

CHAPTER III

GENERAL SECTOR

3.1 Introduction

This Chapter of the Audit Report for the year ended 31st March 2012 deals with the findings on Audit of the State Government units under general sector.

During 2011-12, total budget allocation of the State Government in the major departments under General Sector was ₹ 952.15 crore against which actual expenditure was ₹ 864.69 crore. Details of Department wise budget allocation and expenditure are given in **Table 3.1** below:

Table 3.1

(₹ in crore)

Sl. No.	Name of the Departments	Total Budget Allocation	Expenditure
1.	Governor	4.13	3.83
2.	Legislative	36.26	29.65
3.	General Administration	451	408.46
4.	Home	340.03	321.70
5.	Legal Metrology	8.37	8.41
6.	Election	13.70	13.54
7.	Fire Services	15.55	14.53
8.	Land Management	17.60	16.20
9.	Administration of Justice	25.00	9.74
10.	Stationery and Profiting	7.25	6.91
11.	Protocol	1.07	1.05
12.	Parliamentary Affairs	5.57	5.49
13.	Information and Public Relation	16.14	15.58
14.	State Public Service Commission	4.83	4.82
15.	Administrative Training Institute	3.28	3.14
16.	State Information Commission	1.48	1.22
17.	State Lotteries	0.89	0.42
TOTAL		952.15	864.69

Source: Appropriation Accounts 2011-12

3.1.1 Planning and Conduct of Audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of the department.

The Audits were conducted involving expenditure amounting ₹ 75.27 crore of the state Government under general sector. This chapter of Audit Report contains three Transaction Audit paragraph pertaining to General Sector.

After completion of Audit of each unit, Inspection Reports containing audit findings are issued to the heads of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these inspection reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the state under article 151 of the constitution of India.

The major observations pertaining to General Sector detected in Audit during the year 2011-12 are discussed in the subsequent paragraph of this chapter.

SECRETARIAT GENERAL SERVICES DEPARTMENT

3.2 Admission of fraudulent medical claims due to failure in exercising due diligence

Due to failure in exercising due diligence by Controlling Officer/Drawing Disbursing Officer, excess medical reimbursement of ₹ 42.72 lakh of was obtained by the staff of the Commissioner's Office, Itanagar, by preferring fraudulent medical claims.

Rule 3(2) of the Medical Attendant Rules states - *“provided that the Controlling Officer shall reject any medical claim, if he is not satisfied with its genuineness on facts and circumstances of each case after giving an opportunity of being heard in the matter.”* Rule 5 of Appendix-II of the rules further provides that all bills for charges on account of medical attendance and treatment should be countersigned by the controlling authority. The Controlling Officer is responsible for careful scrutiny to ensure the genuineness of medical expenses before signing or countersigning the claims.

Scrutiny of Treasury Vouchers/Bills for the month of March 2009 pertaining to the Office of Commissioner, Secretariat General Services Department, Itanagar, in Central Audit in June 2011, revealed that medical reimbursement claims totalling ₹ 44.31 lakh in 16 bills preferred by 11 staff attached to the Commissioner's office, Itanagar, for themselves/family members were passed for payment in the month of March 2009 against the claims preferred by these staff between April 2008 and December 2008. Individual claims ranged from ₹ 2.02 lakh to ₹ 9.78 lakh.

Scrutiny further revealed that the claims were apparently passed for payment by the Controlling Officer (CO)/Drawing & Disbursement Officer (DDO), without exercising prescribed mandatory checks. The claims were manipulated by inflating the prices of medicines (in 15 bills - ₹ 36.73 lakh), preferring reimbursement claims for medicines not prescribed by a doctor (in 3 bills - ₹ 2.15 lakh), laboratory charges not supported by cash memos nor prescribed by a doctor (in 5 bills - ₹ 1.77 lakh) and making claims without supporting cash memos (in 4 bills - ₹ 2.07 lakh). The actual admissible amount, duly supported by doctors' prescriptions and cash memos of the medical store/pharmacy or laboratory worked out to only ₹ 1.59 lakh in respect of the 11 employees, whereas the Department reimbursed medical claims amounting to ₹ 44.31 lakh, resulting in excess payment of ₹ 42.72 lakh, as detailed in the **Appendix 3.1.**

Failure on the part of CO/DDO to exercise the prescribed checks while passing the medical reimbursement bills, resulted in fraudulent drawal of excess medical claims amounting to ₹ 42.72 lakh. Action needs to be taken to recover the inadmissible amount and also appropriate administrative action be taken against not only the staff

who preferred fraudulent claims but also against the authorities who failed to discharge their duties diligently, which facilitated the payment of fraudulent claims.

The matter was reported to the Government in July 2011; reply is still awaited as of March 2013.

LAND MANAGEMENT DEPARTMENT

3.3. Wasteful Expenditure on defective Cadastral Survey Work

Cadastral Survey work awarded to a firm on an unsolicited offer without inviting tenders, ₹ 68.88 lakh paid for services was a waste as the work done by the firm was later on turned defective. The amount could not be recovered from the firm as the bank guarantee provided has been released even before the assessment of the work done was carried out and the whereabouts of the firm was traceable.

The State Government accorded (December 2003) Administrative Approval and Expenditure Sanction (AA & ES) of ₹ 72.50 lakh for carrying out Cadastral Survey and Settlement operations at Roing (₹ 51 lakh) and Changlang (₹ 21.50 lakh) Townships under the Eleventh Finance Commission (EFC) 'Upgradation and Special Problem' Grant.

Scrutiny of records (July 2011) of the Director of Land Management, Itanagar, revealed that an unsolicited offer (September 2003) from M/s Abhinava Info Systems, Guwahati, was received by the Department. The firm identified themselves as a pioneering institute of the North Eastern Region, having professional competence for the work. In the follow-up letter (October 2003), outlining their methodology of Cadastral Survey, the firm put forth the specific advantage of their offer (a) imparting training and demonstrations to concerned officers, and (b) undertaking a two year responsibility for maintenance of the entire Land Management System, if the work was allotted to them.

In this case, no Tender/Quotation was invited for the work either to obtain competitive rates or to evaluate the best offer, on the ground that there was not enough time, as the project was to be completed within the financial year. Accordingly, in October 2003, a work order for ₹ 72.50 lakh was issued to the firm even before the AA & ES was accorded (December 2003) by the Government. Verification of credentials of the firm before issue of the work order was not available on record.

In the Work Order issued to the firm, responsibility for maintenance of the entire Land Management System for two years, as offered by the firm in October 2003, was not included. Reasons for the non-inclusion this clause was not on record. As per

terms and conditions of the work order, advance payment would be made against a bank guarantee and final payment would be made after submission of all outputs. The work was to be completed within five months, i.e., by March 2004. Failing which the work order was to be cancelled and the work allotted to another firm and suitable compensation realised from the defaulting firm. All CDs/Soft Copies/Hard Copies/Maps, etc; were to be returned to the Department. An amount of ₹ 50 lakh was paid (December 2003) as advance against a Bank Guarantee.

The firm however sought extension, in April 2004, on the ground of late receipt of satellite images from the National Remote Sensing Agency and unprecedented continuous rain. The firm submitted its final Survey Report in November 2004. There was no clause in the work order for quality evaluation regarding satisfactory performance before release of payment to the firm. An amount of ₹ 16 lakh was further paid to the firm in February 2005. The Department then released ₹ 2.88 lakh against a Final Bill in April 2005. Thus, a total of ₹ 68.88 lakh was paid to the firm for services rendered. Thereafter, the Bank Guarantee was released.

In March 2005, a Quality Evaluation Team (QET) was constituted to evaluate the quality of the Cadastral Survey works, like maps and other output prepared and submitted by the firm. The QET conducted field verification (August 2005) and reported defects in the survey works carried out by the firm, viz., Control Pillars were much smaller than the standard size, serial numbers of Control Pillars were not inscribed, Cadastral Survey Maps were not prepared based on natural and physical boundaries as per norms, test-checked plots did not tally with the actual ground area, etc;.

The firm did not turn up to rectify the defects pointed out by the QET despite repeated requests. Finally, in December 2008, the Department declared that the whereabouts of the firm were not known. Apart from issuing of letter to the firm no formal complaint was lodge with the authorities to locate the firm.

Thus, due to (i) failure to verify the credential of the firm before award of work and (ii) payment of entire amount due for the work done and even release of bank guarantee before the quality of the work done was evaluated; the department could not force the firm to rectify the defects pointed out by QET as the whereabouts of the firm was not known, which resulted in rendering entire amount of ₹ 68.88 lakh paid to the firm unfruitful.

The matter was reported to Government in August 2012; reply is still awaited as of March 2013.

HOME (POLICE) DEPARTMENT AND DIRECTOR, TIRAP AND CHANGLANG AFFAIRS

3.4. Loss/Theft of Cash due to negligence

Due to practice of withdrawing the cash for making payment of suppliers bills instead of payment by cheque/bank draft, contravening prescribed rules, there was theft of cash amounting to ₹19.19 lakh

Rule 30 (i) of 'Receipt and Payment Rules' provides that payments to suppliers be made by cheques/bank drafts. Further, Rule 13 of the ibid Rules stipulate that security coverage should be provided (one or two guards) when the amount of cash to be handled is large. Government departments have also the facility to endorse bills through treasury challans for remittance to suppliers'/contractors' bank accounts.

Test-check of records of the Superintendent of Police (Telecommunication), Itanagar, and the Director of Tirap & Changlang Affairs, Chimpu, during January 2011 and January 2012 respectively, revealed that due to non-observance of prescribed rules, there were two cases of loss/theft of cash totalling to ₹ 19.19 lakh drawn from the bank for payment of suppliers' bills as discussed in the following paragraphs:

- a) On 24 October 2009, the Superintendent of Police (Telecommunication) drew ₹ 12.59 lakh from the bank for payment to suppliers against bills kept under Deposit at Call, out of which ₹ 12 lakh was reported lost in transit as the cash carrying team got down from the vehicle leaving the cash behind (in the vehicle). No security guard was provided to the team for transporting the cash from bank. A FIR on the matter was lodged on the same day with the Itanagar Police Station. The officials of team carrying cash were placed under suspension and the matter assigned to a Special Investigation Team (SIT) on 13 January 2011 for investigation. The SIT Report was still awaited (January 2013).
- b) On 28 April 2011, the Assistant-cum-Cashier of the office of the Director of Tirap and Changlang Affairs, Chimpu, Itanagar obtained the signature of the Drawing and Disbursing Officer (DDO) on the Deposit at Call for ₹ 7.19 lakh against a vehicle repair bill. On 02 May 2011, the Assistant-cum-Cashier went to bank by his own car and on return reported that the cash drawn was stolen/robbed from his parked car breaking the window when he was taking food at nearby hotel. No security guard was arranged for transporting the cash from the bank. In this case also, a FIR was lodged on the matter with Itanagar Police Station on 02 May 2011. The Assistant was placed under suspension and a departmental inquiry committee was constituted on 20 May 2011 to investigate the matter. The inquiry committee in its report (undated) concluded that circumstantial evidence indicated clandestine involvement, pre-planned

motive and complete negligence of the Assistant-cum-Cashier from the beginning to the end of the series of events that occurred. The Police investigation report and further developments in the case were still awaited (September 2012).

In both cases the incidents occurred due to non-observance of prescribed rules, which led to the theft of cash totalling to ₹ 19.19 lakh and consequent loss to the State exchequer.

The matter was reported to Government in November 2012; reply is still awaited as of March 2013.