

CHAPTER – IV

AUDIT OF TRANSACTIONS

ANIMAL HUSBANDRY AND VETERINARY DEPARTMENT

4.1 Unproductive expenditure

Delay in commissioning of a plant and its subsequent non-operation resulted in avoidable expenditure of Rs.7.22 lakh and unproductive expenditure of Rs.74.39 lakh.

The Government of India, Ministry of Agriculture, Department of Animal Husbandry sanctioned (March 2001) the Centrally sponsored scheme 'National Project for Cattle and buffalo breeding' (NPCBB) at an estimated outlay of Rs.39.03 crore. The scheme to be implemented with full Central Assistance, was to be phased over a period of five years. Accordingly, the Government of India released (March 2001) Rs.1.40 crore for carrying out certain activities of the scheme during the year 2000-01, which *inter alia* included installation of one liquid Nitrogen Plant with accessories costing Rs.80 lakh. The scheme was to be implemented by Arunachal Pradesh Livestock Development Society (APLDS), which was registered as a society in June 2001. The Secretary, Animal Husbandry and Veterinary Department (AH & Vety) is the Chairman of the Society and Director of AH & Vety is its Chief Executive Officer.

Scrutiny (November 2004) of records of the Director of AH & Vety revealed that although a quotation from M/s Philips India Ltd., accredited representative of a foreign based company, was obtained by the Director in November 2001 for supply and installation of plant (for Rs.67.17 lakh) at Pasighat, no further action was taken by him in this regard. The State Government also after a lapse of two years from the date of release of funds by the Government of India (March 2001), sanctioned and released (March 2003) Rs.1.40 crore to APLDS for implementation of the scheme. The reason for delay in releasing the funds by the Government was neither on record nor stated to Audit. However, in June 2003, APLDS obtained another quotation from a dealer of the same foreign based manufacturing company for supply of the same plant for offered price of Rs.73.91 lakh and accordingly supply order was issued (September 2003) to the firm. In reply to an audit query, the Director stated (November 2004) that the plant was supplied and installed (date of installation not specified) by the firm but it had not been made operational as of November 2004. An amount of Rs.73.09 lakh was paid (December 2003 and February 2004) to the firm and another amount of Rs.1.30 lakh would be payable to them when the plant was made operational.

Thus, delay in releasing the Central funds by the State Government and consequent delay in placing the supply order and installation of plant resulted in avoidable expenditure of Rs.7.22 lakh due to increase in the exchange rate of Euro. Further the entire expenditure of Rs.74.39 lakh (including liability of Rs.1.30 lakh) has been unproductive so far due to non operation of the plant. Moreover, this had an adverse affect on the implementation of the Centrally sponsored scheme (for Rs.39.03 crore) as a whole.

The department in reply stated (June 2005) that the plant had been commissioned and had become fully operational producing Liquid Nitrogen. The date of commissioning as well as the purpose for which the Liquid Nitrogen was utilised had not however been stated. The reply is not tenable as Liquid Nitrogen is required for preservation of semen in frozen state and the proposal for strengthening the frozen semen network sent to Government of India in October 2004 is yet to be approved.

The matter was reported to the Government (May 2005), reply had not been received (October 2005).

HEALTH AND FAMILY WELFARE DEPARTMENT

4.2 Unproductive expenditure

Non functioning/operationalisation of the hospital waste management system at Naharlagun general hospital resulted in unproductive expenditure of Rs.70.88 lakh.

The Bio-Medical Waste Management and Handling Rules, 1998 (BMWMH) stipulate the setting up of Hospital Waste Management System (HWMS) at hospitals to protect public health and environment. The target date for setting up of the waste management system[#] in the hospitals of Arunachal Pradesh, as specified in Schedule VI of the rules *ibid*, was 31 December 2001.

Accordingly, Government of India Ministry of Health and Family Welfare sanctioned (September 2001) and released Rs.1.50 crore on 25 September 2001 as financial assistance to the Government of Arunachal Pradesh for providing HWMS in the general hospitals at Naharlagun and Pasighat under the Central Scheme 'Assistance for Capacity Building' with the condition that the HWMS should meet the specification and emission standards as prescribed in BMWMH and a certificate obtained from the State Pollution Control Committee.

[#] Incinerator 20 kg/hour capacity, Autoclave, plastic shredder with accessories, containers, waste collection bins, waste transfer trolley, protective gear, etc.

In January 2004, the State Government sanctioned Rs.1.42 crore for procurement, installation and commissioning of HWMS at both the hospitals. Reasons for the delay in release of funds by the State Government were neither on record nor stated.

Scrutiny (December 2004) of records of the Director of Health Services Naharlagun and further information collected (May 2005) revealed that the Director placed (January 2004) the order for supply, installation and commissioning of HWMS at both the hospitals with a Guwahati based firm at a cost of Rs.1.42 crore (Rs.70.88 lakh each). In terms of the agreement (January 2004), the firm was to give equipment warranty for 12 months from the date of handing over. After installation and commissioning, the HWMS were handed over to Naharlagun hospital (2 June 2004) and Pasighat hospital (3 June 2004) and payment of Rs.1.39 crore was released between February 2004 and June 2004 . Balance of Rs.2.86 lakh was to be paid after expiry of warranty period in terms of the agreement. Certificate from State Pollution Control Committee in confirmation of the specification and emission standards was, however, not obtained.

Scrutiny further revealed that the HWMS at Naharlagun could not be made operational till 8 April 2005 although water supply required for running of the incinerator was installed on 24 November 2004. The HWMS stopped functioning from 1 May 2005 after running for 10 days only and remained non-functional till date. Reasons for non-functioning of the plant even after a lapse of 10 months of the warranty period and installation of water supply was not on record.

The HWMS at Naharlagun thus remained mostly unutilised even after 11 months of its handing over rendering the expenditure of Rs.70.88 lakh unproductive. Besides, the objective to protect public health and environment in Naharlagun remained unfulfilled.

The matter was reported to the Government (March 2005), their reply had not been received (October 2005).

4.3 Extra avoidable expenditure on transportation

Fixing of rates for transportation of DDT in 2002-03 through limited tender as well as unauthorised allowance of 28 trucks including three additional trucks against 10 trucks actually utilised for lifting of DDT in 2003-04 led to extra avoidable expenditure of Rs.26.61 lakh.

The Director of Health Services, Naharlagun, placed (August 2002) work order with a local firm for transportation of 140 MT DDT for the year 2002-03 from M/s Hindustan Insecticides Limited , Rasayani, Maharashtra to Naharlagun and Jairampur in Arunachal Pradesh @ Rs15.85 per Kg as approved by the department for that year on the basis of limited tender.

Administrative approval and expenditure sanction for Rs.21.75 lakh being accorded (March 2003) by the Government, the Director on receipt of the materials released (March 2003) payment of Rs.21.75 lakh against the firm's claim of Rs.22.33 lakh.

Scrutiny (December 2004) of records of the Director revealed that Government of Arunachal Pradesh, Department of Transport approved (December 2000) freight charges of trucks at Rs.18 per kilometre (km). The firm transported the entire quantity in nine trucks and thus was to be paid Rs.4.86 lakh (9×18×3000) for transportation of 140 MT for the distance of 3000 km from Rasayani to Naharlagun/Jairampur at the rate fixed by Department of Transport. Thus there was an extra expenditure of Rs.16.89 lakh (Rs.21.75 lakh – Rs.4.86 lakh).

Similarly, for transportation of DDT for the year 2003-04, Health and Family Welfare Department approved (March 2004) engagement of a Guwahati based carriage contractor and issued (March 2004) order for carrying 150 MT DDT from M/s Hindustan Insecticides Limited, Rasayani to Naharlagun and Jairampur at a lumpsum cost of Rs.15.12 lakh. Basis of selection of the contractor was neither on record nor stated. The contractor transported (March 2004) the full quantity in 10 trucks to the respective destinations and was paid (December 2004) Rs.15.12 lakh in settlement of his claim.

Further scrutiny revealed that inspite of directions from the Finance Department (October 2003), the Director, Health Services failed to invite open tender and fixed Rs.15.12 lakh arbitrarily allowing 28 trucks (@ six MT per truck + three additional trucks as backup support) for carrying the materials at Rs.18 per truck per km as approved by Department of Transport for a distance of 3000 km from Rasayani to Naharlagun/Jairampur. Basis of considering six MT per truck as well as reasons for allowing three additional trucks as backup support beyond the ambit of the agreement were neither on record nor stated.

By allowing 28 trucks against 10 trucks actually utilised by the contractor the department incurred extra expenditure of Rs.9.72 lakh (Rs.15.12 lakh – Rs.5.40 lakh[#]).

The total extra expenditure of Rs.26.61 lakh (Rs.16.89 lakh + Rs.9.72 lakh) could have been avoided had the department resorted to open tender as well as considered the numbers of trucks actually utilised by the contractor and avoided allowance of three additional trucks.

The department had also not availed the benefit of competitive rates through open tender.

While accepting (December 2004) the facts the department agreed to adopt either open tender system or the Government approved rate in future.

The matter was reported to the Government (March 2005), their reply had not been received (October 2005).

[#] 10 trucks @ Rs.18 per km for 3000 km = 10 × 18 × 3000 = Rs.5.40 lakh

DEPARTMENT OF URBAN DEVELOPMENT AND HOUSING

4.4 Non availing of central subsidy

Due to lack of initiative in release of State's share and non submission of project proposal within the stipulated time, receipt of central subsidy of Rs.18.23 lakh was delayed by two years and the State Government failed to avail further central subsidy of Rs.88.14 lakh depriving the targeted urban slum dwellers of the intended benefit of the scheme.

Valmiki Ambedkar Malin Basti Awas Yojana, a Centrally sponsored scheme, was sanctioned (December 2001) by the Government of India for ameliorating the housing problem of urban slum dwellers below the poverty line by providing funds for construction and upgradation of dwelling units. The scheme envisaged release of Central share of 50 *per cent* of the project cost as subsidy/grant by HUDCO only after deposit of State share of 50 *per cent* with State Urban Development Agency (SUDA), the designated implementing agency. However, from 2003-04, the Government of India decided (May 2003) to release its share through the Consolidated Fund of the State to the implementing agencies with the stipulation that the State's share should be released within two to three weeks from the date of receipt of the funds.

Scrutiny (December 2004) of records of the Director, Urban Development and Housing (UD&H) Department revealed that while conveying approval of Government of India for construction of 1600 units in 16 census towns during 2001-02 and 2002-03, HUDCO informed (March 2002) the department that central subsidy of Rs.18.23 lakh allocated (March 2002) for 2001-03 would be released on depositing the State's share with SUDA and subject to completion of all prescribed formalities. The State Government, however, sanctioned Rs.18.53 lakh only on 31 March 2004 which was deposited with SUDA (April 2004) and was lying unutilised as of August 2005. Central share of Rs.18 lakh (out of Rs.18.23 lakh) stated (August 2005) to have been released by HUDCO in July 2005 was also lying unutilised as of date (August 2005).

Again, for construction of 353 units during 2003-04, the Government of India allocated (June 2003) Rs.88.14 lakh subject to furnishing of complete proposals by November 2003 failing which the funds would be diverted to other States. The department did not take any initiative to submit the proposal within the due date for release of central share.

Thus, due to lack of initiative in timely release of State's share and in submission of project proposal within the stipulated time, there was delay in receipt of central subsidy of Rs.18.23 lakh by two years. Further, the State Government failed to avail further central subsidy of Rs.88.14 lakh resulting in depriving the targeted urban slum dwellers from the intended benefit of the scheme till date.

In July 2005, the department stated that the State's share could not be released due to financial constraint during the respective years. The reply is not tenable in view of recurring savings of Rs.49.54 crore during 2001-04 under the demands for grants (Plan) of the department even after surrender of Rs.7.11 crore during 2003-04.

Reply of the Government had not been received (October 2005).

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.5 Excess payment

The EE, Itanagar PHE Division, finalised supplier's claims at rates higher than the rates of the supply orders and the revised rates in force. This resulted in excess payment of Rs.27.60 lakh.

The Chief Engineer, Public Health Engineering Department, Itanagar placed two supply orders in October 2003 and June 2004 with a Kolkata based firm for supply of 27,200 RMT of ductile iron (DI) pipes of different specifications as per Director General of Supplies and Disposal rate contract to PHE stores, Naharlagun. The supply orders stipulated that in case the Director General of Supplies and Disposal finalises the rate contracts where the rates are lower than the rates allowed, necessary adjustments would be made in the final payment based on the rate so finalised.

Scrutiny (May 2005) of records of the Executive Engineer, PHE division, Itanagar revealed that the firm supplied 27,195 RMT of DI pipes. Out of this a quantity of 18192.50 RMT was paid for (between September 2004 and January 2005) by the department at rates higher than the rates mentioned in the supply order involving an excess payment of Rs.17.15 lakh as detailed in **Appendix – XXIX (A)**.

Further scrutiny revealed that rates as mentioned in the supply orders were also higher than the rate contracts as finalised by Director General of Supplies and Disposal in November 2003 and July 2004. But the divisional officer while finalising the claim of the contractor did not take note of the same despite being informed by the Chief Engineer in January 2004 and August 2004. Thus, there was a further excess payment of Rs.10.45 lakh as detailed in **Appendix – XXIX (B)**.

Thus, failure on the part of the Executive Engineer to strictly adhere to the terms and conditions of the supply orders as well as the rate contract led to excess payment of Rs.27.60 lakh (Rs.17.15 lakh + Rs.10.45 lakh).

The matter was reported to the Government in July 2005; their replies had not been received (October 2005).

PUBLIC WORKS DEPARTMENT

4.6 Unfruitful expenditure

Public Works Division, Khonsa incurred an expenditure of Rs.1.16 crore towards payment of pay and allowances/wages of surplus work charged staff and casual labourers.

Scrutiny (May 2005) of records of the Public Works division, Khonsa revealed that the division had 50 work charged staff and 424 casual/contingency workers on its roll in addition to 77 regular workers/ labourers for implementation of the schemes/projects. The Executive Engineer, Khonsa PW division while furnishing (April 2005) the position of work charged and casual staff under the division, informed the Superintending Engineer, PWD Jairampur Circle about the excess staff and proposed diversion of surplus workers. No decision appears to have been taken in the matter by Superintending Engineer. The divisional officer, on enquiry confirmed (May 2005) that the division had been maintaining 121 and 127 work charged staff as well as 536 and 424 casual labourers during 2003-04 and 2004-05 respectively. Position of workers maintained during 2003-04 and 2004-05, actual requirement and surplus as well as expenditure incurred on surplus workers are detailed in the table below:

Table 4.1

Period	Category of workers	Numbers of workers	Expenditure incurred on pay and allowances and wages (Rupees in lakh)	Actual requirement of workers	Surplus staff	Unfruitful expenditure involved on surplus workers (Rupees in lakh)
2003-04	W/C staff	121	84.36	111	10	6.97
	Casual labourers	536	69.10	146	390	50.28
2004-05	W/C staff	127	88.21	111	16	11.11
	Casual labourers	424	73.37	146	278	48.11
Total:						116.47

Retaining of surplus work charged staff and casual labourers without any work resulted in unfruitful expenditure of Rs.1.16 crore towards payment of pay and allowances of work charged staff and wages of casual labourers.

The matter was reported to the Government (July 2005); their replies had not been received (October 2005).

4.7 Diversion of funds

Funds (Rs.35.56 lakh) provided for clearance of liabilities of a closed work were irregularly diverted by the Executive Engineer, Dumporijo PW Division for purchase of T&P materials by debiting the work.

Paka-Gongo NT road, a North Eastern Council funded scheme sanctioned between February 1993 and October 1998 phase-wise for execution by the State Public Works Department was suspended after incurring an expenditure of Rs.19.27 crore against sanctioned cost of Rs.22.76 crore following approval (June 1999) of handing over of the road to the Border Road Organisations by the Government.

For clearance of the liabilities pending for seven to eight years and created due to non-payment of contractor's bills against execution of earthwork, soling, metalling, culverts, etc., in different phases of the road, the Chief Engineer, Eastern Zone, PWD issued Letter of Credit for Rs.2.07 crore to the Executive Engineer, Dumporijo public work division during 2003-04. The Executive Engineer, Dumporijo public work division, instead of clearing the pending bills, spent Rs.35.56 lakh between September 2003 and April 2004 on procurement of various Tools and Plant materials[#] by debiting the works in different phases of the road by issue of work orders during March 2003 to March 2004.

The diversion of funds for purchase of Tools and Plant materials by debiting the closed works was irregular/unauthorised.

Further, scrutiny of Material at Site Accounts in respect of the road revealed that none of the materials so procured were accounted for therein. Reasons for non-accountal were not on record.

The matter was reported to the Government (May 2005); their replies had not been received (October 2005).

4.8 Excess expenditure

Excess utilisation of stone aggregate in road works beyond norms resulted in excess expenditure of Rs.19.64 lakh.

Between February 2003 and March 2005, Khonsa Public Works division executed (partly departmentally and partly through contractors by issue of works orders) pavement work of "Improvement of Khonsa-Hukanjuri-Joypur-Naharkatia road (35 km)" covering 71,648.40 sqm and 70,893.50 sqm for

[#] Shamiana, plastic tarpaulin, rain-coats, PVC chair, Vinyl flooring, hunting shoes, etc.

WBM I and WBM II respectively in sub-base course and 1,87,402.40 sqm for WBM III in base course.

Test check (May 2004) of records of the Executive Engineer, Khonsa Public Works division revealed that quantity of stone aggregates of various specifications utilised in execution of above works were in excess of the norms and requirements shown in the detailed estimate sanctioned (March 2003) resulting in excess expenditure of Rs.19.64 lakh as shown in **Appendix - XXX**.

The matter was reported to the Government (July 2005); their replies had not been received (October 2005).

4.9 Unproductive expenditure

Public Works Division, Roing undertook a work without clearance from the Forest Department, which resulted in an unproductive expenditure of Rs.16.39 lakh.

Forest Conservation Act, 1980, prohibits use of forest land for non-forest purposes without prior approval of the Government of India. The Government of India further clarified (March 1982) that request for *ex-post facto* approval on this regard would not be entertained.

Contrary to these provisions, the Government accorded (March 1997) administrative approval and expenditure sanction of Rs.15.87 lakh for execution of the items of work 'Jungle clearance and earth work in phase – I (0-5 km)' in connection with the construction of road from Bomjir to Amarpurghat (27 km). The work was technically sanctioned in December 1997. Accordingly the Roing Public Works division incurred an expenditure of Rs.14.29 lakh between March 1997 and March 2005. Besides, for undertaking survey and investigation of the road, the division incurred further expenditure of Rs.2.10 lakh during 1990-91 without obtaining clearance from the Forest Department

Test check (June 2005) of records of the Executive Engineer, Roing Public Works division revealed that after completion of jungle cutting in 3 km as of March 1998 at a cost of Rs.4.14 lakh, no further work was executed due to non-obtaining of forest clearance. Action, if any, of the Divisional Officer for obtaining forest clearance was not on record. Although the work was deferred since December 2000, the division incurred Rs.10.15 lakh during 2001-02 to 2004-05[#] on purchase of spare parts of vehicles and excess expenditure on maintenance of other works by debiting the expenditure to the deferred work.

#	2001-02	=	Rs.0.17 lakh
	2002-03	=	Rs.3.24 lakh
	2003-04	=	Rs.2.08 lakh
	2004-05	=	<u>Rs.4.66 lakh</u>
	Total	=	Rs.10.15 lakh

Thus, failure of the division to obtain statutory clearance from the Forest Department prior to taking up the work led to unproductive expenditure of Rs.16.39 lakh (Rs.14.29 lakh + Rs.2.10 lakh) besides irregular booking of Rs.10.15 lakh on the work even after its deferment.

The matter was reported to the Government (July 2005); their replies had not been received (October 2005).

4.10 Loss due to injudicious procurement of materials

Injudicious procurement of material which was not utilised resulted in a loss of Rs.11.23 lakh and material worth Rs.15.99 lakh were lying idle for periods ranging from 11 to 29 years.

Under Rule 103 of General Financial Rules, all purchases are to be made in accordance with definite requirement of public service and care should be taken not to purchase stores far in advance of actual requirement, if such purchase is likely to prove unprofitable to Government.

Test check (June 2005) of records of Roing Public Works Division revealed that in April 2005 the division was holding 163 items such as allum, aldrin, silica gel, paints, AC socket/shoe, nuts & bolts, GI fittings, *etc.*, valued at Rs.19.57 lakh in stock. Scrutiny of 'Bin Cards' revealed that balances of these materials worth Rs.19.82 lakh were carried forward from the earlier bin cards during April 1988 to August 1994. Neither the earlier bin cards nor the records of procurement in respect of these materials could be made available to Audit. During the above mentioned period, the division resorted to further purchase of same materials costing Rs.3.62 lakh without considering availability of the materials *vis-à-vis* requirement. Till April 2005 the division could issue materials worth Rs.3.87 lakh only. The materials so procured without assessment of actual requirement were lying idle for periods ranging from 11 to 17 years. The physical verification of stores in March 2005 revealed that materials worth Rs.11.23 lakh were unserviceable due to prolonged storage. Necessary survey report for disposal of the unserviceable materials had not been prepared till date.

Similarly, bin cards maintained by Jairampur Public Works division revealed that balances of 84 items like allum, marble stone, hand pumps, nuts & bolts, GI fittings, cistern, RCC collar, *etc.*, valued at Rs.8.57 lakh were carried forward during March 1976 to March 1993. Records of procurement of these materials as well as the earlier bin cards also could not be made available to Audit. The division issued materials worth Rs.0.92 lakh only till August 1994. There was however no issue after August 1994 and balance materials valued

Rs.7.65 lakh were lying in stock as of June 2005 for periods ranging from more than 12 to 29 years.

Although the matter was brought to the notice of the department during earlier audits neither the Chief Engineer, PWD, nor the concerned divisional officers had taken any action to dispose of the materials either by auction or by transfer to other needy divisions till the date of audit (June 2005).

Thus, injudicious procurement of materials not required for immediate use and inability of the department/divisions to dispose of the same before the materials became unserviceable resulted in loss of Rs.11.23 lakh to the Government. The materials valued Rs.15.99 lakh were also lying idle till date (June 2005).

The matter was reported to the Government (July 2005); their replies had not been received (October 2005).

4.11 Wasteful expenditure

Execution of portion of a road work by Jairampur PW Division, after completion of survey and investigation for a road length of 22 km, and subsequent abandonment of work led to wasteful expenditure of Rs.11.35 lakh.

To accelerate the socio-economic development of six villages by connecting them with the circle headquarter at Nampung, the Government accorded (September 2000) administrative approval and expenditure sanction for Rs.35.58 lakh for the work “Formation cutting – 5 km (phase – I)” for construction of a road from Rima to Motonga *via* Wingtong, Lungsang – 30 km. The sanction was given subject to the condition that expenditure should be incurred only after finalisation of Annual Operating Plan 2000-01. Survey and Investigation for a road length of 22 km was completed (March 2002) at a cost of Rs.3.13 lakh.

Test check (May 2005) of records of the Executive Engineer, Jairampur Public Works division and further collection of records from the division revealed that without budget provision and expenditure sanction the EE issued (March 2000) 12 work orders to local contractors for execution of jungle clearance and formation cutting for a road length of 1.008 km. In reply to an audit query, the division intimated (May 2005) that during 1999-2000 Rs.5 lakh was allotted by the Chief Engineer, Eastern Zone for the work although the work was not approved as per AOP 1999-2000. The allotment of funds during 1999-2000 without any budget provision and before receipt of expenditure sanction was irregular. Further scrutiny of payment vouchers and measurement books revealed that the contractors executed the work between November 1999 and February 2000 and the division paid (March 2000)

Rs.1.80 lakh to the contractors through hand receipts against value of work done for Rs.6.08 lakh. Out of the balance amount of Rs.4.28 lakh the division made payment of Rs.4.17 lakh between December 2000 and July 2004 and Rs.0.11 lakh remained unpaid as of date. The division debited Rs.2.25 lakh to the work between October 2000 and December 2004 being payment to work charged and casual labour (Rs.1.55 lakh); hire charge of dozer (Rs.1.01 lakh); petty purchases (Rs.0.17 lakh) and adjustment by transfer (-Rs.0.48 lakh). After completion of jungle clearance and formation cutting of 1.008 km of the road at a total cost of Rs.8.22 lakh, the work was virtually abandoned during 2003-04 due to non-availability of funds.

Thus, the execution of a work before it was sanctioned and subsequent abandonment of the work resulted in wasteful expenditure of Rs.11.35 lakh (Rs.3.13 lakh + Rs.5.97 lakh + Rs.2.25 lakh) which would increase on clearance of liability of Rs.0.11 lakh.

The matter was reported to the Government (July 2005); their replies had not been received (October 2005).

GENERAL

4.12 Follow up action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative departments are required to prepare an explanatory note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' to the Assembly Secretariat with a copy to (1) Principal Accountant General (Audit) and (2) Secretary, Finance Department within three months from the date of receipt of the report.

Reviews of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1987-88 to 2002-03 revealed that the concerned administrative departments were not complying with these instructions. As of June 2005, *suo motu* explanatory notes on 84 paragraphs of these audit reports were outstanding from various departments as detailed in **Appendix – XXXI**.

The administrative departments were required to take suitable action on the recommendations made in the Reports of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the departments were to prepare notes on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATN as one month up to the 49th Report. Review of 12 reports of the PAC containing recommendations on 85 paragraphs in respect of 18 departments of Audit Reports as detailed in **Appendix – XXXII** presented to the Legislature

between September 1994 and March 2003 revealed that none of these departments sent the ATNs to the Assembly Secretariat as of June 2005. Thus, the fate of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the administrative departments could not be ascertained in audit.

The matter was reported to Government in (August 2005); reply had not been received (October 2005).

4.13 Failure to respond to audit objections and compliance thereof

791 paragraphs pertaining to 220 Inspection Reports involving Rs.44.65 crore were outstanding as on March 2005. Of these first replies to 34 Inspection Reports containing 221 paragraphs had not been received.

Principal Accountant General (Audit) conducts periodical inspection of Government departments to test check transactions and verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the offices inspected with a copy to the next higher authorities. Government orders provide for prompt response by the executives to the IRs to ensure rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the deficiencies, lapses, *etc.*, noticed during inspection. Serious irregularities are also brought to the notice of the Heads of the departments by the office of the Principal Accountant General (Audit). A half-yearly report of pending inspection reports is sent to the Secretary of the department to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued up to March 2005 pertaining to 61 offices of three departments disclosed that 791 paragraphs relating to 220 IRs remained outstanding at the end of June 2005. Of these, 68 IRs containing 276 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue were not received from 31 offices for 221 paragraphs of 34 IRs issued between 1991-92 and 2004-05. As a result the following serious irregularities commented upon in these IRs had not been settled as of June 2005.

Table 4.2

Sl. No.	Nature of Irregularities	Home Department		Animal Husbandry and Veterinary Department		Rural Works Department	
		No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)
1.	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	23	57.75	15	11.40	2	0.55
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	-	-	15	17.65	-	-
3.	Delay in recovery or non-recovery of department receipts, advances and other recoverable charges	6	4.57	-	-	35	45.38
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	15	526.95	-	-	4	13.59
5.	For want of D C C bills	-	-	20	21.99	19	188.16
6.	For want of APRs	-	-	-	-	4	1.50
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	1	3.35	-	-	-	-
8.	Payment of grants in excess of requirement	2	7.18	-	-	-	-
9.	Sanction to write off loans, losses, etc., not received	37	1001.87	10	25.19	1	0.05
10.	Others	158	754.06	203	929.19	221	854.41
	Total	242	2355.73	263	1005.42	286	1103.65

Source: Department

The Secretaries of the concerned departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the departments took prompt and timely action. No action was taken against the defaulting officers.

It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paras as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner, and, (c) there is a proper system of expeditious compliance to audit observations.

The matter was reported to the Government (August 2005); reply had not been received (October 2005).

4.14 Write off of losses, etc.

Eighteen cases of misappropriation of funds, losses, etc., involving an amount of Rs.8.70 crore were awaiting orders for recovery or write off as on 30 June 2005. Department wise break up is given below:

Table 4.3

Sl. No.	Departments	Cases awaiting orders for recovery or write off	
		Number of cases	Amount (Rupees in lakh)
1.	Education	1	0.29
2.	Forest	10	868.32
3.	Public Works	4	0.85
4.	Supply and Transport	3	0.34
Total :		18	869.80 i.e. Rs.8.70 crore

The matter was reported to the Government (August 2005); reply had not been received (October 2005).