹ 0.15 crore = ₹ 2.93 crore

[56] Reasons for shifting of location to Thenzawl was that seeing development of Integrated Check Post at Kawrpuichhuah (Western Mizoram), Land Custom Station at Zorinpui (Southern Mizoram), the location of Food Testing Laboratory should be at the focal/ common point for all angels

Thus, it was seen that the expenditure of ₹ 100 lakh, which was incurred for the construction of the FTL building at Thenzawl was infructuous and it led to the creation of an asset which has been lying idle for more than three years.

Audit observed that there were deficiencies in planning as the location of the building was shifted twice leading to infructuous expenditure as discussed above. It was also observed that if the Central Medical Store at Zemabawk could be renovated and made functional for the FTL at a cost of ₹ 7.32 lakh, the same could have been done for the building already constructed at Thenzawl instead of rendering the assets created idle. Moreover, issue of deployment of technical persons at remote location like Thenzawl should have been reckoned with at the time when the change in location of the FTL was being considered from Zokhawthar to Thenzawl.

Joint verification (03 December 2018) along with the departmental officials revealed that the buildings constructed at Thenzawl were not occupied. The buildings were seen to be in a dilapidated state with overgrowth of vegetation due to non-utilisation for a prolonged period of time since its construction which is *prima facie* evident from the pictures below:


Front and inside view of FTL building at Thenzawl

While accepting the facts in the exit meeting (January 2019), the Government replied that the Government has no plan to utilise the building in future.

State Government may investigate the matter and take appropriate action against the officials who were responsible for this wasteful expenditure.

POWER AND ELECTRICITY DEPARTMENT

3.7 Avoidable expenditure

Power and Electricity Department incurred avoidable expenditure of ₹ 11.31 crore due to delay in clearance of energy/ power purchase bills

As per Regulation 45 of the Central Electricity Regulatory Commission (CERC) (Terms and Conditions of Tariff) Regulations, 2014, if payment of any bill for charges payable under these regulations is delayed by a beneficiary or long term transmission customer/ Designated ISTS[57] Customers (DIC), as the case may be, beyond a period

[57] Inter State Transmission Station

of 60 days from the date of billing, a late payment surcharge @ 1.50 *per cent* per month shall be levied by the generating company or the transmission licensee.

Scrutiny (January 2018) of the records of the Engineer-in-Chief, Power and Electricity Department (PED)[58] revealed that five[59] generating companies/ transmission licensees raised energy bills/ power purchase bills against the supply of power to the PED during April 2016 to December 2016. Against these, PED paid an amount of ₹ 11.31 crore as surcharge due to non-clearance of bills within the stipulated period of 60 days, as shown in the table below:

Table-3.24:- Details of energy bills and payment of surcharge

(₹ in lakh)

Name of the Generating Company	Outstanding Energy Bill Amount	Surcharge Bill claimed and paid		
		Date	Amount	Voucher No. & date
(A) North Eastern Electric Power Corporation (NEEPCO) Limited	3170.72	26.04.2016	453.26	1(20) dated 03.08.2016
	1054.57	26.04.2016	228.82	1(21) dated 03.08.2016
	4466.26	02.12.2016	186.84	50(1) dated 28.03.2017
	2087.31	02.12.2016	50.57	50(2) dated 28.03.2017
	2814.50	27.07.2016	111.96	10(5) dated 07.11.2016
	2047.50	27.07.2016	86.05	10(6) dated 07.11.2016
Total (A)	**15640.86**	--	**1117.50**	--
(B) National Hydro Power Corporation Limited (NHPCL)	215.88	03.11.2016	0.75	11 dated 16.03.2017
	105.86	02.12.2016	0.73	19 dated 16.03.2017
Total (B)	**321.74**	--	**1.48**	--
(C) ONGC Tripura Power Company (OTPC) Limited	620.71	02.12.2016	10.36	22 dated 16.03.2017
Total (C)	**620.71**	--	**10.36**	--
(D) Power Grid Corporation of India Limited (PGCIL)	50.03	20.07.2016	0.24	11(8) dated 07.11.2016
Total (D)	**50.03**	--	**0.24**	--
(E) North Eastern Regional Load Despatch Centre (NERLDC)	57.12	06.05.2016	1.40	13 dated 07.11.2016
Total (E)	**57.12**	--	**1.40**	--
Grand Total (A +B +C +D + E)	**16690.46**	--	**1130.98**	--

Source: Departmental records

It can be seen from the table above that out of the five generating stations NEEPCO has paid (₹ 11.17 crore) highest surcharge followed by OTPCL (₹ 0.10 crore). The delay in payment was due to file movement from the Department to the Finance Department for release of Letter of Credit (LOC).

Thus, the failure to clear the power purchase bills on time resulted in avoidable expenditure of ₹ 11.31 crore by way of surcharge from the State Exchequer.

While accepting the facts, the Department stated (June 2018) that being a Government Department, Power and Electricity Department does not have its own separate accounting system and the present practice of fund allocation for Power Purchase

58 In Mizoram, PED is designated as the transmission customer/ Designated ISTS Customers (DIC)

59 (i) North Eastern Electric Power Corporation (NEEPCO) Limited, (ii) ONGC Tripura Power Company Limited (OTPCL), (iii) North Eastern Regional Load Despatch Centre (NERLDC), (iv) National Hydro Power Corporation Limited (NHPCL), and (v) Power Grid Corporation of India Limited (PGCIL)

involves time and lengthy process. The Department further stated that at least three to four weeks time is required for completing all the necessary requirements *viz*., administrative approval, expenditure sanction, release of LOC, *etc*. prior to payment of bill. The Department also stated that the matter had already been taken up with State Government (February 2018) and the same is pending with the Government.

Audit however, observed that the Department had taken a substantial duration of time ranging from three to six months in clearance of the bills. Moreover, bill payment of this nature is a recurring liability and also a routine exercise and as such could have been released timely without incurring of surcharge.

Thus, payment of ₹ 11.31 crore for the period from April to December 2016 as surcharge was an avoidable expenditure.

While accepting the facts in the exit conference (January 2019) State Government replied that the main reason was due to late release of fund by the Finance Department and that, the Department is still paying surcharge as of February 2019. The Government also added that steps would be taken to minimise the time taken for processing the bills and getting administrative approval and financial sanction so that delays would not occur.