

## Chapter-IV

### Compliance Audit Observations

#### 4.1 Revenue receipts

##### 4.1.1 Non-realisation of settled value from the bidders

During 2017-18, KAAC issued (December 2016) Notice Inviting Tender (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 settled 64 ETGs/ markets/ ghats/ fisheries at ₹ 1.34 crore for the year 2017-18. In two cases, the lessees paid parts of the settled value while in five cases, entire settled amounts were not paid by lessees. In violation of the condition of NIT, KAAC realised ₹ 1.28 crore against the settlement value of ₹ 1.34 crore leaving a recoverable balance amount of ₹ 0.06 crore during 2017-18. The details are shown in *Appendix-VI*.

No action was initiated to realise the balance settled value of ₹ 0.06 crore which remained outstanding 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 but remained 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. In KAAC, there are four Revenue Circles<sup>6</sup> headed by Assistant Revenue Officer (ARO) for collection of land revenue. As per prevailing system of the Council, land revenue is collected through *Mouzaders*<sup>7</sup> under the

<sup>6</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)

<sup>7</sup> Mouzadar is a term referring to a person who collects Land Revenue Tax.

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 to audit) revealed that during 2017-18, as against total demand of ₹ 3.64 crore (including arrear demand), the Revenue Department realised ₹ 0.19 crore only, leaving an outstanding recoverable amount of ₹ 3.45 crore. The shortfall in revenue collection ranged from 92 *per cent* to 96 *per cent* as compared to the demand raised during the year as detailed in Table-4.1.

**Table-4.1: Demand raised, revenue realised and shortfall in realisation of revenue**

(₹ 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	147.58	11.42	136.16	92
Silonijan	47.89	1.87	46.02	96
Donka	168.16	6.01	162.15	96
<b>Total</b>	<b>363.63</b>	<b>19.30</b>	<b>344.33</b>	

Audit further noticed that five mouzas<sup>8</sup> falling under Phuloni and Silonijan revenue circles did not realise any revenue during 2017-18 though demand for ₹ 59.72 lakh including arrears was raised (*Appendix-VII*). Reasons for non-realisation of land revenue was not found in record.

During exit meeting (August 2023), while accepting the audit observations the Council stated that efforts had been initiated to collect the unrealised Land revenue from the Pattadars.

#### **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 ₹ 3.95 lakh<sup>9</sup> collected by the Mouzadars of three mouzas during 2017-18 was retained by the three Mouzaders till the date of

<sup>8</sup> Duarbamini, Duarsalona, Langlokso, East Rengma and Naga rengma

<sup>9</sup>

Name of Circle	Name of Mouza	Land revenue retained in hand (in ₹)
Donkamokam	West Ronghang	2,74,708.31
	East Ronghang	85,590.40
Silonijan	Duar Bagori	35,039.00
<b>Total</b>		<b>3,95,337.71</b>

audit (February 2020) without depositing the same into the Council's PDA. This amounted to temporary misappropriation of land revenue of ₹ 3.95 lakh by the Mouzadars.

During the exit meeting (August 2023) the Council stated that the concerned mouzadars had been directed to deposit the un-deposited land revenue amount at the earliest. However, Council did not take any action against the Mouzadars as the amount of ₹ 3.95 lakh was not deposited by the concerned Mouzadars to the Councils Account though assured by the Principal Secretary in October 2020.

#### **4.1.4 Irregular utilisation of departmental receipts**

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 Transport Department, KAAC showed that during 2017-18, out of total revenue receipt of ₹ 156.90 lakh (including ₹ 8.74 lakh being un-deposited balance of previous year), the Transport Department of KAAC deposited only ₹ 44.18 lakh into the PDA and the remaining amount of ₹ 106.13 lakh was spent towards revenue expenditure Petroleum Oil and Lubricant (POL), repairing and maintenance of vehicle) without depositing the same into PDA in violation of Fund Rules. The balance of ₹ 6.60 lakh was yet to be deposited into PDA.

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.

## **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 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 ₹ 28.16 crore from selected suppliers, based on the recommendations received from the Chief Executive Member (CEM) of KAAC without inviting tender and without any requirement received from Schools. The details of procurement of materials are indicated in Table-4.2.

**Table-4.2: Materials procured during 2017-18**

Items	Unit	Quantity	Rate (₹)	Amount (₹)
Black Board	No.	20,608	932	1,92,06,656
Carom Board	No.	7,661	1,024	78,44,864
Foot Ball	No.	23,967	1,038	2,48,77,746
Globe	No.	14,162	520	73,64,240
Map	No.	21,841	202	44,11,882
Pictorial Chart	No.	56,456	50	28,22,800
Steel Rack	No.	10,370	5,557	5,76,26,090
Water Filter	No.	9,677	1,550	1,49,99,350
Steel Desk and Benches	Pairs	17,512	5,714	10,00,63,568
Wooden Desk & Bench	Pairs	1,339	3,210	42,98,190
Wooden Table & Chair	Pairs	11,324	3,360	3,80,48,640
<b>Total</b>		<b>1,94,917</b>	<b>--</b>	<b>28,15,64,026</b>

Source: Departmental records

Audit further noticed that out of the total procurement, materials valued ₹ 1.64 crore were neither taken into Stock Register nor were the delivery challans available for audit scrutiny. In another case, though materials valued ₹ 7.00 crore were entered in the Stock Register but 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	No challan found & not entered in Stock Register			Entered in Stock Register but challans not available		
		Quantity	Rate (₹)	Value (₹)	Quantity	Rate (₹)	Value (₹)
Black Board	No.	--	--	--	1,365	932	12,72,180
Carom Board	No.	--	--	--	7,661	1,024	78,44,864
Foot Ball	No.	481	1,038	4,99,278	4,315	1,038	44,78,970
Globe	No.	7,692	520	39,99,840	1,086	520	5,64,720
Map	No.	--	--	--	15,901	202	32,12,002
Pictorial Chart	No.	--	--	--	50,456	50	25,22,800
Steel Rack	No.	1,519	5,557	84,41,083	1,798	5,557	99,91,486
Water Filter	No.	--	--	--	9,677	1,550	1,49,99,350
Steel Desk and Benches	Pairs	612	5,714	34,96,968	3,253	5,714	1,85,87,642
Wooden Table & Chair	Pairs	--	--	--	1,932	3,360	64,91,520
<b>Total</b>		<b>10,304</b>	<b>--</b>	<b>1,64,37,169</b>	<b>97,444</b>	<b>--</b>	<b>6,99,65,534</b>

Thus, in absence of challans, the actual supply of materials valued ₹ 8.64 crore (₹ 1.64 crore + ₹ 7.00 crore) could not be vouchsafed in audit.

Audit further, noticed that as per Stock Register maintained by the DPEO, the materials were directly received by the BPEOs for distribution among the schools through Teacher Gathering Centres (TGCs). But, record of distribution to schools could not be made available to Audit for verification except stock register 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 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 ₹ 28.16 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 have been instructed to obtain indents from Schools prior to procurement.

#### **4.2.2 Loss due to preparation of inflated estimate**

Karbi Anglong Autonomous Council accorded (11 October 2017) administrative approval of ₹ 30.00 lakh for 'construction of parking shed with interlocking block floor at KAAC Secretariat office for an area of 1050 m<sup>2</sup>. The estimate for the work was prepared by the EE (Works) of KAAC with estimated value of ₹ 26 lakh. Technical sanction was accorded (08 January 2018) by the Superintending Engineer, Works of KAAC and NIT was accordingly invited (12 October 2017). Tendered value of ₹ 26.08 lakh was accepted and work order was issued (06 December 2017) with stipulated date of completion of within 120 days from the date of issue of the order. The work was completed in March 2018 after incurring an expenditure of ₹ 22.22 lakh.

Scrutiny of records revealed that the estimate was prepared as per APWD SOR 2013-14. Audit, however, noticed that in the estimate, higher rates in respect of two items were allowed as detailed in Table-4.4.

**Table-4.4: Excess rate allowed over SOR**

Sl. No.	Description of works	Unit	Rate as per SOR 2013-14	Rate allowed as per estimate	Excess rate allowed
1	Item No. 2/4.2 (A) By Mix in Place Method Construction of Granular Sub-Base by providing coarse graded material, spreading in uniform layers. (I) For Grading I Material	M <sup>3</sup>	1,167.00	1,519.00	352.00
2	Item No. 6/6.7 Providing and laying interlocking concrete block pavement having thickness 80 mm as per technical specification clause 1504	M <sup>2</sup>	812.00	999.72	187.72

Audit observed that due to preparation of inflated estimate, the EE (Works) provided opportunity to the contractor to quote higher rate as per the estimate against the two items of work in question, which led to excess expenditure of ₹ 3.93 lakh as detailed in Table-4.5.

**Table-4.5: Excess expenditure**

(in ₹)

Sl. No.	Description of works	Unit	Rate allowed	Excess paid (per unit)	Quantity executed as per Bill	Excess Amount paid (col 5 x col. 6)
1	2	3	4	5	6	7
1	Item No. 2/4.2 (A) By Mix in Place Method Construction of Granular Sub-Base by providing coarse graded material, spreading in uniform layers..... (I) For Grading I Material	M <sup>3</sup>	1,519.00	352.00	556.54	1,95,902
2	Item No. 6/6.7 Providing and laying interlocking concrete block pavement having thickness 80 mm as per technical specification clause 1504	M <sup>2</sup>	999.72	187.72	1,050.00	1,97,106
<b>Excess expenditure</b>						<b>3,93,008</b>

Reason for allowing higher rate in the above two items of works was not found available on records.

During exit meeting (August 2023) it was stated that the rate of GSB item was based on rate analysis.

The reply is not acceptable as analysis of rate is not permissible when the rate is available in SOR. Moreover, a statement showing how the rate has been arrived at was also not found appended with the estimate as required under Rule 248 of Assam Financial Rule.

### 4.3 Doubtful expenditure

Test-check (August-September 2018) of records of the District Fishery Development Officer (DFDO), Diphu revealed that DFDO had issued a supply order (23 September 2016) to the lowest tenderer for supply of materials valuing ₹ 50.00 lakh<sup>10</sup> for the newly constructed office building (Meen Bhawan) at Diphu. The payment was made to the supplier (vide Cheque No. 3915/0391403 dated 21.10.2016) as per sanction of KAAC.

Scrutiny of bill and delivery challan showed that all the materials were supplied by the supplier and received by the Assistant Fishery Officer (AFO), who was in-charge of store. The AFO also recorded the certificate in the body of the challan that the materials were received in full & in good condition and entered in the Stock Register. No Stock & Issue register could, however, be produced to audit.

Due to non-production of Stock & Issue register, Audit conducted a joint physical verification with the AFO in all the floors of Meen Bhawan and materials worth ₹ 26.44 lakh only were found fitted/ available in the newly constructed building indicating that the supplier did not supply all the indented items. The list of materials ordered, supplied and not supplied is shown in *Appendix-VIII*.

Thus, Audit observed that against supply order of ₹ 50.00 lakh, materials valued at ₹ 20.73 lakh (excluding some items which are perishable/ distributed to officers as shown in the Appendix) were not supplied by the supplier, but payment was made in full. The excess payment of ₹ 20.73 lakh made to the supplier needs to be recovered after proper investigation.

During exit meeting (August 2023) the Council accepted the audit observation on short supply and would be taken up with the contractor.

### 4.4 Doubtful payment

As per the standing instruction of the Government of Assam, in case of procurement of materials above ₹ 50,000, tender should be invited for selection of suppliers and fixation of present market rate.

Test-check (August-September 2018) of records of the District Fishery Development Officer (DFDO), Diphu, however, revealed that during 2017-18 the DFDO procured various inputs viz., lime (49,000 kg), drag nets (75 Nos.) and nursery nets (256 Nos.) worth ₹ 59.95 lakh as per approved rate of NABARD/KAAC without inviting tender as shown in *Appendix-IX*.

<sup>10</sup> Materials such as Air Conditioners, Aqua Guard, Xerox Machines, Chairs, Tables, CCTV Camera, etc., worth ₹ 45.05 lakh and Curtains, Door Mats etc., worth ₹ 4.95 lakh.



During joint physical verification (August 2018) of the store, it was noticed that actual rate (MRP) of lime supplied by the supplier was ₹ 24.44 per kg but payment was made @ ₹ 33.00 per kg resulting in excess payment of ₹ 8.56 per kg of lime amounting to ₹ 4.19 lakh (₹ 8.56 x 49,000).

Further, as per approved rate of 2004, the size and specification of each drag net was 100x20 ft *i.e.*, 2000 sq ft and each nursery net was 100x15 ft *i.e.*, 1500 sq. ft.

During joint physical verification, it was noticed that the supplier had supplied drag net of 67x12 ft size (*i.e.*, 804 sq ft.) instead of 2000 sq. ft and nursery net of size 65 x 12 ft (*i.e.*, 780 sq ft) instead of 1500 sq ft. This had resulted in excess payment of ₹ 22.57 lakh (₹ 7.40 lakh *plus* ₹ 15.17 lakh) towards procurement of nets as detailed in Table-4.6.

**Table-4.6: Excess payment towards procurement of nets**

<b>Drag Net</b>		<b>Nursery Net</b>	
Value of 2000 sq. ft drag nets	16,500	Value of 1500 sq. ft nursery nets	12,200
Value of 1 sq ft drag net	8.25	Value of 1 sq ft nursery net	8.13
Value of 804 sq ft drag net as supplied by the supplier	6,633	Value of 780 sq ft nursery net as supplied by the supplier	6,341
Total quantity supplied (In Nos.)	75	Total quantity supplied (In Nos.)	256
Actual value of 75 Nos. (6633 x 75)	4,97,475	Actual value of 316 Nos. (6341 x 256)	16,23,296
Payment made	12,37,500	Payment made	31,40,000
<b>Excess payment made</b>	<b>7,40,025</b>	<b>Excess payment made</b>	<b>15,16,704</b>

(in ₹)

Thus, there was total excess payment of ₹ 26.76 lakh (₹ 4.19 lakh *plus* ₹ 22.57 lakh). Moreover, details of distribution the above materials could not be verified due to non-production of beneficiaries list and copy of receipts of the beneficiaries and Stock & Issue Register, *etc.* As such, the actual procurement and distribution of the materials was also doubtful.

During exit meeting (August 2023) the Council stated that the contractor agreed to supply additional lime and drag net.

The reply is not acceptable as the reasons for payment in excess of MRP and for receipt of materials not as per specification of the supply order was not specifically furnished.

#### **4.5 Avoidable expenditure on procurement of medicines**

Director of Health Services (DHS), Assam from time to time circulated to all Districts and other Health authorities the approved prices of Drugs and Pharmaceuticals and revised rates thereof approved by Purchase Committee under DHS, Assam. Such list of approved manufacturers and approved rates (inclusive of all taxes) of drugs and pharmaceuticals were last circulated during 2015-16 and was in use till 2017-18.



In August 2014, the Council approved the rates of Drugs and Pharmaceuticals. The validity of these rates was extended (09.07.2018) by the Secretary, Department of Health & Family Welfare, KAAC up to January 2019.

Test-check (February 2018 and February 2019) of records of Jt. DHS, Diphu revealed that the rates approved by the Council were much higher than the approved rates of the DHS, Assam ranging from 35 *per cent* to 2,278 *per cent* over the rate approved by the DHS Assam as shown in *Appendix-X*.

Jt. DHS, Diphu spent ₹ 89.22 lakh during 2017-18 for procurement of medicines at rates approved by the Council's during August 2014. Had Jt. DHS, Diphu procured the medicines at the DHS, Assam approved rate, the Council could have saved ₹ 77.13 lakh as detailed in *Appendix-XI*.

During exit meeting (August 2023) the Council stated that DHS rate would be obtained and Council's approval sought for.

#### **4.6 Blockage of funds**

Rule 31 of Karbi Anglong District Fund Rules, 1952 provides that no money should be withdrawn from the Fund 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.

Test-check (August-September 2018) of records revealed that on receipt of administrative approval and financial sanction of ₹ 27.00 lakh from the KAAC for construction of Superintendent, H&T Building at Bokajan, the Jt. Director, Handloom & Textiles (H&T), Diphu issued (March 2018) a work order to the selected contractor (Sri Madhuran Lekthe) for construction of the building for which land required for the purpose was yet to be allotted by the concerned authority.

However, in anticipation of the expenditure, the Jt. Director (H&T), Diphu withdrew (24 March 2018) the entire amount of ₹ 27.00 lakh through proforma bill from the treasury and kept ₹ 26.46 lakh in hand in the form of Banker's Cheque. The balance amount of ₹ 0.54 lakh was deposited into treasury under the head of account "8443 - Civil Deposit & Deposit of Autonomous Council & Regional Fund of Karbi Anglong Autonomous Council" towards Professional Tax.

Thus, withdrawal of funds to the tune of ₹ 27.00 lakh without ensuring availability of the required land resulted in blockage of ₹ 26.46 lakh<sup>11</sup> in violation of the Rules. Thus, the funds if not to be utilised for immediate disbursement should be deposited back to the Government Account.

During exit meeting (August 2023) the Council did not clarify the reasons for withdrawal of money from PDA when the required land was not available for initiating construction work.

#### **4.7 Conclusion**

The audit of accounts of KAAC for 2017-18 disclosed that:

- i. KAAC failed to realise outstanding land revenue of ₹ 3.45 crore due to weak land revenue administration of the Council.
- ii. ₹ 3.95 lakh was temporarily misappropriated by the Mouzadars.
- iii. Departmental receipts of ₹ 106.13 lakh was irregularly utilised towards revenue expenditure.
- iv. The District Primary Education Officer procured materials worth ₹28.16 crore without maintaining records relating to requirement and distribution of materials which included procurement of desk-bench valued ₹10.44 crore without requirement.
- v. ₹20.73 lakh was paid to a supplier without receiving the ordered materials.
- vi. The Jt. DHS, Diphu incurred avoidable expenditure of ₹ 77.13 lakh due to procurement of medicine at higher rates.

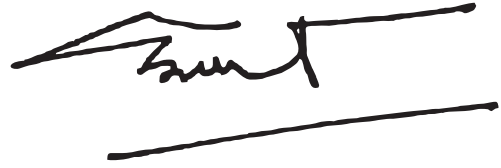
#### **4.8 Recommendations**

- *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.*

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<sup>11</sup> After deduction of 2% P Tax (₹ 54,000)

- *Council should ensure adherence to provisions of its Fund Rules in all cases of the financial transactions to ensure financial discipline.*



**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**