

No. LA/LIB/9-ASY/PAC/66
NINTH MIZORAM LEGISLATIVE ASSEMBLY

9

PUBLIC ACCOUNTS COMMITTEE
(2024-2026)



NINTH REPORT

on

*The Report of Comptroller & Auditor General of India
for the year ended 31st March, 2020*

Relating to
HEALTH AND FAMILY WELFARE DEPARTMENT

Presented to the House on 10th March, 2026

Published by
Mizoram Legislative Assembly Secretariat, Aizawl

TABLE OF CONTENTS

Sl. No.	Contents	Page No.
1.	Composition of Public Accounts Committee	(i)
2.	Introduction	(ii)
3.	Chapter – 1	1 – 12
4.	Observations and Recommendations	13 – 14
5.	Summary of Recommendations	15

(i)

**COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(2024 – 2026)**

Chairman

Pu Lalchhandama Ralte

Members

1. Pu TBC Lalvenchunga
2. Pu W Chhuanawma
3. Pu C. Ngunlianbunga
4. Dr. K. Beichhua
5. Pu V.L. Zaithanzama
6. Lt. Col. Clement Lalhmingthanga

Secretariat

- | | | |
|-------------------------------|---|--------------------------|
| 1. Pu Zothansanga Ralte | - | Commissioner & Secretary |
| 2. Pu Lalthangmawia | - | Additional Secretary |
| 3. Pi R. Lalchhandami | - | Joint Secretary |
| 4. Pu Lalrinawma Sailo | - | Deputy Secretary |
| 5. Pi Lalrinliani Chawngthu | - | Under Secretary |
| 6. Pu John Lallawmsanga Sailo | - | Committee Officer |
| 7. Pu JH Lalmawizuala | - | Committee Officer |

(ii)

INTRODUCTION

1. I, the Chairman, Public Accounts Committee, as authorised by the Committee, present this NINTH REPORT to the House.
2. This Report deals with audit paras reflected in the Report of the Comptroller & Auditor General of India for the year ended 31st March, 2020 relating to Health and Family Welfare Department.
3. The evidence of the Department's representatives was taken on 29th July, 2025.
4. Annexures are kept in the Assembly Secretariat for reference.
5. The Committee places on record its appreciation of the assistance rendered by Officers and Staff of the Assembly Secretariat, representative of Finance Department, the Principal Accountant General as well as the sincere cooperation extended by the representatives of the Health and Family Welfare Department which enabled the Committee to form a concrete opinion on the matter under consideration.
6. The Committee examined and adopted this Report on the 26th February, 2026.

LALCHHANDAMA RALTE
Chairman
Public Accounts Committee

CHAPTER-1

(Ref: Para 1.3 on the Report of Comptroller & Auditor General of India for the year ended 31st March, 2020)

1. Observation of Audit on the Para:

1.3 Avoidable expenditure

The Directorate of Hospital and Medical Education incurred an avoidable expenditure of ₹ 5.30 crore with avoidable committed liability of ₹ 4.20 crore

Directorate of Hospital and Medical Education (DHME), Health and Family Welfare Department, Government of Mizoram (GoM), Aizawl entered (May and December 2012) into Memorandum of Understandings (MoU) with a firm M/s Intergen Energy Limited (IGEL), New Delhi for installation of renewable energy and water treatment plant to supply water at nine Hospitals which include Referral Hospital, Falkawn and all eight District Hospitals¹ of Mizoram. This was based on the *suo-moto* proposal submitted (February 2012) by the firm to GoM, for installation of Water Treatment Plant with solar power water pumping system to supply water on the basis of BOOT² at the nine Hospitals. Health and Family Welfare Department, GoM forwarded (February 2012) the proposal to Director of Hospital and Medical Education, Health and Family Welfare Department for immediate action.

The terms and conditions of the MoU are as summarised below:

- IGEL would survey, design, set up, operate and maintain the system at its own cost and ensure uninterrupted supply of treated water suitable for drinking purpose to the Hospitals for a period of 10 years;
- DHME would provide required land for the plant, water tank, storage space of materials, etc., and pay an amount of ₹ 10 lakh for the project and would not pay any additional cost;
- DHME would purchase from IGEL a minimum of 25,000 litres of treated water per day per plant at the rate of ₹ 0.48 per litre for a period of 10 years; and
- Upon expiry or termination of MoU, the entire system/ equipment would be taken over and fully owned by the DHME.

Further, as per Clause 5.4 of the MoU, if the seller i.e., IGEL failed to complete the project or failed to deliver the services, it is liable to forfeit the balance amount payable to it and Department shall be at liberty to offer the project to other competent firm or firms. Also, as per

¹ (1). District Hospital, Champhai; (2). District Hospital, Lawngtlai; (3). Referral Hospital, Falkawn; (4). District Hospital, Mamit; (5). Civil Hospital, Aizawl; (6). Civil Hospital, Lunglei; (7). District Hospital, Siaha; (8). District Hospital, Kolasib; and (9). BN Hospital, Serchhip

² Built, Own, Operate and Transfer

Clause 14.2, failure to perform or delay in performance on the part of IGEL for reasons not envisaged under Clause 11 (*provisions of force majeure*) shall bestow on the Department, the right to terminate the MoU, without the consent of the other party.

Test check (March 2021) of records of Director, DHME revealed that Water Treatment Plants were installed by IGEL in five Hospitals out of the nine Hospitals agreed to. Reason for non-installation of Plants in the other four Hospitals was not on record. Accordingly, payment of ₹ 0.50 crore at the rate of ₹ 0.10 crore for each of the five Hospitals was made to IGEL during the period March 2012 and February 2014.

Month/ date of installation of Water Treatment Plants, period of water supplied and the quantity supplied are as detailed in the following **Table-1.2**.

Table-1.2 : Detail calculation of short supply of water

(volume of water in lakh litre)

Sl. No.	Name of Hospital	Month of installation of equipment	Number of days to be supplied from next day of installation till 18 June 2019 ³	Quantity of water to be supplied (Col. 4*25000 litres)	Period of water supplied	Quantity of water supplied	Quantity of water short supplied	Percentage of water supplied
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)=(5)-(7)	(9)=(7)x100/(5)
1.	Civil Hospital, Aizawl	October 2014	1,691 ⁴	422.75	Nil	0.00	422.75	0.00
2.	District Hospital, Champhai	10 July 2012	2,534	633.50	Jan. 2013- June 2013	10.09	623.41	1.59
3.	District Hospital, Mamit	15 August 2012	2,498	624.50	Aug. 2012 – Dec 2014; Feb. 2020-May 2020	27.72	596.78	4.44
4.	District Hospital, Lawngtlai	April 2014	1,875 ⁵	468.75	Nov. 2019 – Feb. 2020	0.65	468.10	0.14
5.	State Referral Hospital, Falkawn	12 August 2012	2,501	625.25	Jan. 2013 – May 2013	2.09	623.16	0.33
Total			11,099	2,774.75		40.55	2,734.20	
Average percentage of total water supplied in the five Hospitals (total of col. 7*100/total of col.5)								1.46

Source : Departmental record.

³ Restricted to the day before 19 June 2019 where buy-back MoU was signed thereby terminating the earlier MoU

⁴ Number of days calculated from 1 November 2014 in absence of exact date of installation

⁵ Number of days calculated from 1 May 2014 in absence of exact date of installation

From the table above, it can be seen that:

- IGEL did not supply water to Civil Hospital, Aizawl since installation of the treatment plant in October 2014 as the Plant was not functional.
- IGEL supplied water to District Hospital, Lawngtlai after a lapse of more than five years in November 2019 and that too for only four months. The Water Treatment Plant was not functional since installation till its commencement of service in 2019.
- IGEL supplied water to State Referral Hospital, Falkawn only for five months till May 2013; to District Hospital, Champhai only for six months till June 2013; to District Hospital, Mamit only for two years and four months till December 2014 due to non-availability of water resources.
- The percentage achievement of supply of water to the five Hospitals was only 1.46 per cent of the minimum volume as per the agreement.

Scrutiny of records revealed that in spite of the penalty provisions in MoU mentioned above, Department did not take any step against IGEL and instead entered (June 2019) into another agreement with the firm without any recorded reason. As per the new agreement, the previous MoUs were terminated and DHME would purchase the systems/equipment installed in the five Hospitals at a cost of ₹ 9 crore payable in three installments of ₹ 3 crore each as below:

- First installment ₹ 3 crore was payable on or before 2nd July 2019;
- Second installment ₹ 3 crore is payable when IGEL turns the system back on and has them fully operational in all five Hospitals making them capable of supplying 25,000 litres of treated water per day; and
- Third installment ₹ 3 crore is payable after a period of six months (operations and maintenance period) from the time the systems are turned back on and are fully operational.

DHME paid ₹ 4.80 crore (₹ 3.00 crore in July 2019 and ₹ 1.80 crore in December 2020) to IGEL as the first and second installment. The payment of second installment of ₹ 1.80 crore was irregular as the Water Treatment Plant at State Referral Hospital at Falkawn was still not functional (1 November 2021) and supply of treated water was not resumed in all five Hospitals since May 2020 after signing of the buy-back agreement.

Audit observed that all Hospitals were getting water supplies on priority from Public Health Engineering (PHE) Department and there were no insufficiency in supply of water to the Hospitals reported, before or during the period of MoU with IGEL. Hence, engagement of IGEL was arbitrary and proposal of the firm was agreed to by the Department without ascertaining the actual need for water supply in the Hospital.

Thus, expenditure of ₹ 0.50 crore for installation of Water Treatment Plants in five Hospitals and ₹ 4.80 crore on buy-back MoU in June 2019 totalling ₹ 5.30 crore was avoidable as there was no scarcity of water in the Hospitals prior to signing of agreement with the firm. Hospitals also did not report any issue in water supply during the stoppage of operation of the firm.

Hence, there was a total avoidable expenditure of ₹ 5.30 crore⁶ in addition to committed liability of ₹ 4.20 crore⁷ against the balance payable on MoU on buy-back of equipment and water supplied.

Further, Department was supposed to terminate the MoUs on failure of IGEL to supply the required volume of water but entered into an unnecessary buy-back agreement.

The matter was brought to the notice of the Department and Government in July 2021 and Government, in its reply (August 2021) agreed to the audit observation but did not offer any comment on the reason for execution of the buy-back agreement which had led to huge avoidable expenditure and committed liability totalling ₹ 9 crore.

Recommendation:

The work has been awarded on nomination basis in violation of CVC guidelines. Government needs to investigate the matter and take action against the officials responsible for not invoking penalty provisions in time, signing an unnecessary buy-back agreement and spending ₹ 5.30 crore, as well as creating a further liability of ₹ 4.20 crore.

1.1 The Department furnished para-wise comments vide letter No. G.25020/01/2022-HFW/CAG, Dated 24th May, 2023 as follows:

“The firm-Intergen Energy Limited (IEL) had submitted a suo-moto proposal for installation of Water Treatment Plant for a period of ten (10) years on the basis of BOOT (Built, Own, Operate, Transfer) at nine (9) Hospitals. Due to the letter received vide No.G.25011/1/09-HFW Dated 06.02.2012 (copy enclosed-I) and verbal instruction from high profile authority, the DHME had undertaken further necessary action.

The draft Memorandum of Understanding (MoU) for setting up of WTP at State Referral Hospital, Falkawn, District Hospitals – Champhai, Lawngtlai and Mamit was forwarded to the Administrative Department vide No.B.11013/89/2011-DHME(PP) Dated 25.04.2012 (copy enclosed-II). The signed MoU was received from the Administrative Department vide No.G.25011/1/09-HFW Dated 25.04.2012 (copy enclosed-III).

The draft MoU for setting up of WTP at Civil Hospital, Aizawl, Civil Hospital, Lunglei, District Hospitals – Siaha, Kolasib and Serchhip was forwarded to the Administrative Department vide No.B.11013/89/2011-DHME/PP Dated 03.10.2012 (copy enclosed-IV) and the signed such MoU was received from the Administrative Department vide No.G.25011/1/09-HFW Dated 14.12.2012 (copy enclosed-V).

⁶ ₹0.50 crore on initial installation of water treatment plants + ₹4.80 crore paid on buy-back MoU

⁷ ₹4.20 crore on balance payable as per MoU (June 2019)

The Water Treatment Plants were installed at Civil Hospital, Aizawl, State Referral Hospital, Falkawn, District Hospitals – Lawngtlai, Champhai, Mamit. The installed Water Treatment Plants could not supply water as per MoU @ 25000 per litres per day per plant.

The DHME had submitted comments on the Agreement signed on May 2012 and December 2012 respectively to the Administrative Department with a request for settlement of the problems on the Water Treatment Plants at the five (5) Hospitals vide No.B.11013/89/2014-WTP/DHME(PP) Dated 14.08.2018 (copy enclosed-VI).

All the process of signing of buy back Agreement was done at the Administrative Department for five (5) Water Treatment Plants at Civil Hospital, Aizawl, State Referral Hospital Falkawn, District Hospitals – Lawngtlai, Champhai and Mamit.

The status of payment made to Intergen Energy Limited is as detailed under:–

- 1. Rs. 3.00 crore vide No.G.17011/6/2017-HFW/610 Dated 03.07.2019 (copy enclosed-VII).*
- 2. Rs. 1.80 crore vide No.G.17011/6/2019-HFW/102 Dated 08.12.2020 (copy enclosed-VIII).*
- 2. Rs. 4.20 crore vide No.G.17011/6/2019-HFW/231 Dated 20.06.2022 (copy enclosed-IX).*

Grand Total – 9.00 crore.”

(Annexures are kept in the Assembly Secretariat for reference.)

1.2 The Committee, at its 16th Sitting held on 29th October, 2024, examined the para-wise comments submitted by the Department and sought clarifications, vide letter No. LA/PAC.407/2019-2020/54 dated 4th November, 2024. Subsequently, the Department, after being granted a seven-day time extension, furnished its reply vide letter No. G.25015/1/2024-HFW, dated 27th November, 2024, as follows:

- 1) The need/ requirement of the project when all the District Hospitals were getting treated water supplies from Public Health Engineering (PHE) Department on priority and there was no report of insufficiency in water supply before or during the period of execution of this project.

Department’s Reply :

There is no stated requirement of the project as all the District Hospitals were getting water supplies from PHE. The Directorate did not submit any requirement of water treatment plant, but the firm – Intergen Energy Limited submitted a suo-moto proposal for installation of Water Treatment Plant for a period of 10 years at

nine District Hospitals. Due to letter received and verbal instruction from high profile authority, the Department had to issue the purchase order.

- 2) The reason for not invoking Clauses 5.4 and 14.2 of the MoU (May and December 2012) to terminate the MoU and forfeit the balance amount payable to IGEL when IGEL delayed their performance, failed to complete the project or failed to deliver the services.

Department's Reply :

The DHME had submitted comments on the agreement signed, to the Administrative Department on 14.08.2018 stating that the Water Treatment Plant at Civil Hospital Aizawl and District Hospital Lawngtlai has not functioned since installation and that the plants at District Hospital Mamit, Champhai and State Referral Hospital remained non operational since September 2014, May 2013 and October 2013 respectively and to take necessary actions (annexure 1). No reply was received from the Administrative Department.

- 3) The reason for entering into the subsequent (buyback) MoU (June 2019) with the firm IGEL which terminated the previous MoU and buy-back the systems/ equipment installed.

Department's Reply :

All the process of signing of Buy Back Agreement were done at the Administrative Department.

- 4) Whether approval was taken from Finance Department and Law & Judicial Department before entering into the subsequent (buyback) MoU (June 2019) with the firm IGEL. If not, reason for failure to obtain such approval.

Department's Reply :

Since the process of signing of Buy Back Policy were done at the Administrative Department, the Directorate is not aware of any approval from Finance Department and Law and Judicial Department before entering into subsequent (buy back) MoU (June 2019).

- 5) Whether the conditions stipulated in the MoU (June 2019) for payment were ensured before making payments to IGEL.

Department's Reply :

All conditions stipulated in the MoU (2019) were not fully ensured before making payments to IGEL. The criteria for a fully functional plant i.e. supplying 25000 litres of treated water per day was not fulfilled. As per the MoU 2019 (annexure 2), 1st installment was to be paid on or before 22/06/2019. Expenditure sanction of Rs 3 crore for 1st installment was received on 03/07/2019. 2nd installment of Rs. 3 crore was to be paid when IEL turns the system back on and has them fully operational in all 5 locations. Meanwhile, a new agreement was signed on 26/10/2020

(annexure 3) where the relevant terms mentioned in this agreement supercedes those specific terms in the previous agreement. As per this Agreement, H&FW agrees to pay a further sum of Rs 1,80,00,000 as per minutes of meeting held on 20/10/2020 (Annexure-4). As such, Expenditure sanction of Rs 1.8 Crore was received on 08/12/2020 as 2nd installment for three plants which were functional i.e. Mamit, Champhai and Lawngtlai District Hospital. As per the MoA of 2020, the balance of Rs 4,20,00,000/- will be paid by H&FW on the basis of Rs 84,00,000 per independent system to be paid in two parts –

- 1. when each particular system is made fully operational (Rs 24 lakh per system) and*
- 2. 6 months from the date that each particular system becomes fully operational (delivering a minimum 1042 ltrs per hour).*

Meanwhile, on 03/06/2021, IEL submitted a complain to the GOM stating that the plant at SRHF was dismantled in violation of MoA and that as per clause 10 of the Agreement the full balance amount payable against that particular system should be immediately payable in full by H&FW dept (annexure 5). A meeting held on 11/02/2022 (annexure 6) under the chairmanship of Secretary H&FW Dept and attended by representatives from Finance Dept and Law and Judicial Dept, decided to quickly process the Buy Back Policy as per the MOU to avoid the penalty of 16% interest per annum to be paid by H&FW Dept. Expenditure Sanction of Rs 4,20,00,000/- was conveyed to the Directorate on 20/06/2022 as final installment inspite of the fact that non functionality of plant at State Referral Hospital and the plant at District Hospital, Mamit not being fully operational was mentioned in the proposal for allocation submitted from the Directorate on 15/03/2022 (annexure 7).

- 6) Updated status/position showing since when the system was fully operational in each of the five Hospitals and the quantity of treated water supplied per day since the plants became operational.

Department's Reply:

Updated status is attached (Annexure – 8)

- 7) Action taken to investigate the matter and fix the responsible official(s), if any.

Department's Reply:

No actions have been taken from the Directorate.

(Annexures are kept in the Assembly Secretariat for reference.)

- 1.3 The Committee, at its 18th Sitting held on 21st January, 2025, examined the reply submitted by the Department and decided to conduct Departmental Discussion on 4th February, 2025.**

1.4 The Committee conducted a Departmental Discussion with the Department on 4th February, 2025. A brief summary of the discussion is as follows:

The Committee expressed its grievances regarding the replies received from the Department. Most of the replies appeared to be from the Directorate while it had to be given by the Administrative Department. The Department accepted their fault and sincerely apologised to the Committee.

Regarding Para 1.3 of C&AG Report 2019-2020, the Committee asked why the project is needed in the first place, when all the District Hospitals were getting treated water supplies from Public Health Engineering (PHE) Department on priority. It also enquired whether awarding the project on nomination basis was against CVC guidelines. The Department could not make any comment on the question stating that the suo-moto proposal received was all they know about the initiation of the project.

Replying to the Committee's Question, the Department claimed that the buy-back Agreement of June, 2019 was signed because the Department failed to make payment as agreed in the previous contract; and also claimed that approval was taken from Law & Judicial Department as well as Finance Department.

The Committee enquired why another agreement was signed on 26th October 2020 requiring the Department to pay all the balance amount payable against any plant dismantled or decommissioned by the department even before the date of this agreement, as permission had already been given for dismantlement of water treatment plant at ZMC-SRHF on 13th August, 2019. The Department had no further comment on this matter.

The Committee stressed that the Department must be aware of the importance and sanctity of Public Accounts Committee. It also expected the representatives of the Department to be more prepared on the subject and directed the Department to detail responsible officers well versed on the subject if spot visit has to be conducted.

The Committee felt that there was a rift between the Administrative Department and the Directorate. It directed the Department to take necessary steps so that they may have better coordination and become more accountable.

1.5 The Committee, after review of the Departmental Discussion, decided to ask Further Questions vide letter No. LA/PAC.407/2019-2020/92, Dated 13th February, 2025. Accordingly, the Department furnished its reply vide letter No. G25015/1/2024-HFW, dated 6th March, 2025 as follows:

- 1) The need/requirement of the project when all the District Hospitals were getting treated water supplies from Public Health Engineering (PHE) Department on

priority and there was no report of insufficiency in water supply before or during the period of execution of this project.

Department's Reply:

The need/requirement of the project when all the District Hospitals were getting treated water supplies from Public Health Engineering (PHE) Department on priority and there was no report of insufficiency in water supply before or during the period of execution of this project.

- 2) The reason for not invoking Clauses 5.4 and 14.2 of the MoU (May and December 2012) to terminate the MoU and forfeit the balance amount payable to IGEL when IGEL delayed their performance, failed to complete the project or failed to deliver the services.

Department's Reply:

The Department violates the agreement by not paying the agreed amount in time due to lack of fund provision and in the meanwhile, IGEL offered 'Buy-Back at one time payment' for the 5 projects at a lesser amount.

- 3) The reason for entering into the subsequent (buyback) MoU (June 2019) with the firm IGEL which terminated the previous MoU and buy-back the systems/equipment installed.

Department's Reply:

Buy back of the system at the offered price of Rs.9 (nine) Crore was a more viable option than buying water for a period of 5 years @ Rs.21.6 Core (as per MoU signed on 23.8.2016) which would save the Government approximately Rs.12 Crore.

- 4) Whether approval was taken from Finance Department and Law & Judicial Department before entering into subsequent (buyback) MoU (June 2019) with the firm IGEL. If not, reason for failure to obtain such approval.

Department's Reply:

Before entering into the buyback MoU i.e. June, 2019, approval was taken from Law & Judicial Department vide ID NO.LJD:16/2019/351 dt.27.05.2019 and Finance Department vide ID NO.FIN€:116/2019 dt.13.06.2019.

- 5) Whether the conditions stipulated in the MoU (June 2019) for payment were ensured before making payments to IGEL.

Department's Reply:

All conditions stipulated in the MoU (June,2019) were not fully ensured before making payment to IGEL as the MoU was superseded by the next MoU (10/2020) in the mid-term of previous MoU i.e after 1st instalment of Rs.3 Crore was paid to IGEL.

- 6) Updated status/position showing since when the system was fully operational in each of the five Hospitals and the quantity of treated water supplied per day since the plants became operational.

Department's Reply:

Updated status attached (Annexure-8)

- 7) Action taken to investigate the matter and fix the responsible official(s), if any, may be stated to the Committee.

Department's Reply:

Since payment of the last instalment, no action have been taken by the Department.

1.6 The Committee examined the replies received from the Department and decided to conduct Spot Study Visit to Champhai on 23rd May, 2025 to verify the Water Treatment Plant installed at the District Hospital, Champhai.

1.7 The Committee, at its Sitting held on 27th May, 2025, reviewed th Spot Study Visit to the District Hospital, Champhai. The findings and observations of the Committee from the Spot Study Visit are as follows:

With regard to the water source at Champhai District Hospital, the Committee observed that the Hospital is situated in a favourable location and has access to a reliable gravity-fed water supply. In addition, a water pumping system has been introduced in recent years to cater to the entire Champhai town. The Hospital has also installed a rainwater harvesting system. As reported, the Hospital has not experienced any water shortage to date.

The Committee further observed that the Water Treatment Plant under reference became non-functional shortly after its initial commissioning and remained non-operational for a considerable period. Although the Plant was repaired in 2021 and was functional to some extent for a brief period, the associated solar-powered energy system did not operate as intended, resulting in the supply of untreated water. At present, the Plant has again remained non-functional for an extended period. The Committee, therefore, observed that the project has not achieved its intended objectives and is not functioning as planned.

The Committee decided to conduct another Spot Study Visit to the District Hospital, Lawngtlai on 11th – 13th June, 2025 in order to have first-hand observation of the Water Treatment Plant installed at the Hospital.

1.8 Subsequently, the Committee conducted a Spot Study Visit to the District Hospital, Lawngtlai on 11th – 13th June, 2025. The findings and observations of the Committee from the Spot Study Visit are as follows:

The hospital administration reported that the water treatment system has been non-functional since around 2021. Despite this, untreated water continues to be pumped

from the plant. The hospital has a water storage tank with a capacity of 50,000 litres, and water is pumped from the plant as needed. The operation of the system is primarily carried out by Grade IV staff or security personnel, depending on availability and convenience. It was observed that the project is not successful as intended.

1.9 The Committee, in its Sitting on 8th July, 2025, decided to conduct Oral Evidence with the Department regarding the subject on 29th July, 2025.

During Oral Evidence, the Committee reiterated the fact that the Audit Report indicated the award of the Water Treatment Plant project as being done on nomination basis, which is in contravention of Central Vigilance Commission (CVC) guidelines. Accordingly, the Committee sought response from the Department on the matter. Furthermore, the Committee inquired whether all written or verbal instructions received from higher authorities are legally binding and whether the Department has the discretion to raise objections in such cases.

In response, the Department submitted that IGEL had submitted suo moto proposal to the then Hon'ble Minister of the Health and Family Welfare Department. The Hon'ble Minister subsequently endorsed the proposal and issued a written directive indicating that the project be executed, classifying the matter as "very important," and thus necessitating due follow-up and implementation.

Regarding the Committee's query concerning the rationale for terminating the Memorandum of Understanding (MoU) and forfeiting the balance amount payable to IGEL prior to entering into a subsequent MoU in June 2019, the Department stated that it had failed to fulfil its payment obligations under the original agreement due to the non-availability of requisite budgetary provisions. However, the Committee expressed the view that the Department was not obligated to disburse any amount since IGEL had, in the Committee's opinion, committed the first breach of contract by failing to provide the agreed-upon services under the terms of the MoU.

The Department further acknowledged that signing of MoU, the date of execution of which is cited as 23rd August 2016 in its earlier submission, was erroneously stated. The Department assured the Committee that a corrected reply would be submitted within seven days.

The Committee also sought to identify the official responsible for initiating the file pertaining to the Water Treatment Plant project. The Department was unable to provide an immediate response but committed to furnishing the required information within seven days.

In reply to the Committee's question as to whether prior approval had been obtained from the Finance Department and the Law & Judicial Department before the signing of the initial MoUs with IGEL in May and December 2012, the Department expressed its

inability to confirm the same at the moment and assured the Committee that the relevant information would be submitted within seven days.

The Committee expressed its strong displeasure regarding the Department's approach and emphasised the need for greater sincerity, efficiency, diligence, and accountability in responding to the queries raised by the Public Accounts Committee (PAC). It further directed the Department to take appropriate measures to enhance coordination between the Administrative Department and its subordinate Directorates.

The Department assured the Committee that it would comply with all directions issued and undertook to submit all relevant documents pertaining to the matter within the stipulated period of seven days.

(A verbatim record of the Oral Evidence is kept in the Secretariat for reference.)

- 1.10 The Committee, in its sitting held on 12th August, 2025, examined the information submitted by the department to the queries raised during the Oral Evidence session held on 29th July, 2025.**
- 1.11 The Committee, in its sitting held on 3rd February, 2026, decided to present a report in the upcoming Assembly Session.**

OBSERVATIONS AND RECOMMENDATIONS

1.12 During the course of the Committee's study, numerous instances of inaccurate information furnished were identified. This is both regrettable and unfortunate. Moreover, the persistence of erroneous information being provided even at the final stages of examination is deeply concerning.

Consequently, the Committee recommends that the department must undertake stringent measures to eliminate such deficiencies, as it is imperative that the department demonstrates greater accountability, integrity, and diligence in the execution of its responsibilities.

1.13 The Committee is of the opinion that it is customary to forward proposals for specific projects. However, the responsibility of evaluating such proposals, including assessing their feasibility and viability, rests with the department. According to the department's response, it is indicated that the department lacks the authority to render final decisions. If the department is indeed unauthorised to make final decisions, it raises the question of how the project can be implemented or finalised. Moreover, it remains unclear which department or authority holds the mandate to make such final determinations.

Therefore, the Committee recommends that the Department must ascertain who is responsible for the proposal, evaluation, approval, and implementation of projects. It also recommends that a clear and accountable decision-making mechanism be established to ensure that feasibility and viability assessments are conducted.

1.14 The Committee observed that Intergen Energy Limited (IEL) failed to deliver the agreed volume of water and did not fulfil the project requirements as stipulated in the Memorandum of Understanding (MoU). Moreover, the water generated from the plants mentioned as functional was also untreated-raw water. The Committee, therefore, is of the view that payment was not obligatory under the circumstances.

Therefore, the steps taken to prevent payments from being made despite IEL's failure to fulfil the terms of the contract agreement, and the circumstances leading to the signing of multiple fresh MoUs, which were evidently disadvantageous to the Government, superseded the previous MoU, and resulted in avoidable expenditure, may be clarified to the Committee.

1.15 It is highly questionable and concerning that the Memorandum of Understanding (MOUs) with IGEL were signed in May and October, 2012 without obtaining the requisite approval from the Finance Department.

The reasons for not obtaining approval from the Finance Department and whether the same are valid and acceptable as per law, rules, and procedures may be submitted to the Committee. Further, the steps, if any, taken to obtain such approval and the reasons for failure to do so, if any, may also be stated to the Committee.

1.16 The Department's reply stating that the buy-back of the system at the offered price of ₹ 9 (nine) crore was a more viable option than purchasing treated water for a period of ten years at a cost of ₹21.9 crore (as per the MoU signed in May and December 2012), thereby saving the Government approximately ₹12 crore, is not acceptable. It is apparent that IEL was unable to supply the stipulated quantity of treated water during the said period, and consequently, the Government would not have incurred the projected expenditure. Moreover, it was already established that IEL had supplied only 1.46 per cent of the agreed quantity of treated water (as per the MoU signed in May and December 2012) even prior to the signing of the buy-back agreement in June 2019.

The Committee, therefore, strongly recommends that such unrealistic approximations, assumptions, and calculations should not be furnished to the Committee in future.

1.17 The Committee found that the Department failed to furnish a satisfactory explanation on the matter and also failed to take any action to fix responsibility on the concerned officials.

The Committee, therefore, recommends that the Vigilance Department take necessary steps to investigate and initiate appropriate legal action against the responsible person(s) with respect to the alleged awarding of the work on nomination basis in violation of CVC guidelines, the failure to invoke penalty provisions in a timely manner, the signing of an unnecessary buy-back agreement resulting in an expenditure of ₹5.30 crore, and the creation of an additional liability of ₹4.20 crore, and to pursue the case to its lawful conclusion. It also recommends that the Vigilance Department shall submit a detailed report on its findings and the final outcome to the Committee.

SUMMARY OF RECOMMENDATIONS

- 1.12 The Committee recommends that the department must undertake stringent measures to eliminate such deficiencies, as it is imperative that the department demonstrates greater accountability, integrity, and diligence in the execution of its responsibilities.**
- 1.13 The Committee recommends that the Department must ascertain who is responsible for the proposal, evaluation, approval, and implementation of projects. It also recommends that a clear and accountable decision-making mechanism be established to ensure that feasibility and viability assessments are conducted.**
- 1.14 The steps taken to prevent payments from being made despite IEL's failure to fulfil the terms of the contract agreement, and the circumstances leading to the signing of multiple fresh MoUs, which were evidently disadvantageous to the Department, superseded the previous MoU, and resulted in avoidable expenditure, may be clarified to the Committee.**
- 1.15 The reasons for not obtaining approval from the Finance Department and whether the same are valid and acceptable as per law, rules, and procedures may be submitted to the Committee. Further, the steps, if any, taken to obtain such approval and the reasons for failure to do so, if any, may also be stated to the Committee.**
- 1.16 The Committee strongly recommends that such unrealistic approximations, assumptions, and calculations should not be furnished to the Committee in future.**
- 1.17 The Committee, recommends that the Vigilance Department take necessary steps to investigate and initiate appropriate legal action against the responsible person(s) with respect to the alleged awarding of the work on nomination basis in violation of CVC guidelines, the failure to invoke penalty provisions in a timely manner, the signing of an unnecessary buy-back agreement resulting in an expenditure of ₹5.30 crore, and the creation of an additional liability of ₹4.20 crore, and to pursue the case to its lawful conclusion. It also recommends that the Vigilance Department shall submit a detailed report on its findings and the final outcome to the Committee.**