

OVERVIEW

The Report contains 41 paragraphs (including four general paragraphs) and three performance reviews apart from comments on the Finance and Appropriation Accounts and a separate chapter on Internal Control and Internal Audit of Government departments. Copies of the draft paragraphs and draft reviews are sent to the concerned Secretary to the State Government by the Principal Accountant General with a request to furnish replies within six weeks. The Secretaries are also reminded by the Principal Accountant General for replies. However despite such efforts, in respect of 39 paragraphs and two reviews included in this Report, no response was received from the concerned Secretary to State Government.

1. Finances of the State Government

- The revenue receipts of the State increased by 14.31 *per cent* over the previous year as against the average trend rate of 11.45 *per cent* during the five-year period 1999-2004. Revenue receipts during the year comprised tax revenue of Rs.2,070 crore (27 *per cent*), non-tax revenue of Rs.946 crore (12 *per cent*) and Government of India transfers of Rs.4,749 crore (61 *per cent*).
(Paragraph 1.5.2)
- The total expenditure in 2003-04 had increased by Rs.1,450 crore over previous year mainly due to increase in interest payment by Rs.201 crore and revenue expenditure under Economic Sector by Rs.452 crore. The expenditure on General Services and interest payments considered as non-developmental, together accounted for 39 *per cent* in 2003-04 as against 38 *per cent* in 1999-2000. On the other hand, development expenditure remained static at 60 *per cent* in both 1999-2000 and 2003-04.
(Paragraph 1.6.1)
- The revenue expenditure (Rs.8,450 crore) during the year exceeded the revenue receipts (Rs.7,765 crore) resulting in a revenue deficit of Rs.685 crore. The revenue expenditure accounted for 92 *per cent* of the total expenditure (Rs.9,200 crore) as against 90 *per cent* in 1999-2000.
(Paragraph 1.6.2)
- While liabilities grew by 10 *per cent*, the assets increased by 7 *per cent* widening the gap between assets and liabilities. An increased proportion of liabilities did not have an asset back up.
(Paragraph 1.8)
- There were 10 incomplete Major and Medium irrigation projects, as of March 2004 involving investment of Rs.491 crore.
(Paragraph 1.8.1)
- Return from Government's investment (Rs.588 crore) in its Statutory Corporations, Government companies, etc. was below 1 *per cent* in three out of five years, while average interest rate paid by Government on its borrowing was 10.18 *per cent*. This resulted in implicit subsidy of Rs.250 crore during the period 1999-2004.
(Paragraph 1.8.2)

- Interest received by Government on the loans and advances given to corporations, companies and co-operatives during 1999-2004, was between 0.03 and 0.13 *per cent*. However, interest paid by Government on borrowing ranged from 9 to 12 *per cent* resulting in implicit subsidy of Rs.1,369 crore.

(Paragraph 1.8.3)

- Overall fiscal liabilities of the State increased from Rs.8,697 crore in 1999-2000 to Rs.15,285 crore in 2003-04 at an average rate of 15.73 *per cent*. Net availability of funds from the borrowings steeply declined from 10.71 *per cent* in 1999-2000 to (-) 0.20 *per cent* in 2003-04.

(Paragraph 1.8.5)

- Both revenue deficit (Rs.685 crore) and fiscal deficit (Rs.1,395 crore) increased over previous year. The ratio of revenue deficit to fiscal deficit had increased from 34 *per cent* to 49 *per cent* compared to previous year indicating nearly 50 *per cent* of borrowed funds were used for current consumption.

(Paragraph 1.9.1)

2. Allocative priorities and appropriation

- Expenditure of Rs.17,172.24 crore was incurred against total grants and appropriations of Rs.22,053.72 crore. The net saving of Rs.4,881.48 crore was the result of overall saving of Rs.5,285.84 crore partly offset by excess of Rs.404.36 crore. The excess requires regularisation under Article 205 of the Constitution of India.

(Paragraph 2.2 and 2.3.2(2))

- Supplementary provision made during the year constituted 33.04 *per cent* of the original provision. Supplementary provision of Rs.985.55 crore made in 65 cases proved unnecessary in view of aggregate final saving of Rs.4,564.02 crore.

(Paragraph 2.3.3 and 2.3.4)

- Anticipated savings exceeding Rupees One crore in each case aggregating to Rs.4,875.07 crore under 60 grants were not surrendered.

(Paragraph 2.3.6)

Performance review of schemes/department

3. Fiscal Reforms Programme

Original Fiscal Reforms Programme and subsequent Medium Term Fiscal Reforms Programme (MTFRP) signed between the Government of India and the Government of Assam in January 2000 and March 2003 respectively did not bring about a tangible improvement in the fiscal position of the State because of non-enactment of any Legislation on Fiscal Responsibility and Budget Management. There were delayed and irregular implementation of tax and non-tax reforms programme compounded by the laxity in realisation of sales tax resulting in accumulated arrears, steep rise in non-Plan non-salary expenditure and large scale excess borrowings over the commitment made in MTFRP.

- The Government belatedly and irregularly conducted survey of potential taxpayers departmentally but, failed to furnish financial impact of increased assesses under Assam General Sales Tax (AGST: 3,361 assesses) and Central Sales Tax (CST: 547 assesses).
- Laxity in enforcing realisation of Sales tax resulted in accumulation of arrears amounting to Rs.421.66 crore to end of 2002-03.
- In violation of commitment made in MTFRP, Government provided budgetary support of Rs.1,665 crore to Assam State Transport Corporation.

(Paragraph 3.1)

4. Strategic and Border Roads (Indo-Bangladesh Border)

The Indo-Bangladesh Border Road and Fence Project was taken up during 1986-87 as a 100 per cent central assisted project with the objective of preventing illegal infiltration. A review of the construction of the road and fence works undertaken by the State Government revealed that the funds provided during 1999 to 2004 by the Government of India, for the purpose could not be utilised in full. Funds were diverted to other State units/agencies in the form of material and machinery resulting non completion of road and fence works till date and thereby exposing the international border to the infiltrators. As 40 per cent (107 Km) of the Indo-Bangladesh border under riverine section remained unsealed, the primary objective of preventing illegal infiltration stands defeated.

- Overall shortfall in construction of road was 4 per cent and 49 per cent under phase-I and phase-II respectively and that of fence was 4 per cent and 85 per cent respectively.
- The department did not handover 41.5 km of road and 6.4 km of fence to Central Public Works Department (CPWD) and Border Security Force (BSF) respectively for utilisation and maintenance. Also there were delays in handing over of 24.3 km of road and 64.9 km of fence ranging from three to eight years.
- The department incurred unfruitful/infructuous/wasteful/unproductive and unauthorised expenditure of Rs.9.13 crore.
- There were cases of misuse and locking up of central funds, aggregating Rs.7.53 crore.

(Paragraph 3.2)

5. Working of Sericulture Department including Manpower Management

The Sericulture Department is responsible for looking after overall development of Eri/Muga/Mulberry industry in the State through quality upgradation, technology absorption, productivity improvement etc. A review on the working of the department showed that budgetary and expenditure control was deficient leading to large unexplained savings. Internal control mechanism was virtually non-existent in the department. The Department had no annual action plan for implementation of various schemes, there was shortfall in production of cocoons, and idle manpower was entertained.

- Of Rs.8.26 crore received from Central Silk Board during 1998-2004, the Directorate could utilise only Rs.4.47 crore leaving the balance of Rs. 3.79 crore in Personal Ledger Account.
- Achievement in production ranged from 6 to 10 *per cent* in respect of eri disease free layings, 7 to 18 *per cent* in respect of muga seed cocoons and 8 to 48 *per cent* in respect of mulberry seed cocoons.
- The department could not utilise leaves worth Rs.2.37 crore produced in Eri Concentration Centres and Collective Mulberry Gardens during 1999-2004.

(Paragraph 3.3)

6. Internal Control/Internal Audit System in Government Departments

The Finance Department of the Government, primarily responsible for enforcing strict compliance of internal control in various departments/Directorates of the Government, could not successfully monitor and review the performances of the personnel of Assam Finance Service and Assam Audit Service cadre posted to different departments/Directorates through their respective Directorates. The apathy of the Government and the departments in enforcing proper internal controls, fiscal discipline and check measures under different parameters was largely responsible for defective planning and tardy programme implementation coupled with irregular budgetary practice, cash and manpower mis-management, non-maintenance of requisite records and control registers and insignificant performance of internal auditors.

- The Finance Department did not furnish deployment details of 1,285 officers of Assam Finance Service.
- Due to irregular, arbitrary and unrealistic budgeting practices adopted by seven out of eight Directorates, large savings aggregating Rs.68.87 crore to Rs.120.04 crore occurred during 1999-2004.

- Absence of regulatory checks and non-adherence to rules and orders of the Government resulted in locking up of funds in unspent cash balance of seven Directorates aggregating Rs.18.34 crore to Rs.33.32 crore at the end of each March of 1999-2004.
- Internal audit system was ineffective as the Internal Auditors did not enjoy independent status in six Directorates and five of them had no annual action plan for audit.

(Paragraph-5)

Audit Paragraphs

7. *Misappropriation/loss of Government money/financial mismanagement*

(i) Rupees 15.56 lakh were misappropriated by officials of the Executive Engineer's office (Agriculture), Diphu, during January 2001 to June 2003.

(Paragraph-4.1.1)

(ii) The Director of Secondary Education and his Drawing and Disbursing Officer caused a loss of Rs.6.92 lakh through not adhering to Financial Rules and not exercising regulatory checks, and their negligence led to misappropriation of Government money amounting to Rs.83.74 lakh.

(Paragraph-4.1.2)

(iii) The development branch of Deputy Commissioner, Tinsukia did not account for Rs.1.65 crore received from three different sources. Of the amounts credited to bank accounts, Rs.74.63 lakh could not be verified in audit due to missing credits and closure of bank accounts. Besides Rs.3.12 lakh was misappropriated by an accountant-cum-cashier.

(Paragraph-4.1.3)

8. *Infructuous / wasteful expenditure and overpayment*

(i) The Project Director, District Rural Development Agency, Dhubri failed to distribute 1,077 sets of tool kits procured during 1998-2000 to rural artisans rendering the expenditure of Rs. 21.08 lakh wasteful.

(Paragraph-4.2.2)

(ii) Due to incorrect execution of strengthening and repair works to semi permanent timber bridge on Goalpara–Dudhnoi Road during March–April 2002, the Executive Engineer, Goalpara Road Division incurred infructuous expenditure of Rs.22.78 lakh.

(Paragraph-4.2.3)

9. Avoidable/excess/unfruitful expenditure

(i) Non-payment of supplier's outstanding dues of Rs.40.68 lakh in time by the Executive Engineer, Guwahati Irrigation Division resulted in an avoidable extra expenditure of Rs.2.62 crore in the form of interest and cost of money suit.

(Paragraph-4.3.1)

(ii) Failure of the department in ensuring timely payment of construction dues in violation of the agreement with the contractor resulted in avoidable expenditure of Rs. 80.33 lakh.

(Paragraph-4.3.2)

(iii) Delay of over two years in taking up of a road work in Guwahati by the contractor due non-availability of store materials and non-finalisation of approved stone quarries by the Chief Engineer led to extra expenditure of Rs.2.85 crore which included excess payment of Rs.1.87 crore to the contractor.

(Paragraph-4.3.4)

(iv) Because of the failure of the Chief Engineer Public Works Department (Roads) to adopt uniform standards in fixation of rates for identical items of bridge works, the Department incurred avoidable excess expenditure of Rs.73.61 lakh.

(Paragraph-4.3.5)

(v) Failure of the department to construct approaches to a newly constructed bridge due to land acquisition problems rendered Rs.6.70 crore spent on construction of that bridge unproductive besides, allowing undue financial benefit of Rs.3.49 crore to a firm due to non-invoking of penal clause.

(Paragraph-4.3.9)

(vi) Because of the irregular approach in the construction of RCC bridge, the Department provided undue financial benefit of Rs.57.70 lakh to a construction firm besides incurring an extra expenditure of Rs.1.74 crore due to time and cost overrun.

(Paragraph-4.3.11)

10. Idle investment/idle establishment/blocking up of funds

(i) Assam State Co-operative Marketing and Consumer's Federation Limited (STATFED) did not lift 2,488.45 tonne of rice from Food Corporation of India even after expiry of over eight years of making payment resulting in locking up of Government funds of Rs.1.61 crore with an interest burden of Rs.1.54 crore, as of July 2003.

(Paragraph-4.4.2)

(ii) The Joint Director of Health Services, Tinsukia incurred nugatory expenditure of Rs.97.88 lakh towards pay and allowances of 27 officers/staff members appointed against two upgraded Community Health Centres under construction.

(Paragraph-4.4.3)

(iii) Failure of the Executive Engineers, Irrigation divisions, Guwahati and Rangiya to adjust advance payment of Rs.82.89 crore with Assam State Electricity Board (ASEB) led to locking up of Rs.55.69 crore for more than two years besides allowance of undue financial benefit of Rs.30.05 lakh to ASEB.

(Paragraph -4.4.5)

(v) The Director, Municipal Administration Department in violation of Government instructions of February 1999 retained Rs.1.36 crore in Revenue Deposit, which was further compounded by irregular release and utilisation of Rs.44.50 lakh in June 2003.

(Paragraph- 4.4.6)

(vi) Failure of the Executive Engineer, Inland Water Transport Division, Dibrugarh to settle/resettle ferry services during 1998-2004 resulted in idle expenditure of Rs.2.59 crore on pay and allowances of operational idle staff besides loss of Government revenue to the tune of Rs.3.12 lakh.

(Paragraphs-4.4.8)

11. Regularity issues and other points

(i) The Branch Manager, Assam State Co-operative Marketing and Consumer's Federation Limited (STATFED), Tezpur unauthorisedly retained 17,308.34 quintals of Mid-Day Meal rice costing Rs.97.79 lakh of which 8,121.31 quintals of rice were diverted towards flood relief.

(Paragraph-4.5.2)

(ii) Three works divisions irregularly and unauthorisedly paid Rs 9.13 crore to contractors through hand receipts.

(Paragraph-4.5.4)

(iii) The Executive Engineer, Inland Water Transport Division, Dibrugarh allowed undue financial benefit of Rs.87.78 lakh to the lessee of Dibru-Kachari-Oriumghat ferry service due to non-recovery of overdue installments of bid money and staff salary together with penal interest for delayed payments.

(Paragraph-4.5.5)

(iv) The Commissioner, Assam State Housing Board neither utilised Government funds of Rs.2.43 crore received during 1996-99 under Janata Housing Scheme nor was the amount accounted for in the cash book for five/six years. Besides, the Board had to bear an unjustifiable interest burden of Rs.25.76 lakh *per annum*.

(Paragraph-4.5.6)

(v) The Commissioner, Assam State Housing Board unauthorisedly diverted Government funds of Rs.2.56 crore meant for social housing schemes towards repayment of Housing and Urban Development Corporation (HUDCO) loan and payment of staff salaries etc.

(Paragraph-4.5.7)

12. Stores and stock

244.52 tonnes of rice worth Rs.30.08 lakh stored by five Block Development Officers under District Rural Development Agency Marigaon meant for utilisation under schemes like Employment Assurance Scheme, Swarnjayanti Gram Swarozgar Yojana etc., were damaged due to flood and prolonged storage.

(Paragraph-4.6.1)