

OVERVIEW

This Report contains 42 paragraphs (including three general paragraphs), seven performance reviews and comments on the Finance and Appropriation Accounts. Review of Internal Control System in the Co-operation Department is given in a separate chapter. Copies of the draft paragraphs and draft performance reviews were sent to the Commissioner/Secretary to the State Government of the Departments concerned by the Principal Accountant General (Audit) with a request to furnish replies within six weeks. However, in respect of the performance reviews and 35 paragraphs (including three general paragraphs) included in the Report, no replies were received from the Commissioners/Secretaries concerned. A synopsis of the important findings contained in the Report is presented in the overview.

1. *Finances of the State Government*

The fiscal position of the State viewed in terms of key fiscal parameters showed a significant improvement as the State has been able to maintain revenue, fiscal and primary surpluses during 2005-06 and 2006-07 mainly on account of steep increase in Central transfers comprising State's share in Central taxes and duties and grants-in-aid from GOI as well as the State's own resources comprising tax and non tax revenue during these years. Although the fiscal parameters indicate improvement in fiscal health of the State, the non plan revenue expenditure continued to share 75 percent of total expenditure and consumed around 72 per cent of the revenue receipts of the State during the current year. Furthermore, NPRE not only remained significantly higher than the normative assessment of TFC for the State in 2006-07 but the salaries and wages, pension and interest payments continued to consume about 3/4th of the NPRE as committed expenditure during the year. Despite the fact that specific grants were recommended by TFC to improve the educational and health indicators in the State, the State has not been able to avail of the second installment of these grants during 2005-06 as well as the grants for the current year. The huge accumulated losses by Statutory Corporations and Government companies, especially in power and transport sectors resulted in negligible rate of return on Government's investment and inadequate interest cost recovery (both being less than one per cent) continued to be a cause of concern and needs attention of the State Government.

(Paragraphs: 1.1 to 1.11)

2. *Allocative priorities and appropriation*

Against the total provision of Rs.21,864.35 crore during 2006-07, the actual expenditure aggregated to Rs.13,485.10 crore resulting in net savings of Rs.8,379.25 crore. The net savings of Rs.8,379.25 crore during 2006-07 was due to the net effect of overall savings of Rs.8,459.86 crore and excess of Rs.80.61 crore in 74 Grants and 14 Appropriations and three Grants and one Appropriations, respectively. Anticipated savings exceeding Rs.1 crore in each case of 66 grants remained un-surrendered at the end of 2006-07.

(Paragraphs: 2.2 to 2.3.8)

Performance Reviews of Schemes/Departments

3. Working of State Fire Service Organisation

Fire services are an essential respondent to calamities in the State to save life and property. The State Fire Service Organisation (SFSO) is responsible for prevention, control and fire fighting to ensure safety of life and property in case of fire related hazards. There were deficiencies in creation of infrastructure, manpower management, training and awareness campaigns. There were also inadequate preparedness for disaster management. Monitoring mechanism was non-existent in the organization. Performance audit of the working of the State Fire Service Organisation (SFSO) revealed the following major shortcomings.

- There was shortage of 69 percent (in urban areas) and 97 percent (in rural areas) in the required number of fire stations as per norms.
- Manpower sanctioned for regular stations were diverted to man ad hoc stations.
- There was acute shortage of manpower in all categories ranging from 49 percent to 54 percent during the years 2002-03 to 2006-07.
- Expenditure of Rs.1.32 crore incurred on the Training institute in 2002-07 remained largely unfruitful.
- Against SFAC requirement of provision of static tanks at various locations, out of 38 fire stations, static tanks existed only in 4 fire stations.
- Regular inspection of high rise buildings to ensure adoption of fire safety/preventive measures was not done.
- Out of 494 major fire calls attended in rural areas, 137 were attended with response time in excess of 20 minutes prescribed.

(Paragraph 3.1)

4. Nutrition Programme under ICDS

The problem of malnutrition amongst children in Assam is being addressed through Supplementary Nutrition Programme (SNP), a constituent component of a package of services under ICDS. A performance review of the “Nutrition Programme under ICDS in Assam” revealed the following shortcomings:

- The State Government did not provide funds for the Supplementary Nutrition Programme from 2002-03 to 2004-05. The Additional Central Assistance of Rs.135.86 crore for nutrition meant exclusively for children below 3 years was diverted for providing nutrition for all groups of beneficiaries.
- Performance of the SNP in terms of nutritional supplementation vis-à-vis prescribed feeding days was grossly inadequate. Poor delivery of nutrition supplementation at only 21-29 percent (calories) and 24 to 33 percent (protein) negated the programme objectives.
- The programme implementation remained disappointing, often being handicapped by long spells of non-feeding days, inequality in allotment of nutritious food, diversion of allotment of foodstuffs without compensatory replacement and expenditure in excess of norm.

- RTE weighing 2,32,708 kgs valued at Rs.86.10 lakh were diverted without corresponding compensatory replacements thereby depriving 1,99,020 beneficiaries of 46 projects of supplementary nutrition indicating lack of control in programme management.
- Despite subsidized PDS (APL) rice being abundantly available, the Department procured SNP rice at higher rates resulting in avoidable expenditure of Rs.11.69 crore.
- Overlooking a cheaper rate for RTE offered by a manufacturer the Department procured the item at higher rate consecutively for three years by repeated extension of time of the contact resulting in an avoidable expenditure of Rs.2.85 crore.

(Paragraphs- 3.2)

5. Information Technology Audit of Computerisation of Treasuries in Assam

The Department of Treasuries under the administrative control of Finance Department is responsible for receipts and payments of all moneys on behalf of the Government and maintain accounts of all transactions. Computerisation of Treasury Accounts was started in Assam during 1998-99. Information Technology Audit of Computerisation of Treasuries revealed the following deficiencies:

- Only one out of the five modules had been implemented (May 2007) even after 4 years of implementation of CTMIS at a cost of Rs.13.3 crore.
- Back up policy was ineffective and off-site storage of back up was not ensured, thereby exposing the system to risk of non-restoration in the event of a disaster.
- Non-mapping of business rules and checks prescribed under Assam Treasury Code make the system incomplete and ineffective.
- Inadequate security policy made the system vulnerable. Network system was also not protected by antivirus programme.
- Presence of redundant data made the database inconsistent and un-reliable.
- An expenditure of Rs.2.39 crore on implementation of Treasury Accounting and Application software (TAAS) turned out to be unfruitful.

(Paragraph 3.3)

6. Roads and Bridges funded by North Eastern Council (NEC)

One of the objectives of setting up the North Eastern Council (NEC) was to develop infrastructure in the North Eastern States, specially construction of roads and bridges. During the period 2002-03 to 2006-07, GOI, through NEC, Shillong, approved 11 schemes under 9th Plan and 21 schemes under 10th Plan for implementation in Assam, in addition to 26 on going scheme, pertaining to previous Five Year Plans. Out of 58 schemes, only 28 schemes (48 per cent) could be completed as of March 2007 after incurring 44 per cent expenditure out of the approved outlay of Rs.816 crore. Performance review of "Roads and bridges in Assam funded by NEC" revealed the following shortcomings:

- There was a discrepancy of Rs.8.32 crore relating to release of funds between the records of Finance Department and Chief Engineer.
- The State Finance Department had not released Rs.84.93 crore to the implementing Department (PWD) thereby adversely affecting the implementation of schemes.
- There was diversion of Rs.39.40 lakh for repair works and travelling expenses not permissible under NEC funded scheme.
- Undue financial benefit of Rs.15.53 lakh was extended to a contractor in construction of approaches to RCC bridge.
- There was excess expenditure of Rs.63.66 lakh besides doubtful expenditure of Rs.84.69 lakh due to execution of works in deviation of the sanctioned estimates.
- Quality of roads and bridges constructed out of NEC funds was not ensured despite provision for quality control.

(Paragraph 3.4)

7. Procurement and distribution of medicines

Health care services to the people of the State have been a priority item in the planning of social services by the State Government. Distribution of medicines through the health care units viz. hospitals, community health centres, primary health centres and dispensaries are an integral part of providing health care. A review of procurement and distribution of medicines in Health and Family Welfare Department revealed that procurement of medicines was not need based. During the last five years (2002-03 to 2006-07), supply of medicines to health care units was inadequate. Thus, the intended health care services were not made available to a large section of the people of the State.

- Rs.38.30 crore (31 percent) were short released under Hospitals and Dispensaries during 2002-2007 despite budget provisions. Under Medical Education, also there was short release of funds of Rs.11.65 crore (34 percent) indicating unrealistic budgeting.
- The Department diverted funds of Rs.3.27 crore to meet arrear claims.
- In contravention of Assam Preferential Store Purchase Act, 1989, the Department procured medicines at higher rates, resulting in avoidable expenditure of Rs.2.87 crore.
- Procurement of medicines at rates higher than the approved rates resulted in excess expenditure of Rs.45.14 lakh.
- Shortfall in procurement of medicines ranged between five percent and 100 percent with reference to requirement projected by DHS. Short supply of medicines to Health care units range between 64 percent and 100 percent with reference to actual requirement. As a result, the health care units remained without medicines for one to eight months in a year adversely affecting health care delivery to the patients.

- The practice of allopathic medicines by Ayurvedic doctors due to non-procurement of ayurvedic medicines defeated the objective of providing health care in Indian System of Medicines.

(Paragraph-3.5)

8. *Educational Development of Scheduled Castes and Scheduled Tribes*

The benefits of the schemes implemented under Educational Development for SCs and STs did not percolate down to the targeted groups due to lack of initiatives of the nodal Department in generating awareness among the SC/ST students. There was gradual decrease in enrolment of students of both SC and ST categories. Drop-out rate remained very high. The scheme was formulated to encourage only higher education and very few incentives are available for primary and secondary levels of education. Persistent delays in release of funds resulted in denial of scholarship to many needy students. Construction of hostel buildings was delayed inordinately and some of the hostel buildings were utilised for other purposes thereby depriving the eligible students of the facilities. There is lack of co-ordination among the State and the NGOs in spreading education among weaker sections of the society. Monitoring of implementation of the schemes was not in place which facilitated deficiencies to persist without being rectified.

- Neither surveys were carried out nor was information collected on enrolment of SC/ST students from concerned departments/institutions to bring in the targeted groups of students under the ambit of the schemes. Planning was based merely on the basis of actual expenditure incurred in previous years on the schemes instead of on the basis of actual population of targeted group.
- Percentage of applications for post matric scholarship received against enrolment of students ranged between 31 and 65 in respect of ST students. In case of SC students, it was between 28 and 52 percent. This indicates that the State had failed to generate sufficient awareness among these students to avail of the benefits of the schemes.
- Inordinate delay in release of scholarships resulted in denial of the benefit to the students to the extent of Rs.3.62 crore
- Scholarships amounting to Rs.32.93 lakh were retained in hand for years together in 13 institutions and 6 ITDPs.
- State Government was not even aware of NGOs working in structural development of SCs/STs indicating serious deficiencies in monitoring mechanism.
- Meager incentives with limited scope in pre matric scholarship in State Sector could not motivate the poor parents to send their wards to schools.

(Paragraph-3.6)

9. Internal Control System in Co-operation Department

Internal controls provide the management with a reasonable assurance that the organisation's objectives are being achieved and the entity is functioning in an economical, efficient and effective manner. A built-in internal control system and adherence to the statutes, codes, manuals and departmental orders minimise the risk of errors and irregularities and help to protect organizational resources against loss due to wastage, abuse and mismanagement. Audit review of the functioning of the internal control mechanism during 2002-03 to 2006-07 in the Co-operation Department revealed deficient budgetary, financial, operational and administrative controls and deficiency in internal audit system in the Department.

- Irregular and unrealistic budget formulation and lack of budgetary control resulted in substantial savings of Rs.87.21 crore during 2002-07.
- There were 360 cases of misappropriation, fraud and embezzlement of funds amounting to Rs.1.79 crore in the societies
- Only an amount of Rs.0.23 crore was recovered against outstanding loan of Rs.50.30 crore during 2002-07.

(Paragraph-5.1)

Audit Paragraphs

10. Cases of fraud/misappropriation/losses

Lack of monitoring and supervision by the Deputy Commissioner, Nagaon in procurement and distribution of rice among the flood-affected people resulted in short/non receipt of rice and consequent loss of Rs.52.11 lakh.

(Paragraph-4.1.1)

Due to failure of internal controls including budgetary control, Government money to the tune of Rs.19.07 crore was mis-appropriated by fraudulent drawal of fund.

(Paragraph-4.1.2)

11. Avoidable/unfruitful expenditure/undue favour to contractors

Failure of the Secretary, Srimanta Sankardeva Kalakhetra Society to restrict mobilisation advance as per rules resulted in undue financial aid of Rs.3.20 crore to the firm besides loss of interest of Rs.52.97 lakh. Further, taking up construction works without ensuring availability of required funds resulted in idle investment of Rs.10.16 crore.

(Paragraph-4.3.1)

Failure of the Secretariat Administration Department to comply with the judgement of the High Court resulted in avoidable payment of land acquisition cost and compensation to the tune of Rs.85.04 lakh.

(Paragraph-4.3.2)

The Director General of Police purchased 14,587 steel cots at higher rate, which resulted in avoidable expenditure of Rs.88.31 lakh.

(Paragraph-4.3.3)

Due to failure of the PW Department to acquire land in 850 m stretch for the drain work the expenditure of Rs.2.29 crore against side drain remained unfruitful.

(Paragraph-4.3.7)

Expenditure of Rs.1.77 crore on completed RCC Bridge under Guwahati Rural Road Division remained unfruitful, as the Division could not complete the approaches due to non-allotment of land by District Administration.

(Paragraph-4.3.8)

Action of the Department in taking up the work before obtaining administrative approval and technical sanction, and splitting up the work and executing it in an adhoc manner led to infructuous expenditure of Rs. 2.39 crore.

(Paragraph-4.3.9)

Procurement of 57,665 bundles of yarn and 5,940 numbers fishing net at higher rates from three rejected tenderers by the Director, Welfare of Schedule Caste, resulted in extra avoidable expenditure of Rs. 60.99 lakh.

(Paragraph-4.3.11)

The Public Works and Irrigation Departments incurred avoidable extra expenditure of Rs.6.86 crore towards interest, escalation charges and other ancillary expenses due to time over run in the execution of works and non-payment of contractors' claims on time.

(Paragraph-4.3.12)

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

Procurement of equipment/machinery by the Deputy Commissioner, Hailakandi ignoring the suggestions of the technical expert resulted in injudicious expenditure of Rs.64.85 lakh.

(Paragraph-4.4.2)

The PD, DRDA Nalbari diverted Rs.1.11 crore from different Centrally Sponsored Schemes to meet the expenditure on pay and allowances and other contingent expenses and adjusted the same irregularly by debiting to expenditure of the schemes.

(Paragraph-4.4.7)

The Executive Engineers of PWD Guwahati City Division No. I and II incurred an expenditure of Rs.7.96 crore on special repairs to city roads by diversion of funds provided under Calamity Relief Fund.

(Paragraph-4.4.8)

The Assam Tribal Development Authority diverted Central funds of Rs.2.66 crore meant for implementation of Family Oriented Income Generating Schemes and individual Development Scheme towards establishment cost.

(Paragraph-4.4.9)

13. *Regularity issues and others*

Rs.1.20 crore was paid as advance by PD, DRDA, North Lakhimpur to various officials ostensibly for execution of works, but without maintaining any details of the works or advances.

(Paragraph-4.5.5)