

Chapter-3

Accountability and Transparency

Accountability is the process whereby public service bodies and the individuals working therein are to account for their decisions and actions including their stewardship of public funds, fairness and all aspects of performance. This would be realized by developing and maintaining reliable and relevant financial and non-financial information and by means of a fair disclosure of that information in timely reports to internal as well as external stakeholders. That the accountability obligations were not being always fulfilled is brought out in the succeeding four case studies and 23 instances featured in the Inspection Reports for the period from 1 April 2008 to 31 March 2010.

General Administration Department

3.1 ₹20 lakh remained unaccounted for due to non-adherence to internal controls

Rules 78 and 79 of Assam Financial Rules (AFR) provide that every payment should be supported by a voucher and Actual Payee's Receipt (APR). Further, according to Rule 95 of AFR, every receipt and disbursement should be recorded in the cash book. Test-check (November 2009) of the records of DC, North Cachar Hills (N C Hills), Haflong revealed that ₹45.62 lakh was drawn (July 2008) to meet expenditure for counter-insurgency operation. The amount, thus drawn, was credited to DDO's bank account bearing number 6B-11315096998. Subsequently, the amount was withdrawn (8 July 2008) from the bank account and transferred to Nazarat Branch of the office.

DC, N.C. Hills, Haflong drew ₹20 lakh by reconverting deposit at call receipt but did not take it into Government account, resulting in misappropriation of ₹20 lakh.

According to payment register (subsidiary cash book) of Nazarat branch, out of ₹45.62 lakh, an amount of ₹25.62 lakh was drawn in cash and spent for the purpose for which it was drawn and ₹20 lakh was converted (8 July 2008) to deposit at call receipt in State Bank of India, Haflong branch. Though the amount was converted to deposit at call receipt but the same was not taken into account in the closing balance of the main cash book. Audit scrutiny further disclosed that the aforesaid deposit at call receipt was encashed by DC on the very next day, i.e. 9 July 2008, but the amount was neither recorded in the cash book nor any voucher, APR etc., in support of expenditure, were produced to audit, though called for. In reply, DC did not clarify the whereabouts of ₹20 lakh.

Thus, due to non-adherence to the financial provisions for proper maintenance of cash book in the Department, as provided in Rules 78, 79 and 95 of AFR, an amount of ₹20 lakh remained unaccounted for which tantamounted to misappropriation of Government money.

The matter was reported to the Government in February 2010; their reply had not been received (August 2010).

3.2 Failure of Deputy Commissioner, N.C.Hills, Haflong to conduct necessary checks as per the Financial Rules as drawing and disbursing officer

According to Rule 95 of Assam Financial Rules (AFR), a Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. The DDO should satisfy himself, by periodical examination, that the actual cash balance corresponds to the balance as per cash book. Further, DDO is required to verify day-to-day transactions, attest each entry appearing in the cash book and authenticate the analysis of daily/monthly closing balances. As per Rule 7 of Assam Treasury Rules (ATR), all money received or tendered to Government on account of revenue of the State Government should be credited to Government account immediately.

Failure of Deputy Commissioner, N.C.Hills, Haflong to conduct necessary checks as per the Financial Rules as drawing and disbursing officer led to misappropriation of ₹1.26 crore.

Test-check (November 2009) of the records of the Deputy Commissioner (DC), North Cachar Hills (N C Hills), Haflong revealed that:

- i) DC, who also happened to be the DDO, took over charge on 27 February 2009 with a closing cash balance of ₹1,32,28,345. DDO did not record a certificate in the cash book to the effect that the cash balance was physically verified on the day of assuming charge. Further, he neither attested the day-to-day transactions appearing in the cash book since taking over charge nor conducted any physical verification of cash with the required analysis of closing balances, and hence exercised no control over financial transaction that took place during the period.
- ii) Further, audit analysis revealed that, on 27 May 2009, new cashier resumed charge and a new cash book was opened with 'nil' opening balance as the previous cashier had not handed over any cash though there was actual closing cash balance of ₹1,26,39,961 on the previous day i.e., 26 May 2009, as revealed from the entries in the earlier cash book. The above fact was in the knowledge of the DC, however, there was nothing on record to show that the matter of misappropriation was reported by the DC to the Government or intimated to the Accountant General (A&E) and whether any action was taken against the defaulting official.
- iii) The closing cash balance comprised of Government revenues (₹124.43 lakh) and un-disbursed balance (₹1.97 lakh) without detailed analysis.

Thus, failure of the DC to exercise prescribed checks for safeguarding resources led to misappropriation of ₹1.26 crore. This reflected poor control environment relating to handling of cash in the Department.

The reply of the DC, N C Hills, Haflong forwarded by the Government (May 2010) revealed that the DC accepted the observation and initiated an investigation (March 2010) at the instance of audit. Final report is awaited (August 2010).

Revenue (General) Department

3.3 Lack of proper verification before releasing payment to the contractor, led to double payment for the same work

The Government of India's decision (ii) below Rule 6 of General Financial Rules (GFR) provides that the expenditure should not be prima facie more than the occasion demands. The Government of Assam, Revenue (General) Department accorded (October 2005) sanction for ₹1.50 crore from Calamity Relief Fund for the work "Flood Damage Repair to Guwahati Garbhanga Road for 2004-05" with the condition to execute the work through Public Works Department (PWD). The work was divided chainage-wise in seven groups. Chief Engineer, Public Works Department (Roads) awarded (January 2006) the work of chainage 6200m to 6500m to a contractor at the tendered value of ₹20.16 lakh with the stipulation to complete the work within 60 days from the date of issue of work order. The work was completed in August 2006.

Failure to exercise required verification by the Department resulted in double payment of ₹20.16 lakh.

Test-check (August-September 2009) of the records of DC, Kamrup (Metro), Guwahati revealed that the passed bills for ₹20.16 lakh for execution of the said chainage (6200m to 6500m) were forwarded by the executing division² twice (18 July 2007 and 11 June 2008) to the DC for payment. DC, without proper verification, made payment to the contractor against the bills, dated 30.10.06 and 19.07.07. On this being pointed out in audit, the executing division admitted (September 2009) the double payment and stated that the excess payment (₹20.16 lakh) was recovered from the contractor's bill. However, further scrutiny revealed that the recovery was yet to be effected as the bill from which the said recovery was proposed to be made was unpaid (August 2010).

Thus, disregard of the mandatory checks of consulting previous records by the Executive Engineer as well as by the DC led to double payment for the same work resulting in defalcation of ₹20.16 lakh.

Panchayat and Rural Development Department

3.4 Payment for materials against fictitious certificates of receipt of materials and in violation of guidelines on DRDA Administration and NREGS, the Project Director incurred unauthorised expenditure

Project Director, District Rural Development Agency, Karbi Anglong, made payment for materials against fictitious certificates of receipt of materials, which resulted in fraudulent payment of ₹26.29 lakh. Further, the Project Director incurred unauthorised expenditure of ₹93.43 lakh.

Sampoorna Grameen Rozgar Yojana was discontinued in the district of Karbi Anglong w.e.f 31 March 2007 and the unutilized fund, if any, were to be amalgamated with the fund of National Rural Employment Guarantee Scheme. According to the Guidelines on District Rural Development Agency (DRDA), the latter is a supporting and a facilitating organization and not the implementing agency for rural development programmes.

² PWD Roads City Division No.1, Guwahati.

Test-check (September-October 2009) of the records of the Project Director, DRDA, Karbi Anglong, Diphu revealed that during 2005-06, the PD placed supply orders on three local firms for supply of RCC Hume pipes, Collars and RCC rings valued at ₹93.43 lakh (Hume pipes and Collars for ₹23.37 lakh and RCC rings for ₹70.06 lakh) for implementation of Sampoorna Grameen Rozgar Yojana in five³ development blocks with the condition to deliver the material at site and submit bills supported by delivery challans with certificates of receipt of materials from the concerned block officials for payment. The materials were shown as supplied between June 2006 and September 2007 and on the strength of certification of receipts (August 2006 to May 2007) of materials on the body of the bills, duly signed by the concerned Block Development Officers, payments were made between November 2007 and March 2008 from the fund received under National Rural Employment Guarantee Scheme for 2007-08.

Of the five Development Blocks, materials were received only in three blocks (Nilip, Rongkhong and Rongmongwee). In reply to audit query, Block Development Officers (BDOs) of two Development Blocks (Samelangso and Howraghat) stated (September 2009) that they had not received any materials, valued at ₹26.29 lakh, under Sampoorna Grameen Rozgar Yojana from the supplier.

Thus, failure of the Project Director to physically ensure the actual receipt of materials led to fraudulent payment of ₹26.29 lakh against fictitious certificates of receipt of materials.

Further, the Project Director incurred unauthorised expenditure of ₹93.43 lakh under Sampoorna Grameen Rozgar Yojana in violation of guidelines on DRDA Administration and National Rural Employment Guarantee Scheme.

In case of entities where goods are received at field level and payments are made centrally, there should be a built in internal control mechanism for parallel checks which can be exercised through cross-verification and monitoring.

3.5 Misappropriation/Fraud/Embezzlement cases detected in 19 offices under seven Departments

Every Government servant is personally responsible for any loss sustained through fraud or negligence on his part. To reduce the risk of wrongful acts, frauds, embezzlement cases and the risk of not detecting such problems, effective checks and balances should exist in the system which should be enforced by the Head of Office/Controlling Officer through frequent checks to see that all financial rules are followed by his subordinates. Weak controls over these aspects and inadequate monitoring led to cases of misappropriation/fraud /embezzlement as brought out below:

³ Nilip, Howraghat, Rongkhong, Rongmongwee and Samelangso.

Twenty-three cases of misappropriation/fraud/embezzlement involving ₹4.53 crore were detected in 19 offices under 7 Departments (detailed in *Appendix-III*) and reported to the State Government during the period from September 2008 to April 2010 through Inspection Reports with a request to furnish reply within four weeks from the date of receipt of Inspection Reports. However, no reply had been received from the Government in respect of the aforesaid cases as of August 2010.

The *modus operandi* of misappropriation etc., were not entering the receipts in cashbook, not carrying out physical verification, forged drawal of funds from bank, disbursement of funds without vouchers and APRs etc.

Rules 78 and 79 of AFR provide that every payment should be supported by a voucher and Actual Payee's Receipt. Further, according to Rule 95 of AFR every receipt and disbursement should be recorded in the cashbook. Failure to observe these internal controls led to the misappropriation/fraud etc.