CHAPTER – IV

AUDIT OF TRANSACTIONS

Fraudulent drawal/Misappropriation/Embezzlement/Losses

INDUSTRIES DEPARTMENT

4.1 Loss of interest

The Department failed to recover interest on Mobilisation Advance in terms of the agreement resulting in loss of interest of Rs.31.86 lakh.

The Government of India (GOI) approved (April 1997) setting up of an Industrial Growth Centre at Niglok-Ngorlung in East Siang District at an estimated cost of Rs.15 crore. Subsequently, the project cost was reduced to Rs.12.19 crore (October 2002). The GOI released Rs.6.68 crore in six installments between March 1997 and February 2004.

Scrutiny (December 2004 and January 2006) of records of the Director of Industries, Itanagar, revealed that after inviting tenders in February 2002, the work was awarded (November 2002) to a local contractor for Rs.10.71 crore. The stipulated date of completion was March 2003 which was subsequently extended to December 2005. The Department paid (March 2003) Mobilisation Advance (MA) of Rs.1 crore to the contractor, in terms of the agreement, against a bank guarantee for the same amount valid up to May 2003, which was not extended further. According to the agreement, MA was to bear simple interest @ 18 *per cent* per annum and was to be calculated from the date of payment to the date of recovery, both days inclusive, on the outstanding amount of advance. Recovery of such sums were to be made from the contractor's bill on pro-rata percentage basis in such a way that the entire MA together with interest was recovered by the time 80 *per cent* of the gross value of the contract was executed and paid.

It was observed in Audit (December 2004) that till November 2004, the Department recovered MA amounting to Rs.40.60 lakh being 10 *per cent* of the gross value (Rs.4.06 crore) of the work executed and paid. Interest of Rs.27.03 lakh that had accrued on the outstanding MA till payment of 12th Running Account (RA) bill (November 2004) as worked out in Audit **(Appendix - XXXII)** had not been recovered from any of the RA bills. The non-recovery of interest was pointed out by Audit in December 2004. The Director, Industries Department also in his note dated 17 August 2005 endorsed to the Secretary Industries Department stated that the contractor had to pay interest @ 18 *per cent* on MA in terms of the contract. The Government, however, amended the MA payment and interest recovery clause of the agreement in contravention of codal provisions through a corrigendum issued in September 2005 substituting the clause as interest free mobilization advance on the ground that the agreement did not contain any specific mention about payment of interest on MA. The contention of the Government is not acceptable as clause D of the agreement indicated the provision for recovery of interest on MA.

Further scrutiny (January 2006) of records revealed that till December 2005 the Department recovered MA amounting to Rs.48.70 lakh upto 15th RA bill without recovery of any interest. Thus, instead of effecting recovery in terms of the agreement, the amendment of the interest recovery clause of the agreement after two years 10 months from the date of entering into contract and that too after it was pointed out by Audit was intended to extend undue financial benefit to the contractor. This led to loss of interest on MA amounting to Rs.36.46 lakh (**Appendix - XXXII**) up to March 2006, besides further loss of interest on the outstanding MA of Rs.51.30 lakh lying with the contractor without any security cover.

The Government in its reply stated (July 2006) that after a techno commercial negotiation with the contractor the Government decided to provide interest free MA to the tune of Rs.1 crore and that the decision was not reflected in the Memorandum of Understanding (MoU) signed in November 2002. The reply of the Government is not tenable as it failed to provide any documentary evidence in support of its reply. Further, the contractor requested the Government in July 2005 to exempt it from recovery of interest on MA on the ground that the Department did not recover MA upto 14th RA bills although provision for recovery existed in the terms and condition of the contract. Further, no penal clause was inserted in the agreement for delay in completion of work.

SPORTS AND YOUTH AFFAIRS DEPARTMENT

4.2 Misappropriation of Government money

Drawal and retention of Government money without procuring the material led to misappropriation of Rs.28.41 lakh.

Drawal of money through Abstract Contingent bills (AC bills) require presentation of Detailed Countersigned Contingent bills (DCC bills) to the Controlling Officer (CO) and transmission to the Accountant General in thirty days. In April 2002, the Chief Secretary issued instructions that AC bills must be settled within 30 days of drawal failing which, it would amount to misappropriation of Government money.

Scrutiny (February 2006) of records of the Director of Sports and Youth Affairs (DS&YA), Itanagar, revealed that an amount of Rs.27 lakh was drawn through AC bill in March 1998 by the Joint Director[44] for procurement of sports equipment. Records in support of procurement of sports material were not made available to Audit. The amount was also not adjusted by submission of DCC bills even after the lapse of eight years (June 2006). In reply to Audit query, the Director stated (June 2006) that exact position of procurement of sports materials would be intimated in due course.

Further, an amount of Rs.29.28 lakh was drawn by the Director[45] in March 1999 through AC bill for procurement of sports items and kept in 'Deposit at Call Receipt'. The account, after resignation of the Director, was subsequently transferred (March 2000) to the Director[46] in-charge and the amount was encashed in September 2000. Out of Rs.29.28 lakh, material worth Rs.27.87 lakh was received by the Directorate along with actual payees receipt (October 2000) from a firm. For the remaining amount of Rs.1.41 lakh (Rs.29.28 lakh – Rs.27.87 lakh), the Directorate had neither received any material nor was the amount refunded/credited to Government account. The DCC bill was also not submitted (June 2006) even after the lapse of seven years.

Drawal and retention of Government money for such prolonged periods in contravention of codal provisions amounts to temporary misappropriation of Rs.28.41 lakh.

The matter was reported to the Government in June 2006; reply had not been received (November 2006).

4.3 Loss to Government

There were shortages of sports materials worth Rs.9.95 lakh and damage of materials worth Rs.0.73 lakh resulting in loss of Rs.10.68 lakh to the Government.

According to General Financial Rules 103, 109 and 116, purchase of materials is to be made in accordance with definite requirement and care should be taken not to purchase stores much in advance of actual requirement. The authorities entrusted with stores of any kind should take care to ensure their safe custody and protect them from loss, damage and maintain suitable accounts and prepare correct returns with a view to preventing losses through fraud. Physical verification of all stores should also be undertaken annually.

[44] *Shri D.K. Dinglow.*
[45] *By Shri A. Jongkey.*
[46] *Shri D. K. Dinglow.*

Scrutiny (February 2006) of records revealed that between April 1996 and August 1998 the Director of Sports and Youth Affairs, Itanagar procured sports materials valued at Rs.20.96 lakh without assessing the requirements. Further scrutiny of stock register revealed that out of total stock, materials worth Rs.10.28 lakh were issued between January 1997 and December 1999 leaving balance materials worth Rs.10.68 lakh in stock. On this being pointed out by Audit (February 2006), the Directorate stated that materials worth Rs.9.95 lakh were not handed over by the store keeper who was absconding since May 2000 and materials worth Rs.0.73 lakh were lying in stock in damaged condition. The Directorate had neither reported the matter to the Government nor to the police for investigation. Annual physical verification of materials in stock, as required under Rules, was also not conducted. However, at the instance of audit the same was conducted during the audit.

Thus, injudicious procurement and idling of materials in stock without periodical physical verification led to shortage of materials worth Rs.9.95 lakh and damage of materials worth Rs.0.73 lakh. This resulted in loss of Rs.10.68 lakh to the Government.

The matter was reported to the Government in June 2006; reply had not been received (November 2006).

Infructuous/Wasteful expenditure and Overpayment

TOURISM DEPARTMENT

4.4 Infructuous expenditure in production of documentary films on tourism

Advance payment of Rs.18.74 lakh to a firm without any work order/agreement stipulating terms and conditions rendered the amount infructuous.

Without receiving any proposal the Department accorded administrative approval for Rs.24.99 lakh in May 2003 for production of two documentary films[47] on tourism in Arunachal Pradesh with an expenditure sanction of Rs.18.74 lakh, being 75 *per cent* of the cost, as advance payment to M/s Spring Box Films, a Mumbai based firm without inviting tenders. The shooting of the films was reported to be completed (March 2003) and the films were in editing stage when the sanction was accorded. Although the administrative approval was for Rs.24.99 lakh, the total cost of the two films as preferred by the firm in two bills was Rs.22.06 lakh. Out of Rs.18.74 lakh sanctioned, Rs.13.74 lakh was paid to the firm in June 2003 by Bank Draft and

[47] *Tourist Circuit of Bhalukpong – Bomdila – Tawang and Tawang Festival and Tourist Circuit of Tezu – Parasuram Kund and brahmaputra Darshan.*

the remaining amount was paid (June 2006) in cash to the Personal Private Secretary to the Hon'ble Chief Minister of Arunachal Pradesh being the expenditure already incurred for shooting of the film. Scrutiny (May 2006) of the records of the Director of Tourism, Itanagar revealed that other than sanction, bills and vouchers for payments there was no other record indicating proposal of the Department for production of the films, basis for selection of the firm and cost of production, work order/agreement, terms and condition with stipulated time for completion, number of episodes with duration of each episode and specification for shooting of films. Further, according to the Government notification (May 1999), the Director of Information and Public Relations (DIPR) was the competent authority to issue permission for shooting of films by any private party/parties within the State and a copy of the film were to be submitted to the DIPR for clearance before screening. The records of the Directorate did not indicate any such permission having been obtained for shooting of films by the firm.

Further scrutiny of records revealed that even after the lapse of three years, the firm neither claimed the balance payment of Rs.3.32 lakh nor was there any stock entry/evidence in support of the fact that the documentary films, if any, produced by the firm were received by the Directorate and screened in Doordarshan Kendra (DDK). In reply the Director stated (May 2006) that the films were received but not screened in any DDK. The Directorate, however, failed to furnish any evidence in support of the receipt of the films and the reasons for which the films were never sent for screening to any DDK.

Thus the amount of Rs.18.74 lakh paid in advance without any work order/agreement stipulating terms and condition for production of films was an undue benefit extended to a private firm. In the absence of documents of actual receipt and telecast, the actual production of the documentary films remains doubtful.

The Government stated (August 2006) that all the codal formalities were observed for production of the films and the firm had supplied the documentary films. But the reply of the Government is not tenable as the Director failed to produce any evidence in support of the receipt of the films and the DIPR confirmed (August 2006) that no permission was obtained either by the Tourism Department or by the firm for production of the films.

Avoidable/Excess/Unfruitful/Unproductive expenditure

AGRICULTURE DEPARTMENT

4.5 Unfruitful investment in production of video films on cultivation of crops

Documentary films on cultivation of crops, produced at a cost of Rs.10.20 lakh, were lying idle for want of action on the part of the Department for their telecast on Doordarshan Kendra, thereby frustrating the objective of their production.

In March 2004, Government accorded expenditure sanction of Rs.10.20 lakh for production of video films on cultivation of different crops in six districts[48]. The objective of the scheme was to motivate the farming community and to popularise the cultivation of different rabi crops, the post harvest management of paddy and the paddy cum fish cultivation of Ziro plateau through media. The films were to be shot entirely in Betacam in accordance with the specification of the Doordarshan Kendra (DDK) for telecast on DDK, Itanagar.

Scrutiny (December 2005) of records of the Director of Agriculture revealed that the Director, after inviting tenders, issued work order (March 2004) to an Itanagar based firm for production of six documentary films at a cost of Rs.10.20 lakh. The final print of the six documentary films were received by the Agriculture Directorate in March 2004 and Rs.10.20 lakh was paid to the firm between August 2004 and March 2005. It was, however, noticed in Audit that the Department had not taken any action for the telecast of the films on DDK, Itanagar and as a result, all the six documentary films were lying in Agriculture Information Division of the Directorate. In reply to an Audit query, the Director stated (December 2005) that arrangements were being made for their telecast on DDK, Itanagar. Action taken by the Department for their telecast has not been reported (April 2006).

Thus even after an investment of Rs.10.20 lakh the purpose of preparing the films was defeated and the entire expenditure proved unfruitful.

The matter was reported to the Government in March 2006; reply had not been received (November 2006).

[48] *Lohit, Lower Dibang Valley, Changlang, East Siang, Lower Subansiri, West Kameng.*

4.6 Unproductive expenditure in construction of cold storage

Failure of the Department to utilise the cold storage, led to unproductive expenditure of Rs.1.10 crore.

For safe storage of perishable goods like potatoes, fruits and vegetables and also to promote economic development of the farmers as well as the state, the State Government decided (September 1997) to construct a cold storage. Based on a proposal submitted by the State Government supported by techno feasibility report prepared by a Guwahati based consultancy firm, the North Eastern Council (NEC) accorded (December 1997) sanction of Rs.56.45 lakh for establishment of a 500 tonne capacity Cold Storage at Naharlagun. In December 1997 the 1st installment of Rs.28 lakh was released by the NEC. However, in November 1998, the Government decided to shift the site of the project from Naharlagun to Tippi (Bhalukpong) due to non availability of land at Naharlagun.

The Director of Agriculture, invited (February 1999) tenders for construction of 500 tonne cold storage at Tippi along with submission of project report without indicating the estimated cost of the project and technical specification. The work of the project at Tippi was awarded (July 1999) to a Calcutta based firm at their offered cost of Rs.1.10 crore. The NEC, at the behest of the Department, accorded (November 1999) administrative approval for the project at the revised cost of Rs.1.10 crore on the condition that the NEC's share would be Rs.56.45 lakh and the remaining amount should be borne by the State Government and released Rs.28.45 lakh being the balance grant of Rs.56.45 lakh. The firm was paid Rs.1.10 crore between June 1999 and September 2000 and the cold storage was commissioned in September 2000.

Scrutiny (December 2005) of records of Executive Officer, Arunachal Pradesh Marketing Board revealed that though the project was commissioned in September 2000, the cold storage was utilised for only one year from March 2002 to February 2003 when it was leased to a private party for Rs.1.01 lakh. In April 2003 tenders were invited for leasing out the 500 tonne cold storage, but no offer was received. Thus it is evident that the selection of the site for construction of the cold storage was not based on actual requirement which resulted in unfruitful expenditure of Rs.1.10 crore. Further, the Department also failed to initiate any action to run the cold storage departmentally to derive the intended benefit out of the asset so created.

The Government in its reply (July 2006) accepted the facts but did not indicate any proposal to fruitfully utilise the cold storage.

CIVIL SUPPLIES DEPARTMENT

4.7 Avoidable expenditure

The Department incurred avoidable expenditure of Rs 10.02 lakh due to payment of headload at enhanced rate due to delay in allocation of Superior Kerosene Oil (SKO) quota.

Under the reorganised Public Distribution System (PDS), the Government of Arunachal Pradesh decided (May 1997) to allow land transport subsidy (LTS) to all fair price shops/ retail outlets for transportation of PDS items to the interior locations of the State. In November 2002, while approving the appointment of PDS wholesale nominee cum carriage contractor upto 31 March 2004 for Vijaynagar Circle, Government fixed the carriage rate of PDS items by head load from Miao to Vijaynagar (157 km) at Rs.4579 *per qtl*, *i.e.* Rs.29.17 *per qtl per km*. This rate was also applicable for other places located between Miao and Vijaynagar. The rate was again enhanced to Rs.125 *per qtl. per km.* w.e.f. April 2003.

Scrutiny (February 2006) of records of the Director of the Civil Supplies (DCS) revealed that the monthly allocation of superior kerosene oil (SKO) for January to March 2003 was intimated by the Indian Oil Corporation Ltd. in January 2003. Although as per the norms fixed by the GOI, the drawal of SKO was to be completed on or before the last day of the month, the DCS sub allocated district-wise SKO quota for March 2003 only on 19 March due to delay in receipt of approval from the Government.

The carriage contractor transported 70.20 qtls. of SKO from Miao to Gandhigram (134 km), Miao to Phapurbari (144 km) and Miao to Vijaynagar (157 km) between 1 April 2003 and 21 April 2003 and carriage bill of Rs.13.07 lakh as per enhanced rate was paid by the Department (March 2005).

Thus, failure of the Department to timely sub allocate the SKO quota for March 2003 led to avoidable expenditure of Rs.10.02 lakh (**Appendix – XXXIII**) due to payment of carriage bill at enhanced rate.

The matter was reported to the Government in April 2006; reply had not been received (November 2006).

IRRIGATION AND FLOOD CONTROL DEPARTMENT

4.8 Avoidable expenditure

The Division incurred an avoidable expenditure of Rs.18.25 lakh for collection and carrying of boulders.

Test check (December 2005) of records of the Executive Engineer, IFCD, Tezu revealed that between March 2003 and April 2004, the Division procured 14328.225 cum of boulders of size 150 mm to 300 mm through 41 different contractors by issue of work orders for implementation of the scheme “Flood protection work on Lohit river to protect Sunpura and Assam area”. The contractors supplied the boulders @ Rs.279.25 per cum from available/approved quarry which included Rs.134.80 per cum being the carrying charges of boulders for a lead of five Km. These boulders were then transported between October 2003 to June 2004 to an additional lead of 20 Km through 62 contractors @ Rs.281.95 per cum.

Further scrutiny, however, revealed that the carrying charges of boulders (150 mm – 300 mm size) adopted in the analysis of rates of SOR’92 for a lead of 25 Km was Rs.289.35 per cum. Thus, due to transportation of boulders initially for a lead of five Km and then transporting the same for an additional lead of 20 Km separately, the Division incurred an expenditure of Rs.18.25 lakh[49] which could have been avoided had the collection and transportation to the final site been entrusted to the 41 contractors at the first instance itself.

The matter was reported to the Government/Department in May 2006; their replies had not been received (November 2006).

PUBLIC HEALTH ENGINEERING AND WATER SUPPLY DEPARTMENT

4.9 Unfruitful expenditure

The Division incurred unfruitful expenditure of Rs.1.31 crore including an unauthorised expenditure of Rs.45.87 lakh on the scheme “Improvement of water supply at Seppa Township” which remained incomplete even after seven years of its stipulated date of completion.

The work “Improvement of Water Supply at Seppa Township (Phase-I)” was administratively approved by the State Government in March 1996 at an estimated cost of Rs.1.08 crore and was targeted for completion within three years. Accordingly, expenditure sanction was accorded by the Government in

[49] *[(Rs.134.80 + Rs.281.95 – Rs.289.35) x 14328.225].*

March 1996, and the work was taken up in the same month. However, no technical sanction was accorded till the date of Audit (June 2005).

Scrutiny (June 2005) of records of the Executive Engineer, Public Health Engineering and Water Supply Division (E.E. PHE&WS), Seppa revealed that the Division incurred an expenditure of Rs.1.31 crore till March 2002 for completion of Mule Track and Log bridge, Drop inlet head work besides purchase of MS pipes (300 mm dia), GI pipes of various sizes and fittings. The Division thereafter stopped further work and kept the scheme in abeyance. The remaining components[50] of the scheme were either not started or were left incomplete.

Further scrutiny revealed that against the estimated provision of 350 Rm of 350 mm dia MS pipes, the Division procured 1956.25 Rm MS pipes of 300 mm dia at a cost of Rs.45.87 lakh from a local supplier. The pipes were procured between November and December 1998 although there was no provision in the estimate for these pipes and hence could not be utilised in works and remained idle as of date. The reason for procurement of 300 mm dia MS pipes in lieu of 350 mm dia MS pipes were neither on record nor could be explained to Audit.

The EE, PHE&WS, Seppa stated (January 2006) that the Division had to stop the work as the scheme could not be completed within the sanctioned amount. He further stated that a revised estimate of Rs.1.90 crore was submitted to the Government in September 2002, which is yet to be sanctioned.

Thus even after an expenditure of Rs.1.31 crore the purpose for which it was incurred was defeated. Due to purchase of 300 mm MS pipes worth Rs.45.87 lakh in deviation of tendered specification the completion of the project was jeopardised. Further, since the revised estimates have not been approved for over four years, the original proposal was also not justified.

The matter was reported to the Government in March 2006; reply had not been received (November 2006).

[50] *Collection channel and mixing basin for congluents, rapid sand filtration plant, storage tank, security fencing, store cum Chowkidar quarter – not started.*
Sedimentation Tank- Half done.

PUBLIC WORKS DEPARTMENT

4.10 Unfruitful expenditure

The Division incurred unfruitful expenditure of Rs.1.76 crore including loss of Rs.7.39 lakh towards the construction of RCC bridge over river Berrang alongwith flood protection works.

Union Ministry of Road Transport & Highways accorded (May 2002) administrative approval to the work 'RCC bridge over river Berrang (span 80 mtrs)' at an estimated cost of Rs.2.09 crore. Technical sanction was, however, not accorded till the date of Audit. The estimate of the work included *inter alia* construction of abutment, pier and wing wall besides river training and protection works. The work was awarded (February 2003) to a contractor at his tendered value of Rs.1.53 crore with the stipulated date of completion as March 2004. Till July 2005, only 86 *per cent* of sub-structure work had been completed alongwith flood protection work at a total expenditure of Rs.1.68 crore. Thereafter, the contractor stopped (August 2005) the work without any recorded reason. The contractor resumed the work in November 2005 and again left the work in May 2006. Till September 2006, the Department had incurred a total expenditure of Rs.1.76 crore towards the work.

Scrutiny (December 2005) of records of the EE, PWD, Namsai Division revealed that the Chief Engineer (CE) at the time of finalisation of tenders (November 2002) directed that the flood protection work should be taken up at the end alongwith the superstructure works as it would require proper design of the guide bank specially on upstream of left bank. The EE, however, in violation of this order, procured 30,580 kg of sausage wire and 3444.74 cum of stone boulders between November 2002 and March 2005 at a total cost of Rs.31.35 lakh. Before taking up the flood protection works, these materials were kept on the river bank due to non-completion of the sub-structure of the proposed bridge but, due to flood in July 2004 materials worth Rs.7.39 lakh were washed away as detailed in **Appendix – XXXIV**.

Thus, even after a period of over two years of stipulated date of completion, the work remained incomplete. No action was taken against the contractor for stopping work twice or to get work completed at his risk and cost and the entire expenditure of Rs.1.76 crore proved unfruitful. Meanwhile materials purchased in advance of requirement got washed away resulted in loss to Government.

The matter was reported to the Government and Department in May 2006; their replies had not been received (November 2006).

TOURISM DEPARTMENT

4.11 Unproductive expenditure on construction of Tourist Lodge

Due to inability of the Department in utilising the Tourist Lodge constructed at Zemithang in Tawang District, the expenditure of Rs.50 lakh remained unproductive for a period of over three years.

For construction of a Tourist Lodge at Zemithang in Tawang District, the Government sanctioned (March 1997) Rs.33 lakh. The Director of Tourism (DOT), Itanagar released (March 1997) the entire amount of Rs.33 lakh to the Deputy Commissioner (DC) cum Chairman, District Rural Development Agency (DRDA), Tawang. Though the Tourist Lodge was constructed (February 1999) at a cost of Rs.33 lakh, it had no provision for rooms for drivers, approach road, culvert on the approach road and furniture. The Government further accorded (March 1999 and March 2001) administrative approval and expenditure sanction for Rs.17 lakh being the estimated cost of the above items and the DOT released Rs17 lakh to the Chairman, DRDA, Tawang between March 1999 and March 2003.

Scrutiny (May 2006) of records of the DOT, revealed that though the Tourist Lodge with all the additional works was completed in March 2003, it was not taken over and utilized by the Department and the contractor, who constructed the Tourist Lodge, was looking after the assets. In October 2005, as per the decision taken by the DOT, the DC, Tawang invited tenders to lease out the assets on annual rental basis. Till the date of audit (May 2006), the Tourist Lodge was neither leased out nor any action taken to utilise the assets departmentally.

Thus, due to the inability of the Department in utilising the assets created at a cost of Rs.50 lakh, the entire investment remained unproductive for a period of over three years. This also indicates that construction of the Tourist Lodge was not justified.

The matter was reported to the Government in June 2006; reply had not been received (November 2006).

Extra expenditure

CIVIL SUPPLIES/RELIEF, REHABILITATION AND DISASTER MANAGEMENT DEPARTMENT

4.12 Extra expenditure

The Department incurred extra expenditure of Rs.6.61 crore due to allowance of higher rate of carriage by headload.

Consequent upon extension of re-organised Public Distribution System (PDS) to the interior locations covering the entire population of the State, the State Government decided (May 1999) that Land Transport Subsidy (LTS) would be admissible to all Fair Price Shops (FPS)/retail outlets at the carriage rate approved by the Government. Accordingly, the Government issued orders periodically approving the rate of LTS for different locations including rates for carriage by head loads.

(a) Scrutiny (February 2006) of records of the Directorate of Civil Supplies (DCS) revealed that based on the rates of carriage by head loads fixed (May 2003) by the Government for Tawang District at Rs.170 per 20 kg load per stage, the Deputy Commissioner (DC), Tawang notified (May 2003) the rates of carriage by head loads per quintal of PDS items to different locations of the district. In September 2003, Government issued another order restricting the carriage rate of PDS items by headload to Rs.25 per 20 kg load per km in those places where the rate was higher.

Although the carriage rate in Tawang was lower than the new regulated rate, the DC, Tawang in contravention of the Government order notified (November 2003) a revised rate raising the rate for carriage of PDS items by head to different locations of the district to Rs.25 per 20 kg load per km. The DCS while finalising the carriage bills for carrying 936 quintals of superior kerosine oil (SKO) and 530 quintals of iodised salt to six different destinations by headload between October 2003 and April 2004 allowed the revised rate as classified by DC, Tawang without taking into consideration the Government order.

(b) Similarly, scrutiny of records (March 2006) of the Directorate of Relief, Rehabilitation and Disaster Management Department revealed that in order to provide assistance to the districts affected by the flood of 2003, the National Disaster Management Division, Union Ministry of Home Affairs recommended (January 2004) allocation of 24.800 M.T of rice plus re-imbursement of freight for carrying the rice from Food Corporation of India (FCI) depot to the districts as per the rates prescribed by State Government under the special component of SGRY to be utilised for creation of additional wage employment in the flood affected districts. Out of the 24.800 MT of rice, 5500 MT was allocated to Tawang District.

Between February 2004 and June 2004, 2505 MT out of 5500 MT of rice were transported by head load to different destinations of Tawang from the nearest road point by a single contractor. The Department while finalising the contractor's claims of Rs.12.79 crore for transportation of the above quantity of rice by head load, allowed the revised rate as notified by DC, Tawang without taking into consideration the applicability of the Government order of September 2003.

Thus due to erroneous revision of rate by the DC, Tawang and failure of the Departments to confirm the correctness of the rates with reference to the Government order resulted in an extra payment of Rs.6.61 crore (0.67 crore + 5.94 crore) as shown in **Appendices – XXXV and XXXVI** due to allowance of higher rate of carriage by headload to the contractors.

The matter was reported to the Government/Department in April and May 2006; reply has not been received (November 2006).

IRRIGATION DEPARTMENT

4.13 Extra expenditure due to adoption of higher rates

The Division incurred an extra expenditure of Rs.13.29 lakh due to adoption of inflated rates.

NEC accorded (January 2003) administrative approval to the scheme 'Flood Protection work on Lohit river to protect Sunpura circle and Assam area' at an estimated cost of Rs.2.17 crore. Technical sanction was, however, not accorded till the date of audit (December 2005). The estimate included *inter alia* construction of two nos. of spurs, 580 Rmt of plugging structures and three nos. of deflectors by laying boulders in sausage wire of convenient sizes.

Test check (December 2005) of records of the EE, IFCD, Tezu revealed that between October 2003 and February 2005 the Division laid a total quantity of 14729.69 cum of boulders @ Rs.175.40 per cum in spurs, deflectors and plugging structures for the aforesaid work through 24 contractors at a total cost of Rs.25.83 lakh. Scrutiny, however, revealed that the rates for laying of boulder in sausage wire as per SOR 1992 was Rs.48.45 per cum and taking into account the revised labour rates which were effective from May 2001, the Superintending Engineer (SE) analysed this rate at Rs.85.15 per cum. The EE, however, while preparing the detailed estimate for the work, re-analysed the same at Rs.175.40 per cum wherein an extra provision of 1.684 nos. of unskilled labour per cum was included thereby inflating the rate for the item of work by Rs.90.25 per cum. Reasons for inclusion of extra labour charges while analysing the rates were not on record.

Thus, adoption of higher rates for laying of boulders in sausage wire instead of the rates analysed by the SE led to an extra expenditure of Rs.13.29[51] lakh.

The matter was reported to the Government/Department in June 2006, their replies had not been received (November 2006).

GENERAL

4.14 Follow up action on Audit Reports

As per the instructions issued by the Finance Department (June 1996), the concerned administrative Departments are required to prepare an explanatory note on the paragraphs/reviews included in the Audit Reports indicating the action taken or proposed to be taken and submit the 'Action Taken Note' to the Assembly Secretariat with a copy to (1) Principal Accountant General (Audit) and (2) Secretary, Finance Department within three months from the date of receipt of the report.

Reviews of outstanding explanatory notes on paragraphs included in the Report of the Comptroller and Auditor General of India for the years from 1994-95 to 2005-06 revealed that the concerned administrative Departments were not complying with these instructions. As of August 2006, *suo motu* explanatory notes on 63 paragraphs of these audit reports were outstanding from various Departments as detailed in **Appendix – XXXVII**.

The Administrative Departments were required to take suitable action on the recommendations made in the Reports of the PAC presented to the State Legislature. Following the circulation of the Reports of the PAC, the Departments were to prepare notes on action taken or proposed to be taken on the recommendations of the PAC and submit the same to the Assembly Secretariat. The PAC specified the time frame for submission of such ATN as one month up to the 51st Report. Review of 13 reports of the PAC containing recommendations on 85 paragraphs in respect of 17 Departments included in Audit Reports as detailed in **Appendix – XXXVIII** presented to the Legislature between September 1994 and March 2006 revealed that none of these Departments sent the ATNs to the Assembly Secretariat as of August 2006. Thus, the status of the recommendations contained in the said reports of the PAC and whether they were being acted upon by the Administrative Departments could not be ascertained in audit.

The matter was reported to Government in September 2006; reply had not been received (November 2006).

---

[51] *14729.69 x (175.40 – 85.15) = 13,29,355 i.e. Rs.13.29 lakh.*

4.15 Failure to respond to audit objections and compliance thereof

402 paragraphs pertaining to 96 Inspection Reports involving Rs.68.95 crore were outstanding as of March 2006. Of these, first replies to three Inspection Reports containing 20 paragraphs had not been received.

Principal Accountant General (Audit) conducts periodical inspection of Government Departments to test check transactions and verify maintenance of important accounting and other records as per prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, these are included in the Inspection Reports (IRs) that are issued to the Heads of the offices inspected with a copy to the next higher authorities. Government orders provide for prompt response by the executives to the IRs to ensure rectificatory action in compliance with the prescribed rules and procedures and to fix responsibility for the deficiencies, lapses, *etc.*, noticed during inspection. Serious irregularities are also brought to the notice of the Heads of the Departments by the office of the Principal Accountant General (Audit). A half-yearly report of pending IRs is sent to the Secretary of the Department to facilitate monitoring of the audit observations in the pending IRs.

Inspection Reports issued up to March 2006 pertaining to 69 offices of three Departments disclosed that 402 paragraphs relating to 96 IRs remained outstanding at the end of August 2006. Of these, 23 IRs containing 84 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of offices within six weeks from the date of issue were not received from three offices for 20 paragraphs of three IRs issued between 1992-93 and 2005-06. As a result, the following serious irregularities commented upon in these IRs had not been settled as of August 2006.

Table - 4.1

Sl. No.	Nature of Irregularities	Agriculture Department		Health and Family Welfare Department		Education Department	
		No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)	No of paras	Amount (Rs. in lakh)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Local purchase of stationery in excess of authorised limits and expenditure incurred without sanction	3	26.92	15	29.91	1	0.05
2.	Non-observance of rules relating to custody and handling of cash, position and maintenance of Cash Book and Muster Roll	-	-	-	-	14	-
3.	Delay in recovery or non-recovery of Department receipts, advances and other recoverable charges	-	-	11	7.59	18	29.53
4.	Drawal of funds in advance of requirements resulting in retention of money in hand for long periods	-	-	31	324.86	7	0.31
5.	For want of D C C bills	1	-	10	14.77	12	592.41
6.	For want of APRs	-	-	-	-	4	81.18

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
7.	Non-maintenance of proper stores accounts and non-conducting of physical verification of stores	-	-	-	-	2	-
8.	Payment of grants in excess of requirement	-	-	-	-	-	-
9.	Sanction to write off loans, losses, *etc*., not received	-	-	-	-	3	18.81
10.	Others	13	27.85	108	1147.19	149	4593.85
Total		**17**	**54.77**	**175**	**1524.32**	**210**	**5316.14**

Source: Information furnished by the Department

The Secretaries of the concerned Departments, who were informed of the position through half-yearly reports, failed to ensure that the concerned officers of the Departments took prompt and timely action. No action was taken against the defaulting officers.

It is recommended that the Government look into this matter and ensure that (a) action is taken against the officials who fail to send replies to IRs/Paras as per the prescribed time schedule, (b) action is initiated to recover losses/outstanding advances/overpayments pointed out in audit in a time bound manner, and, (c) there is a proper system of expeditious compliance to audit observations.

The matter was reported to the Government (September 2006); reply had not been received (November 2006).