

Chapter-IV

Compliance Audit Observations

4.1 Failure to generate potential revenue on broom extraction

Test-check of records and information furnished by Divisional Forest Officer (DFO), West Division showed that 60,000 Kilogram (Kg) of broom stick was available annually for extraction during 2015-16 and 2016-17 from the broom *mahal* under Garampani range.

The DFO, however, entered (February 2015) into an agreement for a period of two years (February 2015 to February 2017) with a local *mahaldar*⁹ for extraction of 5,000 Kg of broom stick annually from the said broom *mahal*. Reasons for allotting the *mahal* for extraction of only 5,000 Kg against availability of 60,000 Kg each year for two years, were not available on records. Records in support of inviting tender for settlement of the *mahal* with the *mahaldar* were not found available on records. The *mahaldar* was required to pay total amount of ₹ 1.35 lakh¹⁰ excluding AVAT of ₹ 18,225 (13.5% of ₹ 1,35,000) which was duly realised by the DFO.

Thus, due to non-allotment of available broom stick, the Council failed to generate revenue to the extent of ₹ 14.85 lakh¹¹ despite having potential resources (broom stick) in the said *mahal*.

The Council did not furnish any reply.

Non-allotment of balance 1,10,000 Kg of broom sticks during 2015-17 from the mahal without any valid reasons needs to be investigated.

4.2 Loss of revenue due to non-payment of royalty

The Broom *mahals* are settled after collection of quotation from the intended *mahaldars*. After settlement, the selected *mahaldars* prints challans and submit the same to the DFO who forwards the same to the concerned Range Officers. After extraction of brooms by the *mahaldars*, the Range Officer issues challan and Transit Pass (TP) for the extracted quantity to the *mahaldar*.

One broom *mahal* under Harangajao range was allotted to a *mahaldar* for extracting 6,000 Kgs of broom annually with outright price of ₹ 1,20,000 at the rate of ₹ 10.00 per Kg for two years (From 18 February 2015 to 18 February 2017). As per information furnished to audit, the *mahaldar* extracted 1,49,820 Kgs of broom as on 31 March 2017 but paid only ₹ 1.20 lakh against the allotted 12,000 Kgs of broom stick. It is apparent that the extra 1,37,820 Kgs broom could not have been extracted without the knowledge of the Range Officer concerned. Moreover, no royalty was recovered from the

⁹ *Mahaldar* means person entity registered as such under Forest Department.

¹⁰ ₹ 1,00,000.00 (5,000 Kgs x ₹ 10.00 per Kg x2) plus 35 per cent monopoly fee

¹¹ 60,000 kg – 5,000 kg = (55,000 kg x 2) x ₹ 10 = ₹ 11,00,000 (Royalty) + ₹ 3,85,000 (35% Monopoly Fee) = ₹ 14,85,000

mahaldar for extraction of extra 1,37,820 Kgs than the allotted quantity of broom. No record in support of any action initiated by DFO in this regard was available on record.

Thus, inaction on the part of the DFO in taking timely action against the defaulting *mahaldar* resulted in a loss of revenue to the tune of ₹ 18.61 lakh¹².

The Council did not furnish any reply

The matter needs to be investigated and necessary action should be taken against the Range Officer, if found involved in the aforesaid leakage.

4.3 Loss of revenue due to settlement of Market/Vehicle Gate/Area below the official value

Records of Taxation Department of the Council showed that in exercise of the powers conferred under paragraph eight of the Sixth Schedule to the Constitution, NCHAC during 2016-17 operated 17 Markets/Vehicle Gates/Areas where taxes on entry of goods into markets (Scheduled goods) and taxes on animal and vehicles entering into the district were collected. These market/gates are settled annually with different lessees after inviting tender. However, before inviting tender, official value is fixed against each market/vehicle gate/area. Records in support of basis of fixation of the official value could not be produced to Audit, however, Secretary, NCHAC stated that official value was fixed by adding five to 10 *per cent* to the previous settled value.

During cross check of official value *vis-à-vis* settled value of previous years, it was seen that settled value of these markets/vehicle gates/areas of 2015-16 was taken as official value of the respective markets/vehicle gates, *etc.*, during 2016-17.

Scrutiny of tender notice and settlement of these markets/gates showed that out of the 17 markets/vehicle gates/areas, two markets, one Vehicle Gate and two Areas were settled below the official value¹³ as detailed below:

(i) Two Markets *viz.*, Mahur Bazar and Hatikhali Bazar were settled at value lower than the official value on the ground that all bidders¹⁴ offered value lower than the official value. However, neither re-tendering was resorted to nor any effort made by the Department to assess the reasons for submission of bid by the bidder below official value. Settlement of these two markets below the official value without retendering resulted in loss of revenue of ₹ 3.89 lakh as shown in **Table-4.1**.

¹² 1,37,820 Kg x ₹ 10.00 = ₹ 13,78,200 + ₹ 4,82,370 (35% monopoly fee) = ₹ 18,60,570

¹³ Minimum bid value as per NIT.

¹⁴ Four bidders each

Table-4.1: Loss of revenue

(in ₹)					
Sl. No	Name of Market/ Gate	Name of the lessee	Official Value	Settled Value	Loss of revenue
1	Mahur Bazar	Shri Anurag Kemprai	10,25,500	7,25,000	3,00,500
2	Hatikhali Bazar	Shri Nitesh Hakmaosa	1,75,000	87,000	88,000
Total					3,88,500

Further, it was also seen from records that the highest bidder for Hatikhali Bazar had offered the bid value of ₹ 1.10 lakh, but the Bazar was settled with the lowest bidder for reasons not on records. Settlement of Hatikhali Bazar with lowest bidder instead of highest bidder deprived the Council of revenue to the tune of ₹ 0.23 lakh.

(ii) From the records produced to Audit, it was seen that the tendering process of settlement of the vehicle gate for collection of entry tax *i.e.*, Manderdisa Vehicle Gate was cancelled (21 January 2016) without assigning any reason. Further scrutiny showed that in place of going for re-tendering of the Gate, the right of collection of entry tax was settled for the year 2016-17 through negotiation with a local lessee based on request made on 25 January 2016 by the lessee at a value of ₹ 35.00 lakh which was way below (42 *per cent*) the official value. It is pertinent to mention here that there has been a phenomenal rise (1100 *per cent*) in the settled value of the Gate, which has increased from ₹ 5.55 lakh in 2011-12 to ₹ 60.00 lakh in 2015-16.

Thus, due to acceptance of the request of the lessee and settlement of the Manderdisa Vehicle Gate at ₹ 35.00 lakh below the official value (₹ 60.00 lakh), the Council had to sustain loss of revenue to the tune of ₹ 25.00 lakh and extended undue favour to the lessee.

(iii) As per Clause 2 of Terms and Conditions of NIT tenderer, bidder quoting exorbitant rate and later surrendering their tender after settlement will be penalised with fine up to ₹ two lakh for tender value of ₹ 10 lakh and above, and ₹ 0.50 lakh for tender value below ₹ 10 lakh in addition to forfeiture of earnest money¹⁵. Further, as per Clause 7, if the successful bidder fails to deposit the accepted amount within stipulated time, beside forfeiting earnest money the gate/market, *etc.*, shall be settled with the second highest bidder.

Records produced to audit showed that Manderdisa Area was settled at ₹ 18.55 lakh against the official value of ₹17.50 lakh with the highest bidder. However, as the highest bidder failed to deposit the settled value, fresh tender was floated and the Area was settled with a lessee at ₹ 7.25 lakh instead of settling the Area, in terms of clause 7 of NIT, with the second highest bidder who quoted ₹ 18.35 lakh. As a result, the Council was deprived of generating its own revenue to the tune of ₹ 11.10 lakh (₹ 18.35 lakh - ₹ 7.25 lakh).

¹⁵ 5% for general bidder and 2% for ST bidder on official value.

Further, imposition of penal clause by the Council against the defaulting bidder, if any, and forfeiture of earnest money was not found available on records.

(iv) In respect of Haflong Area, the official value was ₹ 65.00 lakh. Four bidders had bid less than the official value for the Area and the highest bid value offered was ₹ 54.32 lakh by a local lessee. Records produced to audit revealed that a local lessee made an unsolicited request to the Principal Secretary (Normal) for allotting the Area at his offered rate of ₹ 40.00 lakh. The unsolicited request was accepted by the Chief Executive Member and necessary settlement order issued to the lessee who prayed for at ₹ 40.00 lakh. This resulted in loss of revenue to the Council amounting to ₹ 14.32 lakh (₹ 54.32 lakh - ₹ 40.00 lakh).

Thus, due to injudicious and inconsistent decision towards settlement of market/ bazar, etc., the Council had to sustain loss of revenue to the tune of ₹ 54.31 lakh¹⁶.

The Council did not furnish any reply.

Council should take measures to revamp the revenue earning departments, so as to explore all the possibilities to increase its revenue earning and to eliminate the instances of loss of revenue.

4.4 Short/non-deposit of revenue

According to Rule 17 of the NCHAC District Fund Rules, 1953 (DFR), all receipts due to the Council collected by an employee of the Council authorised to collect such receipts shall pass through the Cashier, who shall enter them in the cash book. Further, as per Rule 18 of DFR, all moneys received by the Council shall be remitted into the treasury promptly.

a) Cross verification of revenue receipt book along with Cash Book, Treasury challan, etc., for the year 2016-17 maintained by Range Officer, Garampani Range, showed that an amount of ₹ 4,63,916¹⁷ was realised as revenue receipts between September 2016 and March 2017. However, the revenue so realised was neither recorded in the receipts side of the Cash Book nor deposited into PDA, in violation of the rules *ibid*. Details of revenue realised and not deposited is detailed in **Appendix-V**.

b) Similarly, cross verification of Cash Book with revenue receipts books maintained by Taxation Department under NCHAC showed that revenue amounting to ₹ 5.55 lakh was realised between September 2016 and December 2016. Out of the above realised amount, only ₹ 5.38 lakh was deposited to the PDA during the year. This resulted in short deposit of ₹ 0.17 lakh as detailed in **Table-4.2**.

¹⁶ ₹(3.89+25.00+11.10 +14.32) lakh= ₹ 54.31 lakh

¹⁷ ₹ 4,02,279 as Forest royalty and ₹ 61,637 as VAT @ 14.5%

Table-4.2: Short deposit of revenue

(In ₹)

Receipt Book No.	Amount collected	Amount deposited	Amount short deposited
865	2,97,020	2,90,020	7,000
867	2,58,200	2,48,200	10,000
	5,55,220	5,38,220	17,000

Source: Departmental Records

Reasons for short/non-deposit of revenue into PDA were not available on record. Short/non-deposit of revenue of ₹ 4.81 lakh (₹ 4.64 lakh + ₹ 0.17 lakh) needs to be investigated as misappropriation/ misutilisation could not be ruled out and appropriate steps need to be taken for depositing of short/non-deposited amount of ₹ 4.81 lakh into PDA.

The Council did not furnish any reply.

4.5 Delay in deposit of revenue

According to Rule 18 of NCHAC District Fund Rules, 1953 (DFR), all moneys received by the Council shall be remitted into the treasury promptly.

Test-check of Cash Book and Money Receipt of different departments (Normal Sector) showed there was delay in deposit of revenue collected during 2016-17 in violation to the rules *ibid* as detailed in the following cases:

- i) Taxation Department collected revenue¹⁸ of ₹ 77.97 lakh. However, revenue so collected were retained in hand for a period ranging from four to 85 days prior to deposit into the PDA, as detailed in *Appendix-VI*.
- ii) Land and Revenue Department collected revenue amounting to ₹ 54.20 lakh towards land revenue, conversion, settlement fees, house tax, *dao* tax, *etc.*, but the amount was retained in hand for a period ranging from 05 to 139 days before depositing into PDA, as detailed in *Appendix-VII*.

The above cases of delay in deposit of revenue were only illustrative. Reason for delay in depositing the revenue to PDA of the Council was not on records. To obviate delays, the Council should take steps to ensure that all revenue realised are deposited into the PDA promptly.

The Council did not furnish any reply.

4.6 Irregular utilisation of departmental receipts

According to Rule 18 of the NCHAC District Fund Rules, 1953 (DFR), all moneys received by the Council shall be remitted into the treasury promptly and shall on no account be appropriated towards expenditure.

¹⁸ Permit fees, Trade license, Professional tax, *etc.*

Test-check of records and information furnished by the Transport Department showed that during 2016-17, the Transport Department collected revenue to the tune of ₹ 36.84 lakh. The revenue so collected was against bus fare, hire charges of buses, sale proceed from auction of condemned vehicles, *etc.*, under the receipts head of account of Roads & Transport Services. Scrutiny of the records showed that against the total collection of ₹ 36.84 lakh, the Department deposited only ₹ 14.97 lakh into the PDA and the balance amount of ₹ 21.87 lakh was irregularly spent towards departmental expenditure, like procurement of fuel and lubricant, spare parts, *etc.*

Similarly, General Administration Department (GAD) of the Council realised a total revenue of ₹ 5.46 lakh during 2016-17 on sale of stamp paper. There was also revenue amounting to ₹ 0.26 lakh with the Department as on 01 April 2016. Thus, the total revenue with the Department during 2016-17 was ₹ 5.72 lakh. Of this, GAD deposited ₹ 4.54 lakh into PDA and utilised an amount of ₹ 1.05 lakh towards departmental expenditure such as printing cost of Court Fee Stamp, repairing of Air Conditioner at Chief Executive Member (CEM) secretariat, repairing of Photocopy machine, purchase of traditional *gamocha* for official programme, *etc.*, leaving a balance of ₹ 0.13 lakh to be deposited to PDA as on 31 March 2017.

Thus, during 2016-17, a total amount of ₹ 22.92 lakh was expended out of departmental receipts, in violation of Fund Rules *ibid.*

On this being pointed out, Principal Secretary, NCHAC stated (June 2018) that due to paucity of funds and unavoidable circumstances, departmental receipts were utilised towards departmental expenditure which would be avoided in future.

The Council has not taken any corrective measures despite being pointed out in previous year's Audit Report.

Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA expeditiously as per the Fund Rules.

4.7 Fictitious expenditure towards construction of cultural hall

NCHAC accorded (December 2016) administrative approval and financial sanction for an amount of ₹ 30.00 lakh from the fund received during previous year under One Time Special Assistance (OTSA) of Central Scheme for the year 2015-16 to Sixth Schedule Areas for "Construction of *Baikho*¹⁹ at Dihur Phonglo".

¹⁹ Dimasa Cultural Dancing Hall

Executive Engineer and Estate Officer (EE & EO), PWD, NCHAC, Haflong was assigned to execute the work, who accordingly prepared estimate of the work, based on APW SOR (Building) 2013-14. The estimate was technically sanctioned (February 2017) by the Superintending Engineer, PWD (R&B), Haflong Circle, Haflong and during the same month, fund was also released by the Principal Secretary, NCHAC.

Records furnished by EE&EO showed that work order was issued (15 December 2016) to a local contractor²⁰ after inviting tender (08 December 2016), but copies of tender documents, comparative statements, *etc.*, were not available on records. In absence of tender documents, criteria of selection of the contractor could not be ascertained in audit. It was also seen that the work order was issued prior to obtaining technical sanction. Reason for issue of work order irregularly was not found available on records.

Cross-verification of relevant vouchers with estimate and measurement book (MB) showed that the work of construction of the *Baikho* commenced on 15 January 2017 and completed on 05 March 2017 with a total expenditure of ₹ 29.17 lakh.

During joint physical verification of the above mentioned work, it was noticed that 13 items of works provided in the plan and estimates were not executed.



Baikho (traditional dancing house) constructed at Dihur Phonglo

However, relevant records like MBs and bill/vouchers showed that a total expenditure of ₹ 3.56 lakh was incurred against those items which were actually not executed as detailed in **Appendix-VIII**.

On this being pointed out, the EE&EO stated that as per verbal consent of Hon'ble Chief Executive Member, NCHAC some items of work not included in the original plan and estimates were executed by dropping/adjusting items of works as pointed out by audit. The reply was not tenable as neither details of execution of additional works, as stated, were recorded in the MB/bills nor could any records be produced to substantiate the reply.

²⁰ Shri Monit Johari

Thus, the expenditure of ₹ 3.56 lakh incurred against 13 items, which were not actually executed, was fictitious. This needs to be investigated and accountability fixed against the erring officer for fictitious recording in the measurement book. The excess amount paid to the local contractor also needs to be recovered.

4.8 Unfruitful expenditure

Principal Secretary, NCHAC accorded Administrative Approval (August 2012) of ₹ 129.67 crore for implementation of 30 irrigation schemes under Accelerated Irrigation Benefit Programme (AIBP) 2012-13. Out of the sanctioned amount of ₹ 129.67 crore, Central share was ₹ 116.70 crore and the balance amount of ₹ 12.97 crore was to be borne by GoA.

Scrutiny of records and information furnished to audit showed that the Executive Engineer (EE), NC Hills (Irrigation), Division, Maibong took up all the 30 irrigation schemes at a total cost of ₹ 129.67 crore through contractors selected by way of competitive bidding by floating tender. As per the NIT, the works were to be completed within 24 months from the date of issue of formal work order (January 2013). However, it was seen that as of March 2017 the physical progress ranged between 80 and 97 *per cent*. None of the works was completed even after a lapse of 26 months from the scheduled date of completion (January 2015), after incurring an expenditure of ₹ 68.86 crore.

From the records it was also seen that, out of the sanctioned amount of ₹ 129.67 crore, Central share of ₹ 68.86 crore²¹ was only released by the State Government. However, persuasion for release of balance central/state share was found to have been made, latest being in June 2017, but no funds was received till the date of Audit (June 2018).

As a result of non-completion of the schemes, expenditure of ₹ 68.86 crore remained unfruitful besides depriving the beneficiaries of the benefit contemplated while taking up the schemes.

The Council did not furnish any reply.

²¹ GoA release order dated March 2014 for ₹ 21.03 crore and letter dated March 2015 for ₹ 47.83 crore.

4.9 Idle expenditure

Test-check of records of Assistant Dairy Development Officer (ADDO), Umrangso showed that under Annual Plan 2010-11 - Creamery Scheme, construction of a new milk processing unit at Umrangso was undertaken at an estimated cost of ₹ 34.08 lakh (including 20 *per cent* premium applicable for North Cachar Hills). The estimate was prepared by the Junior Engineer, Dairy Development, Khanapara, Assam based on APWD (Building) Schedule of Rates 2010-11. However, copy of Administrative Approval and Technical Sanction could not be produced to Audit though specifically called for.

The work was awarded (February 2011) to the lowest tenderer²² at ₹ 35.05 lakh and was completed with an expenditure of ₹ 43.52 lakh. The excess expenditure of ₹ 8.47 lakh (₹ 43.52 lakh – ₹ 35.05 lakh) was incurred towards execution of some additional items, stated to be essential for the plant, which were not incorporated in the original estimate. The ADDO, Umrangso took up (May 2012) the matter with the Additional Director, Animal Husbandry and Veterinary Department (Hills), Haflong and requested him for preparing a revised estimate incorporating the additional items of work executed. The revised estimate prepared, if any, has not however been furnished to Audit.

Audit, however, observed that though the construction work was completed in 2012, the Milk Processing Plant remained non-functional till date (August 2018). Reason for the plant remaining non-functional was attributed to non-availability of soft (clean) water supply facility as the melt of soft water and milk was primarily required for milk processing. The plant remained non-functional for want of basic facility, in spite of excess expenditure of ₹ 8.47 lakh. This was indicative of lack of proper planning by the Department in execution of the work.

Thus, failure on the part of the Department, and ADDO in particular, to point out the deficiency in execution of the plant to higher authorities at an early stage, rendered the plant non-functional for more than five years. This also resulted in idle expenditure of ₹ 43.52 lakh and frustrated the objective of milk processing and packaging for their ready distribution among the people of the district.

The Council did not furnish any reply.

²² Shri Dilip Kumar Kemprai.

4.10 Non-recovery of Government loan

Records furnished to Audit by the Assistant Registrar of Co-operative Societies (ARCS), Haflong revealed that loans were disbursed to Co-operative Societies under different heads like Godown loan, Truck loan for societies engaged in distribution of essential commodities, construction of retail outlet, consumption credit, loan for construction of retail outlet, loan for lifting of essential commodities, *etc.* These loans were disbursed by the ARCS after executing agreements with the borrowing societies. As per the terms and condition of the agreements, loans were to be repaid by the borrowing societies within 10 annual equal instalments from 2nd anniversary of the date of drawal of the loan together with interest at the rate of 14 *per cent* per annum accrued thereon. The scheme was, however, discontinued from 2007.

Total loan sanctioned/disbursed by the ARCS could not be ascertained in audit due to non-furnishing of records. However, as per information furnished to Audit, total outstanding loan as on 31 March 2017 was ₹ 2.17 crore.

Scrutiny showed that, as of December 2017, a total accumulated loan amounting to ₹ 2.15 crore²³ remained outstanding in respect of 42 societies (including 24 defunct societies). There was nothing on record to suggest that credit-worthiness of the societies were assessed before granting loans.

Thus, failure on the part of the ARCS, Haflong in taking effective steps for recovery of loans is fraught with risk of loss to the Council to that extent.

The Council did not furnish any reply.

4.11 Irregular retention of money in the shape of DCR and Bankers' Cheques

As per Rule-31 of NCHAC Fund Rules 1953, no money should be withdrawn from the Fund (Treasury) unless it is required for immediate disbursement. It is not permissible to draw advances from the Fund either for the prosecution of works, the completion of which is likely to take a considerable time, or to prevent the lapse of budget allotments.

Scrutiny of Cash Book maintained by the Assistant Director of Handloom and Textiles (ADH&T), Haflong showed that an amount of ₹ 7.23 lakh was lying as closing balance (March 2018). The closing balance includes ₹ 3.48 lakh kept in the shape of 12 Deposit-at-Call Receipts (DCRs) and ₹ 3.75 lakh kept in the shape of 20 Bankers' Cheques (BCs). The DCRs/BCs were found to be in the name of the ADH&T, Haflong. Further scrutiny showed that the aforesaid amounts were released between 2009-10 and 2016-17, which was initially parked in DDO account and on closure of DDO account in September 2013 the amounts were parked as DCRs/BCs instead of remitting the same to treasury.

²³ Principal: ₹1.07 crore *plus* Interest: ₹1.08 crore.

The aforesaid 12 DCRs and 20 BCs valuing ₹ 7.23 lakh were not revalidated till date (June 2018). This indicated that the amount of ₹ 7.23 lakh was drawn without immediate requirement, which was in violation of Fund Rules *ibid*. It also indicates NCHAC's lack of financial control, thereby enabling DDOs under its jurisdiction to park funds irregularly outside PDA.

The Council did not furnish any reply.

NCHAC should initiate immediate steps to deposit the entire amount of ₹ 7.23 lakh to PDA which are parked in the form of DCRs and BCs.



(KUMAR ABHAY)

Accountant General (Audit), Assam

Guwahati

The 22 February 2024

Countersigned



(GIRISH CHANDRA MURMU)

Comptroller and Auditor General of India

New Delhi

The 27 February 2024