

CHAPTER-IV
AUDIT OF TRANSACTIONS OF NORTH CACHAR HILLS
AUTONOMOUS COUNCIL (NCHAC)

SPECIAL AUDIT OF NCHAC

The Government of Assam and the Government of India requested Audit to conduct a special audit of the funds released to NCHAC. Accordingly, audit was conducted for the period from 2007-08 to 2009-10 (up to 12 June 2009) during 12 May 2010 to 02 July 2010.

There were 30 Departments with 76 Divisions/Drawing and Disbursing Officers (DDOs) functioning during the period covered in special audit from 2007-08 to 2009-10 (up to 12 June 2009). In the special audit, besides scrutiny of records of the Council, records of eight Departments¹ and 39 Divisions/DDOs there under were selected for audit. Selection was made based on grounds of materiality, allegation of serious irregularities in fund management.

Of these 39 Divisions/DDOs, most of the records related to four Divisions/DDOs namely Executive Engineers, PWD (Road), Haflong and Mahur; Executive Engineer, PHE, Haflong (2008-10); Deputy Director, Social Welfare, Haflong were not produced to audit for verification till the date of audit (02 July 2010) of the Council due to stated seizure of records by National Investigation Agency (NIA) and Central Bureau of Investigation (CBI). However, NIA furnished copies of some records in respect of Social Welfare and PHE Department; relevant information thereon was duly taken into consideration and audit findings were updated/ modified accordingly. Audit findings are being pursued as usual through Inspection Report. The Inspection Report was issued to Hill Area Development Department and Finance Department, GOA and also to NCHAC in October 2010. Only a few significant cases on the transactions audit are indicated in the succeeding paragraphs. State Audit Committee meeting under the chairmanship of Chief Secretary, GOA held on 04 November 2011, discussed the paragraphs including other paragraphs (other than NCHAC paragraph) before inclusion in Audit report. It was assured in the meeting that replies to the paragraphs would be furnished within seven days. However no reply in respect of NCHAC paragraphs was furnished as of November 2011.

¹ 1. Agriculture, 2. Education, 3. Forest, 4. Medical, 5. Public Health Engineering, 6. Public Works, 7. Social Welfare and 8. Tourism.

4.1 Cases of fraud/misappropriation/losses

Agriculture Department

4.1.1 Suspected misappropriation

NCHAC, Haflong drew ₹11 crore from district fund which was not accounted for in the cash book and details of utilization were not available on record. Thus, misappropriation of ₹11 crore could not be ruled out.

Rules 78 and 79 of Assam Financial Rules (AFR) provide that every payment should be supported by vouchers and Actual Payee's Receipts (APRs). Further, according to Rule 95 of AFR, every receipt and disbursement should be recorded in the cash book.

Annual Sectoral Plan Allocation 2007-08 of the State budget provided (21 March 2007) ₹six crore for water shed projects for boosting agricultural production and ₹five crore to rejuvenate orange orchards for income generation of tribal horticulture farmers under Hill Areas Development Programme (Special Central Assistance) to be implemented through North Cachar Hills Autonomous Council (NCHAC), Haflong and Agriculture Department.

According to procedure, the DDO is to submit requisition of fund showing details of approved scheme/project to the Council for further approval. The Council is to issue cheques in favour of DDO after due verification of the facts. Scrutiny (May-July 2010) of the records revealed that District Agriculture Officer (DAO), Haflong placed (5 May 2007) requisition for ₹eight² crore (₹three crore for Crop Husbandry and ₹five crore for rejuvenation of orange orchards scheme/project) to NCHAC. Based on the requisition, Principal Secretary (Transfer) NCHAC, with the approval of the Executive Member of the Council, drew (18 May 2007) a cheque of ₹eight crore in favour of the DAO, Haflong prior to receipt of fund from the Government. No project report/detailed action plan/administrative approval etc. were made available to audit, though called for. The Principal Secretary (Transfer), NCHAC drew (28 May 2007) another cheque of ₹three crore in favour of DAO, Haflong for contingencies without any requisition. Both the amounts (₹eight crore and ₹three crore) were withdrawn from District Fund³ on 21 and 29 May 2007. Receipts of the above amounts, however, were not reflected in the bank account and cash book of DAO. The DAO also denied (July 2010) receipt of any such fund. The DAO, however, failed to furnish treasury transit register through which cheques were sent to treasury for drawal. Thus, according to treasury records, although ₹11 crore was withdrawn from "District Fund", its receipt was not reflected either in the records of DAO or of the Council. No records of progress report, vouchers,

² Material and supply: ₹7.5 crore; other charges: ₹0.5 crore.

³ Personal Ledger Account of NCHA District maintained by Treasury.

APRs etc., showing implementation of the schemes were also available either with the Council or with the DAO, Haflong.

Thus, misappropriation of ₹11 crore could not be ruled out as the amount was not entered in the cash book of DAO and the Council also failed to furnish its whereabouts.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

4.1.2 Suspected misappropriation

NCHAC failed to produce details of utilization in support of ₹seven crore withdrawn from District Fund, raising concerns about its misappropriation.

NCHAC decided, vide Notification dated 20 May 2007, to constitute an Agriculture Mission initially for a period of one year to function as a separate unit within the Agriculture Department. The purpose of formation of the mission was to boost rural economy and arrest the pernicious practice of 'jhum' cultivation through expansion of area of horticulture and agriculture programme by implementing and popularising use of modern machines and technology. The Mission was set up in May 2007.

In a meeting held on 6 September 2007 (presided over by the Governor of Assam), retired DAO, Haflong (superannuated on 30 May 2007) was appointed as Mission Director (MD) and entrusted with the responsibility of implementation of schemes and submission of accounts to Governor's Secretariat. Accordingly, the retired DAO assumed (7 September 2007) charge as Mission Director and was declared (15 October 2007) DDO of the Mission. However, function of DDO was subsequently withdrawn (12 August 2008) from the Mission Director and Principal Secretary (Transfer), NCHAC functioned as DDO as retired DAO had no authority of drawal of Government money. According to Notification dated 20 May 2007, the Mission was to continue till May 2008. No record of its extension or discontinuance was found available with the Council.

Scrutiny (May-July 2010) of the records revealed that during 2007-09 the Council issued cheques of ₹seven crore as detailed below:

(₹ in crore)		
Cheque No. and date	Amount (₹ in crore)	To whom issued
0063499 17 October 2007	2.00	Mission Director
0063718 17 November 2007	1.50	Mission Director
0100096 date not available	2.00	Principal Secretary (Transfer), NCHAC
0099900 11September 2008	1.00	Principal Secretary (Transfer), NCHAC
0121922 18 March 2009	0.50	Principal Secretary (Transfer), NCHAC
Total	7.00	

Principal Secretary (Transfer) issued two cheques for ₹3.50 crore in favour of Mission Director⁴ during October and November 2007 and three cheques for ₹3.50 crore in favour of himself during October 2008 to March 2009. Entire ₹seven crore was withdrawn (October 2007 to March 2009) from the district fund⁵.

According to the procedure envisaged in Receipts and Payments Rules 1983, on receipt of cheque, entry is to be made in 'Register of valuables' and the cheque is to be sent to treasury along with treasury transit register and advice slip for crediting the money in DDO's bank account. As soon as money is deposited in DDO's bank account, receipt of money is to be entered in the cash book of the DDO. However, treasury transit register, advice slip, cash book etc., were not made available to audit, though called for. Besides, no records of utilization *viz.* detailed project report, approved action plan, vouchers, APRs, progress report, monitoring report, evaluation/impact assessment report etc., were found available with NCHAC or DAO. Even no requisition was placed against ₹3.50 crore released during 2007-08 to Mission Director. Thus, misappropriation of ₹seven crore could not be ruled out as the Council failed to furnish utilization or whereabouts of the amount after its withdrawal from district fund.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

Health and Family Welfare Department

4.1.3 Suspected misappropriation

NCHAC failed to furnish utilization and whereabouts of ₹1.75 crore after its withdrawal from district fund. Thus, misappropriation of the said amount (₹1.75 crore) could not be ruled out.

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all money received and disbursed and for the safe custody of cash. Besides, Rule 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

According to normal procedure, NCHAC was to release funds through cheques in favour of the concerned line Department (Joint Director of Health Service, Haflong) for implementation of the approved schemes/programmes. Scrutiny (May-July 2010) of the records, however, revealed that the Principal Secretary (Transfer), NCHAC, in contravention to the existing procedure, drew three cheques amounting to ₹1.90 crore in his favour during November 2007 to March

⁴ The retired DAO, Haflong.

⁵ Personal Ledger Accounts of the NCHAC maintained by Treasury.

2009 for purchase of medicine (₹one crore), implementation of health care scheme/programme (₹0.60 crore) and incentives to doctors (₹0.30 crore) without any demand from the concerned line Department. Though the withdrawal from district fund was confirmed from the treasury, but the line Department received (April 2009) only ₹15 lakh from NCHAC on account of incentives to doctors. The whereabouts of balance fund of ₹1.75 crore could not be confirmed either from the records of the Council or that of the line Department. Besides, basic records viz. budget allotment, administrative approval, financial sanction, bid documents, comparative statements, tender agreement, supply orders, Bills/Vouchers, stock register, actual payees' receipts etc., were not available with the Council, though called for. No reply has so far been received (October 2011) from NCHAC or Government.

Thus, misappropriation of ₹1.75 crore (₹1.90 crore - ₹0.15 crore) could not be ruled out as the Council failed to furnish details of utilization of Government money after its withdrawal from district fund.

The matter was reported to Government in October 2010; their reply had not been received (September 2011).

Public Health Engineering Department

4.1.4 Loss of Government money

Payment of ₹2.17 crore without ensuring receipt of materials/execution of works resulted in loss of Government money to that extent.

Rule 479(1) of Assam Financial Rules stipulates that the Divisional Officer as the primary disbursing officer of the Division is responsible not only for the financial regularity of the transactions of the whole Division but also for the maintenance of the record of transaction correctly and in accordance with the rules in force.

Scrutiny (May-July 2010) of the records revealed that NCHAC released (June 2008 to March 2009) plan fund of ₹5.94 crore to Executive Engineer, Public Health Engineering Division, Haflong for maintenance of Water Supply Schemes (WSSs). Of this, the EE spent ₹2.39 crore on maintenance of Haflong WSS and balance ₹3.55 crore on other WSSs of the Division.

However, no materials were received by the Division nor any work was done in respect of payment of ₹1.98 crore (out of ₹5.94 crore) made to eight contractors/suppliers during January-February 2009. In addition, ₹19 lakh was also drawn by EE during January-February 2009, but details of schemes and contractor-wise payments etc., were not furnished to audit, though called for. In fact, vital records viz. sanction orders, estimates, work orders/supply orders, progress report, measurement books, bills, vouchers, utilisation statement, stock register etc., were not

furnished to audit. The Division accounted for the total payment of ₹2.17 crore (₹1.98 crore + ₹0.19 crore) under suspense head 'Miscellaneous Public Works Advance (3) losses etc' being the amount recoverable from the then Executive Engineer and a police case was lodged in February 2009 against him. Details of follow up action to recover the amount or initiation of Departmental proceedings against the defaulter, was not on record. Thus, in the absence of above records, circumstances leading to loss of Government money of ₹2.17 crore could not be ascertained in audit and the amount remained unrecovered.

The matter was reported to Government in October 2010; their reply had not been received (September 2011).

4.1.5 Doubtful expenditure

Executive Engineer, Public Health Engineering, Haflong Division made part payment of ₹1.30 crore to suppliers but failed to furnish receipt and details of utilization of the materials paid for rendering the entire expenditure doubtful.

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. Besides, Rules 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

Scrutiny (May-July 2010) of the records of NCHAC revealed that the Executive Engineer, Public Health Engineering, Haflong Division issued 10 supply orders in January 2008 for supply of Galvanized Iron (GI) Pipes, Prestress (PS) plates, Diesel pump sets etc under Accelerated Rural Water Supply Programme. He made (January 2008 and March 2008) part payment of ₹1.30 crore to four suppliers as advance (although there was no clause for payment of advance in the supply order) as detailed in *Appendix-4.1*.

According to the procedure in vogue, on receipt of materials, the bills are required to be verified by the authorised person receiving the materials and on his full satisfaction that the materials were received as per terms and specification, a certificate to that effect is to be recorded on the body of the bills. Then the bills are to be verified by the Divisional accountant and submitted to the Divisional Officer for issue of necessary pay order. However, no records of receipt and utilisation of the materials against the above payments were made available to audit, though called for. The basic records viz. administrative approval, financial sanction, bid documents, comparative statements, supply orders, delivery challan, site accounts, progress reports, measurement books etc., were also not made available to audit, though called for. In reply to audit queries, the Division stated (June and November 2010) that the then Executive Engineer verified all the bills personally and made payments violating Departmental rules without recording receipt of materials in measurement book and

site account. As such, this only confirms that the bonafide of expenditure of ₹1.30 crore was doubtful.

The matter was reported to Government in October 2010; their reply had not been received (September 2011).

Public Works Department

4.1.6 Misappropriation of fund

In violation of the relevant provisions of Assam Financial Rules, NCHAC withdrew ₹2.20 crore from district fund. Non-accountal of the amount in cash book and absence of any records in support of its utilisation point towards misappropriation of the Government money.

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. Besides, Rule 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

Scrutiny (May - July 2010) of the records revealed that a demand of ₹50 lakh was placed (19 January 2009) by the Executive Engineer, Public Works Division (R&B), Haflong for clearing outstanding liabilities in respect of construction of Passi-Garampani-Haflong Road. Against the demand, the then Principal Secretary of the North Cachar Hills Autonomous Council (NCHAC), who also happened to be the Deputy Commissioner (DC) of the district, proposed (19 January 2009) withdrawal of ₹2.20 crore (Haflong Division: ₹1.30 crore and Mahur Division: ₹0.90 crore) from the district fund. Mahur Division, however, had not placed any requisition for fund. Chief Executive Member of the Council approved the proposal on 19 January 2009 and the Principal Secretary, NCHAC withdrew (30 January 2009) ₹2.20 crore by drawing a cheque⁶ on Personal Ledger Account (PLA) in his favour.

The amount was neither entered in the cash book nor any document in support of releases to the concerned Divisions were made available to audit though called for. In reply to audit query, the concerned Divisions denied (June 2010) receipt of any fund on the said account.

Thus, ₹2.20 crore was misappropriated as neither the amount was accounted for in the cash book nor its whereabouts were produced by the Council to audit. The Council accepted (July 2010) the audit observation and the matter was referred to the Executive Committee and Government.

⁶ Cheque No. 0121441 dated: 28 January 2009.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

4.1.7 Doubtful expenditure

Absence of sanctioned estimate and fictitious measurement of work led to doubtful expenditure of ₹27.49 lakh.

Once the soil and rock, accumulated due to landslide, are cleared from the valley/gorge side, the scope for their measurement is well nigh impossible.

Scrutiny (May-July 2010) of the records of the Executive Engineer, Public Works Department (R&B), Maibong Division revealed that the work “Improvement of Purana Maibong Bonglaidisa Road (0 to 23 km)” was administratively approved (October 2006) for ₹70 lakh by the North Cachar Hills Autonomous Council, Haflong, but the relevant approved estimate was not made available to audit though called for. In the absence of approved estimate, the quantity of soil to be removed under the item ‘clearance and disposal of landslide’ remained unconfirmed.

The work was awarded (January 2007) to a contractor, selected after inviting tender, at the tendered value of ₹65.42 lakh. Clearance of landslide along with other item of works commenced on 15 January 2007 and completed on 29 March 2007. However, the measurements were recorded subsequently on 30 March 2007. According to the measurement book recordings and voucher, 83,308.62 cubic meter of landslide soil with ordinary rock were cleared and disposed by bulldozer at the cost of ₹27.49 lakh out of the total paid (August 2007) amount of ₹ 65.32 lakh.

As measurement after clearance and disposal of landslide soil from the valley/gorge side is not feasible, the expenditure of ₹27.49 lakh was doubtful.

The matter was reported to the Government in October 2010; their reply is awaited (September 2011).

4.1.8 Suspected misappropriation and unauthorised expenditure

Non-furnishing of the whereabouts of ₹3.88 crore by NCHAC pointed towards suspected misappropriation. Further NCHAC incurred unauthorised expenditure of ₹eight crore of scheme fund towards discharging old liabilities.

Rules 78 and 79 of Assam Financial Rules (AFR) provide that every payment should be supported by a voucher and Actual Payee’s Receipt (APR). Further, according to Rule 95 of AFR, every receipt and disbursement should be recorded in the cash book.

Scrutiny (May-July 2010) of the records revealed that Planning Commission sanctioned (March 2007) ₹20.50 crore as Special Central Assistance for

implementation of 10 road schemes⁷ of NCHAC. Accordingly, the State Government released ₹20.50 crore in October 2007. Out of the released amount of ₹20.50 crore, Principal Secretary, NCHAC drew (October 2007) ₹18.50 crore in favour of himself from the district fund But the amount so withdrawn was not deposited in the bank account (State Bank of India, Haflong) of Principal Secretary and also not accounted for in the cash book of the Council. Further, no records of utilisation, voucher, APRs, physical progress reports etc., were maintained by the Council. In response to audit query, Executive Engineers, PWD, Haflong and Mahur Divisions acknowledged (March 2008) receipt and expenditure of ₹8.01 crore and ₹6.61 crore respectively for implementation of road schemes. Details of utilisation were as below:

(₹ in crore)

Name of the Division	Total fund received	Fund utilised	
		On sanctioned schemes	On clearance of old liability
PWD (Roads) Division, Haflong	8.01	3.51	4.50
PWD (Roads) Division, Mahur	6.61	3.11	3.50
Total	14.62	6.62	8.00

Source: Departmental records.

Though all the schemes were incomplete except one⁸, which was completed at ₹43.26 lakh, the scheme funds of ₹eight crore was unauthorisedly utilised to discharge old liabilities of other schemes as per direction of the Principal Secretary, NCHAC. Hence, the residents of the Council were deprived of easy communication facilities on account of non-completion of the approved road schemes.

Due to non-maintenance of cash book as envisaged in Rule 95 of AFR and non-deposit of the amounts in the official bank account, whereabouts of the balance fund of ₹3.88 crore (₹18.50 crore - ₹14.62 crore) could not be traced. The Council and the two Divisions also failed to furnish the whereabouts of the balance fund. Thus, it is most likely that ₹3.88 crore was misappropriated which warranted

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SI No	Name of schemes	Amount (₹ in crore)
1	M&BT of Laisong Raja Bazar road (24 KM) 5.2 KM proposed in the first phase from Raja Bazar-	1.50
2	M&BT of Amangbra village approach road from Passi Garampani Road, 5KM	1.50
3	M&BT of Nanadisa village approach Road from S.S. Road (2 KM include RCC Culverts)	1.40
4	M&BT of Jorai-Michidui upto Boro Chenum (15 KM in first phase)	8.00
5	R.C.C. Bridge on the above road falling within first 15 KM	2.90
6	M&BT of Mahur Manigaonto P. Leikul village (6 KM in first phase)	2.00
7	M&BT of S.S Road to Jorai bathari village (1.5 KM)	0.50
8	M&BT of Khumonon village approach road from S.S. Road (1 KM)	0.30
9	M&BT of Road from P. Leikul to Laisong Bagan (6.3 KM)	1.90
10	M&BT of Maibangsa village approach road from Passi-Garampani road (1.7 KM)	0.50
	Total	20.50

Source: Departmental records.

⁸ M&BT of Maibangsa village approach road from Passi-Garampani road.

further investigation and fixation of responsibilities. This clearly reflected poor financial control.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

Social Welfare Department

4.1.9 Doubtful payment and unauthorised expenditure

The Deputy Director, Social Welfare Haflong showed disbursement of ₹69 lakh towards old age pension, without APRs/vouchers and ₹1.10 crore with APRs but without supporting documents viz., list of approved beneficiaries, identification of beneficiaries etc., rendering the entire disbursement of ₹1.79 crore doubtful.

National Old Age Pension (NOAP) Scheme under National Social Assistance Programme (NSAP), a 100 *per cent* centrally sponsored programme was launched on 15 August 1995. The Scheme intended to provide old age pension at the rate of ₹75 per month to destitute (aged 65 years and above) who had no regular means of subsistence. The NSAP was transferred to State Plan since 2002-03 with the provision of release of funds for operation of the schemes as additional central assistance. The scheme was modified and renamed as Indira Gandhi National Old Age Pension Scheme from 19 November 2007 with the additional eligibility criteria that applicant must belong to a household of below the poverty line (BPL). The monthly rate of central assistance was enhanced to ₹200 per month since 1 April 2006, which can be further enhanced up to ₹1,000 depending on State's contribution. As per guidelines, the pension amount was to be credited to the beneficiary's account, either in a post office or public sector bank.

Scrutiny (May-July 2010) of the records revealed that the Council accorded (July and November 2007) administrative approval and expenditure sanction for ₹68 lakh and ₹44 lakh for disbursement of old age pension. Of the total sanctioned amount of ₹1.12 crore, ₹1.10⁹ crore was disbursed to 11,000 beneficiaries as old age pension and ₹two lakh was spent as administrative expenses. However, in the absence of basic records of identification, selection and approved list of beneficiaries, the bonafideness of disbursement of ₹1.10 crore to the targeted beneficiaries remained doubtful. Further, the expenditure of ₹two lakh (February 2008) on administrative expenses was inadmissible and unauthorised as there was no provision in the guidelines of the scheme for administrative expenses from the scheme fund.

⁹ ₹66 lakh for three months from April-June 2007 at ₹200 PM and ₹44 lakh for two months from July-August 2007 @ ₹200 PM for 11,000 beneficiaries.

Further, a bank draft of ₹69 lakh was received (February 2008) by the Deputy Director, Social Welfare (DDSW), Haflong from the Director, Panchayat and Rural Development, Government of Assam for implementation of NOAP scheme. As the fund was received directly by the DDSW, beyond the normal mode of receipt of fund through NCHAC, the amount was not deposited into the district fund. The entire amount was shown disbursed to 8,632 beneficiaries during 25 February 2008 to 29 March 2009 at the rate of ₹800 each. No records of applications, identification, selection, approved list of beneficiaries, Actual Payees' Receipts (APRs), month of disbursement etc., were, however, found available, though called for in June 2010. On being pointed out, it was stated (June 2010) that entries were recorded in the cash book as per verbal instructions of the then Deputy Director without any APRs/vouchers. Thus, in the absence of basic records in support of identification, selection and approved list of beneficiaries, the bonafideness of actual disbursement of ₹69 lakh to the targeted beneficiaries remained doubtful.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

4.1.10 Doubtful expenditure and suspected misappropriation

NCHAC did not deposit ₹3.50 crore in the DDO's bank account after its receipt. Withdrawal of another ₹three lakh was also not accounted for in the cash book. Thus, misappropriation ₹3.53 crore could not be ruled out. Besides, the Council failed to produce vital records in support of receipt and utilization of the materials shown as procured for ₹seven crore rendering the said expenditure doubtful.

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. Besides, Rule 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

Government of Assam released ₹seven crore during June 2007 (₹3.50 crore) and November 2007 (₹3.50 crore) for specific schemes for upliftment of BPL families in the North Cachar Hills Autonomous Council (NCHAC) as state priority scheme. NCHAC was also advised to set aside an amount for organising training of beneficiaries and marketing of produce and directed to assess impact of the scheme. The Council approved (August 2007) the proposal for providing water filter, mosquito net and blanket to 6,790 families, sewing machine to 3,200 families, knitting machine and working capital @ ₹667 to 900 beneficiaries under the scheme. The Council accorded two sanctions of ₹3.50 crore each in July and November 2007 for implementation of the above scheme and also accorded (August 2007) approval for providing different articles, equipments and cash

assistances worth ₹3.27 crore¹⁰ to the families as approved by the Council. Records as to how the balance amount of ₹3.73 crore was to be spent were not furnished to audit, though called for.

Scrutiny (May-July 2010) of the records revealed that Deputy Director, Social Welfare Department, Haflong received (September 2007 and November 2007) two cheques from Council amounting to ₹seven crore (₹3.50 crore each) and duly accounted for in the cash book. Out of this ₹seven crore, ₹3.50 crore received on 25 September 2007 was not deposited in bank account (operated by the Deputy Director as drawing and disbursing officer), which was confirmed (June 2010) by the Bank (SBI, Haflong). The said bank account also showed withdrawal of ₹7.03 crore¹¹ during February 2008. However, cash book maintained by the Deputy Director (photocopy obtained from NIA) showed receipt and disbursement of ₹seven crore during the same period to different suppliers and service providers as shown in *Appendix-4.2*. Stock Register in support of receipt and utilization of the materials paid for was not made available to audit though called for in May 2010. Besides, progress reports, approved list of beneficiaries, acknowledgement of receipt of materials etc., were also not found on record. In the absence of such vital records, actual receipt and distribution of the materials worth ₹seven crore to the targeted beneficiaries remained doubtful.

Further, misappropriation of ₹3.53 crore could not be ruled out as the cheque of ₹3.50 crore was not deposited in the concerned bank account and withdrawal of ₹three lakh was not entered in the cash book.

Thus, ₹3.50 crore was suspected to be misappropriated and expenditure of ₹seven crore was doubtful. The DDO failed to exercise requisite control measures such as maintenance of basic records, periodical reconciliation of cash book balance and bank balance etc., as a result of which the basic objective of uplifting the economic condition of the beneficiaries was not fulfilled to the extent of expenditure of ₹10.53 crore¹².

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Sl. No.	Name of article	Number of families	Rate (₹)	Amount (₹)
1	Water filter	6,790	1,450	98,45,500
2	Mosquito Net	6,790	250	16,97,500
3	Blanket	6,790	550	37,34,500
4	Sewing Machine	3,200	3,300	1,05,60,000
5	Knitting Machine	900	7,000	63,00,000
6	Working capital	900	667	6,00,300
Total				3,27,37,800

¹¹ Dates of withdrawal from bank: 09.02.2008: ₹1.53 crore + 12.02.2008: ₹1.50 crore + 14.02.2008: ₹1.50 crore + 15.02.2008: ₹1.50 crore + 27.02.2008: ₹1.00 crore = ₹7.03 crore.

¹² Withdrawn from bank during 09.02.2008 to 27.02.2008 : ₹7.03 crore
 Cheque received on 25.09.2007 not deposited in the bank account : ₹3.50 crore
₹10.53 crore

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

4.1.11 Doubtful expenditure

The Department spent ₹45.57 lakh on procurement of training materials, but whereabouts of the same was not available on records rendering the entire expenditure doubtful.

As per provision of Para 191 of Assam Financial Rules the Departmental officers entrusted with the care, use or consumption of stores are responsible for maintaining correct records and preparing correct returns in respect of the stores entrusted to them.

Scrutiny (May-July 2010) of the records of NCHAC revealed that Deputy Director, Social Welfare Department, Haflong procured different training materials (cotton cloth, sewing machines and timber etc.) worth ₹21.89 lakh during September 2007 to January 2009 under the scheme “Training-cum-Production Centre (Handicapped) for the year 2008-09”. Of these, materials worth ₹4.82 lakh were shown to have been issued during September 2007 to June 2009 while balance materials worth ₹17.07 lakh were kept in stock. However, a physical verification conducted during June 2009 to July 2010 by the Department at the instance of audit revealed that materials worth only 0.43 lakh were physically available in stock. Thus, there was a shortage of materials worth ₹16.64 lakh (₹17.07 lakh - ₹0.43 lakh). The dealing assistant responsible for maintaining stock stated (June 2010) in a written statement that the stock entries were made as per verbal instructions of the then Deputy Director without actual receipt of materials.

Further, an amount of ₹32.45 lakh was paid (April 2009) to 11 suppliers against procurement of training materials under the scheme “Vocational Training and Rehabilitation cum Trade Centre for Women Welfare”. Scrutiny of the relevant stock register, however, revealed receipt and issue of materials worth ₹3.52 lakh only. Reason for the shortage of materials worth ₹28.93 lakh (₹32.45 lakh - ₹3.52 lakh) was not available on records, though called for. The dealing assistant responsible for maintaining stock stated (June 2010) that the payments were made directly by the then Deputy Director himself. Thus, expenditure of ₹45.57 lakh (₹16.64 lakh + ₹28.93 lakh) remained doubtful as the Department failed to produce whereabouts/details of materials purchased with the said amount.

Neither the Council nor the Government has intimated whether any action was taken to address the shortage of materials or to fix responsibility on the concerned Deputy Director.

The matter was reported to Government in October 2010; their reply had not been received (September 2011).

4.1.12 Doubtful expenditure

Out of ₹12.94 crore¹³ received by the Deputy Director, NC Hills, Haflong from NCHAC during 2007-09 under different component of Integrated Child Development Service Schemes, expenditure of ₹12.63 crore remained doubtful in the absence of transparent records and violation of financial and execution norms.

Para-7 of 'Plan of operation and management' for implementation of Supplementary Nutrition Programme (SNP) under Integrated Child Development Service (ICDS) programme in Assam provides that the Director, Social Welfare shall first transfer the fund to the bank account of the District Level Committee for SNP which shall, after due verification, transfer the same to the Account of the Anganwadi Centre Management Committees (AWCMCs). The bank account of the AWCMC shall be operated jointly by the Chairperson and the Secretary of the AWCMC and every drawal from this account shall necessarily be preceded by a resolution adopted by the AWCMC allowing such drawal. The AWCMC shall be responsible for procuring the food items from Self Help Groups and NGOs.

(a) The Deputy Director, Social Welfare, NC Hills, Haflong received ₹4.16 crore during November 2007 to August 2008¹⁴ for implementation of SNP in the District. Scrutiny of the relevant cash book revealed that in violation of the provision of Plan of Operation and Management, the Deputy Director directly disbursed (February to April 2008) ₹1.87 crore to different self-help groups against their bills for supply of food materials during February to April 2008. Documentary evidence for supply of food materials and providing services to the targeted beneficiaries were not available as stated (June 2010) by the concerned Child Development Project Officers (CDPOs) rendering the expenditure of ₹1.87 crore doubtful.

The balance fund of ₹2.29 crore (₹4.16 crore - ₹1.87 crore) was shown as disbursed to five¹⁵ CDPOs in two equal installments during October 2008 and February 2009. Of these five CDPOs, cash books of two CDPOs viz., Mahur and Maibong were maintained by the Deputy Director himself, wherein disbursement of ₹69.74 lakh and ₹39.60 lakh respectively was shown to have been made to the supervisors of the Anganwadi Centres. The Supervisors, however, denied (June 2010) receipt of any such fund. Thus, ₹109.34 lakh (₹69.74 lakh + ₹39.60 lakh) appears to be misappropriated. The other three CDPOs did not maintain any Cash book at their level and hence, expenditure of ₹1.20 crore stated as disbursed to these CDPOs was not verifiable. In response to audit query the CDPOs stated (June 2010) that during 2007-09 the scheme was directly implemented by the then Deputy Director who was the DDO of all ICDS projects in the District.

¹³ SNP: ₹4.16 crore, Anganwadi materials : ₹6.09 crore, Purchase of materials for BPL families: ₹2.69 crore.

¹⁴ ₹1.87 crore in November 2007 and ₹2.29 crore in August 2008.

¹⁵ Mahur: ₹69.74 lakh; New Sangabar: ₹17.14 lakh; Diyungbra: ₹51.94 lakh; Diyung Valley Maibong: ₹39.60 lakh and Harangazao: ₹50.44 lakh.

Thus, the entire expenditure of ₹4.16 crore under SNP remained doubtful.

(b) The Deputy Director, received ₹6.09 crore (2007-08: ₹2.38 crore and 2008-09: ₹3.71 crore) from the Council for implementation of Integrated Child Development Service Scheme. Of this, ₹1.90 crore was not entered in the cash book of the scheme maintained by the Deputy Director. Thus, status of utilisation of ₹1.90 crore remained undisclosed and whereabouts of the fund untraceable.

Further, out of the balance amount of ₹4.19 crore, the cash book entry showed that total payment of ₹3.88 crore was made during 2007-09 to suppliers for procurement of different articles/materials for Anganwadi centres. Against this relevant stock register showed receipt of materials worth ₹2.20 crore only. All the materials received were also shown as issued to Anganwadi centres of five projects (*Appendix-4.3*), but date of issue and challan and bill references were not recorded in the stock register. Thus, not only was there short supply of materials worth ₹1.68 crore, but in the absence of supporting records bonafideness of expenditure of ₹2.20 crore, also remained doubtful.

(c) Records disclosed that the Council sanctioned ₹2.69 crore for ICDS during 2008-09 for providing different articles/materials to poor and BPL families. Status of receipt of fund, procurement and cost thereof, could not be ascertained from the records of the Deputy Director as the same were stated to be seized by NIA, Stock register and distribution register disclosed that 8,000 blankets, 8,200, mosquito nets and 8,000 water filters were shown as procured during June 2008 to February 2009 and issued during February 2009 to 30 Members of Autonomous Councils (MAC) for distribution amongst beneficiaries of their respective constituencies. But, no approved list of beneficiaries and acknowledgement of receipt of materials was furnished by MAC to the Council as of June 2010. Thus, actual expenditure against the sanctioned amount of ₹2.69 crore was doubtful.

Thus, total doubtful expenditure in execution of ICDS scheme amounted to ₹12.63 crore (SNP: ₹4.16 crore; ICDS Scheme: ₹5.78 crore and ICDS-BPL beneficiaries: ₹2.69 crore).

The matter was reported to the Government (April 2011); their reply is awaited (September 2011).

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

Public Health Engineering Department

4.2.1 Unproductive expenditure

Injudicious decision of NCHAC for procurement of GI pipes without assessing availability of fund for execution of work resulted in unproductive expenditure of ₹2.14 crore.

According to Rule 37 of General Financial Rules, every authority empowered to procure goods in public interest shall have the responsibility and accountability to bring efficiency and economy in execution. Besides, Rule 243 of Assam Financial Rules provides that during execution, if cost of a work/project exceeds the administratively approved amount by more than 10 *per cent*, revised administrative approval of the excess expenditure must be obtained. Further, physical existence of stock is to be ensured at regular interval as envisaged in Rule 195 of Assam Financial Rules.

In order to improve both quality and quantity of potable clean water supply, the augmentation of Maibong Water Supply Scheme was proposed to be taken up at the estimated cost of ₹three crore¹⁶. The estimate also specified requirement of 16,253 RM¹⁷ Galvanized Iron (GI) pipes for items of raw water gravity main and construction of distribution network.

Government of India (Planning Commission) approved (March 2007) the proposal under Special Plan Assistance of 2006-07. Accordingly the State Government released (March 2007) ₹2.70 crore to NCHAC as special plan assistance for implementation during 2007-08. The amount was credited (18 March 2008) to the Personal Ledger Account of NCHAC. The Council accorded (May 2008) administrative approval for ₹three crore and released (23 January 2009) ₹2.70 crore to the Executive Engineer (EE), Public Health Engineering (PHE), Maibong Division.

¹⁶

Sl. No.	Item	Estimated cost (₹ in lakh)
1.	Source development and intake structures	11.39
2.	Raw water gravity main	127.72
3.	Construction of treatment plant	51.03
4.	Construction of clear water sump cum service reservoir	20.39
5.	Construction of distribution network & clear water gravity main	87.46
6.	Cost of detailed design and survey	2.00
Total		₹299.99 lakh say ₹3 crore

¹⁷

150 mm dia @ ₹1,287: 7,548 RM
 100 mm dia @ ₹847 : 1,740 RM
 80 mm dia @ ₹583 : 6,965 RM
16,253 RM

Scrutiny (May-July 2010) of the records revealed that no tender quotation was invited by the EE, PHE, Maibong Division for award of work of the scheme as of June 2010. No tender for procurement of GI pipes was also invited but the Additional Chief Engineer, PHE, NCHAC, Haflong placed 11 supply orders of 12,040 RM GI pipes to 10 local suppliers at the Council's approved rate of ₹2,317, ₹1,525 and ₹1,049 per RM for 150 mm, 100 mm and 80 mm dia GI pipes respectively.

Accordingly, against estimated quantity of 16,253 RM, only 12,033.54 RM of GI pipes worth ₹2.14 crore was received and payments were made during February to March 2009 as detailed in **Appendix-4.4**. Statement of materials procured and utilized as of June 2009 showed that though 3,198.60 RM of GI pipes (worth ₹70.92 lakh) was issued to site retaining the balance 8,834.94 RM in PHE store, none of the pipes could be utilized. The reason for idle stock of materials worth ₹2.14 crore was stated (June 2009) to be mainly due to non-availability of fund for labour charge (June 2009).

As no physical verification of the stock was done, the Principal Secretary, NCHAC, who was also the Deputy Commissioner of the district, was requested by audit (15 and 24 June 2010) to conduct physical verification of the said materials by a technical officer and furnish the status of the existence of the material, but status of the stock was not made available as of July 2010.

Thus, injudicious decision of procurement of GI pipes without assessing availability of fund for execution of work resulted in unproductive expenditure of ₹2.14 crore. The beneficiaries were also deprived of the intended benefits. Besides, in the absence of physical verification of stock, actual quantity available in stock was not ascertainable in audit.

The matter was reported to the Government (April 2011); their reply had not been received (April 2011).

4.2.2 Idle expenditure

Procurement of GI pipes worth ₹1.72 crore and their prolonged storage without utilization led to idle expenditure to that extent.

North Cachar Hills Autonomous Council (NCHAC) accorded administrative approval for execution of 41 water supply schemes under Accelerated Rural Water Supply Programme (ARWSP) at a cost of ₹3.91 crore during 2008-09 and NCHAC placed ₹2.50 crore at the disposal of the Executive Engineer (EE), PHE, Maibang Division for implementation of the Programme. Considering receipt of ₹2.50 crore against approved cost of ₹3.91 crore, 26 out of the 41 ARWSP schemes were taken up in February 2009 and supply orders for 55,618 RM of GI pipes of different diameters

were placed with two firms¹⁸ at the approved rates of the Council (details are shown in **Appendix-4.5**). The firms supplied (February 2009) only 40,826 RM GI pipes of different diameter worth ₹1.83 crore and total payment of ₹1.72 crore was made in March 2009.

Scrutiny (May-July 2010) of the records, however, revealed that all the pipes remained unused (May 2010). On being asked, the Division stated (June 2010) that all the records relating to the procurement of pipes in respect of those 26 schemes were taken away by NIA for investigation and accordingly no further step was taken to complete the schemes. Thus, procurement of the GI pipes worth ₹1.72 crore and their prolonged storage without utilisation led to idle expenditure of ₹1.72 crore.

The matter was reported to the Government in October 2010; their reply had not been received (September 2011).

Public Works Department

4.2.3 Unproductive expenditure

NCHAC incurred unproductive expenditure of ₹1.34 crore as the work against which the amount was spent remained incomplete for more than three years.

Government of Assam (GOA) accorded (March 2005) Administrative approval of ₹11.20 crore for the scheme - 'Conversion of 100 bedded Civil Hospital to 200 bedded hospital with construction of staff quarter and improvement and renovation of existing building' at Haflong in North Cachar Hills. The approved cost of the scheme comprised of new construction (₹8.88 crore), repair and renovation of existing hospital (₹1.91 crore) and contingency (₹0.41 crore). GOA released ₹8.40 crore (March 2005: ₹4.20 crore, March 2010: ₹4.20 crore) to the North Cachar Hills Autonomous Council (NCHAC). Of ₹8.40 crore (approved cost of construction of ₹8.88 crore), the NCHAC released (May 2005 to November 2006) ₹4.20 crore to the Executive Engineer (EE), Public Works Department, Haflong Building Division and balance ₹4.20 crore was not released to the Division as of June 2010.

Scrutiny (May-July 2010) of the records revealed that the Division incurred expenditure of ₹4.20 crore (new construction: ₹2.08 crore; repair and renovation: ₹1.40 crore; contingency: ₹0.05 crore and material ₹0.67 crore) till April 2007 and all the repair and renovation work except the renovation work in TB Hospital Complex were completed. However, under "new construction", the work of main hospital building had not commenced and construction work of 18 units of grade III staff quarters and 18 units of doctors' quarters stopped since April 2007 after incurring an expenditure of ₹1.34 crore with physical progress ranging from 20 to 80 *per cent*.

¹⁸ M/S Jeet Enterprise =32,568 RM
M/S Loknath Trading =23,050 RM
55,618 RM

Joint physical verification conducted (26 June 2010) by audit and the EE also confirmed the status of the works. The EE stated (June 2010) that the works stopped since April 2007 due to non-release of further funds.

Thus, non-completion of construction of grade III staff quarters and doctors' quarters for more than three years rendered the expenditure of ₹1.34 crore unproductive.

The matter was reported to Government (April 2011); their reply had not been received (September 2011).

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