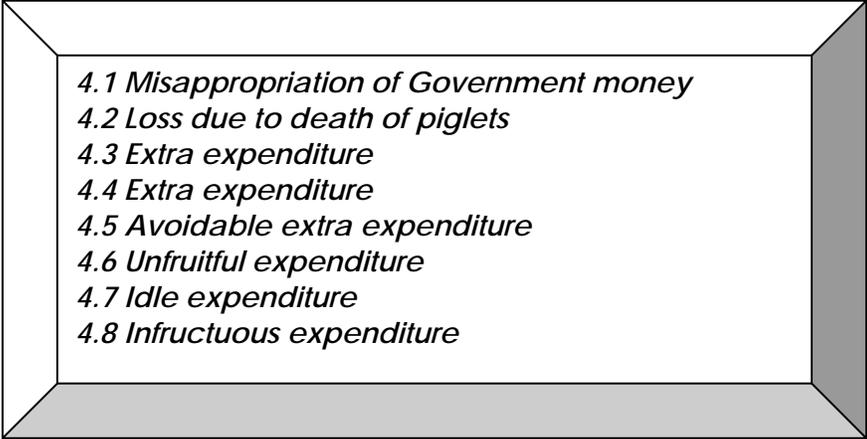


CHAPTER-IV

AUDIT OF TRANSACTIONS

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- 4.1 Misappropriation of Government money*
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CHAPTER - IV

AUDIT OF TRANSACTIONS

Fraud/Misappropriation/Embezzlement/Losses

HEALTH AND FAMILY WELFARE DEPARTMENT

4.1 Misappropriation of Government money

Failure of the Drawing and Disbursing Officer to comply with the basic financial rules regarding maintenance of cash book etc. had facilitated embezzlement/cash shortage of Rs.1.10 crore.

As per Receipt and Payment Rules, the closing cash balance of the preceding day should be the opening balance of the next day, and any difference in this regard needs to be investigated since it could lead to misappropriation of Government money.

Scrutiny (April 2007) of cash books of the Director of Health Services (DHS) revealed the following:

- In pursuance of the Department's order (April 2006), there was a change in the incumbency of the cashier in the month of May 2006. The outgoing cashier closed the cash book on 19 May 2006 when the closing balance of cash was recorded as Rs.166.08 lakh which comprised Rs.47.48 lakh in currency besides deposit at call receipts, cash memos etc. The new cashier took over the charge on 22 May 2006 when as per the handing over and taking over note of the two cashiers, against the closing cash balance of Rs.166.08 lakh, Rs.124.98 lakh only comprising Rs.6.38 lakh in hard cash was actually handed over by the relieved**

cashier to the new cashier resulting in cash shortage of Rs.41.10 lakh.¹

- Similarly, on 26 March 2007, the closing cash balance as per cash book was Rs.80.55 lakh. However, only Rs.11.51 lakh was available in the cash chest resulting in cash shortage of Rs.69.04 lakh.

Failure of the Drawing and Disbursing Officer (DDO) of the Directorate of Health Services, Mizoram to comply with the following basic financial discipline had facilitated the shortage of cash and possible embezzlement.

- As per Receipt and Payment Rules, all monetary transaction should be entered in the cash book as soon as they occur and attested by the Head of the Office in token of check. But, it was observed that the individual entries made in both receipt and payment side of the cash book along with the carried over opening and closing cash balances were not attested by the DDO on any day during the period February 2006 to March 2007. Had this been done by the DDO, the embezzlement/shortage of cash could have been detected by the DDO himself well on time.
- Rules *ibid* also provide that at the end of each month, Head of the Office should verify the cash balance in the cash book and record a signed and dated certificate to that effect. However, no physical verification of the cash was done by the DDO during the entire period (February 2006-March 2007) except on 16 March 2007. Had such physical verification been done regularly as per rules, such shortages of cash could have been detected much earlier.

Retention of huge undisbursed cash in hand ranging from Rs. 24.68 lakh to Rs.203.96 lakh during the period from February 2006 to March 2007 without exercising effective checks also led to such embezzlement/shortage of Government money. The Department is yet to investigate into the matter and fix responsibility for the embezzlement/shortage of cash. No action has been taken to recover the cash from the concerned officials.

1

	Closing balance on 19 May 2006 (as per cash book)	Balances handed over to new cashier on 22 May 2006
i) Currency	47,47,811	6,38,000
ii) Deposit at call receipt	1,12,24,304	1,12,24,304
iii) Cash memos	4,00,000	4,00,000
iv) Stated as State share of contribution paid to different colleges for which no record was available	2,36,000	2,36,000
<u>Total</u>	<u>1,66,08,115</u>	<u>1,24,98,304</u>
<u>Shortage of cash</u>		<u>41,09,811</u>

The DHS, while admitting the cash shortages, stated (April 2007) that certificate regarding handing over and taking over of cash was not countersigned by the DDO because of his ignorance of the relevant rules and that the matter was being taken up by the Department to recover the cash and fix responsibility against the concerned staff and officer.

The matter was reported to the Government in May 2007; reply had not been received (November 2007).

RURAL DEVELOPMENT DEPARTMENT

4.2 Loss due to death of piglets

Procurement of piglets without safeguarding the interests of the Government and acceptance of piglets other than those specified in the agreement resulted in a loss of Rs.39.94 lakh, besides, unfruitful expenditure of Rs.93.95 lakh.

For implementation of the Integrated Piggery Development Project in Lunglei District, the Project Officer of the Department executed (June 2005) an agreement with a Shillong based firm for supply of 4,500 piglets of Yorkshire/Hampshire/large white/hard race breeds in three phases between July 2005 and July 2006 at Rs.2,500 each. The firm was selected on the basis of negotiations by the Project Officer without following proper tendering procedures. Except for the condition of sharing the cost of piglets in case of death/loss in transit (50:50 between the Government and the firm), no other clause to safeguard the interests of the Government, such as, age of piglets to be supplied, penalty in case of supply of inferior breed, disease affected piglets etc. was provided in the agreement.

The firm supplied (August 2005), 1,500 piglets, and the Department paid Rs.39.94 lakh, comprising the cost of piglets, transportation, etc². In addition, the Department incurred an expenditure of Rs.93.95 lakh (June 2005 and December 2005) on construction of infrastructural facilities for 1,500 piglets (Rs.33 lakh) and on purchase/ distribution of feed, medicines, water tanks, feed grinding machine, etc. (Rs.60.95 lakh).

² Cost of 1,500 piglets (after deducting 50 per cent cost of 261 piglets died in transit) Rs.34.24 lakh; Transportation, traveling expenses of Project Officer and Fees for veterinary assistants and attendants Rs .5.70 lakh.

Scrutiny (November 2006) of the records of the Director, Rural Development (Director) revealed that the piglets supplied by the firm were of local breed of rural Assam and only one-two months old. Reason for accepting the piglets of local varieties instead of those specified in the agreement was not on record. Also, there was no recorded evidence that any inspection was conducted by a competent Veterinary Doctor at the time of transportation or before taking delivery of piglets. Out of 1,500 piglets, 1,413 piglets died (including 261 died in transit) during the month of supply (August 2005) and the remaining 87 piglets died subsequently (January 2006). According to the Project Director, District Rural Development Agency (DRDA), Lunglei, the piglets died since they were very young and disease infected. However, the Director opined (May 2006) that besides infection like swine fever, factors like improper handling during transit, subsequent mishandling, inadequate infrastructural facilities and logistic support (details not specified) might have accelerated and promoted the process of mortality. Reasons for buying one –two months old local breed as well as reasons for inadequate infrastructural facilities despite incurring an expenditure of Rs.33 lakh were not on record.

Thus, imprudent and unilateral action of the Project Officer in selecting a private firm without following proper tendering procedures, executing the agreement without providing for appropriate conditions to safeguard the interest of the Government, acceptance of piglets other than those specified in the agreement and subsequent mishandling, and non examination by veterinary Doctor etc. led to death of all the piglets resulting in a loss of Rs.39.94 lakh, besides, rendering the expenditure of Rs.93.95 lakh incurred on infrastructure, etc. unfruitful. Responsibility for contravention of rules and loss to Government had not been fixed.

The Director stated (August 2006) that no action had been taken against the firm as there was no substantial ground that the piglets were of inferior quality or mortality was caused by irregularities in logistic. The reply is not tenable as it contradicts his own opinion (May 2006). No reasons were offered for contravention of rules and fixing responsibility for loss.

The matter was reported to the Government in February 2007; reply had not been received (November 2007).

Avoidable/Extra/Unfruitful expenditure

PUBLIC WORKS DEPARTMENT

4.3 Extra expenditure

The Department incurred extra expenditure of Rs. 1.93 crore on account of higher rates allowed to the contractors for excavation of soft and hard rock without using explosives.

The North Eastern Council approved (October 2004) “Upgradation of Mamit Bairabi Road (37 km)” at an estimated cost of Rs.33.41 crore. Administrative approval (AA) and technical sanction (TS) to the estimate were accorded by the State Government and the Chief Engineer, PWD (Road) in March 2005 and April 2005 respectively. The estimate of the work provided for execution of earth works in formation cutting consisting *inter alia* excavation of 66,472.9 cum soft rock at a cost of Rs.1.41 crore at the rate of Rs.211.60 *per cum*. The Superintending Engineer, PWD, Western Circle awarded the earth works to five contractors (January 2005) before the receipt of AA and TS. Reasons for splitting the work among five contractors were not available.

According to the standard norms adopted by the Department after detailed analysis, 0.25 kg and 0.39 kg of special gelatine (explosive) are required for excavation of one cum of soft and hard rock respectively. Test-check (January 2007) of records of Executive Engineer (EE), Mamit division revealed that during execution of earth works (January 2005 to September 2006), the contractors excavated 2,15,143.535 cum of soft and hard rock utilising 16,550 kgs of explosives and Rs.4.63 crore was paid (December 2006) to the contractors for excavation of rocks. Reasons for excavation of 1,48,670.635 *cum* (2,15,143.535 *cum* – 66,472.9 *cum*) of soft and hard rock in excess of estimated quantity of 66,472.9 *cum* of soft rock were not on record.

Item-wise quantity of soft and hard rock excavated by utilising explosives had not been furnished by the EE. With the use of 16,550 kgs of explosives, the contractors could at best have excavated either 66,200 cum³ of soft rock or 42,435.897 cum⁴ of hard rock. Sub-Divisional Officer, Mamit Sub-Division stated that less utilisation of explosives was due to mechanisation of rocky portion.

³ Soft rock: 16,550 kgs of Explosives ÷ 0.25 kg = 66,200 cum

⁴ Hard rock: 16550 kgs of Explosives ÷ 0.39 kg =42,435.897 cum

Since the rocks were excavated by mechanical means, payments to the contractors should have been restricted to the rate applicable for the method actually adopted.

Thus, computing the utilisation of explosives for the excavation of hard rock at higher side and at the highest rate of Rs.88 per cum applicable during the period of execution for excavation of ordinary rock in hilly areas by mechanical means (as per Schedule of Rates – 2006 for National Highways and State Roads), the Division incurred an extra expenditure of Rs.1.93 crore on execution of earth works, as detailed below:

Table – 4.1

(Quantity in cum and amount in lakh)

Classification of rock	Quantity executed	Amount paid	Excavated capacity of explosives utilised		Rock excavated by mechanical means		Total amount admissible	Excess expenditure
			Quantity	Quantity of explosives utilised (kg)	Quantity	Amount payable at the rate of Rs.88 per cum		
Soft Rock	1,76,213.525	354.81	5,469.20	1,367.30	1,70,744.33	150.26	161.83 ⁵	192.98
Hard Rock	38,930.01	108.34	38,930.01	15,182.70	-	-	108.34	-
Total	2,15,143.535	463.15	44,399.21	16,550.00	1,70,744.33	150.26	270.17	192.98

Source: Payment vouchers, prescribed norms and Schedule of Rates.

The matter was referred to Government in May 2007; reply had not been received (November 2007).

4.4 Extra expenditure

The Department incurred extra expenditure of Rs.26.80 lakh due to excess utilization of material/labour during execution of road works departmentally.

Norms⁶ for stone aggregates required for construction of different items of road work are provided in the Specifications for Road and Bridge Works published by the Indian Road Congress. Similarly, the Schedule of Rates of the Department for

⁵ (5469.20 cum x Rs. 211.60) + Rs.150.26 lakh = Rs.161.83 lakh

⁶ Requirement of Stone Aggregates for an area of 10 sqm (maximum quantity): 90-45 mm size – 1.43 cum; 10-12.5 mm size – 0.73 cum; 63-45 mm size – 1.07 cum

the year 2003 prescribed various norms for cement and labour required for execution of earth work, cement concrete work, etc as detailed in Appendix 4.1.

Test-check (January-February 2007) of records of the Executive Engineers (EE), Project Division-I, Aizawl and Kawrthah Division revealed that the Department executed (between December 2003 and November 2006) pavement and retaining wall for three road works by utilising stone aggregates, cement and labour in excess of the prescribed norms. The reasons for not adhering to the prescribed norms in the execution of the works were not on record. The details of excess utilisation of these items are as under:

Table 4.2
(Cement in tonne, Labour in mandays and Stone aggregate in cum)

Item of work	Quantity executed	Material/ labour utilised	Requirement as per norm (cum)	Actual utilisation (cum)	Utilisation in excess of norm (cum)	Rate (Rupees)	Excess expenditure (Rupees in lakh)
PROJECT DIVISION-I, AIZAWL							
Construction of Road from Tuikuallui to Chawnpui							
Pavement Laying stone soling	9322.5 sqm	Stone aggregate (90-45 mm)	1333.12	1846.00	512.88	580 per cum	2.97
		-Do- (10-12.5 mm)	680.54	1,266.00	585.46	720 per cum	4.22
Construction of Road from Tuikuallui to Dinthar							
Pavement Laying stone soling	6,839.8 sqm	Stone aggregate (90-45 mm)	978.09	1,084.42	106.33	580 per sqm	0.62
-Do- Laying base course		-Do- (63-45 mm)	731.86	1,173.70	441.84	600 per cum	2.65
		-Do- (53-22 mm)	731.86	1,173.70	441.84	620 per cum	2.74
Total							13.20
KAWRTHAH DIVISION							
Upgradation of Bairabi-Zamuang Road (0-30 km)							
Retaining wall	930 RM	Cement	247.37	366.833	119.463	5,000 per tonne ⁷	5.97
		Labour	11,280	20,212	8,932		7.63
Total							13.60
Grand Total							26.80

Source: Prescribed norms, Payment Vouchers, Measurement Books and Site Accounts.

Thus, utilisation of material and labour in excess of norms is indicative of poor control over inventory and project execution resulting in excess expenditure of Rs.26.80 lakh.

The matter was referred to Government in March-April 2007; reply had not been received (November 2007).

⁷ Details in Appendix – 4.1

LOCAL ADMINISTRATION DEPARTMENT

4.5 Avoidable extra expenditure

Failure of the Director, Local Administration Department to pay electricity bills within due date resulted in avoidable extra expenditure of Rs.12.51 lakh on payment of interest.

According to the Power Tariff Rules of Power and Electricity Department (PED), electricity bills are to be paid within the due date mentioned in the bill failing which, interest at the rate of 2 *per cent* is to be charged as penalty on outstanding amount.

Scrutiny (December 2006) of records of the Director, Local Administration Department (LAD), revealed that street light bills amounting to Rs.1.39 crore for the months from April 2005 to January 2006 in respect of 11⁸ divisions of the Department were not paid within the due date. Consequently, interest of Rs.12.51 lakh was levied by the PED on the arrear bills as detailed in *Appendix – 4.2*. On the request (February 2006) of the Director, Government sanctioned (March 2006) the required funds and the arrear electricity bills for Rs.1.51 crore were paid to PED in March 2006. Scrutiny of records also showed that the Department had not been regular in paying the electricity dues on time on earlier occasions also. Thus, inaction of the Director in non payment of electricity bills on time resulted in extra expenditure of Rs.12.51 lakh on payment of interest on arrear bills.

The matter was reported to the Government in February 2007; reply had not been received (November 2007).

⁸ i) Revenue Division Aizawl, ii) Construction Division, Aizawl, iii) Serchhip Power Division, iv) Maicham Project Division, N. Vanlaipha, v) Mamit Power Division, vi) Thermal Project Division, Aizawl, vii) Power Project Division, Champhai, viii) Thermal Project Division, Aizawl, ix) Khawzawl Power Division, x) Power Maintenance Division No.I, Lunglei, xi) Power Maintenance Division No.II, Lunglei

HOME DEPARTMENT

4.6 Unfruitful expenditure

Buildings constructed for establishment of fire stations at five locations and fire tenders procured for two of these stations remained unutilized for two to over seven years resulting in unfruitful expenditure of Rs.1.05 crore.

The Home Department constructed (between July 1999 and March 2005) five⁹ fire stations and staff quarters at a cost of Rs.90.89¹⁰ lakh. It also incurred an expenditure of Rs.14.07 lakh on procurement (December 2003 and January 2004) of two vehicles and fabrication of fire tenders for utilisation at two of the five fire stations (Mamit and Khawzawl).

Scrutiny (December 2006) of records of the Superintendent of Police, Fire and Emergency Services, Aizawl revealed that none of the fire stations could be made functional due to non availability of required staff. Despite repeated requests made by the Superintendent of Police, Fire and Emergency Services, no provision was made by the Home Department in its budget and no fund was also sanctioned for creation of posts and appointment of required staff to man these five stations. The Department also could not furnish any justification as to why these five fire stations were constructed without ensuring the availability of required manpower.

Consequently, all the buildings remained unutilized as of December 2006. The fire tenders, placed at the disposal of Aizawl Fire Service Station, were utilised for transportation of officers/ staff instead of for fire extinguishing purposes. Reasons for construction of buildings as well as for procurement of fire tenders without ensuring the availability of required staff were neither on record nor stated by the Director General of Police, Mizoram.

Thus, due to the imprudent action of the Department and lack of planning, buildings/ fire tenders worth Rs.1.05 crore remained unutilised for two to over seven years thereby rendering the entire expenditure unfruitful.

The matter was reported to the Government in January 2007; reply had not been received (November 2007).

⁹ i). Champha ii). Mamit. iii) Khawzawl iv). Hnahthia, v) . Vairengte

¹⁰ Champhai (Rs.20 lakh), Mamit (Rs.26 lakh), Khawzawl (Rs.14.99 lakh), Hnahthial (Rs.14.94 lakh) and Vairengte (Rs.14.96 lakh).

Idle investment /Unproductive expenditure

Health and Family Welfare Department

4.7 Idle expenditure

Failure of the Department to take over 224 quarters constructed for the State Referral Hospital, Falkawn, Aizwal and procurement of equipment before construction of Hospital building resulted in idle expenditure of Rs.17.24 crore.

The project “Construction of State Referral Hospital at Falkawn, Aizawl” was sanctioned by DONER¹¹ and was administratively approved by the Government (March 2000) at an estimated cost of Rs.40.53 crore. Technical sanction was accorded by the C. E, PWD (Buildings) for Rs. 38.60 crore.

While the works relating to Administrative Block and Staff Quarters of the project were allotted (May and June 2000) by the E. E. to various contractors stipulating completion of work within 24 months, the work relating to the other buildings including hospital building was to be carried out departmentally.

Scrutiny of records of the Directorate of Hospital and Medical Education (DHME) revealed the following instances of idle expenditure:-

- The residential quarters of different types¹² were constructed at a total expenditure of Rs.16.17 crore. E.E. Project Division No. II, PWD (Aizawl) offered to hand over these residential quarters to the DHME thrice (May 2004, August 2004 and September 2004), but the Department had not taken them over (November 2007). On this being pointed in audit, the Department stated (April 2007) that since the whole project of the State Referral Hospital had not been completed, it would not be in a position to take over and utilize the quarters. The Department however, could not explain the reasons for construction of the quarters without first ascertaining and ensuring availability of adequate funds for completion of the whole project. Reasons for construction of quarters before completion of the hospital building were also not on record.

¹¹ Government of India, Department of North Eastern Region.

¹² Type-I=66 nos; Type-II=66nos; Type-III;=60 nos; Type-IV=24 nos.and Type-V=8 nos.

Thus poor planning and injudicious decision of the Department to construct the residential quarters without ensuring availability of adequate funds resulted in the expenditure of Rs.16.17 crore remaining idle and unproductive for periods ranging from 3 to 5 years as of March 2007.

- The Department accorded sanction for Rs.1.07 crore (January and March 2005) for purchase of 16 items¹³ of hospital equipment for the proposed hospital at Falkawn. Pursuant to this, the DHME purchased 16 equipment (January 2005 – November 2006) of different categories at a total cost of Rs.1.07 crore. The equipment were received (January 2005 to November 2006) by the Directorate but were not installed, commissioned or used and kept idle in the Civil Hospital, Aizawl since the date of their receipt. The DHME, stated (April 2007) that the equipment would be utilized only when the State Referral Hospital is completed by the PWD and handed over to the Department. The DHME further stated that the items were purchased to avoid lapsing of funds released by the GOI.

Thus, procurement of equipment in advance of completion of construction of the hospital building resulted in idle expenditure of Rs.1.07 crore. Considering that the equipment was received over a year ago, and in some cases over two years back, the warranty period which is one year from the date of supply in case of all of these items of equipments has already expired. There is also a likelihood of the equipment not being in a working condition as there is no progress as yet towards completion of the hospital building.

The matter was reported to the Government in May 2007; reply had not been received (November 2007)

¹³ Lithoplast Pneumatic; Urethrotome Optical, Paediatrics Cystoscope, Endoscopic Retrograde Colengia Pancrategography, Precantaneous Nephro Lithobiosy, Cautery machine for skin, Wet Field Cantery for ophthalmology, B-Scan Ophthalmology, Electric Drill for ENT, Derma Cryo, Hotter monitor, Prilorubinometer, Baby Incubator, Binocular Microscope for Microbiology, Digital Microscope for Pathology, heamodialysis Machine

LOCAL ADMINISTRATION DEPARTMENT

4.8 Infertuous expenditure

Procurement of mobile garbage trailers without proper assessment of their size resulted in infertuous expenditure of Rs.19.99 lakh.

The State Government sanctioned (March 2006) Rs.19.99 lakh for purchase of 20 mobile garbage trailers for garbage disposal in Aizawl city. The Director of the Local Administration Department procured (May 2006) 20 trailers from three Aizawl based firms at the rate of Rs.99,950 each as recommended by the Departmental Purchase Advisory Board at a total cost of Rs.19.99 lakh. Reasons for splitting the supply order among three firms were not available on record.

Scrutiny (December 2006) of records of the Director revealed that though the trailers were supplied by the firms (May 2006) as per the size and specifications of the Department, these could not be used as mobile trailers because of their unwieldy size. According to the study report of a Committee consisting of Sanitation Officer, District Transport Officer, etc., the trailers were not safe for plying within the city. Moreover, handling of the trailers by vehicles was also found to be economically unviable. Consequently, these trailers were placed in 20 different locations in the city and were being utilised as fixed garbage bins and garbage is being moved daily by the Department from these fixed garbage bins by hired trucks entailing extra expenditure.

Thus, injudicious decision of the Department in procuring mobile garbage trailers without proper assessment of their size as well as feasibility of their use resulted in infertuous expenditure of Rs.19.99 lakh.

The matter was reported to the government in February 2007; reply had not been received (November 2007).