

Section- III	
3	Irregularities in transactions relating to discharge of inherent functions
3.1	Revenue receipts
3.1.1	Non- generation of potential revenue (2011-12)

Karbi Anglong Autonomous Council (KAAC) executed an agreement (October 2010) with Hindustan Paper Corporation Limited (HPCL), Jagiroad for extraction of bamboo for three working seasons from 2009-10 to 2011-12.

Accordingly, KAAC allotted (August 2011) 1,86,712 Metric Tonne Green (MTG) bamboo (from the harvesting areas under East Forest Division, Diphu: 1,42,142 MTG and Hamren Division: 44,570 MTG) to HPCL, Jagiroad for extraction against payment of royalty on extracted bamboo at the rate of ₹300 *per* MTG during the working seasons 2011-12 (Commencing from October 2011). The agreement did not contain penal clause, in case of non-extraction of the allotted bamboo by the HPCL.

Scrutiny of records revealed that against the allotted quantity of 1,86,712 MTG, HPCL could extract only 80,042.80 MTG (East Division: 62,918.56 MTG; Hamren Division: 17,124.24 MTG) bamboo during 2011-12 leaving balance quantity of 1,06,669.20<sup>18</sup> MTG bamboos remained unextracted and paid ₹234.05 lakh<sup>19</sup> against payable amount of ₹240.12 lakh. As a result, 57.13<sup>20</sup> *per cent* of the allotted quantity was left unextracted, besides short realization of payable royalty of ₹6.07 lakh against the quantity extracted. There was no recorded reason to explain the above.

On this being pointed out, the KAAC in reply (August 2017) endorsed the reply of Divisional Forest Officer, Karbi Anglong East Division which showed that recovery of the short realised amount could not be made and the reason for non extraction of bamboo was attributable to unavoidable circumstances like monsoon rains and law and order situation prevailing in the area.

The fact remained that the KAAC could not generate its potential revenue to the tune of ₹3.20<sup>21</sup> crore due to non-extraction of 1,06,669.20 MTG bamboo by the HPCL and inability to dispose of the same by other means during the working season 2011-12, besides loss on account of short realisation of royalty from the HPCL. Thus, appropriate

<sup>18</sup> 186712 MTG – 80042.80 MTG

<sup>19</sup> ₹18057040+₹5348400

<sup>20</sup> (106669.20×100)/186712=57.13

<sup>21</sup> 1,06,669.20 MTG×300= ₹3,20,00,760

steps are needed to be taken by the KAAC to ensure generation of potential revenue to the fullest possible extent.

### **3.1.2 Loss of revenue**

Government of Assam, Environment and Forest Department vide their notification dated 30 September 2010 revised the rate of royalty on bamboo used by paper mills under HPCL in Assam at ₹325 per metric tonne for the period from April 2009 and endorsed the notification to the KAAC and HPCL. However, no cognizance of the notification of revision of rate of royalty on bamboo by the Council was taken into account while executing the agreement between the KAAC and HPCL (October 2010) resulting in loss of revenue to the extent of ₹20.01<sup>22</sup> lakh during 2011-12. Reasons for non-consideration of rate fixed by the Government during execution of agreement by the KAAC were not on record.

### **3.1.3 Non-generation of potential revenue (2012-13 to 2015-16)**

KAAC received (July 2011) a proposal from Hills Trade Agencies (HTA), a bamboo trader, for setting up of three bamboo chipping units at various locations using the bamboo available in the Karbi Anglong District to promote industrialisation and to provide employment to the people after expiry of agreement (2011-12) with HPCL. Accordingly, a meeting was held on 13 August 2011 in KAAC presided by the Chief Executive Member (CEM), KAAC and chaired by the Principal Secretary, KAAC (as per Minutes issued by CEM) and it was decided to go with the proposal of HTA and to discontinue the allotment of bamboo to HPCL after 30 April 2012 even though HPCL as well as the Ministry of Heavy Industries & Public Enterprises, Government of India (GoI) made requests (October 2011) for renewal of the agreement for the supply of raw material to HPCL.

On the basis of the decision taken in the meeting dated 13 August 2011, an agreement effective from the date on expiry of lease agreement with HPCL on 30 April 2012 was executed (02 November 2011) between the representative of HTA and the Principal Secretary, KAAC for the extraction of bamboo by HTA. But the said agreement was not approved by the Executive Council (EC) of the KAAC. The EC in its meeting dated 03 July 2012 decided to nullify the agreement signed between the KAAC and the HTA with immediate effect on the ground of existence of inconsistencies in different clauses, deviation from working plan norm of Forest department, inadmissible ban on

<sup>22</sup> 80,042.80 MTG (62,918.56+17,124.24) x ₹25 = ₹20,01,070.00 (extracted quantity x difference in rate).

transportation of cut piece of bamboo, absence of registration of agreement and lack of transparency in the agreement executed. Accordingly, Notification (03 July 2012) regarding nullifying the agreement dated 02 November 2011 was issued. On being aggrieved, HTA filed a Case (WP (C) No.4907 of 2012) in the Gauhati High Court. The Gauhati High Court issued (12 October 2012) order that the respondent (KAAC) would not settle the forest produce/bamboos to any other party without specific order from the Court.

The authority of the KAAC and HPCL tried several times (January 2013-August 2016) for the renewal of agreement for extraction of bamboo but there was nothing on record to show that any steps was taken for vacation of the Court's directive so that bamboo could be supplied to the HPCL. On being pointed out (February 2017), the KAAC did not furnish any record/information about the vacation of the stay order (August, 2017).

Thus, the KAAC failed to generate potential Forest revenue to the tune of ₹24.27<sup>23</sup> crore during 2012-13 to 2015-16 due to injudicious decision of the KAAC for the supply of bamboo to HTA without approval of EC and execution of defective agreement.

### 3.1.4 Non realization of Councils' share of Motor Vehicle Tax

As per Government of Assam (GoA) directive issued vide No.HAD.61/82/216 dated 22 March 1991, the Deputy Commissioner of Karbi Anglong District was to release 90 *per cent* of the gross collection of Motor Vehicle (MV) Tax on quarterly basis to the KAAC.

Records and information made available to audit revealed that MV Tax amounting to ₹21.50 crore was collected during 2011-12 to 2015-16 by the District Transport Authority, Diphu. The share of MV Tax for these years due to Council amounted to ₹19.35<sup>24</sup> crore (being 90 *per cent* share on gross collection) was not released to KAAC by the District Transport Authority. On being pointed out, KAAC stated (October 2016) that the matter was taken up (January 2016) by the Transport Department of KAAC with the Government

<sup>23</sup> calculated on the basis of average quantity of bamboo allotted during last three years from 2009-10 to 2011-12 (1,86,712 MTG) at the rate fixed by the Government at ₹325 per MTG

<sup>24</sup>

Year	MV Tax collected during the year (₹ in crore)	Share (90% on gross collection) of KAAC (₹ in crore)
2011-12	3.58	3.22
2012-13	4.75	4.27
2013-14	3.87	3.48
2014-15	4.14	3.73
2015-16	5.16	4.65
<b>Total</b>	<b>21.50</b>	<b>19.35</b>

of Assam for release of Council's share, the outcome of which was awaited (August 2017).

### 3.1.5 Short realization of revenue

KAAC issued Notice Inviting Tender (NIT) for periodical sale/ settlement of Entry Tax Gates (ETG), Markets, Ghats and Fisheries of the district every year during 2011-12 to 2015-16 which *inter alia* provided condition that the selected bidders should deposit the entire settled value in full within 7 to 15 days from the date of issue of selection/ settlement order.

Scrutiny of records for the years 2011-12 to 2015-16 revealed that despite clear provision in the NIT for realisation of entire settled values, KAAC could realize ₹130.62 lakh against total settled value of ₹196.46 lakh (2011-16) in respect of ETGs/ markets/ ghats/ fisheries, leaving outstanding/recoverable balance of ₹65.84 lakh as summarised in table- 20 and detailed in *Appendix VIII*.

Table- 20

(in ₹)				
Year	Particulars	Settled value	Amount paid by the operator	Amount outstanding
2011-12	ETG/Markets/ Ghat/ Fishery	67,06,120	60,23,176	6,82,944
2012-13	ETG/Markets/ Ghat/ Fishery	31,98,801	29,51,629	2,47,172
2013-14	ETG/Markets/ Ghat/ Fishery	6,92,312	3,82,000	3,10,312
2014-15	ETG/Markets/ Ghat/ Fishery	25,23,952	11,14,100	14,09,852
2015-16	ETG/Markets/ Ghat/ Fishery	65,25,141	25,91,505	39,33,636
<b>Total</b>		<b>196,46,326</b>	<b>130,62,410</b>	<b>65,83,916</b>

Source: Records furnished by Taxation Department (Suptd. of Tax, Diphu & OSD, Hamren)

Reasons for non realisation of the outstanding amounts for the period 2011-12 to 2015-16 were not on record. Further, except issuing notices, no other action was initiated to realise the outstanding amount from the respective operators by the Council. Thus, inaction of KAAC led to non-recovery of outstanding dues to the tune of ₹65.84 lakh.

### 3.1.6 Settlement of ETG/market at lower price than previous years' settled value and Non-settlement of ETGs/Market

Scrutiny of records of Superintendent of Taxes, KAAC, Diphu and Officer on Special Duty (OSD) Taxation Department, Hamren, relating to settlement of the Entry Tax Gate (ETG), Markets (daily & weekly), Ghats and Fisheries revealed that the value of ETGs/ markets etc., were settled by KAAC authority at lower rate than the corresponding rate settled in previous year which resulted in decrease in generation of revenue to the tune of ₹13.30 lakh as detailed in *Appendix IX*. Further, some of the ETGs/markets remained



unsettled due to non receipt of bid, resulting in probable loss of revenue to the tune of ₹9.89 lakh during the year 2012-13 to 2015-16 (detailed in *Appendix X*), computed based on corresponding previous years settled values.

The reasons for settlements of ETGs/markets etc., at a price lower than that of the previous year's settled value were not on record. Further the reasons for not considering the previous settled value as minimum reserve price in the following year (s) were not recorded. Thus, the department should ensure that all revenue sources are regularly exploited to protect the financial interest of the Council while finalising the price of settlements of the Entry Tax Gate (ETG), Markets (daily & weekly), Ghats and Fisheries in future.

### **3.1.7 Land revenue**

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

Land Revenue is an inherent subject of the KAAC as per Sixth Schedule to the Constitution of India. In KAAC, there are four<sup>25</sup> Revenue Circles headed by Assistant Revenue Officer (ARO) for the collection of land revenue 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 and deposited directly into the Council's PLA (Treasury) through Treasury challans.

#### **3.1.7.1 Shortfall in realization of land revenue**

Revenue Department of the KAAC, was unable to furnish basic records (Demand Register, Counterfoil of Receipts, Stock & Issue Register of Receipt Books, Collection Register, Douls Register etc.) in respect of four Revenue Circles regarding Demand raised/Collection/Outstanding position of land revenue during the period from 2011-2012 to 2015-16. However, mouza-wise information furnished by the ARO of Phuloni Circle revealed that during 2011-2012 to 2015-16, the department realised only ₹41,66,391 against total demand of ₹1,42,93,046 (including arrear demand) leaving an outstanding balance of ₹1,01,26,655 (70.85 per cent) as detailed in table-21.

<sup>25</sup> (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)

Table- 21

Year	Arrear revenue	Current revenue	Total revenue (2+3)	Revenue collected	(₹ in lakh) Outstanding revenue
1	2	3	4	5	6
2011-12	17.39	9.37	26.76	11.12	-
2012-13	-	26.85	26.85	12.46	-
2013-14	-	27.53	27.53	6.32	-
2014-15	-	28.78	28.78	7.87	-
2015-16	-	33.01	33.01	3.88	-
<b>Total</b>	<b>17.39</b>	<b>125.54</b>	<b>142.93</b>	<b>41.66</b>	<b>101.27</b>
					<b>101.27</b>

Source: Departmental Records

Reason for such poor realisation of land revenue was neither on record nor stated. The actual position of outstanding balances and collection of land revenue in respect of other three circles pertaining to the years 2011-12 to 2015-16 could not be ascertained in audit as the information/data furnished were incomplete and ambiguous.

### 3.2 Revenue remittance

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

#### 3.2.1 Non remission of land revenue

Scrutiny of records and information furnished by the Assistant Revenue Officer (ARO) Donkamokam Revenue Circle revealed that a total amount of ₹13.19<sup>26</sup> lakh collected by the Mouzadars of four mouzas was retained in hand without depositing the same into the Council's PLA till the date of audit (October 2016). 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 ₹13.19 lakh by the Mouzadars unauthorisedly, as retention of revenue is fraught with the risk of misappropriation of the amount so collected.

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Name of Mouza under Donkamokam	Land revenue Retained in hand (in ₹)
East Rongkhang	898053.27
Charchim	85941.17
West Rongkhang	251723.25
Amri	83749.47
<b>Total</b>	<b>13,19,467.16</b>

In reply (August 2017), KAAC stated to note the observation for future guidance and to ensure strict observance of Rules of remittances. However, the status of deposit of land revenue retained in hand by the Mouzadars, if any, remained un-ascertained in audit as the information in this regard was not furnished by the Council.

### 3.2.2 Irregular utilization of departmental receipts towards departmental expenditure

Scrutiny of the records and information furnished of by the Transport Department, KAAC revealed that during the years 2011-12 to 2015-16, the Council collected revenue of ₹458.73 lakh as proceeds of passenger fare, auction of condemned vehicles/ spare parts etc. Out of total revenue receipts of ₹470.11 lakh (including balance of ₹11.38 lakh of previous year which was not deposited), the Transport Department of the Council deposited ₹142.55 lakh into Council's PLA and spent a total amount of ₹303.26 lakh towards purchase of POL etc., unauthorisedly during the years 2011-12 to 2015-16 without depositing into PLA in violation of the provision of the Fund Rules, *ibid*. The utilisation of departmental receipts towards departmental expenditure, against the provision of the Fund Rules, was irregular. The balance of ₹24.30<sup>27</sup> lakh was not deposited into PLA till the date of audit (October 2016) as detailed in table- 22.

Table- 22

(₹ in lakh)					
Year	Opening Balance	Revenue receipt	Expenditure out of revenue receipt	Deposited into Treasury	Closing Balance
1	2	3	4	5	6
2011-12	11.38	113.61	74.76	36.94	13.29
2012-13	13.29	73.27	48.54	29.90	8.12
2013-14	8.12	73.09	47.00	34.21	0
2014-15	0	90.78	60.22	20.41	10.15
2015-16	10.15	107.98	72.74	21.09	24.30
<b>Total</b>		<b>458.73</b>	<b>303.26</b>	<b>142.55</b>	<b>24.30</b>

Source: Departmental Records

Reasons for the utilisation of revenue of ₹3.03 crore against departmental expenditure and latest status of deposit was not stated (August 2017) by the KAAC, though called for.

Thus, compliances of provisions of Fund Rules are needed to be ensured by the Council.

### 3.2.3 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 the Year 2010-11 that the revenue received from time to time by the cash branch of KAAC was not

<sup>27</sup> ₹11.38+₹458.73-₹303.26-₹142.55

being deposited promptly into the treasury (PLA of KAAC) and a portion of it being retained 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 the PLA etc. Despite being pointed out, the scrutiny of records of Cash Branch of the KAAC revealed that the branch received revenues from different sources from time to time during 2011-12 to 2015-16 but the same was not deposited immediately into the Treasury and retained a portion of it with the Cashier during all these years. The year wise position of revenue received and deposit made into the PLA is detailed in table- 23.

**Table- 23**

(₹ in crore)

Year	Opening balance	Revenue received	Available Fund	Revenue deposited	Balance outside PLA
2011-12	0.89	13.99	14.88	13.66	1.22
2012-13	1.22	11.74	12.96	11.67	1.29
2013-14	1.29	15.90	17.19	15.58	1.61
2014-15	1.61	15.51	17.12	15.39	1.73
2015-16	1.73	24.14	25.87	24.54	1.33

Source: Departmental Records

The extent of delay of revenue deposit could not be ascertained in audit due to non-maintenance of Revenue Receipt Register by the Council. This practice was not only in violation of the provisions as per District Fund Rules but also fraught with the risk of misappropriation/ misuse of funds as a portion of funds received in the form of cash was retained by the KAAC during all these years. Besides, the receipts of the KAAC exhibited in the Annual Accounts do not exhibit a true and fair view in such a situation.

### 3.3 Revenue Expenditure

#### Education Department of KAAC

##### 3.3.1 (A) Irregularity in procurement of teaching and non teaching materials

Scrutiny of records and information furnished by District Primary Education Officer (DPEO), Diphu revealed that DPEO spent ₹58.40 crore (Plan: ₹11.48 crore; Non Plan: ₹46.92 crore) for the purchase of teaching and non teaching materials during the years 2011-12 to 2015-16. Item wise details of procurement during 2011-12 to 2015-16 are indicated in table- 24.

Table- 24

Sl. No.	Name of the item	Quantity purchased during 2011-16	Rate (in ₹)	Amount (₹ in lakh)
1	Black board	22,832	932	212.79
2	Carom board	9,740	1,033	100.61
3	Football	26,591	1,038	276.01
4	Globe	2,720	511	13.90
5	Sign board	1,200	4,999	59.99
6	Steel almirah	3,402	9,923	337.58
7	Steel rack	15,023	5,557	834.83
8	Steel desk & bench <sup>28</sup>	10,629	5,714	607.34
9	Wooden desk & bench <sup>29</sup>	51,252	3,150	1614.44
		34,154	3,210	1096.34
10	Wooden table & chairs	13,980	3,360	469.73
		6,329	3,424	216.71
<b>Total</b>				<b>5840.27</b>

Source: Departmental Records

The above items were stated to have been supplied to the schools through the Block Primary Education Officers (BPEO). However, The DPEO neither called for any requisition/demand from the schools/ BPEOs for assessment of the items required to be purchased nor there was any requisition/indent received from schools/ BPEOs. Rather, records indicated that the materials were purchased on the basis of recommendations of the Executive Member (EM) of KAAC from the selected suppliers without call of tender.

Further, it was noticed from the delivery challans/ bills that most of the above mentioned materials were directly sent to the concerned Block Primary Education Officers (BPEOs) for distribution to the schools. On the basis of these delivery challans/ stock certificate, payments were made to the suppliers. But actual details of distribution of these items to schools from the BPEOs was neither available on record nor the same was submitted by the BPEOs concerned. The name of schools and quantity of materials to be distributed were neither disclosed in the purchase files/supply orders nor any such orders/instructions were issued to the BPEOs by the DPEO. The distribution records of BPEOs relating to distribution of items were called for (28 September 2016) but the same were not produced, as the records of receipts and distributions were not maintained by the BPEOs (Socheng, Rongmongve, Hawraghat, Bokajan, Nilip, Chingthong, Langsomepi, Amri, Rongkhang, Samelangso, Lumbajong) and reasons for the same were not on record.

In the absence of records and documentation relating to actual requirement, quantum of distribution of materials, acknowledgement of receipt by the end-users, audit could not verify the veracity of such a huge expenditure of ₹58.40 crore incurred towards the

<sup>28</sup> Refer paragraph 3.3.1 (B)

<sup>29</sup> Refer paragraph 3.3.1 (B)



purchase and distribution of teaching and non teaching materials. Thus, possibility of occurrence of financial irregularity/ misappropriation of funds could not be ruled out in the absence of availability of basic records.

### **(B) Procurement of Desk & Bench (non-teaching materials) beyond norm**

As per norms relating to infrastructure etc., (Notification issued on 12 December 2000 by GoA) one pair of desk and bench (each 2 meter long) is required for every group of five (5) pupils in the Classroom.

Table 24 above, indicates that DPEO purchased 96,035 pairs of desks and benches worth ₹33.18 crore for primary schools under his jurisdiction. However, as per information made available to audit, there were maximum 1,56,053 students enrolled in primary schools under KAAC during 2011-12 to 2015-16 as detailed in table-25.

**Table- 25**

Enrolment of Students in primary schools under KAAC	
Year	
2011-12	148846
2012-13	139194
2013-14	146246
2014-15	149225
2015-16	156053

Source: Departmental Records

Thus, as per norms, 31,211 pairs of Desks and Benches only were required for maximum enrolled pupils (1,56,053) of primary schools, against which 96,035 pairs<sup>30</sup> of desks and benches were procured. Considering 50 per cent wear and tear, 46,817 pairs of desks and benches (31,211 + 50% of 31,211) would have been sufficient to accommodate pupils ranged from 1,39,194 to 1,56,053 enrolled during 2011-12 to 2015-16 in primary schools under the DPEO, KAAC. Thus, there was excess procurement of 49,218 pairs of desks and benches which resulted in excess expenditure to the tune of ₹15.50 crore (49,218 x ₹3,150) incurred by the DPEO.

### **3.3.2 Irregular expenditure**

Section 7 of the Assam Fiscal Responsibility and Budget Management Act, 2005 (FRBM Act) provides that appointing authorities of the Autonomous Bodies and the State Government shall give appointments only against the 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 the prior concurrence of the Finance Department.

<sup>30</sup> Serial Nos. 8 & 9 of table 24 (₹10,629+₹51,252+₹34,154=₹96035)

Information furnished by the DPEO revealed that 109 ad-hoc teachers were appointed and entertained by the DPEO during 2011-12 to 2014-15 with the approval of the KAAC. However, neither any record showing approval of the Education and Finance Department of GoA nor the details of evaluation of vacancy position were available while appointing the ad-hoc teachers. It was noticed that the DPEO incurred a total expenditure of ₹784.65 lakh towards salary of the ad-hoc teachers during 2011-15. The above expenditure was met out of the non-plan funds meant for other purposes released by GoA from time to time, during 2011-12 to 2014-15 as shown in table- 26.

Table- 26

Year	No of Ad-hoc teachers	Pay and allowance paid (in ₹)
2011-12	109	17861589
2012-13	109	19501776
2013-14	109	19791876
2014-15	109	21309112
<b>Total</b>		<b>7,84,65,144</b>

Source: Departmental Records

Thus, the expenditure of ₹784.65 lakh incurred towards salaries of the ad-hoc teachers by diverting non-plan funds by the DPEO was irregular and unauthorised.

### 3.3.3 Irregularities in procurement and distribution of free English medium text books and Karbi language text books

Office Memorandum (11 August 2010) of the Government of Assam (GoA), Finance Department prescribed that open tenders are to be invited by the Government Departments for purchase of any item or stores involving expenditure from public funds of ₹50,000 and above. The Office Memorandum also specifies that the practice of issuing supply orders based on a single quotation violates the statutory provisions contained in Section 7(2) of the Assam Fiscal Responsibility and Budget Management Act 2005 and is not in conformity with the established financial rules.

Scrutiny of records revealed that during 2011-12 to 2015-16, District Primary Education Officer (DPEO), KAAC procured English medium text books and Karbi language text books worth ₹1,170.66 lakh for free distribution to the students of Kindergarten Class to Class V of Karbi Anglong District. Allocation, administrative approval and expenditure incurred towards procurement of Free Text Books (FTBs) during the above period are shown in table- 27 and detailed in *Appendix XI*.

Table- 27

Year	Allocation		Total	Administrative approval Amount	Expenditure incurred
	Plan	Non-Plan			
	3	4	5	6	7
2				232.75	214.17
2011-12	35.00	225.00	260.00	198.72	182.85
2012-13	255.00	0	255.00	240.00	233.89
2013-14	240.00	0	240.00	282.40	258.02
2014-15	270.00	0	270.00	295.81	281.73
2015-16	45.00	245.50	290.50	1249.68	1170.66
Total	845.00	470.50	1315.50		

Source: Departmental Records

In this regard following observations are made:

- (i) Scrutiny of records revealed that the FTBs were procured based on the quotations received from the suppliers. Neither any notice inviting tender was issued nor were the prevalent market rates ascertained while issuing the supply orders by the DPEO. Thus, in the absence of competitive bidding and assessment of market price, the reasonability of rate assessed, could not be ascertained. On being asked, it was stated that the rates were fixed by the committee chaired by the Executive Member, In-charge of Education Department, KAAC on the basis of application received. Thus, the process adopted by the DPEO, KAAC in procurement of FTBs worth ₹1,170.66 lakh was irregular and in violation of Rules and orders of the Government in this regard.
- (ii) Scrutiny of Stock Register, Challans etc., revealed that FTBs received from the suppliers were handed over to 11<sup>31</sup> Blocks of Primary Education Department (PED) for distribution to the schools. The delivery challans were signed by the officials of Block Primary Educational Offices and accordingly, payments were made to the suppliers. The basic records like assessment of requirement, issue/ distribution of FTBs to students, details/acknowledgements of schools and students to whom FTBs were distributed, were neither on records nor produced to audit. In the absence of these basic records, the veracity of the entire expenditure remained unascertained in audit.

### Public Work Department of the KAAC

#### 3.3.4 Work done without call of tender

Test check of the records of the Executive Engineer Works (EE) of the KAAC revealed that during 2011-12, the division executed construction/repair/ maintenance/extension works by issuing 32 work orders (having value of each work ranging from ₹1.07 lakh to ₹13.09 lakh as detailed in *Appendix XII*) at the total expenditure of ₹109.92 lakh without the call of tenders.

<sup>31</sup> Socheng, Rongmongve, Hawraghat, Bokajan, Nilip, Chingthong, Langsomepi, Amri, Rongkhang, Samelangso, Lumbajon.

Audit scrutiny revealed that the KAAC did not prescribe the financial limit for awarding work without call of tender. The Council also did not have any approved panel of contractors.

Thus, awarding the work without tendering not only deprived the Council of the benefit of the competitive bidding, but the entire process also lacked transparency.

The KAAC needs to provide a transparent procedure for availing the best possible rates and ensuring quality of work in accordance with generally accepted canons of financial propriety laid down in General Financial Rules/ Assam Financial Rules/ Assam Public Works Departmental code.

### **3.3.5 Irregularities in Construction of Karbi Bhawan, Guwahati and undue financial aid to contractor towards grant of interest-free Mobilisation advance**

Scrutiny of records of the Public Works Department of the KAAC revealed that the KAAC accorded administrative approval (October 2011) for the Construction of Karbi Bhawan at Silpukhuri, Guwahati at estimated cost of ₹260 lakh. The provisional technical sanction for the said estimate was accorded by the Additional Chief Engineer, Public Works Department (R&B) Hills, Diphu (June 2012). The work was put to tender and in response, lowest offer of 20 *per cent* above the estimated cost amounting to ₹312 lakh was received. The KAAC authority accepted the offer, despite suggestion for negotiation of price with the bidder made by the Executive Engineer, KAAC. The work was awarded (November 2011) to the lowest bidder for completion within 24 months. The work commenced in June 2012 and completed in July 2015 at the total value of work done amounting to ₹469.04 lakh<sup>32</sup> (including Consultancy charge and dismantling expenses). Thus, an irregular excess expenditure of ₹209.04 lakh (80.04 *per cent*) over the authorised amount of administrative approval was incurred by the KAAC without preparing revised estimates and seeking proper technical sanction.

Assam Public Works Manual (APWM) does not provide for any payment towards Mobilisation Advance (MA) to the contractors. Provisions regarding grant of MA stipulated in CPWD Manual and as per CVC guidelines/instructions are as follows:

- Para 31.5 of CPWD Manual, 2007 provides that MA to contractor is admissible in respect of certain specialized and capital intensive works valuing not less than ₹ 2 crore limited to a maximum of 10 *per cent* of the estimated cost put to tender at 10 *per cent* simple interest against production of bank guarantee for the advance.

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<sup>32</sup> VI Running/Final Bill

- As per Central Vigilance Commission's (CVC) instructions (October 1997 and April 2007), adequate steps should be taken for ensuring grant of MA for only selected works and it should be interest bearing to preclude undue benefit to the contractor. It should be granted by a Board (with concurrence of Finance) in the organization constituted for the purpose. Interest-free MA is not to be encouraged but if the management feels it is necessary in specific cases, it is to be clearly stipulated in the tender document and its recovery is to be time-bound and not linked to the progress of work. Part 'Bank Guarantees' (BGs) against the MA should be taken in as many numbers as the proposed recovery instalments and should be equivalent to the amount of each instalment. This is to ensure recovery of advances by encashing the BGs.

Scrutiny of records revealed that the KAAC granted interest free MA of ₹50.00 lakh to the contractor in violation of the codal provisions mentioned above. In this regard, neither any provision was kept in the Notice Inviting Tender (NIT) nor any Bank Guarantee was obtained from the contractor. This led to an irregular payment of MA amounting to ₹50.00 lakh without ensuring necessary safeguards towards Government interest. Besides, there was loss of interest of ₹13.21 lakh as shown in table- 28.

**Table- 28**

Date of payment	Amount paid (₹)	Date of recovery	Amount recovered (₹)	Unadjusted balance (₹)	Period of outstanding (In days)	Interest accrued on unadjusted MA (₹) {Col. 2 x 10 % x (Col.6/365)}
1	2	3	4	5	6	7
9.12.2011	5000000	13.06.2013	2500000	2500000	551 (9.12.2011 to 12.06.2013)	754794
-	-	18.09.2015	2500000	NIL	827 (13.06.2013 to 17.09.2015)	566438
<b>Total</b>						<b>1321232</b>

*Source: Departmental Records*

In reply, it was stated that MA was granted by the KAAC authority to speed up the work. The reply was not tenable as MA was granted not only disregarding the CVC guidelines and CPWD Manual provisions but also without any provision either in the Notice Inviting Tender or in the Contract Agreement and without seeking any Bank guarantees. In this context, it is to be mentioned that in respect of execution of another work namely "Construction of Administrative Building of Primary Education Department, Diphu", the KAAC during March 2014 turned down the request of the contractor for granting MA on the ground that there was no such provision in the NIT and contract agreement.



Thus, action of the KAAC for the grant of MA to the contractor was irregular which also led to loss to the extent of ₹13.21 lakh to the exchequer on account of grant of interest free MA against the extent provisions in this regard.

## **Transport Department of KAAC**

### **3.3.6 Irregular retention of huge bank balance outside government account**

Subsidiary Order 50 below Rule 16 of the Assam Treasury Rules, 1937 provides that no money should be withdrawn from the treasury unless it is required for immediate disbursement.

Scrutiny of records revealed that the Transport Department of the KAAC maintained Drawing and Disbursing Officer's bank account with SBI, Diphu, where huge balances were retained. The closing balances at the end of the respective year for the period from 2011-12 to 2015-16 as per bank statement furnished to audit are shown in table- 29.

**Table- 29**

<b>Year</b>	<b>As on</b>	<b>Balance Amount</b> <span style="float: right;">(in ₹)</span>
2011-12	31.03.2012	11522867
2012-13	31.03.2013	12530985
2013-14	31.03.2014	8540467
2014-15	31.03.2015	13312770
2015-16	31.03.2016	7065285

*Source: Departmental Records*

Thus, it was evident that basic principle of Government finance that money required for immediate disbursement only should be withdrawn, was not followed resulting in retention of huge funds outside the Government account.

The practice of such retentions was not only irregular but fraught with the risk of misuse/ misappropriation of funds and thus, needed to be avoided.

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

### **4.1 Non-closure of DDO bank account and retention of money outside Government account**

**4.1.1** The Government of Assam (GoA) ordered (18 May 2013) for closure of all Drawing and Disbursing Officer's (DDOs) Current Bank Accounts by 30 September 2013 referring the Subsidiary Order 50 below Rule 16 of the Assam Treasury Rule, 1937 which provides that no money should be withdrawn from the treasury unless it is required for immediate disbursement. It is not permissible to draw advance from the treasury either for the execution of works, the completion of which is likely to take a considerable time, or to prevent the lapse of budget grants. GoA also directed the DDOs to initiate action to (i) deposit the funds remaining unspent for last 3 years or more to state exchequer under

appropriate heads of account, (ii) utilise and disburse the other balances (unspent for a period less than 3 years) for the purpose for which the money was drawn latest by 30 September 2013 and deposit the remaining unspent balance amount to the state exchequer.

Scrutiny of records revealed that the Principal Secretary, KAAC maintained two current accounts for the transactions under entrusted functions with undisbursed balance of ₹46.62 crore as on 30 September 2013 in two banks as detailed in table- 30.

**Table- 30**

Sl. No.	Name of the bank	Current Account No.	Closing Balance as on 30.09.2013 (₹)
1	State Bank of India	XXXXXXXXX430	332485582
2	Housing Development Finance Corporation (HDFC) Bank	XXXXXXXXXXXX084	133740508
<b>Total</b>			<b>466226090</b>

*Source: Departmental records*

No Cash book or any other records pertaining to the transactions out of these bank accounts were maintained by the KAAC. Huge funds remained unspent at the end of each financial year. Principal Secretary, KAAC did not initiate any action for the closure of the above current accounts despite GoA's directive. It was noticed that ₹46.71 crore remained unspent till 31 March 2016 in five current accounts in different banks (including the two current accounts<sup>33</sup> which were not closed as mentioned above) as detailed in table- 31.

**Table- 31**

Sl. No.	Name of the bank	Current Account No.	Closing Balance as on 31.03.2016 (₹)
1	State Bank of India	XXXXXXXXX430	14994551
2	Axis Bank	XXXXXXXXXXXX030	42692177
3	ICICI Bank	XXXXXXXXXX017	84589395
4	HDFC Bank	XXXXXXXXXXXX084	22137778
5	Langpi Dehangi Rural Bank	XXXXXXXXXX541	302679303
<b>Total</b>			<b>467093204</b>

*Source: Departmental records*

**4.1.2** Further, it was also noticed that KAAC maintained three Savings Bank accounts for dealing with transactions of entrusted departments and Rastriya Madhyamik Siksha Abhijan the accumulated balance of which amounted to ₹8.51 crore as on 31 March 2016 as detailed in table- 32.

<sup>33</sup>

1 State Bank of India  
2 Housing Development Finance Corporation (HDFC) Bank

XXXXXXXXX430  
XXXXXXXXXXXX084

Table- 32

Sl. No.	Name of the bank	Account No.	Type of accounts	Closing Balance as on 31 March 2016 (in ₹)	Purpose
1	Industrial Development Bank of India	XXXXXXXXXXXX456	Savings Bank	71521586	Deal with the transactions of entrusted departments
2	HDFC bank	XXXXXXXXXXXX349	Savings Bank	11870007	Deal with the transactions of entrusted departments
3	Axis Bank	XXXXXXXXXXXX565	Savings Bank	1726150	Deal with the transactions of entrusted departments
				<b>Total 8,81,17,743</b>	

Source: Departmental records

Thus, it is evident that Subsidiary Order (SO) 50 below Rule 16 of Treasury Rules Assam, 1937 was not followed. Further, such huge funds were irregularly retained in violation of the GoA directive and kept outside the Government account. As such, observance of rules and orders in this regard were needed to be ensured by the KAAC.

#### 4.2 Irregular utilization of savings under salary component of Plan/ Non-plan fund of entrusted departments

With a view to grant greater autonomy, Government of Assam (GoA) Hill Areas Department extended jurisdiction of the state executive powers in respect of 30 subjects/departments to Karbi Anglong Autonomous Council vide Office Memorandum (OM) dated 31 December 1996 and arranged to release funds earmarked in the State budget for the Council on a six monthly basis as advance which was to be adjusted on submission of monthly accounts by debit to the appropriate head of account of the State budget. The funds, thus released, are deposited to PLA of the Council wherefrom time to time disbursements to DDOs of the subject/departments (brought under administrative control of the Council called entrusted department) are made. The OM *inter-alia* provided that rules of State Government in respect of Non plan and other matter relating to entrusted subjects/departments were to be strictly followed by the Council.

As per Paragraph 11.17 of the Budget Manual of the Government of Assam it is important that the Controlling Officers are to surrender all anticipated savings under any appropriation immediately, when they are foreseen, without waiting till the end of the year and that he should not hold any saving in reserve for other purpose. Further, Paragraph 9.1 VIII (d) of the Manual also prohibits any re-appropriation from savings under pay of officers/establishment. Also, Rule 174 of Assam Financial Rule (AFR) prescribed that any undisbursed pay may be retained by the DDO for a period not exceeding three months and pay must not under any circumstances be placed in deposit.

4.2.1 Scrutiny of records of the Joint Director of Health Services (Jt. DHS), Karbi Anglong District (April 2015) revealed that a total expenditure of ₹36.76 crore was incurred upto February 2015 during the year 2014-15 under Salary component of Non-plan Estimate against Budget Grant of ₹42.27 crore for the same component for 2014-15 by the Joint Director of Health Services under the head of account '2210 Medical and Public Health'. This resulted in saving of ₹5.51 crore under Salary head. The reasons for 13 per cent saving under salary component was not on record, however it was stated that budget estimate of salary component for staff and officers was being prepared as per sanctioned strength of posts comprising of men in position and vacant posts.

It was noticed that instead of reporting of the savings for surrender, the Joint Director of Health Services requested the KAAC to accord sanction for an expenditure of ₹2.56 crore for payment towards procurement of medicine, surgical equipments, vehicle and office expenses from the savings under Salary component of Non-plan budget provision under the head of account '2210 Medical and Public Health' for 2014-15. The KAAC in response sanctioned the amount for the proposed purpose. Accordingly, a total expenditure of ₹2.56 crore was made by the Joint Director of Health Services during March 2015, by irregular utilisation of unspent funds relating to Non-Plan salary head.

On being this pointed out, the Joint Director of Health Services, Karbi Anglong stated that the proposal was made to meet the urgent need for medicines, surgical equipments, vehicles as the fund available under state plan provision and supplementary fund from National Rural Health Mission was insufficient to cater to the practical need for those articles.

The reply was not tenable, as savings under Salary component cannot be re-appropriated to meet any other expenditure without Finance Department's concurrence under the provisions of Assam Budget Manual.

4.2.2 Similarly during audit of the accounts of the KAAC for 2014-15 to 2015-16, it was ascertained from four Drawing and Disbursing Officers of entrusted departments that the savings under salary components of ₹1.58 crore was utilised towards non-salary components of the respective non-plan head of account of the department concerned during 2014-15 and 2015-16 with the approval of KAAC as shown in table- 33.

Table- 33

Sl. No.	Name of DDO	Head of Account	Budget provision salary		Actual Expenditure on salary		Savings utilised for Non-salary components		
			for component		on component				
			2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	Total
1.	Additional Director, Soil Conservation, Diphu	2402 Soil and Water Conservation	42.43	45.40	27.75	38.07	14.68	7.33	22.01
2.	Additional Registrar of Co-operative Societies, Diphu	2425 Co-operation	313.69	386.50	300.84	321.63	12.85	64.87	77.72
3.	District Agriculture Officer, Karbi Anglong, Diphu	2401 Crop Husbandry	478.57	484.00	462.57	471.98	16.00	12.02	28.02
4.	Joint Director Handloom & Textiles, Karbi Anglong, Diphu	2851 Village and Small Industries	250.73	204.91	233.69	191.87	17.04	13.04	30.08
						<b>Total</b>	<b>60.57</b>	<b>97.26</b>	<b>157.83</b>

Source: Departmental records.

**4.2.3** Similarly, scrutiny of records of the Additional Chief Medical & Health Officer, (Addl. CM & HO) Family Welfare, (FW), Karbi Anglong, (May 2015 and December 2016) also revealed that a total expenditure of ₹2.29<sup>34</sup> crore was incurred during the years 2014-15 to 2015-16 towards non-salary components from the savings under Salary component of plan budget under Grant No. 76: Major head-2011 Family Welfare of the respective years.

On being asked about the justification for diversion of salary savings of Plan fund towards purchase of medicines, furniture and office expenditure, the Addl. CM & HO stated that the procurement of medicines, stationery and furniture were done as per urgent requirement of peripheral Health Centres and also added that the expenditure were incurred as per financial sanctions from the KAAC authority.

The reply was not tenable as re-appropriation of funds from salary component was not permissible under the provisions of Budget Manual.

Thus, irregular expenditure incurred violating the Rules and procedures prescribed in the Budget Manual should be streamlined. The budget estimates for salary component as far as possible, should be realistic and the anticipated saving should be surrendered timely following strict observance of procedures prescribed in the Budget Manual.

<sup>34</sup> 2014-15: ₹148.82 lakh and 2015-16: ₹80 lakh.



**4.3 Irregular construction of Sing Ronghang Memorial Recreation Pool cum Park at Tumpreng by diverting RKVY fund of ₹200.00 lakh.**

The Operational Guideline, 2014 of Rastriya Krishi Vikash Yojana (RKVY) includes 'enhanced fish production' as only activity under fishery department which is eligible for assistance under RKVY.

The Planning and Development Department of the Government of Assam (GoA) allocated ₹2 crore (June 2013) for the Control of Shifting Cultivation under RKVY for 2013-14 as per request of the KAAC (February 2014) under Integrated Jhumia<sup>35</sup> Development Programme (IJD). GoA sanctioned and released the entire amount (March 2014) with the condition that it should be utilised strictly as per RKVY guideline against specific scheme, for the purpose for which it is sanctioned. The amount was drawn and credited to the Personal Ledger Account of KAAC during March 2014.

Scrutiny of records revealed that the Executive Member, KAAC proposed (January 2015) the construction of a recreation pool at Tumpreng and the Chief Executive Member of the KAAC directed (January 2015) to settle the work to a specific firm. The KAAC, after one year from the date of sanction and release of fund from GoA for the Control of Shifting Cultivation under RKVY for 2013-14 under IJD, diverted the funds of RKVY and accorded administrative approval (AA) for the other work in March 2015 for ₹2 crore *ie*; for the project of "Construction of Sing Ronghang Memorial Recreation Pool cum Park" at Tumpreng, of Hamren Sub-division under RKVY. It was noticed from the record that the estimate of the work, valued at ₹2.03 crore, was prepared by the Assistant Executive Engineer (Hills) Diphu, submitted by the District Fisheries Development Officer, Karbi Anglong, Diphu with countersignature of the Joint Director, Fisheries, Hills, Diphu and approved by the KAAC on 24 February 2015 without the technical feasibility of the project being assessed by the Additional Chief Engineer, (Road & Building), KAAC, Diphu. The work was awarded (16 March 2015) to the Enterprise on the basis of AA, stipulating that the work was to be completed by 16 September 2015 (within six months from the date of issuing of the work order). However, records also indicated that the work was put to tender at the estimated cost of ₹2 crore on 20 March 2015 and in response the Enterprise offered lowest rate (at par with estimated cost) which was accepted by the KAAC and directed (27 March 2015) the District Fisheries Development Officer, Karbi Anglong, Diphu to issue formal work order. Thus, work was awarded (16 March 2015)

<sup>35</sup> Farmer doing traditional Jhum cultivation practised by tribal people.

four days prior to initiation of tender action (20 March 2015). Moreover, the items of works under the approved estimates did not provide for any work related to enhancement of fish production. The work was commenced in March 2015 and completed in July 2016. Financial sanction of ₹2 crore was accorded by the KAAC in July 2016 and released the fund from which the firm was paid ₹1.86 crore <sup>36</sup> deducting ₹0.14 crore towards VAT and professional tax.

Thus, RKVY fund of ₹2 crore was spent on an inadmissible project which neither conformed to the objectives as prescribed under RKVY guidelines nor utilised for the purpose of Control of Shifting Cultivation under IJDP as per condition of sanction accorded by the GoA leading to irregular expenditure of ₹2 crore. Besides, sequence of procedural events such as award of work prior to finalisation of tender process, issue of work order prior to receipt of approval to issue formal work order, execution of work without technical sanction of the competent authority disclosed that there were lapses in the system of observance of financial rules /regulations etc., in implementation of schemes under fisheries department of the KAAC.

In reply, the Principal Secretary, KAAC, stated that the work was taken up as per the instruction of the Executive Member concerned with the approval of the Chief Executive Member of the Council.

The reply was not tenable as KAAC was bound to follow both the Central and State Rules, Guidelines as per Office Memorandum dated 31 December 1996 and the expenditure should have been incurred as per the sanction to meet the intended objective as planned, as was not the case.

Thus, expenditure incurred by the KAAC towards the “Construction of Sing Ronghang Memorial Recreation Pool cum Park” at Tumpreng by diverting the funds allocated for the Control of Shifting Cultivation under Integrated Jhumia Development Programme (RKVY for 2013-14) was irregular.

#### **4.4 Irregular Expenditure on Samabai Bhavan, Diphu**

Test check of records of the Additional Registrar of Co-operative Societies (ARCS), Karbi Anglong, Diphu during audit of KAAC for 2011-12 to 2015-16 revealed that the work for the ‘Construction of 3rd Floor of Samabai Bhavan, Diphu’ was administratively approved by the KAAC (27 August 2014) at the estimated cost of ₹60 lakh (comprising 3 per cent

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<sup>36</sup> (Cheque No. 972952 dtd. 22.08.2016)

contingency: ₹1.52 lakh and 15 *per cent* premium for Karbi Anglong District; ₹7.64 lakh) prepared as per Assam Public Works Department (APWD), Schedule of Rates (SOR) of 2013-14. The work was put to tender by ARCS on 15 September 2014 at the estimated value of ₹50.93 lakh (the value of all items of works excluding provision of contingency and premium). In response, a single bidder offered his price for ₹50.93 lakh (at par with SOR) and other two bidders did not mention their prices. The comparative statement showing no offered price against two contractors as well as offer to execute the work at the rate at par with SOR by one contractor was submitted to KAAC (13 October 2014) for approval and KAAC approved the offered rate of ₹50.93 lakh by the lone bidder to execute the work treating the same as the lowest bidder. Accordingly, Tender Agreement was executed on 4 December 2014 with the contractor showing the tender value of ₹50.93 lakh which did not provide for any price escalation clause as per terms and condition. But work order issued by ARCS on the same date to the contractor *inter-alia* indicated the total rate of the work as 18 *per cent* above the APWD, SOR-2013-14, the basis of which was not explained on any record.

In preparing detailed estimates, the value of the work was split into two part estimates under the nomenclature *viz.*, (1) Estimate for construction of 3rd floor (Assam type) Building of Samabai Bhavan of Co-operative Department, Diphu for ₹50 lakh, and (2) Internal Electrification of extension of 3rd floor of Samabai Bhawan Building at Diphu for ₹10 lakh, as a result the technical sanction was not required. Both the detailed estimates were technically approved by the Executive Engineer, KAAC on 3 March 2016 without seeking approval of the higher technical authority (as per delegated powers).

The work commenced in December 2014 and completed in March 2016 against the stipulated date of completion on December 2015 as per tender Agreement/work order.

During the course of execution of the work, the contractor prayed for the enhancement of rates by 30 *per cent* on the plea of increase in the costs of construction materials and labour. On the basis of request made by the contractor, ARCS recommended (November 2015) for consideration of the same by the KAAC without examining its admissibility as per terms and condition of tender agreement and without ascertaining the extent of price rise, if any, on construction materials etc. The KAAC in turn also approved (January 2016) the enhancement of rates by 30 *per cent* and accorded financial sanctions of ₹15 lakh and ₹63 lakh on 26 March 2015 and 22 March 2016 respectively for the work.

Final bill submitted by the contractor showed execution of all the item of works as included in the above two technically approved estimates. The final bill totalling works valued at ₹78 lakh which was enhanced by ₹18 lakh (30 *per cent*) was passed and paid to the contractor (March 2016).

Thus, a total expenditure of ₹78 lakh was made on the single work of the 'Construction of 3rd Floor of Samabai Bhavan, Diphu' with an irregular extra expenditure of ₹27.07 lakh over the tender value (₹50.93 lakh) as per the agreement. Besides, irregularities in execution in the form of not obtaining technical sanction before commencement of the work from the competent authority and accepting the price offered by a single bidder as reasonable rate also took place.

#### **4.5 Payment of fraudulent claim**

Karbi Anglong Autonomous Council (KAAC) accorded (September 2013 and March 2014) the administrative approval and financial sanction to the work "Construction of a new guest house-cum-inspection bungalow at Children Park" for ₹1.74 crore based on the estimate of the work for ₹2.81 crore<sup>37</sup>. Pending technical sanction (December 2014), the work commenced on 01 March 2014 and was executed departmentally.

Scrutiny (December 2014) of records of the Divisional Officer, Kohora Soil Conservation Division, revealed that the Division initially received ₹0.49 crore (October 2013, December 2013 and March 2014), and the entire amount was spent on the work (₹0.42 crore on material and ₹0.07 crore on labour) within 31 March 2014. Subsequently, ₹1.25 crore was received (27 March 2014) by the Divisional Officer from the KAAC and the entire amount was depicted in the cash book as paid (28 March 2014) to a contractor. Bill particulars indicated that the payment was made for execution of items of work which, *inter-alia*, included providing of full panel doors, aluminium sliding windows, concealed wiring, sanitary installation, internal water supply, electrification etc. The Measurement Book (MB) cited in the bill, however, did not have any details of the execution of work recorded therein. On this being pointed out, neither any work order nor the reasons for payment made to the contractor for the work not executed/entered in the MB was furnished to Audit.

<sup>37</sup> Ground floor (₹0.91 crore), First floor (₹0.73 crore), Restaurant (₹0.29 crore), Preparation of site (₹0.02 crore), concealed wiring (₹0.01 crore), fire fighting equipments (₹0.01 crore), sanitary installation (₹0.15 crore) internal electrification (₹0.17 crore), internal water supply (₹0.10 crore), external electrification (₹0.08 crore) campus lighting with substation (₹0.06 crore) and 15 *per cent* premium for Karbi Anglong for civil works (₹0.29 crore).

Further scrutiny revealed that, the amount of ₹1.23 crore shown as paid to the contractor (after deduction of Professional Tax of ₹0.02 crore) was actually transferred<sup>38</sup> in March 2014 to a bank account<sup>39</sup> operated by the Soil Conservation Guest House Construction Committee. The bank account showed that ₹0.61 crore was withdrawn (June 2014) through self cheque and ₹0.05 crore was transferred (June 2014) to the contractor's bank account. The whereabouts of ₹0.66 crore was, however neither found recorded anywhere nor any documentary evidence in support of expenses was produced to Audit.

Joint physical visit of the work site during audit revealed that progress on work of the ground floor was only achieved. Photographic evidence of physical progress did not exhibit execution of the item of works for which ₹1.23 crore was shown as paid to the contractor.

Thus, payment of ₹1.23 crore made on the basis of an unmeasured bill without execution of work on site was fictitious and possibility of misappropriation of Government money could not be ruled out.

On this being pointed out, the KAAC endorsed (August 2017) the reply submitted by the Divisional Forest Officer, Kohora Soil Conservation Division (May 2017) to the Principal Secretary, KAAC which did not provide reply to the irregularities raised in audit but contradicted the issue of fraudulent claim, and stated that 82 *per cent* progress has been achieved.

This irregularity has also been pointed out vide Report of the Comptroller and Auditor General of India on Social, General and Economic (Non-PSU), Sectors for the year ended 31 March 2015 (Report No. 1 of 2016) Government of Assam (Paragraph No. 1.4.15), laid before the Assam State Legislature on 18 July 2016.

#### **4.6 Irregular expenditure due to engagement of ad-hoc teachers**

Section 7 of the Assam Financial Responsibility and Budget Management (AFRBM) Act, 2005 provides that appointing authorities of the Autonomous Bodies and the State Government shall give appointments only against sanctioned posts which are vacant and in accordance with the laid down rules, procedures and orders and no new post shall be

<sup>38</sup> Cheque Number 968823 dated 31.03.2014.  
<sup>39</sup> A/c No. 33761186052 of SBI, Kohora.



created in any department or in Autonomous Bodies without prior concurrence of the Finance department.

Serutiny of records and information furnished by the Inspector of Schools (IS), Karbi Anglong District Circle, Diphu revealed that in pursuance of resolution of Executive Committee of KAAC (19 May 2007) Karbi language was introduced as a compulsory additional subject from Class I to Class VII and Inspector of schools was allowed (29 August 2008) to engage one Karbi Language Teacher (KLT) in each recognised High and Middle English school. There was nothing on record to show that concurrence of Finance Department of the Government of Assam was obtained and the criterion of availability of vacant post was co-related in the direction to engage KLTs. It was noticed in audit that the monthly pay of the KLT was initially fixed at ₹2600 per month which was enhanced to ₹4500 from 1 June 2013 by KAAC and IS incurred a total expenditure of ₹305.34 lakh towards salary of ad-hoc KLTs engaged during 2012-13 to 2014-15 as shown in table- 34.

Table- 34

Period	No of Schools	No of KLT engaged	Amount of fixed pay per teacher (in ₹)	Total fixed pay paid to teachers (₹ in lakh)
1.3.2012 to 28.2.2013	263	243	2600	75.82
1.3.2013 to 31.05.2013	246	246	2600	19.19
1.06.2013 to 28.02.2014			4500	99.63
1.03.2014 to 28.02.2015	205	205	4500	110.70
<b>Total</b>	<b>714</b>	<b>694</b>		<b>305.34</b>

Source: Departmental records

The funds for engaging KLTs were included in the recurring grant of the respective schools.

Thus expenditure of ₹305.35 lakh was irregularly incurred towards grant of salary of ad-hoc KLTs by diverting the plan fund released by the Government of Assam for recurring grants for schools.

On this being pointed out, the Inspector of Schools stated (October 2016) that appointment of KLT is a policy/ subject matter of KAAC which engaged KLTs and provided fund for entertaining them from the State Plan Fund as per break-up of Annual Action Plan. However, government approval in this respect was not available with the Inspector of Schools.

The reply was not tenable as it violates the provisions of the Assam Financial Responsibility and Budget Management Act, 2005.

#### 4.7 Inadmissible expenditure and excess payment to contractor

Test check of records (April-May 2015) of the Joint Director Health Services, Karbi Anglong, Diphu revealed that KAAC accorded administrative approval (September 2013) for the Construction of Medical Inspector Bunglow (IB) at Parakhowa at the cost of ₹1.19 crore under Hill Area Development Plan 2013-14. The estimate of the IB (amounting to ₹1.19 crore) was prepared as per Schedule of Rates (SOR) for Building of Assam Public Works Department (APWD) for 2010-11 by the Works Department of KAAC, which was countersigned by the Executive Engineer, KAAC. The estimate included provision of Hill premium (15 *per cent*) and Contingency charge (3 *per cent*) beside estimated cost of the works (₹87.32 lakh) which was increased by 15 *per cent* for estimated price escalation (₹13.10 lakh). The work was put to tender by the Joint Director Health Services (September 2013) showing the tender amount as ₹103.43 lakh<sup>40</sup> asking the intending tenderers to quote rates in the form of above/below/at-par in percentage with reference to APWD SOR for 2010-11. In response, the lowest bidder quoted his rate at 15 *per cent* above the tender amount which was accepted by the KAAC and accordingly, work order was issued by the Joint Director Health Services (26 September 2013) stipulating time of completion of work as 90 days. There was nothing on record to show that any tender agreement was executed with the lowest bidder, however an undertaking (District Council Schedule IV, Form No.3) from the lowest bidder to execute the above construction work with certain condition was obtained (September 2013) which was accepted by the Joint Director Health Services. The above conditions did not include any provision for alteration of tender amount due to price escalation or revision of SOR of items in subsequent year.

The work commenced in September 2013 and completed in November 2014 without obtaining technical sanction to the estimate of the work from the competent authority. Reason for delay in completion of work and any extension order to carry out works beyond stipulated completion period was not on record.

Financial sanctions were accorded and funds were released from time to time by the KAAC. The Joint Director Health Services incurred a total expenditure of ₹ 137.76 lakh<sup>41</sup> during the period from August 2014 to March 2015 for the execution of the work on account of payment towards two Running bills submitted by the contractor.

<sup>40</sup> Value of works: ₹ 87.32 + Price escalation ₹ 13.10 lakh + contingency ₹ 3.01 lakh (3 *per cent*).

<sup>41</sup> Though the total value of work done as per final bill was ₹137.78 lakh but first RA for ₹67.40 lakh and final bill for ₹70.36 lakh only was passed for payment.

Scrutiny of records further disclosed that the Joint Director Health Services reported (November 2014) to KAAC that the contractor appealed for enhancement of rate as additional works beyond the approved estimate were done and on the basis of appeal, KAAC approved (December 2014) the enhancement of rate for additional works. However, it was noticed that the final bill of ₹137.78<sup>42</sup> lakh (total value of work done) showed that ₹ 74.89 lakh was worked out as per APWD, SOR for 2010-11 (First Running Bill) and ₹ 62.89 lakh (Second Running Bill) was worked out as per APWD SOR for 2013-14. The final bill did not quantify the additional works done by the contractor and enhanced rate applied for making the payment. Thus, an inadmissible excess expenditure of ₹ 34.02<sup>43</sup> lakh on account of adoption of SOR for 2013-14 for works done under Second & Final bill, was irregularly made as the quantum of additional works done beyond the scope of approved estimate was not identified and billed through measurement and there was no provision for allowing revised SOR for 2013-14 as per conditions of undertaking and tender documents with the fact that 30 per cent<sup>44</sup> allowance above the SOR for 2010-11 was already provided while accepting the tender and awarding the work. It was further noticed that in the final bill, the amount of first Running Bill was wrongly exhibited as ₹ 67.40 lakh instead of ₹74.89 lakh (already paid), which was deducted to arrive at the value of work done under final bill resulting in exhibition of inflated value of work done under final bill and consequently, excess payment of ₹7.49 lakh.

In addition to the above, it was also noticed that further excess payment of ₹2.97 lakh was made to the contractor by erroneous addition of value of work done under items of works at serial number starting from 20 to 71 of the final bill shown in the **Appendix XIII**.

Thus, the Joint Director Health Services made inadmissible expenditure of ₹34.02 lakh besides over payment of ₹10.46 lakh in execution of Construction of Medical Inspector Bungalow (IB) at Parakhowa.

Estimated value excluding price escalation as per SOR 2010-11	=₹87.32 lakh
Less Executed value under 1 <sup>st</sup> RA excluding price escalation(SOR 2010-11)	=₹65.12 lakh
	=₹22.20 lakh
Add 15 per cent above SOR 2010-11 & 15 per cent price escalation	=₹ 6.67 lakh
Value of balance work to be done under 2ndRA/Finalbill as per SOR 2011-11	=₹28.87 lakh
Actual Value of balance work done under 2ndRA/Finalbill as per SOR 2013-14	=₹62.89 lakh
Less Value of balance work to be done under 2ndRA/Finalbill as per SOR 2011-11	=₹28.87 lakh
Irregular excess expenditure	=₹34.02 lakh

<sup>44</sup> 15 per cent price escalation & 15 per cent above bidding

## 5 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.

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

- Reconciliation between cash book (PLA) with Treasury records and between bank statements and ledgers/ accounts maintained by the KAAC was not done to ensure accuracy of figures of Annual Accounts.
- Ledgers or consolidated abstracts showing head-wise details of fund received from the Government on account of entrusted functions and disbursement to Drawing and Disbursing Officers (DDO) of different departments under its administrative control were not maintained by KAAC.
- Assessment and payment of Council's share of revenue in respect of Motor Vehicle tax from State revenue was not ensured by any system/mechanism.
- Approval processes were not scrupulously followed.
- 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 circles could furnish Demand Register, 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.
- Policy, procedures and internal checks towards generation and realisation of revenue like forest, mines and minerals and taxes were not adequately documented and spelt out in the form of proper guidelines, orders or manual.

An internal audit wing was set up in KAAC and started functioning since 2 May 2014 with only one Audit Officer, posted on deputation basis, but could not carry out any checks except checking of deductions of forest royalty, Value Added Tax, Professional

Tax made by different DDOs under KAAC. Thus, internal control mechanism needs to be strengthened by the KAAC to make it more effective.

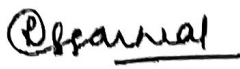
## **6 Conclusion**

The audit of Accounts of KAAC for the period from 2011-12 to 2015-16 disclosed that:

- Compliance to Financial Rules and Regulations in the Council was poor which resulted in irregular expenditure.
- Fiscal management was inadequate which had led to substantial revenue leakages.
- Book keeping (accounting) was weak and required further strengthening. Many cases of mis-classification, discrepancies and lack of reconciliation with banks and treasury were noticed.


These issues need to be addressed and corrective measures taken by the KAAC in order to improve its functioning and compliance with Financial Rules.

Guwahati  
The 28 August 2017

  
(Rashmi Aggarwal)  
Accountant General (Audit), Assam

*Countersigned*

New Delhi  
The 31 August 2017

  
(Shashi Kant Sharma)  
Comptroller and Auditor General of India