

Chapter-IV

Compliance Audit Observations

4.1 Revenue receipts

4.1.1 Non/short realisation of revenue

4.1.1.1 Non-realisation of outstanding lease money

For yearly leasing of Entry Tax Gates, Markets, Ghats, Fisheries, Cattle, Ponds, *etc.*, under its jurisdiction, the Joint Secretary, Taxes, KAAC issued (03 February 2016) NIT calling for bids. As per terms and condition of the NIT, the selected tenderers should deposit the settled amount in one instalment within seven days from the date of issue of settlement order, failing which the settlement order shall be cancelled and the security amount shall be treated as forfeited (Sl. No. 5 of the NIT). Sl. No. 11 of NIT laid down that the earnest money shall not be released if settlement holders fail to deposit the entire settled amount within the stipulated period and shall also be liable to be blacklisted.

In response to the NIT, as against the proposed Government's valuation of ₹ 32.56 lakh for the year 2016-17 determined on the average of last three years' settled value, five tenderers quoted their rates for Lahorijan NH 36 Entry Tax Gate as shown in Table-4.1.

Table-4.1: Offered rate by the bidder

| Name of Tenderer | Amount offered(In ₹) | Remarks |
|-------------------|----------------------|-------------------------|
| Simion Terang | 1,10,10,000 | Highest rate |
| Pradip Bey | 68,69,699 | 2nd highest |
| Anil Toppo | 48,55,635 | 3 rd highest |
| Shri Rabu Teron | 45,19,922 | 4 th highest |
| Kamal Sing Timung | 34,00,635 | Lowest rate |

A test-check of records revealed that ignoring the highest bidder, the Jt. Secretary, Taxation, KAAC, Diphu issued (25 February 2016) settlement order to the lowest bidder (Kamal Sing Timung) for the period from 01-04-2016 to 31-03-2017 at the rate of ₹ 1.10 crore quoted by the highest bidder. The highest bidder filed an appeal in the Hon'ble Gauhati High Court (Case No. WP(C)1950/2016) who through an interim order (18 March 2016) directed that Lahorijan NH 36 Entry Tax Gate for the year will not be operational in favour of the 4th respondent (Shri Kamal Sing Timung).

In the meantime, the Joint Secretary, Taxation, KAAC allowed (31 March 2016) Shri Kamal Sing Timung, who operated the NH 36 Lahorijan ETG during 2015-16, to operate the Gate for the year 2016-17 temporarily till further orders on payment of ₹ 30,165 per day to the Council based on the settlement amount of ₹ 1.10 crore per year for the period from 01 April 2016 to 31 March 2017.

Audit, however noticed that in violation of the Hon'ble HC order, the contractor was allowed to operate the Gate for the entire year and was extended undue favour as the

contractor paid only ₹ 29.90 lakh¹⁰ as against the settlement amount of ₹ 1.10 crore for the year 2016-17 leaving outstanding balance of ₹ 80.20 lakh in violation of clause No. 5 of the NIT.

The Council did not initiate any action for recovery of the outstanding balance of ₹ 80.20 lakh during the currency of the lease period (up to 31 March 2017) other than serving demand notice (06 December 2016) for payment of ₹ 23.69 lakh for the period from 01.04.2016 to 30.11.2016 (244 days @ ₹ 30,165). Audit further noticed that the Council issued a notice to the contractor in October 2018 *i.e.*, after 18 months of the close of the financial year 2016-17, requesting the contractor to deposit the outstanding amount of ₹ 80.20 lakh for the period from 01 April 2016 to 31 March 2017.

Thus, the Council not only violated the Hon'ble HC order but also extended undue benefit to the contractor by allowing him to operate the gate without ensuring payment of the entire agreed amount. Further, the Council did not initiate any action for forfeiture of the earnest money or blacklisting the lessee as provided in the NIT.

During exit meeting (August 2023), the Council stated that the earnest money would be forfeited by the contractor and the same was under process. The reply is not tenable as the same lessee, despite defaulting on payment of ₹ 80.20 lakh during 2016-17, was also allotted Borlangphar ETG during the year 2017-18 for ₹ 4.51 lakh without recovery of the default payment from the same contractor.

4.1.1.2 Non-realisation of settled value from the bidders

Paragraph 3.1.5 of the Audit Report for the years 2011-12 to 2015-16 had pointed out that KAAC did not enforce the pre-condition of its Notice Inviting Tender (NIT) that successful bidders of the Entry Tax Gates (ETG), Markets, Ghat and Fisheries had to deposit the entire settled value within 7-15 days of issuing the settlement order and as a result there was outstanding dues of ₹ 65.84 lakh.

During 2016-17, KAAC issued NIT for sale/settlement of Entry Tax Gates (ETGs), Markets, Ghats and Fisheries of the district which *inter alia* provided the condition that the selected bidders should deposit the settled amount in one instalment within seven days from the date of issue of settlement order failing which the settlement order shall be cancelled and the security amount shall be treated as forfeited.

Audit noticed from the records of the Officer on Special Duty (OSD), Branch Secretariat, Taxation Department, Hamren that the KAAC authority settled 65 ETGs/markets/ghats/ fisheries for ₹ 127.38 lakh for the year 2016-17. Out of that, in two cases, the lessees paid parts of the settled value and in 15 cases, entire settled amount was not paid by lessees in violation of the condition of NIT. As such, KAAC realised only ₹ 106.75 lakh leaving recoverable balance amount of ₹ 20.63 lakh during 2016-17 as detailed in **Appendix-VIII**.

Reasons for allowing the lessees to operate the ETGs/markets/ghats/fisheries without receipt of settled value and non-realisation of the outstanding amounts were not on

¹⁰ ₹ 25 lakh on 09 June 2016 and ₹ 4.90 lakh on 20 September 2016.

record. The Council did not initiate *bakijai* proceedings against the defaulters for recovery of ₹ 20.63 lakh till the date of audit (February 2020).

In reply the Principal Secretary, KAAC, Diphu stated (October 2020) that the outstanding settlement value would be recovered from the concerned lessees under intimation to Audit. The assurance given by the Principal Secretary appears to be an afterthought as no action has been taken to recover the outstanding dues since the last five years.

During exit meeting (August 2023), the Council stated that the defaulting lessees were not permitted to participate in future bids. The reply is, however, silent on the steps initiated to recover the outstanding settled values.

4.1.2 Shortfall in realisation of land revenue

Land Revenue is an inherent subject of the Karbi Anglong Autonomous Council (KAAC) as per Sixth Schedule to the Constitution. In KAAC, there are four Revenue Circles¹¹ headed by Assistant Revenue Officer (ARO) for collection of land revenue, headed by a Joint Secretary, Revenue Department. As per the prevailing system of the Council, land revenue is collected through Mouzaders¹² under the Circles against the demand raised by the Revenue Circles and is deposited directly into the Council's PDA (Treasury) through Treasury challans.

Scrutiny of records of Mouzas maintained by the Assistant Revenue Officers (AROs) (except ARO, Diphu records for which were not produced) revealed that during 2016-17, as against total demand of ₹ 3.34 crore (including arrear demand), the Revenue Department realised only ₹ 0.23 crore leaving an outstanding recoverable amount of ₹ 3.11 crore. The shortfall in revenue collection ranged from 87 per cent to 97 per cent as compared to the demand raised during the year as detailed in Table-4.2.

Table-4.2: Demand raised, revenue realised and shortfall in realisation of revenue during 2016-17

(₹ in lakh)

| Name of Circle | Total demand raised including arrear | Total realisation including arrear | Total short fall in realisation including arrear | % of shortfall in collection of Land Revenue |
|----------------|--------------------------------------|------------------------------------|--|--|
| Phuloni | 132.17 | 16.69 | 115.48 | 87 |
| Silonijan | 48.72 | 1.77 | 46.95 | 96 |
| Donka | 152.79 | 4.28 | 148.51 | 97 |
| Total | 333.68 | 22.74 | 310.94 | |

Audit further noticed that eight mouzas¹³ falling under the above three revenue circles did not realise any revenue during 2016-17 though demand for ₹ 64.36 lakh of land revenue including arrears was raised (*Appendix-IX*). Reasons for non-realisation of land revenue was not found on record.

¹¹ (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)

¹² Mouzader is a term referring to a person who collects Land Revenue.

¹³ Amri, Hamren, Duar Amla, Chingthong,, Duarsalona, Langlokso, East Rengma and Naga rengma

During exit meeting (August 2023), the Council stated that efforts had been initiated to collect the unrealised land revenue from the Pattadars.

The reply of the Council indicated the necessity for strengthening its land revenue administration.

4.1.3 Temporary misappropriation of land revenue

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

Scrutiny of records of the Assistant Revenue Officers (ARO), of Donkamokam and Silonijan Revenue Circles revealed that ₹ 1.47 lakh¹⁴ collected by the Mouzaders from two mouzas during 2016-17 was retained by Mouzaders till the date of audit (February 2020). This amounted to temporary misappropriation of land revenue of ₹ 1.47 lakh by the Mouzadars.

During exit meeting (August 2023), the Council stated that the concerned Mouzadars had been directed to deposit the land revenue amount at the earliest.

However, Council did not take action against the Mouzadars as the amount of ₹ 1.47 lakh was not deposited by the concerned Mouzadars to the Council's Account though assured by the Principal Secretary in October 2020.

4.1.4 Irregular utilisation of departmental receipts

Scrutiny of records of Transport Department, KAAC showed that during 2016-17, the Department collected revenue of ₹ 104.12 lakh being passenger fares, sale proceeds of condemned Vehicle/Tyres, through auction, *etc.* Audit further noticed that out of total revenue receipts of ₹ 128.41 lakh (including ₹ 24.30 lakh being un-deposited balance of previous year), the Transport Department of KAAC deposited only ₹ 41.19 lakh into the PDA while ₹ 78.47 lakh was spent towards revenue expenditure (POL & MV Tax) without depositing the same into PDA in violation of Fund Rules.

During exit meeting (August 2023) the Council accepted the audit observation and stated that such practice was discontinued from 2020-21 by separate budget provision.

The fact remains that non-deposit of revenue collected into PDA and utilising it for its revenue expenditure is irregular.

¹⁴

| Year | Name of Circle | Name of Mouza | Land revenue Retained in hand (in ₹) |
|--------------|----------------|---------------|--------------------------------------|
| 2016-17 | Donkamokam | West Ronghang | 1,05,860.20 |
| | Silonijan | Duar Bagori | 41,181.00 |
| Total | | | 1,47,041.20 |

4.2 Revenue Expenditure

4.2.1 Irregularities in procurement of teaching and non-teaching materials

Government of Assam (GoA), Finance Department's Office Memorandum (August 2010) stipulates that open tenders/competitive bidding are to be invited by the Government Departments for purchase of any item or stores involving public funds of ₹ 50,000 and above. The OM also envisages that the practice of issuing supply orders based on a single quotation offered by agencies violates the statutory provisions contained in section 7(2) of the Assam Fiscal Responsibility and Budget Management Act, 2005.

Scrutiny of records of District Primary Education Officer (DPEO), Diphu revealed that the DPEO procured teaching and non-teaching materials worth ₹ 15.50 crore from selected suppliers during February to October 2016, based on the recommendations received from the Chief Executive Member (CEM) of KAAC without inviting tender and without any requirement received from the Schools.

Audit noticed that out of the total procurement, materials worth ₹ 5.06 crore were neither taken into Stock Register nor were the delivery challans available for audit scrutiny. In another case, though materials valued ₹ 0.55 crore were entered in the Stock Register, the delivery challans were not available. The details are shown in Table-4.3.

Table-4.3: Entries in stock register without delivery challans

| Items | Unit | Challans not found & also not entered in Stock Register | | | Entered in Stock Register but challans not available | | |
|---------------------|-------|---|----------|--------------------|--|----------|------------------|
| | | Quantity | Rate (₹) | Value (₹) | Quantity | Rate (₹) | Value (₹) |
| Black Board | No. | 8,583 | 932 | 79,99,356 | -- | -- | -- |
| Carom Board | No. | 7,736 | 1,034 | 79,99,024 | 5,406 | 1,024 | 55,35,744 |
| Wooden Desk & Bench | Pairs | 10,768 | 3,210 | 3,45,65,280 | -- | -- | -- |
| Total | | 27,087 | | 5,05,63,660 | 5,406 | | 55,35,744 |

Thus, in the absence of challans the actual supply of materials valued at ₹ 5.61 crore (₹ 5.06 crore + ₹ 0.55 crore) could not be vouchsafed in audit.

Audit further noticed from the Stock Register maintained by the DPEO that materials valued at ₹ 10.44 crore (₹ 15.50 crore - ₹ 5.06 crore) were directly received by the BPEOs for distribution among the schools through Teacher Gathering Centres (TGCs). However, record of distribution to schools was not made available except for stock registers maintained by BPEOs showing materials issued to TGCs. Moreover, school-wise quantities of materials to be distributed were not disclosed in purchase files/supply order nor any such order/instruction was issued to the BPEOs.

In the absence of records and documents relating to actual requirement, distribution of materials, acknowledgement of receipt by the end users and procurement of the materials without following the applicable financial rules, Audit could not vouchsafe the expenditure of ₹ 15.50 crore incurred towards the purchase of teaching and non-teaching materials.

During exit meeting (August 2023) while accepting the audit observations the Council stated that the Teaching and Non-Teaching Materials were purchased as per KAAC approved rate and entered in the Stock Register. It was also added that presently Block Officers had been instructed to obtain indents from Schools prior to procurement.

4.3 Extra avoidable expenditure

Rule 21 (i) of the General Financial Rules, 2005, stipulates that every officer should exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money. Further, the Consumer Goods (Mandatory Printing of Cost of Production and Maximum Retail Price) Act, 2014 provides for mandatory printing of cost of production and MRP on packaging of consumer goods. The Department is expected to see that the rates paid for the items are not in excess of their maximum retail price (MRP¹⁵).

The Health and Family Welfare Department, Karbi Anglong Autonomous Council (KAAC), released (24 June 2016) ₹ 5.33 crore for procurement of medicines, surgical items, hospital items and construction of paying cabin¹⁶, *etc.*, for the year 2016-17. The Joint Director of Health Services (JDHS), Karbi Anglong, out of the sanctioned amount, procured (June 2016) medicines for ₹ 4.61 crore (inclusive of five *per cent* VAT and two *per cent* professional tax) from two suppliers¹⁷, as per approval of the Purchase Board, KAAC for the financial year 2014-15 (the Department extended the validity of rates up to September 2016).

Audit, however, observed that as required, while approving the procurement of the medicine, MRP or below MRP was not considered by the Purchase Board.

Consequently, in respect of eight medicines procured (detailed in *Appendix-X*), procured the rates allowed were in excess of the MRP of the medicines, by 78 to 261 *per cent*.

Thus, both the JDHS and the Purchase Board did not consider the MRP of the medicines while firming up purchase cost of these medicines which resulted in an extra expenditure of ₹ 0.82 crore.

The KAAC has not taken steps to recover the excess amount charged by the suppliers over and above the MRP of the medicines supplied, under the provisions of Consumer Goods (Mandatory Printing of Cost of Production and Maximum Retail Price) Act, 2014 till march 2017.

During exit meeting (August 2023) the Council stated that DHS rate would be obtained and Council's approval would be sought for. The reply is, however, silent on payment for medicine at the rate in excess of MRP.

¹⁵ MRP is a manufacturer calculated price which is the highest price of a commodity charged on consumers in India.

¹⁶ Accommodation in hospitals, on payment basis, available to the patients for undergoing treatment.

¹⁷ M/s Medicos, Diphu (₹ 3.50 crore), M/s Versatile Pharma Surgico, Guwahati (₹ 1.11 crore).

4.4 Unauthorised expenditure

Government of India introduced the Rashtriya Krishi Vikas Yojana (RKVY) Scheme with the objective to ensure holistic development of agriculture and its allied sectors like horticulture, animal husbandry, dairy, fishery, *etc.*, and to bring about quantifiable changes in the production and productivity of various components of Agriculture and to maximise returns for the farmers under the Scheme.

The Government of Assam (GoA), Hill Areas Department sanctioned and released (March 2014) ₹2 crore as grants-in-aid for “Control of shifting cultivation (Integrated Jhum Development Programme)” under RKVY. The GoA released the funds against Action Plan for 2013-14 submitted (February 2014) by the Council. The sanction order directed that KAAC should utilise the fund for the stipulated purpose only and should submit Utilisation Certificate (UC).

Scrutiny (July - October 2016) of records of the Principal Secretary, KAAC, however, revealed that KAAC kept the fund in a Personal Deposit Account and released to the District Fishery Officer (DFO), Karbi Anlong, Diphu in August 2016¹⁸ for payment to the contractor¹⁹ engaged (March 2015) for “Construction of Sing Ronghang Memorial Recreation Pool-cum-Park” at Tumpreng under Hamren Sub-division which was stated to be completed in July 2016.

The “Construction of Sing Ronghang Memorial Recreation Pool-cum-Park at Tumpreng” utilising RKVY fund of ₹2 crore was in violation of RKVY guidelines and was thus, unauthorised.

During exit meeting (August 2023) the Council accepted the audit observation and noted for compliance.

4.5 Suspected misappropriation of fund

Rule 21 of General Financial Rules, 2005 envisages that every officer incurring or authorising expenditure from public moneys should be guided by high standards of financial propriety. Further, no authority should exercise its powers of sanctioning expenditure to pass an order which will be directly or indirectly to its own advantage.

Principal Secretary, Karbi Anlong Autonomous Council, Diphu sanctioned and released (May 2015) ₹ 30.00 lakh to the Chairman, Hamren Town Committee (HTC) as Grants-in-Aid for the year 2015-16. The Executive Committee of the HTC in its meeting (June 2015) allotted the amount for making payment of electricity bill²⁰ (₹ 8.00 lakh), staff salary (₹ 7.46 lakh), improvement of office building (₹ 5.50 lakh), sand gravel at Hamren Town (₹ 2.50 lakh) and construction of roads (₹ 6.53 lakh).

On scrutiny (March 2019) of records of Chairman, Hamren Town Committee, audit observed that an amount of ₹ 4 lakh was shown to have been spent (08 July 2015)

¹⁸ Cheque Nos. 972952 dated 22.08.2016 (₹ 1.86 crore) and 972953 dated 22.08.2016 (₹ 0.14 crore) towards VAT and professional taxes.

¹⁹ M/s Eagle Enterprise, Diphu.

²⁰ Electricity bill of ₹ 8.78 lakh was outstanding till July 2015.

towards payment of electricity bill. The voucher in support of the transaction submitted by the then Chairman²¹, was however, a hand written money receipt showing that the amount was used for his personal work. Thus, the amount of ₹ 4 lakh was used by the Chairman for his personal work and not for payment of electricity bill. Balance amount of ₹ 26 lakh was, however, spent towards payment of staff salary, improvement of roads, supply of street light materials, *etc.* The Council had neither initiated any action to recover the amount drawn by the then Chairman nor reported the matter to the higher authority.

On being pointed out, the Council stated (March 2019) that steps would be taken to recover the amount along with penal interest. However, neither the money was refunded nor any recovery made till June 2019.

During exit meeting (August 2023) the Council stated that several notices had been served to recover the amount and the status would be intimated to Audit.

4.6 Conclusion

The audit of accounts of KAAC for 2016-17 disclosed that:



- i. KAAC failed to realise outstanding lease money of ₹1.01 crore (₹0.80 crore + ₹0.21 crore) due to non-imposition of the conditions of the NIT.
- ii. ₹1.47 lakh was temporarily misappropriated by the Mouzadars.
- iii. Departmental receipts of ₹78.47 lakh was irregularly utilised towards revenue expenditure.
- iv. The District Primary Education Officer procured materials worth ₹15.50 crore without maintaining records relating to requirement and distribution of materials and also procured desk-bench valued ₹11.20 crore without requirement.
- v. The Joint Director of Health Services, Karbi Anglong incurred extra expenditure of ₹0.82 crore towards procurement of medicines.
- vi. RKVY funds of ₹2.00 crore was unauthorisedly expended in violation of guidelines.
- vii. Ex-Chairman of the Hamren Town Committee used ₹ four lakh for his personal use.

²¹ Bonson Engti.

4.7 Recommendations

- Council should take measures to strengthen the revenue earning departments, so as to mitigate the instances of loss of revenue.
- Council should evolve a system of checks so that revenues collected by various departments are deposited to PDA within a time frame.
- Council may issue clear instructions prescribing the role and responsibilities of the Executives to avoid extra, irregular and unauthorised expenditure.
- Council should ensure adherence to provisions of its Fund Rules in all cases of the financial transactions to ensure financial discipline.
- Council should file First Information Report for suspected misappropriation of funds.

Guwahati
The 28 December 2023

(JOHN K. SELLATE)
Principal Accountant General (Audit), Assam

Countersigned

New Delhi
The 09 January 2024



(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India