

CHAPTER IV WORKS EXPENDITURE

SECTION-A-REVIEWS PUBLIC HEALTH ENGINEERING DEPARTMENT

4.1 Drinking water

(A) Accelerated Rural Water Supply Programme

Highlights

The scheme of Accelerated Rural Water Supply Programme aims to provide safe and adequate drinking water facilities to the rural population. The poor achievement was mainly for unrealistic planning, non-utilisation of central funds resulted in reduction of central assistance, financial irregularities committed in diversion/misutilisation of programme fund, emphasis on non-priority schemes, procurement of material without assessing requirement and non-receipt of materials on the advance payment. The delay in completion, avoidable expenditure on time and cost overrun, inadequate monitoring and evaluation the shortcoming in implementation to formulate remedial measures were the reasons of set back for achieving objective under the programme.

Against the release of Central assistance of Rs.32.98 crore including opening balance of Rs.8.19 crore by GOI during 1997-98 to 2000-2001, the Department utilised Rs.31.31 crore as of March 2001 and retained Rs.1.67 crore as unspent balance.

(Paragraph 4.1.5)

Central assistance of Rs.6.04 crore had been reduced during 2000-2001 due to under utilisation of funds and shortfall in State Government's matching share.

(Paragraph 4.1.6)

BMS funds of Rs.1.56 crore earmarked for rural water supply programme, were unauthorisedly diverted for repair/renovation of administrative building, residential quarters and ground water exploration of Kohima town.

(Paragraph 4.1.10)

Rupees.2.42 crore spent against habitation, which were either under the covered habitation or existence of the habitation was not identified. Rs.6.18 crore was spent on fully covered habitation leaving aside 397 habitation uncovered depriving them of the benefit of the scheme.

(Paragraph 4.1.11)

Department took up implementation without survey, investigation and scientific data analysis of geo-hydrological map. This led to failure of ground water exploration and resultantly, infructuous expenditure of Rs.0.35 crore.

(Paragraph 4.1.12)

Rupees.0.26 crore provided for HRD activities were utilised for meeting the normal office expenditure of the department.

(Paragraph 4.1.13)

State sector Basic Minimum Service (BMS) funds of Rs.28.58 crore were diverted for payment of salary to work- charged staff of the Department and subsequently charged the expenditure to individual ongoing schemes to show the utilisation of matching share under state sector schemes.

(Paragraph 4.1.16 (b))

96 schemes approved under State sector (MNP) at a cost of Rs.12.96 crore have been discontinued after incurring expenditure of Rs.2.16 crore upto March 1997.

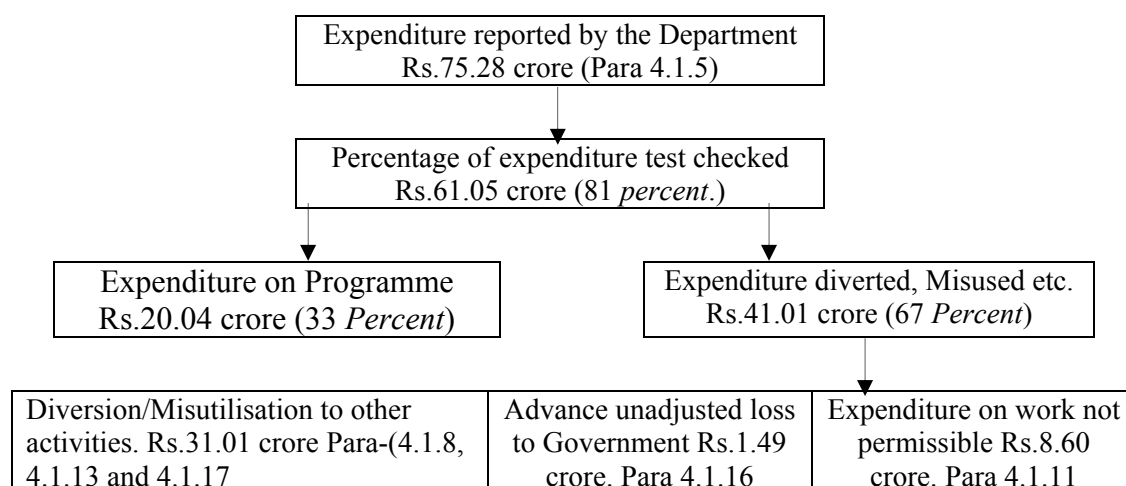
(Paragraph 4.1.16(c))

Due to non completion of the scheme “Providing Water Supply to Longkim-Chare 21 village” as of September 2001, the expenditure of Rs.1.63 crore incurred between 1991 and 1995 became wasteful.

(Paragraph 4.1.16 (d))

FINANCE TREE

(Rupees in crore)



Introduction

4.1.1. Accelerated Rural Water Supply Programme (ARWSP) was introduced in 1972 with 100 percent grants-in-aid from the central government to implement the scheme in problem villages (PV). With the introduction of minimum need programme (MNP) during 5th Five Year Plan (1974-75) it was withdrawn. The programme was reintroduced in 1977-78 when the progress of safe Drinking Water supply to identified problem villages under MNP was not satisfactory. ARWSP was continued to be implemented till 1998-1999.

Organisational setup

4.1.2. The Public Health Engineering Department (PHED) of the Government was responsible for proper implementation through the Directorate of PHED headed by the Chief Engineer who is assisted by the Additional Chief Engineer for implementation and maintenance of Accounts and expenditure, the Superintending Engineer for supervision and Executive Engineer, Monitoring Cell (MC) for monitoring and evaluation of the scheme at State level. The scheme was implemented by 10 Divisional Officers of the rank of Executive Engineer at the field level.

Audit Coverage

4.1.3 The implementation of the rural water supply programme was reviewed in audit (February – May 2001) by test check the records for the period from 1997-98 to 2000-2001 in the office of the Chief Engineer, PHED, 6¹ Executive Engineers(out of 10) in 6² Districts (out of 8) covering an expenditure of Rs.61.05 crore (81 *per cent*). Results of audit finding are incorporated in the succeeding paragraphs.

Funding pattern

4.1.4 The allocation of central assistance under ARWSP was subject to matching provision/expenditure made by the State Government under Minimum Need Programme (MNP), for rural water supply. The short fall in actual expenditure under MNP vis-à-vis expenditure under ARWSP during the previous year would be deducted by the Central Government while releasing the last installment of funds under ARWSP for the current financial year. From 1st April 1999 a carry-over of funds to the extent of 20 *percent* of the total allocation for the year will only be allowed. Final installment for the year would be reduced by the amount the carry-over funds exceeds this limit. Upto 20 *per cent* of ARWSP funds can be used for sub-mission and 15 *per cent* for operation and maintenance of assets created.

Financial outlay and expenditure

4.1.5. The Central assistance received for ARWSP, State matching share released under MNP/ Basic Minimum Service (BMS) scheme and expenditure incurred by the Department during 1997-98 to 2000-2001 were as follows:

¹ EE, Kohima, Store Division, Dimapur, Tuensang, Phek, Zunheboto.

² Kohima, Dimapur, Tuensang, Phek, Zunheboto, Mon.

Table No. 4.1

Year	ARWSP				MNP/BMS		
	Opening balance	Central Assistance received	Expenditure incurred	Closing unspent balance	Provision	Expenditure	Saving (-) Excess (+)
Both revenue and capital plan (Rupees in lakh)							
1997-98	819.16	230.23	289.82	759.57	1370.00	1299.05	(-)70.95
1998-99	759.57	819.82	806.99	772.40	1114.00	431.21	(-) 682.79
1999-2000	772.40	579.20	787.97	563.63	1530.00	1901.60	(+)371.60
2000-2001	563.63	849.95	1246.05	167.53	1530.00	1395.27	(-)134.73
Total:-		2479.20	3130.83		5544.00	5027.13	(-)516.87

Source: *Finance and Appropriation Accounts of the Government.*

4.1.6 Thus, it would be seen that against the release of Central assistance of Rs.32.98 crore (including spill over funds of Rs.8.19 crore) during 1997-98 to 2000-2001, the department spent Rs.31.31 crore as of 31 March 2001 leaving Rs.1.67 crore as unutilised. The reasons for unutilisation of funds were not stated.

4.1.7 The following points were noticed.

Reduction of Central assistance

(a) Due to State's failure to comply the norm of funding pattern (as discussed in para 5) in 1998-99, the central assistance of Rs.4.79 crore was deducted by the Government of India from the provision of 1999-2000 and 2000-2001. Further, deduction of Rs.1.25 crore was made on account of excess carry over of opening balance as on 1 April 2000 beyond the norm of 20 *per cent* of total allocation of the year.

Rush of expenditure

(b) Financial Rule required that Government expenditure may be evenly phased out through the year as far as practicable. Rush of expenditure at the very end of the year can lead to infructuous, nugatory or ill planned expenditure, besides financial irregularity of taking the money out of consolidated fund of the State and keeping it in banks/PL Accounts.

(ii) Audit scrutiny, revealed that expenditure ranging from 71 *per cent* to 87 *per cent* of the total expenditure on the programme had been incurred in the month of March as shown below:

Table No.4.2

Year	Total expenditure	Expenditure in March	Percentage of expenditure
(Rupees in crore)			
1997-98	15.89	13.71	86.
1998-99	12.38	10.77	87
1999-2000	26.90	19.00	71
2000-2001	20.11	16.32	81

(iii) The reason for rush of expenditure was mainly the delay in release of funds by the State Government.

Diversion of Plan BMS funds to meet Non-plan expenditure

(c) Work-charged salary expenditure should be booked against the corresponding plan work. The engagement of the work charged employees in the Department was not made with respect to any specific work. As per codal provisions, only 2 *per cent* of estimated cost of the specified scheme was permissible for payment of salary to work-charged establishment. Generally, the engagement against the maintenance work should be made from non-plan fund or adequate provision was to be kept for operation and maintenance of the completed scheme.

(ii) It was noticed that out of the total expenditure of Rs.47.77 crore during 1997-98 to 2000-2001 under the state sector BMS scheme, Rs.28.58 crore (59.8 *per cent*), was diverted for payment of work charged salary. Payment of salary to them from the BMS plan fund earmarked for rural water supply scheme had frustrated the very purpose of providing safe drinking water to rural people.

Purchase of Vehicles

(d) The guidelines of the rural water supply programme and the sanctioned estimates of the schemes did not provide the purchase of vehicles. It was noticed that Chief Engineer procured 7 vehicles between 1997-98 and 2000-2001 at a cost of Rs.24.30 lakh by diverting funds of BMS (3), ARWSP (2) and M.I. cell (2) Utilisation of the vehicles under the programme was not made available to audit.

Unauthorised diversion

(e) Records showed that Finance Department released (26 March 2000) Rs.156 lakh for implementation of 32 rural water supply schemes under BMS. On receipt of drawal authority (LOC), the Chief Engineer (PHE) issued directions to utilise the funds against the priority scheme of exploration of ground water at Kohima town (Rs.120 lakh), water supply to AG Colony (Rs.13 lakh), repairing of Chief Engineer office building (Rs.12 lakh), repairing of Secretary/Addl. Chief Engineer's residence (Rs.8 lakh) and expenditure of Rs.3 lakh was not specified. The Executive Engineer (PHE) Kohima had drawn (March 2000) the entire amount through self cheque without supporting vouchers and the amount was shown as spent in the works as directed by the Chief Engineer (PHE) during 2000-2001, depriving the population of 32 villages from safe drinking water. However, in the absence of relevant records, veracity of the expenditure could not be verified in audit.

Planning

Identification of problem villages

4.1.8 The scheme envisaged identification of problem villages/habitations for ensuring supply of safe drinking water. According to criteria laid down, problem villages were those which had no assured source of water within a distance of 1.6 Km of the plain and 100 meter elevation in hilly areas and habitations which have a water sources but are affected with quality problem.

(ii) According to April 1999 Survey Report, out of 1525 villages/habitations (population 11.29 lakh) 428 villages (population 19 *per cent*) were identified as not covered, 703 villages (population 51 *per cent*) as partially covered and 394 villages (population 30 *per cent*) as fully covered.

(a) Test check of the records of Directorate revealed that 33 villages/habitations, had been identified for providing drinking water supply during 1995-96 to 1999-2000 at a cost of Rs.4.69 crore under BMS/ARWSP and an expenditure of Rs.2.42 crore had already been incurred during the period. Out of 33 villages, 11 villages, were those which had already been covered under different water supply programme both rural and urban. The remaining 22 villages/habitations, were those which had not been identified even in the survey report of April 1999. Thus, taking up of the scheme for them and incurring expenditure thereon was irregular and unauthorised.

(b) According to guidelines of ARWSP, central assistance was to be utilised only to cover the Not Covered (NC) habitation and also Partially Covered (PC) habitations having less than 10 LPCD of water. The State Government was also directed to follow these norms in respect of MNP/BMS schemes.

(ii) It was however, noticed that instead of following the guidelines, the Department had targeted 68 Fully Covered (FC) villages (both ARWSP and BMS) at a cost of Rs.14.50 crore against which Rs.6.18 crore have been spent between 1997-98 and 2000-2001. Surprisingly, 417 rural habitations still remained to be covered despite the fact that the programme was in operation since 1986. The action of the department to concentrate on (FC) villages, neglecting the needs of NC and PC ones was irregular and in violation of the norms of implementation of rural water supply programme.

Ground water survey and scientific source finding

4.1.9 Scrutiny of the record of the Executive Engineer (PHED) Kohima revealed that the Department spent Rs.116.45 lakh for exploration of ground water including geohydrological survey for digging of 6 Deep Tube Well (DTW) in and around Kohima during 1998-2000 through a private firm, of which 4 were stated to have been successful and 2 failure, resulted in infructuous expenditure of Rs.35.02 lakh on account of unsuccessful boring of two wells.

Human Resource Development (HRD)

4.1.10 Human Resource Development (HRD) was created in the state in 1996-97 with the aims to give requisite training especially to women to operate the assets created for water supply and generate demand for adequate sanitation facilities.

4.1.11 The Department spent Central assistance of Rs.25.06 lakh during 1996-97 and 2000-2001 in connection with the grass root level training programme and staff salary. In the physical progress reports, the department claimed to have imparted training to 418 grass root level trainees during 1997-98 to 2000-2001 against the target of 2080, but no significant role was played by the trainees in the field of water supply and sanitation in the State.

4.1.12 Audit scrutiny revealed that expenditure of Rs.25.06 lakh (central assistance) was incurred mainly for office expenses, purchase of furniture, vehicles and on miscellaneous items instead of imparting training to the grass root level workers. Thus, the purpose of establishing the HRD cell was not fulfilled.

Target and achievement

4.1.13 The year-wise physical targets and achievements under the scheme as reflected in the physical progress reports sent by the Department during 1997-98 to 2000-2001 were as under:-

Table No.4.3

Year	ARWSP			BMS/MNP		
	Target (habitations)	Achievement	Shortfall	Target (habitations)	Achievement	Shortfall
1997-98	37	14	23(62)	51	13	38(75)
1998-99	78	37	41(52)	102	24	78(76)
1999-00	23	23	-	47	21	26(55)
2000-01	52	39	13(25)	48	31	17(35)
Total	190	113	77	248	89	159

(Figures in the bracket denote percentage of total.)

4.1.14 There was shortfall in coverage in all the years except during 1999-2000 under ARWSP. The percentage of shortfall ranging from 25 to 62 per cent during the period was due to diversion and misutilisation of funds and non receipt of materials for which advance payment was made.

4.1.15 Further, according to the scheme, all habitations were targeted to be covered by 2000 AD but according to the plan document of the Government, all the identified habitations were to be covered by the end of IXth Plan (2002). It was seen that as per status of RWS project report furnished by the Department, there were 417 NC habitations as on 1 April 2000, out of which 20 were covered during 2000-2001. Slow progress of implementation of the scheme during 1997-98 to 2000-2001 as projected in physical target and achievement reports do not give any assurance of achieving the target of 397 by March 2002.

Implementation of the scheme

Unauthorised implementation

4.1.16 It was seen from the records that 70 schemes (cost Rs.15.81 crore) were approved by the State Government on 24th and 25th March 2000, of which Rs.2.58 crore was spent for procurement of materials within the month of March 2000 against 35 schemes (Estimated cost Rs.8.26 crore) without prior approval of the Central Government as envisaged in the guidelines

Adjustment of work charged salary in BMS scheme

(b) As mentioned in para 4.1.5 (c), the engagement of work charged employees in the department was not with respect to any specific work. As per codal procedure, only 2 per cent of estimated cost of the scheme were allowed for payment of work charged establishment.

(ii) It was noticed that out of the total expenditure of Rs.47.77 crore under State sector BMS programme during 1997-98 to 2000-2001, Rs.28.58³ crore was irregularly spent against salary of work charged employees which can be met only from non-plan provision. The amount was adjusted irregularly against the ongoing individual schemes under BMS programme indicating utilisation of State matching share under water supply programme.

Wasteful and idle expenditure under MNP scheme

(c) Test check of the records revealed that 96 schemes were sanctioned with estimated cost of Rs.12.96 crore under Minimum Need Programme (MNP) during 8th Year Plan period and spilled over to 9th Plan (1997-98). Due to the discontinuation (1996-97) of the MNP, 52 schemes have been included under BMS Programme (estimated cost :Rs.8.92 crore) and remaining 44 schemes sanctioned at a cost of Rs.7.34 crore have been discontinued after spending Rs.2.16 crore upto March 1997. Although out of 44 discontinued schemes, 20 schemes have subsequently been included in the BMS Programme during 1999-2000 but no execution of work was carried out except the adjustment of Rs.2.00 crore being the work charged salary paid from BMS funds. Thus there was wasteful expenditure of Rs.2.16 crore and fictitious adjustment of Rs.2.00 crore apart from denial of the intended benefits to inhabitants of the villages.

Providing water scheme to Lankim-Chare (21 village)

(d) For providing water supply to Lankim-Chare (21 villages), the work was taken up in 1990-91 at a cost of Rs.220.76 lakh for setting up a pumping system under ARWSP and due to be completed by 2000. It was noticed that the Executive Engineer, (PHED), Tuensang had splited up the estimates of the work and issued 506 work orders valued at Rs.68.32 lakh to different local contractors for civil works of the schemes between 1991 and 1994 without call of tender and without considering the adequate provision of funds.

(ii) Scrutiny of the records of Executive Engineer (PHED), Tuensang revealed that the Division, had spent Rs.163.07 lakh on procurement of G.I. pipe/fitting (Rs.103.90 lakh), vehicle (Rs.3.06 lakh), payment to the contractor for civil works (Rs.41.82 lakh) and Departmental charges (Rs.14.29 lakh) during 1991-1995 and thereafter no execution was carried out. Thus, non completion of the works resulted wasteful expenditure of Rs.1.63 crore out of ARWSP funds.

Augmentation of water supply to Pughoboto range

(iii) Augmentation of water supply scheme at Pughoboto range consisting 9 villages was approved (30 March 1998) at a cost of Rs.915.56 lakh. Records of the Executive Engineer (PHE), Zunheboto showed that the project was left abandoned incurring an expenditure of Rs.7.07 lakh for procurement of 2 Maruty Gypsy (March 1998).

3

1997-98	Rs.6.31 crore
1999-2000	Rs.10.82 crore
2000-2001	Rs.11.45 crore
	Rs.28.58 crore

Installation of hand pump and infructuous expenditure

(e) As per norms under ARWSP, there should be one hand pump for every 250 population of the inhabitants. Test check of records of the Executive Engineer (PHE), Store Division, Dimapur revealed that 74 hand pumps were installed at a cost of Rs.7.90 lakh in the foot hill area of Dimapur between 1990 and 1996 without assessing the population to be benefitted. However, it was noticed that the hand pumps became defunct since their installation due to lowering of the water table and thus the expenditure incurred proved infructuous.

Procurement of store

Advance payment led to loss to Government

4.1.17 According to the provision of NPWA Code, no advance payment was permissible to supplier/contractor except secured advance at the rate of 90 per cent of the value of materials on production of proof of despatch. Government may in exceptional circumstances, allow advance as may be deemed indispensable after taking necessary precautions for securing against government loss.

4.1.18 It was noticed from the records of the Executive Engineers, PHED, Kohima and Store Division, Dimapur that the Chief Engineer PHED, without assessing the requirement, issued 11 supply orders worth Rs.3.98 crore between 1997-98 and 1998-99 to 6 suppliers with an advance payment of Rs.1.87 crore with the stipulation to complete the supplies within 90 days. The advance was paid to the suppliers without executing agreements and securing bank guarantees. Although stipulated time of completion of supply was within 90 days of issue of supply orders, the suppliers could supply material worth Rs.0.38 crore only against the advance of Rs.1.87 crore paid to them. Except reminding the supplier to complete the supplies, no penal action could be taken by the Department in the absences of any agreement or bank guarantee.

4.1.19 This resulted in not only loss of Rs.1.49 crore to government but also targetted scheme suffered a set back due to non-receipt of materials besides, loss of interest Rs.0.55 crore.

District level water testing laboratory

4.1.20 According to the scheme, one laboratory was to be established in each District under the Rajiv Gandhi Drinking Water Mission. Rs.12 lakh was released by the Government of India during 1997-98 for the purpose.

4.1.21 Scrutiny of records revealed that the State Government released the above amount to six districts at the rate of Rs.2 lakh each in September 1998. The Divisions procured (November 1998) equipment and chemicals on the strength of supply order issued by the Chief Engineer PHED and were lying in store (May 2001). Thus, the purpose of the Mission was not fulfilled, the expenditure of Rs.12 lakh remained unproductive and the rural population was supplied untreated water. Report of the medical Department indicated that 14,814 people were affected by diarrhoea during 1996-2000. The reason for non-installation of the laboratory was not on record.

Monitoring and evaluation

4.1.22 Though there was a monitoring cell in the Department headed by Chief Engineer for effective monitoring the programmes, it recorded the achievement on adhoc basis as percentage of the financial outlay, exhibit the position village-wise achievement and completion of the schemes as well.

4.1.23 For effective planning, monitoring and implementation of the various schemes, Management Information System (MIS) was provided under the programme. Though the Department spent Rs.21 lakh in procurement of computers and furniture, these were not gainfully utilised under MIS.

4.1.24 The Department did not evaluate the impact of the scheme how well these were implemented.

Recommendations

4.1.25 Realistic action plan should be prepared for time bound monitoring the implementation of the programme.

- NGOs and local bodies should be encouraged in implementation to derive the benefit out of the programme.

- Implementation of the programme should be evaluated at regular intervals.

4.1.26 The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

4.2 Drinking water

(B) Accelerated Urban Water Supply Programme.

Highlights

The accelerated Urban Water Supply Programme (AUWSP) was launched in March 1994 to provide financial support to the medium towns having the population below 20,000 as per 1991 census. The objective of AUWSP scheme was largely frustrated due to inadequate planning, non-observance of guidelines, unfair reporting and inaccurate preparation of estimate. Delay in completion resulted in cost overrun, unauthorised extra expenditure, extension of undue financial benefits to the contractors, and inadequate monitoring and evaluation adversely affected the progress of the scheme.

Rupees.0.50 crore of HUDCO loan remitted to Executive Engineer (PHE), Zunheboto was not accounted for, Rs.0.20 crore meant for Phek town project was diverted unauthorisedly to Mokokchung town project

(Paragraph 4.2.4 (a) (i) & (ii))

Water supply schemes were irregularly designed for 15 years instead of 20 to 25 years as envisaged in guidelines and the designed population of Zunheboto town project were under estimated.

(Paragraph 4.2.5)

Expenditure of Rs.0.64 crore on non-priority works like construction of office building (Rs.0.40 crore), and procurement of five light vehicles (Rs.0.16 crore) was met outside the provision.

(Paragraph 4.2.4 (b))

Committed contribution of local bodies (5 percent) Rs.0.45 crore was not realised.

(Paragraph 4.2.4(c))

Approved technical estimates of government of India (CPHEEO) were not implemented rather, Projects were executed according to State approved estimates.

(Paragraph 4.2.6)

The physical and financial progress reports prepared and submitted to the government of India were not based on facts. Actual progress was not ensured.

(Paragraph 4.2.9)

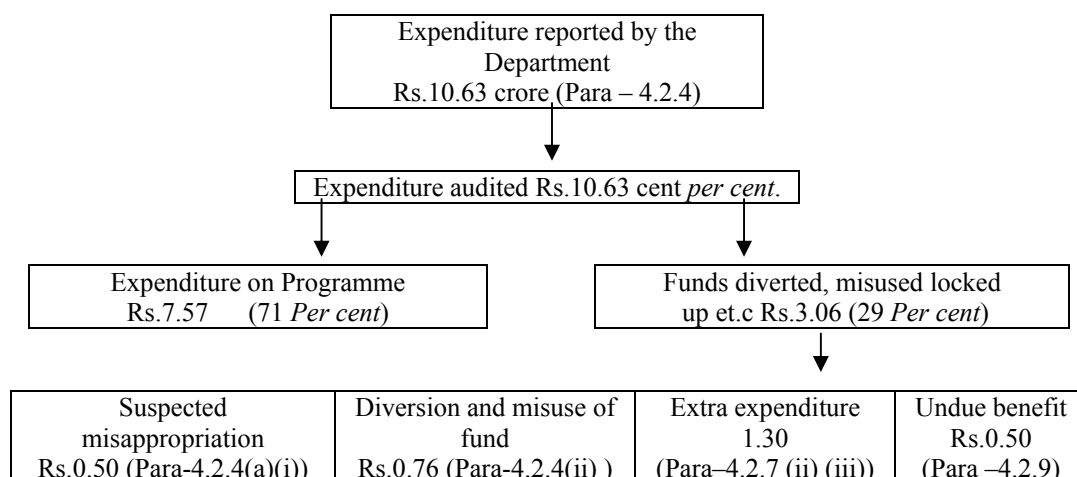
There were cost overrun (Rs.1.96 crore) due to delay in execution, undue financial benefits to the contractor (Rs.0.18 crore) and doubtful expenditure (Rs.1.37 crore) on raw water raising mainline. Unauthorised

extra expenditure of Rs.0.32 crore and expenditure of Rs.0.98 crore on fictitious works was incurred on Phek and Zunheboto town Project by the Phek and Zunheboto Divisions.

(Paragraph 4.2.7)

FINANCE TREE

(Rupees in crore)



Introduction

4.2.1 Government of India extended financial support to the State Government to provide water supply facilities in town having population less than 20000 (as per 1991 census). The centrally sponsored scheme was included in 8th Five Year Plan period and was launched in March 1994 with the objective to provide safe and adequate water supply facilities to the entire population of the small towns within a fixed time frame; to improve environment and quality of life, the better socio-economic condition and more productivity to sustain the economy of the society.

4.2.2 In Nagaland, 4* township as notified in 1991 census could not be provided with proper drinking water facilities owing to uneconomical tapping of adequate drinking water supply.

4.2.3 The State Level Selection Committee recommended (1996) in terms of population ratio to include the four towns under the scheme against which Government of India approved two town (Phek and Zunheboto) and extended financial assistance as per the terms and conditions of the AUWSP. The rest two towns (Wokha and Mon) were being covered by separate scheme under State Plan.

*

Town	Population as per 1991 census	Water Supply (1991 census)
1. Phek	8366	-
2. Zunheboto	11473	3LPCD
3. Wokha	14377	4LPCD
4. Mon	10790	4 LPCD

Organisational setup

4.2.4 The Chief Engineer, Public Health Engineering (PHE) is responsible for implementation of the programme, and was assisted by additional Chief Engineer and Superintending Engineer of the Directorate. The programme was implemented by Public Health Engineering Divisions, Kohima, Phek and Zunheboto.

Audit Coverage

4.2.5 The implementation of the programme for the period from 1993-94 to 2000-2001 was reviewed in audit (February to April 2001) by scrutiny of the records in the office of the Chief Engineer (PHED), Executive Engineer (PHED) Kohima, Phek and Zunheboto. The results of audit are incorporated in the succeeding paragraphs.

Finance and expenditure

4.2.6 Accelerated Urban Water Supply Programme (Medium town) is a centrally sponsored scheme, and is required to be funded as follows: 50 per cent by the Central Government, 45 per cent by State Government and 5 per cent contribution from the beneficiaries (Local body). The summarised position of fund released by the Government of India, State Government (State Plan, HUDCO and LIC) and expenditure incurred thereagainst during 1996-97 to 2000-2001 as per Finance and Appropriation Accounts of the State was as under:-

Table No.4.4

Fund and expenditure under the programme

Project-wise (Rupees in lakh)

Year	State Plan	LIC	HUDCO	AUWSP	Total fund available	Expdt.	Phek		Zunheboto	
							Fund available	Expenditure	Fund available	Expenditure
1996-97	192.07	---	---	---	192.07	192.07	93.47	93.47	98.60	98.60
1997-98	76.00	48.00	---	63.53	187.53	187.53	111.53	111.53	76.00	76.00
1998-99	---	---	167.86	40.67	208.53	208.53	40.67	40.67	167.86	167.86
1999-2000	---	---	40.00	50.65	45.65	45.65	5.65	5.65	40.00	40.00
2000-2001	---	43.53	130.00	256.13	429.66	429.66	43.53	43.53	386.13	386.13
Total	268.07	91.53	337.86	365.98	1063.44	1063.44	294.85	294.85	768.59	768.59

4.2.7 Although Rs.429.66 lakh was reported to have been spent on two projects during 2000-2001, but actual expenditure under the programme was Rs.359.66 lakh only. The position of balance expenditure of Rs.70.00 lakh was as under:

Suspected mis-appropriation

4.2.8 The Executive Engineer (PHED), Kohima, drew (August 2000) Rs.130 lakh being HUDCO loan and remitted (September 2000) to Executive Engineer (PHED) Zunheboto through Demand Draft. Of, Rs.130 lakh, Rs.80 lakh only was found to have been accounted for (September 2001) by the Executive Engineer Zunheboto and Rs.50 lakh was suspected to be mis-appropriated.

Diversion of L.I.C loan

4.2.9 Out of Rs.43.53 lakh drawn (December 2000) by Executive Engineer, Phek against the LIC loan sanctioned for water supply project, Phek, Rs.20 lakh was diverted as per Chief Engineer (PHE) direction for utilisation on water supply project of Mokokchung town, not covered under the scheme.

4.2.10 Against the provision for construction of residential accommodation of supervisory staff, the Chief Engineer (PHED), without the approval of State/Central Government authorised construction of office building during 1999-2001 at a cost of Rs.40.37 lakh at Zunheboto (Rs.14.72 lakh) and Phek (Rs.25.65 lakh).

4.2.11 The Executive Engineers (PHE), Zunheboto and Phek under the authority of the State Government procured during 1997-2001 5 light vehicles (Maruty Gypsy) at Rs.15.97 lakh for field supervision of the projects, not covered under the programme.

Non realisation of community contribution

4.2.12 As per guidelines, 5 per cent capital cost of the project was to be contributed by the local body. Though the town committees of the respective town had committed to contribute 5 per cent of the cost but the Department did not took initiative to realise the committed contribution of Rs.44.95.¹ lakh from the local bodies.

Planning

4.2.13 Guidelines provided that water supply scheme were to be designed to meet the requirement for a period of 20 to 25 years @ 70 LPCD after their completion. However, two schemes approved by GOI in March 1997 and December 1999 at a cost of Rs.909.83 lakh were designed for 15 years @ 50 LPCD capacity due to high capital cost and per capita cost as discussed below:-

Physical performance

Phek town water supply project

4.2.14 For providing water supply to Phek town (Medium) under centrally sponsored AUWSP, Government of India (CPHEEO)² approved (17 March 1997) the project with estimate cost at Rs.219.70 lakh stipulating completion in 1997-98. State Government (PHED) sanctioned a separate estimate (26 March 1997) for Rs.258.48 lakh under Basic Minimum Service (BMS) programme with the stipulation to complete in 1998-99. The project was being executed out of the funds received from Central Government during 1997-99 and from the BMS allocation. The Department failed to complete and commission the project despite regular flow of fund within targeted time which resulted in revision of the project cost in 8 August 2000 by the State

¹ Zunheboto –Town Committee Rs.34.00 lakh
Phek Town Committee Rs.10.95 lakh
Rs.44.95 lakh

² Central Public Health Engineering and Employment Organisation.

Government from Rs.258.48 lakh to Rs.292.69 lakh. The project was completed (September 2000) and commissioned (April 2001) at a total cost of Rs.294.85 lakh. Since it was in initial stage, functioning of the project is yet to be assessed.

Zunheboto water supply project

4.2.15 Mention was made in Para 4.1.6(d) of the Report of the Comptroller and Auditor General of India for the year 1993-94 regarding Augmentation of water supply to Zunheboto town (Medium), taken up in 1991 at a cost of Rs.648 lakh to be completed during the 8th Five Year Plan. Upto the year 1997-98, an expenditure of Rs.174.60 lakh had been incurred out of the fund ARWSP and BMS funds mainly on procurement of Vehicles, G.I. Pipes and fitting materials land compensation, preliminary work such as jungle cutting and construction of approach roads etc.

4.2.16 The implementation of the project was actually started in 1998-99. On the request of the State Government to finance the project, HUDCO authority approved (May 1998) a technical estimate of Rs.682.70 lakh (including their interest) to be financed out of loan assistance to be provided by them. The project was targeted to be completed in 1999-2000.

4.2.17 When the project was under implementation, on the request of the State Government, Government of India, (CPHEEO), approved (December 1999) the project at a cost of Rs.683.11 lakh to include the project under AUWSP, although the project was being implemented under the State Plan.

4.2.18 Due to delay in execution, the project of Rs.683.11 lakh (approved in December 1999) was revised to cost Rs.959 lakh (March 2001) and targeted to be completed in 2001-2002, but the approval of CPHEEO was not obtained as envisaged in the technical sanction note approved for AUWSP. The works were in progress (May 2001) and total expenditure incurred so far was Rs.768.59 lakh. There were time overrun of 3 years and 7 years in execution of the two projects with the cost overrun of Rs.75.15 lakh and Rs.120.59 lakh respectively.

4.2.19 Thus, the project report and technical sanction accorded by the Government of India (CPHEEO) in order to provide financial assistance under AUWSP had not been adhered to in the actual execution of the project. Hence, entire process of execution and utilisation of central assistance against the projects was beyond the scope of AUWSP guidelines.

Implementation

4.2.20 Scrutiny of implementation of the two projects revealed the following:-

Phek Town Project

4.2.21 Nagaland Public Works Accounts (NPWA) Code prohibits payment of any mobilisation advance. In contravention of above provisions, mobilisation advance of Rs.18.00 lakh was paid to the contractor (Rs.10 lakh in December 1997 and Rs.8 lakh in March 1998) for construction of Treatment Plant of

water supply project Phek. This led to extending undue financial benefit to the contractor to the tune of Rs.3.90 lakh (interest @ 15 per cent) in the shape of an interest free loan for 12 to 24 months.

4.2.22 Provision was made for laying of distribution line measuring 29,640 metres with GI Pipes of different sizes, whereas the same was executed with only 11,348 metres of pipes. The reason for making provision for extra 18,292 metres (62 per cent of original estimate) of distribution line was not on records. This indicated that the estimate of the project was unnecessarily inflated involving extra cost of Rs.9.23 lakh on the project.

4.2.23 Construction of disilting tank at source estimated to cost of Rs.1.56 lakh was got executed (July 1997) through local contractor at a cost of Rs.1.41 lakh. The Executive Engineer (PHED), Phek issued 13 additional work orders (1997-1998) for Rs.5.69 lakh in respect of the same work by splitting up the amount within his financial power (Rs.0.50 lakh) and one work order for Rs.4.31 lakh with the approval of the Chief Engineer and paid Rs.10 lakh to the contractor between September 1997 and January 1999. The basis of issuing 14 additional work orders for Rs.10 lakh against the estimated cost of Rs.1.56 lakh and despite having the worked done at a cost of Rs.1.41 lakh resulted in extra expenditure of Rs.8.59 lakh could not be made available to audit.

4.2.24 Lump sum provision of Rs.10.96 lakh made for procurement of fitting materials (G.I. Union, Elbow Socket etc.) in original estimate was reduced to Rs.6.90 lakh in the revised estimate (August 2000). Against the revised provision of Rs.6.90 lakh, the Department procured fitting material worth Rs.30.86 lakh and shown as utilised. Although there was short laying of distribution lines by 50 per cent, how was the excess fitting material utilised not on record and hence expenditure of Rs.23.96 lakh was incurred for fictitious procurements.

Zunheboto Town Project

4.2.25 As per approved estimate of water supply project at Zunheboto, provision was made for construction of raw water raising main and laying of 21,400 metres supply line with GI Pipes of different sizes from raw water sources to purification plant. Accordingly 21,400 meter GI pipes costing Rs.137.19 lakh were shown as utilised in the work as of November 2000. The estimate was revised in March 2001 and this item of work was surprisingly omitted in the revised estimate. Thus the execution of above works was not justified and expenditure of Rs.137.19 lakh on them appeared to be doubtful.

4.2.26 In order to improve the water tax revenue under Water Supply Consumer Rule 1998, the Government of India (CPHEEO) approved construction of 16 no of metre housing chambers (at a total cost Rs.0.32 lakh) and installation of 1800 mechanical water metres (at a total cost Rs.14.40 lakh). Against this the department (PHED) approved construction of 36 nos of metre control rooms at a cost of Rs.64.80 lakh, of which 18 Nos. were completed at Rs.32.40 lakh during 2000-2001. The change of specification and the unit cost of construction was not got approved from the CPHEEO and

hence, Rs.32.08 lakh had been spent unauthorisedly. The installation of 1800 mechanical water metres was still to be undertaken.

4.2.27 Construction of main service reservoir of 4.50 lakh litres capacity was allotted (October 1999) to a local contractor at the estimated cost of Rs.10.91 lakh. Against payment (October 2000) of this amount, the actual execution was done for only 1.00 lakh litres capacity of reservoir (estimated cost as per analysed rate being Rs.3.35 lakh). This resulted in excess payment of Rs.7.56 lakh to the contractor.

4.2.28 Executive Engineer (PHED), Zunheboto, mobilised (order dated January 2001) departmental staff and labourers for the work of lifting, laying of GI Pipe, construction of anchor blocks, supporting pillars, pipe bridge, pipe alignment, diversion and disilting tank etc. for alignment of gravity pipe line.

4.2.29 Records showed that the works for which the departmental staff and labourers were mobilised (From January 2001) had already been executed between May 1999 and October 2000 through different contractors and payment of Rs.40.18* lakh made to them. Thus, expenditure of Rs.40.18 lakh on mobilisation of staff for the works was fictitious.

4.2.30 In order to execute the project, the Department procured 1 bulldozer, 2 heavy vehicles and 1 medium size vehicle at a cost of Rs.31.29 lakh against the provision of special T&P for the project. Without utilisation of any T&P, the department executed the work of carrying GI Pipes, site levelling and construction of road through contractor and Rs.16.39 lakh was paid (upto October 2000) to them. In spite of procuring special T&P, execution work through contractor and expenditure there against was unjustified.

Material management

4.2.31 The length alignment of gravity main pipe line for ‘Augmentation of Zunheboto Town Water Supply Project’ was estimated at 27,000 metres and was to be completed by utilising 150 mm GI Pipe of heavy (9,000 metres) and medium (18,000 metres) quality. The estimate was revised (March 2001) and alignment of gravity main line reduced to 16,000 metres by utilising heavy (9,000 metres) and medium (7,000 metres) pipes. The Department had already procured 19561 metres of pipe (March 1998 and October 1999) and utilised them as per reduced requirement. Although, the required length of pipes was utilised and balance (3,561 metres) was available in the material at site (MAS) account as of March 2001, the Chief Engineer (PHED) issued (March 2000) supply order for additional, 5,900 metres pipe (medium 150 mm) at a cost of Rs.57.06 lakh for supply within 90 days. An advance of Rs.50.00 lakh was paid in (October 2000) to a local contractor but the material had not been received as of (September 2001).

4.2.32 Thus, the order of additional pipes without requirement and payment of Rs.50.00 lakh as advance led to blockage of funds besides extending undue financial benefit to the supplier.

* Trench cutting (Rs.11.80 lakh), foot path (Rs.4.22 lakh), head loading (Rs.1.35 lakh) pipe bridge (Rs.17.22) and anchor block (Rs.5.59 lakh).

Fictitious reporting

4.2.33 The execution of both the projects (Phek and Zunheboto) was carried out according to the estimates and revised estimates approved only by the State Government. The funds released by the Central Government and obtained from other agencies (HUDCO and LIC) were being utilised for the projects without adhering to the guidelines of the Government of India and also other respective agencies financed to these projects.

4.2.34 Progress reports prepared on water supply to Zunheboto town revealed that 3 different physical and financial progress reports had been prepared and submitted to the respective agencies (State Government, Central Government, HUDCO), in accordance with the estimates approved by the respective agencies. As a result, the actual progress of the works could not be ascertained in audit. Thus, the physical and financial progress reports prepared by the Department were fabricated to mislead the financing agencies about actual progress.

Monitoring and evaluation

4.2.35 The quarterly physical and financial progress reports in the prescribed form were to be sent to the government of India and separate accounts maintained to identify the utilisation of funds against the execution of the project. It revealed that during 1999-2001 only 3 reports have been compiled and submitted. No separate accounts had been maintained.

4.2.36 Further, guidelines provided that CPHEEO/Ministry of Urban Development had to monitor the physical and financial progress by site visits of the project. Although the projects were executed without following AUWSP guidelines, these were not physically verified and commented upon.

4.2.37 The performance of the projects executed under AUWSP had never been evaluated so far by the government/agencies or non-government organisation.

Recommendations

4.2.38 State Government should fix time schedule for completion of the project and release fund according to physical progress of work. Diversion of funds and expenditure on non-priority items should be strictly avoided. Department should evolve mechanism for and effective monitoring. Evaluation should be done at regular intervals to assess the impact of programme implementation.

4.2.39 The matter was reported to Government and Department in July 2001; their replies had not been received (January 2002).

WORKS AND HOUSING DEPARTMENT

4.3 *Integrated audit of Works and Housing department including man power management*

Highlights

A review by audit on “Integrated audit on Works and Housing Department” revealed that deficiency of budgetary and expenditure control led to excess expenditure under Non-Plan and saving under Plan, infructuous expenditure towards payment of interest on unutilised loan money. The department failed to check huge excess appointment of work-charged staff without work leading to gross mismanagement. Store management also was quite deficient. Defective planning abnormal and inordinate delay in execution of work resulted in extra avoidable expenditure. Quality (control) testing was not carried out for large number of works entailing the risk of mishaps due to faulty construction. Monitoring and evaluation of the department was non-functional.

Budgetary management of the department was weak and budget was submitted late to Finance department. Budget was prepared on presumption of certain arbitrary assured growth in the previous year’s revised estimates and not on the basis of actual expenditure. The budget, therefore, failed to reflect department’s requirement resulting in excess expenditure under non-plan and saving under plan heads.

(Paragraphs 4.3.3 and 4.3.4)

Idle keeping of loan money in government account without utilisation resulted in unnecessary interest payment of Rs.168.27 lakh.

(Paragraphs 4.3.5 and 4.3.6)

Executive Engineers of all the 35 executing Divisions incurred extra avoidable expenditure of Rs.2185.44 lakh due to entertainment of excess staff over the sanctioned strength

(Paragraph 4.3.10)

Executive Engineers of all executing divisions engaged large number of work charged staff without works while work were contracted out.

(Paragraph 4.3.15)

Executive Engineer, Housing Division, Dimapur made unnecessary purchase of water supply and sanitary materials without indents from consuming Divisions. This resulted in blockade of funds Rs.284.20 lakh

for 5 to 15 years and stores valuing Rs.85.36 lakh became unserviceable due to prolonged storage and obsolescence.

(Paragraphs 4.3.18 to 4.3.20)

Executive Engineer, Capital Complex Division, Kohima and Executive Engineer, R&B, Dimapur made improper planning and abnormal delay in finalisation of contract document for construction of Officers' Hostel and construction of railway overbridge at Dimapur which resulted in huge cost escalation of Rs.697.95 lakh

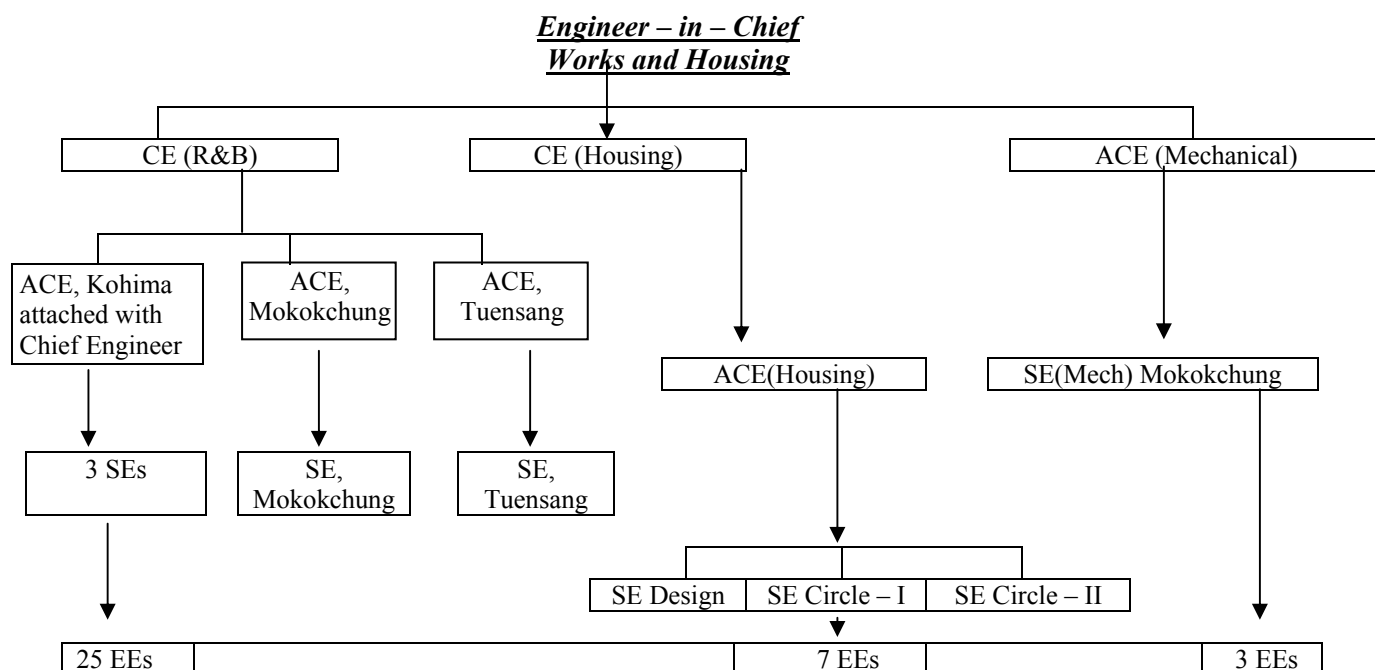
(Paragraphs 4.3.23 and 4.3.27)

Quality and chemical tests of materials and soil in respect of majority of works were not carried out. As a result, a girder bridge constructed at a cost of Rs.8.73 lakh was washed away reportedly due to non-testing of soil.

(paragraph 4.3.31)

Introduction

4.3.1. The Works and Housing Department covers activities relating to construction, maintenance and repairs of roads and bridges, and Government buildings. It comprises of three wings i.e., Road and Bridges (R&B), Housing (H) and Mechanical (Mech) under the administrative control of the Works and Housing Department. The Commissioner and Secretary, Works and Housing department is in overall charge of the department at Government level. The responsibilities of the officials both supervisory and supervised in the functioning of the department are shown in an organisation flow chart, below.



CE-Chief Engineer. ACE-Additional Chief Engineer
SE-Superintending Engineer. EE-Executive Engineer

Audit coverage

4.3.2 Integrated review in respect of Works and Housing Department for the period 1998-99 to 2000-2001 was conducted during January –June 2001 through test check of records of the CE (R&B), CE (H), ADDL. CE (Mech) and 9 working divisions (4 R&B divisions, 2 Housing divisions and 3 Mechanical divisions) out of 35 covering an expenditure of Rs. 119.23 Crore (33 *per cent*). Important points noticed during review are summarised in the following paragraphs.

Financial Management

Budgetary procedure

4.3.3 General procedures for preparation and submission of budget stipulate that the administrative department shall submit detailed estimates on the basis of requirement to the finance department. The administrative department did not however, submit their estimates in time. Records indicated that estimates for the year 1998-99 were submitted to finance department in February 1998 against due date of November 1997. Similarly, the estimates for the year 2000-2001 were submitted to finance department in March 2000 against the due date of January 2000. There was, thus, little time with the finance department to examine the estimates for incorporation in the annual budget. It was noticed that budget was prepared by the finance department on adhoc basis with reference to actuals of the previous years. As details of budgetary estimates prepared both by the Work and Housing department and finance department are not made available to audit, how far it reflected department's actual requirement could not be assessed.

Budgetary control and financial outlay

4.3.4 Year-wise Budget provisions and expenditure of the department during 1998-99 to 2000-2001 under Non-Plan and Plan are given in the *Appendix – XXIII*. During 1999-2000, there was as much as 16 *per cent* excess expenditure under Non-Plan while 64 *per cent* saving under Plan. This indicates that the department failed to frame realistic budget resulting in high mismatch between budget provisions and actual expenditure. As required under Finance department's circular (February 1999), the controlling Officers failed to ensure that total expenditure on salaries incurred by the DDOs under them did not exceed the budget provision available under respective grant. As a result there was unplanned out go under salary in Non-plan component. Persistent saving under Plan was due to unnecessary provision of supplementary grant which was not in tune with the actual flow of expenditure.

Money drawn and kept in civil deposit for 5 months.

4.3.5 Executive Engineer, South Division, (R&B) Kohima centrally drew Rs.3.25 crore (March 2000) for construction of village connectivity road under basic minimum service and received Rs.0.34 crore as loan from NABARD (11

February 2000) for construction of a road and kept the same in civil deposit. The amount was withdrawn (September 2000) and distributed to different divisions of the department for execution of the same work, thereby delaying in release of funds for the construction works. Besides, Government had to pay interest of Rs.2.27 lakh @ 12 per cent a year to NABARD for keeping the loan amount of Rs.0.34 crore unnecessarily for 203 days (from date of receipt on 11 February 2000 to the date of release i.e. 31 August 2000).

Negotiated loan amount retained by Government for more than one and half year

4.3.6 Government released Rs.6.00 crore and Rs.4.00 crore on 22 February 2000 and 21 December 2000 respectively out of Rs.10.00 crore negotiated loan received from Life Insurance Corporation of India on 31 March 1999 for construction of permanent Bridges in Nagaland. Due to delayed release of fund and keeping money idle in government account, construction of permanent bridges not only suffered for considerable period but also Government had to pay interest of Rs.1.66 crore on Rs.6.00 crore for 328 days from 31 March 1999 to 21 February 2000 and on Rs.4.00 crore for 631 days from 31 March 1999 to 20 December 2000) @13.5 per cent a year for retaining the fund idle.

Control of expenditure

Non-compliance of rules for control of expenditure

4.3.7 DDOs did not submit monthly expenditure statement regularly as prescribed under rule. Some DDOs submitted monthly expenditure statement for 12 months at a time. Of the 1692 monthly statements to be received by the controlling officers from all the 47 DDOs during 1998-99 to 2000-2001, only 904 statements were received. Because of failure of the controlling officer to receive and analyse regularly the trend of expenditure, the persistent excess remained unnoticed and uncontrolled.

Drawal of money in advance of requirement and unauthorisedly keeping in Bank Account

4.3.8 Executive Engineer, Capital Complex Division, Kohima purchased deposit-at-call (DAC) worth Rs.318.93 lakh from Bank on different dates (17 dates) between April 1996 to December 2000 against the drawal for construction of new Assembly Complex, Kohima and encashed Rs.213.60 lakh after retaining the same for periods ranging from 7 to 550 days though the financial rules do not permit purchase of DAC. Besides locking up of funds, this led to a loss of interest of Rs.4.86 lakh at government borrowing rate of 13 per cent for retaining the amount unutilised from the date (s) of purchase of DAC to the date(s) of encashment.

Manpower Management

Excess engagement of staff.

4.3.9 The details of the sanctioned strength, men-in-position as furnished by the department and the excess staff entertained by the department against the sanctioned strength were as under as on 31 March 2001.

Table No.4.5

Category of Sanction strength				Men-in-position				+ Excess, -Vacant				
Post	R&B	H	Mech	Total	R&B	H	Mech	Total	R&B	H	Mech	Total
Officers 'A'	171	29	17	217	191	39	17	247	20	10	---	30
Officers 'B'	214	43	22	279	414	51	36	501	200	8	14	222
Staff 'C'	1617	286	233	2136	1500	917	388	2805	(-)117	631	155	669
Group 'D'	490	83	27	600	841	156	109	1106	351	73	82	506
Total	2492	441	299	3232	2946	1163	550	4659	454	722	251	1427

4.3.10 The total sanctioned strength (3232) and Men in position (4659) shown above indicates that there was overall excess entertainment of 1427 posts which constituted 44 per cent of sanctioned strength. Extra expenditure on engagement of excess staff over sanctioned posts involved Rs.2185.44 lakh, during three years period upto 2000-2001 calculated on the minimum of time scale of pay.

4.3.11 There was large number of non-technical staff (2518 nos) compared to 2141 number of technical staff including regular work-charged staff. There was failure on the part of the DDOs to exercise proper check that number of employees included in the pay bill are actually borne on the sanctioned strength. The controlling officers failed to exercise expenditure control to see that total expenditure did not exceed the grant. This systemic failure led to huge excess outgoes on account of salary.

Disproportionate deployment of staff

4.3.12 Records of the Divisions test checked and the information furnished by the divisions showed excess entertainment of staff as under.

Table No.4.6

Name of the Division	Category of Sanctioned strength				Men-in-position				Excess staff entertained			
	Officers	Staff	Gr.D	Total	Officers	Staff	Gr.D & percentage in number	Total	Officers	Staff	Gr.D	Total alongwith percentage in bracket
1	2	3	4	5	6	7	8	9	10	11	12	13
1.Housing Division Dimapur	6	47	35	88	15	74	64(42)	153	9	27	29	65(74)
2.PWD (R&B) Division, Dimapur	8	62	32	102	8	111	90(43)	209	---	49	58	107(105)
3.PWD(R&B), South Div. Kohima	6	74	33	113	6	96	63(38)	165	---	22	30	52(46)
4.PWD(R&B) Div. Zunheboto	13	70	40	123	13	108	49(29)	170	---	38	9	47(38)
5.PWD(ME) Div. Mokokchung	5	61	13	79	5	78	76(48)	159	---	17	63	80(101)

4.3.13 The table indicates that percentage of excess engagement of staff over sanctioned post ranged from 38 (Roads and Bridge Division, Zunheboto) to 105 (PWD (R&B) division, Dimapur). The engagement of Group 'D' staff

was disproportionately high in comparison with total men-in-position ranging from 29 *per cent* (Road and Bridge Division, Zunheboto) to 48 *per cent* (Mechanical Division, Mokokchung) of total men in position.

Engagement of huge work charged staff without work.

4.3.14 Government decided (July 1990) that employment of huge work charged staff should be discontinued or drastically reduced to save crore of rupees being wasted annually on engagement of work charged staff since the works were being carried out on contract basis.

4.3.15 Violating these orders, Executive Engineers of all the 35 executing divisions of the department continued to maintain a large number of work charged staff (15972 including 639 new appointees) without work during the period from July 1990 to March 2001. Neither any job register showing names of work done by them was maintained nor the cost of their wages was charged to any work or subwork as required under para 43 (a) of NPWA Code.

4.3.16 Records showed that the department spent Rs.94.24 crore towards the wages of these work charged staff during 1998-2001 by debiting the expenditure of Rs.59.73 crore under 'repair and maintenance' (Non-Plan) against the actual provision of Rs.48 crore and the balance amount of Rs.34.51 crore under Plan for which provision was made in budget. Thus, it appeared that had the department followed the Government's order of July 1990, the unnecessary huge expenditure could be restricted and avoided.

Store Management

Injudicious procurement of stores

4.3.17 The stock register of Central Store Division (renamed as Housing Division), Dimapur indicated that 34 items of sanitary and water supply materials worth Rs.214.19 lakh, (procured during 1985-86) were lying unutilised as of September 2001. Similarly, the Mechanical Division Mokokchung procured spare parts of Rs.49.89 lakh in 1985-86 and remained unutilised. Despite heavy stock remained unutilised, Executive Engineer, Housing Division, Dimapur, under supply order of Chief Engineer, further procured water supply materials worth Rs.20.85 lakh in December 1996 of which materials for Rs.0.73 lakh could be utilised as of September 2001.

4.3.18 The divisional officer stated (June 2000) that huge unutilised store materials was due to placement of supply orders by Chief Engineer without any requirement. Failure of the department to exercise the provision of Rule 103 of GFR for procurement of store materials with reference to requirement by user divisions resulted in accumulation of huge unutilised stock valued Rs.284.20 lakh during the last 5 to 15 years. However, no comments/view of the Chief Engineer, for the unnecessary procurements were furnished to audit.

4.3.19 This resulted in blockade of fund of Rs.284.20 lakh for the last 5 to 15 years (Rs.264.08 lakh for 15 years and Rs.20.12 lakh for 5 years) for unnecessary purchase of store materials. Besides, the Government incurred cost of fund of Rs.504.02 lakh on payment of interest during the above period

at the average borrowing rate of 12.43 per cent and 11.57 per cent respectively on Rs.284.20 lakh.

Store became unservicable due to prolonged storage

4.3.20 The survey reports conducted by the Department between October 1990 and December 2000 indicated that 2835 cast iron singles and sockets worth Rs.10.55 lakh of Central Store Division and scrap materials of Rs.74.81 lakh of Amguri Store Sub-Division became unservicable and obsolete due to prolonged storage of the materials in open, and the divisions recommended (October 1990 and December 2000) to the government for write off without fixing responsibility against any personnel for this loss/damage of stores.

Procurement of cement at higher rate

4.3.21 Without inviting open tender or ascertaining rates from main regional producer, the Executive Engineer, Capital Complex Division, Kohima procured 40,000 bags of cement from Raymond Cement Works, Bilaspur, Madhya Pradesh between March 1997 and May 1999 at higher rate in comparison with that of the Cement Corporation of India Limited (CCI), a Government of India Enterprise at Bokajan, near Dimapur as under.

Table No4.7

Quantity supplied (Bags)	Rate of the supplier (date of supply) Per bag	Value paid (1x3)	Rate of CCI Per bag	Effective date	Difference of rate (2-4) per bag	Extra expenditure (Rs.in lakh) (1x6)
1	2	3	4	5	6	7
20,000	Rs.174.02 (March'97) Including 4% CST and Railway freight upto Dimapur	Rs.34,80,400/-	Rs.145.60 including 4% CST at Dimapur	Jan.97	Rs.28.42	5,68,400
10,000	Rs.171.45 Including 4% CST and Railway Freight (May 99)	Rs.17,14,500/-	Rs.161.20 (May 99) including 4% CST at Dimapur	May 99	Rs.10.25	1,02,500
10,000	Rs.174.02 (April 98) including 4% CST and railway freight upto Dimapur	Rs.17,40,280/-	Rs.140 including 4% CST at dimapur	August 97	Rs.34.02	3,40,200
40,000		Rs.69,35,180				10,11,100

Source: Payment voucher and rate obtained from CCI Bokajan

Failure to take advantage of competitive rates, therefore, resulted in an extra expenditure of Rs.10.11 lakh.

Execution of works

Extra avoidable expenditure due to improper planning and delay in finalisation of contract document

4.3.22 Executive Engineer, capital complex division, Kohima delayed handing over site alongwith structural drawings and design to the contractor by 2 years and 8 months from the date of work order (April 1994) due to change of plinth area from 9945 sft to 22072 sft for construction of two storeyed officers hostel at Kohima instead of single storeyed.

4.3.23 Due to delay in handing over site and further increase in scope of work, Government had to approve (April 1997 and August 2000), enhancement of

rate initially from 150 *per cent* to 390 *per cent*, then from 390 *per cent* to 800 *per cent* above SOR 1985 with effect from 1 March 1997 and 1 April 1999 respectively on request from contractor on the ground of price hike as per clause of the agreement. The work was in progress (March 2001). The department would ultimately incur extra expenditure of Rs.442.54 lakh (612.81 lakh value of work at enhanced rate – Rs.170.27 lakh being value of work at original rate) due to faulty planning and delay in handing over site and drawings.

4.3.24 Divisional officer could not furnish the analysis of rate justifying enhancement of 800 *per cent* over SOR 1985. However, comparative statement of analysis of schedule of 1985 and 1995 shows that even after taking the higher side of present market rate of material, labour and transportation cost, the justified enhancement worked out only to 425 *per cent* above SOR 1985. Thus the department extended undue benefit to the contractor to the extent of 375 *per cent* above SOR 1985.

Delay in completion invited huge cost escalation

4.3.25 Chief Engineer (R&B) Nagaland awarded work “construction of Railway Over Bridge at Dimapur (December 1990) to two contractors with stipulated time of completion within March 1997. The project was completed in November 2000.

4.3.26 Engineer in Chief NPWD allowed (December 1997) escalation as prayed for by contractor for the extended period of time as per agreement on the ground of (i) change of gauge from medium to Broad gauge causing delay in handing over design (ii) suspension of work for more than one year due to Hon’ble High Court injunction on complaint from affected shop keepers (iii) inclusion of additional work and (iv) untimely release of fund by the State Government.

4.3.27 Due to defective planning and delay in finalisation of site etc., before work was entrusted and poor monitoring, the department incurred an extra avoidable expenditure of Rs.255.41 lakh as escalation (between March 2000 and January 2001).

Non-receipt of Baily Bridge component against advance paid out of LIC Loan

4.3.28 Executive Engineer, R&B, Dimapur made advance payment of Rs.51.39 lakh (March 2000) from negotiated LIC loan to a Calcutta based supplier. (Bridge and Roof Company India Limited) for supply of Baily Bridge component within June, 1999 as per condition of supply order (March 1999). The supplier failed to supply bridge component till March, 2001 in spite of reminder issued by the division, resulting in delay in construction of proposed bridge over river Doyang under Dimapur sanish Nuiland road. This delay hampered socio-economic activities of the local people. Besides, Government had to pay interest Rs.7.53 lakh on Rs.51.39 lakh @Rs.13.50 *per cent* a year to L.I.C. for non utilisation of fund retained by the supplier for 396 days (March 2000 to March 2001).

Injudicious purchase of Bulldozer by housing wing despite 42 nos available in mechanical wing.

4.3.29 Executive Engineer, Capital Complex Division (NCCD) Kohima paid Rs.35.84 lakh (March 1997) being the cost of a Bulldozer to M/S Bharat Earth Movers Limited Calcutta against their proforma invoice (march 1997). Even after 3 years since purchase, the machine could not be put to any use yet. The Executive Engineer stated (March 2001) that the machine was under repair. For want of details of receipt, warranty etc., audit cannot comment whether there were any manufacturing defects which could be rectified during warranty period.

4.3.30 Since Mechanical wing of the Department has a fleet of 42 Bulldozers, the purchase of a new Bulldozer by Housing wing was not justified. This shows lack of coordination between two wings of the department with consequential avoidable financial burden on the department.

Quality Control

4.3.31 The Executive Engineer, Research Laboratory Cell (established in October 1979), Dimapur did not ensure that soil and materials used in execution of all works was chemically approved through testing. There was very poor participation by the executing divisions in its efforts. Only 19 nos tests mainly relating to local Division (Dimapur) was conducted during 1998-99 to 2000-2001. The danger of this practice of using untested constructional material became apparent when a builtup girder bridge constructed over the river Tizu (Zunhebtot District) at a cost of Rs.8.73 lakh (September 1987) was washed away due to seepage below the depth of the abutment.

4.3.32 The Executive Engineer PWD(R&B) Zunheboto Division attributed (February 1988) this to the fact that the subsoil was not investigated. Thus, the department failed to utilise the facilities of the laboratory. As such services of 31 staffs were highly under utilised. The Executive Engineer, Research Laboratory Cell incurred idle expenditure of Rs.57.88 lakh on salaries of the staff as on March 2001.

Implementation of works by machinery

Under utilisation of machinery

4.3.33 Scrutiny of records relating to performance of 90 number of machinery on an average maintained by Executive Engineers mechanical division-II, Kohima and mechanical division, Mokokchung revealed that the machines were under utilised between 75 and 82 *per cent* of the working days based on 240 working days of a machine in a year during 3 years from 1998-99 to 2000-2001 as under.

Table No.4.8

Year	No. of machine	Total working days	Total working days utilised	Average No. of days of utilisation of each machine per year	Percentage of under utilisation
1998-99	87	20,880	3814	44	82
1999-2000	92	22,080	5205	57	76
2000-2001	90	21,600	5330	59	75

Source: Records furnished by Mechanical Division-I, Kohima and Mechanical Division, Mokokchung.

Unfruitful expenditure o idle machins and vehicles

4.3.34 Out of 90 machine being maintained by 2 divisions mentioned above, atleast 23 machines were lying idle every year in the last 3 years (upto 2001) due to being off road , beyond economic repair and due for condenmation. As a result the department incurred wastful expenditure to the extent of Rs.42.76 lakh on pay and allowances of the drivers (22 nos) and handymen (16 nos).

4.3.35 While machines were lying idle in mechanical divisions, the department incurred an expenditure of Rs.2.16 lakh on hire of one bulldozer and one stone crusher machine for 39 and 10 days respectively by R&B Division, Dimapur.

Monitoring and Evaluation

4.3.36 Evaluation Department functioning from October 1968 has not yet undertaken PWD for evaluation. Thus, the implementation of different projects/works in the State have not yet been monitored.

Recommendations

4.3.37 Accurate Budgetary procedure and practice, proper utilisation of resources, adequate financial management and expenditure control system are essential for effective implementation of projects/works which my be ensured.

ii) Economy and efficiency in the system of procurement of stores and inventory control practice need be enforced.

iii) Manpower Management needs considerable improvement and excess entertainment of staff should be reviewed.

iv) The Department should adopt proper planning for execution of work and avoid delay in handing over contract documents.

v) Adequate steps for proper utilisation of machines are essential for sound financial management which may be ensured.

4.3.38 The matter was reported to Government and Department in August 2001 their replies has not been received (January 2002).

SECTION-B-PARAGRAPHS

POWER DEPARTMENT

4.4 Blockade of funds due to injudicious procurement of equipment

Lack of proper planning resulted in suspension of construction of Horangke Hydel Project and Rs.213.20 lakh spent on procurement of the machinery much in advance of requirement led to locking up of Government funds and also cost of fund Rs.242.15 lakh.

4.4.1 Government sanctioned (December 1988) the construction of Horangke Hydel Project (3 x 500 KW) at an estimated cost of Rs.461 lakh followed by approval (May 1990) of Government of India, Ministry of Non-conventional Energy Sources (MNES). Power Group with targetted completion within 2 years. The estimated cost was subsequently revised (December 1998) to Rs.1171.19 lakh. The work of construction was divided into 3 groups, viz., Group 'A' (supply of turbine and generator sets including erection, testing and commissioning), Group 'B' and 'C' (mechanical, civil and other ancillary works). The works of Group 'A' were awarded to contractor¹ 'X' in April 1991, Group 'B' and 'C' to contractor 'Y' and 'Z' in March 1995 and February 1996 respectively after calling of tenders.

4.4.2 Mention was made in para 4.8 of the Report of the Comptroller and Auditor General of India for the year ended March 1993 that extra expenditure of Rs.45.80 lakh was incurred on placement of supply order of turbine generator sets including erection, testing and commissioning at a cost of Rs.214.29 lakh due to non-acceptance of the rate of second lowest tenders out of 4 tenders received.

4.4.3 Test check (April 2001) of records (April 1995 to March 2001) of the Executive Engineer, Hydro Electric Division, Kohima revealed that the supplier 'X' had delivered (June 1992) the turbine generator set at a cost of Rs.213.20 lakh which was lying idle in the store since its procurement. Further, it was noticed that though contract and agreement for civil and other ancillary works under Group 'B' and 'C' were executed in March 1995 and February 1996 and work orders were issued to the contractors 'Y' and 'Z', but works were suspended initially at the commencement (1996 to 1998) due to non-acquisition of the site for land dispute. As a result, the machinery could not be installed and its commissioning is targetted for 2003. Meanwhile, possibility of deterioration in the condition of the set could not be ruled out due to prolonged storage. Records showed that no effective measures were taken by the Department to obtain proper right of way from neighbouring villages to facilitate construction of the project.

¹ X= M/s Jtoti Ltd., Guwahati.
Y= M/s Genmachines, Jorhat.
Z= M/s Nagaland Enterprise, Dimapur.

4.4.4 Thus, due to lack of proper planning and coordination, the works of the project remained suspended and Rs.213.20 lakh spent on procurement of the machinery much in advance of requirement led to locking up of Government funds and the cost of fund Rs.242.25 lakh on accounts of interest at the average rate of Rs.12.62 *per cent* w.e.f. July 1992.

4.4.5 In reply, the Government stated (September 2001) that progress of the work was hampered due to fund constraint under State Plan. The reply is not tenable as the machinery was procured even before awarding Civil work and without ensuring availability of funds.

4.5 Extra expenditure due to price variation

The Department incurred an extra avoidable expenditure of Rs.56.01 lakh due to procurement of material at higher rates

4.5.1 Chief Engineer (CE), Power, Nagaland awarded (June 1996) the work order at a total cost of Rs.72.12 lakh for 'Design, manufacture, supply, erection, testing and commissioning of 66/33 KV 5MVA Sub-Station at Naginimora' to firm 'A'² without call of tenders. In terms of the work order, prices were subject to variation in accordance with the IEEMA³ price variation formula but, the contractor should submit the claim with supporting documents.

4.5.2 Test check (July 1999) of the records of the EE (Electrical) Transmission Division, Mokokchung revealed that the CE, Power, arbitrarily allowed price escalation and enhanced the rates of two types of circuit breakers (66 KV 25 KA and 33 KV 25 KA) in December 1996 from Rs.4.65 lakh to Rs.14.50 lakh and from Rs.2.50 lakh to Rs.7.20 lakh respectively, apart from other admissible charges.

4.5.3 There was nothing on record to substantiate that the allowance of price escalation was based on any formulae.

4.5.4 The EE paid (March 1999) Rs.99.44⁴ lakh to the firm 'A' upto 8th Running Account Bill for supply of 7 Circuit Breakers (CBs) (66 KV: 3 Nos., 33 KV: 4 Nos.) in full settlement of the claim.

4.5.5 Further scrutiny revealed that firm 'A' procured (September 1997 and March 1999) the above materials from another firm 'B'⁵ against the supply orders issued in August 1997 and the unit price (Ex-Works, Baroda) of the

² M/s Nezone Power Systems, Dimapur.

³ Indian Electrical and Electronics Manufacturers' Association.

⁴ 66 KV 3 Nos. @ Rs.14,50,000 Rs.43,50,000
33 KV 4 Nos.@ Rs.7,20,000 Rs.28,80,000

Rs.72,30,000

Add Central Excise Duty (re-imbursed to supplier) Rs. 5,94,500

Rs.78,24,500

Add 4% Central Sales Tax Rs. 3,12,980

Add 12% Nagaland Sales Tax Rs. 9,38,940

Add 12% Handling & Transportation charges Rs. 8,67,600

Rs.99,44,020 (A)

⁵ Asea Brown Boveri Ltd., Mumbai.

materials as claimed by the firm 'B' was Rs.5,75,000 for 66 KV and Rs.4,43,750 for 33 KV giving a difference of Rs.8.75 lakh and Rs.2.76 lakh respectively in basic price. The total cost of the materials at firm 'B's rates worked out to Rs.43.43⁶ lakh.

4.5.6 Thus, for procurement of seven 66/33 KV CBs from 'A' at higher rates without either obtaining competitive rates by call of tender or ascertaining the rates from the authorised manufacturer, the Department had to incur an extra avoidable expenditure of Rs.56.01 lakh.

4.5.7 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.6 Excess payment to suppliers

Irregular allowance of interest beyond the period of final settlement of claims resulted extra expenditure of Rs.24.04 lakh and avoidable payment of interest of Rs.66.66 lakh due to delayed payment of contractors bills

4.6.1 Mention was made in paragraph 4.13 of the Report of the Comptroller and Auditor General of India- Government of Nagaland for the year 1994-95 that Public Health Engineering Department (PHED) had incurred extra avoidable expenditure for allowance of interest on delayed settlement of suppliers' bill for procurement of GI pipes against the supply orders issued (December 1984 and March 1985) by the Additional Chief Engineer (ACE), PHED, Kohima at DGS&D rate in respect of Wokha Division.

4.6.2 Test check (March 2001) of the records (August 1997 to January 2001) of the Executive Engineer (EE), PHED, Tuensang, revealed that the Division procured GI pipes of different sizes worth Rs.44.54 lakh (excluding taxes etc.) from 4 local suppliers at DGS&D rates against the supply orders issued (December 1984 to December 1989) by the ACE, PHED. Since the orders were issued without ascertaining the provision of fund for the purpose, the Division failed to make payment in due time. Though the terms and conditions of the supply order did not permit payment of interest on delayed payments, on the representation of suppliers, the Government allowed (January 1992)

<p>⁶</p> <p>3 Nos. 66 KV Circuit Breakers @ Rs.5,75,000</p> <p>4 Nos. 33 KV -do- @ Rs.4,43,750</p> <p>Add 18% Central Excise Duty on Rs.17,25,000</p> <p>Add 16% -do- Rs.17,75,000</p> <p>Add 4% Central Sales Tax</p> <p>Add Insurance charges and freight charges As per invoice</p> <p style="text-align: center;">Difference of (A) and (B)</p>	<p>Rs.17,25,000</p> <p><u>Rs.17,75,000</u></p> <p>Rs.35,00,000</p> <p>Rs. 3,10,500</p> <p><u>Rs. 2,84,000</u></p> <p>Rs.40,94,500</p> <p>Rs. 1,63,780</p> <p><u>Rs. 84,759</u></p> <p>Rs.43,43,039 (B)</p> <p>Rs.56,00,961</p>
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interest at the rate of 18 *per cent* due to delay in making payment of the supply bill. Accordingly, the EE, PHED, Tuensang made payment (May 1995) Rs.44.54 lakh, on account of material cost and Rs.66.66 lakh being interest thereon (calculated upto 15 March 1995) for delay in payment of bills (20). Hence, the full settlement of the claim (20 bills) had already been done.

4.6.3 Further scrutiny revealed that though the claims had already been settled (May 1995), the Division further paid (March 1998) Rs.24.04⁷ lakh as additional interest claimed from 16 March 1995 to 31 March 1998 (1095 days) to the suppliers against the same supply bills.

4.6.4 Thus, irregular allowance of interest beyond the period of final settlement of pending bills resulted in excess payment of Rs.24.04 lakh, in addition to extra avoidable expenditure of Rs.66.66 lakh incurred on this account.

4.6.5 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

4.7 Irregularities in purchase of CI Pipes

Advance payment in excess of stipulated provision of 20 *per cent* resulted unauthorised and undue financial aid to the contractor. Moreover Rs.32.08 lakh being advance payment for materials remained unrecovered for the last 3 years

4.7.1 The Chief Engineer, Public Health Engineering Department (PHED), Kohima placed (October 1998) supply order on a local supplier for procurement of 6280 meters Cast Iron (CI) pipes of two different sizes (250 and 300 mm) costing Rs.144.08 lakh (excluding taxes etc.) for augmentation of water supply to Dimapur town with the stipulation to complete supply within 90 days. The provision of 20 *per cent* advance payment on production of bank guarantee from any nationalised bank was also stipulated in the supply order.

4.7.2 Test check (April 2001) of the accounts (May 1997 to March 2001) of the Chief Engineer, PHED, Kohima revealed that the EE, PHE Store Division, Dimapur made advance payment of Rs.48 lakh in October 1998 against the

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Name of the supplier	Date of supply order	No. of bills	Bills paid in	Interest paid in	Additional payment of interest in March 1998)
			May 1995	May 1995	
(Rupees in lakh)					
M/s Angami Agency	19/12/1989	4	7.68	6.09	4.14
M/s Tochi Chang	20/12/1984 to 6/3/1985	8	21.52	35.57	11.62
M/s Karisaho	20/12/1984 to 6/3/1985	5	8.83	14.75	4.76
M/s M. Khrietuo	6/3./1985	3	6.51	10.25	3.52
			44.54	66.66	24.04

stipulated provision of Rs.28.82 lakh (20 *per cent*), and resultantly, had made unauthorised payment of advance of Rs.19.18 lakh to the supplier, without obtaining any security or bank guarantee.

4.7.3 Besides, the supplier could not even complete supply of materials to the extent of advance given to him as of March 2001 against the requirement of completing the supply within 90 days. Out of 6280 meters CI pipes, only 485 meters pipes worth Rs.15.92 lakh (including taxes etc.) could be supplied (March 2001).

4.7.4 The Government stated (August 2001) that the Department had served one month's notice to the defaulting supplier to complete the supply of materials failing which action would be taken under the provision of law. But it was noticed that the balance quantity of materials were neither received nor any action was taken by the Government against the supplier as of October 2001.

4.7.5 Thus, the supplier was given unsecured advance of Rs.48 lakh of which, advance of Rs.19.18 lakh was unauthorised. The balance amount of Rs.32.08 lakh has remained unadjusted/unrecovered as of March 2001. Besides, locking up of fund led to loss of interest of Rs.9.04⁸ lakh (@ 13 *per cent*) and the project had adversely suffered due to non-receipt of materials.

4.8 Fraudulent drawal of supply bills

Rupees 5.86 lakh was drawn fraudulently by presenting duplicate and triplicate copy of the suppliers bills

4.8.1 According to Receipt and Payment Rules, the Drawing and Disbursing officer (DDO) are required to exercise proper check in respect of the bills for which the claim is preferred, to ensure that it has not been drawn earlier. Rules further provide that at the time of passing the bill, the duplicate/triplicate copies of the bill as well as the supply order and MB to guard against any payment thereaganst.

4.8.2 Test check (September 2000) of the records (July 1997 to August 2000)

of the Executive Engineer (EE), Public Health Engineering Department, Mokokchung, revealed that in order to make payment of outstanding liability bills (1985), the EE drew (March 1998) Rs.4.49⁹ lakh against 10 bills and paid

⁸	Loss of interest-	
	February 1999 to January 2000	12 months
	February 2000 to January 2001	12 months
	February 2001 and March 2001	<u>2 months</u>
		26 months
		13 <i>per cent</i> of Rs.32.08 lakh for 26 months
		= Rs.9.04 lakh.

⁹

Suppliers	Original bill	Amount (Rs.)	Fraudulent drawal (Rs.)	Total bill
K. Khrietuo	3 bills	2,16,184	2,50,019	4 bills
Tochi Chang	5 bills	1,59,926	1,81,822	6 bills
Kerisaha	2 bills	73,069	1,54,341	4 bills
Total:-	10 bills	4,49,179	5,86,182	14 bills

to 3 suppliers (March 1998) for final settlement of their claims. Besides, he further drew net amount of Rs.5.86 lakh (in the same month) by presenting duplicate and triplicate copy of the supplier's bills of identical amount more than once in respect of the same materials without exercising any checks required to be conducted by the DDO before drawal.

4.8.3 Thus, due to omission to exercise the prescribed check by the DDO, there was a fraudulent drawal of Rs.5.86 lakh through duplicate and triplicate copy of the bills in the same month.

4.8.4 The matter was reported to Government and Department in June 2001; their replies had not been received (January 2002).

WORKS AND HOUSING (HOUSING) DEPARTMENT

4.9 Irregularities in supply and utilisation of "Otis" elevators at Referral Hospital Complex, Dimapur

Undue financial benefit of Rs.33.28 lakh was allowed to the contractor by allowing advance payment in excess of stipulated limit involving loss of interest of Rs.32.95 lakh to the Government

4.9.1 On the instructions (5 February 1997) of the Government, Health and Family Welfare Department, Chief Engineer, PWD (Housing), Nagaland, Kohima, issued (7 February 1997) work order for Rs.158.85 lakh for supply and installation of 9 "Otis" elevators of different capacities at Referral Hospital Complex, Dimapur, to M/s Megha Export and Import, Shillong, an authorised agent of the manufacturer, with the condition, *inter alia*, that the works were to be completed within 62 weeks from the date of receipt of the order.

4.9.2 Owing to charges necessitated in the site requirement, the agreement was revised in February 1997. The revised agreement (13 February 1997) stipulated that 30 *per cent* would be paid on acceptance of the proposals, 60 *per cent* on receipt of advice of materials ready for despatch, and the balance 10 *per cent* on completion and installation of work.

4.9.3 During audit (September 2000) of the records (April 1996-July 2000) of the Executive Engineer, Referral Hospital Complex, Dimapur, it was noticed that the amount of work order was revised (29 May 1997) to Rs.169.05 lakh on account of changes in requirements as a result of site inspection carried out on 23 March 1997. The Executive Engineer paid 50 *per cent* (instead of 30 *per cent* as per revised agreement) advance on contract value amounting to Rs.84 lakh in February and June 1997 (Rs.47 lakh in February 1997 and Rs.37 lakh

in June 1997) to M/s Megha Export and Import without obtaining any security/bank guarantee. Thus, the contractor was given an undue financial benefit of Rs.33.28¹⁰ lakh due to excess payment of advance.

4.9.4 Scrutiny of records further revealed that the elevators were neither delivered at the project site, nor installed at the complex by the manufacturer as of March 2001 even after the lapse of 2 years and 10 months eventhough the contractual period (expired on 3rd week of May 1998). This resulted in locking up of Government funds of Rs.84 lakh. Besides, this advance payment led to a loss of interest of Rs.32.95¹¹ lakh (at the rate of 13.75 *per cent* for 2 years and 10 months and 7 days).

4.9.5 Other than a letter (August 2000) from the Executive Engineer (PWD-H) to M/s Megha Export, no further fruitful action in the matter, including contacting the principals M/s Otis Ltd., or initiation of legal action has been taken by the Government.

4.9.6 The matter was reported to Government and Department in May 2001; their replies had not been received (January 2002).

¹⁰	50% of Rs.169.05 lakh = Rs.84.525 lakh	Advance paid	Rs.84.00 lakh
	30% of Rs.169.05 lakh = Rs.50.72 lakh		<u>Rs.50.72 lakh</u>
		Excess paid	Rs.33.28 lakh

¹¹	At Government borrowing rate 13.75% for 2 years 10 months and 7 days w.e.f. 4 th week of May 1998 to March 2001-		
	For 2 years	Rs.23,10,000	
	For 10 months	Rs. 9,62,500	
	For 7 days	<u>Rs. 22,151</u>	
		Rs.32,94,651	
		Say Rs.32.95 lakh.	