

## Chapter-5

### Operational Controls

The operational controls of the entity's operations should be orderly, ethical, economical, efficient and effective. General expectations are that public servants should serve the public interest with fairness and manage public resource ethically.

Four case studies discussed in the succeeding paragraphs bring out the failure of the Government to observe the operational controls, in the test-checked offices of 15 departments during 2008-09 and 2009-10, relating to its policies and guidelines of schemes being implemented in the State.

#### *Health and Family Welfare Department*

##### **5.1 Procurement of bed nets of shorter shelf-life when bed nets of longer shelf-life were available and their delayed distribution**

*Procurement of insecticide treated bed nets of shorter shelf-life when bed nets of longer shelf-life were available at same rates and their delayed distribution resulted in wasteful expenditure of ₹83.37 lakh.*

GOI decision (i) below Rule 6 of GFR provides that, "Every officer is expected to exercise the same vigilance in respect of expenditure incurred from public moneys as a person of ordinary prudence would exercise in respect of expenditure of his own money".

Health and Family Welfare (A) Department sanctioned (February 2008) ₹3.88 crore for procurement of long-lasting insecticide treated bed nets @ ₹397 each against award of Twelfth Finance Commission. The Director of Health Services (DHS), Assam placed (February 2008) supply order on M/S Health Circle Private Limited, Guwahati for supply of 97,853 long lasting insecticide treated bed nets at the aforesaid rate within February 2008. The supplier was asked to supply bed nets having shelf-life of one year, although bed nets with shelf life of four years were available at same price. The firm supplied 68,000 and 29,853 bed nets in March and May 2008 respectively.

Test-check (July 2009) of the records of DHS, Assam revealed that the 68,000 bed nets supplied in March 2008 had shelf-life of only 10 months (date of expiry: January 2009). Of these 68,000, 47,000 bed nets were issued to different Civil hospitals of Assam between May and August 2008 and remaining 21,000 bed nets were issued in February 2009, when their shelf-life had already expired.

Thus, due to acceptance of bed nets having shorter shelf-life and inability on the part of the Department to issue the bed nets promptly on their receipt frustrated the objective of procuring the insecticide treated bed nets. This was not only failure of operational controls but also led to unfruitful expenditure of ₹83.37 lakh<sup>7</sup>. Besides, 47,000 bed nets, worth ₹1.87 crore, issued to different civil hospitals, had shelf-life of only 10 months, which obviously limited the effectiveness of the bed nets in terms of

<sup>7</sup> ₹397 X 21000 = ₹83.37 lakh.

time. Significantly, as a part of the same consignment, 29,853 bed nets were received in May 2008 with shelf-life of almost four years, at the same price. Thus, ordering supply of bed nets with shorter shelf-lives (10 and 12 months) when bed nets with longer shelf-life were obtained at the same price was injudicious and infraction of Rule 6 of GFR.

In reply Government stated (March 2010 & July 2010) that the period of effectiveness is calculated from the date of its use and not the date of manufacture. Reply of the Government is contradictory as the stock register itself shows that date of expiry of the shelf life of the bed nets was one year (upto January 2009).

## *Home Department*

### **5.2 In violation of the provision of Assam Jail Manual, the Government handed over the work of 'construction of new Central Jail', to APHC Ltd., withdrawing the same from PWD**

*The injudicious decision of the Government to handover the work, 'construction of new Central Jail', to APHC Ltd., withdrawing the same from PWD in violation of the provision of Assam Jail Manual, resulted in extra expenditure of ₹64.48 lakh besides non-completion within the schedule resulted in cost overrun of ₹5.24 crore.*

According to Assam Jail Manual, all works of original nature (including addition/alteration to existing structures) as well as all repairs to the jail buildings, borne on the books of PWD are to be technically sanctioned and executed by PWD after obtaining the relevant administrative approval from the competent authority.

Test-check (May 2009) of the records of the Inspector General of Prisons, Assam revealed that under the scheme "Modernization of Prison Administration" the Government of Assam had taken up the work, 'construction of new Central

Jail at Sarusajai, Guwahati' and an estimate of ₹15.26 crore was prepared (December 2004) by the Executive Engineer, PWD (Building), Guwahati. Though the Government of Assam, Home Department accorded (January 2005) the administrative approval for ₹14.31 crore, but necessary technical sanction was not obtained from PWD. The Inspector General (Prison) entrusted the work to the Chief Engineer, PWD (Building), Assam (January 2005) with a request to complete the work expeditiously. The work was started in May 2005 after a delay of nearly four months.

Further scrutiny revealed that a meeting was held (9 November 2006) in the official residence of Hon'ble Minister, Jails and Social Welfare, wherein it was decided that in order to expedite the progress of the works, the portion of works which were already started by PWD would be continued and completed by them and the remaining portion of works, which had not yet been started by PWD, would be entrusted to Assam Police Housing Corporation (APHC) Ltd. This was stated to be done for expeditious execution with a condition that the works would be done by APHC Ltd through the same contractors to whom these works had been allotted by PWD without any alteration in the tendered values and terms and conditions. Accordingly, Home Department entrusted (December 2006) all the works, which had not been started by PWD, to APHC Ltd. with an instruction to complete the work by March 2007. PWD handed over the relevant portion of works to APHC Ltd in December 2006.

Further information revealed that APHC Ltd., instead of completing the work by March 2007, submitted in August 2008 i.e., 17 months after the schedule of completion, a revised estimate for ₹22.51 crore, incorporating 10 *per cent* agency charge, three *per cent* contingency charge and two *per cent* work charge to Home Department for Phase –I of the work, though for the same item of works the estimate of PWD was ₹13.53 crore. The Administrative Approval of the revised estimate for ₹19.55 crore was accorded (November 2008) by Home Department after allowing five *per cent* agency charge of ₹88.85 lakh and one *per cent* contingency charge of ₹17.77 lakh. From the physical progress report submitted by APHC Ltd. till March 2009, it was noticed that the agency failed to complete the work (progress 20 to 100 *per cent* under different components) within the stipulated date (March 2007). An amount of ₹13.54 crore had already been paid to APHC Ltd. till May 2009 besides payment of ₹77.94 lakh to PWD upto February 2008 against their respective completed items of works.

Thus, the intended objective of expeditious execution of the work through APHC had not been achieved. Further, the injudicious decision of the Government to handover the work to APHC Ltd., in violation of the provision of Assam Jail Manual, resulted in an extra expenditure of ₹64.48 lakh towards payment of five *per cent* agency charge to APHC Ltd. There was already (March 2010) cost overrun of ₹5.24 crore and time over run of three years.

In reply, Government stated (July 2010) that entrustment of Government works to Public Sector Work Agencies such as APHC Ltd. was not incorporated in the Jail Manual, which was last revised in 1934. Besides, APHC Ltd. is officially entitled to 5 *per cent* agency charge. But the fact remains that Government had to bear an extra burden of ₹64.48 lakh towards agency charge due to handing over of the work to APHC Ltd from PWD. Further, non-completion of the work on scheduled date resulted in cost overrun of ₹5.24 crore.

***The injudicious action of the Government to change the implementing agency mid-way without taking into consideration the costs, benefits and risks involved was indicative of lax controls vis-à-vis its operations in safeguarding the resources of the State and also to deliver services/goods on time.***

### ***Revenue (Reforms) and Disaster Management Department***

#### **5.3 Injudicious procurement, without budget provision and delay in payment of supplier's outstanding claim**

***Injudicious procurement, without budget provision and avoidable delay in payment of supplier's outstanding claim, resulted in avoidable expenditure of ₹25.11 lakh towards payment of interest.***

According to the Assam Budget Manual, expenditure should not be incurred on schemes/services without provision of funds. The Director of Land Records and Surveys (DLR), Assam placed (September 1998) a supply order on the Assam Small Industries Development Corporation Ltd. (ASIDC), Guwahati, a State Government undertaking, for supply of tent and tarpaulin valued at ₹7.86 lakh (cost of materials: ₹7.51 lakh and ASIDC's commission: ₹0.35 lakh). DLR placed the supply order without any provision in the

budget and without any sanction from the Government. ASIDC entrusted M/s Assam Tent and Tarpaulin Industries, to supply the materials. The materials were supplied (March 1999) and a bill for ₹7.86 lakh was submitted by the ASIDC for payment in March 1999 to DLR.

Test-check (August 2009) of the records of DLR revealed that after eight months (November 1999) of receipt of the materials the Director requested the Government for providing fund for payment to supplier. The Government asked (December 1999) the Directorate to explain the reasons for purchase of materials when there was no budget provision for the purpose. The reply furnished (August 2000 and March 2001) by the Director was not found satisfactory and the sanction and provision for fund were not accorded.

Meanwhile, the supplier approached the Civil Courts for getting his payment released from ASIDC. The Court directed (August 2003) for payment of bill valued at ₹7,50,854 with compound interest at the rate of 18 *per cent* per annum from the date of the bill till the date of full and final payment. As the payment was not received by the supplier, he again appealed in High Court for realization of his dues and once again, the Hon'ble High Court ruled in his favour (November 2006).

As a compliance of the Court orders, Revenue (Reforms) & Disaster Management Department accorded sanction for ₹32.62 lakh for payment of the cost (₹7.51 lakh) of materials to ASIDC with 18 *per cent* compound interest from 7 July 1999 to 16 January 2008 (₹25.11 lakh) to M/s Assam Tent and Tarpaulin Industries, Guwahati. The payments were made between January 2008 (₹29.95 lakh) and February 2009 (₹2.67 lakh).

***Thus, the injudicious supply order placed without required budget provision and avoidable delay in payment of supplier's outstanding claim and failure of internal control resulted in avoidable expenditure of ₹25.11 lakh towards payment of interest.***

The Government accepted (April 2010) the observation and stated that action had been initiated against officers responsible for issue of supply orders without budget provision.

## ***Power Department***

### **5.4 Delay in payment of outstanding dues**

***Delay in payment of outstanding dues resulted in payment of additional/penal interest to the tune of ₹4.44 crore.***

Power Department assumed liabilities (November 2003) of outstanding dues (as on 31 October 2003) of purchased power by Assam State Electricity Board (ASEB) to GRID Corporation of Orissa Limited, Bhubaneswar (GRIDCO), under the Financial Restructuring Plan (FRP). The outstanding dues were ₹127.11 crore (Principal: ₹47.27 crore and Surcharge: ₹79.84 crore). A meeting was held (April 2004) between ASEB and GRIDCO to determine the payment modalities, wherein GRIDCO agreed to waive 60 *per cent* surcharge on the request of ASEB.

According to the modalities, the Government of Assam was to pay ₹100.65 crore (Principal: ₹79.20 crore and interest: ₹21.45 crore) over a period of five years from November 2003 to July 2008 in 20 quarterly installments. The payment modalities were accepted by the Government of Assam and the same was conveyed (May 2005) to GRIDCO.

Test-check (May-June 2009) of the records of Deputy Secretary, Secretariat Administration (Accounts) Department revealed that the Government of Assam released and paid (between October 2005 and June 2008) ₹105.09 crore to GRIDCO. An excess payment of ₹4.44 crore (₹105.09 crore – ₹100.65 crore) had to be made due to delays (ranging from 9 to 466 days) in payments of principal and interest thereon. The delay was unwarranted, especially in view of the fact that there were unsurrendered savings, in each year during 2004-09 in the Department, which ranged from ₹137 crore to ₹4,290 crore under the relevant head of account. Further, GRIDCO claimed (October 2008) another amount of ₹54.37 lakh, being the interest and penal interest on the principal loan of ₹79.21 crore, due to delays in payment of installment on scheduled dates. The Government of Assam requested (February 2009) to waive the same; the response of GRIDCO was awaited (August 2010).

Thus, despite availability of budgetary provision, the timely payment was not made to GRIDCO though the Department was signatory to the payment schedule. Due to delay in payment of outstanding dues, as per agreement, the Government had to incur a loss of ₹4.44 crore towards payment of additional and penal interest. The loss of ₹4.44 crore could have been avoided if the due payments were made to the GRIDCO on time. The Government accepted the audit observation and stated (June 2010) that the delay occurred in observing the formalities of sanction and release of funds.

***This was indicative of poor monitoring and weak internal controls in the Department and raises a question mark on the working efficiency of the Department.***