

CHAPTER - IV

GENERAL SECTOR

4.1 Introduction

This chapter of the Audit Report for the year ended 31 March 2020 deals with the audit observations relating to the State Government Departments under General Sector.

The departments and the total budget allocation *vis-à-vis* expenditure of the State Government under General Sector during 2019-20 are shown in **Table 4.1.1**.

Table 4.1.1: Details of Departments with Budget Allocation and Expenditure

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure	Percentage of expenditure
1.	Police	1541.64	1605.80	104
2.	Civil Secretariat	337.55	215.75	64
3.	Public Works (Housing)	198.76	189.82	96
4.	District Administration	165.98	157.63	95
5.	Police Engineering Project	83.93	83.55	100
6.	Village Guards	68.64	68.11	99
7.	Law & Justice	65.42	63.06	96
8.	Treasuries & Accounts	59.62	46.50	78
9.	Prison	58.27	57.96	99
10.	Mechanical Engineering	53.09	53.02	100
11.	Fire & Emergency Services	45.78	45.77	100
12.	State Legislature	43.80	43.03	98
13.	Statistics	43.13	41.32	96
14.	Home Guards	39.70	37.35	94
15.	Civil Administrative Works Department	29.56	29.41	99
16.	Printing & Stationery	29.19	29.08	100
17.	State Guest Houses	19.07	18.18	95
18.	Council of Ministers	18.79	18.79	100
19.	Election	16.20	15.95	98
20.	Legal Metrology & Consumer Protection	13.85	10.86	78
21.	Head of State	12.20	11.83	97
22.	Vigilance Commission	11.19	10.49	94
23.	Public Service Commission	7.60	7.55	99
24.	Administrative Training Institute	7.51	6.68	89
25.	Rajya Sainik Board	3.49	3.40	97
26.	State Information Commission	2.58	2.54	98
27.	Parliamentary Affairs	2.04	2.04	100
28.	Relief & Rehabilitation	1.31	1.41	108
Total		2,979.89	2,876.88	97

Source: Appropriation Accounts, 2019-20

It would be seen from the table above that:

- 97 per cent of the budgetary allocation in 2019-20 under the General Sector was utilised during the year.
- In two Departments, the expenditure incurred was more than the budget allocation.

During the year, expenditure involving ₹4,531.92 crore (including expenditure pertaining to previous years audited during the year) of the State Government under General Sector was test checked. This chapter contains the audit observations in respect of one compliance audit paragraph.

Compliance Audit Paragraph

FINANCE DEPARTMENT (TREASURIES & ACCOUNTS)

4.2 Fraudulent/ excess drawal of money

Failure of the Drawing and Disbursing Officers and Treasury Officers to exercise prescribed checks resulted in fraudulent/ double/ excess drawals amounting to ₹2.78 crore.

Rule 66, Sub-clause 3, of the Central Government Accounts (Receipts and Payments) Rules¹, 1983 prescribes that entries in all money columns of the pay bills are to be totalled separately under each section and parts, to arrive at the total entitlements as well as net payable after statutory deductions. Section wise totalling of the pay bills must be checked by the Drawing and Disbursing Officer (DDO) himself or by some responsible official other than the person preparing the bill.

Rule 22 of the Central Treasury Rules² states that the Treasury Officer (TO) shall be responsible to the Accountant General for acceptance of the validity of a claim against which he has permitted withdrawal and for evidence that the payee has actually received the sum withdrawn. Rule 23 of the Central Treasury Rules prescribes that the Treasury Officer shall obtain sufficient information as to the nature of every payment he is making and shall not accept a claim which does not formally present that information unless there are valid reasons which he shall record in writing for omitting to enquire it. Rule 24 of the Central Treasury Rules further states that the Treasury Officer may correct an arithmetical inaccuracy or an obvious mistake in any bill presented to him for payment.

Further, according to Rule 276 of the Central Treasury Rules, while drawing any arrear bill, the Drawing Officer shall record the certificates on the arrear bill under his dated signature to the effect that (i) no part of the amount claimed has been drawn previously; and (ii) a note of the arrear claim has been made in the office copy of the bill or the pay bill register for the period to which the claim pertains.

Test check of pay bill vouchers of various Departments by Audit revealed that 28 DDOs of 17 Departments (*Appendix 4.2.1*) had misappropriated ₹2.78 crore by fraudulently drawing pay and allowances. The money was withdrawn by inflating the net total of pay bills, double drawal of pay and allowances, arrears, *etc.* in violation of the prescribed Financial Rules. When the matter was intimated to the Departments, the Departments recovered ₹8.99 lakh and deposited into Government account. However,

¹ which is followed by GoN

² which is followed by GoN

report on initiating disciplinary action against the defaulting officials was not furnished. Details of the modus-operandi are shown in **Table 4.2.1**.

Table 4.2.1 Cases of excess/ fraudulent drawals

Objections	Audit observations
Excess drawal by inflating net total of pay bills	Scrutiny revealed that five DDOs of three Departments had drawn funds of ₹601.39 lakh in 31 pay bills by irregularly inflating the net total amount where the actual admissible amount was ₹586.75 lakh. This resulted in excess drawal of ₹14.64 lakh between August 2014 and June 2018 as detailed in Appendix 4.2.2 . On being pointed out, two DDOs recovered an amount of ₹0.91 lakh and deposited into Government account.
Double drawal of pay & allowances including arrears	Scrutiny revealed that six DDOs of four Departments fraudulently drew funds of ₹72.52 lakh during September 2017 to March 2018 in 12 bills being pay & allowances and arrear bills pertaining to the period March 2012 to February 2018 which were already drawn in regular bills. This resulted in fraudulent drawal of ₹72.52 lakh as detailed in Appendix 4.2.3 . On being pointed out, two DDOs partially recovered ₹3.43 lakh and deposited into Government account.
Fraudulent/ inadmissible drawal of pay & allowances including arrears	Scrutiny revealed that 19 DDOs of 12 Departments fraudulently drew funds of ₹190.93 lakh in 70 arrear bills during the period from March 2016 to February 2019 by preparing fictitious 'due and drawn' statements for employees who were not entitled to draw arrears as detailed in Appendix 4.2.4 . On being pointed out, three DDOs partially recovered ₹4.65 lakh and deposited the amount into Government account.

The above instances of excess/ double/ fraudulent drawals by 28 DDOs³ of 17 Departments indicated failure at both the DDOs' and TOs' levels to exercise control and checks as prescribed by rules and procedures.

The matter on the above irregularities was reported to the Government in October 2021 and reminder issued in November 2021. Replies are awaited (January 2022).

Audit also pointed out the fraudulent drawals by 24 DDOs⁴ of 15 departments amounting to ₹1.36 crore out of which the entire amount of ₹1.36 crore was fully recovered at the instance of audit. Details are provided in **Appendix 4.2.5**.

In all the above cases, the DDOs concerned did not record the certificates on the arrear bills under their dated signature after ensuring to the effect that (i) no part of the amount claimed in the bill had been drawn previously; and (ii) a note of the arrear claim has been made in the office copy of the bill or the pay bill register for the period to which the claim pertains while drawing the arrear bills. Similarly, the TOs also did not obtain sufficient information as to the nature of the payment as per the bills presented to him

³ SDEO Wokha and Superintendent, Excise & Prohibition, Tuensang in two instances.

⁴ BDO RD Block Tseminyu and Headmaster, Government High School Akuhaito in more than one instances.

for payment. Further, the DDOs prepared the establishment pay bills and presented the same to the concerned Government Treasuries without ensuring the correctness of arithmetical calculations. The TOs irregularly passed the bills for payment without following the prescribed checks on the bills presented by the DDOs.

The blatant failure of the DDOs and TOs, in complying with the provisions under Central Treasury Rules and Receipt and Payment Rules, while preparing and passing the bills indicates possible collusion for fraudulent drawals.

It is also pertinent to mention that the issue of fraudulent/ excess drawal by the DDOs by manipulating pay and allowances bills was highlighted in previous years' C&AG's Audit Reports. Details of similar cases highlighted in the Audit Reports of last five years are provided in *Appendix 4.2.6*.

The Public Accounts Committee (PAC) Reports/ recommendations are the principal medium by which the Legislature enforces financial accountability of the Executive to the Legislature and it is appropriate that they elicit timely response from the departments concerned in the form of Action Taken Notes (ATNs).

The PAC had discussed four paragraphs pertaining to the Reports of the years 2014-15 to 2016-17 and made the following recommendations:

- Department to furnish the latest report on the recovery;
- Department to take disciplinary action against the defaulting DDOs for presenting false bills as well as the TOs for passing the bills without following the prescribed checks on the bills presented by the DDOs; and
- Computerisation of all the Treasuries in the State.

As per PAC Reports, the Departments concerned were required to submit the ATNs on the recommendations of the PAC within two months from the date of laying of the Reports of the PAC to the Legislature. The concerned Departments, however, failed to submit ATNs on the recommendations made by the PAC (January 2022).

Due to failure of concerned Departments to comply with instructions of the PAC, the objective of ensuring financial accountability of the Executive to the Legislature remained unfulfilled and these financial malpractices continued to persist.

- Recommendations:**
- (i) The State Government may investigate all such matters for all the Departments of the State.*
 - (ii) The Department may initiate disciplinary action against the erring officers responsible for the fraudulent drawals.*
 - (iii) The amount misappropriated should be recovered immediately from the concerned employees/ Drawing and Disbursing Officers/ Treasury Officers.*
 - (iv) The Government may also initiate steps to strengthen the internal control mechanism in all departments to prevent recurrence of fraudulent drawals and ensure that the checks and balances are in place.*