

CHAPTER II ECONOMIC SECTOR

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2.1 Introduction

The financial profile of Government departments under Economic Sector for the year ending 31 March 2023 is given in **Table 2.1.1**.

Table 2.1.1: Budget provision and expenditure of major State Government departments under Economic Sector during the year 2022-23

(₹ in crore)

Sl. No.	Name of Department	Budget provisions	Expenditure
1.	Public Works	1,320.99	1,385.28
2.	Agriculture	291.19	248.66
3.	Community & Rural Development	1,217.63	1,208.49
4.	Power	858.36	868.36
5.	Forestry and Wildlife	172.32	174.86
6.	Industries	127.88	127.29
7.	Secretariat Economic Services	1,012.89	1,013.6
8.	Transport	2.00	1.00
9.	Mining & Geology	136.42	136.42
10.	Tourism	33.20	33.60
11.	Fisheries	34.23	33.73
12.	Co-operation	32.25	31.30
13.	Soil & Water Conservation	217.84	217.52
14.	Animal Husbandry and Veterinary	190.17	184.86
15.	Dairy Development	15.31	14.69
16.	Irrigation	139.44	139.58
17.	Census Survey and Statistics	23.99	24.64
18.	Food and Civil Supplies	37.66	58.39
19.	Finance (Public Debt + Loans to Government Servants)	987.20	3773.58
	Total	6,850.97	9,675.85

Source: Detailed Appropriation Accounts and Appropriation Accounts 2022-23.

2.1.1 Planning and conduct of Audit

The audit process starts with the risk assessment of various Government departments based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls, past audit record and media reports. During 2022-23, expenditure worth ₹ 2,840.46 crore (including expenditure pertaining to previous years audited during the year) was audited under Economic Sector. The audit findings with monetary implications of ₹ 567.18 crore have been communicated to the departments concerned through 31 Inspection Reports (IRs) issued in 2023.

The chapter on Economic Sector contains three Compliance Audit Paragraphs as discussed in the following paragraphs.

COMPLIANCE AUDIT PARAGRAPHS

**SOIL AND WATER CONSERVATION DEPARTMENT & MEGHALAYA
BASIN DEVELOPMENT AUTHORITY**

2.2 Idle expenditure

Hi-Tech Nurseries set up at a cost of ₹ 54.00 lakh for propagation of local and indigenous species were not functional even after six years of completion resulting in idle expenditure.

Meghalaya Basin Development Authority (MBDA) sanctioned (September 2016) the work for establishment of four⁵⁷ Hi-Tech Nurseries at a cost of ₹ 54.00 lakh, to be taken up by the Director of Soil and Water Conservation (DSWC), Meghalaya under the State Scheme⁵⁸. The objective for establishing Hi-Tech nurseries was to promote propagation of local and indigenous species with special emphasis on rare and endangered species, study and establish standard methods of propagation of indigenous forest and fruit tree species, serve as centres of learning for the local people, produce planting material to meet the demand for local indigenous species and to act as pilot models for replication in other places. The work was taken up under Mission Green Component of Integrated Basin Development Programme⁵⁹ (IBDLP). The scope of work includes construction of mother bed chamber with misting facilities, micro irrigation system, shade net house and mist chamber. The work was executed by the respective Divisional Soil and Water Conservation Officers (DSWCO), Cash Crop Divisions of Shillong, Jowai and Tura. Estimated cost of each Hi-tech Nursery was fixed at ₹ 13.50 lakh and accordingly the DSWC, Meghalaya released (November 2016) the funds to three Soil and Water Conservation Divisions⁶⁰.

Based on quotations invited (December 2016) by the implementing Divisions, the work was allotted to Akshaya Irrigation System, Coimbatore which was the lowest bidder in all the three quotations. Work orders were issued (December 2016 to April 2017) to Akshaya Irrigation System for ₹ 13.50 lakh per unit for construction of the Hi-Tech Nursery and the works were completed in May to June 2017 for which payment of ₹ 54.00 lakh was released (February and July 2017) to the firm.

Scrutiny (May 2022) of records of the DSWC, Meghalaya revealed the following:

1. The Hi-tech nursery proposed to be set up at Resubelpara, North Garo Hills could not be set up since the land available was prone to flooding, marshy and not suitable for nursery. The location was then changed to Dakopgre, West Garo

⁵⁷ Marngar in Ri Bhoi (1 unit), Namdong in West Jaintia Hills (1 Unit), Dakopgre in West Garo Hills (1 unit) and Resubelpara in North Garo Hills (1 unit). The location of the Hi-tech nursery planned for Resubelpara was later changed to Dakopgre, West Garo Hills.

⁵⁸ Funded under Integrated Basin Development and Livelihoods Programme a State Flagship Programme.

⁵⁹ The Meghalaya Basin Development Authority (MBDA) is the nodal implementation agency for 'Mission Green Meghalaya' under Integrated Basin Development & Livelihoods Promotion Programme, Meghalaya (IBDLP).

⁶⁰ Shillong Cash Crops Division: ₹ 13.50 lakh + Jowai Cash Crops Division: ₹ 13.50 lakh + Tura Cash Crops Division ₹ 27.00 lakh.

Hills and therefore two Hi-Tech nurseries were set up at Dakopgre instead of one unit planned initially due to the non-suitability of land available at Resubelpara. This indicated that proper identification of the site of the Hi-Tech nursery at Resubelpara was not conducted while planning the proposal.

2. To ascertain the actual status of the four Hi-tech nurseries, a joint physical verification (JPV) was conducted by the audit team and the officials of the Soil and Water Conservation Department at Dakopgre (14 May 2022), Marngar (21 September 2023) and Namdong (22 September 2023). During JPV, Audit observed that all the four⁶¹ Hi-Tech nurseries were non-functional. There was absence of perennial water supply source and electricity connection in all the four nurseries. The nurseries were found to be partially damaged with drip irrigation pipes and sprinkler system broken. Audit also observed that Nursery Ledger was not maintained in any of the nurseries and the Department had no list of species to be propagated by these nurseries which was contrary to the objective of establishment of the nurseries.

The following photographs taken during the JPV depict the condition of the Nurseries:



Non-functional mother bed chamber at Marngar, Ri Bhoi Damaged Shade net house at Dakopgre 1- West Garo Hills



Non-functional drip irrigation facilities at Dakopgre 2 – West Garo Hills Non-functional mist chamber, without earth work at Namdong, West Jaintia Hills

On this being pointed out by audit, the DSWC, Meghalaya replied (June 2023 and November 2023) that the nurseries will be made operational on receipt of funds and provision of ₹ 1.50 crore has been made in the Budget of 2023-24 under the sub-head-

⁶¹ Marngar in Ri Bhoi (1 unit), Namdong in West Jaintia Hills (1 Unit) and Dakopgre in West Garo Hills (2 units).

Nurseries for which a proposal will be sent to the Government for operationalising the nurseries.

From the reply of the Department, it confirms that though the work of hi-tech nurseries was taken up with the objectives of propagating indigenous species of trees and fruits, in effect the project was limited to creation of basic infrastructure without any plan of operationalising these nurseries. Audit found that the detailed estimates for the nurseries did not have any provision for perennial water supply source and electricity connection which are essential for making the nurseries functional. Further, though completion certificates were submitted to MBDA, there seems to be no follow up from the MBDA to ensure that the hi-tech nurseries were made operational to fulfill the objectives of Mission Green.

Audit therefore, concludes that the Department has incurred idle expenditure of ₹ 54.00 lakh on four non-functional hi-tech nurseries, which has affected the objective of propagation to promote local/indigenous species of forest and fruit trees. The likelihood of additional financial burden on repair of damaged infrastructure of the Hi-tech Nurseries cannot be ruled out.

The matter was reported to the Government (October 2023); their reply is awaited (April 2024).

PUBLIC WORKS DEPARTMENT

2.3 Idle and avoidable expenditure due to prolonged delay in completion of a bridge

Inability of the PWD (Roads & Bridges) to enforce its prescribed terms and conditions and absence of monitoring led to prolonged delay in completion of reconstruction of the bridge No. 10/2 even after more than 13 years of its sanction had led to cost escalation of ₹ 1.27 crore and resulted in idle expenditure of ₹ 1.69 crore besides avoidable expenditure of ₹ 0.72 crore towards special repairing of SPT Sub-way of bridge No.10/2.

Scheme of reconstruction of existing semi-permanent timber (SPT) bridges Nos. 2/5, 5/3 and 10/2 on Kherapara-Deku Bazar Road under Non-Lapsable Central Pool of Resources (NLCPR) was approved (February 2010) by the Ministry of Development of North Eastern Region (MDoNER), Government of India with a total allocation of ₹ 8.53 crore⁶². The funding pattern for the project was in the ratio of 90:10 between the Government of India (GoI) ₹ 7.68 crore and Government of Meghalaya (GoM) ₹ 0.85 crore. The objective of the scheme was to connect Kherapara-Deku Bazar 18 km Road in West Garo Hills to National Highway 51⁶³ to serve as link road for export of limestone and coal to Bangladesh.

Scrutiny of records of the Executive Engineer, Public Works Department (Roads) (EE, PWD), Central Division, Tura (October 2022) revealed that the Department through tendering procedure had awarded two contracts for the work of three bridges, *i.e.* Bridge 5/3 (Tender Value (TV) ₹ 2.13 crore) and Bridges 2/5 and 10/2 (TV ₹ 5.42 crore) in August 2010. The work of the bridges including construction of approach roads, protection works and subways was to be completed by August 2012. As per Detailed Notice Inviting Tender document (March 2010), following clause was stipulated:

- Clause (45.1) **Progress of Work** – The contractor shall give the Engineer-in-Charge on the 4th day of each month a report on progress of work done during the previous month as per suitable *proforma*.
- Clause (55.3) **Cancellation of Contract in full or in part** – On cancellation of the contract in full or in part, the Engineer-in-charge shall determine what amount if any, is recoverable from the contractor for completion of the work and the loss or damage suffered by the Department.

Scrutiny (October 2022 & September 2023) of documents revealed that two out of the three bridges, *viz*, Bridge No. 2/5 and Bridge No. 5/3 had been completed in September 2016 and July 2018 respectively at a total cost of ₹ 3.91 crore. However, work of Bridge No. 10/2 was shown as incomplete as on date of Audit (October 2022).

It was further revealed that, pending reconstruction of Bridge No. 10/2 the Department had carried out special repairs of the SPT bridge during 2019-20 and 2021-22 at a total cost of ₹ 72.16 lakh. Audit sought to examine the reasons for delay in completion of

⁶² Bridges No. 2/5 (₹ 1.91 crore), bridges No. 5/3 (₹ 2.42 crore) and bridges No. 10/2 (₹ 4.20 crore).

⁶³ Renamed as National Highway No. 217.

construction of Bridge No. 10/2 and found the following: -

(i) The contractor for Bridge No. 10/2, Smti. Bulbuline R. Marak, abandoned the work in June 2015, however reasons for abandoning the project were not available in the records of the Department. Despite cancelling the work order (June 2015) at the risk and cost of the contractor, the department was yet to forfeit the security deposit of ₹ 10.84 lakh⁶⁴. However, at the time of cancellation of work order, an amount of ₹ 1.15 crore had already been paid to the contractor against tender value of Bridge No. 10/2 of ₹ 4.20 crore, leaving the balance work amounting to ₹ 3.05 crore.

In this regard, it was also noticed that, the Department did not obtain monthly progress report from the contractor which was required under clause (45.1) of Detailed Notice Inviting Tender document. This had led to non-monitoring of the progress of work by the Department which ultimately resulted in delay and abandoning of work and subsequent termination of contract.

Further, Department did not assess the loss suffered by the Department due to cancellation of work, which was stipulated in clause (55.3) of Detailed Notice Inviting Tender document, that 'on cancellation of the contract in full or in part, the Engineer-in-charge shall determine what amount, if any, is recoverable from the contractor for completion of the work and the loss or damage suffered by the Department'. Instead, without assessing the work completed and balance work, Department called for re-tendering of work.

(ii) CE, (NH), PWD (Roads) retendered the balance work of Bridge No. 10/2 (January 2016) at tender value of ₹ 2.93 crore, against which two offers were received at rates 43 *per cent* and 83 *per cent* higher than the SOR respectively. The Department tender committee recommended the award to M/s R.G.S. Construction, L₁ and work order was issued for an amount of ₹ 4.20 crore in August 2016 with stipulation to complete the work in 24 months, *i.e.* August 2018. As per general rules and directions for the guidance of contract (August 2016), it was stipulated in Clause 16 that all work under or in course of execution in pursuance of the contract shall at all times be open to inspection and supervision of the Engineer-in-Charge and his subordinates.

Audit scrutiny revealed that, the second contractor had also failed to complete the work even after seven years of the award of work order. During those seven years *i.e.* from August 2016 to August 2023, the total value of work executed by the contractor (M/s R.G.S Construction) was ₹ 0.54 crore only against the tender value of ₹ 4.20 crore and work order was cancelled in August 2023 at the cost of contractor.

The retendered work was to be completed in August 2018, but it was noticed that, the contractor intimated (April 2018) the Department, after 18 months of allotment of work, that during previous contractor's period the bridge well had tilted and had therefore requested for revised drawings. This indicates that, neither did the contractor take the work seriously nor did the Department conduct any inspection or supervision

⁶⁴ Two *per cent* of Work order (₹ 5,42,02,527) = ₹ 10,84,050/-.

after allotting the work. Further, it was noticed that the Department did not finalise the revised drawings till date (March 2024).

Thus, negligence on the contractors' part and lack of monitoring by the Department has led to prolonged delay in completion of reconstruction of bridge No. 10/2 even after more than 13 years of its sanction. This resulted in cost escalation of ₹ 1.27 crore⁶⁵, idle expenditure of ₹ 1.69 crore⁶⁶ and avoidable expenditure of ₹ 0.72 crore towards special repairing of SPT Sub-way of bridge No.10/2, as of date of audit.

The matter was reported to the Government (January 2024); their reply is awaited (April 2024).

Recommendation: *The State Government may investigate the matter and fix responsibility on the official(s) concerned for inordinate delay in completion of project.*

⁶⁵ ₹ 4.20 crore (2nd work order) - ₹ 2.93 crore (tender value of 2nd NIT).

⁶⁶ ₹ 1.15 crore and ₹ 0.54 crore.

BORDER AREA DEVELOPMENT DEPARTMENT

2.4 Infertuous expenditure

Setting up of Herbal Cosmetic Common Facilities Centre in hasty and ill planned manner without assessing the competency of the facilitator and without necessary monitoring had resulted in infertuous expenditure of ₹ 1.47 crore and non-achievement of the intended objective of providing sustainable livelihood.

The Border Area Development Programme (BADP) aims to address the unique development needs of remote and inaccessible areas near the international border. This program seeks to enhance the well-being of the local population by providing essential infrastructure and promoting employment, production - oriented activities, and skill development to deter migration to other areas.

Government of Meghalaya (GoM) sanctioned (March 2017) amount of ₹ 1.48 crore under State Scheme of Border Area Development Programme for a project for setting up of Herbal Cosmetic Common Facilities Centre (HCCFC) at Sulguri South West Garo Hills and ten Cluster Manufacturing Units. HCCFC was to include one common Multi facilities centre (MFC) and five soap manufacturing and shampoo/lotion/hand-wash manufacturing units. The objectives of the HCCFC were- (i) to create a sustainable business relation by linking rural producers with the wider market through a marketing partner, (ii) preparing plans based on local resource endowments, felt needs of the people and relative absorptive capacity and implementing them, (iii) generating rural employment/livelihood, (iv) decentralisation of production and (v) hand holding the units so that they can effectively negotiate with business partner to secure a non-exploitative, mutually beneficial business relationship.

To set up the machinery and equipment required for HCCFC the Sulguri Village Development Council handed over (October 2017) the existing community hall (Sulguri Multifacility Centre) to the SLRD, Shillong for implementation of the project.

The BADP guidelines permit that work be carried out by the beneficiaries or voluntary agencies comprising local NGOs or Self Help Groups. Accordingly, the work order was issued (15 December 2017) by the Assistant Director, Border Area Development Department, (AD, BADD) Tura to the School of Livelihood and Rural Development (SLRD⁶⁷) Shillong for an estimated amount of ₹ 1.48 crore for setting up of the HCCFC.

For setting up of HCCFC and smooth functioning of the project, a tri-party agreement was signed (15 December 2017) among following parties and their responsibilities are stated in **Table 2.5.1**.

⁶⁷ SLRD is a registered society.

Table 2.5.1: Major responsibilities as per tripartite agreement

Sl. No.	Party	Named as	Major responsibilities
1	Assistant Director, Border Area Development Department, Tura	Grantor	1. Check the monthly statement and certify the amount to be paid to the Grantee and Facilitator.
2	Ampati Area Young Entrepreneurs Association	Grantee	1. Take up the works and arrange for its completion within the time period of ten months.
3	School of Livelihood and Rural Development (SLRD) Shillong	Facilitator	2. Employ suitable skilled persons and in sufficient numbers to carry out the works. 3. Keep the Grantor informed about the progress of work. 4. Upkeep/maintenance and safe custody of plant and machineries tools and equipment. 5. To run the manufacturing process for a period of five years and also to provide marketing and logistics support.

The Ampati Area Young Entrepreneurs Association was selected based on the facts that the committee members were all inhabitants of Ampati and they were nominated by the local leaders. The work for setting up of HCCFC was completed in August 2018 at a cost of ₹ 1.47 crore. The Department paid an amount of ₹ 1.47 crore to SLRD in 12 instalments, from 15 December 2017 to 11 September 2019.

Scrutiny (July 2022) of records of the Assistant Director, Border Area Development Department (BADD), Tura revealed the following:

- i. BADD did not conduct any feasibility study prior to submitting the proposal for the Herbal Cosmetic Common facilities center to the GoM. Further, there was no record on the criteria for selection of the SLRD, Shillong as the facilitator. Thus, justification for setting up HCCFC as a sustainable business to promote local resources and generate employment was not found on record.
- ii. Audit noted that there was no documentation on progress of work, like monthly progress reports submitted by SLRD to the AD, BADD even though this was to be done as part of tripartite agreement.
- iii. The HCCFC was to be operated by the Facilitator (SLRD) for the period of five years after completion of the work. Audit noted that machinery and equipment had been installed for HCCFC at a cost of ₹ 1.47 crore, however, till date unit is not operational and five years' period has already been lapsed in August 2023.

To ascertain the actual status of the HCCFC, a Joint Physical Verification (JPV) was conducted (July 2022) by the Audit team along with the officers of the BADD Tura. The JPV revealed the following:

- The Multi Facility Centre (MFC) at Sulguri was found not functioning. The equipment & machineries were lying idle in dilapidated condition (*Photograph-i to iv*).

- The manufacturing unit at Chengkonpara was being used by Health Department as “Adolescent Friendly Health Resource Centre”. One soap cutting equipment set, one soap moulding equipment and one stainless steel mixing vessel were found kept in one corner of the centre (*Photograph-v to vii*).
- There was no physical evidence of SLRD (facilitator) presence at the MFC. Further, when asked for, the Department could not provide the Asset register/log book of machinery and equipment purchased by the SLRD.

Exhibit (i)



Exhibit (ii)



Photograph: (i) & (ii) Multi Facility Centre at Sulguri not functioning and the equipment & machineries were lying idle in dilapidated condition.

Exhibit (iii)



Exhibit (iv)



Photograph: (iii) & (iv) Distillation Unit and 15 KV Diesel Gen Set lying idle without any connection.

Exhibit (v)



Exhibit (vi)



Exhibit (vii)



Photograph: (v), (vi) & (vii) Soap Mixing Machine; Soap Moulding & cutting set and Stainless Steel vessel at Chengkompara in idle condition.

It was further observed from the records that, the Assistant Director, BADD had filed First Information Report (FIR) on 04 September 2023, reporting that vandalism and theft case had occurred on 26 August 2023 at HCCFC Sulguri and property amounting to ₹ 20.00 lakh had stolen. This instance of theft and filing of FIR by the Department after nine days of incident indicates that HCCFC, Sulguri was abandoned by the facilitator.

Government in its reply (February 2024) accepted the non-functioning of units due to absence of feasibility study before submitting the proposal and lack of documentation regarding selection criteria of SLRD, Shillong as facilitator. Further Government has also accepted the importance of robust monitoring mechanism and committed to improve reporting procedure i.e., monthly progress reports. In respect of vandalism and theft at HCCFC unit, Government assure that Department is actively cooperating with law enforcement agencies to recover any stolen property and if required legal action will be initiated against SLRD if it fails to recoup the loss of materials and fails in making the HCCFC unit functional as it was required to do so under the tri-party agreement.

The Department's reply also confirms that while HCCFC Sulguri was non-functional since date of completion (August 2018), the Department could not make SLRD take responsibility for operating the MFC as per agreed terms of the project. The physical evidence obtained on JPV and alleged instance of theft indicate that the entire amount of ₹ 1.47 crore spent in creation of HCCFC was infructuous as all the facilities have been abandoned by the three concerned parties, thus rendering the entire expenditure on the project fruitless.

