

CHAPTER II

ECONOMIC SECTOR

2.1 Introduction

The findings based on audit of State Government units under Economic Sector are featured in this chapter.

During 2012-13, against a total budget provision of ₹ 2966.98 crore, a total expenditure of ₹ 2270.48 crore was incurred by 18 departments under the Economic Sector. The Department-wise details of budget provision and expenditure incurred thereagainst are shown as follows:

(₹ in crore)

Sl. No.	Department	Budget Provision	Expenditure
1	Command area Development Authority	199.50	127.01
2	Agriculture		
3	Sericulture	41.14	41.80
4	Economic and Statistics	12.89	10.29
5	Commerce and Industries	132.41	63.19
6	Co-operation	16.85	16.00
7	Fisheries	32.15	29.44
8	Horticulture and Soil Conservation	47.95	41.64
9	Veterinary and Animal Husbandry	82.29	59.56
10	Science and Technology	9.63	8.94
11	Tourism	8.16	5.81
12	Forest Department (including Environment)	155.44	131.31
13	Irrigation and Flood Control	708.00	567.04
14	Minor Irrigation	119.35	28.02
15	Public Works	569.96	500.14
16	Electricity	525.81	455.39
17	Public Health Engineering	294.48	177.49
18	Information Technology	10.97	7.41
	Total	2966.98	2270.48

Source: Appropriation Accounts

Besides, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies of the State Government for implementation of various programmes of the Central Government. During 2012-13, out of total release of ₹ 1349.46 crore directly released to different implementing agencies, ₹ 210.12 crore was under Economic Sector. The details are given in **Appendix 2.1**.

2.1.1 Planning and conduct of Audit

The test audits were conducted during 2012-13 involving expenditure of ₹ 2926.15 crore (including expenditure of ₹ 2655.18 crore of previous years) of the State Government under Economic Sector, as shown in **Appendix 2.2**. This chapter contains our findings of nine compliance/transaction audit paragraphs, as discussed in succeeding paragraphs.

AUDIT OF TRANSACTIONS

AGRICULTURE DEPARTMENT

2.2 Avoidable extra expenditure

Fertilizers of different types were purchased at higher rates than their MRPs, resulting in avoidable extra expenditure of ₹ 96.28 lakh

In respect of sale of fertilizers, the Fertilizer Control Order, 1985, issued under the Essential Commodities Act, 1955, specifies that no dealer, manufacturer *etc.* shall sell fertilizers at a price exceeding the printed Maximum Retail Price (MRP). As per the Order *ibid*, fertilizers include Urea, Single Super Phosphate (SSP), Di-Ammonium Phosphate (DAP) and Muriate of Phosphate (MOP).

Test check of the records (February 2012) of the Department of Agriculture revealed that the Department purchased 23,072 bags¹ of fertilizers of various types *viz.* Urea, SSP, DAP and MOP during 2011-12. The purchases were made from two locally based authorised dealers *viz.* M/s Th. Jeet Singh and M/s Farmer Development Society.

The MRP of the fertilizers inclusive of 5 *per cent* Value Added Tax (VAT) ranged from ₹ 168 to ₹ 960.75 per bag depending upon the type of fertilizer and period of purchase. However, the Department purchased the fertilizers @ ₹ 420 to ₹ 1760 per bag from the above two authorized dealers during 2011-12, resulting in avoidable extra expenditure of ₹ 96.28 lakh². The bill-wise details are given in **Appendix 2.3**.

In reply, the Department stated (October 2013) that for Urea, price was fixed (July 2011) by the State Government @ ₹ 520 per bag. However, it was purchased at the reduced rates of ₹ 420 per bag. The other fertilizers *viz.* SSP, DAP and MOP being decontrolled items are not controlled by the Government.

The reply is not acceptable as only the Central Government is authorized to fix the price of fertilizers, as per the Fertilizer Control Order, 1985. Further, the Department of Fertilizers, Ministry of Chemicals and Fertilizers, Government of India had instructed (March 2010 and March 2011) all the States to ensure that fertilizers are sold at MRP rates only, and not at rates dictated by dealers.

The Government while accepting the audit observation stated (October 2013) that fertilizers would be henceforth purchased within MRP.

¹ Each bag weighs 50 kg.

² ₹ 12.98 lakh to M/s Th. Jeet Singh and ₹ 83.30 lakh to M/s Farmer Development Society.

ELECTRICITY DEPARTMENT

2.3 Avoidable expenditure by ignoring lowest bidder

Award of work to the second and third lowest bidders by ignoring the lowest bidder resulted in avoidable expenditure of ₹ 13.82 crore in implementation of RGGVY scheme in two districts

As per Rule 160 of the General Financial Rules, 2005, all government purchases should be made in a transparent, competitive and fair manner, to secure best value for money, and the contract should ordinarily be awarded to the lowest bidder.

Scrutiny of records (September 2012) of Electricity Department revealed that pre-qualification notice was issued (October 2008) for supply and erection works for implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) scheme on turnkey basis. Seven firms in respect of Imphal West district and five firms in respect of Churachandpur district responded to the notice. Five firms in Imphal West district and three firms in Churachandpur district were considered to be qualified by the tender committee. Accordingly, the Department invited (March 2009) price bids from the qualified firms. Three firms viz. M/s KEC International Limited (Ltd), M/s Indo Power Projects Ltd. and M/s Shyama Power (India) Private Ltd. responded to the bid invitation for both districts. Based on the offers made by the firms, it was seen that the offer made by M/s KEC International Ltd. was the lowest (L-1) in both the districts. M/s Indo Power Projects Ltd. and M/s Shyama Power (India) Private Ltd. were the second lowest (L-2) and third lowest (L-3) respectively.

The Tender Committee (TC), however, approved (August 2009) the award of work to L-3 firm in case of Imphal West district and L-2 firm in case of Churachandpur district, and L-1 firm was ignored in both the districts. Award of work to L-2 firm and L-3 firm ignoring the L-1 firm resulted in avoidable expenditure of ₹ 13.82 crore. Details are given in **Appendix 2.4**.

In reply, the Government stated (October 2013) that the TC did not consider (August 2009) the bid of the lowest bidder on the grounds that:

- (i) *The rates quoted by L-1 for some major equipment were lower than the estimated cost while the erection charges quoted by the firm were very high.*

The reply of the Government is not tenable as all bid prices shall be compared among themselves, and the lowest bid will be selected for award of the contract, as per provision of the tender. As such, the work order should have been placed to the L-1 firm i.e. M/s KEC International Ltd. at the overall quoted price of ₹ 119.33 crore³.

³ Imphal West - ₹ 27.93 crore and Churachandpur - ₹ 91.40 crore.

- (ii) *Litigation of the representative of L-1 in his capacity as Marketing Manager of M/s Utkal Galvanizers Ltd, Bhubaneswar had caused delays in execution of the RGGVY Schemes of Utkhrul and Senapati districts.*

Litigations could be due to misgivings of either party; and rejection of a bid based on past incidence of the representative in his official capacity with another firm is no justification for placement of work to firm other than L-1. Further, the firm had communicated on 10 March 2009 before the bid opening on 18 March 2009 that the representative was only authorized to be present in the bid opening and had no role in any other activities of the firm. As such, rejection of L-1 was not proper.

- (iii) *L-1 could not render timely clarifications to the Department's queries made in its letter dated 15 June 2009, within the specified deadline of seven days.*

The Department's stance is not acceptable as giving only seven days time for responding/rendering clarification to L-1 based in Gurgaon, Haryana, would be inadequate.

- (iv) *The Department suspected the genuineness of the signature of the Manager of L-1.*

The reply of the Department is not acceptable as in post bid-meeting held on 22 March 2009 with the Manager of L-1 firm this issue was not promptly raised. Thus, questioning the genuineness of the signature at a later date is not justified.

As such, it emerges that the decision of the TC to ignore the bid of the L-1 firm i.e. M/s KEC International Limited was in violation of established principle of public procurement and had no proper justification of ignoring the lowest bid.

2.4 Non- recovery of interest from contractor

Despite failure to supply equipment and material, interest of ₹ 1.18 crore on unadjusted Mobilization Advance was not recovered from a firm, in contravention to contract Agreement

Test check of records (October 2012) of the Executive Engineer, Imphal Maintenance Division, Electricity Department revealed that the work "Supply of all equipment and materials required for implementation of Rajiv Gandhi Grameen Vidyutikaran Yojna Scheme of Imphal East District on turnkey basis" was awarded (September 2009) to M/s Shyama Power India Ltd. at ₹ 30.32 crore with the stipulation to complete the work by September 2010 i.e. within twelve months from the date of award of work.

As per terms of the Agreement, the contractor was paid (December 2009) a Mobilization Advance (MA) of ₹ 4.55 crore @ 15 per cent of the value of the

contract with the condition that if the firm failed to supply the material within the stipulated period, interest @ 12 per cent per annum was chargeable on unadjusted advance from the date of payment of the advance.

As on October 2012, the firm could not supply the full quantity of equipment and material. However, the Department made adjustment (September 2010) MA of only ₹ 97.65 lakh; leaving an unadjusted balance of ₹ 3.57 crore. Accordingly, an interest amounting of ₹ 1.18 crore⁴ was recoverable from the firm on the unadjusted amount, as per the terms of Agreement. However, the Department failed to recover the interest amount due for 33 months from the firm till October 2012.

The matter was reported (June 2013) to the Government; reply has not been furnished (December 2013).

FOREST DEPARTMENT

2.5 Loss to the Government

Erroneous analysis of fuel consumption rate of machinery led to loss to the Government to the tune of ₹ 24.10 lakh

Loktak Development Authority (LDA) awarded (August 2008) the work “Removal of Phumdi⁵ from Loktak Lake” to M/s Progressive Constructions Limited, Hyderabad for removal of 10 lakh cubic metres (cum) phumdi at a cost of ₹ 3.06 crore⁶ @ ₹ 30.61 per cum. The work was awarded without calling of tender. Reasons for awarding the work without calling of tender was not furnished. The work was to be completed in 2 months.

Audit scrutiny (November and December 2012) of rate analysis of the work revealed that that the Department erroneously computed the cost of Machinery Fuel i.e. High Speed Diesel as ₹ 4824 against the correct rate of ₹ 3752. This resulted in erroneous rate of ₹ 30.61 per cum for removal of phumdi against the correct rate of ₹ 28.20 per cum. The details are shown in **Appendix 2.5**.

Thus, the rate for clearance of phumdi was inflated by ₹ 2.41 (₹ 30.61 - ₹ 28.20) per cum. This resulted in excess payment to the contractor by ₹ 24.10 lakh (₹ 2.41 x 10 lakh cum), and led to a loss of ₹ 24.10 lakh to the Government.

The Department admitted (October 2013) that the discrepancy was due to human error and stated that attempt would be made to recover the excess amount paid.

⁴ ₹ 3.57 crore @ 12 per cent per annum for 33 months i.e. from December 2009 to September 2012.

⁵ A type of weed-mat in a heterogeneous mixture of organic debris, silt and vegetation characteristic of the lake.

⁶ Under Special Plan Assistance.

IRRIGATION AND FLOOD CONTROL DEPARTMENT

2.6 Recovery at the instance of Audit

Though works were actually executed with smaller gauge of wire, rate of a larger gauge of wire as provided in the estimates was adopted, leading to undue benefit to the contractors to the tune of ₹ 1.17 crore, of which ₹ 83.30 lakh has been recovered

Test check of records (January 2013) of the Thoubal Project Division–II, Irrigation and Flood Control Department revealed that the Department took up protection work⁷ of construction of exit channel of the spillway of the Thoubal Multipurpose Project from Reduced Datum (RD) 527.38 metre to RD 1068.20 metre. The exit channel was to be protected with stone pitching of gravel and sand filter along with masonry/polygonal random masonry encased by wire netting. As per drawing and designed provided by the Central Water Commission, the size of the Galvanized Iron (GI) wire to encase the stone pitching was of 3.15 millimetre (mm) diameter.

The Department awarded (March 2011) the work to eight local contractors for different stretches of the channel at a total cost of ₹ 24.28 crore against the estimated cost of ₹ 24.08 crore with stipulated time of completion of 12 months. As on January 2013, the contractors had executed amongst other items, 1,75,666.98 square metre (sqm) of GI wire netting against the stipulated 3,17,822.30 sqm in the work orders. The current status /quantity of work done had not been intimated (January 2014).

The estimates of the work were based on Manipur Schedule of Rates (MSR) 2009. In the estimate, the Department considered GI wire of 4 mm diameter to encase the stone pitching. As per the MSR, the basic price of 4 mm diameter gauge of wire without ancillary cost was ₹ 270 per sqm. After adding ancillary cost like carriage, sundries, water charges *etc.* to the basic cost, the Department arrived at an estimated cost of ₹ 345.30 per sqm and the work was finally awarded at ₹ 345 per sqm to the contractors.

However, the contractors used 3.15 mm diameter of GI wire in execution of the work instead of 4 mm diameter, as per Measurement Book. The market rate of GI wire of 3.15 mm diameter with ancillary cost like carriage, sundries *etc.* was ₹ 278.40 per sqm, as furnished by the Department.

The Department had adopted the rate of a larger gauge of wire in their estimates but the work was actually executed with a smaller gauge of wire, the rate allowed to the contractors for providing GI wire was in excess by ₹ 66.60 per sqm. (₹ 345 – ₹ 278.40). This resulted in giving undue benefit to the contractors to the tune of ₹ 1.17 crore (₹ 66.60 × 1,75,666.98).

While admitting the audit observation, the Government stated (September 2013) that ₹ 83.30 lakh of the excess amount has been recovered from the subsequent bills of the contractors. Recovery of remaining amount of ₹ 33.70 lakh has not been intimated (January 2014).

⁷ Name of work: Protection work for the construction of exit channel of Spillway.

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.7 Irregular drawal and non-accountal of funds

Against CPWD and State Government's order to make payments of works by cheque, ₹ 1.04 crore was drawn on self cheques, exposing the amount to the risk of misappropriation. Also, non-accountal of ₹ 6.02 lakh in the cash book does not rule out possible chances of misappropriation of funds

As per para 6.4.1 of the Central Public Works Accounts (CPWD) Code as being followed in the State Government, all payments shall be made by cheques as far as possible, except petty sums, wages of labours, salary of work charged staff *etc.* Further, the Finance Department, Government of Manipur banned drawal of cheque in favour of self by all Drawing and Disbursing Officers (DDO) with effect from 13 March 2008. Failure to comply with the order *ibid* was to be treated as a case of fraud and would be liable to be prosecuted action under the Manipur Public Servants Personal Liability Act, 2006.

Test check of records (January 2013) of Bishnupur Division, Public Health Engineering Department revealed that the Divisional Officer drew (August 2011) ₹ 1.14 crore in favour of self. Of this amount, only ₹ 9.53 lakh was drawn for payment of wages and salary of muster roll and work charged staff, and the remaining amount of ₹ 1.04 crore was for payment for works. Drawal of ₹ 1.04 crore for payment for works was against the norms of CPWD code and State Government's order *ibid*. The details of cheque drawn in the month of August 2011 are as follows:

(in ₹)

Cheque no. (Date)	Amount	Purpose of drawal
D- 106704/ 001068 (8 August 2011)	9,52,954	Wages and Salary of muster roll and work charged staff
D- 106705/ 001068 (17 August 2011)	13,25,000	For payment of works
D- 106706/ 001068 (17 August 2011)	20,00,000	-do-
D- 106707/ 001068 (23 August 2011)	70,91,460	-do-
Total	1,13,69,414	

Source: Departmental records

Totaling of cash book was not done and cash balance was not worked out. However, as the cash balance was shown as nil at the end of August 2011 in the cash book, the whole amount of ₹ 1.14 crore should have been disbursed in August 2011. Against this, only ₹ 1.08 crore (including ₹ 9.53 lakh for wages and salary of muster roll and work charged staff) have been disbursed in August 2011 through 86 vouchers, and an amount of ₹ 6.02 lakh remained unaccounted for in the cash book.

Thus, the Divisional Officer not only violated the provisions of payment for works by cheques to the contractors as envisaged in the CPWD code and State Government's order *ibid*, but also maintained the cash book irregularly. Non-observance of provision under CPWD code, Government's order, and

irregular maintenance of cash book resulted in non-accountal of ₹ 6.02 lakh in the cash book.

The Department stated (October 2013) that entry of ₹ 6.02 lakh⁸ of two vouchers left out have since been recorded in the cash book, and such entry would not affect the monthly account. Self cheque was drawn to avoid lapse of Cheque Drawal Authority (CDA) as validity of the CDA was not sufficient for issuing cheques to contractors.

The reply of the Department is not acceptable as the whole amount of ₹ 1.14 crore was shown as expenditure in the monthly account, against submission of only 69 vouchers amounting to ₹ 97.94 lakh⁹. Thus, an amount of ₹ 15.75 lakh (₹ 113.69 lakh minus ₹ 97.95 lakh) remained unaccounted for in the monthly account, in the absence of 19 vouchers¹⁰. Even after considering ₹ 12.74 lakh¹¹ as pertaining to these 19 vouchers, an amount of ₹ 3.01 lakh (₹ 113.69 lakh minus ₹ 97.94 lakh minus ₹ 12.74 lakh) still remained unaccounted for.

In addition, the following infirmities were also noticed:

- In eight cases, the amount entered in the cash book did not match with the corresponding vouchers of the monthly account;
- The two vouchers submitted in October 2013 did not bear the signatures of the recipients and date of payment, which cast a doubt on authenticity of the vouchers;
- The amount to be actually paid to the contractors/suppliers vide these two vouchers were reduced so as to arrive the figure of ₹ 6.02 lakh to balance the cash book; and
- The head of account of the payments made through these two vouchers were not mentioned in the monthly account.

The contention that cheques were drawn on self to avoid lapses of CDA is also not acceptable. The cheques were drawn between 8 August 2011 and 23 August 2011, and the CDA was at least valid up to 15 October 2011. As such there was sufficient time to write a maximum of just 88 cheques in favour of the contractors/ suppliers. There was also no relaxation of the ban imposed by the Finance Department for drawal of self cheque. Besides, drawal of self cheques is fraught with the risk of misappropriation, and needs to be avoided scrupulously.

⁸ Vr. No. 87: ₹ 3.29 lakh and Vr. No. 88: ₹ 2.73 lakh.

⁹ including 4 vouchers of ₹ 9.53 lakh for wages and salary of muster roll and work charged staff, but excluding one voucher of ₹ 0.16 lakh paid in March 2011.

¹⁰ Including two vouchers, submitted by the Department in their of reply of October 2013.

¹¹ ₹ 6.72 lakh, as per cash book for 17 missing vouchers; and ₹ 6.02 lakh pertaining to 2 vouchers submitted separately in October 2013 in Department's reply.

PUBLIC WORKS DEPARTMENT

2.8 Loss to Government due to erroneous calculation of rate

Due to erroneous calculation of rate for piling 600 mm diameter bore pile, the Government suffered a loss of ₹ 89.78 lakh

The Executive Engineer, Imphal East Division, Public Works Department awarded (June 2009) the work of “Construction of Multipurpose Cultural Complex of Manipur State Kala Academy of Palace Gate (Phase – I)” at a cost of ₹ 3.27 crore to a local contractor at 3.5 *per cent* above the estimated cost of ₹ 3.16 crore. As per the work order, the work was to be completed within 24 months from the date of award of work. The estimate of the work was based on Manipur Schedule of Rates (MSR), 2008. One of the items of work amongst others was piling of 600 millimetre (mm) diameter Reinforced Cement Concrete bore piles of M20 grade. Altogether 257 piles with length ranging from 15 metres (m) to 25.50 m for a total length of 5654.50 Running Metre (RM) were to be bored. As on July 2011, the Division had executed 5640.50 RM of piling at a cost of ₹ 2.26 crore.

Test check of records (September 2012) revealed that the Division arrived at the rate of bore pile of 1000 mm diameter at ₹ 6060.20 per RM by analysis of rates. Based on this rate, the Division worked out the rate of 600 mm diameter pile in proportion to the diameters at ₹ 3636.10¹² per RM. After including Sales tax/VAT¹³, Labour cess *etc.*, the work was finally awarded at ₹ 4000¹⁴ per RM. However, as followed in the MSR, costs of piles are proportionate to the volumes of the piles and not to the diameters. Cost of 600 mm diameter pile proportionate to the volume of 1000 mm diameter worked out to ₹ 2408.32¹⁵ per RM. Thus, the item was awarded at a rate which was in excess of ₹ 1591.68 (₹ 4000 – ₹ 2408.32) per RM than the admissible rate.

The Division replied (September 2012) that the assessment of the rate of the piles will be reviewed at the departmental level. However, no intimation has been furnished so far (December 2013).

Thus, erroneous calculation of rate of 600 mm pile resulted in loss to the Government to tune of ₹ 89.78 lakh (₹ 1591.68 x 5640.50).

¹² Cost of 1000 mm diameter pile = ₹ 6060.20 per RM.
Therefore, proportionately cost of 600 mm diameter pile = (₹ 6060.20 ÷ 1000) x 600 *i.e.* ₹ 3636.10 per RM.

¹³ Value Added Tax.

¹⁴ ₹ 3636.10 per RM *plus* 5.6 *per cent* thereon (Sales Tax), *plus* 1 *per cent* thereon (Labour Cess) *plus* 3.5 *per cent* thereon (percentage above estimated cost) *i.e.* ₹ 4013.87 per RM; but restricted to ₹ 4000 per RM.

¹⁵ Volume of a pile = $\pi (d/2)^2 \times h$; where $\pi = 3.14$; d = diameter and h = length or depth.
Ratio of volumes of 600 mm diameter bore pile to 1000 mm diameter bore pile of 1 RM *i.e.*
= {3.14 x (600 x 600)/4 x 1000} : {3.14 x (1000 x 1000)/4 x 1000}
= 9 : 25

Thus, proportionately, rate for 600 mm diameter pile = (₹ 6060.20 x 9/ 25) *plus* 5.6 *per cent* thereon (Sales Tax), *plus* 1 *per cent* thereon (Labour Cess) and *plus* 3.5 *per cent* thereon (percentage above estimated cost) *i.e.* ₹ 2408.32 per RM.

The matter was referred (June 2013) to the Government; reply has not been received (December 2013).

2.9 Non-recovery of Liquidated Damage

After rescinding a work due to slow progress, amount of ₹ 4.29 crore in award of the balance work to a second contractor, recoverable from the first contractor as Liquidated Damage were not recovered

Test check (March 2011) of the records of National Highway Division – II, Public Works Department revealed that the work “Reconstruction of Pallel Bridge at km. 365.290 (RCC¹⁶ 24 m x span) over the Sekmai River including approaches on National Highway (NH)-39 Imphal Moreh section” was awarded (December 1999) to a local contractor¹⁷ (first contractor) at a tendered amount of ₹ 3.82 crore, 89 *per cent* over the estimated cost of ₹ 2.02 crore.

The work was to start with effect from 29 December 1999 with a stipulation to complete it in 3 years *i.e.*, by 28 December 2002, as per the Agreement. Further, the terms of the Agreement included a clause of rescission with certain conditions and under certain events. As per clause 3 of the Agreement, in the event of rescission, part of the work remaining unexecuted by the first contractor may be given to another contractor. In such an event, the excess of amount which would have been paid to the first contractor, if the whole work had been executed by the contractor in terms of the Agreement shall be borne and paid by him on demand or may be deducted from any money due to him by the Government. In other words, in event of rescission of a work from the first contractor and award of balance work to the second contractor, the additional expenditure to be incurred in completion of the work should be borne by the first contractor as liquidated damage, as per terms and conditions of the Agreement.

As per records, the work was rescinded (September 2007) under clause 3 of the contract Agreement due to slow progress of the work, after a lapse of more than 4 years from the stipulated date of completion. At the time of rescission, the Department had paid ₹ 1.03 crore up to the 5th Running Account (RA) (August 2003) to the first contractor. The balance work was re-awarded (April 2010) to a second contractor¹⁸ at a tendered amount of ₹ 7.43 crore *i.e.*, 146 *per cent* more than the estimated cost of ₹ 3.02 crore. The work was to start from 6 April 2010 and was stipulated to be completed within 32 months *i.e.* by 5 December 2012. The contractor was paid (July 2010) ₹ 1.32 crore up to the 1st RA bill.

Audit worked out the differences of amount of the items of the work as per the difference in rates of the two contractors and worked out an amount of ₹ 4.29 crore as an additional amount incurred due to award of work to the second

¹⁶ Reinforced Cement Concrete.

¹⁷ Shri Ch. Biren Singh.

¹⁸ Shri L. Kumar Singh.

contractor at higher rates, which was recoverable from the first contractor as liquidated damage. However, recovery of the amount was not on record.

The Department stated (December 2013) that it is the Executive Agency of works under Plan heads of National Highways. However, the financial control of such works are done by the Regional Pay and Accounts Offices (RPAO) of Ministry of Road Transport and Highway; and an amount of ₹ 8.03 lakh lying against the first contractor has been frozen by the RPAO. The contractor has since been blacklisted and this has been intimated to other engineering departments.

The above reply of the Department is not relevant to the issue of recovery in question.

2.10 Undue benefit to contractor

Due to erroneous calculation in rates analysis of a bitumen work in construction of a road work, the Department extended an undue benefit of ₹ 37.32 lakh to a contractor

Test check of records (February 2013) of Highways South Division, Public Works Department revealed that the Department awarded (March 2011) the work “Widening of Imphal-Mayang Imphal road from 0 to 4 Km including construction of road median” to a local contractor at a cost of ₹ 8.43 crore with stipulated date of completion within three years. The work was based on Manipur Schedule of Rates (MSR), 2009 and was awarded at 4.46 *per cent* above the estimated cost of ₹ 8.07 crore.

The work *inter alia* included a bitumen item/work for a quantity of 56,847 square metre (sqm), which was to be executed @ ₹ 582 per sqm, as per the work order. As of February 2013, the contractor had executed a quantity of 37,720 sqm of this item/work. This bitumen item/work has two parts as follows:

- “providing and laying bituminous macadam *etc.*” with certain specifications as stipulated in the MSR, one of which was “preparing surface by brushing with wire brushes *etc.*”. The rate provided in the MSR was inclusive of all the specifications as mentioned in the MSR.
- “providing and laying bitumen priming/tack coat”¹⁹ to be laid over the above surface. As per the MSR the quantity of bitumen required for these two parts of the item/work was 0.0054²⁰ metric ton (MT) per sqm. The Department worked out a carriage charge of ₹ 171.57 per MT for ferrying bitumen from its store to the work-site, as per lead chart analysis.

¹⁹ Both the two parts of the bitumen item/work were included in the rate given in the work order. However, the nomenclature of the part “providing and laying bitumen priming/tack coat” was not mentioned in the work order inadvertently.

²⁰ 0.0044 MT (for the base course/ bituminous macadam) and 0.0010 MT (for priming/tack coat).

The rate analysis of the work made by the Department had the following infirmities:

- A rate of ₹ 13.20 per sqm was included separately for “preparing surface by brushing with wire brushes *etc*”. As per the MSR, this specification is already included in the item/work “providing and laying bituminous macadam *etc*”. As such, the rate was inflated by ₹ 13.20 per sqm.
- While analyzing the rate of carriage charge of bitumen, quantity of bitumen for providing and applying evenly a priming/tack coat with bitumen was taken as 0.44 MT per sqm instead of 0.0015 MT per sqm, as mentioned in the MSR. This inflated the carriage charge proportionally by ₹ 75.23 per sqm $\{171.57 \times (0.44 - 0.0015)\}$.

As a result, the rate of the bitumen work was inflated by ₹ 98.94²¹ per sqm, resulting in undue benefit to the contractor to the tune of ₹ 37.32 lakh (₹ 98.94 x 37,720).

The matter was referred (June 2013) to the Government; reply has not been received (December 2013).

²¹ ₹ 88.43 (₹ 13.20 + ₹ 75.23) plus 5.6 per cent (VAT), 1 per cent Labour cess thereon and 4.9 per cent thereon (percentage allowed over estimated cost for this item of work in the Rate Analysis).