CHAPTER-I
SOCIAL SECTOR

1.1 Introduction

The findings based on audit of State Government units under Social Sector feature in this chapter.

During 2011-12, against total budget provision of ₹15,668.10 crore, total expenditure of ₹12,263.38 crore was incurred by 16 departments inclusive of Bodoland Territorial Council (BTC) covered under Welfare of Plain Tribes and Backward Classes (WPT&BC) under Social Sector. Department-wise details of budget provision and expenditure incurred thereagainst are shown in ***Appendix – 1.1.*** Hill Areas department incurred expenditure of ₹890.24 crore during 2011-12 mainly for sixth schedule areas (NCHAC and KAAC) against budget provision of ₹1,214.32 crore **(*Appendix – 1.2*).**

Besides, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies of the State Government for implementation of flagship programmes of the Central Government. During 2011-12, out of total release of ₹6,631.69 crore, ₹5,941.41 crore was directly released to different implementing agencies under Social Sector as detailed below:

(Rupees in crore)

Sl. No.	Name of the Department	Name of Implementing Agencies	Fund released
1.	Health and Family Welfare	Assistance to State for capacity building in Truma Care	10.92
2.		GMCH and State Health Society (Health Care for the Elderly)	5.64
3.		Hospitals and Dispensaries (Under NRHM)	3.04
4.		Aids Control	16.12
5.		NRHM	848.25
6.		NRHM	2.10
7.		Redevelopment of Hospitals Institutions	19.52
8.	Rural Development	Rajiv Gandhi Rural Water and Sanitation Mission	122.51
9.		IAY	750.61
10.		DRDA Administration	28.96
11.		Integrated Watershed Management Programme	45.83
12.		MGNREGS	426.86
13.		National Rural Drinking Water Programme	522.44
14.		PMGSY	1682.84
15.	Higher Education	Central Institute of Technology, Kokrajhar	20.00
16.		IIT	110.00
17.		NITs	80.54
18.	School Education	Mahila Samakhya	4.28
19.		Asom Sarva Siksha Abhijan Mission	89.46
20.		Asom Sarva Siksha Abhijan	1069.21

21.	Environment and Forest	Environment Information Education and Awareness	1.86
22.		National Afforestation Programme	7.95
23.		Research and Development for Conservation and Development	0.22
24.	Labour and Employment	Health Insurance for unorganized sector workers	12.82
25.		National Child Labour Project	8.92
26.		Upgradation of 1396 Govt. IITs	2.50
27.	Social Justice And Empowerment (Social Welfare)	Assistance to NGOs	1.74
28.		Aids and Appliances	1.80
29.	Human Resource Development	Assistance to NGOs	0.21
30.		Assistance to College and University (Biotechnology)	2.14
31.		Scheme for HRD (Food Processing)	1.00
32.	Panchayati Raj	Rastriya Gram Swaraj Yojana	8.17
33.	Urban Development	SJSRY	32.95
		Total	**5,941.41**

Source: *CPSMS.*

1.1.1 Planning and conduct of Audit

Compliance audit is conducted in accordance with annual audit plan. The units are selected on the basis of risk assessment. Areas taken up are selected on the basis of topicality, financial significance, social relevance, internal control system of the units, occurrence of defalcation/misappropriation/embezzlement as well as findings of previous Audit Reports. Apart from the above parameters, all departmental important directorates and district level units are audited annually.

Inspection Reports are issued to the heads of unit as well as heads of departments after completion of audit. Based on the replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed for inclusion in the Audit Report of C&AG of India.

The audits were conducted during 2011-12 involving expenditure of ₹18,149.71 crore (including expenditure of earlier years) of the State Government under Social Sector. This chapter contains 23 Transaction Audit Paragraphs.

The major observations made in audit during the year 2011-12 are discussed in succeeding paragraphs.

AUDIT OF TRANSACTIONS

1.2 Cases of fraud/misappropriation/losses

Environment and Forest Department

1.2.1 Unadjusted and untraceable civil advance

Civil advance of ₹2.21 crore disbursed during 2005-10 by Divisional Forest Officer (DFO), Karbi Anglong West Division, Diphu to ranges and beats under it remained unvouched and untraceable leading to suspected misappropriation of ₹2.21 crore.

In accordance with Rule 104 (e) of Assam Financial Rules (AFR), the responsibility for effective check and control of the accounts of the entire division, both in respect of revenue and expenditure, rests on Divisional Forest Officer (DFO). In each forest division there are several forest ranges and forest beats under the ranges, through which DFO administers the activities of the division. Funds are drawn by the DFO through cheques and disbursed normally to ranges as civil advances (CA). The range, in turn, disburses the fund (CA) to beats, the smallest constituent units in the division. Against this monthly CA received, the beat officer furnishes cash account to the range. The range officer after consolidating the cash accounts of the beats, prepares cash account of the range including its own expenditure and submits it to the division. The division, on receipt of cash account of the ranges, further consolidates the cash accounts of all ranges and sends the monthly account to the Accountant General (A&E), Assam along with vouchers, schedules and cash accounts of beats and ranges.

Scrutiny (February 2012) of the records of DFO, Karbi Anglong West Division, Diphu for the period 2005-09 disclosed that there were altogether five ranges in the division, of which, three ranges had six beat offices (two each) under it and two ranges had no beat office under them.

While checking the disbursement of monthly CA to the ranges and beats from the division it was noticed that monthly CA was disbursed to five ranges and contrary to the normal procedure, also to five beats by the division. Both disbursements were reflected in the CA register of the division.

Test-check of the monthly accounts submitted by the division to the Accountant General (A&E), Assam revealed that there was no discrepancy between the CA disbursed to the two ranges (Northern and Protection Ranges) having no beat office and the adjusting cash account submitted by these two ranges. As for the other three[1] ranges having two[2] beat offices each, CA was disbursed to the ranges including the share of the beats. Further scrutiny revealed that identical amounts (being the share of

[1] Western Range (WR), Central Range (CR), Eastern Range (ER).

[2] WR (Kanger Basti, Lang), CR (Nailalung, Abordium), ER (Dhansiri, Lahorijan).

the five[3] beats already disbursed to the ranges) were again disbursed to these five beats directly from the division. This phenomenon was observed in respect of these five beats in 30 monthly accounts out of 48 monthly accounts during 2005-09.

During these 30 months of 2005-09, CA disbursed to these three ranges and five beats amounted to ₹625.65 lakh, of which, adjusting cash accounts furnished with monthly accounts accounted for only ₹472.81 lakh leaving an unadjusted balance CA of ₹152.84 lakh (details in ***Appendix-1.3***). As the fund was not reflected in the cash book of the beats and whereabouts of the amount of ₹152.84 lakh was not traceable, thus, possibility of misappropriation of fund cannot be ruled out.

Scrutiny of the records of the DFO for the year 2009-10, however, indicated that the difference, between the CA disbursed by the division as per CA register and the corresponding cash accounts submitted by the ranges, was noticed in all the five ranges including the two ranges (Northern and Protection ranges) which had no beat office. Besides, practice of disbursement of identical amounts to five beats (already disbursed to three ranges) directly by the division also continued during the year.

During these 12 months of 2009-10, Civil Advances amounting to ₹295.98 lakh were disbursed to five ranges and five beats, of which, adjustment cash accounts of five ranges and five beats accounted for ₹228.19 lakh leaving unadjusted balance CA of ₹67.79 lakh (details in ***Appendix-1.4***). As the fund was not traceable in the cash book of ranges/beats, misappropriation of ₹67.79 lakh could not be ruled out.

Further, Form-15 accompanying the cash accounts of ranges and beats sent to the Accountant General (A&E), Assam each month should indicate details of the CA disbursed to ranges and beats during the month. It was, however, noticed that all the amounts indicated in CA register of the division were not entered in Form-15. Against disbursement of CA of ₹295.98 lakh during 2009-10, the sum total of entries made in Form-15 amounted to ₹131.37 lakh indicating non-inclusion of ₹164.61 lakh in Form-15. Sum total of cash accounts of ranges/beats accompanying Form-15, however, aggregated to ₹228.19 lakh as mentioned in previous paragraph. It is evident that due care was not taken in preparing Form-15 sent to AG (A&E), Assam by Karbi Anglong West Division.

Thus, DFO, Karbi Anglong West Division, Diphu disbursed CA of ₹1.53 crore during 2005-09 twice to five beats, once through the ranges and again directly to the beats, of which one was adjusted and the other remained unadjusted and untraceable leading to suspected misappropriation. During 2009-10, in addition to the non-adjusted and non-traceable CA in five beats, similar anomalies also occurred in five ranges amounting to ₹67.79 lakh during the year. Thus, total suspected misappropriation during 2005-10 aggregated to ₹2.21 crore. As the matter continued for years together, immediate investigation is necessary to ensure the bonafides of transactions.

[3] Kanger Basti, Lang, Abordium, Dhansiri and Lahorijan.

In November 2012, Hill Areas Department, GOA forwarded the reply furnished by DFO, Karbi Anglong West Division through the Principal Secretary, KAAC, wherein it was stated that funds were disbursed to Ranges only and no fund was disbursed to the beats directly by the DFO. The reply was, however, silent as to why, in the cash book as well as "Civil Advance Register" of the DFO, funds were shown as disbursed not only to Ranges but also to these five beats separately. While funds released to the Ranges were adjusted (2005-09), funds shown as having disbursed directly to the beats, remained unadjusted and thus, needs to be reconciled.

Guwahati Development Department

1.2.2 Loss of revenue

GMDA incurred a loss of revenue of ₹3.80 crore on account of short receipt of lease rent (₹50 lakh) and less allotment of capital share (₹3.30 crore) by the joint venture company, in addition to unquantifiable loss of dividend, otherwise due.

In accordance with the direction (September 2006) of Government of Assam (GOA), Guwahati Development Department (GDD), Guwahati Metropolitan Development Authority (GMDA) invited (September 2006) "expression of interest (EOI)" for setting up a "five star hotel" in Guwahati as a joint venture enterprise. Six firms[4] expressed their willingness, of which, M/s Dharampal Satyapal Group (DSG), New Delhi was selected (February 2007) by the six member selection committee, under the chairmanship of vice-chairman, GMDA. The basis of selection was the evaluation report submitted (January 2007) by SBI Capital Markets Limited. Accordingly, a joint venture (JV) agreement was entered into with DSG on 1 June 2007 for setting up the hotel comprising of 200 rooms at Gotanagar, Guwahati.

(A) Article 4.2.2.3 of the JV agreement *inter alia* provided that the joint venture company (JVC) shall pay a consolidated sum of ₹25 lakh per annum annually to GMDA for initial five years commencing from the date of signing JV agreement or incorporation of the JVC, whichever is later. On 6 August 2007, the JVC was incorporated under the Companies Act 1956. As such, the JVC was to pay consolidated sum to GMDA from 6 August 2007 and as of August 2011, the amount due to GMDA was ₹one crore.

Scrutiny (May and July 2011) of the records of Chief Executive Officer, GMDA revealed that a land measuring 27 bigha at Gotanagar, Guwahati was leased to the JVC from 9 December 2009 for a period of 99 years and the JVC paid ₹50 lakh to GMDA for the period 9 December 2009 to 8 December 2011 *i.e.*, from the date of lease of the land and not from the date (6 August 2007) of incorporation of JVC. This was done in terms of Article 3, clause D of the lease agreement, which stipulated that the rent would be paid from the date of signing the JV agreement or incorporation of the lease deed, whichever is later. According to lease deed signed by both the parties,

[4] (i) Dona Builders Private Limited, Guwahati, (ii) M/s Contemporary Industries, Kolkata, (iii) M/s Dharampal Satyapal Group, New Delhi, (iv) M/s Hotel Polo Towers Private Limited, Shillong, (v) M/s Hyatt Regency, New Delhi and (vi) M/s Talukdar Suppliers and Construction, Guwahati.

rights and obligations with regard to the business relationship were to be regulated in accordance with the terms of the JV agreement. Lease deed can not set aside the salient provisions of JV agreement. Thus, non-adherence to the terms of JV agreement dated 1 June 2007 and non-receipt of lease rent *w.e.f* 6 August 2007, resulted in loss of revenue of ₹50 lakh (2 X ₹25 lakh annual rent). There was nothing on record to show that GMDA had taken any action to incorporate an appropriate clause in lease agreement to ensure payment of lease rent/consolidated sum in accordance with the provisions in the JV agreement.

Reply of CEO, GMDA was forwarded (May 2012) by Jt. Secretary, GOA, GDD. In reply, the CEO stated (April 2012) that ₹50 lakh was already received from the JVC and claim for outstanding lease rent of ₹50 lakh along with interest accrued thereon was submitted (January 2012) to the JVC, but GMDA had not received the outstanding lease rent of ₹50 lakh along with interest accrued thereon.

(B) Further, Article 5.2 of the JV agreement envisaged that GMDA would allot and transfer land towards capital subscription to its share (preference and equity shares) in the JVC. Value of total allotted shares to GMDA by JVC was ₹eight crore {Cumulative redeemable preference shares: ₹2.40 crore (24,00,000 shares @ ₹10 each) and Equity shares: ₹5.60 crore (56,00,000 shares @ ₹10 each)}. Audit scrutiny, however, revealed that the value of the land was assessed (May 2007) at ₹11.30 crore by a Government Registered Valuer[5], appointed (May 2007) by GMDA. Thus, value of shares (both preference and equity) allotted to GMDA was less by ₹3.30 crore (₹11.30 crore -₹8 crore) against the value of the land allotted to the JVC, resulting in loss of ₹3.30 crore.

In terms of financial offer of the JVC, the capital of ₹eight crore would be a combination of cumulative redeemable preference capital and equity capital in the ratio of 30:70. Accordingly, GMDA would get a fixed return of six *per cent* in preferential shares from the first year and 15 *per cent* on equity shares, in case of profit, from fourth year. Thus, due to less valuation of land by ₹3.30 crore, GMDA was allotted 33,00,000 shares less (9,90,000 preference shares and 23,10,000 equity shares in the ratio of 30:70) resulting in unquantifiable loss of dividend to GMDA on preferential shares from first year and on equity shares from fourth year.

In reply, CEO, GMDA stated (April 2012) that based on assessment of “Chartered Accountant (CA)” of GMDA regarding issue of share and other financial benefits, MOU was signed with the JVC. He further added that there was no involvement of fund of GMDA on the project and this being the first such Five Star Project in Assam in terms of social benefit as well as benefit to tourism sector for Assam which could not be quantified in terms of money. Reply of the CEO is not acceptable as GMDA had not conducted any comparative study of the value of land allotted to JVC *vis-à-vis* the value of the shares allotted to it before accepting the offer of the JVC. As a result, GMDA had to incur a loss of ₹3.30 crore due to less allotment of capital share.

[5] Rabi Sankar Dutta, BE (Mech), MIE, FIV, AIISA, Chartered Engineer and Government Registered Valuer, Regd. No. Cat VII/8/2005-06.

(C) The JVC was a lessee and the lessee legally can not mortgage the land leased out to it. In contravention to that, Article 4 A (iii) of the lease deed entered into by GMDA, empowered the lessee to assign, mortgage, sublet or otherwise, part possession of the demised premises or any of them or any part thereof and the building and structure standing thereon on obtaining requisite permission from the lessor. Further, it also provided that if no approval was issued by lessor within 45 days or no reasons for withholding the same are informed, permission would be deemed to have been granted. Pursuant to the provision of lease deed, the JVC mortgaged (March 2011) the land for obtaining term loan of ₹77.38 crore from SBI and Canara Bank. Before mortgage, SBI Commercial Branch, New Delhi requested (December 2010) GMDA for issue of NOC which was refused (June 2011) but served no purpose as the stipulated period of 45 days was already over by then.

In reply, the CEO stated that on receipt of a formal request regarding mortgage of the land from the JVC, the matter was referred to GOA, final decision on which is awaited (May 2012).

(D) According to Article 6.1.2 of JV agreement, the total number of Directors in the JVC would be seven, of which, only one member would be nominated by GMDA and rest by DSG. Again, Article 6.3 of JV agreement provided that in all material decisions, the resolution of Board can not be passed without the affirmative vote of a director nominated by DSG. Thus, it is evident that GMDA, at no point of time, could have exercised any effective control over the JVC, which was formed pursuant to the JV agreement.

In reply, the CEO stated that the JVC was requested (November 2011) for replacement of atleast one of the seven directors by one director from GMDA. Further development in this regard, if any, is awaited (May 2012).

Thus, GMDA incurred a loss of revenue of ₹3.80 crore towards short receipt of lease rent (₹50 lakh) and less allotment of capital share (₹3.30 crore) by the joint venture company besides, unquantifiable loss of dividend otherwise due to it.

Health and Family Welfare Department

1.2.3 Suspected misappropriation

Joint Director of Health Services (Jt. DHS), Diphu had shown purchase and issue of medicines (tablets) for malaria treatment worth ₹22.68 lakh to District Malaria Officer (DMO), Diphu, the receipt of which was not reflected in DMO's records pointing to fictitious purchase and suspected misappropriation.

According to the Delegation of Financial Power Rules 1999, Jt. DHS is empowered to incur expenditure upto ₹10,000 in each case with a limit of ₹2 lakh in a year.

Scrutiny (January-February 2012) of records revealed that the Jt. Director of Health Services (Jt. DHS), Diphu purchased (August 2009) 98,800 number of "ARTESUNATE" tablets (medicine for malaria) from a Guwahati based firm at a cost of ₹23.71 lakh for distribution to health units without receipt of requisition from health institutions. The procurement was made by the Jt. DHS beyond the delegated financial powers. The life span of the medicines was nine months (expiry date April 2010) from the date (August 2009) of purchase of tablet. Payment was made to the supplier in December 2009. According to stock register of Jt. DHS, the tablets were issued to the District Malaria Officer (DMO), Diphu (94,500 nos.) and Bokajan PHC (4,000 nos.) on 16 February 2010 *i.e.* two and half months prior to the expiry date of medicine. However, cross verification of stock register of DMO, Diphu in audit revealed that the tablets were not accounted by the DMO, Diphu, who stated (February 2012) that neither they had any requirement for the tablets nor did they receive the tablets from the Jt. DHS, Diphu. It was also stated by the DMO, Diphu that medicines for malaria treatment were usually received from the Jt. DHS, Malaria, Guwahati, against requisitions. Besides, according to the stock register, DMO had a balance of 23,500 tablets on the stated date of issue of the same by Jt. DHS. The information regarding receipt of tablets by DMO, Bokajan was also called for (May 2012), which is awaited.

It was evident that tablets recorded as issued to DMO, Diphu were neither procured nor issued while expenditure stated to being their cost *i.e.*, ₹22.68 lakh (94,500 nos. X ₹24) was incurred.

Thus, misappropriation of ₹22.68 lakh, shown as having been spent towards cost of medicines, cannot be ruled out.

In reply, the Jt. DHS stated that the medicines were purchased for urgent requirement. Reply of the Jt. DHS is not tenable as no requirement was placed by the DMO, Diphu for the said medicine and there was no trail of requisition, receipt and use of the medicines.

In reply, GOA stated (July 2012) that relevant records were called for from the Jt. DHS and DMO, Diphu for verification. Report of verification, if any, is, however, awaited.

1.2.4 Suspected misappropriation

Joint Director of Health Services (DHS), Diphu failed to observe and follow the statutory provision of financial Rules in maintaining cash book leading to lack of internal control in financial management and suspected misappropriation of ₹18.45 lakh. Besides, attempts were made apparently to partially cover up the misappropriation by entering fictitious entries through non-existent 'receipt books' and payment of corresponding amounts without supporting vouchers.

According to Rule 95 of Assam Financial Rules (AFR), the Head of office is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. He should satisfy himself through periodical examination that the actual cash balance corresponds with the balance as per cash book. Further, the Head of office is required to verify day to day transactions, attest each entry that appeared in the cash book and authenticate the analysis of daily/monthly closing balance.

Rule 95 (5) of AFR provided that a bill register should be maintained in Assam Schedule-III-I Form 116 and all bills, to be assigned by the Head of office or the officer authorised on his behalf, should be entered in the bill register and put up to the officer along with the bills for attestation of the entries in the bill register while signing the bills. The actual monetary transaction should be entered in the cash book so that the balance of the cash book represents the actual cash balance.

Rule 78 of AFR further provided that every payment must be supported by a voucher setting forth full and clear particulars of the claim. Every voucher must bear a pay order signed or initialed and dated by the disbursing officer.

Similarly, all expenditure should be supported by expenditure sanction of the competent authority. In the case of fund received through cheque and transactions made through bank account, reconciliation with bank balance and actual bank balance indicated in the cash book should be done at regular intervals and a certificate to that effect recorded in the cash book.

Karbi Anglong being a Sixth Schedule Area, the bills (salaries, contingencies etc.) of Government offices are drawn through Karbi Anglong Autonomous Council (KAAC), which issues cheques to the drawing and disbursing officers (DDOs) for the gross amount of the bills including obligatory deductions etc. On receipt of cheques, the DDOs deposit the cheques into respective bank account(s) on which cheques are drawn for disbursement. In the case of salaries, net amount drawn through cheques is disbursed to the employees and obligatory deductions like GPF/GIS/HBA etc., are credited to Council accounts (by issuing separate cheques) through treasury challans.

Scrutiny (February 2012) of records of the Joint DHS, Diphu revealed that the Joint DHS did not maintain the following statutory records or did not carry out the following prescribed functions in support of expenditure incurred in his office:

(i) Bill Register was not maintained;

(ii) Serial number was not recorded in vouchers alongwith chronological maintenance of vouchers in voucher guard files;

(iii) Proof of bank reconciliation with the bank was not available;

(iv) Physical verification of cash balance alongwith analysis of closing cash balance was not done;

(v) Bill-wise analysis of closing balance in cash book was not carried out showing bank balance and cash balance separately.

The Joint DHS, Diphu suspected some irregularities by the cashier in depositing money realised from the gross amount of the salaries of staff of the office from September 2004 to June 2005 towards GPF/GIS/HBA etc., into the treasury and intimated (19 July 2005) the matter to Secretary, Health and Family Welfare, KAAC to initiate a thorough enquiry and lodged (30 August 2005) an FIR in Diphu police station. The aggrieved staff after formal enquiry about non-deposit of GPF etc., had also filed (29 August 2005) an FIR on the ground that deductions towards GPF/GIS/HBA etc., made from their salaries since September 2004 were not deposited in their individual account and might have been misappropriated.

In the absence of cash analysis and non-exhibition of closing balance showing bank and cash balance separately, bank reconciliation statement and also non-maintenance of statutory records mentioned above, Audit could not work out the actual amount not deposited into Council account through the treasury on account of GPF/GIS/HBA etc., Senior Finance and Accounts Officer of KAAC conducted an enquiry and submitted (December 2009) verification report to the Council. According to the report, ₹18.45 lakh was unaccounted in the new cash book (No.40).

The previous Cash book (No. 39) was seized by State police on 30 August 2005. Transactions recorded in the Cash book were upto 19 July 2005 with a closing balance of ₹29.20 lakh and as per report of verification of cash book and bank statement of December 2009, no transaction occurred from 20 July 2005 to 31 July 2005. Due to seizure of cash book No. 39, Jt. DHS opened a new Cash book (No.40) on 1 August 2005 by engaging another cashier showing opening balance of ₹10.75 lakh available in the bank account without approval of higher authorities. The difference between the closing balance (₹29.20 lakh) of old Cash book (No. 39) and opening balance (₹10.75 lakh) of new Cash book (No. 40) of ₹18.45 lakh was shown as misappropriated. There was nothing on record to show that the Joint DHS had initiated any action against the defaulting cashier for this irregularity.

Audit scrutiny revealed that ₹18.19 lakh was deposited into treasury on four different dates[6] between October 2006 and June 2009 without any evidence of having actual recovery from the erstwhile cashier. The deposit of money was done from the available undisbursed cash balance of the office. In the absence of physical verification of cash balance and analysis of undisbursed cash, actual bills in respect of which payments remained outstanding due to deposit of ₹18.19 lakh could not be ascertained in audit. On the basis of these deposits, the FIR against the delinquent cashier was withdrawn (January 2009) and his suspension[7] was vacated disregarding the fact that deposits were made from undisbursed cash and not after actual recovery from the concerned cashier.

[6]

Date	Amount
26/10/2006	3,18,678
21/07/2007	7,22,209
02/01/2009	3,79,575
05/06/2009	3,98,689
Total	**18,19,151**

[7] Suspended in September 2005.

Scrutiny further revealed that as per cash book entry of 29 January 2010 in the receipt side, ₹12.88 lakh was shown to have been received from erstwhile cashier being recovery from the misappropriated amount of ₹18.45 lakh. Neither, the counterfoil of receipt issued for this recovery was, however, available nor such receipt book used by the Jt. DHS. The amount (₹12.88 lakh) was disbursed to three suppliers on the same day for payment of outstanding diet and medicine bills. Despite requisition and pursuance, the Jt. DHS did not furnish any evidence in support of payment made to these suppliers. Thus, both receipt and expenditure of ₹12.88 lakh entered in the cash book of 29 January 2010 appeared to be fictitious as these were not supported by valid documents.

Jt. DHS, Diphu did not follow statutory provisions of Financial Rules in maintaining cash book leading to lack of internal control in financial management and suspected misappropriation of ₹18.45 lakh. Besides, attempts were made apparently to partially cover up the misappropriation by entering fictitious figures collected through non-existent 'receipt books' and payment of corresponding amounts without supporting vouchers.

In reply, GOA stated (July 2012) that a detailed report was called for from Principal Secretary, KAAC and Jt. DHS, Karbi Anglong, Diphu for taking action on the matter. Further development in this regard, if any, is, however, awaited.

Panchayat and Rural Development Department

1.2.5 Misappropriation of fund

Chief Executive Officer (CEO), Zilla Parishad (ZP), Nalbari withdrew funds through self cheques in violation of the relevant executive instruction and failed to produce records of utilization and whereabouts of ₹62.35 lakh pointing to misappropriation of Government money.

In order to minimize the risk of fraud/embezzlement, Principal Secretary, Panchayat and Rural Development (P&RD) Department, Government of Assam (GOA) issued (April 2010) instructions to all Chief Executive Officers (CEOs), Zilla Parishads (ZPs) of Assam to ensure that cheques are issued under the joint signature of CEO and the senior most accounts staff of each ZP.

Finance (Economic Affairs) Department, GOA released (March 2010) ₹153.64 lakh to CEO, Nalbari ZP for implementation of various schemes[8] under the award of Twelfth Finance Commission (TFC) grant (first instalment) 2008-09.

Test-check (January-February 2012) of the records of CEO, Nalbari ZP revealed that, of the amount of ₹153.64 lakh so released by GOA, the then CEO, sanctioned (April to December 2010) ₹61.45 lakh for execution of different works[9] and ₹4.13 lakh for

[8] 1. Maintenance of accounts (₹5.38 lakh), 2. Operation and maintenance cost (₹61.19 lakh), 3. Other income generating scheme (₹61.71 lakh), 4. Sanitation for each family of below poverty line (₹2.98 lakh) and 5. Water supply under creation of swajaldhara programme (₹22.38 lakh).

[9] Construction of low cost latrine and database room at ZP headquarters, installation of hand tube wells etc.

contingent expenditure, procurement of computer etc. Disregarding the order of GOA, as mentioned above, the then CEO withdrew (April to December 2010) ₹65.58 lakh by issuing 27 'self' cheques, containing only his signature, on Union Bank of India, Nalbari branch. While in the 'cheque issue register', the CEO signed as recipient of all 27 cheques, in the cash book, ₹61.45 lakh was shown to having been paid to one Junior Engineer (JE) as advance for implementation of different schemes and ₹4.13 lakh to dealing assistants of Nalbari ZP for purchase of computer and other contingent items. In reply to an audit query, the concerned JE stated (February 2012) that he had not received ₹61.45 lakh as shown against him in the cash book, while the concerned dealing assistant stated (February 2012) that the amount of ₹65.58 lakh was encashed by him and handed over to the then CEO as per his instructions and actual payees' receipt in support of disbursement was obtained in the cheque issue register. Records in support of utilization of ₹65.58 lakh viz., vouchers, actual payees receipts (APRs) etc., were not produced to audit.

Subsequent to audit (24 January 2012 to 6 February 2012), the CEO in position conducted (18 February 2012 to 15 March 2012) an enquiry, which disclosed that adjustment vouchers of only ₹3.23 lakh were found available. Documents in support of utilization of balance ₹62.35 lakh were not available. The present CEO had lodged (April 2012) an FIR with Nalbari Police Station; action taken report thereon, if any, is awaited (August 2012).

Thus, the former CEO, ZP, Nalbari withdrew ₹65.58 lakh in violation of the relevant executive instruction and the ZP failed to produce records of utilization of ₹62.35 lakh. This led to misappropriation of Government money of ₹62.35 lakh.

In reply, GOA stated (October 2012) that the then CEO (retired) and one Senior Assistant were arrested based on the FIR lodged by the current CEO. The matter is presently subjudiced. The misappropriated fund of ₹62.35 lakh however still remained unrecovered.

Welfare of Plains Tribes and Backward Classes Department

1.2.6 Doubtful utilization

Principal Secretary, Bodoland Territorial Council (BTC) spent ₹84.60 lakh on installation of Hand Tube Well (HTW), other construction/renovations (₹30 lakh) and purchase of tarpaulin (₹54.60 lakh) for relief camps, of which detailed records were not available even after seven years of execution, rendering the utilization doubtful.

Welfare of Plains Tribes and Backward Classes Department, Government of Assam sanctioned and released ₹54.65 crore as grants-in-aid against state plan provisions to BTC during 2004-05. Of this, BTC allocated ₹1 crore for "Relief and Rehabilitation" purpose and sanctioned ₹84.60 lakh during January to July 2005 for installation of HTW (₹20 lakh) at relief camps under Kokrajhar and Chirang districts. Further, ₹10 lakh was also sanctioned for the installation of HTW, construction of temporary lower primary/middle English (LP/ME) schools, Health Centres etc., at Hakama relief camp, Gossaigaon and purchase of plastic tarpaulins (₹54.60 lakh) for use in the relief camps.

Scrutiny (November 2011 to January 2012) of the records of Principal Secretary, BTC disclosed that-

- ₹20 lakh was paid as advance to an individual[10] for installation of HTW in relief camps of Kokrajhar and Chirang in January 2005 without (i) any details or verifiable basis for selection of the contractor, (ii) ascertaining requirements, and also (iii) specifying the locations of installation. Only an estimate for installation of HTW @ ₹8,485 per HTW was obtained from PHE division No. 2 Kokrajhar. It was however, not ascertainable from the records whether the HTWs were actually installed.
- Apart from above, ₹10 lakh was also paid (January 2005: ₹five lakh; April 2005: ₹five lakh) to the Secretary, Hakama relief camp, Gossaigaon as an advance for installation of HTW, temporary construction of LP/ME school and Health Centre. In this case also, requirements, records of actual installation/construction, completion certificates were not available on record and the advance of ₹10 lakh remained unadjusted till the date of audit.
- Regarding purchase of tarpaulins (₹54.60 lakh), Joint Secretary, BTC issued (March 2005) supply orders to three suppliers for purchase of 27.878 MT @ ₹180/Kg involving expenditure of ₹54.60 lakh without inviting quotations. The material was received as indicated in challans during 23 March to 12 April 2005 and payments were made between May 2005 and July 2005. As per certificate appended on the body of the challans, tarpaulins were received by Executive Member (EM) of BTC but no stock entry or evidence in support of distribution to the camp inmates was available on record.

Thus, utilization of ₹84.60 lakh for the purpose for which it was sanctioned remained doubtful.

On being pointed out in audit, the Principal Secretary, BTC in reply, admitted (April 2012) that utilization certificate in respect of advance of ₹30 lakh paid to an individual (₹20 lakh) and Secretary, Hakama relief camp (₹10 lakh) had not been received. It was, however, stated that efforts were on to collect the utilization certificates including location of installations of HTW and list of beneficiaries.

As regards distribution of tarpaulins, it was intimated that these were distributed by a committee constituted for the purpose but admitted that “actual payees receipts” from the recipients were not available and being collected. The reply only reinforces the doubts regarding the veracity of expenditure and supply of ordered materials to the end users/beneficiaries.

[10] Shri P. Phukan Nath.

The matter was reported to Government in June 2012; their reply had not been received (November 2012).

1.3 Excess payment/Wasteful/Infructuous expenditure

Health and Family Welfare Department

1.3.1 Extra expenditure

Procurement of medicines at higher rates than the approved rates, resulted in extra expenditure of ₹1.15 crore. Besides, quality assurance of the medicines purchased was not ensured.

Government of India (GOI) decision (i) below Rule 6 of General Financial Rule (GFR) provides that "every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own moneys".

Director of Health Services (DHS), Assam circulated (October 2008) the rates of drugs and pharmaceutical items for 2008-09, duly approved by the Purchase Committee for the purchases from the approved manufacturers by all indenting officers in the State.

The standard operating procedure being followed throughout Assam and also by Additional Chief Medical and Health Officer (FW), Karbi Anglong in respect of supply of medicines interalia includes the following:

- For quality assurance it should be categorically mentioned in the supply order/indent that valid GMP[11] certificate from the manufacturers should be furnished along with supplies. Besides, analytical test report of the medicines from the principal manufacturers must accompany each consignment.
- Supplies should be accepted as per standard with Batch No., date of manufacturing, date of expiry, brand name, license No. etc. These particulars must be mentioned in the bills also.

Scrutiny (January – February 2012) of the records of Jt. Director of Health Services (Jt. DHS), Diphu indicated that despite availability of approved rates from approved manufacturers circulated by GOA, Jt. DHS, Diphu invited (February 2009) quotations (NIT) to ascertain lowest rates in respect of 15 medicines. Jt. DHS while floating the NIT had not insisted upon quoting the names of the manufacturers or submission of GMP certificate along with quoted rates. Of the three quotations received, the lowest rate of M/s Caretake Pharma Private Limited, Guwahati was approved (February 2009) by Health and Family Welfare Department, KAAC, Diphu. It was, however, noticed that the address, telephone numbers and fax numbers indicated in the three

[11] GMP – Good Manufacturing Practice – A certificate issued by the Ministry of Health to enforce and ensure that drug products are produced safely and correctly by manufacturers.

quotations were the same rendering the existence of two of the firms doubtful and the lowest rate[12] questionable.

It was observed in audit that based on the proposal (March 2009) of Jt. DHS, Executive Member, H & FW Department, KAAC sanctioned ₹3.14 crore for the purchase of medicines and also instructed to issue supply orders to five firms[13] other than the firm which quoted the lowest rates. Accordingly, supply orders were issued (March 2009) to these five firms and supplies obtained for ₹3.14 crore between March 2009 to March 2010.

Scrutiny of the supply orders and copies of vouchers revealed that GMP certificate, analytical test report, batch numbers etc., were neither mentioned in the supply order nor in the bills furnished. Consequently, there was no quality assurance of the medicines purchased by Jt. DHS.

Scrutiny further revealed that amongst the total 67 items of medicines purchased by Jt. DHS, 36 items were purchased at the rates approved by DHS, Assam. Of the rest 31 items, seven major items were purchased at KAAC approved rates which were 140 to 1,580 *per cent* higher than the rates approved by DHS, Assam. As a result of purchase of these seven items at higher rates, Jt. DHS incurred an excess expenditure of ₹1.15 crore ***(Appendix- 1.5)***. There was nothing found on record to show that the manufacturers approved by DHS, Assam were approached before issue of supply order at KAAC approved rate.

Thus, procurement of medicine at higher rate when lower approved rates were available resulted in extra expenditure of ₹1.15 crore. Besides quality assurance of the medicines purchased was also not ensured.

The matter was reported to the Government in May 2012; their reply had not been received (November 2012).

1.3.2 Wasteful expenditure

Failure of ACM&HO, Diphu to utilize medicines worth ₹72.32 lakh, before expiry of their life span resulted in wasteful expenditure to that extent.

Test-check (January-February 2012) of the records of Additional Chief Medical and Health Officer (ACM&HO), Diphu, Karbi Anglong revealed that the ACM&HO procured medicines from different suppliers during August 2002 to April 2010 for distribution to Primary Health Centres (PHCs)/Family Welfare Centres (FWCs) etc., without any requisitions from the concerned health centres of the district. The medicines were procured at the rates approved by Director of Health Services, Assam based on the administrative approval accorded by Karbi Anglong Autonomous Council (KAAC). Stock registers of medicines revealed that 32.28 lakh tablets/capsules of 12 different kind worth ₹72.32 lakh procured during 2002-07 were

[12] M/s. Caretake Pharma Pvt. Ltd.
[13] (i) M/s Hills Pharmaceuticals, Diphu, (ii) M/s Kalyani Traders, Diphu, (iii) M/s Medicos, Diphu, (iv) M/s New Jamuna Pharmaceuticals, Guwahati and (v) M/s Riso Drugs, Diphu.

lying idle in the stock as of February 2012. Life span of these medicines had already expired[14]. It was also revealed from stock register of medicines that periodical physical verification of stock was not conducted by the ACM&HO since August 2002 to the date of audit (February 2012).

Thus, failure of ACM&HO**,** Diphu to utilize medicines worth ₹72.32 lakh, procured without assessing actual requirement, before expiry of their life span resulted in wasteful expenditure of ₹72.32 lakh.

The matter was reported to the Government in May 2012; their replies had not been received (November 2012).

1.4 Avoidable/unfruitful expenditure/undue favour to contractors

Guwahati Development Department

1.4.1 Unfruitful expenditure

Acceptance of faulty/inappropriate design and incorrect assessment of hydrological nature of the river Brhmaputra resulted in tilting of well shaft (TR-2) during flood, thereby rendering the expenditure of ₹3.11 crore unfruitful.

Government of Assam (GOA), Guwahati Development Department (GDD) accorded (March 2006) administrative approval (AA) of ₹27.72 crore for construction of ropeway between Guwahati and north Guwahati across the river Brahmaputra. Guwahati Metropolitan Development Authority (GMDA), being the executing agency, entrusted (August 2006) Rail India Technical Engineering Services (RITES) Limited, Gurgaon, a Government of India enterprise, for preparation of a detailed project report (DPR). RITES Limited prepared the DPR in December 2006 and tenders were invited (December 2007) by GMDA for execution of work on turnkey basis. The work was awarded (May 2008) to one M/s Samir Damodar Ropeway Private Limited, Guwahati at a cost of ₹28.17 crore. In July 2008, GMDA entered into an agreement with RITES Limited for project management including checking of design, quality assurance of supply items, supervision of construction, erection, testing and commissioning including handing over of the system after successful commissioning.

Test-check (May and July 2011) of the records of Chief Executive Officer, GMDA revealed that the work of two well foundations at north (TR-4) and south (TR-2) bank was started in December 2009, of which, the work relating to 'well shaft' at north bank was completed before the onset of monsoon in 2010. However, the work relating to well shaft (TR-2) at south bank had to be stopped from March 2010 before plugging of bottom and top of the shaft, due to rising of water level caused by flash flood. The submerged well shaft was tilted due to scouring of well foundation and came to rest over an inclined rock profile. Rectification measure of tilt by anchoring

[14] **<u>Expired during:</u>**
2005-06: ₹26.70 lakh, 2006-07: ₹40.03 lakh, 2007-08: ₹3.92 lakh, 2008-09: ₹0.26 lakh and 2009-10: ₹1.41 lakh.

was also stopped in February 2011 due to an objection raised by Archaeological Survey of India (ASI) for setting up anchor blocks at Urvashi Island, a heritage site. As of July 2011, an expenditure of ₹3.11 crore was incurred on TR-2 well in addition to which, there was unpaid liability of ₹3.70 crore on floating arrangement and tilt rectification measures. Though a preliminary decision on possible alternative location had been taken, no directive in this regard had been issued by GMDA till July 2011.

Test-check further revealed that despite the facts that (i) the termination level of TR-4 in North Bank was 52 m; (ii) water had risen above 41 m in the month of March during the consecutive four years (2005-2008) and GMDA opined (January 2010) to keep well cap of TR-2 above the highest flood water level (51.5 m), termination level of TR-2 well cap was lowered to 45 m by RITES Limited. Thus, apart from accepting faulty/inappropriate design, RITES Limited failed to assess hydrographic nature of the river correctly. This was corroborated by the observation made by Commissioner and Special Secretary to Public Works and National Highway Department, GOA to the effect that as maximum scour level was below the rock level at TR-2, scouring of river bed during flood was not an unforeseen event.

Thus, failure of GMDA to ensure fixing of termination level of well cap above the highest flood water level coupled with lack of adequate protective measures, was indicative of bad planning which resulted in tilting of well shaft (TR-2) during flood, thereby rendering the expenditure of ₹3.11 crore unfruitful, besides, accrual of unpaid liability of ₹3.70 crore.

In reply, while not denying the unfruitful expenditure of ₹3.11 crore, GOA stated (July 2012) that fixing of termination level of well cap was done as per design duly scrutinized and vetted by RITES. The Government had also agreed that alternatives were to be evaluated. Ultimately, the fact remains that acceptance of faulty/inappropriate design and incorrect assessment of hydrographic nature of river Brahmaputra by RITES resulted in tilting of the well shaft during flood, thereby rendering the expenditure of ₹3.11 crore unfruitful.

Health and Family Welfare Department

1.4.2 Unfruitful and wasteful expenditure

Of the mandatory two rounds of DDT spray for effective outcome, second round of spray was not done rendering the expenditure (₹69.50 lakh) on first round of spray largely unfruitful. Also acceptance of DDT of short life span resulted in wasteful expenditure of ₹36.69 lakh.

Dichloro-Diphenyl-Trichloroethane (DDT) is being used in the National Vector Borne Disease Control Programme (NVBDCP) for control of vectors of malaria, kala-azar and dengue etc. Expert Committee of World Health Organisation had recommended that DDT may be used only for Indoor Residual Spray (IRS) twice a year.

According to norms, two rounds of DDT spray is to be done in a calendar year for complete eradication of malaria. First round of spray is done for temporary protection from malaria parasite and second round spray completely eradicates the malaria parasites. In case second round spray is not done, malaria parasites would spread even after spraying of first round of DDT spray.

Scrutiny (January – February 2012) of records of the Joint Director of Health Services (Jt. DHS), Diphu revealed that only first round of DDT spray was done during April to August 2005 covering 11 Primary Health Centres (PHCs) in Karbi Anglong district by incurring expenditure of ₹69.50 lakh (DDT: ₹58.82 lakh and wages: ₹10.68 lakh). Regarding second round spray, it was stated (February 2012) by the District Malaria Officer (DMO) that though second round of DDT spray was required, it could not be done for non-allotment of fund for remuneration to spraying squads by Government/Council. The contention of DMO was not tenable as no steps for obtaining fund and approval for the engagement of spraying squads from Council/GOA for second round spray in 2005 were taken by the DMO, though DDT was available in stock. Failure of the Department to spray DDT for the second time during 2005 caused death to 29 out of 13,430 malaria affected people in the district.

Thus, failure to take up second round of DDT spraying not only rendered expenditure of ₹69.50 lakh incurred for the first round spray unfruitful but also resulted in death of 29 people due to malaria thereby defeating the objectives of the scheme.

(b) Wasteful expenditure

It was further observed that DMO, Diphu received (August 2006) 158.90 MT DDT from Bihar State Warehousing Corporation between January 2006 and May 2007 for spraying during 2007. Of the quantity received, 27.90 MT DDT had a short life span upto December 2006.

Out of total 178.80 MT DDT (balance stock: 78.80 MT + total received during 2007: 100.00 MT), the DMO issued 126.90 MT to various peripherals between August 2006 and June 2007 for spraying during 2007. According to spraying report for 2007, first round of spraying was completed between February and May 2007 while the second round was completed between May and August 2007 covering 11 PHCs in Karbi Anglong district. As the spraying activities commenced (February 2007) after the expiry (December 2006) of life span of 27.90 MT DDT, it is evident that the expired DDT was either used for spraying or lying idle in the stock. Since the expired DDT (27.90 MT) would not yield the desired result, the cost thereof amounting to ₹36.69 lakh[15] became wasteful.

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27.90 MT X ₹1,07,791 per MT	₹30,07,369
Add Excise duty @ 16 *per cent*	₹4,81,179
Add education cess @ 2 *per cent*	₹60,147
Add Central sales Tax @ 4 *per cent*	₹1,20,295
Total	**₹36,68,990**

On this being pointed out (February 2012), the Jt. DHS accepted the fact and stated that the DDT could not be used in time due to acceptance of DDT having short span of potency.

Thus, accepting DDT of short span of potency by DMO had resulted in wasteful expenditure of ₹36.69 lakh.

The matter was reported to the Government in May 2012; their reply had not been received (November 2012).

1.4.3 Unfruitful expenditure

Expenditure of ₹1.36 crore incurred on establishment of State Ayurvedic Pharmacy (SAP) had not served the intended purpose and remained unfruitful.

State Ayurvedic Pharmacy (SAP) was established (1948) in Government Ayurvedic College (GAC) campus, Guwahati to manufacture ayurvedic medicines under Indian System of Medicine (ISM) and to conduct practical courses for students of GAC. The SAP building was constructed in 2002 at a cost of ₹54.26 lakh, provided (October 2000) by North Eastern Council (NEC) under the NEC programme - 'Support to GAC, Guwahati'. For strengthening the existing SAP in GAC, Guwahati, Director of Medical Education (DME), Assam sent (November 2002) a proposal to Government of India (GOI), Department of Indian System of Medicine and Homoeopathy (ISM&H) for central assistance under the centrally sponsored scheme of 'Drug Quality Control of ISM&H'. The objective of the project was to ensure that good quality of ISM drugs are supplied to PHC, CHC and district hospitals of the state so that needy people are not deprived of genuine ayurvedic medicines. Based on this proposal, GOI sanctioned ₹95 lakh (machinery and equipment: ₹65 lakh and building: ₹30 lakh) during 2002-03 and 2003-04.

Scrutiny (August and September 2011) of the records of Principal, GAC, Guwahati revealed that, of ₹95 lakh so released, ₹81.65 lakh was spent on upgradation of SAP building (₹30 lakh) and purchase of machinery and equipment (₹51.65 lakh). Balance ₹13.35 lakh remained unutilized since 2003-04. As of September 2011, no fund was released by Government of Assam (GOA) for procuring raw materials, though as per the proposal for central assistance sent (November 2002) to GOI, GOA was to bear the recurring expenditure towards cost of raw materials. The Department also did not conduct basic feasibility studies like requirement of medicines, availability of fund for procurement of raw materials and did not pursue with GOA for release of fund. As a result, the SAP could produce only 25,607 phials of ayurvedic medicine of various categories using Hospital Management Society Fund (₹2.91 lakh) since 2006 against the requirement of GAC of 750 to 900 phials per day (2.74 lakh per year). To meet the requirement, instead of preparing ayurvedic medicines in SAP, these were procured from market and supplied to GAC by Director of Health Services (DHS), Assam. Moreover, allopathic medicines received from DHS/NRHM were also issued to the patients. Meanwhile, warranty of the machines installed between June 2005 and July 2010 had expired after one year of their installation. Annual Maintenance

Contract (AMC) was not entered into with suppliers of machinery in spite of request (August 2011) made to GOA by the Principal, GAC.

Expenditure of ₹1.36 crore[16] incurred on establishment of the SAP had not served the intended purpose and thus, the desired benefit contemplated while establishing SAP was also not achieved.

On this being pointed out, Principal, GAC while accepting the audit observation, stated (September 2011) that the SAP remained unproductive due to non-release of fund for purchase of raw material by GOA. The fact, however, remained that the Department had failed to utilize the potential of SAP to ensure manufacture of good quality ISM drugs locally for use by general public.

The matter was reported to Government in May 2012; their reply had not been received (November 2012).

1.4.4 Avoidable extra expenditure

Failure of Director of Health Services, Assam and GOA in making payment of outstanding dues of ₹16.19 lakh in time, despite having budget provision resulted in avoidable extra expenditure of ₹1.32 crore towards interest payment, in addition to incurring an unpaid liability of ₹61.32 lakh towards further interest.

Government of India introduced "Interest on Delayed Payments to Small Scale and Ancillary Industrial Undertakings Act 1993", which provides for and regulates payment of interest on delayed payment to small scale and ancillary industrial undertakings. The Act was amended in 1998 and named as "Interest on Delayed Payment to Small Scale and Ancillary Industrial Undertakings (Amendment) Act 1998." Government of Assam (GOA) constituted the Industry Facilitation Council (IFC) under section 7(A) of the said Act vide notification dated 12 February 1999.

Scrutiny (January and February 2012) of the records of Director, Health Services (DHS), Assam revealed that Joint Directors of fifteen[17] districts placed supply orders between July 1991 and September 1999 on one "M/s Pragjyotish Drugs, Gauripur", an associated Small Scale Industry (SSI) unit promoted by Assam Small Industries Development Corporation Limited (ASIDCL) for supply of medicines worth ₹16.19 lakh. The supplier submitted bills between 1991 and 1999 through ASIDCL for payment against the supplies made, which were not paid (till August 2002) by DHS for reasons not on record although the funds were available with the department being savings under the head of account '29 - Medical and Public Health' ranging between ₹70.28 crore and ₹114.76 crore were registered during the period 1999-2003[18]. The supplier took (September 2002) up the matter with IFC, which awarded (September 2002) the claimant ₹36.82 lakh as accrued interest as of March 2002 in addition to cost of the medicines of ₹16.19 lakh. DHS only paid ₹16.19 lakh (cost of medicines) to the supplier in March 2005 but did not pay accrued interest of ₹36.82 lakh.

[16] ₹0.54 crore (construction of SAP building) + ₹0.52 crore (purchase of machineries and equipments) + ₹0.30 crore (upgradation of SAP building).

[17] Cachar, Darrang, Dhemaji, Dhubri, Dibrugarh, Goalpara, Jorhat, Kamrup, Karimganj, Morigaon, Nagaon, Nalbari, North Lakhimpur, Sonitpur and Tinsukia.

[18] 1999-2000 (₹103.01 crore), 2000-01 (₹70.28 crore), 2001-02 (₹91.47 crore) and 2002-03 (₹114.76 crore).

Meanwhile, the supplier declared (September 2005) that interest beyond March 2002 would not be claimed if payment of interest of ₹36.82 lakh was made immediately. The DHS, however, failed to make payment for want of sanction of fund, though DHS had approached GOA several times for necessary sanction and release of fund. In March 2008, the supplier filed writ petition in Gauhati High Court and the Court sought comments of GOA in the matter. Finally, GOA sanctioned (March 2011) ₹1.32 crore, which was paid (May 2011) to the supplier as interest accrued up to February 2009 leaving unpaid liability of ₹61.32 lakh claimed by the supplier as interest accrued up to April 2011.

Thus, failure of Director of Health Services, Assam and GOA in making payment of outstanding dues of ₹16.19 lakh on time resulted in avoidable extra expenditure of ₹1.32 crore towards interest payment. In addition, an unpaid liability of ₹61.32 lakh remains to be discharged towards further interest till April 2011.

In reply, the DHS accepted (October 2012) that extra expenditure of ₹1.32 crore towards interest payment was incurred and added that the DHS was unaware of the procurement made by Jt. DHSs of 15 districts between July 1991 and September 1999 as the power for purchase was delegated to the Jt. DHSs during that period. This only reaffirmed the audit observation that failure of the office of the DHS and GOA in clearing old liability on time resulted in avoidable extra expenditure of ₹1.32 crore and unpaid liability of ₹61.32 lakh.

The matter was reported to Government in April 2012; their reply had not been received (November 2012).

1.4.5 Unfruitful expenditure

Failure of GOA to ensure smooth and timely flow of funds to the Drug Testing Laboratory led to expenditure of ₹72.18 lakh incurred on establishment of the Laboratory becoming unfruitful leading to non-achievement of intended objectives.

The Drugs and Cosmetics Act, 1940 and rules made thereunder, envisage periodical testing of samples of Ayurvedic, Siddha and Unani medicines. Health and Family Welfare Department of Government of Assam (GOA) proposed (November 2002) to set up a Drug Testing Laboratory (DTL) in Government Ayurvedic College, Guwahati under the Centrally Sponsored Scheme, ‘Drug Quality Control of Indian System of Medicine and Homeopathy (ISM&H)’. The objective of the scheme was to ensure that good quality of Indian System medicines are sold in the market. GOA was to run DTL with financial assistance from Government of India (GOI), which accordingly released (March 2003 and January 2004) ₹93.50 lakh[19] to GOA.

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GOI release				Expenditure
Period of release	**Fund released**	**Purpose**	**Allocation**	
March 2003	₹70 lakh	Building	₹18.50 lakh	**₹18.50 lakh**
January 2004	₹23.50 lakh	Machinery and Equipment	₹65 lakh	**₹48.14 lakh**
		Manpower	₹10 lakh	**₹5.54 lakh**
Total	**₹93.50 lakh**		**₹93.50 lakh**	**₹72.18 lakh**

Of ₹93.50 lakh so released, ₹18.50 lakh was spent on construction of building, ₹48.14 lakh on purchase and installation of 'machinery and equipment' and ₹5.54 lakh towards payment of salary of contractual staff till July 2009. Balance ₹21.32 lakh remained unutilized since 2003-04.

Scrutiny (August and September 2011) of records of Principal, Government Ayurvedic College, Guwahati revealed that construction of the building for DTL was completed in January 2006 and sophisticated equipment worth ₹47.77 lakh was installed by July 2008. Due to delay of two years in completion of building and delay in installation of equipment for more than four and half years, setting up of DTL was abnormally delayed. Even after setting up of DTL, it failed to run effectively due to lack of financial support from the State Government as salaries of laboratory staff were not paid since August 2009. As a result, five out of eight contractual staff of the laboratory discontinued their work. Further, no Annual Maintenance Contract (AMC) was entered into with the suppliers of equipment in spite of request (February 2010) made to the Government by the Principal, Government Ayurvedic College. Meanwhile, warranty of four machines had expired and two machines[20] worth ₹22.48 lakh stopped functioning since April 2010 and July 2011 respectively. Since its establishment, the laboratory tested only 130 out of 324 samples received from various Drug Inspectors.

Thus, not only there was abnormal delay in setting up DTL but also GOA failed to ensure regular flow of funds for smooth running of the institution. As a result, expenditure of ₹72.18 lakh incurred on its establishment becoming unfruitful besides leading to non-achievement of intended objectives.

While Principal, Government Ayurvedic College accepted (September 2011) the audit observation, Government stated (July 2012) that the DTL has now been taken over by GOI from GOA and drug testing is being done by them. However, the fact remains that due to inept handling of the project, the setting up of DTL was abnormally delayed and even after setting up, failure to ensure regular flow of funds by GOA led to non-achievement of the objectives for which it was set up, till July 2012.

Panchayat and Rural Development Department

1.4.6 Avoidable extra expenditure

Procurement of rice of same quality from open market instead of from FCI at a rate higher than the prevailing Government controlled rate without observing prescribed financial procedures resulted in avoidable extra expenditure of ₹76.88 lakh; which includes excess payment of ₹1.75 lakh due to inadmissible VAT included in supplier's bill.

GOI decision (i) below Rule 6 of General Financial Rules provides that "every officer is expected to exercise the same vigilance in respect of expenditure incurred from

[20] i) Double beam UV visible spectrophotometer and ii) GC 3800 Varian.

public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

Scrutiny (June 2009) of the records of Deputy Director, Panchayat and Rural Development (P&RD) Department, Diphu revealed that the Deputy Director procured 6,642 quintals 'Parimal rice' at a cost of ₹1.38 crore under Special Nutrition Programme (SNP) 2008-09 for distribution to beneficiaries through respective Block Development Officers of Karbi Anglong District as detailed in ***Appendix- 1.6***. Out of the total procurement of 6,642 quintals rice, 2,380 quintals were procured (April 2008) at ₹1,800 per quintal offered by the suppliers and 4,262 quintals of same quality rice was procured (December 2008 to January 2009) through a single supplier at ₹2,200 per quintal approved by Karbi Anglong Autonomous Council (KAAC) during 2008-09 without inviting tender. Rice so procured was received by the respective Block Development Officers, but actual payee's receipts in support of distribution of rice to intended beneficiaries were not furnished to audit, though called (November 2011) for.

Scrutiny also revealed that the Deputy Director had not made any attempt to procure rice (Parimal) from the department of Food and Civil Supplies, Diphu at prevailing Government controlled rate of ₹925.73[21] per quintal. There was no qualitative difference between the rice purchased from market (Parimal variety) and the APL rice (also Parimal variety) supplied from FCI through Food and Civil Supplies Department. Cost of 6,642 quintals rice at Government controlled rate of ₹925.73 per quintal would be ₹61.49 lakh (6,642 X ₹925.73), whereas the Deputy Director procured the same for ₹138.37 lakh and thereby resulted in avoidable extra expenditure of ₹76.88 lakh.

Scrutiny further revealed that instead of deducting four *per cent* VAT of ₹1.75 lakh from the gross amount of the bill of ₹43.78 lakh for supply of 1,990 quintals of rice @ ₹2,200 per quintal, the Dy Director erroneously added ₹1.75 lakh to the gross amount (₹43.78 lakh) and this added amount was deducted at source as VAT together with other statutory deductions.

On this being pointed out, the Deputy Director requested (October 2010) the supplier to refund the excess amount of ₹1.75 lakh stated to having been released due to oversight. The amount, however, remained unrealised.

Further, GOA while not commenting about the avoidable extra expenditure, stated (October 2012) that the prices of the rice were fixed by the Executive Member, KAAC.

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	Ex FCI price:	₹830 per quintal
Add:	Whole sale commission @3.10 per cent	₹25.73 per quintal
Add:	Maximum allowable transportation cost	₹16 per quintal
	Total	₹871.73 per quintal
Add:	Retail price margin	₹54 per quintal
	Total	**₹925.73 per quintal**

Thus, procurement of rice of same quality from open market instead of from FCI at a rate higher than the prevailing Government controlled rate without observing prescribed financial procedures resulted in avoidable extra expenditure of ₹76.88 lakh; which includes excess payment of ₹1.75 lakh due to inadmissible VAT included in supplier's bill.

Social Welfare Department

1.4.7 Avoidable extra expenditure

Injudicious decision of Director, Social Welfare (DSW), Assam to procure excess towels for AWCs in violation of prescribed norms resulted in avoidable extra expenditure of ₹1.11 crore.

Integrated Child Development Service (ICDS), a centrally sponsored scheme, was launched (1975) with the aim of holistic development of children up to six years of age, adolescent girls and pregnant and lactating mothers. It provides a package of services comprising supplementary nutrition, immunization, health check up, referral services, non-formal pre-school education and health and nutrition education. The ICDS packages of services are delivered through Anganwadi Centres (AWCs) by engaging Anganwadi Workers (AWWs) and Anganwadi Helpers (AWHs).

The Anganwadi Hand Book for implementation of scheme under ICDS stipulated that four towels are to be supplied as bathroom item to each AWC. Scrutiny (January and February 2012) of records of the Director, Social Welfare (DSW), Assam revealed that, contrary to the prescribed norm, the DSW considered eight towels for each AWC and submitted (April 2010) proposal to Government for procurement of 3,94,832 (49,354 X 8) towels at ₹65 per piece (rate approved by the State Level Purchase Committee headed by DSW, Assam) for 49,354 AWCs of Assam under ICDS scheme during 2010-11. Based on the proposal submitted by the DSW, Government sanctioned (April 2010) and released (January and February 2011) ₹4.35 crore for procurement of AWC materials. DSW placed (April 2010) supply order on Assam Government Marketing Corporation (AGMC) Limited and incurred an expenditure of ₹2.22 crore (till February 2012) towards procurement of 3,42,189 towels for 42,774 AWCs. It was observed in audit that the DSW did not receive any demand from the AWCs for providing additional four towels to each AWC nor was any assessment made in this regard. It was further observed that though the DSW in its proposal clearly mentioned the basis of rates at which the towels were to be procured, it did not mention the basis of proposal for procuring eight towels for each AWC, nor did the Government call for the same prior to according approval for the purchase of eight towels instead of four towels for each AWC as provided in Anganwadi hand book. Documentary evidence in support of actual distribution of the towels so procured for the AWCs and their proper utilisation was not furnished, though called for (February 2012) in audit.

Reply of DSW, Assam was forwarded (June 2012) by Commissioner and Secretary, GOA, Social Welfare Department. In reply, the DSW stated (June 2012) that the handbook for AWW on the use of different materials was an illustrative one and the requirement was based on the local condition/needs. He also added that requirement was assessed after due deliberation and discussion held with CDPOs/DPOs/DSWOs. Reply of DSW is not tenable as the procurement of excess towels was made without any requisition/demand from AWCs/CDPOs. Further, the DSW did not enclose (i) any copy of minutes of discussion/deliberations wherein it was decided to allot more towels over and above the stipulated number of towels to be issued, and (ii) records to substantiate that relevant provisions of the hand book were only suggestive.

Thus, injudicious decision of DSW, Assam of procuring excess towels for AWCs in violation of prescribed norms resulted in avoidable extra expenditure of ₹1.11 crore (1,71,096[22] X ₹65).

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

Guwahati Development Department

1.5.1 Inordinate delay in implementing project

CEO, GMDA failed to complete the project of "reclamation and restoration of Borsola beel" due to non-execution of the work of removing organic sludge from the water body through bio-remedial process despite elapse of six years of its stipulated date of completion rendering expenditure of ₹5.22 crore unproductive.

Borsola Beel is a natural wetland situated in the heart of the city and was declared as Reserved Wetland by Government of Assam (GOA) in 1995. Due to siltation and sewage coming into the lake from adjoining area, it became a health hazard and was in a very deplorable condition. Based on the proposal mooted by Guwahati Metropolitan Development Authority (GMDA), GOA, Guwahati Development Department (GDD) accorded (October 2003) administrative approval (AA) and financial sanction (FS) of ₹5.29 crore (excluding consultancy and other charges) under the award of Eleventh Finance Commission for 'reclamation and restoration work' of Borsola Beel. GMDA invited (May 2003) bids for the work and accepted (November 2003) the bid of one M/s Aireff De-Tox Incineration Private Limited, Thane, Maharashtra and entered (December 2003) into an agreement with the firm for execution of the work at an estimated cost of ₹5.38 crore. The main components of work were clearing of water hyacinth; removal of sludge (both organic and inorganic) and construction of sewage treatment plant, boundary wall, sluice gate, pathway, bituminous topped peripheral road, drain etc., including beautification and the work was stipulated to be completed before March 2005.

Test-check (May and July 2011) of the records of Chief Executive Officer (CEO), GMDA revealed that as of June 2011, ₹5.22 crore was spent and all other works except removing of organic sludge of the water body through "bio-remediation process applying bio product" were completed. Total estimated quantity of 40 MT consumable bio-products (*i.e.*, consortium of microbes) worth ₹52.80 lakh (40 MT X

[22] 42,774AWCs X 4 towels (purchased in excess of requirement) = 1,71,096.

₹1.32 lakh) was to be used for removal of 97,470 cum organic sludge through bio-remediation technique and the process was to be started from April 2004. However, the process was not started till June 2011. As a result, the project was not completed despite elapse of six years of the stipulated date (March 2005) of completion, though an expenditure of ₹5.22 crore had already been incurred on the project. Besides, non-use of bio-remediation process with proper disposal would result in recurrence of water hyacinth making the exercise of cleaning the water body futile. The Department issued several reminders to the firm for expediting execution of the work for timely completion. No penal action was, however, taken against the defaulting firm for reasons not on record, though such provision existed in bid documents.

Further, as per estimates, the firm was to be paid ₹315.57 per cum (inclusive of 10 *per cent* contractor's profit) for removal of inorganic sludge by mechanical means. The rate included ₹70 per cum as hire charge for disposal of the sludge in truck within Greater Guwahati. Instead of dumping the sludge at a distant place through trucks, it was used in the bank of the water body for making embankment. As removed sludge was dumped on the bank of the water body instead of carrying to a distant place, element of carriage by truck at ₹77 per cum (₹70 + 10 *per cent* contractor's profit) was to be deducted from the composite rate of ₹315.57 per cum. Audit noticed that the firm was paid ₹84.53 lakh (26,787 X ₹315.57) towards removal and carriage of 26,787 cum sludge without deducting hire charge of truck load of sludge dumped (5,695 cum) on the bank of water body resulting in excess payment to that extent.

Thus, CEO, GMDA failed to implement the project of "reclamation and restoration of Borsola beel" even after six years of its stipulated date of completion rendering expenditure of ₹5.22 crore unproductive which was inclusive of an excess payment towards carrying cost of removed sludge kept on the bank of the beel by truck load.

As per the reply of GMDA forwarded (July 2012) by GOA, GDD indicated that several other issues *viz.*, encroachment, lack of road connectivity, shifting of power line and power connection, diversion of excess sewage water etc., were to be settled before execution of the project work. The reply is not convincing because GMDA had not stated the reason for non-removal of organic sludge of the water body by the contractor through bio-remedial process, using bio-product, which is the only work left out. Consequently, the project still remained incomplete (July 2012).

Health and Family Welfare Department

1.5.2 Unproductive expenditure

DHS, Assam failed to utilize the "Magnetic Resonance Imaging (MRI)" system procured and installed at a cost of ₹6.91 crore which resulted in unproductive expenditure to that extent (₹6.91 crore), besides a committed liability of ₹0.73 crore as the intended objective of procurement of the MRI system could not be achieved for a considerable period.

Test-check (January and February 2012) of the records of Director, Health Services (DHS), Assam revealed that DHS, Assam submitted (June 2008) a proposal to GOA, Health and Family Welfare (H&FW) Department for sanction of ₹7.41 crore for purchase of "Magnetic Resonance Imaging (MRI)" system on turnkey basis to be used at Jorhat Civil Hospital, Jorhat. On receipt of approval (November 2008), DHS, Assam invited (November 2008) tenders from manufacturers and their accredited dealers for supply and installation of the machine on 'turnkey' basis in Jorhat Civil Hospital, Jorhat. The 'Schedule of Requirement' attached with bid document disclosed that supply and installation should be completed within 120 days of signing the contract. The purchase board under the chairmanship of DHS, Assam approved (January 2009) the lowest rate of ₹9.41 crore (which comprised of cost of machine: ₹7.37 crore, civil work: ₹0.41 crore and annual maintenance cost: ₹1.63 crore) offered by "M/s Wipro GE Health Care Private Limited". GOA accorded (March 2009) sanction of ₹7.41 crore in annual plan 2008-09, which was drawn (March 2009) in one AC bill[23].

The availability of fund for civil works (₹0.41 crore) which was meant for construction of seven room building for installation of MRI system was also not confirmed. Instead of ordering for supply and installation of the machine on turnkey basis, the DHS placed (March 2009) order with the supplier only for supply of 1.5 Tesla MRI system at a cost of ₹7.37 crore to be executed within thirty days from the date of issue of the supply order. No agreement was signed with the supplier as revealed from the letter (November 2011) of DHS, Assam to the supplier, though signing of agreement with the supplier was a prerequisite as per terms of the supply order. DHS took another 11 months after placing (March 2009) supply order to open (February 2010) one LC account, required for obtaining foreign equipment, in favour of the supplier in SBI, Dispur branch for ₹7.36 crore, which delayed the entire process of supply and installation of the system. The MRI system was dispatched to Jorhat Civil Hospital, Jorhat in April 2010 and 90 *per cent* payment (₹6.63 crore) was released (May 2010) to the firm by the bank.

As per approved rate, the supplier was supposed to install the MRI system on a turnkey basis in Jorhat Civil Hospital (JCH) which included construction of new seven room building as per supplier's own specification at a cost of ₹41.69 lakh. This fund was not provided by Government and DHS was directed to install the machine in Jorhat Medical College and Hospital (JMCH) being constructed under National Rural Health Mission (NRHM) adjacent to JCH. As the construction was not completed, the MRI system was kept in godown. It is worthwhile to mention here that prior to dispatching the machine, the supplier requested (March 2010) the Department to provide necessary AC environment for safe storage of the machine, which was not provided and the magnet of the machine got damaged. As the building constructed by NRHM was not as per specification, it was required to be renovated by the supplier. In this connection in November 2010, seven months after submitting (April 2010) the site plan by supplier, Superintendent, JMCH awarded, "internal civil and electrical

[23] AC bill No. 761 dated 27 March 2009.

work including commissioning of the system" to the supplier which was to be completed by January 2011.

Thus installation and commissioning of MRI system was delayed by more than three years of drawal of fund due to:

- Not signing the contract with the supplier.
- Non-adherence to the schedule of installation of 120 days.
- Not confirming the availability of funds for civil works.
- Delay in opening LC account by DHS.
- Change of plan to install it in JMCH being constructed by NRHM instead of installation in Jorhat Civil Hospital by completing seven room building by the supplier at a cost of ₹41.69 lakh.
- Delay in awarding "internal Civil and Electric work" including commissioning.
- Further delay by the supplier for more than one year in completing "internal Civil and Electric work" for the necessity of renovating MRI building as per specification.

Instead of ordering the machine on turnkey basis after signing the agreement, DHS split up the order, first for supply of machine as soon as fund was sanctioned (March 2009) and later on, for internal civil and electric work including installation (November 2010) after a gap of almost 20 months.

On this being pointed out in audit, DHS, Assam replied (June/October 2012) that the magnet of the system was replaced by the manufacturer free of cost and the machine was commissioned in May/June 2012. However, audit scrutiny revealed that there was not only delay of three years in installation of MRI system and resultant denial of modern diagnostic facilities to the patients requiring investigation, but also even after its installation, it could not be ensured whether it was being utilised for patient care facilities as the department failed to furnish such information despite requests made (October and December 2012) by audit.

Thus, DHS, Assam failed to utilize the "Magnetic Resonance Imaging (MRI)" system procured and installed at a cost of ₹6.91 crore which resulted in unproductive expenditure to that extent (₹6.91 crore), besides a committed liability of ₹0.73 crore as the intended objective of procurement of the MRI system remained unachieved for a considerable period.

1.5.3 Idle outlay and misutilisation

Failure to analyse the pattern of consumption and non-assessment of actual requirement of hospital items resulted in accumulation of materials worth ₹183.59 lakh. Besides, there were instances of unauthorized issue of materials and absence of details of utilization led to possible misutilisation of Government money of ₹82.98 lakh.

Scrutiny (January-February 2012) of the records of Joint Director of Health Services (Jt. DHS), Diphu and further information collected revealed that Jt. DHS, Diphu procured 10[24] hospital items valued ₹2.68 crore during 2005-10 for 17 health institutions with a total of 499 bed capacity in Karbi Anglong District. On the basis of year-wise proposals sent by the line Department during 2005-10 as per detailed head-wise budget allocation, the Karbi Anglong Autonomous Council (KAAC) allocated and released fund each year**,** on receipt of the same from the Hill Areas Department (HAD), Government of Assam (GOA). Specific expenditure sanctions for purchase of individual items were however, not found on record.

Scrutiny of stock books and other relevant records disclosed that the Jt. DHS purchased hospital items every year on the basis of allocation and release made by KAAC. The purchases were made without ascertaining stock position of the materials in hand and the annual requirements of the hospitals and health institutions in the district. As a result of excess purchase, balances of hospital items continued to accumulate in stock.

The Jt. DHS did not carry out periodical physical verification of stock to ascertain the physical existence of materials and also not verified whether the materials lying in store were fit for further use by patients. There is every possibility of deterioration of these materials due to prolonged storage. Thus, procurement of items without assessing actual requirement of hospital items had resulted in huge accumulation of materials worth ₹183.59 lakh (***Appendix- 1.7***). An assessment was made in audit in respect of ten major hospital items lying in stock as on March 2010 and it was found that based on the quantum of average consumption of these material during the last five years (2005-10), the accumulated stock would be sufficient to meet the future requirement of eight to 28 years for eight[25] items and two to three years for two[26] items.

(B) Further, instances of misutilisation of the accumulated stock were observed as indicated below:

The Jt. DHS had issued hospital items worth ₹75.89 lakh to Executive Member (EM), KAAC during the period 2007-10. It was stated that materials were issued as per verbal order and the purpose for which materials were issued was not disclosed by the EM. It was noticed in audit that there was no documentary proof of written requisition/order etc., found on record except entry in the stock register maintained by Jt. DHS. Similarly, the Jt. DHS also issued hospital items valued ₹7.09 lakh during 2005-10 for "relief" as indicated in stock book for which neither any requisition nor valid acceptable documentation was available on record. Neither Utilisation Certificate (UC) nor acknowledgement of receipt of materials in respect of above issues was submitted by the recipients even after a lapse of two to four years (as of 2011-12) from the period of issue of materials.

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[24] 1. Blanket (red), 2. Blanket (deluxe), 3. Mosquito net, 4. Bed sheet, 5. bed cover, 6. Window screen, 7. Mattress, 8. Pillow, 9. Pillow cover and 10. Towel.

[25] 1. Blanket (Red), 2. blanket (Deluxe), 3. mosquito net, 4. bed sheet, 5. bed cover, 6. window screen, 7. pillow and 8. pillow cover.

[26] 1. Mattress and 2. towel.

Thus, failure to analyse the pattern of consumption and non-assessment of actual requirement of hospital items resulted in accumulation of materials worth ₹183.59 lakh. Besides, possibility of misutilisation of Government money of ₹82.98 lakh (₹75.89 lakh + ₹7.09 lakh) (***Appendix- 1.8***), could not be ruled out in the absence of valid documentation/utilization details in support of material issued by the Jt. DHS.

In reply, GOA stated (July 2012) that a detailed report has been called for from Principal Secretary, KAAC for taking necessary action on the matter. Further development in this regard, if any, is, however, awaited.

1.5.4 Injudicious procurement and blocking of fund

Jt. DHS, Diphu procured equipment worth ₹211.65 lakh without observing basic financial norms of economy in purchase and also without ensuring quality by procurement from reputed manufacturers. Besides, Jt. DHS failed to utilize equipment worth ₹146.76 lakh even after elapse of 31 months rendering the procurement injudicious besides leading to blocking of fund to the extent of ₹146.76 lakh.

Fundamental principles of public procurement as laid down in Rule 137 of General Financial Rules (GFR) *interalia* provides that (i) the specifications in terms of quality, type etc., as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organisations; (ii) the procuring authority should satisfy itself that the price of the selected offer is reasonable and consistent with the quality required; and (iii) care should also be taken to avoid purchasing quantities in excess of requirement.

The High Level Committee (HLC) constituted under the Chairmanship of Additional Chief Secretary, Government of Assam (GOA), for devolution of Twelfth Finance Commission (TFC) grants, sanctioned ₹266.15 lakh to Health Department, Karbi Anglong Autonomous Council (KAAC) in their meeting held in October 2006. The fund was meant for utilization during 2006-07. GOA, however, released the first installment of ₹54.50 lakh in January 2007 and the second installment of ₹211.65 lakh in September 2009, after a delay of almost three years. No reason for this inordinate delay was found on record.

Scrutiny (January – February 2012) of the records of Jt. Director of Health Services (Jt. DHS), Diphu revealed that on receipt of HLC sanction of October 2006 (₹266.15 lakh), Jt. DHS submitted (November 2006) project proposal to Health Department, KAAC for utilization of the sanctioned amount under seven[27] items of expenditure as envisaged in HLC's minutes of the meeting of October 2006. There was nothing on record to show that this project proposal was approved by KAAC. Meanwhile 1st installment of ₹54.50 lakh was spent for purchase of medicines in accordance with original proposal. Subsequently, Jt. DHS submitted (October 2009) another proposal

[27] (1) Installation of computer system (₹28.07 lakh), (2) Morgue chamber (₹17.46 lakh), (3) Incinerator building (₹29.14 lakh), (4) Upgradation of office building of Jt. DHS and DMS, Diphu (₹18.99 lakh), (5) Hospital equipments (₹65.49 lakh), (6) Hospital furniture and linens (₹37.00 lakh) and (7) Medicines (₹70.00 lakh).

to utilize the entire 2nd installment of ₹211.65 lakh in clearing the liabilities created (June/July 2009) for purchase of diagnostic machines and surgical items, on the occasion of Golden Jubilee Celebration of Civil Hospital, Diphu and for other hospitals in Karbi Anglong district. KAAC accorded (October 2009) administrative approval and released (March 2010) the fund which was paid to the suppliers in May 2010. The sanction of GOI/GOA for utilization of the TFC grant towards clearance of past liabilities instead of implementation in accordance with HLC guidelines was not found on record.

Scrutiny of the stock register of Jt. DHS disclosed that out of the machines and surgical items shown to have been procured, materials and other peripherals worth ₹64.89 lakh only were shown to have been issued to Civil Hospital. Balance materials worth ₹146.76 lakh were lying in stock till the date of audit (February 2012). Details are in ***Appendix- 1.9***.

Scrutiny further revealed that apart from absence of quality assurance of the machines/equipment, the purchase process was also not transparent because:

- The rates were fixed through limited tender (only three quotations) without ascertaining it from manufacturers or from DHS, GOA. It was thus not clear as to how economy in purchase was ensured.
- Specification, efficiency and cost of equipment differ from manufacturer to manufacturer. It was essential to indicate the name of manufacturer in the tenders, supply order, bills/vouchers, delivery challans and stock entries. While delivery challans were not produced to audit, the other records did not indicate the name of manufacturer, date of manufacturing, period of warranty, specification, agreement, etc. Thus, quality of the equipment was not ascertainable.
- Non-utilization/idle stock of machines and surgical items worth ₹146.76 lakh was indicative of the fact that those were procured without assessing the actual requirement.

It is evident that the purchase was made without observing the relevant provisions of GFR. Moreover, the Jt. DHS had not conducted physical verification of stock since its purchase (July 2009) till the date of audit (February 2012) though in accordance with Rule 219 of Assam Financial Rules, this was to be done periodically. Consequently, it could not be ascertained whether the balance materials and equipment worth ₹146.76 lakh were available in stock.

In reply, GOA admitted (July 2012) that the fund was utilized for clearing the old liabilities but did not comment on the purchase irregularities pointed out by audit.

Thus, Jt. DHS, Diphu procured equipment worth ₹211.65 lakh without observing basic financial norms of economy in purchase and also without ensuring quality by procurement from reputed manufacturers. Besides, Jt. DHS failed to utilize materials and equipment worth ₹146.76 lakh even after elapse of 31 months rendering the procurement injudicious besides leading to blocking of fund to the extent of ₹146.76 lakh.

Hill Areas Department

1.5.5 Unauthorised diversion of fund

Joint Director of Health Services (Jt. DHS), Diphu unauthorisedly spent ₹1.99 crore for purposes other than those for which it was sanctioned.

Government of Assam (GOA), Hill Areas Department (HAD) sanctioned and released (October 2007) ₹two crore to Karbi Anglong Autonomous Council (KAAC), Diphu under Additional Central Assistance (ACA) 2007-08 for procurement of life saving medical equipment and medicines. According to release order, KAAC had to maintain separate accounts of fund released by GOA and submit detailed monthly accounts of expenditure to Accountant General (A&E), Assam. Release order further stipulated that the fund should be utilized properly against the specific scheme and for the purpose for which it was sanctioned and the implementing Department (Jt. DHS, Diphu) should submit quarterly physical and financial progress report, utilization and completion certificate to GOA.

KAAC released (November 2007) ₹two crore to Jt. DHS, Diphu reiterating the above mentioned Government instructions to be followed for procurement of equipment and medicines. The Jt. DHS drew (November 2007) ₹two crore against AC bill and submitted DCC bill in March 2008.

Scrutiny (January – February 2012) of the records of Jt. DHS, Diphu revealed that instead of incurring expenditure on life saving equipment and medicines, the Jt. DHS procured furniture, hospital linen etc., for ₹1.99 crore which included clearance of past liability incurred before sanction and release of fund (₹76.60 lakh[28] - upto September 2007) and purchase of furniture etc., (₹122.18 lakh[29]) in January 2008. The reasons for purchase of furniture, linen etc., instead of life saving medicines without prior approval of GOA were not furnished by the Jt. DHS, though called for (February 2012) in audit.

Thus, the Jt. DHS, Diphu unauthorisedly spent ₹1.99 crore for purposes other than those for which it was sanctioned.

The matter was reported to Government in May 2012; their reply had not been received (November 2012).

Labour and Employment Department

1.5.6 Non-achievement of objective

Activities of Assam Building and Other Construction Workers' Welfare Board were far from satisfactory even after four years of its constitution despite having huge Cess Fund balance of ₹126.32 crore. Besides, non-investment of cess funds in fixed deposit during 2009-10 resulted in loss of interest for ₹33.24 lakh.

With the objective of providing welfare facilities to building and other construction workers in the State, Government of Assam (GOA) constituted (February 2008)

[28] Furniture: ₹15.41 lakh, vehicle repairing: ₹34.31 lakh, documentary film: ₹15.00 lakh, Misc. bills: ₹11.88 lakh.
[29] Furniture: ₹80.67 lakh, hospital linens: ₹39.40 lakh and office stationery: ₹2.11 lakh.

"Assam Building and Other Construction Workers Welfare Board (the Board)" under Section 18 of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996 (the Act) read with rule 253 of the Building and Other Construction Workers (RE&CS) Assam Rules (BOCWAR), 2007.

Rule 255 of BOCWAR 2007 envisaged holding of Board meetings at least six times every year for effective management of activities of the organisation. Regarding identification and registration of beneficiaries as per the requirements of Section 12 of the Act, Board stated (April 2012) that awareness programmes at various places were being conducted through distribution of leaflets, installation of hoardings and publicity through print media etc.

Scrutiny (April-May 2012) of the records of the office of Member Secretary of the Board revealed that during 2008-12, the Board had held only 15 meetings (including two emergent meetings) as against total 24 meetings mandated under BOCWAR 2007. Year-wise details of meetings held are as under:

Table-1

Year	**Target**	**Meetings actually held**	**Shortfall**	**Remarks**
2008-09	6	4	2	The resolutions taken by the Board was stated to have been implemented. The action taken report was, however, not prepared by the Board.
2009-10	6	4	2	
2010-11	6	3	3	
2011-12	6	4	2	
Total	**24**	**15**	**9**	

It was stated (April 2012) that the shortfall in the number of meetings of Board was due to non-fulfillment of the quorum of members required under the provisions of the Act.

The position of collection of cess, beneficiaries identified and registered and benefits extended during 2008-12 are depicted in Table-2.

Table-2

Particulars	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**Remarks**
1. Collection of cess ***(₹in crore)***	3.91	11.80	53.71	56.90	Accumulated balance as on 31 March 2012 was ₹126.32 crore
2. Beneficiaries registered (Nos.)	Nil	Nil	4,294	13,802 (up to September 2012)	Total registered up to September 2012: 18,096
3. Benefits extended to beneficiaries (Nos.)	Nil	Nil	Nil	13,470 (up to September 2012)	-
4. Amount distributed	Nil	Nil	Nil	₹17,79,550 (up to September 2012)	-

Scrutiny further revealed that during 2008-10, the Board did not identify or register a single beneficiary. The Board had initiated awareness and publicity programme to attract and enroll the construction workers only from 2010-11. Though Board had identified and registered 4,294 beneficiaries[30] in 18 out of 27 districts in Assam during 2010-11, no financial benefits were provided to any beneficiary till 2010-11 despite having an accumulated cess balance of ₹69.42 crore in the Board's fund account. The updated position till September 2012 disclosed that the Board registered 18,096 beneficiaries and financial benefits were extended to 13,470 beneficiaries[31] amounting to ₹17.80 lakh till that date. No yearly target for registration and extending benefits to the beneficiaries was fixed. Meanwhile the accumulated cess fund balance increased to ₹126.32 crore as on 31 March 2012.

Thus, the Board's activities were far from satisfactory even after four years of its constitution and despite having huge Cess Fund balance of ₹126.32 crore.

Apart from non-achievement of the objectives of the Board, there was an element of loss of interest for not investing the idle Cess fund of ₹3.91 crore during 2009-10. Rule 294 of BOCWAR provides that all moneys belonging to the fund constituted under Rule 268 may be invested in nationalised banks or any scheduled bank. The Board, however, invested funds in fixed deposit only with effect from 31 March 2010.

Thus, due to retention of Cess fund of ₹3.91 crore in current account for more than one year without any returns, in contravention to relevant rules, the Board failed to tap potential interest income of ₹0.33 crore[32] on idle funds.

Reply of the Board was forwarded (November 2012) by Joint Secretary, Labour and Employment Department, GOA envisaged that-

(i) Though the Board was constituted by GOA in February 2008, the required manpower for its functioning as well as fund management was not provided till May 2009. (ii) Section 24 (2) (b) provides that salaries, allowances and other remuneration of the members can be paid from the Fund. (iii) Cess fund of ₹391.03 lakh accumulated during 2008-09 was not expended as Section 24 (3) of the Act disallowed expenditure out of the Cess fund till benefits were provided to the registered beneficiaries.

Reply of the Board is not tenable due to following reasons:

(i) Failure of GOA in providing required manpower to the Board was indicative of its indifferent approach in providing financial assistance to deserving workers, resultantly, the intended purpose of constitution of the Board was defeated; (ii) Section 24 (3) of the Act does not disallow expenditure of Cess fund for welfare activities till benefits are provided to the registered beneficiaries. It only restricts expenditure towards salary, allowances and other expenses to its members upto five *per cent* of total expenses of a financial year.

[30] 1. Baksha: 82, 2. Barpeta: 514, 3. Bongaigaon: 11, 4. Chirang: 13, 5. Darrang: 875, 6. Dhemaji: 248, 7. Dhubri: 52, 8. Dibrugarh: 145, 9. Golaghat: 547, 10. Jorhat: 209, 11. Kamrup (Metro): 28, 12. Kamrup (Rural): 96, 13. Lakhimpur: 400, 14. Morigaon: 30, 15. Nalbari: 480, 16. Sivasagar: 137, 17. Sonitpur: 198 and 18. Tinsukia: 229.

[31] (i) Death, funeral, medical assistance etc.: 67 and (ii) Janashree Bima Yojana (@ ₹100 each): 13,403.

[32] Calculated at the prevailing fixed deposit interest rate of 8.5 *per cent* in State Bank of India as on 31 March 2009.

1.6 Regularity issues and others

Panchayat and Rural Development Department

1.6.1 Unauthorised expenditure

Executive Officers, Barkhetri Anchalik Panchayat and Borigog Banbhag Anchalik Panchayat, Nalbari district incurred unauthorised expenditure of ₹3.08 crore towards allotment of 751 IAY houses, earmarked for SC/ST beneficiaries, to non-SC/ST beneficiaries.

Para 1.5 of the guidelines of Indira Awas Yojana (IAY) *inter alia* envisaged that at least 60 *per cent* of the total IAY allocation during a financial year was to be utilized for construction/upgradation of dwelling units for the households of below poverty line (BPL) belonging to SC/ST category. If any particular category is exhausted or not available in a district, allocation can be utilized for other categories as per priorities given in the guidelines after it has been certified to that effect by the Zilla Parishad/ District Rural Development Agency (DRDA) concerned.

(a) Test-check (March 2012) of the records of Executive Officer (EO), Barkhetri Anchalik Panchayat, Nalbari district revealed that during 2006-11, the EO was to allocate 2,120 (60 *per cent* of the total allotment of 3,534 IAY houses) IAY houses to SC/ST beneficiaries. Instead, violating the relevant provision of IAY guideline as mentioned above, the EO allotted 1,755 IAY houses to SC/ST beneficiaries and 365 IAY houses, earmarked for SC/ST beneficiaries during 2006-11, to non-SC/ST beneficiaries without the mandatory certificate from Zilla Parishad/DRDA thereby incurring unauthorised expenditure of ₹1.34 crore[33].

(b) Similarly, Executive Officer, Borigog Banbhag Anchalik Panchayat, Nalbari district allotted 386 IAY houses, earmarked for SC/ST beneficiaries during 2009-11, to non-SC/ST beneficiaries thereby incurring unauthorised expenditure of ₹1.74 crore[34]. Certificates to the effect that SC/ST beneficiaries of BPL category had been

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Year	Total IAY houses allotted	60 *per cent* of total allocation of IAY houses earmarked for SC/ST	IAY houses allotted to SC/ST	Allotment of IAY houses earmarked for SC/ST to non-SC/ST beneficiaries	Unit cost	Value
					(₹ in lakh)	
2006-07	542	325	265	60	0.25	15.00
2007-08	713	428	350	78	0.275	21.45
2008-09	607	364	300	64	0.385	24.64
2009-10	658	395	331	64	0.385	24.64
2010-11	1,014	608	509	99	0.485	48.02
Total	**3,534**	**2,120**	**1,755**	**365**		**133.75**

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Year	Total IAY houses allotted	60 *per cent* of total allocation of IAY houses earmarked for SC/ST	IAY houses allotted to SC/ST	Allotment of IAY houses earmarked for SC/ST to non-SC/ST beneficiaries	Unit cost	Value
					(₹ in lakh)	
2009-10	576	346	212	134	0.385	51.59
2010-11	605	363	111	252	0.485	122.22
Total	**1,181**	**709**	**323**	**386**		**173.81**

exhausted in the Anchalik Panchayats from Zilla Parishad/DRDA were not available on record.

Thus, Executive Officers, Barkhetri Anchalik Panchayat and Borigog Banbhag Anchalik Panchayat incurred unauthorised expenditure of ₹3.08 crore towards allotment of 751 IAY houses, earmarked for SC/ST beneficiaries, to non-SC/ST beneficiaries, which prevented the corresponding benefits from reaching the intended beneficiaries.

The matter was reported to Government in June 2012; their reply had not been received (November 2012).

1.6.2 Unauthorised expenditure

CEO, Lakhimpur ZP and BDOs, Karunabari and Bihpuria Development Blocks incurred unauthorised expenditure of ₹64.15 lakh by providing financial assistance to ineligible beneficiaries in violation of the scheme guidelines depriving the corresponding benefits from reaching the intended beneficiaries.

(A) National Family Benefit Scheme (NFBS) was introduced (1995) by Government of India as a component of National Social Assistance Programme (NSAP) to provide one time financial assistance of ₹10,000 to the heads of the surviving members of below poverty line (BPL) household on the death of primary bread earner.

Scrutiny (May 2011) of the records of Chief Executive Officer (CEO), Zilla Parishad (ZP), Lakhimpur revealed that the CEO disbursed ₹1.13 crore to 1,125 beneficiaries at ₹10,000 each during 2007-08 to 2009-10 under NFBS. Of this, ₹20.60 lakh was disbursed to 206 non-BPL beneficiaries in contravention of the relevant provision of the guidelines of NFBS.

In reply, the CEO stated (June 2011) that the financial assistance under NFBS was provided to 206 non-BPL beneficiaries as per beneficiary list approved by District Level Committee of NSAP, Lakhimpur. Reply of the CEO is not tenable as there was no provision in the guidelines of NFBS for awarding such benefit to non-BPL beneficiaries.

(B) Government of India introduced (1985-86) Indira Awas Yojana (IAY) to help poor families of BPL households in rural areas including Scheduled Castes/Tribes, freed bonded labourers, minorities etc. The programme involved construction/upgradation of dwelling units by providing lump sum financial assistance. Guidelines of IAY envisaged that the lists of beneficiaries selected are to be finally approved by the Gram Sabha. No further approval by any other higher body is required.

Scrutiny (June 2011) of the records of Block Development Officers (BDOs) of Karunabari and Bihpuria Development Blocks of Lakhimpur district revealed that ₹1.59 crore[35] was allocated by Project Director (PD), District Rural Development Agency (DRDA), Lakhimpur to the BDOs of Karunabari and Bihpuria Development

[35] (i) Karunabari: ₹112.81 lakh and (ii) Bihpuria: ₹46.59 lakh.

Blocks during 2008-09 for construction of 414[36] IAY houses. Of this, the BDOs disbursed ₹1.57 crore to 414 beneficiaries between December 2008 and September 2009, which included disbursement of ₹43.55 lakh to 115 non-BPL beneficiaries[37], in violation of the relevant provision of IAY guidelines. Besides, beneficiaries were not selected by Gram Sabha as envisaged in the IAY guidelines. Instead, the beneficiaries were selected by GP/ZP/MLA[38].

Accepting the audit observations, the BDOs concerned stated (June 2011) that now onwards relevant provisions of IAY guidelines would be followed strictly.

Thus, CEO, Lakhimpur ZP and BDOs, Karunabari and Bihpuria Development Blocks incurred unauthorised expenditure of ₹64.15 lakh[39] by providing financial assistance to ineligible beneficiaries in violation of the guidelines of NFBS and IAY depriving the corresponding benefits from reaching the intended/deserving beneficiaries.

The matter was reported to Government in June 2012; their reply had not been received (November 2012).

[36] (i) Karunabari: 293 IAY houses and (ii) Bihpuria: 121 IAY houses.

[37] BDO, Karunabari Development Block: ₹19.23 lakh to 51 beneficiaries and BDO, Bihpuria Development Block: ₹24.32 lakh to 64 beneficiaries.

[38] Gaon Panchayat/Zilla Parishad/Member of Legislative Assembly.

[39] CEO, Lakhimpur ZP: ₹20.60 lakh; BDO, Karunabari Development Block: ₹19.23 lakh and BDO, Bihpuria Development Block: ₹24.32 lakh.