

### **Section-III**

## **3 Irregularities in transactions relating to discharge of inherent functions**

### **3.1 Revenue receipts**

#### **3.1.1 Non generation of potential revenue**

Mention was made in Para 3.1.1 of Audit Report for 2009-10 about non-execution of any agreement for extraction of bamboo with Hindustan Paper Corporation Limited (HPC) or any other party since expiry of agreement executed between KAAC and HPC in December 2008 for the working season 2008-09 and also reported that KAAC was unable to generate revenue to the tune of ₹4.54 crore for non-extraction of allotted bamboo by HPC or to dispose of the same by other means during the working season 2009-10.

Scrutiny (February 2013) revealed that KAAC (September 2010) allotted 186712 Metric Tonne Green (MTG) bamboo for extraction by HPC during 2010-11 fixing the rate of royalty at ₹300 per MTG (₹5 per bamboo) and contemplated execution of a new agreement. Accordingly, a fresh agreement for three working seasons from 2009-10 to 2011-12 was executed in October 2010 with HPC (after expiry of working season 2009-10) to operate coupes due for extraction including un-extracted balance quantity of earlier working seasons. As per the agreement, HPC was to pay royalty at the rate of ₹5 per bamboo and administrative charge for maintenance of four Forest Officials and one casual labour deployed at the premise of HPC.

HPC extracted 118007.95 MTG bamboo out of the allotted quantity during the working season 2010-11 leaving 68704.05 MTG bamboo un-extracted (East Division: 44997.07 MTG and Hamren Division : 23706.98 MTG). Reasons for non-extraction of full allotted quantity was neither available on record nor could be stated, though called for. Further, records of steps taken if any, by the Divisional Forest Officer/KAAC for disposal of balance un-extracted quantity by allotment to other firms and the records of deployment of Forest Officials at the premise of HPC and recovery of their maintenance charges could not be furnished. Thus, KAAC was unable to generate its potential revenue to the tune of ₹2.06<sup>11</sup> crore due to non- extraction of 68704.05 MTG bamboo by HPC or to dispose of the same by other means during the working season 2010-11.

### 3.1.2 Loss of revenue

Government of Assam, Environment and Forest Department vide their notification dated 30 September 2010 refixed the rate of royalty on bamboo used by paper mills under HPC in Assam at ₹325 per metric tonne for the period from April 2009 to March 2011 and endorsed the notification to KAAC and HPC. However, no cognizance of the notification of re-fixation of rate of royalty on bamboo by the Council was taken in to account while execution of agreement between KAAC and HPC (October 2010) resulting in loss of revenue to the extent of ₹29.50<sup>12</sup> lakh during 2010-11. Reasons for non-consideration of rate fixed by the Government during execution of agreement by KAAC were not on record.

<sup>11</sup> 68704.05 MTG x ₹300.00

<sup>12</sup> 186712 MTG - 68704.05 MTG = 118007.95 MTG X ₹ 25 = ₹ 2950198.75

### 3.1.3 Settlement of Entry Tax Gate (ETG)/market at lower price than the settled value of previous year

During 2010-11, three ETGs and two markets were put to tender (February 2010) along with other ETGs and markets fixing reserve price at lower rate than that of the settled value of previous year (2009-10) and settled for the year accordingly. This resulted in probable loss of revenue to the tune of ₹3.32 lakh as shown in Table-6.

Table 6

Sl. No	Name of the market/ETG	Settled value of 2009-10	2010-11		Loss of revenue compared to previous years
			Reserve price	Settled value	
1	Lahorijan NH-36 ETG	1000001	768650	815000	185001
2	Manja Weekly Market	96000	90335	90500	5500
3	Hollowkhuwa ETG	476786	395382	450501	26285
4	Dayangmukh ETG	720000	603835	610000	110000
5	Balipothar Weekly Market	85001	78845	79951	5050
Total		2377788	1937047	2045952	331836

Source: Settlement order and information furnished by Suptd. of Tax, KAAC

On being pointed out, KAAC in its reply stated (March 2014) that ETG/markets were settled above the reserve price. The reply is not acceptable as the reply is silent about the reasons for fixing the reserve price at lower rate than that of the previous year's settled value.

### 3.1.4 Non realisation of Council's share of Motor Vehicle Tax

While referring to the arrangement of remittance of 90 percent of the gross collection of Motor Vehicle (MV) tax by Deputy Commissioner of North Cachar Hill and Karbi Anglong District to the concerned District Council (erstwhile) made effective from April 1983, the State Government directed (March 1991) the Deputy Commissioners of the above two districts to release 90

percent of Motor Vehicle Tax on quarterly basis to the Councils.

Scrutiny revealed that during 2010-11, no amount of MV Tax was remitted to KAAC. Even records of due amount of MV Tax were also not available with KAAC. On being asked, the Executive Engineer (M), KAAC obtained the position of due MV Tax (being 90% share) from the District Transport Authority, which showed that the due amount of MV Tax pertaining to the period upto 2010-11 was ₹9.64 crore. Reasons for non-remittance of due amount of MV tax were not stated, though called for. Such situation needs to be avoided by instituting an appropriate monitoring mechanism and delineating responsibilities among officials of KAAC and the State government.

On being pointed out, KAAC stated (March 2014) that the matter was taken up by the Transport Department of KAAC with the Deputy Commissioner, Karbi Anglong for release of Council's share. It is however, recommended that the State Government may be moved at the appropriate level.

### **3.1.5 Extension of undue financial benefit by way of withholding deposit of land revenue by the Mouzadar**

Rule 17 & 18 of Karbi Anglong Autonomous District Fund Rules, 1952, provides that all receipts due to KAAC collected by any employee authorized to collect such receipts, should pass through cashier, who shall enter them in the Cash Book of KAAC and such receipt should be remitted to the treasury promptly without any appropriation.

Land Revenue is an inherent subject of the Karbi Anglong Autonomous Council (KAAC) as per Sixth schedule to the Constitution of India. In KAAC, there



are four Revenue circles for collection of land revenue namely (i) Diphu circle (with 3 mouzas), (ii) Donkamokam Circle (with 9 mouzas), (iii) Phuloni Circle (with 10 mouzas) and (iv) Silonijan Circle (with 4 mouzas) under the Department. As per prevailing system of the Council, land revenue is collected through Mouzadars under the circles against the demand raised by the Revenue Circles from time to time. The Mouzadars are issued Counter folio Receipt (CFR) books for collection of the said revenue by the concerned Circle Office and revenue collected by the Mouzadar is deposited directly into the Council's PLA (Treasury) through Treasury challans in triplicate by the Mouzadar. One copy of challan is submitted to the Council one copy is submitted to the Circle office for record and one copy is retained with the Mouzadar. The concerned Mouzadar is to submit the counterfoil of CFR books to the Circle office. Circle office is to maintain demand register, collection register, stock register of receipt books etc.

During test check of records of Donkamokam Circle, it was noticed that demand and collection register (Mouzadar wise) was not maintained by the Circle properly. Even counterfoil of CFR issued to Mouzadars was not made available to audit though called for. Therefore, actual position of demand raised, land revenue collected and deposited into Council's PLA could not be ascertained.

However, information furnished (March 2013) by the Assistant Revenue Officer (ARO) of Donkamokam Circle disclosed that against the collection of land revenue of ₹5.03 lakh pertaining to the period prior to 2010-11 (upto September 2009) by the Mouzadar of Rangkhong Mauza, ₹0.60 lakh only was deposited by the Mouzadar leaving a balance of ₹4.43 lakh till the

date of audit. On being pointed out, KAAC replied (March 2014) that collection of land revenue of Donkamokam Circle pertaining to the period prior to 2010-11 was actually ₹5.05 lakh. Of this, ₹0.39 lakh was deposited by Mouzadar leaving a balance of ₹4.66 lakh in hand for which disciplinary action was taken and ARO was directed to take necessary steps for realisation of ₹4.66 lakh from the defaulting Mouzadar. It was also added that necessary instructions to all Circle offices were issued to maintain the required records.

Thus, inaction on the part of KAAC to enforce provision of Rules of collection and remittance of Council's receipt led to extension of undue financial benefit by way of retention of land revenue of ₹4.66 lakh by the Mouzadar for over a period more than two years which is fraught with the risk of misappropriation of the amount.

### **3.2 Revenue remittance**

Rule 18 of the District Fund Rules, 1952 (DFR) provides that all moneys received by KAAC shall be remitted into the treasury promptly and shall on no account be appropriated towards expenditure and Rule 17 of the said Rules further provides that all receipts due to KAAC collected by any employee authorized to collect such receipts, should be deposited with the cashier, who shall enter them in the Cash Book of KAAC.

#### **3.2.1 Irregular utilization of departmental receipts towards departmental expenditure**

Mention was made in paragraph 3.2.1 of the Audit Report of the Council for 2009-10 that KAAC collected revenue of ₹25.41 lakh as proceeds of passenger fare, auction of vehicle, hire charges of buses etc., under

Road and Transport Services during 2009-10. Of this, KAAC spent ₹13.07 lakh towards departmental expenditure like repair and maintenance of vehicles during 2009-10 without depositing the amount first into the treasury (PLA of KAAC).

Test check of the records of the Transport Department of the Council and further scrutiny of information furnished to audit revealed that during the year 2010-11, the Council collected revenue of ₹104.41 lakh as proceeds of passenger fare (₹98.08 lakh), auction of vehicles (₹6.25 lakh) and auction of tyres (₹0.08 lakh). There was also undeposited balance of revenue of ₹3.04 lakh lying with the department pertaining to earlier year. Of the available fund of ₹107.45 lakh the Transport Department of the Council deposited ₹22.94 lakh into the treasury in Council's PLA and unauthorisedly spent a total amount of ₹73.12 lakh towards departmental expenditure on purchase of POL, repairing and maintenance of vehicles during the year 2010-11 without depositing the same into the PLA in violation of the provision of the Fund Rule *ibid*. The balance of ₹11.39 lakh was stated to be deposited into PLA during 2011-12.

Thus, compliances of provisions of DFR needed to be ensured by the Council.

### **3.2.2 Irregular retention of revenue receipt outside Personal Ledger Account of KAAC**

Mention was made under paragraph 3.2.2 of the Audit Report of the KAAC for 2009-10 that cash branch of KAAC received revenue from time to time which was not deposited promptly into the treasury (PLA of KAAC) and retained a portion of it with the Cashier. The extent of delay in depositing revenue, thus occurred, could not be ascertained in audit due to non

maintenance of receipt register exhibiting details of receipt, receipt head of account and date of deposit into PLA etc.

Scrutiny of records and information about the monthly position of revenue receipt and deposits made in the treasury furnished to audit (February 2013) revealed that there was an opening balance of ₹0.87 crore as on 1 April 2010, monthly receipts by KAAC varied from ₹0.43 crore to ₹2.95 crore during 2010-11 and partial deposit leading to monthly non deposited amount kept outside (PLA of KAAC) varied from ₹0.89 crore to ₹1.14 crore are shown in Table-7.

**Table -7**

(₹ in crore)

Month	Opening balance	Revenue received	Deposited into Treasury	Balance outside PLA
April 2010	0.87	1.53	1.45	0.95
May 2010	0.95	0.83	0.82	0.96
June 2010	0.96	0.57	0.54	0.99
July 2010	0.99	1.02	0.99	1.02
August 2010	1.02	0.43	0.40	1.05
September 2010	1.05	0.91	0.87	1.09
October 2010	1.09	0.51	0.49	1.11
November 2010	1.11	2.37	2.34	1.14
December 2010	1.14	1.19	1.32	1.01
January 2011	1.01	0.43	0.44	1.00
February 2011	1.00	0.85	0.86	0.99
March 2011	0.99	2.94	3.04	0.89

Source : Council Sector Cash book

This practice was not only in violation of the District Fund Rules but also fraught with the risk of misappropriation/misutilisation. Besides, receipt of KAAC in the Annual Accounts may not exhibit a true and fair view.

### **3.3 Revenue expenditure**

#### **3.3.1 Irregular expenditure due to engagement of adhoc teachers**

Section 7 of the Assam Financial Responsibility and Budget Management Act, 2005 provides that appointing authorities of the Autonomous bodies and the State Government shall give appointments only



against sanctioned post which is vacant and in accordance with the laid down rules, procedures and orders and no new post shall be created in any department or in Autonomous bodies without prior concurrence of the Finance department.

Scrutiny of records and information furnished by the District Primary Education Officer (DPEO) revealed that the DPEO engaged 110 temporary teachers on adhoc basis in 110 primary schools under 11 Education Blocks during 2010-11 at a fixed pay of ₹11531 per teacher per month (being minimum gross pay and allowances of one primary teacher) without obtaining any approval from the Education and the Finance Department of the Government of Assam and incurred a total expenditure of ₹152.21<sup>13</sup> lakh towards salary of three adhoc teachers during 2010-11. On being asked, the DPEO stated that the teachers were appointed on adhoc basis against the existing vacancy with the approval from the Council but without concurrence of the Finance Department and the expenditure was met from the Non-Plan fund released by the Government.

Thus, expenditure of ₹152.21 lakh incurred towards salary of adhoc teachers by diverting Non-Plan fund released by the Government of Assam was irregular.

On being pointed out, KAAC in reply (March 2014) stated that the matter will be taken up with the State Government for regularization of adhoc teachers. However, the reply is silent about irregular expenditure met from the Non-Plan funds.

### **3.3.2 Withholding of funds of entrusted function**

KAAC short released a total amount of ₹8.54 crore (Plan ₹7.53 crore and Non-Plan: ₹1.01 crore) to the

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<sup>13</sup> ₹ 11531 X 110 X 12 months

Drawing and Disbursing Officer of the line departments, treating the amount as deduction at source towards administrative charge on account of bearing extra and additional burden by KAAC for administering the entrusted functions without any such provision in the modalities of entrustments or approval from the State Government. This action was not only in violation of the approved procedures, but also liable to deprive the attainment of objectives of entrusted functions to the corresponding extent.

### **3.3.3 Work done without call of tender**

Test check of the records of the Executive Engineer Works (EE) of KAAC revealed that during 2010-11, the division had executed construction/repair/maintenance/extension works, worth ₹213 lakh without calling for tenders through 24 work orders having value of each work ranging from ₹1.58 lakh to ₹35.59 lakh.

The Executive Engineer stated that KAAC did not prescribe the financial limit for awarding work without call of tender and the award of work order depends on the pleasure of KAAC. The Council also did not have any approved panel of contractors.

Awarding the work without tendering not only deprived KAAC of the benefit of competitive bidding, but the entire process also lacked transparency.

KAAC would need to provide a transparent procedure for availing best possible rates and ensuring quality of work in accordance with generally accepted canons of financial propriety laid down in GFRs/AFRs/APWD code.

### **3.3.4 Idle stock of teaching and non teaching materials**

Test check of stock and issue register of teaching/non teaching materials with other related records of District

Primary Education Officer (DPEO) KAAC revealed that Fruit Charts (3000 pieces), Animal Charts (2000 pieces), Alphabetical Charts (4000 pieces), Vegetable charts (3000 pieces), Flower Charts (3000 pieces), Bird Charts (3000 pieces), Fish Charts (3000 pieces) and 603 Carrom Boards were procured between December 2010 and February 2011 at a total cost of ₹16.17 lakh which remained in stock without any distribution till the date of audit (March 2013) as detailed in Table-8.

**Table-8**

Sl. No.	Name of the item	Quantity in numbers	Rate (in ₹) per piece	Total amount (in ₹)
1	Fruit Chart	3000	50	150000
2	AnimalChart	2000	50	100000
3	Alphabetical chart	4000	50	200000
4	Carrom Board	603	1024	617472
5	Flower chart	2000	50	100000
6	Bird Chart	3000	50	150000
7	Fish Chart	3000	50	150000
8	Vegetable Chart	3000	50	150000
<b>Total</b>		<b>20603</b>		<b>1617472</b>

Source: Stock book of DPEO

It was also noticed that before procurement of such materials, the school-wise actual requirement was not assessed. Thus, procurement of materials without assessment of requirement led the teaching and non teaching materials worth ₹16.17 lakh lying idle with DPEO since long.

On being pointed out, KAAC in reply (March 2014) stated that the materials in question have now been distributed. However, copies of delivery challans with acknowledgment of receipts in support of distribution were not furnished to substantiate their reply by the Council.

#### 4 Irregularities in transactions relating to discharge of entrusted functions

##### Health and Family Welfare Department

#### 4.1 Fictitious procurement of surgical equipments worth ₹88.92 lakh

Scrutiny of records of the Joint Director Health Service (Jt. DHS), Karbi Anglong, Diphu revealed that different surgical instruments/equipments worth ₹140.01 lakh were procured during July and August 2009 based on the administrative approval accorded by KAAC during May 2009 (without specifying amount administratively approved), by placing orders to two suppliers (June 2009) who were selected on the basis of lowest rate offered in response to a limited tender invited by Jt. DHS and approved by KAAC (June 2009). The receipt of the items in July and August 2009 were duly acknowledged by the District Medical Stores, Diphu (DMS) by certifying on the supplier's bill. Financial Sanctions were accorded in two phases and payment to the extent of ₹111.60 lakh was made during October 2011 (₹101.47 lakh) and October 2012 (₹10.13 lakh).

During test check (February 2013) of stock Register of DMS it was noticed that out of the procurements of 71 items (July & August 2009), 47 items of surgical equipment/instruments worth ₹88.92 lakh (*Annexure-IV*) could not be issued/utilized and proposed for joint physical verification of the stock. In response, Senior Medical and Health Officer (Sr. M&HO) in-charge of DMS stated that these articles were not physically available in the store as the same were directly supplied to Diphu Civil Hospital but no written acknowledgement of receipt could be produced in support of reply.



The reply of the Sr. M&HO was not acceptable as these articles are certified as received by DMS and these were duly entered in the Stock register of DMS showing time to time issue to peripheral hospitals and Health Centers including Civil Hospital, Diphu. Further, it was ascertained from the Civil Hospital authority that the above articles were not received in the Civil Hospital, Diphu. Thus, procurement of surgical instrument/articles worth ₹88.92 lakh was fictitious.

#### **4.2 Avoidable extra expenditure on procurement of medicine**

(i) The Purchase Board of the Director of Health Service, (DHS) Assam, formed under Section 8 of the Assam Preferential Stores Purchase Act 1989, accepted the prices fixed by the Assam Small Industries Development Corporation Ltd. (ASIDC) for the year 2010-11 which was applicable for the purchase by the department as per Section 10 of the Act *ibid.* DHS, Assam accordingly circulated (10 June 2010) the approved price list of drugs and pharmaceuticals showing the price of Syrup Vitamin B-complex as ₹23.35 per 200 ml bottle (exclusive of VAT and 5 per cent ASIDC's commission).

In violation of the provision of the Act, the Joint Director Health Service (Jt. DHS), Karbi Anglong, Diphu procured 15000 bottles of Syrup Vitamin B-complex (200 ml each) in March 2011 at the rate of ₹99.80 per bottle (exclusive of taxes) by placing supply orders to a Guwahati based firm and a payment of ₹14.97 lakh was made in October 2011. Had the procurement been made from ASIDC, the cost of procurement would be ₹3.68<sup>14</sup> lakh (including 5 per

<sup>14</sup> 15000 bottles x ₹23.35 + 5 % commission = ₹ 367763

cent commission). Thus an extra expenditure of ₹11.29 lakh was incurred which was avoidable.

On being pointed out, Jt. DHS, Karbi Anglong stated (March 2014) that the price list of ASIDC was received in June 2012 and the procurement was made with the approval of KAAC. The reply was not acceptable as (1) the departmental approved price should have been obtained/consulted prior to placing of orders, (2) the price of the medicine got approved from KAAC on the basis of comparative statement furnished by Jt. DHS did not include ASIDC's rate and further (3) the approved rate of KAAC for Syrup Vitamin B-complex was only ₹68.00 per 200 ml bottle.

(ii) Rule 96 of Karbi Anglong Autonomous District Fund rule, 1952 prescribed that the rate paid for purchase should not be in excess of market rate (MRP).

During audit (February 2013) it was noticed that four items of medicines were procured by Jt. DHS, Karbi Anglong during June 2010 to March 2011 from two suppliers by placing supply orders at the rate much higher than the maximum retail price (inclusive of taxes) printed on the bottle of the item of medicines. This resulted in extra expenditure of ₹12.32 lakh as detailed in *Annexure-V*.

In reply, Jt. DHS, Karbi Anglong stated that medicines were purchased as per approved rate of DHS and KAAC. The reply was not tenable as the medicine were purchased at the prices higher than MRP.

**4.3 Excess procurement of hospital deodorant (₹38.18 lakh) and non-accountal of stock worth ₹15.27 lakh**

Scrutiny of Stock Register of the District Medical Store, Diphu revealed that Jt. Director of Health

Service, Diphu procured 3000 liters of Klinky Citrus (KC), a concentrate deodorant-cum-cleaner used in hospitals and dispensaries, in March 2010 from a Calcutta based manufacturer at a cost of ₹22.91 lakh while there was 5753 liters of KC lying in stock at the time of procurement, which was duly added to the balance in the Stock Register. But, additional quantity of 2000 liters of KC (worth ₹15.27 lakh, procured in October 2010, though recorded in the Stock Register) was not added with the available balance. Thus, stock of KC worth ₹15.27 lakh remained short accounted in the Stock Register. As there was a balance of 6433 liters of KC as on 31 March 2011, the utilization/issue of KC from March 2010 to March 2011 was to the extent of 2320 liters only. Thus, the available balance (5753 liters) was sufficient enough to cover the quantity issued (2320 liters<sup>15</sup>). As such, the procurement of 5000 liters of KC worth ₹38.18 lakh was in excess of requirement leading to unnecessary blockade of fund meant for providing Health Services to public.

Further, no certificate of physical verification was recorded in the Stock Register. The short exhibition of stock worth ₹15.27 lakh remained undetected and unrectified till the date of audit (February 2013) and thus, the possibility of occurrence of fictitious procurement, misutilisation/malpractice could not be ruled out.

In reply, Senior Medical & Health Officer, in-charge of District Medical Store, Diphu stated (February 2013) that the Stock Register was not regularized and some issue of KC could not be entered in the Register due to non-receipt of acknowledgement of receipt from the peripheral hospitals/Health Centers. However, the same

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<sup>15</sup>  $5753 + 3000 - 6433 = 2320$  liters

would be collected and the Stock Register would be regularized.

It was noticed that the date-wise entry of receipt and issue was recorded in the Stock Register showing the available balance on any particular date and in such cases gross omission of entries was not feasible unless being deliberately made. Further, no store keeper would normally issue stores without reducing the available stock balance even if the receipt of acknowledgement was awaiting and would exhibit inflated balance of stock held under the custody. As such, the reply was not acceptable and needed further investigation.

On being pointed out, KAAC in reply (March 2014) stated that the acknowledgement of receipt from the peripheral hospitals/Health Centers were collected and stock register regularized. The reply was, however, indicative of lack of internal control mechanism as regularization of stock register at a later date is fraught with the risk of manipulation and thus, needs investigation.

### **Public Works Department**

#### **4.4 Unfruitful expenditure**

Government of Assam (GOA), Education Department accorded (March 1989) administrative approval (AA) for construction of Polytechnic Building<sup>16</sup> at Diphu at a cost of ₹1.74 crore.

Scrutiny (October 2010) of records of Executive Engineer, PWD Building Division, Diphu and further information collected (December 2011) from the Division revealed that the technical sanction of the

<sup>16</sup>(i) Main building, (ii) Multipurpose building, (iii) Rest house, (iv) Work shop and store, (v) Physics, chemistry building and amenities centre, (vi) Approach road, (vii) Water supply, (viii) LT line, (ix) External electrification, (x) Acoustics treatment, (xi) Iron Gate etc.



work was not available on record and the work was divided into several parts and allotted to seven different contractors between October 1990 and September 1994 with the stipulation to complete the same between April 1991 to March 1996. None of the parts of the work was completed within the stipulated period and the AA was revised (March 1999) to ₹3.03 crore owing to increase in price of materials and wages of labourers.

Scrutiny further revealed that the contractors stopped the work during later part of the year 2000 due to non-availability of construction materials and paucity of fund. Around this time, the incomplete building was occupied by Army personnel. After vacation of the building by Army, the building was completed (July 2007) at a cost of ₹2.73 crore. A further expenditure towards renovation work was also incurred for ₹0.53 crore and the building was inaugurated (August 2007) by honorable Education Minister, GOA. The building was, however, remains to be utilized (June 2012) for conducting classes of polytechnic.

On this being pointed out in audit, Joint Secretary, Higher Education (Technical) Department, GOA stated (June 2012) that further renovation work of the polytechnic building is going on and the polytechnic classes will be conducted in the building after completion of the renovation work. The reply only reaffirmed the fact that the expenditure remained unfruitful till date (July 2012).

Thus, there was an unfruitful expenditure of ₹3.26 crore (₹2.73 crore + ₹0.53 crore) towards construction of Polytechnic building at Diphu as the building could not be put to use by Education Department for the intended purpose even after a lapse of four years of construction.

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2012 (Report No. 2) Government of Assam (Paragraph 2.6.4 of the Report refers) laid before the Assam State Legislature on 4 April 2013.

#### **4.5 Irregular utilization of Grants in aid under Article 275 (1) of the Constitution**

The Government of Assam entrusted 30 state executive functions to KAAC (December 1996) which did not include functions related to Police and the department was not brought under the administrative control of the KAAC. During audit of KAAC (March 2013), it was noticed that under the scheme of "Grants-in-aid to State Government under Article 275 (1) of the Constitution of India" meant for developmental work for promoting welfare of Scheduled Tribes, the Government of Assam accorded sanction for ₹35.00 lakh (March 2010) from supplementary budget provision for 2009-10 for "Improvement of Dokmoka – Samlangso Road" with the condition that KAAC was to execute the work as per Government of India's guideline and the amount was to be utilised for the sanctioned scheme only. In pursuance of the sanction, KAAC accorded administrative approval for the work (May 2010) and released the amount (June 2010) to the Executive Engineer, PWD, Building Division, Diphu as per his proposal for execution of the said work. However, reason for execution of road work by building division was not on record and the approved estimate of the work was not furnished by KAAC, though called for.

Records disclosed that an estimate (cost ₹35 lakh) for the work Improvement of "Dokmoka-Samlangso Road (Renovation/construction of Samlangso Road

Subdivision for conversion to Police Out Post at Samlangso in Karbi Anglong District under Article 275 (1) for the year 2009-10)" was prepared by Executive Engineer, PWD, Building Division, (EE) as per instruction of the Honorable Minister of Hill Areas Department which was technically sanctioned by the Additional Chief Engineer, PWD (R&B) Hills, Assam, Diphu (December 2009). The estimate included works for renovation of Sub-divisional office building and godown, construction of kitchen with passage, two grade III quarters, two septic tanks, sanitary latrine/urinal, ring well, approach road with internal and external electrification. Additional Chief Engineer issued work orders (June 2010) for execution of the above works to the contractors. On being asked, EE stated (March 2013) that the entire amount was spent and the work was completed.

Thus, the works executed for the purpose of converting the sub divisional office complex to a police out post cannot be treated as improvement of road work and also in conformity with the condition of sanction of the Government. Moreover, expenditure for construction of police out post was beyond the scope of entrusted functions of KAAC. As such, both sanctioning of the fund from supplementary grant and expenditure of ₹35 lakh incurred was irregular.

### **Education Department**

#### **4.6 Irregular expenditure (₹60.21 lakh) for engagement of teachers with fixed pay**

Section 7 of the Assam Financial Responsibility and Budget Management Act, 2005 provides that appointing authorities of the Autonomous bodies and the State Government shall give appointments only

against sanctioned post which is vacant and in accordance with the laid down rules, procedures and orders and no new post shall be created in any department or in Autonomous bodies without prior concurrence of the Finance Department.

Records of Inspector of Schools, Karbi Anglong, Diphu revealed that KAAC allowed (August 2008) engagement of one Karbi Language Teacher (KLT) in each recognised High and Middle School subject to possessing of qualification as prescribed by the Karbi Language Development Board and accorded financial sanctions for adhoc recurring grants including the fixed pay (₹2600.00 per month) of KLTs in August 2010 (for 6 months) and in March 2011 (6 months) but details of any vacant post of KLT and approval of the Finance Department of the State Government was not found on record. According to the sanction, ₹60.21 lakh was disbursed to 193 KLTs engaged in recognized Middle English Schools (138 KLTs) and High School (55 KLTs) during 2010-11 without any vacancy and approval of the Finance Department of the State Government leading to irregular expenditure of ₹60.21 lakh.

The Inspector of Schools stated (December 2012) that the matter would be taken up with KAAC and Government for their comment. Further development has not been intimated (March 2014).

#### **4.7 Idle stock of Karbi Text Book worth ₹19.45 lakh**

Inspector of Schools (IS), Karbi Anglong, procured 60000 text books worth ₹31.00 lakh for distribution to students of class VI, VII and VIII of different recognized High and Middle English Schools of Karbi Anglong. Of this, IS could distribute 36 percent to 39



per cent of books only during 2010-11 leading to idling of stock of books worth ₹19.45 lakh which could not be distributed till the date of audit (December 2012) as shown in Table 9 below:

**Table -9**

Name of text book	Quantity (in numbers)			Percentage of distribution	Rate (₹)	Value of Books in stock (₹ in lakh)
	Procured	Distributed	Balance			
Lammet Kimi I for class VI	20,000	7470	12530	37	48.50	6.08
Lammet Kimi II for class VII	20,000	7171	12829	36	48.50	6.22
Lammet Kimi III for class VIII	20,000	7674	12326	39	58.00	7.15
<b>Total</b>	<b>60,000</b>	<b>22315</b>	<b>37685</b>			<b>19.45</b>

Source: Stock book of IS

Inspector of Schools stated (December 2012) that action for distribution of books would be taken. However, further development has not been furnished alongwith reply (March 2014).

## Town and Country Planning Department

### 4.8 Unfruitful expenditure

In pursuance of sanction and release of fund for implementation of scheme under Backward Region Grant Fund (BRGF) by the Government of India, the Government of Assam sanctioned and released ₹16.98 crore (March 2010 : ₹15 crore ; November 2010 : ₹1.98 crore) to KAAC which were in turn released to the District Rural Development Agency (DRDA), Diphu, Karbi Anglong (August 2010 and February 2011). Of this, a total amount of ₹3.85 crore (₹3.08 crore in November 2010 and ₹0.77 crore in October 2011) was released by the DRDA to the Deputy Director, Town and Country Planning (T&CP) for implementation of 18 schemes. Estimated amount of one of these schemes for "Construction of Auditorium at Dokmoka Ward III"

amounted to ₹30 lakh (released to T&CP ₹24.00 lakh in November 2010 and ₹6.00 lakh in October 2011).

The Deputy Director, T&CP put the work for the construction of the Auditorium to tender (December 2010) showing the estimated value of work at par with ₹22.56 lakh. In response, four contractors offered to execute the work at par with the value of the work as put to tender. KAAC approved one bidder<sup>17</sup> and accordingly the work was awarded (February 2011). The work commenced in February 2011 and continued till June 2012. Monthly Progress Report for February 2013 showed achievement of 100 percent physical progress of the work.

Scrutiny of records revealed that out of 35 items/sub items of works (including site preparation, internal electrification, internal sanitation, premium, contingency and cost of chairs) worth ₹30.12 lakh, the contractor executed 21 item/sub items of works at the cost of ₹30.02 lakh resulting in excess expenditure of ₹12.07 lakh due to execution of excess quantities of work in respect of these 21 items/sub-items (*Annexure-VI*). Item of works related to fitting and fixing of windows, doors, fan, light, ceiling, AC boards, clear sheet glass, sliding door, chairs and distempering, had not been executed by the contractor although the entire amount of ₹30.00 lakh was spent.

On being pointed out, the Deputy Director, T&CP stated (March 2013) the reason for execution of excess quantities of work was due to enhancement of plinth area as per public demand and no revised estimate for the work was prepared and submitted yet. It was also stated that there was no possibility to get further fund from BRGF.

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<sup>17</sup> Contractor, Shri Borkiri Rongpi

In the absence of doors, windows, chairs etc, the structure constructed could not be put to use for the purpose of auditorium which renders the expenditure of ₹30 lakh incurred so far as unfruitful.

### **Social Welfare Department**

#### **4.9 Excess expenditure due to extension of undue benefit**

KAAC accorded financial sanctions for ₹3.52 crore during 2010-11 for the procurement of different articles, materials, equipments, furnitures etc. required for distribution to Anganwadi Centers (AWCs) for implementation of Integrated Child Development Scheme (ICDS) in Karbi Anglong District. Administrative approvals for the same specifying selected suppliers with the value of materials were also accorded between November 2010 and December 2010 by KAAC. Accordingly, Programme Officer (PO) Divisional ICDS Cell, Diphu, placed 66 supply orders (during November 2010: ₹174.50 lakh and January 2011 : ₹177.00 lakh) directing to supply the materials etc. to 10 Child Development Project Officers (CDPO) indicating project-wise quantity of materials to be supplied and approved rate for each item of materials/articles. These materials/articles were duly certified by the concerned CDPOs as received in good condition, without showing the stock entry references and the date of receipt.

Records showed that, KAAC approved rates of the above materials in the Purchase Board Meeting in May 2008 and the next approval of rates was accorded only in September 2011. Thus, approved rate of May 2008 was applicable during the period of placing supply orders.

Test check (March 2013) of records (PO, Divisional ICDS cell, Diphu) revealed that approved rates (May 2008) in respect of 9 items of articles and furniture were inflated in placing the supply orders resulting in excess expenditure of ₹41.06 lakh as shown in Table 10.

**Table -10**

(In ₹)

Sl. No.	Name of Item purchased	Quantity (Piece/ Packet)	Rate at which procured	Amount paid	Approved Rate dated 16.5.2008	Amount as per approved rate	Excess expenditure
1	Plastic Jug (Big)	916	300	274800	70	64120	210680
2	Plastic Mug (BQ)	1830	100	183000	30	54900	128100
3	Steel Spoon	4642	205	951610	60	278520	673090
4	Towel	1830	270	494100	165	301950	192150
5	Plastic Garden Chair	850	900	765000	650	552500	212500
6	Steel Office Table with one drawer	425	4380	1861500	3360	1428000	433500
7	Wooden Pencil	16476	85	1400460	35	576660	823800
8	Towel Big size	850	270	229500	260	221000	8500
9	Steel Rack	425	7800	3315000	4450	1891250	1423750
<b>Total</b>				<b>9474970</b>		<b>5368900</b>	<b>4106070</b>

In this context, it is pertinent to point out that the actual rate of procurement of the above 9 items of articles and furniture were also higher than that of the approved rates of September 2011 and while comparing rates of procurement with these rates (September, 2011), the excess expenditure amounted to ₹41.61 lakh as shown in Table 11.

**Table -11**

(In ₹)

Sl. No.	Name of Item purchased	Quantity (Piece/ Packet)	Rate at which procured	Amount paid	Approved Rate dated 7.9.2011	Amount as per approved rate	Excess expenditure
1	Plastic Jug (Big)	916	300	274800	70	64120	210680
2	Plastic Mug (BQ)	1830	100	183000	35	64050	118950
3	Steel Spoon	4642	205	951610	60	278520	673090
4	Towel	1830	270	494100	200	366000	128100
5	Plastic Garden Chair	850	900	765000	700	595000	170000
6	Steel Office Table with one drawer	425	4380	1861500	2500	1062500	799000
7	Wooden Pencil	16476	85	1400460	45	741420	659040
8	Towel Big size	850	270	229500	295	250750	(-)21250 <sup>18</sup>
9	Steel Rack	425	7800	3315000	4450	1891250	1423750
							<b>4161360</b>

<sup>18</sup> Less expenditure



In reply (March 2013) the PO stated that the rate approved on 16 May 2008 by council, as per Minutes of Purchase Board of KAAC, was applied for procurement of materials/articles/furnitures etc. up to 6 September 2011 and thereafter rates approved as per Minutes dated 7 September 2011 was considered. It was also stated that in case of items, which were not included in list of rates approved by the Council, the rates allowed by various Government Agencies were followed.

The reply of the PO was not tenable as the above mentioned items were procured within January 2011 and existed in the list of rates approved on 16 May 2008 (showing lower rate) which was applicable during the period of placing the order for supply. Moreover, there was an excess expenditure of ₹ 41.61 lakh even if compared with the rate as approved by the Council at a later stage on 7 September 2011 as detailed in Table-11 above.

Thus, excess expenditure of ₹41.06 lakh was incurred due to placing of orders at higher rate than the approved rate causing extension of undue financial benefit to the suppliers .

### **Panchayat and Rural Development Department**

#### **4.10 Suspected misappropriation**

Rule 95 of Assam Financial Rules provides that Drawing and Disbursing Officer (DDO) is personally responsible for the accounting of all money received, disbursed and for the safe custody of cash. Further, according to the procedure followed in Government Departments, on receipt of cheques/drafts/banker's cheque etc., details are recorded in 'Register of Valuables' before making entries in departmental cash book as soon as any transaction is made.

Scrutiny (December 2012 to January 2013) of the records of Deputy Director (Hills), Panchayat and Rural Development (P&RD), Karbi Anglong revealed that the Deputy Director drew (March 2011) self cheque bearing No. 644367 dated 2 March 2011 for ₹49.18 lakh on United Bank of India, Diphu for disbursement to nine<sup>19</sup> Block Development Officers (BDOs) of Karbi Anglong district for construction of market sheds under the award of Twelfth Finance Commission. Of this, the Deputy Director showed disbursement (5 March 2011) of ₹5.50 lakh through cheque No. 592784 dated 5 March 2011 to Nilip Development Block. Cross examination of the relevant records (Cheque and draft receipt register and bank statement) maintained by BDO, Nilip Development Block, however, disclosed that the cheque in question was not received by the block though as per the statement of the bank account operated by the Deputy Director as DDO with United Bank of India, Diphu, entire amount of ₹49.18 lakh was withdrawn on 5 March 2011 itself. The Block concerned also denied receipt of ₹5.50 lakh as shown disbursed by the Deputy Director to the block such instances were, however, not noticed in other eight development blocks. Thus, the amount of ₹5.50 lakh shown to have been paid to Nilip Development Block by the Deputy Director (Hills), Panchayat and Rural Development (P&RD), Karbi Anglong was suspected

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Sl. No.	Name of the DDO	Cheque No. and date	Amount (₹)
1.	BDO, Ronkhang	592780 dtd.5.03.2011	493500
2.	BDO, Samelangso	592781 dtd.5.03.2011	493500
3.	BDO, Langsomepi	592782 dtd.5.03.2011	493500
4.	BDO, Bokajan	592783 dtd.5.03.2011	550000
5.	BDO, Nilip	592784 dtd.5.03.2011	550000
6.	BDO, Rongmongwe	592785 dtd.5.03.2011	962500
7.	BDO, Socheng	592786 dtd.5.03.2011	550000
8.	BDO, Chinthang	592787 dtd.5.03.2011	412500
9.	BDO, Amri	592788 dtd.5.03.2011	412500
<b>Total</b>			<b>49,18,000</b>

Source: Departmental records.

to be misappropriated as both receipt and subsequent utilisation of the funds by the concerned block was neither acknowledged nor available on record. This was facilitated due to failure of internal control system of periodical reconciliation between the cheques issued by the Deputy Director with that of the cheques received by the blocks.

On being pointed out, KAAC stated (March 2014) that the amount was received as per statement of the Accountant of the Block and the same was deposited in the official account at SBI which revealed that the money was not misappropriated. However, Report of enquiry conducted by the Government mentioned that BDO failed to furnish copy of Bank Pass Book, Payment vouchers and MBs for which possibility of misappropriation could not be ruled out.

In view of the enquiry report the reply of KAAC could not be accepted.

This irregularity has also been pointed out vide Report of the Comptroller and Auditor General of India on Social, General and Economic (Non PSUs) Sectors for the year ended 31 March 2013 (Report No. 7 of 2013) Government of Assam (Paragraph 1.2.5(B) of the report refers).

## **5 Weak Internal control**

Internal control is an integral process which is designed to provide reasonable assurance about achieving the organizational objectives viz., fulfilling accountability obligations, complying with applicable laws and regulations, executing programmes/schemes in an orderly, economical, efficient and effective manner and safeguarding resources against loss.

Considering the size and volume of transactions of KAAC, an Internal Audit wing is required to be set up for conducting proper checks of all financial affairs so

as to ensure accuracy and reliability of figures of books of account.

The internal control in the Council was ineffective and inadequate as would be seen from the following in addition to observations made in the foregoing paragraphs of this report.

1. Land Revenue department of the KAAC did not maintain any record in connection with demand and collection of Land revenue. Even none of the Revenue circle could furnish Demand Register and Counterfoil of receipt books (CRF) in support of actual realisation of Land revenue etc. In the absence of basic records actual position of demand raised and land revenue collected could not be ascertained.

2. Policy procedures and internal checks towards generation and realisation of revenue like forest, mines and minerals and taxes were not adequately documented, spelt out proper guidelines, orders or manual.

3. Reconciliation between cash book (PLA) with Treasury records and between bank statements and bank ledgers was not done to ensure accuracy of figures of Annual Accounts.

4. Ledger or consolidated abstract showing head-wise details of fund received from the Government on account of entrusted functions and its disbursement to Drawing and Disbursing Officers (DDO) of different departments under its control was not maintained by KAAC.

5. Remittance of irregularly retained professional tax of ₹11.39 lakh for a period over three years by Programme Officer, ICDS cell Diphu in Government Account and recovery of outstanding revenue in respect of Entry Tax amounting ₹0.68 lakh by the



Superintendent of Taxes, KAAC pertaining to the year 2010-11 at the instance of audit are indicative of inadequate internal control mechanism and thus, needs to be strengthened.



Guwahati  
The

(C. H. KHARSHIING)  
Accountant General

Countersigned



New Delhi  
The

(SHASHI KANT SHARMA)  
Comptroller and Auditor General of India