

## OVERVIEW

This report contains six chapters. Chapter-I presents a detailed analysis of the financial position of the State including a review. Chapter-II reviews the Government's control over expenditure during the year. The remaining four chapters contain three reviews and 41 paragraphs based on audit of certain selected schemes and programmes and financial transactions of the Government. A synopsis of the findings contained in the reviews and important paragraphs is presented in this overview.

### Review of the State's Finances

The assets of the State Government grew by only 10.82 *per cent* during 2001-2002 over the previous year while the liabilities grew by 17.60 *per cent* mainly as a result of the revenue deficit of Rs.881.38 crore during the year. The ratio of assets to liabilities declined from 0.87 in 2000-2001 to 0.82 during 2001-2002 indicating reduced solvency of the state.

The revenue expenditure accounted for 93 *per cent* of the total revenue and capital expenditure and increased by seven *per cent* during 2001-2002 compared to the previous year. Growth of non-Plan component of revenue expenditure was 76 *per cent*, which far surpassed 49 *per cent* growth of Plan expenditure over the five year period ending 2001-2002. The interest payment of Government increased from Rs.638.93 crore in 1997-98 to Rs.1,061.99 crore in 2001-2002 recording an increase of 66 *per cent*.

As on 31 March 2002, twenty-five of the twenty six Government companies/corporations in which Government had invested Rs.403.58 crore were incurring losses and the accumulated loss was Rs.421.25 crore upto March 2001. Even the companies, which were making profit, were giving only a marginal return on investment ranging from 0.005 *per cent* to 0.16 *per cent*. Thus, while the Government was raising high cost borrowings (7.75 to 14 *per cent*) from the market, its investments in Government companies etc., fetched insignificant returns.

Inadequate cash balances of the State Government with the RBI necessitated taking of ways and means advances of Rs.608.66 crore and overdraft of Rs.5,749.87 crore on 312 days during the year. The amount of ways and means advances and overdrafts outstanding at the end of 2001-2002 was Rs.176.71 crore and Rs.1,026.62 crore respectively.

The contingent liability of the State Government in the form of guarantee offered to financial institutions aggregated Rs.3,173.06 crore upto March 2002.

During 2001-2002 there was an increase (Rs.101.90 crore) in revenue deficit but a decline (Rs.91.80 crore) in fiscal deficit of the Government compared to the previous year. There had been a continuous increase in indebtedness due to uncontrolled revenue expenditure and interest payment. During the five year period 1997-98 to 2001-2002 internal debt had grown by 161 *per cent*, loans and advances from Government of India by 33 *per cent* and other liabilities by 103 *per cent*. However, during the year very little of the borrowings were available for capital investment and entire loan received from Government of India had to be used for repayment of loans and interest thereon.

Analysis of financial data of the Government showed continuous increase in indebtedness owing to heavy borrowing to meet the revenue deficit. The Government applied borrowed funds for servicing of debt and to meet steadily rising non-Plan revenue expenditure with little left for capital expenditure. The Government preferred the easier option of high cost borrowing than to raise more resources through taxation.

### **Appropriation Audit and Control over expenditure**

During 2001-2002, expenditure of Rs.14,383.22 crore was incurred against the total grants and appropriations of Rs.15,218.59 crore resulting in net savings of Rs.835.37 crore (5 *per cent*). The overall savings of Rs.2,977.84 crore in 68 cases of grants (Rs.2,718.34) crore and 20 cases of appropriations (Rs.259.50 crore) was offset by an excess of Rs.2,142.48 crore in five appropriations (Rs.1,987.37 crore) and two grants (Rs.155.11 crore). The excess of Rs.2,142.48 crore requires regularisation by the Legislature under Article 205 of the Constitution.

Supplementary provision made during the year constituted 46.19 *per cent* of original grants/appropriations as against 5.48 *per cent* in the preceding year. In 47 grants, supplementary provision of Rs.592.94 crore proved unnecessary and in case of one appropriation, supplementary provision of Rs.28 crore obtained during the year was largely inadequate as the actual expenditure exceeded the budget provision by Rs.5,592.41 crore.

In 62 grants and one appropriation, expenditure during the year fell short by more than rupees one crore each and also by more than 10 *per cent* or more of the total provision.

In 35 grants there were persistent savings in excess of Rs.10 lakh in each case representing 20 *per cent* or more of the total provision during the last three years.

### **Audit Reviews on developmental and welfare activities.**

#### **Rural Housing Scheme (Indira Awaas Yojana)**

*Indira Awaas Yojana envisaged payments of grants for construction and upgradation of dwelling houses for the members of scheduled castes/scheduled tribes, free bonded labourers and non scheduled castes/scheduled tribes families living below the poverty line. A review on the implementation of the scheme revealed that the programme was implemented without survey, identification and selection of beneficiaries by Gram Sabha. The beneficiaries were not involved in the construction of their houses. While Central and State Governments did not release the allocated funds, inflated expenditure were reported to Government of India both by Director, Panchayat and Rural Development and Project Directors.*

Short release of allocated funds of Rs.276.52 crore by Government of India (Rs.160.60 crore) and State Government (Rs.115.92 crore) resulted in short construction/non-upgradation of 1.65 lakh houses.

Director, Panchayat and Rural Development and six Project Directors reported inflated expenditure to the extent of Rs.5.41 crore and Rs.10.78 crore respectively to Government of India.

For construction/upgradation of 10,267 houses, Project Director, DRDA, Karbi Anglong incurred excess expenditure of Rs.0.97 crore over the admissible norm which could have been utilised for further construction/upgradation of 545 houses.

Three Project Directors made inadmissible excess payment of Rs.1.15 crore towards excise duty for procurement of 2,552.811 tonne GCI sheets.

Project Directors of six DRDAs incurred inadmissible administrative expenditure of Rs.1.81 crore leading to non-construction/upgradation of 1,038 houses.

### **Swarnajayanti Gram Swarozgar Yojana**

*Government of India discontinued the Centrally sponsored schemes on Integrated Rural Development Programme, Training of Rural Youth for Self Employment, Development of Women and Children in Rural Areas, Supply of Improved Tool Kits, Million Well Scheme and Ganga Kalyan Yojana and replaced them by a new scheme namely, Swarnjayanti Gram Swarozgar Yojana from 1 April 1999 for alleviation of rural poverty of individuals and groups of individuals living below the poverty line. A review on the implementation of the programme revealed that allocated funds were not provided by the Government of India and State Government and there were instances of non-release or delay in release of assistance to the identified individuals/self help groups by DRDAs and banks. The scheme was implemented without annual action plan, a credit plan and an infrastructure support plan.*

Due to non-release of State's share of Rs.19.55 crore, Government of India had not released Rs.21.62 crore for six test-checked districts which retarded implementation of the programme during 1999-2002.

Funds of Rs.2.24 crore out of Rs.3.74 crore and stores worth Rs.0.11 crore out of Rs.0.13 crore were diverted by six Project Directors from SGSY scheme and these funds/stores remained unrecovered/unadjusted as of May 2002.

Three Project Directors unauthorisedly spent Rs.1.31 crore for works on defunct Million Well Scheme during 1999-2001 which were not included in Annual Action Plan.

During 1999-2002 three Project Directors incurred excess expenditure of Rs.2.71 crore over the prescribed limit of 25 per cent of allocated funds for creation of SGSY infrastructure.

## **Flood control measures undertaken by the Flood Control Department in Assam**

*A review of the flood control measures undertaken by Flood Control Department revealed that while paucity of funds hindered execution of flood control works, the committed funds from Government of India could not be utilised in full and reimbursement obtained. Provision of funds and expenditure under non-plan including salary component was continuously on the rise indicating that the Government failed to provide funds for creation of flood control infrastructure. Violation of important rules and procedures, unfruitful, avoidable and wasteful expenditure, slow or non-execution of works etc. resulted in large shortfall in achievement of targets for flood control works.*

Though the priority of the Government should have been on flood control measures a very large proportion of the expenditure actually incurred was on salaries and establishment.

Against the grants-in-aid of Rs.25 crore on reimbursement basis committed by Government of India for implementation of 15 schemes, the department could claim reimbursement of only Rs.10.09 crore and the grant of Rs.14.91 crore could not be availed by the State Government. Consequently all the schemes remained incomplete.

In Dhubri and Goalpara Embankment and Drainage division unfruitful expenditure due to abandonment of work midway and wasteful expenditure for not taking up erosion protection works aggregated Rs.2.38 crore.

Contrary to prescribed payment procedure seven divisions paid Rs.9.10 crore to contractors through 5906 hand receipts and the entire payment remained unvouched and could not be audited.

Ten divisions executed 99 works at a cost of Rs.26.06 crore without administrative approval and technical sanction.

### **Audit Paragraphs**

#### **Financial Mismanagement**

Faulty agreement and inaction of the Director of Cultural Affairs to obtain final prints of 30 documentary films from film production firms and non-exhibition of 11 documentary films for periods ranging from 8 to 12 years led to unfruitful and idle expenditure of Rs.1.02 crore.

Director Elementary Education retained Rs.13.93 crore as unspent/unutilised in bank drafts/bankers cheques/deposit at call receipts of which Rs.12.96 crore was one to four years old. Drawal of funds in advance of actual requirement and their retention in bank drafts etc. resulted in undue financial benefits to the banks even as the Government persistently relied on borrowed funds for past several years.

Director Land Records and Survey drew (March 1997) Rs. one crore to undertake repair of 56 public buildings damaged by flood. Of this, expenditure of Rs. 0.59 crore was incurred, and Rs. 40 lakh out of the unspent cash balance of Rs. 41 lakh was missing.

Between March 2001 and November 2001 Executive Engineers, PWD Magazine Division, Guwahati and PWD (Roads) West Division, Nagaon disbursed Rs. 2.55 crore to contractors as part payment of their bills through hand receipts in violation of rules. Thus the expenditure of Rs. 2.55 crore remained unvouched and hence not verifiable in audit.

### **Diversion of funds**

Project Director, DRDA, Cachar diverted Rs. 0.50 crore out of rural development funds to meet the expenditure for repairing of polling station etc. in connection with Parliamentary election in 1999 and Assembly election in 2001 without approval of Government of India. State Government was also not moved to obtain reimbursement of expenditure till October 2002.

### **Avoidable/Extra/Unproductive/Infructuous/ Wasteful/Unfruitful expenditure**

The State Project Director, District Primary Education Programme (DPEP) incurred excess expenditure of Rs. 0.90 crore for payment of deputation allowance to 1006 deputationists of the DPEP due to non-observance of Government orders issued from time to time.

Due to improper survey for identification of scavengers the expenditure of Rs. 1.69 crore incurred by Managing Director, Scheduled Caste Development Corporation on training and rehabilitation of ineligible and improperly identified scavengers during 1997-98 to 2001-2002 proved to be largely unfruitful.

Delay ranging from seven to ten years to analyse water sample of four drinking water supply schemes and continuation of these schemes by the Executive Engineer, Public Health Engineering, Rural Water Supply Division, Diphu even after detecting fluoride content in water beyond permissible limit rendered the expenditure of Rs. 1.35 crore out of Rs. 1.80 crore unfruitful.

The General Administration Department failed to install electricity meters in Government quarters as per decision taken by the Government in February 1994. Pending installation of meters the department realised electricity charges of Rs. three lakh at flat rates against payment of electricity bills for Rs. 13.64 crore for 512 Government quarters during December 1999 to April 2001 resulting in extra avoidable expenditure of Rs. 13.61 crore.

Executive Engineer, Bakulia Road Division spent Rs. 2.03 crore for construction of 31.50 km long road to be completed in five phases between 1987 and 1997. The works in four of the five phases remained incomplete since 1988 due to lack of proper planning and failure of the department to clear a rocky strata (2 km) falling on a

portion of the road. The works were eventually abandoned from September 1996 resulting in unproductive expenditure of Rs.1.48 crore out of Rs.2.03 crore.

Construction of a RCC bridge on River Chandrakhola under Executive Engineer Border Road Construction Division, Dhubri was completed in October 2000 at a cost of Rs.0.95 crore. Due to flood, both ends of the aforesaid bridge were eroded for a length of 18 to 20 metres. Approaches and protection works on eroded gaps had not been taken up since July 1999 due to lack of feasibility as the river bank was under constant threat of erosion and the bridge was at a distance of only 300 metres from River Brahmaputra. The bridge remained unused for traffic and was abandoned since October 2000. Thus injudicious decision of the department for construction of RCC bridge at highly erosion prone area led to wasteful expenditure of Rs.0.95 crore.

The MD, AUWSSB made avoidable payment of Rs.0.87 crore as of September 2000 on price escalation due to delay for a period of five years in commencement and completion of water treatment plant of Goalpara Town Water Supply Scheme for non selection of site, non-availability of approach road and power supply at treatment plant site.

During 1999-2000 five Project Directors of DRDAs arbitrarily purchased polythene films worth Rs.1.45 crore for construction of 692 low cost green houses of which films valued at Rs.1.01 crore was sub-standard. Besides, there was extra expenditure of Rs.0.95 crore for payment at rates higher than the approved rates.

### **Idle manpower and resultant nugatory expenditure**

Principal Chief Conservator of Forest could not implement a Centrally sponsored scheme "Seed Development Programme" through Divisional Forest Officer, Genetic Cell Division due to non-posting of technical staff and non-availability of power connection. Expenditure of Rs.0.62 crore incurred on construction of laboratory building, procurement of machinery/equipment and payment of salaries to idle non-technical staff during 1993-2002 proved unproductive and nugatory.

### **Locking up of funds and resultant non-achievement of objectives**

Between October 2000 and November 2000 Executive Engineer, Road Division, Diphu made 100 *per cent* advance payment of Rs.0.82 crore including 12 *per cent* Assam General Sales Tax (AGST) of Rs.8.82 lakh to a firm without any agreement for supply of 2,100 tonne cement. Of this, non-supply of 813.600 tonne cement as of May 2002 led to locking up of Rs.34.89 lakh for over 18 months besides excess payment of AGST Rs.5.88 lakh due to non-adherence of Government orders for refixation of AGST to four *per cent* in lieu of 12 *per cent*.

For implementation of Kokrajhar Town Water Supply Scheme under the Executive Engineer, Assam Urban Water Supply and Sewerage Board (EE, AUWSSB), Managing Director (MD) AUWSSB paid mobilisation advance Rs.0.62 crore to a Calcutta based firm between April 1992 and February 1993 without obtaining bank guarantee and confirming the financial integrity of the firm. The firm did not execute

any work, which led to locking up and possible non-realisation of Rs.0.62 crore besides non-implementation of the scheme since 1992-93.

In gross violation of agreement and without bank guarantee the Managing Director, Assam Urban Water Supply and Sewerage Board (MD, AUWSSB) paid mobilisation advance Rs.0.80 crore to a firm during March 1993 to August 1993 for works of Tinsukia Town Water Supply Scheme approved in February 1991. Between June 1993 and June 1994 the EE, AUWSSB, Jorhat could hand over site for installation of 15 of the 28 deep tube wells (DTWs) and four of the five treatment plants. Of these the firm had installed only five DTWs till April 1995. The firm did not execute any further work as of March 2002 and the MD had not taken any action against the firm as per agreement. The inadmissible and excess payment of mobilisation advance of Rs.0.78 crore out of Rs.0.80 crore remained unrecovered and locked up with the firm for last eight years besides non-achievement of the objective of supplying safe drinking water for last 11 years.

### **Other points of interest**

The Project Director, DRDA, Barpeta purchased cement, G.I. pipes, M.S Rods etc., worth Rs.3.09 crore under EAS and JRY schemes during 1998-2000. The expenditure could not be vouchsafed in audit due to non-submission of relevant records in support of purchase and utilisation of these materials.