CHAPTER V

INTEGRATED AUDIT

IRRIGATION AND FLOOD CONTROL DEPARTMENT

5.1 Integrated Audit of Irrigation and Flood Control Department

Highlights

The Irrigation and Flood Control Department is responsible for developing irrigation by construction/improvement of irrigation projects and management of flood control programmes in the State. A review of the functioning of the Department revealed the following shortcomings.

Ineffective budgetary control resulted in overall saving of Rs.87.75 crore against budget provision during 2003-08 affecting the Departmental activities.

(Paragraph 5.1.7.2)

The Department incurred 21 to 61 *per cent* of its total expenditure in March alone during 2003-08.

(Paragraph 5.1.7.5)

The Department could not complete three projects even after a delay ranging from 11 to 21 years after their targeted dates of completion.

(Paragraph 5.1.8.1)

An amount of Rs.6.60 crore recoverable from the contractor for rescinding a work was borne by the State Government.

(Paragraph 5.1.9)

5.1.1 Introduction

The mandate of the Irrigation and Flood Control Department is to create irrigation facilities by constructing major and medium irrigation projects for socio-economic development of the State. The Department is also entrusted with the task of flood control and management of drainage system and checking soil erosion.

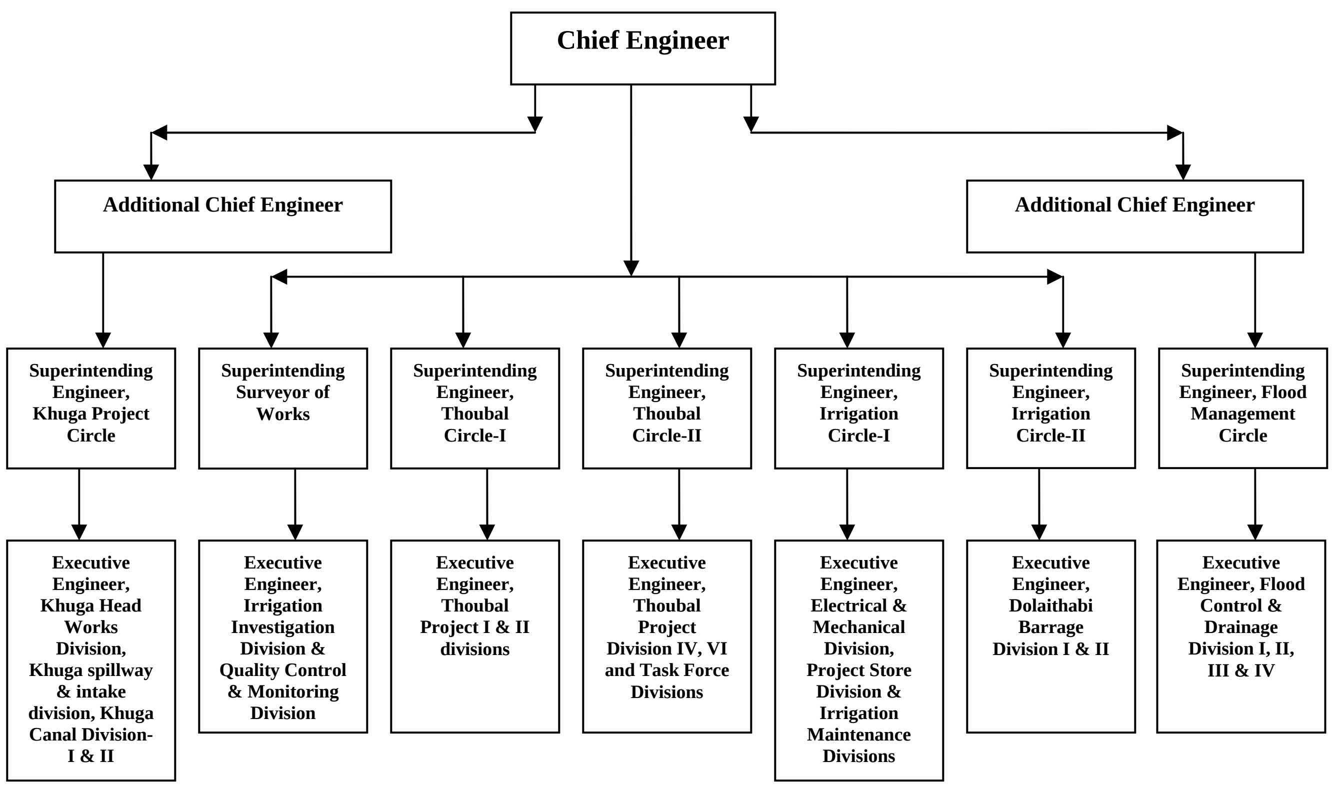
Out of eight irrigation projects taken up by the State Government from 1970 onwards, five projects[1] had been completed during 1980 to 1995. As of March 2008, three irrigation projects and 13 flood management schemes were in progress.

[1] (1) Loktak Lift Irrigation Project, (2) Khoupum Dam Project, (3) Sekmai Barrage Project, (4) Imphal Barrage Project and (5) Singda Dam Multipurpose Project

5.1.2 Organisational Set up

The Chief Engineer (CE) is the head of the Department and overall in-charge of the administration. He is assisted by two Additional Chief Engineers (ACE). There are seven circles, each under a Superintending Surveyor of Works (SSW)/Superintending Engineer and 20 divisions. An organogram of the Department is given in chart I below:

Chart 1



5.1.3 Scope of Audit

The integrated audit of the Department was carried out between April to June 2008 covering the period 2003-08. Six[2] out of seven circles and twelve[3] out of twenty divisions were selected on the basis of random sampling without replacement method for detailed examination.

5.1.4 Audit Objectives

The objectives of the review were to assess the performance of the Department in the following areas:

- Financial management;
- Programme implementation;

[2] All circles mentioned in Chart 1 except that of Superintending Surveyor of works.

[3] (1) Flood Control & Drainage Division-I (2) Flood Control & Drainage Division-II (3) Flood Control & Drainage Division-III (4) Khuga Head Works Division (5) Dolaithabi Barrage Division I (6) Dolaithabi Barrage Division II (7) Thoubal Project Division I (8) Thoubal Project Division II (9) Thoubal Project Division VI (10) Task Force Division (11) Project Store Division (12) Quality Control and Monitoring Division

- Stores management;
- Human resource management;
- Internal control mechanism; and
- Monitoring and Evaluation.

5.1.5 Audit Criteria

The audit findings were benchmarked against the following criteria:

- General Financial Rules;
- Central Treasury Rules;
- CPWD Manual and CPWA code; and
- Executive orders issued by the Government from time to time.

5.1.6 Audit Methodology

Audit methodology included intimating the auditee management about the objectives of the review in an entry conference (April 2008), scrutiny of the Departmental records and collection and analysis of data and documentary evidence, to arrive at audit findings, conclusions and recommendations. An exit conference was held (November 2008) to discuss the audit findings with the departmental officers and the replies of the Department have been incorporated at appropriate places.

Audit Findings

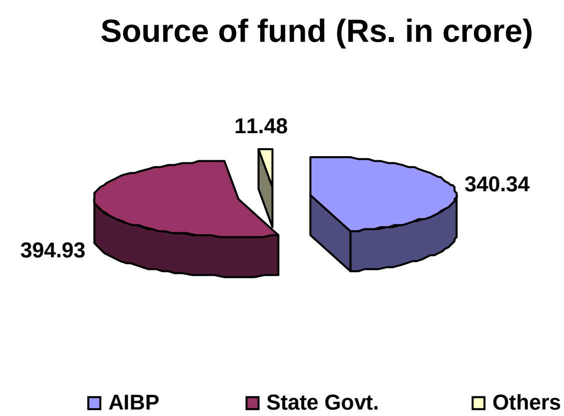
The important points noticed in the course of the review are discussed in the succeeding paragraphs.

5.1.7 Financial Management

5.1.7.1 Source of funds

During the period covered in audit, the Department received funds from various sources such as Central Government (AIBP[4]: Rs.340.34 crore, ACA[5]: Rs.3 crore, and CPS[6]: Rs.0.10 crore), North Eastern Council (Rs.5.88 crore) and NABARD[7] (Rs.2.50 crore). In addition, the State Government also supplemented Rs.394.93 crore from its resources. Thus a total fund of Rs.746.75 crore was earmarked for the Department during this period. The sources of funds are depicted in the pie-chart below:

[4] Accelerated Irrigation Benefits Programme.
[5] Additional Central Assistance.
[6] Central Plan Scheme
[7] National Bank for Agriculture and Rural Development



5.1.7.2 Allocation and expenditure

The position of budget allocation and expenditure incurred thereagainst during the period 2003-08 is given in the table below:

Table 1

(Rupees in crore)

Year	Budget provision			Total expenditure	Savings (-) /Excess (+)	Percentage of Savings/ Excess
	Original	Supplementary	Total			
Revenue head						
2003-04	33.83	-	33.83	26.27	(-) 7.56	(-) 22
2004-05	33.14	0.62	33.76	24.77	(-) 8.99	(-)27
2005-06	33.44	3.57	37.01	29.88	(-) 7.13	(-) 19
2006-07	33.92	3.00	36.92	27.57	(-) 9.35	(-) 25
2007-08	36.05	—	36.05	26.15	(-) 9.90	(-) 27
Sub-total	***170.38***	***7.19***	***177.57***	***134.64***	***(-) 42.93***	***(-) 24***
Capital head						
2003-04	32.85	18.47	51.32	24.91	(-) 26.41	(-) 51
2004-05	27.00	12.05	39.05	37.24	(-) 1.81	(-) 5
2005-06	35.50	82.96	118.46	124.23	(+) 5.77	(+) 5
2006-07	164.62	31.41	196.03	236.78	(+) 40.75	(+) 21
2007-08	137.58	26.74	164.32	101.20	(-) 63.12	(-) 38
Sub-total	**397.55**	**171.63**	**569.18**	**524.36**	**(-) 44.82**	**(-) 8**
Total	**567.93**	**178.82**	**746.75**	**659**	**(-) 87.75**	**(-) 12**

Source: Detailed Appropriation Accounts

Under revenue heads, the expenditure in all the years covered under audit was less than the original budget provision. Supplementary provision obtained under revenue heads during 2004-07 was therefore without justification, as the expenditure at the end of these years was less than the original provision.

Under capital heads, the expenditure during 2003-04 and 2007-08 was less than the original budget provision. Yet, during these years supplementary provision of Rs.18.47 crore and Rs.26.74 crore respectively were provided. The expenditure shot up to Rs.124.23 crore and Rs.236.78 crore during 2005-06 and 2006-07 as against the total budget provision of Rs.118.46 crore and Rs.196.03 crore, resulting in excess expenditure of Rs.5.77 crore and Rs.40.75 crore respectively. Thus, budget was not formulated on a realistic basis and budgetary control was lacking.

The Department stated (November 2008) that as the Finance Department did not release adequate cheque drawal authority, the budgeted provision could not be utilized fully.

5.1.7.3 Preparation of budget estimates

As per Rule 53 of the General Financial Rules (GFRs), 1963 the administrative departments are to prepare budget estimates based on inputs from the lower functionaries.

It was, however, seen that the Department did not obtain inputs from the project/programme implementing officers for the years covered by audit. On the contrary, the Department stated (May 2008) that budget estimates were prepared based on the sectoral allocation received from the State Planning Department. This practice was not in conformity with the principles laid down in the GFRs.

5.1.7.4 Release of funds

The Government allots cheque drawal authority (CDA) to have an effective control over expenditure. However, late release of CDA is often an obstacle for speedy and timely completion of works. It was seen that of the total release of Rs.180.10 crore during 2006-07 under AIBP, Rs.121.31 crore (67 *per cent*) was during the last quarter of the year, resulting in year-end rush of expenditure. The Department stated (November 2008) that the delayed release of funds was due to the financial constraints faced by the Government.

5.1.7.5 Rush of expenditure

As per Rule 69 of GFRs, money should not be spent hastily or in ill-considered manner just to avoid the lapse of budget grant. The controlling officers are to keep a close watch on the progressive expenditure on a monthly basis. It was, however, noticed that the Department incurred 21 to 61 *per cent* of the total expenditure in March alone during 2003-08 as shown in the table below:

Table 2

(**Rupees in crore)**

Year	Total expenditure during the year	Expenditure in March	Percentage of expenditure in March
2003-04	51.18	10.80	21
2004-05	62.01	19.32	31
2005-06	154.11	66.75	43
2006-07	264.35	162.05	61
2007-08	127.35	60.59	48

Source: Detailed Appropriation Accounts and monthly accounts data compiled by AG (A&E) office

The Department stated (November 2008) that the Finance Department often released the major chunk of the funds only during March and that resulted in the rush of expenditure.

5.1.7.6 Retention of funds

Scrutiny of the records revealed that Flood Control Division-I had drawn rupees two crore on 31 March 2008 for construction of Cross Regulator across the Khelakhong stream at the confluence with Imphal River. The entire amount was deposited on the same day in the DDO's bank account and the amount remained unutilised as of November 2008. This indicates that the amount was drawn only to avoid lapse of budget grant.

The Department stated (November 2008) that as the CDA was released on the last day of the financial year, it had no time for its utilization within the same year and therefore the money had been kept in the DDO's account. The fact, however, remains that the amount had not been utilised for eight months after its release.

5.1.7.7 Diversion of funds

The Department had diverted Rs.34.85 lakh of various project funds to areas unconnected with the projects, as shown below:

Table 3

(Rupees in lakh)

Related project/scheme	Amount diverted (Date of diversion)	Purpose for which diverted
Thoubal Multipurpose Project	17.19 (June 2008)	Construction of approach road at Lamphelpat
	5.36 (November 2004)	Construction of road-side barricade at Imphal during PM's visit to Imphal
Dolaithabi Barrage Project	7.04 (January 2007)	Construction of road-side barricade at Imphal during President's visit to Imphal
Flood Control schemes	5.26 (March 2007)	Purchase of Car

Source: Departmental records

The Department admitted the facts and stated (November 2008) that due to urgency these had been met from the project funds and would be transferred to the appropriate heads of expenditure after obtaining approval of the Government.

5.1.8 Programme implementation

Manipur has eight Major and Medium Irrigation Projects (MMIP), out of which, five MMIPs have been completed and three are in progress. The total irrigation potential created from the five completed MMIPs during the Xth Five Year Plan (2002-07) was 24.50 thousand hectares, out of which, only 18.05 thousand hectares could be utilized.

5.1.8.1 Status of on-going projects

The status of three irrigation projects and irrigation potential and other benefits to be created are as below:

Table 4

(Rupees in crore)

Original cost	Latest revised cost	Expenditure up to 3/2008	Initial target date of completion	Revised date of completion	Progress in percentage			Benefits to be created from the projects		
					Dam	Spillway	Canal	Irrigation potential to be created (in 1000 Ha)	Drinking water (in Million Gallon Daily)	Power generation (in Mega Watt)
Khuga Multipurpose Project										
17.18	335.11	300.77	1987-88	February 2009	100	98	76	15.00	10	7.50
Thoubal Multipurpose Project										
47.25	715.81	521.24	1987	December 2009	55	60	87	33.40	5	1.75
Dolaithabi Barrage Project										
18.86	98.37	68.45	1997	March 2010	--	--	--	7.55	-	-
83.29	**1,149.29**							**55.95**	**15**	**9.25**

Source: Departmental records

As can be seen from the table, only Khuga Multipurpose project is nearing completion, and the other two MMIPs are nowhere near completion. As regards Dolaithabi Barrage Project, only the foundation and excavation work of the dam has been completed and no canal works had been taken up as of March 2008. The work could not continue smoothly owing to non-availability of design for barrage structure and law and order situation in the State. The original cost of these projects had been revised several times and the overall cost had been increased by 14 times of the original cost by March 2008.

Thus, creation of irrigation potential of 55.95 thousand hectare, and drinking water of 15 MGD could not be provided even after more than ten years after the targeted dates. The power starved State was also deprived of power generation of 9.25 MW. Besides this, the State was deprived of Rs.1.07 crore[8] per year from sale of water from these projects.

5.1.8.2 Status of completed projects

Up to the end of 1995 the Department had completed five irrigation projects with a total Culturable Command Area[9] (CCA) of 35.60 thousand hectares. The details of these five completed projects are given below:

Table 5

(in thousand hectares)

Projects	Year of completion	CCA	During 9th Plan(1997-2002)			During 10th Plan(2002-07)		
			Potential	Utilization	Percentage of utilisation	Potential	Utilization	Percentage of utilisation
Khoupum Dam	1980	0.60	1.10	0.83	*75.45*	1.10	0.85	*77.27*
Sekmai Barrage	1983	5.00	6.90	6.15	*89.13*	6.90	6.20	*89.86*
Imphal Barrage	1984	3.60	6.50	5.35	*82.31*	6.50	5.35	*82.31*
Loktak Lift Irrigation	1989-90	24[10]	6.00	2.38	*39.67*	6.00	3.20	*53.33*
Singda Dam	1995	2.40	4.00	2.40	*60.00*	4.00	2.45	*61.25*
	Total	**35.60**	**24.50**	**17.11**	***69.84***	**24.50**	**18.05**	***73.67***

Source: Departmental records

[8] Rs.71.62 lakh for irrigation and Rs.35.55 lakh for drinking water and the calculation is based on project approval report (September 1997) of the Central Water Commission.
[9] CCA means the cultivation area which can be commanded or irrigation by a canal work.
[10] Reduced to 16 hectares.

As can be seen from the table, during the last two Five Year Plans (1997-2002 & 2002-07), the percentage utilization of irrigation created remained more or less static. In the case of Loktak Lift Irrigation project the ulilisation is very low at around 39 *per cent* during the 9th Five Year Plan and around 53 *per cent* during the 10th Five Year Plan.

The Department failed to close the gap between irrigation potential created and its utilization during these ten years. It is apparent that the benefit of Loktak Lift Irrigation project would not be fully utilized until the power scenario of the State improves.

5.1.8.3 Unfruitful expenditure

One hydraulic excavator machine was procured (March 1993) from a Bangalore based firm at a total cost of Rs.41 lakh for Dolaithabi Barrage Project. The machine was burnt down by miscreants in April 1993, after a trial run for six and half hours.

The supplier while submitting an estimate of Rs.33 lakh for complete repairing of the machine, also suggested to procure a new excavator costing Rs.43 lakh, as the overhauling of the old machine was not considered economically viable.

The Department, instead of procuring a new excavator, opted (September 2003) to repair the machine from an Imphal based firm at Rs.22.62 lakh, ten years after the machine had been burnt down.

The repaired machine was lifted (January 2006) to the barrage site and had run only for 329 hours till March 2008, at an average rate of 0.40 hours per day. As per the status report furnished (November 2007) by Dolaithabi Barrage Division-I, the machine had not been working properly and could not be used optimally.

Thus, the Department incurred a wasteful expenditure of Rs.22.62 lakh towards repairing of the machine, ten years after it had been burnt down, which finally turned out to be futile.

5.1.9 Contract Management

The barrage component of Dolaithabi Barrage Project was awarded to an agency in September 1993 at Rs.25.20 crore for completion by 1997. The contract had to be rescinded in March 1996 as the firm did not start the construction activities. A new contract was executed with another agency[11] at Rs.31.47 crore in November 1996 with the target date of completion being December 2000. The extra cost to be borne by the Government (Rs.6.60 crore[12]) on account of award of work to the second contractor was recoverable

[11] M/s NPCC Ltd., Hyderabad.

[12] Rs.31.47 crore *minus* Rs.25.20 crore *plus* value of two items of work of Rs.0.25 crore and Rs.0.08 crore that were excluded in the second contract.

from the first contractor as per agreement. The Department, however, did not recover this for reasons not recorded.

Thus, the State Government had to bear an extra cost of Rs.6.60 crore due to non-enforcement of the contract.

5.1.10 Material Management

Sound stores management requires planning of purchase requirements, efficient and economic procurement, proper accounting and safe custody of stores.

5.1.10.1 Physical verification of stock

The Project Store Division (PSD) was responsible for receipt, custody and issue of materials to user divisions. As laid down by the GFR, annual physical verification was necessary to detect possible cases of deterioration, theft and pilferage of stores during their storage. The Department, however, has not conducted any physical verification during the period covered in audit.

The Department admitted (November 2008) the lapse and stated that verification would be conducted during the current financial year (2008-09).

The Divisional Offices should maintain Material-at-Site Account for every work/scheme. PSD issued 4556.80 MT of cement worth Rs.2.11 crore to three divisions[13] from December 2004 to January 2008. However, due to non-maintenance of material-at-site account in these divisions, the actual receipt of cement and its utilization in the project works could not be ascertained. Thus, control measures prescribed for stores and stocks were not adhered to leaving ample scope for fraud and pilferage.

The Department stated (November 2008) that the divisions would be directed to maintain these accounts.

5.1.10.2 Delayed delivery of stores

(i) Thoubal Project Division-II made (December 2006) advance payment of Rs.47.70 lakh against total payable amount of Rs.53.66 lakh to Cement Corporation of India, Imphal Depot for supply[14] of 1,000 MT[15] of cement. PSD, the consignee of the material, reported that only 329.65 MT (valued at Rs.17.69 lakh) had been received (June 2008) leaving an outstanding advance of Rs.30.01 lakh. The Department did not pursue with the Corporation either for making the full supply or for refunding the balance amount.

(ii) PSD paid (February 2007) 100 *per cent* advance of Rs.4.99 crore to M/s Steel Authority of India Limited, Guwahati for supply of 1,558 MT of thermo mechanically treated bars within one month for use in the Dolaithabi

[13] Thoubal Project Division I (2022.45 MT), Thoubal Project Division VI (156.15 MT) and Task Force Division (2378.20 MT)
[14] The stipulated date of supply not mentioned in the supply order.
[15] MT-Metric ton

Barrage Project. As of November 2008, only 1,186.96 MT of bars had been received, leaving a balance of 371.04 MT of bars, valued at Rs.1.19 crore.

(iii) Another 100 *per cent* advance of Rs.1.61 crore was paid (September-October 2007) to the firm by Dolaithabi Barrage Division I for supply of 290 MT of Z-sheet piles within one month. However, the firm supplied only 143.80 MT of sheet piles up to November 2008 leaving a balance of 146.20 MT valued at Rs.81.16 lakh.

The Department stated (November 2008) that it expected the firms to supply the balance quantity of cement and steel as they were renowned manufacturers. The reply of the Department, however, did not explain why there was delay in supply of material despite having paid 100 *per cent* advance to these firms. The Department also did not indicate the expected time of their receipt.

5.1.11 Machinery management

Eleven[16] machines and vehicles procured during 1975-91 for Thoubal Multipurpose Project were in unserviceable condition ranging from two months to thirteen years as on June 2008, as shown in the table below:

Table 6

(Rupees in lakh)

Sl. No.	Name of Machine	Machine/ vehicle No.	Year of purchase	Date from which off-road/ unserviceable	Cost
1.	D-50 A-15 Bull Dozer	*7620*	1975	4/2008	7.50
2.	Track Shovel	8023(*081)*	1980	1995	15.00
3.	90 CK Poclain	*182*	1980	5/2000	25.00
4.	D-80 A-12	*6557*	1980	2/2004	14.16
5.	Tata Truck	*MNG-882*	1980	3/2008	4.15
6.	170 CK Poclain	*28*	1981	3/1999	47.00
7.	Tata Truck	*MNG 1076*	1981	2002	3.06
8.	D-65 E-8	*41*	1991	5/1994	29.71
9.	PC 220 Excavator	*G010100*	1991	5/1996	25.00
10.	Air Compressor	*41*	1991	1998	NA
11.	D-50 A-15 Bull Dozer	*9391*	1991	3/2003	10.20

Source: Departmental records

The Department had not taken any steps to dispose off these unserviceable machinery and stated (November 2008) that when the project is completed, these would be disposed off and their value credited to the project at the time of its final settlement of accounts.

Considering that the progress of the project execution has been very tardy, it is not clear if these items can be of any use after years of non-use.

[16] 4 bulldozers, 2 poclains, 1 excavator, 3 trucks and 1 air compressor.

5.1.12 Manpower Management

5.1.12.1 Expenditure on manpower

The Department has one Monitoring and Quality Control division to conduct soil investigation, to test quality of material and to monitor works. However, the division conducted only three tests during 2003-08 although 48 staff were posted in the division and an amount of Rs.2.87 crore had been incurred on their pay and allowances during 2003-08.

The EE of the division stated that though adequate well trained staff were posted in the division, financial support and modern equipment for testing were wanting. This is indicative of the fact that the staff remained idle during the last five years.

The Department stated (November 2008) that though the monitoring activities were not significant enough, the technical staff inspected the project sites, took samples, tested them and issued corrective instructions at sites and thus they did considerable work on quality control. However, no records to corroborate the statement of the Department could be furnished.

5.1.12.2 Expenditure on muster roll

As per CPWD Manual, manpower can be engaged on muster rolls for works to be executed departmentally. An Executive Engineer can engage such labourers for a maximum period not exceeding 12 months on specific sanction. As of 31 March 2008, 456 labourers were on muster rolls in eight divisions though no works were being executed departmentally. The Department had spent a total amount of Rs.4.11 crore on their wages during 2005-08. The Department has, thus, violated the norms of financial propriety by employing such a large number of labourers on muster rolls without any departmental work.

The Department stated (November 2008) that muster roll labourers were used for maintenance of plants, vehicles, electrical works, watch and ward of divisional offices and project sites. They also stated that in the absence of regular staff for these works, labourers on muster rolls had been employed.

The reply, however, is not tenable as muster roll works are meant for regular establishment work.

5.1.12.3 Employment of technical staff

As per CPWD Manual, contractors are required to employ a graduate engineer/diploma holder with five years’ experience for works costing above rupees five lakh and a diploma holder for works costing rupees two lakh to five lakh failing which, the contractor was to pay compensation of Rs.2,000 and Rs.1,000 for every month of default.

Scrutiny of the records of the seven divisions[17] revealed that the contractors failed to employ technical staff in 57 works executed during 2005-08. But compensation leviable thereof amounting to Rs.4.86 lakh was not levied by the Department for reasons not on record.

The Department stated (November 2008) that the compensation due would be recovered from the contractors from their dues or security deposits.

5.1.13 Internal Control

Internal controls in an organization are meant to give reasonable assurance that its operations are being carried out according to laid down rules, regulations and in an economical, efficient and effective manner. The following lapses of internal control were noticed in the test checked offices/divisions:

- Contractors' ledgers, Register of works, Assets registers were not maintained in most of the Divisions;
- Service books were not maintained properly. In many cases dates of birth of the employees were not verified; earned leave account was not updated; General Provident Fund (GPF) account numbers were not recorded and in some cases half pay leave accounts were not maintained;
- While pension documents should be sent to the Accounts office not later than six months before the retirement of the employees, there were delays ranging from four to sixty nine months in this regard. Consequently, the retired personnel could not receive their pensionary benefits in time;
- Thoubal Project Division VI did not maintain any establishment/ subsidiary cashbook although there was a transaction of Rs.3.47 crore during 2003-07. Flood Control and Drainage Division II did not enter in the subsidiary cashbook disbursement of Rs.29.88 lakh made during the period May-July 2006;
- Expenditure control register in the Chief Engineer's(CE) office showed only the sub-head wise monthly expenditure without mentioning the corresponding allocation of funds. The register was not reviewed by the CE to monitor the pace of expenditure and occurrence of savings/excesses; and
- During 2003-06 no division has carried out reconciliation of expenditure with the Accounts Office. Therefore correctness of accounts could not be ensured. However, there was a marked improvement during 2006-07, as 15 out of 20 divisions reconciled their accounts.

[17] Flood Control and Drainage Division I, II & III, Task Force Division, Thoubal Project Division I & II and Dolaithabi Barrage Division II.

While accepting the facts, the Department stated (November 2008) that the deficiencies pointed out would be looked into and corrective steps would be taken.

5.1.14 Monitoring and evaluation

The Department did not evolve any monitoring mechanism prescribing the schedule of inspection of the projects under implementation. The Monitoring and Quality Control Division of the Department was not fruitfully utilised.

5.1.15 Conclusion

The Department could not complete three irrigation projects even after the lapse of 10 to 20 years from the initial targeted date of their completion. The irrigation potential of five completed projects was not fully utilized during the last two Five Year Plans. There were deficiencies in budget formulation, financial management, planning and implementation of projects/schemes and maintenance of basic records. Internal controls were inadequate in a number of cases and manpower was not gainfully utilized.

5.1.16 Recommendations

- The Department should identify the factors hindering the completion of the three ongoing projects and should set up a viable and realistic time frame for their completion.

- Budget formulation should be realistic with inputs from lower formations and release of funds should be in conformity with the relevant rules.

- Internal controls should be strengthened to ensure compliance with the prescribed procedures, especially those relating to accounting.