

CHAPTER-II

AUDIT OF TRANSACTIONS

2.1 Cases of fraud/misappropriation/losses

Education Department

2.1.1 Loss due to missing inventory

Assam Sarva Shiksha Abhijan Mission incurred a loss of Rs.50.50 lakh, being the cost of missing computers and accessories issued to 500 SMART Schools.

Mention was made in Para-3.2.12.3 of the Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2006 regarding procurement of 2000 computers alongwith accessories worth Rs.9.14 crore and their distribution among 500 SMART Schools of the State during 2003-04. The computers were subsequently taken back (February 2006) from the schools and brought to the District Mission Office of the Sarva Siksha Abhijan (SSA) for repair.

Further scrutiny (January-February 2009) of records of the Mission Director (MD), SSA revealed that M/S NIIT, Chennai was engaged (April 2007) for repair and maintenance of these computers. A contract was executed (April 2007) by the Mission with NIIT for Rs.9.16 crore for (i) one time repair and replacement of damaged systems (Rs.1.60 crore); (ii) comprehensive annual maintenance of 2,000 computers from 2007 to 2010 (Rs.3.01 crore); (iii) 10 days teachers training for 1,000 teachers per year from 2007 to 2010 (Rs.3.08 crore); and (iv) engagement of 100 roaming para teachers for the years 2007 to 2010 (Rs.1.47 crore).

As per the terms of contract, NIIT was asked (May 2007) to survey the computers before undertaking repair. As per the survey report of NIIT, 93 desktop computers, 48 UPS, 30 printers and a number of computer parts/accessories valued at Rs.50.50 lakh¹ were found missing. Though first information reports (FIRs) were lodged by the concerned district/school authorities, results of police verification have not yet been received (October 2009).

Thus, due to poor physical access controls and non-provision of adequate infrastructure to secure the computers and accessories in rooms with strong doors and

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Item	Quantity	Rate (Rs.)	Value (Rs.)
Desktop computers	93	35,487	33,00,291
UPS	48	14,514	6,96,672
Printers	30	9213	2,76,390
Computer parts	--	--	7,76,525
Total			50,49,878

windows with iron grills and adequate locking facilities etc., the Mission had to incur a loss of Rs.50.50 lakh.

During discussion, the Mission Director accepted that security was inadequate and stated (February 2009) that now grills were fitted in the windows to make the computer rooms secure and safe.

The matter was reported to Government in June 2009; their replies had not been received (October 2009).

Panchayat and Rural Development Department

2.1.2 Presumptive fraud

The BDO, Sissibargaon failed to produce any evidence in support of utilisation of Rs.60.98 lakh received under National Food For Work Programme.

The Deputy Commissioner-cum-nodal Officer of National Food For Work Programme (NFFWP), Dhemaji, sanctioned (June 2006) Rs.64.08 lakh to the Block Development Officer (BDO), Sissibargaon under District Rural Development Agency (DRDA), Dhemaji for execution of 41 works taken up during 2005-06 under NFFWP.

Scrutiny (November-December 2008) of records of the BDO, Sissibargaon revealed that the BDO drew on 4 August 2006 Rs.60.98 lakh out of this amount for completion of the work relating to 40 schemes and expended the amount on the same day against the 40 schemes in the payment side of the Cash book. No vouchers, Muster Rolls and Measurement Books (MBs) in support of payment for the works were made available to audit. In reply to audit query, the BDO stated (December 2008) that the vouchers, Actual Payees Receipts (APRs), MBs etc., were not submitted by the concerned Junior Engineer /the then BDO. In the absence of records in support of utilisation of Rs.60.98 lakh even after 16 months of drawal, it is presumed that the funds have been misappropriated. Further, the National Rural Employment Guarantee Scheme (NREGS) had already been launched with effect from February, 2006 in the district. NREGS subsumed the two erstwhile schemes, viz., NFFWP and Sampoorna Gramin Rozgar Yojana since the date of its launch. Therefore, the DC should not have released funds under NFFWP, as it was a scheme which had already been closed.

Neither the Project Director (PD) nor the BDO took any action against the concerned JE/BDO except writing (December 2008) to the then BDO for submission of the vouchers, other related vouchers etc., to the audit team.

In July 2009, the PD intimated the Commissioner of Panchayat and Rural Development Department that the relevant MBs and MRs had been received from BDO, Sissibargaon but could not be produced during audit as the concerned JEs were under orders of transfer at that time. The reply is not acceptable because the records should have been collected before transfer of the JEs and produced during the course

of audit as there was ample time between the drawal of the amount (August 2006) and the date of audit (December 2008). Reply of the Government is yet to be received (October 2009).

2.1.3 Misappropriation of funds in purchase of furniture

Rupees 16.79 lakh is suspected to have been misappropriated in the office of the PD, DRDA, Golaghat in procurement of furniture.

Scrutiny (November 2007 to January 2008) of records of the Project Director (PD), DRDA Golaghat revealed that the PD issued (13 September 2005) a notice inviting quotations for purchase of furniture to be delivered to the Gaon Panchayats under the district. The quotations considered by the PD were received (between 5-8 August 2005) more than a month before floating the notice based on which the lowest rates of M/s Bee Bee Associates were accepted and order was issued (October 2005) for supply of the articles. The items were received (28 February 2006) by a person who was not a member of the establishment of PD, DRDA, Golaghat and nobody from his office certified that the items were received in full and in good condition. An amount of Rs.16.79 lakh² was paid (28 February 2006) in connection with the purchase. There was nothing on record in support of accountal of stock, distribution of the articles supplied; nor was there any acknowledgement in support of their delivery to the Gaon Panchayats. The Gaon Panchayat Secretaries of four blocks stated (December 2007) in reply to audit query that they had not received any item of furniture from the DRDA.

Thus, as the PD could not furnish any record in support of receipt/distribution of the furniture and as the GP Secretaries denied having received any such items it is evident that the purchase was fictitious and the amount involved in the purchase (Rs.16.79 lakh) was misappropriated.

Moreover, the PD failed to find out the whereabouts of the items during the last 15 months and stated (April 2009) that the matter would be investigated and report would be submitted soon. As of August 2009, no such report could be submitted by the PD.

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Sl. No.	Name of the items	Quantity (number)	Rate (Rs)	Value
1.	Almirah	102	7750	7,90,500
2.	Secretariat table	102	4575	4,66,650
3.	Executive Chair	102	2650	2,70,300
4.	Plastic Chair	204	395	80,580
				Total Rs.16,08,030
				AGST @ 4.4%
				Rs.70,753
				Rs.16,78,783

The matter was reported to Government in May 2009 and also discussed in the meeting held on 8 October 2009 with the Principal Secretary, P&RD Department; but the Government did not offer any comments.

2.1.4 Misappropriation of funds in purchase of gravel

An amount of Rs.18.47 lakh is suspected to have been misappropriated in the DRDA, Golaghat in purchase of gravel.

As per Para-3 of Chapter X of Accounting Procedure for District Rural Development Agencies/Societies (As amended in 2001), PDs, DRDA can issue cheques for sums upto rupees one lakh in each case. Cheques for payment in excess of rupees one lakh are to be issued under the joint signature of the PD and the Executive Director (ED) i.e., the Deputy Commissioner. Again Para-11 of the same Chapter prohibits issue of bearers' cheques in any case.

Scrutiny (November 2007 to January 2008) of the Cash Book and the Cheque Issue Register of the PD, DRDA, Golaghat revealed that an amount of Rs.18.47 lakh was paid (28 February 2006) to a person, who was not an approved supplier of the Agency, on account of supply of gravel without recording book the voucher number against the transaction in the Cash Book. The payment was made by 22 bearer cheques by splitting the amount without the knowledge and signature of the ED. There was nothing on record in support of the utilisation of any gravel relating to this transaction as no muster roll of gravel spreading and measurement book could be produced to Audit. Further, all the 22 cheques were issued without making entries in the cheque Issue Register.

In the absence of any record in support of the transaction and utilisation of the gravel in any work, misappropriation of the amount of Rs.18.47 lakh could not be ruled out.

At the instance of Audit, a Technical Committee (TC) was constituted by the ED on 8 January 2008 to investigate into the matter. The TC was to submit its report within 30 January 2008. No report was, however, submitted (April 2009) as intimated by the PD.

The matter was reported to the Government in May 2009 and was also discussed in the meeting held on 8 October 2009 with the Principal Secretary, P&RD Department; but the Government did not offer any comments.

2.1.5 Misappropriation of SGRY and IAY funds

Twenty six cheques for Rs.21.83 lakh issued by the PD, DRDA, Golaghat, were not received in the concerned blocks, though these were drawn from the bank.

As per Para-6 of Chapter-II of Accounting Procedure for District Rural Development Agencies/Societies (as amended in 2001) all receipts of money should be entered in the Cash Book on the date of their receipt. Each Block should maintain a Consolidated Receipt Register indicating the name of the scheme, amount received, sanction number, date of receipt of funds and source of funds i.e., DRDA, others etc. There should also be a system of reconciliation of differences, if any, between the cheques issued by the DRDA and cheques received by the Blocks.

Scrutiny (November 2007 to January 2008) of records relating to release of funds by the Project Director (PD), DRDA, Golaghat and a cross-check with records (Cash Book and bank account) maintained by the blocks revealed that 26 cheques for Rs.21.83 lakh issued by the PD for implementation of schemes under Sampoorna Grameen Rozgar Yojana (SGRY) and Indira Awaas Yojana (IAY), were not received by the concerned Blocks. The cheques were, however, encashed from the banks.

In the absence of records in support of receipt and utilisation of the scheme funds in the Blocks, the likelihood of the entire amount of Rs.21.83 lakh being misappropriated could not be ruled out. This was facilitated due to non-observance of requisite procedures and failure of internal control system of reconciling the difference between cheques issued by the DRDA and cheques received by the Blocks. Even after being pointed out in Audit (January 2008), during the last 15 months, the PD could not find out the details of encashment of the cheques and only in April 2009 intimated that the matter was being taken up with the BDOs and position would be clarified to audit.

The matter was reported to the Government in May 2009 and was also discussed in the meeting held on 8 October 2009 with the Principal Secretary, P&RD Department; but the Government did not offer any comments.

2.1.6 Suspected misappropriation of funds

Rupees 20 lakh is suspected to have been misappropriated in the Block Development Offices of Lowairpoa and Dullavcherra under DRDA, Karimganj.

The PD, DRDA, Karimganj received (March 2006) Rs.20 lakh from the Director, Panchayat and Rural Development Department through Bank Draft, being the State share under Sampoorna Grameen Rozgar Yojana (SGRY) for 2005-06. The fund was to be utilised exclusively in the areas predominantly inhabited by SC and ST population.

Scrutiny (February-March 2008) of records of the PD, DRDA, Karimganj revealed that the PD released the entire amount of Rs.20 lakh to the Block Development Officer (BDO), Lowairpoa (Rs.10 lakh) and the BDO, Dullavcherra (Rs.10 lakh) in July 2006 by splitting up the amount into 20 bearer cheques of rupees one lakh each. Cross examination of the relevant records maintained in the Blocks concerned revealed that none of the 10 bearer cheques issued to the Lowairpoa Development Block was received in the Block, though all the cheques were encashed on 16 August 2006. The BDO, Dullavcherra, on the other hand, produced a separate Cash book wherein receipt of 10 cheques for Rupees one lakh each was recorded on 9 August 2006 and the entire amount of Rs.10 lakh was shown as disbursed on the same day against 12 vouchers, but as per bank statement of DRDA, Karimganj (A/c No. 2274 of Cachar Gramin Bank, Karimganj Branch) the cheques were encashed only on 10 August 2006 (six cheques) and later (four cheques). The funds also did not appear in the Receipt and Payment Accounts of the two Blocks. Considering the following facts, it was presumed that the fund of Rs.20 lakh was misappropriated:

- The funds were released in 20 cheques of Rupees one lakh each instead of in two cheques of Rs.10 lakh each to avoid approval of higher authority.
- The funds were released through bearer cheques instead of account payee cheques.
- No records showing receipt and utilisation of Rs.10 lakh by BDO, Lowairpowa was found available.
- The fund of Rs.10 lakh was shown (in a separate Cash Book) as disbursed by the BDO, Dullavcherra on a single day before actual encashment from the DRDA's bank account.
- Non-inclusion of the amounts in the Receipt and Payment Accounts of the respective Blocks.

Moreover, during the last one year the PD could not confirm the utilisation of the funds of Rs.20 lakh and only in April 2009, against an audit query, intimated that the matter is under investigation.

In a reply furnished (September 2009) to the Government, which was handed over to Audit by the Principal Secretary, P&RD Department, during discussion (8 October 2009), the PD accepted the fact of issuing 20 bearers cheques of Rupees one lakh each without the approval of the Deputy Commissioner, Karimganj. Regarding Rs.10 lakh released to Lowairpoa Development Block, nothing could be furnished except a utilisation certificate signed (without date) by the concerned BDO. The BDO, Dullavcherra, on the other hand, in his reply furnished (September 2009) to the PD stated that 12 schemes were executed against the drawal of Rs.10 lakh, but could not explain how the payments were disbursed before actual drawal of the cheques. The PD also accepted that no records relating to implementation of the above schemes were available in his office. The Government did not offer any comment during the discussion (October 2009).

2.2 Avoidable/unfruitful expenditure/undue favour to contractors

Health and Family Welfare Department

2.2.1 Avoidable expenditure

Non-payment of rent for requisitioned land in time by the Health and Family Welfare Department resulted in avoidable expenditure of Rs.37.92 lakh towards payment of interest.

The Guwahati Medical College and Hospital shifted to its present location at Narakachal hill from Panbazar area with effect from April 1968. As the college and hospital complex expanded, acquisition of some more land became necessary. Scrutiny (May 2009) of records of the Director of Medical Education (DME), Assam revealed that the Principal, Guwahati Medical College took possession (1981) of a plot of land measuring 3 katha 13 lessa without initiating acquisition proceedings. Although, the said land was requisitioned in 1981 for construction of Guwahati Medical College Complex, notification for acquiring the land was given only in October 2002 and proposal for drawal of the estimated amount of acquisition (Rs.26.10 lakh) was sent to the Government by DME in March 2003. The State Government, however, did not sanction the amount and the acquisition proceedings lapsed.

In accordance with Section 11 (4) of Assam Land (Requisition and Acquisition) Act, 1964 the owners of the land are entitled to compensation in the form of annual rent @ 7.5 per cent on the current market value of land and interest thereon (9 per cent per annum) since the date of requisition. Only a paltry sum of Rs.0.85 lakh was paid (date of payment is not available) to the owners and the aggrieved owners filed (date not available) cases in the court of law. The District and Sessions Judge, Kamrup ordered (September 2006) payment of compensation along with interest thereon till the date of payment. Due to non-compliance of the DME with the court order, the owners lodged money execution case for realization of the sum due and the Hon'ble court passed order for payment of Rs.86.74 lakh (Rent: Rs.48.82 lakh + Interest: Rs.37.92 lakh) on or before 18 March 2008. The amount was drawn by the DME in March 2008 and sent to Deputy Commissioner, Kamrup for payment to the owners.

Thus, due to failure of the Government to make payment of rent in time, it incurred an avoidable expenditure of Rs.37.92 lakh towards interest payment.

Besides, during the four years 2003-07 the cost of the land had already escalated by 140 per cent, and would keep increasing further. Thus, due to non-acquisition of the land in 2002-03 (at Rs.26.10 lakh) not only the cost of acquisition would increase but the recurring liability of payment of rent would also continue.

The matter was reported to Government in June 2009; replies had not been received (October 2009).

Planning and Development Department

2.2.2 Unfruitful expenditure

The District Level Committee on Rastriya Sam Vikas Yojana, Karbi Anglong took up ill conceived schemes and subsequently abandoned them resulting in unfruitful expenditure of Rs.95 lakh.

Rastriya Sam Vikash Yojana (RSVY) is a 100 *per cent* Centrally assisted scheme to be implemented through action plans approved by District Level Committee (DLC) constituted for the purpose. In pursuance of the approved Action Plan under RSVY the Deputy Commissioner (DC), Karbi Anglong sanctioned (August 2005) Rs.95 lakh, being 50 *per cent* of the total outlay for implementation of four Horticulture Development Schemes. The first instalment of Rs.71.25 lakh was released by the DC to the District Agriculture Officer (DAO), Diphu in August 2005 for implementation of the schemes.

Scrutiny (February-March 2009) of records of the DC, Karbi Anglong revealed that the District Level Committee (DLC) in its meeting held in March 2006 dropped all the four schemes and took up four new schemes in their place. The reasons for dropping the schemes were recorded as unviability of the schemes and existence of similar schemes under normal plan schemes. The DC, however, released the second instalment of Rs.23.75 lakh to the DAO in May 2006 though the schemes were dropped by the DLC in March 2006. In reply to a query the DAO stated (August 2009) that the second instalment was utilised for meeting pending/committed liabilities. The DAO utilised the entire fund of Rs.95 lakh towards purchase of seeds/seedlings, fertiliser/pesticides, medicinal plants, construction of Mushroom Units, financial assistance to Participating Peoples Societies/Self Help Groups and training etc., and furnished (May 2006) utilisation certificate for Rs.95 lakh. The time frame for implementation of the scheme was three years (2004-05 to 2006-07) and till March 2006, 100 *per cent* physical target for the year 2004-05 had been achieved as stated (August 2009) by the DAO.

Abandonment of the schemes without any valid reason after first year, though these were scheduled to continue for three years to reap the benefit was unjustified and resulted in unfruitful expenditure of Rs.95 lakh.

The Government stated (September 2009) that the DLC which approved the original schemes, was constituted in May 2004 and that a newly constituted DLC dropped (March 2006) the original schemes and took up four new schemes. It was also stated that the dropping of the original schemes and taking up of new schemes was a matter of difference in the perception of priority of the two Committees and it had nothing to do with viability factor.

The decisions taken by the DLC cannot be discarded by another DLC on the grounds of perception of priorities alone, given the fact that Rs.95 lakh had already been spent on the basis of the decision taken by the earlier DLC.

Public Works Department

2.2.3 Avoidable expenditure

The Executive Engineer Guwahati City Division III incurred avoidable expenditure of Rs.1.65 crore due to idling of machinery and interest for delayed payment to the contractor.

State Government accorded (May 2004) revised administrative approval (AA), of Rs.13.17 crore for the work, Construction of RCC Bridge over river Kollong at Kajalimukh under RIDF III of NABARD. Against the original AA of Rs.2.10 crore, accorded in March 1988 the work was allotted (January 1989) to a firm 'A'³ at a tendered cost of Rs.1.92 crore with the stipulation to complete the work within July 1991. Due to poor progress of work, (only 17.58 per cent upto April 1992) the work was rescinded (July 1996) without invoking the penalty clause and after inviting tender the balance work was allotted (November 1997) to another firm 'B'⁴ at a tendered value of Rs.5.07 crore with the stipulation to complete the work within November 1999. While executing the actual work the contractor encountered major problems in the construction of the wells No.1, 2 and 6 which were on rocky strata instead of sandy strata as indicated in the survey report. Well No.2 was abandoned and constructed at a new site at a distance of 10 metre from the original site. This involved construction of 48m span pre-stressed concrete hollow box girder in place of the original 38m span beam and slab and consequent extra expenditure. There were delays of seven months on the part of Department to take decision as found out by the Arbitral Tribunal. Finally, the tendered value was again enhanced (June 2002) to Rs.7.61 crore by executing two supplementary tenders with firm 'B' and the stipulated date of completion was extended upto October 2002. Meanwhile, the machinery brought to site by the contractor remained idle for 16 months and there were delays in payment of bills to the contractor. The work was completed (October 2002) at an expenditure of Rs.7.73 crore.

Scrutiny of records (April 2008) of the Executive Engineer, Guwahati City Division III revealed that, against the final bill of Rs.7.73 crore, an amount of Rs.1.37 crore remained unpaid as of 10 July 2003. Due to delay in payment of the claim to the firm 'B', amounting to Rs.4.21 crore which included price escalation, AGST, compensation due to idling of machinery, interest etc., apart from balance amount of Rs.1.37 crore. The contractor made (February 2004) an appeal to constitute an arbitration tribunal according to the tender agreement. The tribunal directed (7 February 2005) to pay an amount of Rs.3.20 crore including an amount of Rs.51.88 lakh as interest upto 7 February 2005. As of March 2008, an amount of Rs.3.44 crore

³ Firm 'A': M/s Bridge & Building Construction Co. (P) Ltd.

⁴ Firm 'B': M/s. Hi-Tech Construction

was paid (20 March 2006) to firm 'B' including further interest of Rs.23.90 lakh from 8 February 2005 to 20 March 2006.

Thus, delay by the Department to take decision to continue with the work which involved idling of machinery of contractor and non-payment of contractor's bills resulted in an avoidable expenditure of Rs.1.65 crore⁵ in the form of compensation for idle machineries (Rs.89.63 lakh) and interest for delayed payment (Rs.75.78 lakh).

The matter was reported to Government in July 2009; reply had not been received (October 2009).

2.2.4 Undue financial benefit

Public Works Department did not comply with the rules relating to grant of mobilization advance resulting in to undue temporary financial benefit of Rs.5.47 crore to two contractors.

According to Para 31.6 of CPWD Works Manual 2003, mobilization advance (MA) to contractor is admissible in respect of certain specialized and capital intensive works costing not less than Rupees two crore and is restricted to 10 *per cent* of the estimated cost or tendered value or Rupees one crore, whichever is less, at 10 *per cent* simple interest on the outstanding MA. Two Public Works Divisions, however, paid MA in excess of permissible limit and did not recover any interest as detailed below:

(a) The work relating to construction of a flyover at Six Mile junction of G.S Road and Rupkonwar Jyoti Prasad Agarwalla Road was administratively approved (September 2005) for Rs.46.67 crore. The Chief Engineer (CE), PWD (Roads), awarded (October 2005) the work to Simplex Concrete Piles (India) Limited at a tendered value of Rs.40.70 crore with a stipulation to complete it within April 2007. The work started in October 2005 but the overall progress of the work suffered mainly due to non-completion of land acquisition, non-shifting of installations of MES, BSNL & ASEB etc. Meanwhile the division prepared (date not available) a revised estimate of Rs.76.08 crore for the flyover for some additional items of work and also due to major increase in quantities proposed in the sanctioned estimate. State Government accorded (November 2008) administrative approval to the revised estimate and the work was technically sanctioned (December 2008) by the CE.

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Sl. No.	Particulars of claim	Amount of claim (Rs.)	Amount of award (Rs.)
1.	Compensation for losses suffered/expenses incurred as a result of idling of machinery	2,05,42,102.00	89,63,694
2.	Interest due and payable on delayed payments/non-payment of bills	37,09,778.56 (provisional upto 30.4.04)	51,87,712 (upto 7.2.05) 23,89,834 (8.2.05 to 20.3.06)
TOTAL			1,65,41,240

Subsequently, the original tendered value of the work was revised (December 2008) to Rs.58.54 crore after allowing for price adjustment and interest payment according to tender agreement and the targeted date of completion was extended up to January 2009. As of March 2009, Rs.49.63 crore was paid to the firm against a physical progress of 88 *per cent*.

Scrutiny (June-July 2007) of records of the Executive Engineer, Guwahati City Division No.II and further information collected (May 2009) revealed that the division paid (March 2006) Rs.4.07 crore as MA to the contractor in one instalment against the maximum admissible limit of Rupees one crore i.e. an excess of Rs.3.07 crore in contravention of rules. The entire MA paid to the firm was recovered (September 2006 to January 2009) in nine instalments without recovering any interest. Thus, failure of the Department to restrict the MA to Rupees one crore as admissible and recover 10 *per cent* simple interest thereon resulted in temporary financial benefit of Rs.3.07 crore and loss of interest of Rs.58.03 lakh to the Government calculated at the average borrowing rates of the State Government prevailing during 2006-09.

(b) The State Public Works Department accorded (August 2005) Administrative Approval (AA) of Rs.38.92 crore for the work “Construction of flyover at Bhangagarh at G.S. Road”. Due to increase in the scope of work, the AA was revised (December 2008) to Rs.56.91 crore. The Chief Engineer (CE), PWD (Roads) Assam awarded (September 2005) the work to M/S Simplex Infrastructures Limited at a tendered cost of Rs.34 crore with the stipulation to complete it by March 2007. Subsequently, the tender value was revised (December 2008) to Rs.44.48 crore with extension of time up to January 2009. As of September 2009, the overall physical progress was 98 *per cent* and the contractor was paid Rs.34.35 crore.

Scrutiny (January 2009) of records of the Executive Engineer, Guwahati City Division No.I revealed that the division paid (December 2005) Rs.3.40 crore to the contractor in one installment against the maximum limit of Rupees one crore i.e. an excess of Rs.2.40 crore in contravention of rules. The division adjusted the MA between March 2006 and January 2009 in 12 installments. The division also did not recover any interest on the outstanding MA as of January 2009.

Thus, failure of the Department to restrict the MA to Rupees one crore as admissible and recover 10 *per cent* simple interest thereon resulted in temporary financial benefit of Rs.2.40 crore to the contractor and loss of interest of Rs.50.18 lakh to Government calculated at the average borrowing rates of the State Government prevailing during 2006-09.

In reply the Government stated (October 2009) that the clause of mobilization advance was incorporated in the tender agreement on the lines of the relevant clause of the Standard Bidding Document of the Union Ministry of Surface Transport, Department of Road transport and Highway. The fact remains that Assam PWD Manual, which is followed by the PWD, has no provision for granting MA and therefore CPWD Manual should have been followed instead of bidding document of a particular Ministry of the GOI.

2.2.5 Undue financial benefit

The Executive Engineer, PWD, Guwahati City Division No. III extended undue financial benefit of Rs.1.04 crore to the contractor by way of non-deduction of security deposit.

The work, 'Improvement and construction of RCC drain cum footpath from Chandmari Police Point to ROB Noonmati along MR Dewan Road (Ch.3,060 m to 6,080 m)', was administratively approved (December 2006) by the Guwahati Development Department for Rs.15.70 crore under Twelfth Finance Commission award for the year 2006-07. The work was awarded (February 2007) by the Chief Engineer, PWD (Roads) to a contractor at an enhanced tender value of Rs.14.06 crore with the stipulation to complete it within February 2009. The original tender value was enhanced (February 2007) from Rs.95.84 lakh to Rs.14.06 crore by changing the nomenclature of the original work of 'Special Repair to GNB Road (MR Dewan Road) in between Ch.3,060 m to 4,200 m' to 'Improvement and construction work' under Twelfth Finance Commission award. An expenditure of Rs.9.70 crore was incurred on the work with a physical progress of 80 *per cent* as of March 2009.

Scrutiny (April 2008) of records of the Executive Engineer, Guwahati City Division No. III revealed that according to clause 1 of special conditions of contract, 10 *per cent* security deposit was to be deducted from the contractor (two *per cent* of total value of work before commencement of the work and eight *per cent* from the interim bills paid to the contractor). Against the original tender value of Rs.95.84 lakh, a sum of Rupees two lakh was deposited by the contractor as security deposit. However, earnest money convertible to security deposit amounting to Rs.26.12 lakh (two *per cent* of enhanced tender value of Rs.14,06,11,600 – Rs. 2,00,000 already recovered) was not recovered from the contractor. Further, eight *per cent* of security deposit amounting to Rs.77.60 lakh (eight *per cent* of Rs.9.70 crore) was also not deducted from the interim bills paid to the contractor.

Non-deduction of security deposit from the contractor's bills according to the terms of the contract led to undue financial benefit of Rs.1.04 crore (Rs.26.12 lakh + Rs.77.60 lakh).

Government stated (October 2009) that since 80 *per cent* work was completed by the contractor and Rs.2.44 crore (Rs.11.24 crore – Rs.8.80 crore) was payable to the contractor, security deposit of Rs.1.04 crore was not deducted. The reply is not acceptable because as per provision of tender agreement, eight *per cent* security deposit should be deducted from each payment made to the contractor, which accumulated to Rs.1.04 crore as of March 2009. Besides, the security deposit is retainable by the Government for a period of five years from the certified date of completion and therefore not adjustable with balance payment to the contractor.

2.2.6 Undue financial benefit

The Executive Engineer, Guwahati Road Division extended undue financial benefit of Rs.79.45 lakh to the contractor through machinery advance against key equipments.

The Chief Engineer, PWD (Roads) awarded (January 2006) the work of construction of roads from (A) Ghilabari to Silobori and Raipara to Balapara and (B) Passamtola to Paschim Dhuli and Aggumi to Hatipara to a contractor at a tendered value of Rs.5.60 crore and Rs.5.72 crore respectively under Pradhan Mantri Gram Sadak Yojana (PMGSY) with the stipulation to complete the works by 31 October 2006 and 5 November 2006 respectively. Till July 2008 an expenditure of Rs.5.47 crore and Rs.5.69 crore respectively was incurred on the completed works.

Scrutiny (August 2008) of the records of the Executive Engineer (EE), Guwahati Road Division, Guwahati revealed that according to tender agreement, the qualification of a bidder was to provide evidence of ownership of key equipment such as tipper and also to demonstrate the availability of the equipments for construction work either owned, or on lease or on hire. Thus, the provision for machinery advance in the tender agreement was obviously meant for the equipments other than the key equipments because the possession of key equipment like tipper was the pre requisite qualification of a bidder. However, the Head of Project Implementation Unit, Kamrup district paid (March 2006) an amount of Rs.79.45 lakh to the contractor as machinery advance for eight 'SK 1613/36 8 CM CMVR T-RAM tippers' against the bills passed by EE on a copy of proforma invoice dated 7 March 2006. Records in support of actual procurement of the machinery could not be made available to audit. The advance was adjusted from the payments made to the contractor and the works were also completed in April 2007 and March 2007 respectively.

Thus, providing machinery advance for key equipments such as tippers, the possession of pre-requisite for a bidder, resulted in extension of undue financial benefit of Rs.79.45 lakh.

The matter was reported to Government in May 2009; reply had not been received (October 2009).

Revenue and Disaster Management Department

2.2.7 Undue financial benefit

The Deputy Commissioner, Karimganj allowed unauthorised adjustment of rice of inferior quality with those of superior quality resulting in undue financial benefit of Rs.33.99 lakh to the supplying agency.

Scrutiny (February-March 2008) of records of the Deputy Commissioner (DC), Karimganj revealed that during the flood of September 2007 the DC issued (9 to 15 September 2007) 20 supply orders to M/S Karimganj Wholesale Co-operative Stores (KWCS) for supply of 465.16 tonne rice for distribution among the flood affected people of the district. The variety/specimen of rice and the rate at which the rice was to be supplied were not mentioned in the supply orders issued by the DC. The agency was, however, supplying rice (APL) for relief purposes @ Rs.8,663.80 per tonne during 2007-08. The agency started the supply (against the above orders) since 9 September 2007 and supplied the full quantity of 465.16 tonne rice as on 15 September 2007.

On receipt (14 September 2007) of allotment of 1,500 tonne rice (against the total requirement of 1,228 tonne) from the Government of Assam, Revenue and Disaster Management Department for distribution among the flood affected people of Karimganj District, the DC engaged (15 September 2007) the same agency, i.e., KWCS for lifting the allotted rice from FCI Badarpurghat godown and distribution among various circles of the district for eventual distribution to the flood affected people. The agency lifted (between 16 September 2007 and 4 October 2007) a total quantity of 1,228 tonnes of rice valued at Rs.2 crore⁶ including transportation and loading/unloading charges of Rs.2.33 lakh.

Scrutiny revealed that the KWCS issued a total quantity of 1,228 tonne rice to various circles, out of which 465.16 tonne were issued from its own stock of APL rice. The agency, however, did not submit any claim for the cost of the rice supplied from its own stock. It, instead, adjusted the rice from the rice lifted from FCI.

Thus, by allowing adjustment of cheaper variety of APL rice (Rs.8,663.80/tonne), with costlier FCI rice (Rs.15,970/tonne), the DC extended undue financial benefit of Rs.33.99 lakh to the supplying agency.

⁶

(In rupees)	
1228 tonne @ Rs.15,970	1,96,11,160
Add VAT @ 1%	1,96,112
Amount paid to FCI on 29.02.2008	1,98,07,272
Transportation @ Rs.90 per tonne = 1228 X Rs.90	1,10,520
Loading and unloading @ Rs.50 per tonne = 1228 X Rs.50	61,400
Loading to Relief parties @ Rs.50 per tonne = 1228 X Rs.50	61,400
Paid to KWCS on 24.10.2007	2,33,320
Grand total	2,00,40,592

In reply, the DC, Karimganj admitted (June 2009) that the firm was allowed to adjust costlier FCI rice with the cheaper APL rice issued by the firm. Reply from the Government is awaited (October 2009).

2.3 Idle investment/blocking of funds/delays in commissioning of equipment/diversion/misutilisation of funds etc.

Health and Family Welfare Department

2.3.1 Non-achievement of objectives of NMHP

Central funds of Rs.21.34 lakh, received by the Principal, Gauhati Medical College and Hospital under District Mental Health Programme, remained blocked in the bank for more than four and a half years, which resulted in non-achievement of the objectives of NMHP.

National Mental Health Programme (NMHP) was launched in the country in 1982 with the objectives of (i) ensuring availability and accessibility of minimum mental health care for all in near foreseeable future, particularly to the most vulnerable sections of the population; (ii) encouraging mental health knowledge and skills in general health care and social development and (iii) promoting community participation in mental health service development and to stimulate self-help in the community.

The GOI sanctioned and released (October 2004) Rs.26.20 lakh to the Principal-cum-Chief Superintendent (Principal), Gauhati Medical College and Hospital (GMCH) for implementation of five components of the four year long District Mental Health Programme (DMHP) under NMHP in Nalbari district.

Scrutiny (April-May 2006) of records of the Principal and further information collected (April 2009) revealed that out of the funds of Rs.26.20 lakh, only Rs.4.86 lakh could be utilised by the implementing authority as of April 2009. The balance Rs.21.34 lakh remained unutilised in the bank ostensibly due to the delay in selection and appointment of the Nodal Officer for the Programme.

The Government in its reply stated (September 2009) that the delay in appointment of Nodal Officer was due to shortage of staff in Psychiatry department of GMCH and unwillingness of the eligible doctors to act as the Nodal officer. The reason given by the Government for non-achievement of the objectives of the programme are not valid since the Government should have considered engagement/recruitment of manpower before initiating the programme. Also, while the Nodal Officer was appointed in October 2007 the programme could not be implemented even thereafter.

Thus, due to lack of timely action by the Government, the objectives of NMHP remained unachieved besides blocking Central funds of Rs.21.34 lakh in the bank account for more than four and a half years. Further, 1,278 patients of the District, suffering from mental illness were deprived of the intended benefit under the scheme.

2.3.2 Unproductive expenditure

The Health and Family Welfare Department incurred unproductive expenditure of Rs.54.97 lakh towards pay and allowances of idle staff of the departmental offset press.

The departmental offset press of Health and Family Welfare Department, Assam was set up in 1973 and went into production in January 1974. It is a full fledged printing press with 13 printing and other related machinery and 22 regular technical/skilled staff. The objective and function of the offset press is to produce various printing materials for the entire Health and Family Welfare Department.

Scrutiny (April 2009) of records of the Superintendent, Offset Press, Hedayatpur revealed that 7 out of the 13 machinery of the Press had been lying out of order for periods ranging from six to fifteen years for want of repairs. Thus, 10 of the 22 technical/skilled staff of the Press had been sitting idle for the corresponding periods and drawing their pay and allowances without any work. During the last six years the Department incurred Rs.54.97 lakh towards the pay and allowances of these idle staff without utilising their services, resulting in unproductive expenditure of Rs.54.97 lakh.

Further, due to obsolete machinery and consequent idling of nearly 50 *per cent* of the technical/skilled staff, the production capacity of the Press was adversely affected and as a result the Department had to offload major portion (88 *per cent*⁷) of printing works under National Rural Health Mission, to private presses during 2005-09.

Though, the Superintendent of the Printing Press took up the matter with the higher authorities time and again, no action was initiated by the Directorate/Department for gainful utilisation of the services of the idle staff.

The matter was reported to Government in June 2009; their replies had not been received (October 2009).

Labour and Employment Department

2.3.3 Idle expenditure

Due to poor planning and non-provision of funds and manpower by Labour and Employment Department, the Regional Boiler Testing Laboratory remained incomplete resulting in unproductive expenditure of Rs.1.99 crore.

The North Eastern Council (NEC), Shillong sanctioned Rs.2.43 crore (Rs.0.60 crore for civil work and Rs.1.83 crore for plant and machinery) to the Government of

⁷ During 2005-09, out of total printing works worth Rs.11.01 crore under NRHM, printing works worth Rs.9.69 crore was done by private presses.

Assam, Labour and Employment Department, during 2004-05 (Rs.1.50 crore) and 2005-06 (Rs.0.93 crore) for setting up a Regional Boiler Testing Laboratory at Guwahati. The project was to be implemented by the Chief Inspector of Boilers (CIB) under the Central Scheme for Promotion of Industries in NER (SPINE). The GOA released (2004-05) Rs.1.49 crore (Rs.0.60 crore for civil work and Rs.0.89 crore for plant and machinery), which was drawn by the CIB in March 2005. The laboratory was to be commissioned by 31 March 2007.

Scrutiny (March 2009) of records of the CIB and collection (May 2009) of further information from the CIB revealed that the civil work (earth filling, security wall and construction of building) was completed in March 2007 at an expenditure of Rs.60 lakh. Meanwhile, in March 2006, after observing all formalities, the CIB issued a supply order to a Kolkata based firm (M/s Blue Star Limited) for supply of machinery and equipment worth Rs.88.66 lakh. The terms of the supply included satisfactory delivery, installation and commissioning of the listed machinery and equipment/instruments and demonstration and training to officers/operators for specified period as decided by the CIB. However, although the plant and machinery were installed (July 2007), these could not be made operational due to lack of manpower and funds from the Government. Further, according to the conditions of the supply order, demonstration and training was to be imparted to the officers/operators by the supplier free of cost, which could not be undertaken due to the failure of the Government to post staff to operate the machines.

In reply, the Government stated (July 2009) that machinery worth another Rs.50 lakh were procured and installed by the end of 2008-09 and the remaining funds of Rs.44 lakh meant for some more machinery were to be released by the NEC. It was further intimated that instead of recruitment of technical manpower to run the laboratory, the Government is now considering outsourcing the works to private consultants.

As per terms of the sanction of NEC the project should have been completed by March 2007. There were intermittent delays in installation of the machinery and consequent delay in obtaining further releases from NEC. Further, the Government had not decided whether to go for recruitment of manpower or outsourcing the work. Thus, the project remained incomplete even after 28 months of the due date of its completion, rendering the expenditure of Rs.1.99 crore idle. Besides, the objective of setting up the laboratory i.e., statutory testing of materials related to boilers, pipelines, pressure parts etc., as per requirement of Indian Boiler Regulation, 1950, remained unachieved. Further, because of non-commissioning of the Laboratory, the objective to minimize the recurrence of boiler related failures in the industries located in North Eastern region due to bad workmanship and inferior quality of materials leading to accidents in industries/factories, could not be achieved.

Panchayat and Rural Development Department

2.3.4 Diversion of funds

The Project Directors, DRDA Dhemaji and Jorhat diverted scheme funds of Rs.52.29 lakh towards transportation cost.

As per guidelines of “Sampoorna Grameen Rozgar Yojana” (SGRY) and “National Food For Work Programme” (NFFWP) the State Government should bear the transportation cost and handling charges (including taxes, if any) for the foodgrains (wheat/rice) component received from the GOI under the scheme, and funds provided under the scheme are not to be utilised for payment of transportation cost.

Scrutiny (March-April 2008 and November-December 2008) of records of the Project Directors (PD), DRDA Jorhat and Dhemaji revealed that during 2005-07 the PDs lifted and transported 27,221 tonne⁸ (SGRY: 25,527 tonne and NFFWP: 1,694 tonne) of rice from FCI godown to the Block/DRDA godowns/warehouses etc. In violation of the scheme guidelines, the PDs incurred an expenditure of Rs.52.29 lakh (SGRY: Rs.47.02 lakh and NFFWP: Rs.5.27 lakh) towards transportation cost out of the scheme funds meant for rural employment generation. Due to this diversion, 76,058 mandays (@ Rs.68.75 per manday) of employment could not be generated and the eligible beneficiaries were deprived of the benefit of employment to that extent. The PDs did not initiate any action to get the amount reimbursed by the State Government.

Further, the National Rural Employment Guarantee Scheme (NREGS) had already been launched with effect from February, 2006 in Dhemaji district. NREGS subsumed the two erstwhile schemes, viz., SGRY and NFFWP since the date of its launch. Therefore, the PD, DRDA, Dhemaji should not have incurred expenditure under SGRY and NFFWP during 2006-07, as it was a scheme which had already been closed.

In reply, the Executive Directors, DRDA, Jorhat and Dhemaji stated (October 2009) that the transportation cost was met from the schematic contingency of the programmes, which is permissible as per Annual Report – 2004-05 published by the Rural Development Ministry of GOI.

8

PD, DRDA concerned	---	SGRY	NFFWP	Total
Jorhat	Rice lifted (in tonnes)	18151	--	18151
	Expenditure incurred in lakh of Rupees	25.63	--	25.63
Dhemaji	Rice lifted (in tonnes)	7376	1694	9070
	Expenditure incurred in lakh of Rupees	21.39	5.27	26.66
Total	Rice lifted (in tonnes)	25527	1694	27,221
	Expenditure incurred in lakh of Rupees	47.02	5.27	52.29

It was, however, noticed that the relevant paragraph of the Annual Report says that North Eastern States are permitted to meet the transportation cost out of their respective cash component subject to permissible ceiling for each State. As per guidelines of SGRY, the District Panchayats and Intermediate Panchayats can spend upto two *per cent* of the respective share of funds released during the year, which is specifically meant for administrative contingencies and not for transportation cost. The fact that diversion of scheme funds towards transportation is not permissible, would be further evident from the instance of reduction of funds by the GOI in case of DRDA, Karimganj (Ref: Paragraph-2.5.2).

The matter was reported to Government in May 2009 and was also discussed in the meeting held on 8 October 2009 with the Principal Secretary, P&RD Department; the Government did not offer any comments.

2.3.5 Non-achievement of project objectives

Inaction on the part of the Government/Department resulted in non-completion of project and non-achievement of the objectives, besides blocking Central funds amounting to Rs.4.33 crore.

The GOI allocated Rs.46.69 crore per year as Local Body Grants to the Government of Assam under the Eleventh Finance Commission award for Panchayati Raj Institutions (PRIs). The objective of the scheme (Local Body Grants) was to finance the maintenance of civic services in rural and urban areas. A portion of the grants (Rs.2.16 crore per year) was provided for development of database on finances of the PRIs.

Audit scrutiny (July 2008) of records of the Director, Panchayat and Rural Development (P&RD), Assam, and further information collected (April 2009) revealed that the Director, P&RD received a total of Rs.6.49 crore in December 2003 (Rs.2.16 crore), March 2005 (Rs.2.16 crore) and in March 2006 (Rs.2.17 crore) for development of the database of the PRIs. Out of Rs.6.49 crore, Rs.2.16 crore was utilised and the balance Rs.4.33 crore was retained by the Directorate for a period ranging from 15 to 24 months without utilisation.

The funds released to the Zilla Parishads (ZPs) in June 2006 (Rs.2.16 crore) and March 2008 (Rs.2.17 crore), out of Rs.6.49 crore also remained unspent with the ZPs as of April 2009. The State Government, however, intimated (June 2006) the GOI that the entire amount of Rs.6.49 crore was utilised for the approved project.

As such, the desired aims and objectives had not been achieved as the project remained incomplete despite availability of required funds.

In reply, the Commissioner of P&RD stated (October 2009) that though a proposal for the process of computerization upto GP level had been submitted (November 2005) to the Government, no decision in this regard had been taken by the Government as of date except constituting few sub-committees for formulating the procedures. As the

Government is yet to finalise the process of utilisation, the amount is lying unutilised with the ZPs (October 2009). The Government, however, stated (October 2009) that steps are now being taken for immediate implementation of the project.

2.3.6 Diversion of SGRY funds

The Project Director, District Rural Development Agency, Karimganj diverted SGRY funds of Rs.20.11 lakh towards purchase/construction of inadmissible items.

The objective of Sampoorna Grameen Rozgar Yojana (SGRY) is to provide additional wage employment in rural areas and thereby provide food security and improve nutritional levels besides creation of durable community, social and economic assets and infrastructural development in rural areas. According to the scheme guidelines, while creating rural infrastructure, emphasis should be given to labour intensive works and purely material oriented works are not to be taken up. SGRY funds cannot be utilised for creation of assets in the urban areas nor can the funds be diverted for creation of assets for Government offices.

Scrutiny (February-March 2008) of records of the Project Director (PD), DRDA, Karimganj revealed that the PD diverted SGRY funds of Rs.20.11 lakh during 2005-06 (Rs.14.61 lakh) and 2006-07 (Rs.5.50 lakh) for purchase of furniture and computer, installation of air conditioner and renovation of the conference hall of the Deputy Commissioner's establishment, shifting of office, construction of shed in the PD's establishment etc.

Expenditure incurred towards inadmissible items amounts to unauthorised diversion of rural development funds of Rs.20.11 lakh. Further, due to this diversion, 0.29 lakh mandays⁹ employment could not be generated and the eligible beneficiaries were deprived of the benefit of employment to that extent.

The PD in his reply furnished (September 2009) to the Commissioner of P&RD accepted diversion of Rs.9.44 lakh and stated that records relating to the balance expenditure of Rs.10.67 lakh were not traceable in his office. The Government did not offer any comments during the discussion (October 2009).

Planning and Development Department

2.3.7 Blocking of funds

Injudicious drawal of funds by the Deputy Commissioner, Nalbari in advance of requirement, resulted in blocking of Rs.1.81 crore for periods ranging from 18 to 32 months.

The Government of Assam launched an employment generating scheme by the name of "KALPATARU" under untied fund from the year 2003-04. The main objective of

⁹ Rs.20.11 lakh/Rs.68.75 per manday.

the scheme is to provide the unemployed youth a source of income through self employment and to bring them above the poverty line. The fund is to be placed at the disposal of the Deputy Commissioner (DC) of the respective districts who will act as the nodal agency of the scheme. The amount of financial assistance under the scheme ranges from Rs.7,000 to Rs.25,000. The beneficiary's contribution would be 20 per cent of the total unit cost.

Scrutiny (February-March 2009) of records of the DC, Nalbari revealed that the DC drew Rs.1.81 crore in February 2007 (Rs.93 lakh) and in March 2008 (Rs.88 lakh) as sanctioned by the Government for implementation of the scheme KALPATARU. However, though a period of two years has elapsed since the drawal of the first instalment, the DC could not utilise the fund (Rs.1.81 crore) as of March 2009 due to non-selection of beneficiaries and the entire amount remained locked in the current bank account of the DC.

Though sufficient publicity was given to the scheme by calling applications from interested candidates, adequate steps were not taken by the DC, Nalbari in case of selection of beneficiaries. The District Level Committee (DLC) meeting was held once each in 2007 and 2008 and twice in 2009. Due to disagreement among the DLC members in finalising the list of beneficiaries and lack of adequate follow up action to convene successive meetings to sort out the disagreement, implementation of the scheme has been delayed.

The Government in reply stated (August 2009) that the list of beneficiaries is under process and the fund will be utilised within a very short period. In September 2009 the DC, Nalbari stated that the beneficiaries had been selected during the 4th DLC meeting held on 9 June 2009 and the fund has been released.

The fact, however, remains that plan funds of Rs.1.81 crore remained blocked with the bank for periods ranging from 18 to 32 months due to drawal of funds before selection of beneficiaries. Blocking of funds for periods upto 32 months also resulted in denial of intended benefit of employment to the unemployed youth.

Public Works Department

2.3.8 Diversion of Calamity Relief Fund

The Executive Engineer, PWD, Barpeta Rural Road Division incurred an expenditure of Rs.63.08 lakh on restoration work by diverting funds provided under Calamity Relief Fund.

The Special Secretary and Central Relief Commissioner, GOI informed (September 2001) the State Chief Secretary that the Eleventh Finance Commission had considered and categorically rejected the State proposal to meet expenditure on restoration and reconstruction of roads etc., from Calamity Relief Fund (CRF). The relief fund was to

be utilised for immediate repair/restoration of damaged infrastructure caused by calamities such as cyclone, drought, earthquake, fire, flood and hailstorm to communication, power, public health, drinking water supply, primary education and community owned assets in social sector. It was emphasised in the GOI's instruction (September 2001) that the scope of this provision is strictly confined to repair/restoration of immediate nature is a major departure from earlier provision viz. "restoration to pre-calamity level".

Scrutiny of records (May 2008) of the Executive Engineer, Rural Road Division, Barpeta revealed that the State Revenue (General) Department sanctioned (February 2006) Rs.63.11 lakh for the work, 'CRF Flood Damage Repair (FDR) to unmetalled original Bamakhata-Kardeguri Road for 2005-06 (Breach filling and protection work at Gohinpara)' and directed to utilize the funds according to CRF norms which entails repair/restoration of immediate nature for carrying relief and essential commodities to the site. The Chief Engineer, PWD, (Roads) awarded (May 2006) the work to a contractor at a tendered value of Rs.63.11 lakh with the stipulation to complete it within 60 days from the date of issue of work order. The work was completed in June 2006 at a cost of Rs.63.08 lakh. Scrutiny, however, revealed that the work related to restoration of a portion of the road which was damaged during the flood of July 2004 and there was nothing on record to show that the work for which the amount was sanctioned was in the nature of immediate repair/restoration for carrying relief materials to the site.

Thus, taking up restoration work under CRF after almost 2 years of occurrence of flood not only violated the GOI guidelines but also went against the requirement of immediacy of relief measures and therefore, resulted in diversion of central funds to the tune of Rs.63.08 lakh. The reply (July 2009) of the Executive Engineer explaining that the delay was due to survey, preparation of detailed estimate, delay in sanction etc., also confirms that there was no immediate requirement.

The matter was reported to Government in April 2009; reply had not been received (October 2009).

Transport Department

2.3.9 Blocking of plan funds

Injudicious drawal of funds by the Commissioner of Transport, Assam in advance of requirement, resulted in blocking of Rs.40 lakh over a period of three years.

"Tourist Cab-2005", a project under the Chief Minister's transport oriented self employment scheme for educated unemployed youth with minimum qualification of Higher Secondary School Leaving Certificate (HSSLC), was introduced during 2005-06. Under the project, the beneficiaries were permitted to operate self driven taxi

service within the State. A margin money of Rs.0.25 lakh was allowed to each beneficiary besides other concessions like refund of excise duty, rebate on Motor Vehicle Tax, reduced rate of interest on loan etc. For implementation of the project the Government of Assam sanctioned (November 2005) Rs.50 lakh as margin money in respect of 200 beneficiaries.

Scrutiny (July 2008) of records of the Commissioner of Transport revealed that the Commissioner drew the entire amount of Rs.50 lakh on Abstract Contingent (AC) bill in February 2006. The Department failed to give wide publicity through print media for general awareness of educated unemployed youth about the scheme except publishing an advertisement in two local newspapers on a single day. No awareness campaign was also arranged in rural areas through Panchayats/Town Committees etc., to attract the youth towards the scheme. The District Transport Officers also did nothing for publicising of the scheme. As a result, the project could not generate adequate response among the eligible beneficiaries and the Commissioner could utilise only Rs.10 lakh towards payment of margin money to 40 beneficiaries between February 2006 and June 2007. The unutilised balance of Rs.40 lakh remained blocked in the form of Deposit at Call (DAC) with the State Bank of India, Dispur Branch (May 2009). During these three years the Department took no action towards utilisation or refund of the unspent balance in spite of repeated requests from the Commissioner. Further, the drawal of AC bill was not regularised (September 2009) by submission of Detailed Countersigned Contingent (DCC) bills.

Thus, due to lack of proper publicity, the project failed to attract attention of unemployed youth of the State and the objectives of the project were not achieved. Besides, injudicious drawal of funds in advance of requirement resulted in blocking the plan funds of Rs.40 lakh with the bank for over a period of three years.

The matter was reported to the Government in June 2009; their replies had not been received (October 2009).

2.4 Regularity issues and others

Animal Husbandry and Veterinary Department

2.4.1 Non-utilisation of Central assistance

The State Government did not release Central assistance of Rs.18.41 crore received for conduct of Livestock Census.

The GOI sanctioned and released Rs.2.90 crore to the State Government during the Tenth plan period (2002-07) under 100 *per cent* Central Sector Scheme "Assisting the States/UTs in the conduct of 17th Livestock Census". Till the end of the 10th plan, the State Government released only Rs.1.05 crore, which was utilised by the Nodal Officer (Director, Animal Husbandry and Veterinary Department). The lapsed

balance of Rs.1.85 crore was, however, revalidated (August 2007) by the GOI for utilisation during 2007-08.

Scrutiny (July 2008) of records of the Director, Animal Husbandry and Veterinary (AH & Vety) and further information collected (September 2009) revealed that during 2007-08 the State Government released (January 2008) only Rs.50 lakh out of the revalidated amount of Rs.1.85 crore, which was utilised by the Director, AH & Vety. The balance Rs.1.35 crore lapsed again in March 2008, which was again revalidated in March 2009. During 2007-09, the GOI released another Rs.17.06 crore¹⁰, which remained unutilised as of September 2009.

Further, due to delay in release of funds by the State Government, the work of the Livestock Census could not be completed in time. Enumeration for the districts could be completed only in September 2008; other schematic works are lying incomplete as of September 2009.

The matter was reported to Government in June 2009; their replies had not been received (October 2009).

Public Works Department

2.4.2 Unauthorised expenditure

Action of the Department in taking up the work without administrative approval and also shifting the location of approved work led to unauthorised expenditure of Rs.5.02 crore.

The work of 'Improvement of GNB Road to 4 lane carriageway' (widening the existing hard crust including construction of footpath cum drain) from chainage 1230 m to 1,920 m under Annual Plan 2004-05 was administratively approved (November 2004) by the State Public Works Department (PWD) for Rs.6.12 crore. The Chief Engineer (CE), PWD (Roads), awarded (December 2004) the work to a contractor at a tendered cost of Rs.4.39 crore without stipulating any target date for completion. As of January 2009, Rs.5.02 crore was paid to the contractor against the completed (December 2006) work which was done from chainage 1,780 m to 2,465 m instead of chainage 1,230 m to 1,920 m including other works not included in the administrative approval.

Scrutiny (January 2009) of records of the Executive Engineer (EE), Guwahati City I Division revealed that due to proposed construction of a flyover at the original location of the work, the improvement work of the chainage was changed 1,780 m to 2,465 m instead of chainage 1,230 m to 1920 m. For execution of the work at the new location, a working estimate (WE) for Rs.6.12 crore was prepared on the strength of the original administrative approval with inclusion of an altogether new item 'extension and

¹⁰ Rs.1.45 crore in September 2007; Rs.11 lakh in December 2007; Rs.6 crore in March 2008 and Rs. 9.50 crore in June 2008.

renovation of office building of CE, PWD (Roads) for Asom PWD Computerisation Project and Tender Receiving Centre' for Rs.68.62 lakh and the original tender value of Rs.4.39 crore was enhanced (February 2005) to Rs.5.08 crore. As most part of the chainage was changed and new items of work viz. 'building renovation and extension' was included in the fresh estimate, the division was required to obtain fresh administrative approval and technical sanction, which was however not obtained.

Thus, the action of the Department in taking up the work without administrative approval and also shifting the location of approved work led to unauthorised expenditure of Rs.5.02 crore.

The matter was reported to Government in May 2009; reply had not been received (October 2009).

Revenue and Disaster Management Department

2.4.3 Unauthorised payment and irregular retention of funds

The Deputy Commissioner, Sivasagar made an unauthorised payment of Rs.25.03 lakh and irregularly retained Rs.26.07 lakh from Calamity Relief Fund.

Government of Assam, Revenue and Disaster Management Department sanctioned (December 2007) and released (March 2008) Rs.53.17 lakh to the Deputy Commissioner (DC), Sivasagar for payment of outstanding claims of FCI for supply of relief materials to the flood affected areas during 2007. In terms of the sanction letter the funds were to be utilised exclusively for clearance of outstanding dues of current year's (2007-08) liabilities of FCI. The unutilised funds or excess amount, if any, were to be refunded to the Government.

Scrutiny (February-March 2009) of records of the DC, Sivasagar revealed that only Rs.2.07 lakh, that too pertaining to 2002-03, was paid (August 2008) against the outstanding claims of FCI. Out of the balance Rs.51.10 lakh, the DC unauthorisedly paid (October-December 2008) Rs.25.03 lakh to five private suppliers¹¹ for supply/transportation of relief material to Dhakuakhana Sub-division of Lakhimpur District during the flood of 2008 retaining the balance of Rs.26.07 lakh in his current account without surrendering (March 2009) it as required in the instructions contained in the sanction letter.

Thus, the DC made unauthorised payment of Rs.25.03 lakh and irregularly retained Rs.26.07 lakh in violation of Government instructions.

¹¹ (1) M/S Pirdhan Chhaganlal, Sivasagar	Rs.12.28 lakh
(2) M/S Kamakhya Roller Floor Mills, Sivasagar	Rs. 0.35 lakh
(3) M/S Bhattar Traders, Sivasagar	Rs. 9.36 lakh
(4) President, Sivasagar Mini Truck Owners Association	Rs. 1.77 lakh
(5) M/S Nanchand Manikchand & Co., Sivasagar	<u>Rs. 1.27 lakh</u>
	Rs.25.03 lakh

In reply, the DC, Sivasagar stated (August 2009) that as the outstanding dues of FCI for the year 2007 (Rs.72.90 lakh) was already cleared (March 2008) from the available funds Rs.1.25 crore released by the Government of Assam during 2007, there was no outstanding liabilities with the FCI when Rs.53.17 lakh was released. On receipt (30 August 2008) of wireless telegraphic (WT) message from DC Lakhimpur and telephonic direction from the Principal Secretary, Revenue and Disaster Management Department, the relief materials were sent to Dhakuakhana and subsequently the payments were made to the suppliers. The unutilized fund of Rs.26.07 lakh was retained to meet emergent situation of flood relief either for Sivasagar district or for Dhakuakhana.

The reply of the DC cannot be accepted as the WT message dated 30 August 2009 from DC, Lakhimpur clearly stated that the bill for the relief items was to be sent to them for payment. The DC, Sivasagar remained silent on why he himself made the payment instead of forwarding the bills to DC, Lakhimpur for payment. Regarding telephonic direction of the Principal Secretary, no follow up written confirmation from the Government was made available by the DC, Sivasagar. Further, retention of the balance fund without any directive from the Government was also irregular.

The matter was reported to Government in June 2009; their replies had not been received (October 2009).

2.5 General

2.5.1 Follow up on Audit Reports

Non-submission of suo-moto Action Taken Notes

In terms of the resolution (September 1994) of the Public Accounts Committee (PAC), the administrative departments are required to submit *suo-moto* Action Taken Notes (ATNs) on paragraphs and reviews included in the Audit Reports within three months of presentation of the Audit Reports to the Legislature, to the PAC with a copy to the Accountant General (AG), (Audit) without waiting for any notice or call from the PAC, duly indicating the action taken or proposed to be taken. The PAC in turn is required to forward the ATNs to AG (Audit) for vetting before its comments and recommendation.

As of March 2009 the PAC discussed 922 out of 1,413 paragraphs and reviews pertaining to the years 1983-2008. However, ATNs pertaining to none of the paragraphs/reviews was received *suo-moto* either from the Departments or through the PAC. Consequently, the audit observations/comments included in these paras/reviews are yet to be settled by PAC as of March 2009.

2.5.2 Action taken on recommendations of the Public Accounts Committee

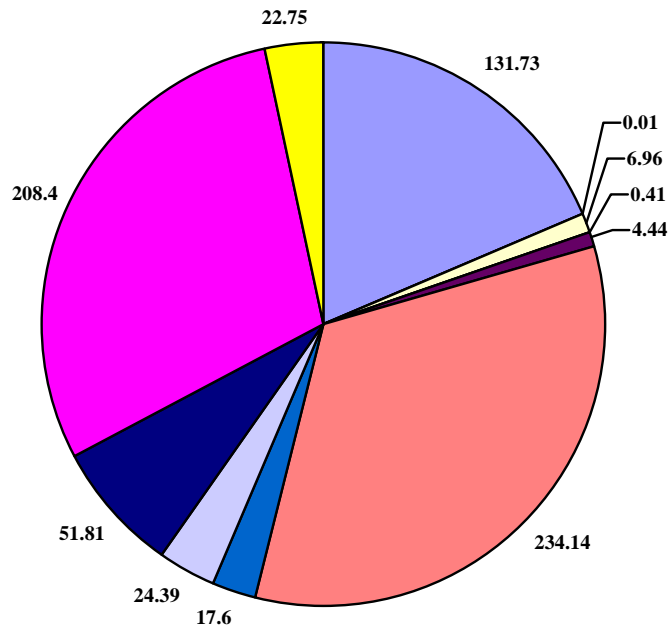
Three hundred and fifty two recommendations of the PAC, made in its Fifty Fifth to Hundred and Eighteenth Report with regard to 36 Departments, were pending settlement as of March 2009 due to non-receipt of Action Taken Notes/Reports.

2.5.3 Response to audit observations and compliance thereof by senior officials

The Principal Accountant General (AG) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of significant accounting and other records according to prescribed rules and procedures. When important irregularities, detected during inspection are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned Offices with a copy to the next higher authorities. Orders of the State Government (March 1986) provide for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action in compliance with the prescribed rules and procedures. The authorities of the Offices and Departments concerned are required to examine the observations contained in the IRs in the light of the given rules and regulations and prescribed procedures and rectify the defects and omissions promptly wherever called for and report their compliance to the AG. A half-yearly report of pending IRs is sent to the Commissioners and Secretaries of the Departments concerned to facilitate monitoring of the audit observations in the pending IRs.

IRs issued upto December 2008 pertaining to Civil Departments/Public Health Engineering Department/Public Works Department/Flood Control Department/Irrigation and Inland Water Transport Department disclosed that 17,177 paragraphs pertaining to 4,304 IRs were outstanding for settlement at the end of June 2009. Of these, 1,066 IRs containing 2,522 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of Offices within six weeks from the date of issue, were not received from 39 departments in respect of 1,318 IRs issued between 1975-76 and 2008-09. As a result, serious irregularities, commented upon in 2,133 paragraphs involving Rs.702.64 crore, had not been addressed as of June 2009 as shown in Chart-1.

Chart-1



- Non-observance of of rules relating to custody and handling of cash, maintenance of Cash Book and Master Rolls et.
- Securities from persons holding cash and stores not obtained
- Stores not maintained properly etc.
- Improper maintenance of logbook of departmental vehicles
- Local purchase of stationery etc., in excess of authorised limit and expenditure incurred without proper sanction
- Delay in recovery of receipts, advances and other charges
- Payment of grants in excess of actual requirement
- Want of sanction to write off loan, losses, etc.
- Over-payments of amount disallowed in Audit not recovered
- Wanting utilisation certificates and audited accounts in respect of grants-in-aid
- Actual payee's receipts wanting

A review of the IRs, which were pending due to non-receipt of replies in respect of 39 departments, revealed that the Heads of Departments (Directors/Executive Engineers) had not furnished replies to a large number of IRs indicating their failure to initiate action in regard to defects, omissions and irregularities pointed out by Audit. The Commissioners and Secretaries of the Departments concerned, who were informed of the position through half-yearly reports, also failed to ensure that the officers concerned of the Departments took prompt and timely action.

The above mentioned facts also indicated inaction against the defaulting officers thereby facilitating continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

In view of large number of outstanding IRs and Paragraphs, the Government has constituted two Audit Objection Committees at State level for consideration and settlement of outstanding audit observations relating to Civil and Works departments. During 2008-2009, 226 meetings (Civil: 175; Works: 51) of the Committees were held, in which 1,891 IRs and 6,859 Paragraphs were discussed and 158 IRs and 2,276 Paragraphs settled.

It is recommended that Government review the matter and ensure that effective system exists for (a) action against defaulting officials who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action to recover loss/outstanding advances/ overpayments in a time bound manner, and, (c) revamp the system to ensure prompt and timely response to the audit observations.