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**REPORT OF THE
COMPTROLLER AND AUDITOR
GENERAL OF INDIA**



**FOR THE YEAR ENDED
31 MARCH 2009**

**NORTH CACHAR HILLS
AUTONOMOUS COUNCIL
HAFLONG, ASSAM**



सत्यमेव जयते

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Preface

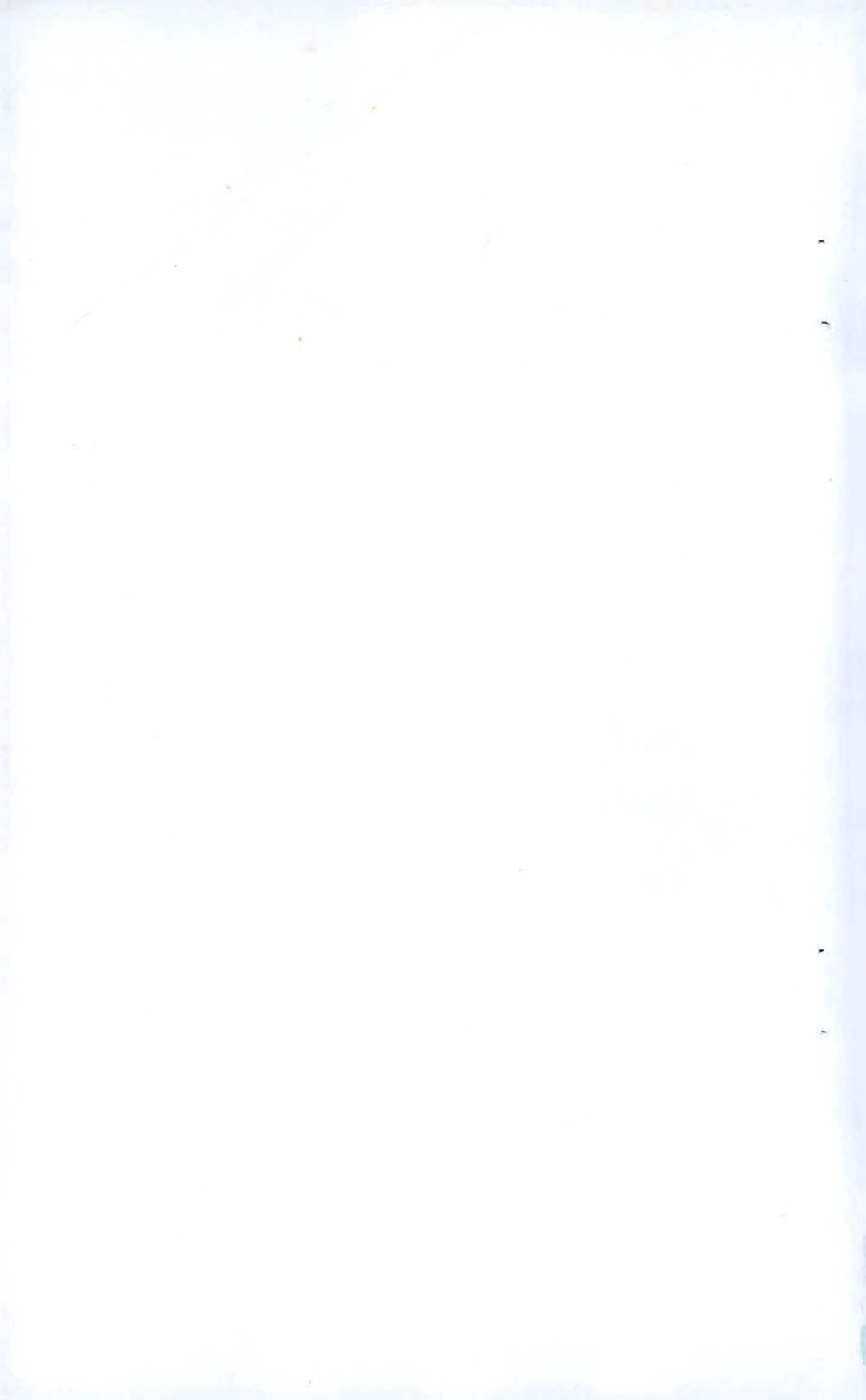
This Report has been prepared for submission to the Governor under paragraph 7(4) of the Sixth Schedule to the Constitution of India. It relates mainly to the points arising from the audit of the financial transactions of the North Cachar Hills Autonomous Council, (NCHAC) Haflong, Assam.

The observation included in the Report are those which came to notice in the course of special audit of eight selected departments under administrative control of NCHAC executing entrusted functions conducted during May-July 2010 and test check of annual accounts for 2008-09 conducted during May-June 2011.

The Report contains three sections, of which the first section deals with the constitution of the Council, the rules for the management of the District Fund and maintenance of accounts by the Council. The remaining two sections include audit comments on the Council's financial position and various irregularities noticed in transactions relating to the year 2008-09 in respect of normal or inherent as well as entrusted functions.

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OVERVIEW

This Report contains three sections. Section-I deals with the constitution of the Council, rules for the management of District Fund and relevant constitutional provisions on maintenance of accounts. Section-II deals with comments arising out of audit of annual accounts of the Council for 2008-09 and contains fifteen paragraphs while Section-III of the Report details the audit findings pertaining to transaction audit relating to discharge of normal or inherent and entrusted functions of the Council and contains seventeen paragraphs. A synopsis of significant audit findings contained in the Report is given below:

Comments on Accounts

- The Council met its revenue deficit of ₹ 28.51 crore under normal or inherent functions by unauthorizedly diverting funds advanced by the State Government for discharging entrusted functions.

(Paragraph 2.1.1)

- Compared to the budget estimates, the revenue collection excluding grants-in-aid showed a large shortfall of ₹ 8.41 crore (54 per cent).

(Paragraph 2.1.3)

- Under entrusted functions, the Council diverted ₹ 2.44 crore from one major head of account to another without due authorization from the State Government through re-appropriation.

(Paragraph 2.3.3)

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- The Council did not reconcile discrepancies in closing balances appearing in two different sets of records. viz., Treasury records and cashbooks despite these having been pointed out in successive Audit Reports.

(Paragraph 2.3.4)

Audit findings on transaction audit of normal or inherent functions

- Due to short extraction of bamboo, NCHAC failed to generate revenue to the tune of ₹ 1.23 crore.

(Paragraph 3.1)

- Extra expenditure of ₹ 8.31 crore due to deployment of teachers in excess of prescribed norms.

(Paragraph 3.2)

Audit findings on transaction audit of entrusted functions

- In violation of the relevant provisions of Assam Financial Rules, NCHAC withdrew ₹ 2.20 crore from district fund. Non-accountal of the amount in cash book and absence of any records in support of its utilisation point towards misappropriation of the Government money.

(Paragraph 4.1.1)

- NCHAC failed to produce details of utilization in support of ₹ seven crore withdrawn from District Fund, suggesting possibility of misappropriation.

(Paragraph 4.2.1)

- NCHAC failed to furnish utilization and whereabouts of ₹ 1.75 crore after its withdrawal from district fund. Thus, misappropriation of the said amount could not be ruled out.

(Paragraph 4.3.1)

- Payment of ₹ 2.17 crore without ensuring receipt of materials/execution of works resulted in loss of Government money to that extent.

(Paragraph 4.4.1)

- Injudicious decision of NCHAC for procurement of GI pipes without assessing availability of fund for execution of work resulted in unproductive expenditure of ₹ 2.14 crore.

(Paragraph 4.4.2)

- Procurement of GI pipes worth ₹ 1.72 crore and their prolonged storage without utilization led to idle expenditure to that extent.

(Paragraph 4.4.3)

- Out of ₹ 12.94 crore received by the Deputy Director, NC Hills, Haflong from NCHAC during 2007-09 under different components of Integrated Child Development Service Programme, expenditure of ₹ 12.63 crore remained doubtful in the absence of transparent records and in violation of financial and execution norms.

(Paragraph 4.5.1)



Section-I

1.1 Introduction

The North Cachar Hills District Council in Assam was set up in April 1952 under Article 244(2) read with the Sixth Schedule to the Constitution of India. It was renamed as North Cachar Hills Autonomous Council (NCHAC) on 13 September 1995. The district was renamed as "Dima Hasao" on 30 March 2010 and the Council is using the nomenclature "Dima Hasao Autonomous Council" in their official records. However, amendment of Sixth Schedule to the Constitution of India has not yet been carried out.

Sixth Schedule (Schedule) to the Constitution of India provides for administration of specified tribal areas. For that purpose, it provides for the constitution of a District Council for each autonomous district with powers to make laws on matters listed in paragraph 3(1) of the Schedule, mainly in respect of allotment, occupation, use of land, management of forests (other than reserve forests), use *etc.*, of any canal or watercourse for agriculture, regulation of the practice of 'Jhum' or other forms of shifting cultivation, establishment of village or town committees or councils and their powers, village or town administration including, Public Health and Sanitation and inheritance of property. Paragraph 6(1) of the Schedule empowers the Councils to establish, construct or manage primary schools, dispensaries, markets, cattle pounds, ferries, fisheries, roads, road transport and waterways in the respective autonomous districts. The Councils also have the powers to assess, levy and collect within the autonomous districts, revenue in respect of land and buildings, taxes on professions, trades, callings and

employments, animals, vehicles and boats, tolls on passengers and goods carried in ferries, and the maintenance of schools, dispensaries or roads as listed in paragraph 8 of the Schedule. The above functions are called normal or inherent functions of the council in the common parlance.

In addition, under paragraph 6(2) of the Schedule, *ibid*, the State Government entrusted additional functions (called entrusted functions) to NCHAC in relation to agriculture, animal husbandry, cottage industries, soil conservation, social welfare, fisheries, forests *etc.*, since June 1970 (as revised in November 1979, November 1992 and December 1996). According to the terms of latest entrustment, the State Government is to make funds available to NCHAC in advance so that the latter can finance the expenditure relating to entrusted functions. NCHAC is to render monthly detailed accounts against the expenditure to the Principal Accountant General (A&E), Assam for making necessary adjustments. Budget provision for these functions is to be made in the State budget, and the Council is responsible to the State Legislature in respect of all matters relating to such funds provided for discharging the functions entrusted to it in terms of Office Memorandum (31 December 1996) of the Government of Assam.

1.2 Rules for the management of District Fund

The Sixth Schedule to the Constitution of India provides for the constitution of a District Fund for each autonomous district, to which shall be credited all moneys received by the Council in the course of administration of the district in accordance with the provisions of the Constitution. In exercise of the powers conferred under Sub-Para (2) of Para 7 of the Schedule

(as it stood originally), the affairs of the District Councils are being regulated under the respective District Council Fund Rules. In respect of this District Council, these are regulated under the North Cachar Hills District Fund Rules, 1953 (called Fund Rules) as approved by the Governor of Assam. In view of the amendment to paragraph 7(2) of the Schedule (made with effect from 2 April 1970 which provides that rules are to be framed by the Governor for the management of the District Fund and for the procedure to be followed in respect of payment of money into the said Fund, the withdrawal of money therefrom, the custody of money therein and any other matter connected with or ancillary to these matters), the State Government prepared draft District Fund Rules, in 1972 common to Councils that existed in Assam at that time. These draft rules were subsequently revised as the draft District Fund Rules (DFR), 1978, the Autonomous District Fund Rules, 1989, 1992 and 1995. The revised Draft DFR, 1995 were not finalised due to non-amendment of the Sixth Schedule to the Constitution of India. However, the State Government constituted (October 2010) a committee to finalise the amendments and draft DFR of NCHAC and Karbi Anglong Autonomous Council (KAAC) without taking up the requirement of amendment of the Sixth Schedule to the Constitution of India. The proposed draft amendments are yet to be finalized (July 2012).

1.3 Maintenance of Accounts

In pursuance of paragraph 7(3) of the Sixth Schedule to the Constitution, the form in which the accounts of the District Council are to be maintained was prescribed by the Comptroller and Auditor General of India with the approval of the President in April 1977. The State Government forwarded this format of accounts to the

NCHAC in March 1978. The annual accounts for the year 2008-09 have been prepared in the prescribed format and submitted to Audit in August 2010. Audit was, however, taken up belatedly as NCHAC had requested (June and November 2010) for postponing the audit on account of their preoccupation in the investigation being carried out by CBI and other agencies. Audit was, therefore, taken up during May-June 2011 and followed up in November 2011 by field visit for subsequent clarification and updation.

Results of test check of annual accounts of NCHAC for 2008-09 are included in the succeeding paragraphs.

SECTION –II

2.1 Receipts and Disbursement

As per the Annual Accounts, the receipts and expenditure of NCHAC for the year 2008-09 and the resultant revenue and capital deficits were as shown in Table-1:

Table- 1

(₹ in lakh)

Part I District Fund		
A	Revenue Receipt and Expenditure	
Revenue Receipts		Revenue Expenditure
2008-09		2008-09
(1)	(2)	(3)
212.30	Taxes on Income and Expenditure	--
171.53	Land Revenue	148.72
1.27	Stamps and Registration	--
0.00	Interest Receipt	--
--	Education	3256.22
196.91	Forests	746.92
88.76	Mines and Minerals	--
--	District Council	62.06
--	Executive Members	24.81
--	Administration of Justice	21.20
--	Secretariat General Services	428.36
--	Pension and other Retirement Benefits	42.95
--	Art and Culture	58.37
--	Urban Development	23.89
--	Information and Publicity	2.98
--	Social security and Welfare	19.32
--	Relief on account of Natural calamities	0.14
3.90	Roads and Transport Services	44.61
0.04	Stationery and Printing	16.57
3.40	Public Works	424.82
39.61	Other General Economic Services	120.74
1873.68	Grants in Aid from State Government	--
2591.40	Total –A: Revenue Receipts and Expenditure	5442.68
2851.28	Revenue Deficit	--

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(1)	(2)	(3)
B	Capital Receipts and Disbursements	
--	Capital account	62.09
--	Debt	--
--	Loans and Advances	--
0.02	Recoveries of Loans and Advances	--
--	Disbursement of Loans and Advances	--
--	Total-B: Capital Receipts and Disbursements	62.09
62.07	Deficit under Capital and Loans and Advances	--
2591.42	Total Receipts and Payments under Part - I - District Fund	5504.77
5504.77	Total Part -I District Fund	5504.77
C	PART-II Deposit Fund	
Receipt	Receipts and Disbursement under entrusted functions of the State Government	Disbursements
20063.55	Funds Received from the State Government	--
--	Expenditure incurred out of Deposit Fund	17408.07
--	Surplus/Savings on Deposit Fund	2655.48
20063.55	Total-C : Part - II Deposit Fund	20063.55
22654.97	Total Receipts and Disbursement under Part - I & II	22912.84
D	Opening balance/ Closing balance	
31.97*	Cash	-225.90*
22686.94	Grand Total (A+B+C+D)	22686.94

Source: Annual Accounts of NCHAC

*Discrepancy between opening and closing balance in the Annual Accounts 2008-09 has been mentioned in Para 2.2.6.

2.1.1 Revenue Deficit

Revenue Receipts (including Grants-in-Aid from the State Government) of NCHAC for 2008-09 pertaining to the functions as specified in the Sixth Schedule to the Constitution were ₹ 25.91 crore. Against this, NCHAC spent ₹ 54.42 crore resulting in revenue deficit of ₹ 28.51 crore. The excess expenditure was met during the year by irregular diversion of funds provided by the

State Government for discharging entrusted functions despite this being pointed out in previous Audit Reports. This irregular diversion was bound to adversely affect the outcome of the allotments made by the Government as earmarked in the State budget for different specific programme/functions. Occurrence of such irregularity needs to be avoided.

2.1.2 Receipts and Expenditures compared with the actuals of previous year

There was a decrease in receipts and increase in expenditure under different heads of account between the current and previous year. A few such instances are given in Table-2:

Table-2
A-Receipts

Sl. No.	Heads of Account (Receipts)	Actual Receipts in 2007-08	Actual Receipts in 2008-09	Decrease in receipts	Percentage of variation
	(₹ in lakh)				
1	Land Revenue	184.59	171.53	13.06	7
2	Roads and Transport services	6.61	3.90	2.71	41
3	Other General Economic Services	144.72	39.61	105.11	73

B-Expenditure

Sl. No.	Heads of Account (Expenditure)	Expenditure in 2007-08	Expenditure in 2008-09	Increase in expenditure	Percentage of variation
1	Forest	650.15	746.92	96.77	15
2	Education	2435.65	3256.22	820.57	34
3	Executive member	17.34	24.81	7.47	43
4	Secretariat General Services	343.30	428.36	85.06	25
5	Art and Culture	27.64	58.37	30.73	111
6	Pubic Works	308.40	424.82	116.42	38
7	Other General Economic Services	107.84	120.74	12.90	12
8	Urban Development	19.20	23.89	4.69	24

Source: Annual Accounts

Reasons for decrease in revenue receipts ranging from 7 to 73 *per cent* and increase in expenditure ranging from 12 to 111 *per cent* with reference to the previous year as depicted in the above cases, though called for, had not been intimated by the Council (August 2012).

2.1.3 Receipts and expenditures compared to budget provisions

Revenue Receipts (excluding Grants-in-Aid of ₹ 18.73 crore) during 2008-09 were ₹ 7.18 crore against the estimated amount of ₹ 15.59 crore (overall shortfall by 54 *per cent*). Shortfall in receipt ranging from 11 to 100 *per cent* was noticed under 12 heads of account as shown in Table-3:

Table-3

Sl. No.	Heads of Account	Revenue Collection		Shortfall	Percentage of shortfall
		Estimated amount as per Budget	Actual Receipts as per Annual Accounts		
		(₹ in lakh)			
1.	Land Revenue	208.05	171.53	36.52	18
2.	Stamps and Registration	3.00	1.27	1.73	58
3.	Taxes on Vehicle	60.91	0.00	60.91	100
4.	Interest Receipts	1.00	0.00	1.00	100
5.	Stationery and Printing	1.00	0.04	0.96	96
6.	Public Works	13.00	3.40	9.60	74
7.	Other Administrative Services	4.00	0.00	4.00	100
8.	Other General Economic Services	147.87	39.61	108.26	73
9.	Fisheries	1.00	0.00	1.00	100
10.	Forests	832.00	196.91	635.09	76
11.	Mines and Minerals	100.00	88.76	11.24	11
12.	Roads and Transport	10.00	3.90	6.10	61

Source: Annual Accounts and Budget document.

The shortfall in collection of revenue against estimated provision as shown above underlined the need for evolving an effective strategy by NCHAC towards mobilization of funds from its own sources. Reasons for shortfall had not been intimated by NCHAC (August 2012), though called for, in audit.

Abnormal excess receipts over the estimated budget under the head of account Taxes on Income was also noticed as shown in Table-4:

Table-4

SL No.	Heads of Account	Revenue Collection		Excess	Percentage of excess
		Estimated amount as per Budget	Actual Receipts as per Annual Accounts		
		(₹ in lakh)			
	Taxes on Income and Expenditure	177.00	212.30	35.30	20

Source: Annual accounts and Budget document.

Instances of excess expenditure over budget estimate ranging between 19 and 121 *per cent* under three heads of accounts were also noticed during 2008-09 as shown in Table-5:

Table-5

Sl. No.	Heads of Account	Budget Provision	Actual expenditure as per Annual Accounts	Excess	Percentage of excess
		(₹ in lakh)			
1.	Education	1475.00	3256.22	1781.22	121
2.	Urban Development	20.00	23.89	3.89	19
3.	Art and Culture	33.80	58.37	24.57	73

Source: Annual accounts and Budget document.

Reasons for excess receipt and expenditure over the budget provisions had not been intimated by NCHAC (August 2012) though called for. This underlined the need for realistic preparation of budget estimates by NCHAC.

2.1.4 Annual Accounts

Funds made available as advance from the State budget to NCHAC in terms of modalities of entrusted functions were subject to submission of monthly detailed accounts of expenditure for adjustment of advance and final accounting of expenditure. As the position of such adjustment was not depicted in the annual accounts, actual expenditure made out of disbursements and unspent balances lying with Drawing and Disbursing Officers of line departments, if any, remained undisclosed.

Comments on Accounts

2.2 Part-I District Fund

2.2.1 Understatement of Revenue Receipt

Forest Royalty of ₹ 8.93 lakh collected during March 2009 under the head of account '13-Forest' was deposited in to the Personal Ledger Account (PLA) of NCHAC during 2009-10 by the Divisional Forest Officer (DFO), N.C Hills Division, Haflong. These receipts were not accounted in 2008-09 due to delay in deposit by the DFO, which led to understatement of receipts to the above extent in the Council's account.

2.2.2 Discrepancy in revenue receipts

Revenue receipts aggregating ₹ 2.01 crore were accounted under two heads of account against actual revenue receipt of ₹ 2.14 crore as detailed in Table 6:

Table-6

Sl. No	Heads of account	As per Annual accounts	As per verification of records and information furnished by the Deptt.	Discrepancy
			(₹ in lakh)	
1	Transport	3.90	16.96	13.06
2	Forest	196.91	197.36	0.45
	Total	200.81	214.32	13.51

Source: Cash book, information furnished by respective departments

Thus, discrepancy of receipt by ₹ 0.13 crore is needed to be reconciled by NCHAC.

2.2.3 Understatement of revenue expenditure

Revenue expenditure aggregating ₹ 645.25 lakh was accounted under five heads of account under normal functions against actual expenditure of ₹ 657.64 lakh as detailed in Table-7 leading to understatement of revenue expenditure by ₹ 12.39 lakh.

Table-7

Sl. No.	Heads of account	As per Annual accounts	As per verification of records and information furnished by the Department	Understatement of Revenue expenditure
		(₹ in lakh)		
1	Secretariat General Services	428.37	437.50	9.13
2	Other General Economic Services	120.74	122.17	1.43
3	Stationery & Printing	16.57	16.88	0.31
4	Art & Culture & Publicity	58.37	59.02	0.65
5	Administration of Justice	21.20	22.07	0.87
Total		645.25	657.64	12.39

Source: Cash book, information furnished by respective departments

2.2.4 Overstatement of revenue expenditure

Revenue expenditure aggregating ₹ 46.21 crore was accounted under six heads of account in the annual accounts 2008-09 by NCHAC against actual expenditure of ₹ 43.94 crore leading to overstatement of revenue expenditure by ₹ 2.27 crore as detailed in Table-8:

Table-8

Sl. No	Heads of account	As per Annual accounts	As per verification of records and information furnished by the Department	Overstatement of Revenue expenditure
		(₹ in lakh)		
1	Land Revenue	148.72	134.68	14.04
2	Education	3256.22	3155.04	101.18
3	Forest.	746.92	698.71	48.21
4	Social Security & Welfare	19.32	17.62	1.70
5	PWD	424.82	364.57	60.25
6.	Executive member	24.81	23.28	1.53
	Total	4620.81	4393.90	226.91

Source: Cash book, information furnished by respective departments:

2.2.5 Understatement of capital expenditure

NCHAC accounted for ₹ 24 lakh as Capital expenditure under the head 'Capital Outlay on 'PWD' against actual capital expenditure of ₹ 66 lakh as per utilization certificate furnished to audit by Executive Engineer and Estate Officer, PWD, NCHAC. Thus, there was understatement of capital expenditure by ₹ 42 lakh which needs to be reconciled.

2.2.6 Understatement of opening and closing balance

Figures of opening and closing balance were exhibited in the annual accounts 2008-09, as ₹ 12.64 lakh and (-) ₹ 201.54 lakh instead of ₹ 31.97 lakh and (-) ₹ 225.90 lakh respectively (Table I of this report

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refers). This resulted in understatement of both opening and closing balance by ₹ 19.33 lakh and (-) ₹ 24.36 lakh respectively and thus, needs reconciliation.

2.3 Part-II Deposit Fund

2.3.1 Non-reconciliation of receipts

Annual accounts for 2008-09, exhibited ₹ 200.64 crore as receipts from State Government during the year in respect of entrusted functions, under Part II Deposit Fund. However, the statement showing major head-wise details of fund received, furnished during audit (June 2011), showed receipts of ₹ 200.07 crore (Plan: ₹ 108.28 core and Non-plan: ₹ 91.79 crore) as detailed in *Appendix-I*. Details of fund received as depicted in Part-II Deposit Fund, were not disclosed major head-wise in the form of statement/schedule to annual accounts. Consequently, discrepancy of ₹ 0.57 crore could not be correlated and reconciled and the correct position of receipts was not ascertainable.

2.3.2 Non-reconciliation of disbursements

Annual accounts for 2008-09 exhibited ₹ 174.08 crore as disbursement towards discharge of entrusted functions by NCHAC under Part-II Deposit Fund. However, the statement showing major head-wise details of funds disbursed, furnished during audit (June 2011), showed disbursement of ₹ 171.75 (Plan: ₹ 98.86 crore and Non-plan: ₹ 72.89 crore) as detailed in *Appendix-I*.

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Details of fund disbursed to line departments (as depicted in Part-II Deposit Fund) were not disclosed major head-wise in the form of statement/schedule appended to annual accounts. Consequently, discrepancy of ₹ 2.33 crore could not be correlated and reconciled.

2.3.3 Diversion of funds

According to the terms of entrustment of functions as envisaged in OM issued by Government of Assam on 31 December 1996, NCHAC is empowered to re-appropriate funds within the same major head of account while approval of State Government is required for re-appropriation of funds between two major heads of account.

Scrutiny revealed that NCHAC incurred expenditure of ₹ 2.44 crore in excess of the funds released from the State budget as detailed in Table-9 by diversion of funds from other heads of account without obtaining the mandatory approval of the State Government.

Such irregularity persisted over the years despite having been pointed out in previous Audit Reports.

Table -9

SL. No.	Heads of Account	Plan/Non-Plan	Fund Released	Expenditure Incurred	Excess expenditure
			(₹ in lakh)		
1	4702-Capital Outlay-Irrigation	Plan	290.00	307.77	17.77
2	2225-Hill Area-Water Shed Development Project Special Central Assistance.	Plan	300.00	437.50	137.50
3	2202-Education-DIET	Plan	37.80	41.51	3.71
4	2215-Water Supply Scheme-PHE	Plan	1,225.00	1,309.85	84.85
Total			1852.80	2096.63	243.83

Source: Information furnished by the Council.

2.3.4 Personal Ledger Account

NCHAC maintains Personal Ledger Account (PLA) with the Haflong Treasury into which all receipts on account of its normal or inherent functions as well as entrusted functions are credited and from which all expenditure on both the functions is met. The balance held in the PLA as per Cash Book, as of 31 March 2009, was required to be reconciled with the balance shown in the records of the Treasury and differences, if any, between the two sets of records, were required to be reconciled.

Scrutiny of records of the Treasury with the PLA Cash Book maintained by NCHAC revealed that, as of 31 March 2009, there was a difference of (-) ₹ 4.55 crore in the closing cash balance between the two sets of records as shown in Table-10:

Table – 10

Sl. No.		As per Treasury records	As per annual accounts and PLA Cash Book	Discrepancy excess (+) Less (-) in Cash Book
		(₹ in lakh)		
1	Opening balance as on 1 April 2008	377.49	12.64	364.85
2	Closing balance as on 31 March 2009	253.14	(-)201.54	(-)454.68

Such discrepancies have been persisting since 1985-86, and have not been reconciled despite the same having been pointed out in previous Audit Reports.

Scrutiny revealed that five cheques amounting to ₹ 1.77 lakh issued to different drawing and disbursement officers during the period February 2009 to March 2009 were duly entered in PLA cash book as shown in Table-11:

Table-11

Sl. No.	Date of issue as per PLA cash book	Cheque No	Amount (in ₹)	Purpose	Date of entry in PLA receipt side as return back of cancelled cheque
1	11.2.09	1218/121731	6321	HM, Garampani HS	20.5.09
2	11.2.09	1218/121732	100701	-do-	20.5.09
3	11.2.09	1218/121733	2500	-do-	20.5.09
4	31.3.09	1220/121961	56556	BDO Dyangbra	22.5.09
5	31.3.09	1220/121962	11019	-do-	22.5.09
Total			177097		

Source : As per PLA Cash Book

Subsequently, though the cheques were cancelled due to treasury objection/time expiry *etc.*, the same were not written back in PLA cash book till 31 March 2009. This was one of the factors that contributed to the above discrepancy.

On this being pointed out, NCHAC stated (June 2011) that the correct position would be intimated after reconciliation of discrepancies with the treasury records. However, such intimation from NCHAC was yet to be received (August 2012).

Section – III

A. Irregularities in the transactions relating to discharge of normal or inherent functions

3.1 Failure to generate potential revenue

3.1.1 NCHAC entered into an agreement for a period of 21 years with a firm* (01 March 2005) for supply of bamboo to different paper mills, departments and private users. The terms and conditions of the agreement *inter-alia* provided that NCHAC would allot bamboo for extraction (felling series-wise) and the firm would pay royalty to NCHAC @ ₹ 85 per Metric Tonne Green (MTG) (subject to yearly increase of 5 *per cent*) on the quantity of bamboo extracted. It was also provided that in the event of failure to extract the allotted quantity, the firm would have to pay compensation @ ₹ 5 lakh for each un-operated felling series.

NCHAC allotted 79091MTG of bamboo to the firm covering three¹ felling series during 2008-09 for which the firm was to pay royalty @ ₹ 102 per MTG. Scrutiny of records (June 2011) revealed that during the year the firm failed to extract any quantity of bamboo from any of the three² felling series. Thus NCHAC could not generate revenue to the tune of ₹ 80.67 lakh³ due to non extraction of the allotted bamboo and also did not impose penalty of ₹ 15 lakh⁴ on the firm to compensate the shortfall to generate its revenue.

* Hill Trade Agencies.

¹ Longkua: 56700 MTG; Harangajao: 11724 MTG; Khepre: 10667 MTG

² Longkua, Harangajao and Khupre.

³ $(79091 \times 102) = ₹ 80.67 \text{ lakh}$

⁴ $(₹ 5 \text{ lakh} \times 3 \text{ Nos felling series}) = ₹ 15 \text{ lakh}$

Reasons for failure to generate potential revenue on account of realization of royalty and non imposition of penalty were not ascertainable from records produced to audit.

3.1.2 NCHAC originally entered into a contract agreement with Hindustan Paper Corporation (HPC) on 23 December 1980 for extraction of bamboo of various species by HPC for 30 years on payment of royalty to NCHAC. Subsequently, NCHAC executed supplementary agreements on 7 November 1985 and 11 October 2006 in terms of clause 29 of Original Agreement. As per provision of Supplementary agreement dated 11 October 2006, NCHAC was to demarcate, fell, extract, transport and make delivery of 290 MTG of bamboo annually at the HPC Mills sites from NC Hills forest areas. The quality of bamboos should have tolerance of 10% (+) or (-). Separate rates were agreed upon for supply/delivery of bamboo according to the mode of transportation and destination which was subject to change on the event of change in the cost of transportation on the basis of standard formula.

To meet the obligation of above agreement NCHAC engaged 3 firms by entering into separate agreements on 19 October 2006 and also engaged another firm by executing agreement on 6 November 2008 for extracting, felling, handling and transporting the bamboo from the operating area and supply to HPC on behalf of NCHAC. The contractors were to pay royalties at the rates fixed in the manner as prescribed in the respective agreements.

Scrutiny revealed that during 2008-09, NCHAC allotted (November 2011) 1.23 lakh MTG of bamboo to only one firm⁵ (Agreement on 6 November 2008) at the rate of royalty of ₹ 200 per MTG of bamboo. Against which the firms extracted only 1.02 lakh MTG of bamboo leaving 0.21 lakh MTG of bamboos un-extracted. Reasons for not allotting remaining quantity of bamboo to other 3 firms were not on record.

Moreover, there were no records in support as to why no action was initiated by the Council for extraction of the balance quantity of allotted bamboo during the year which led to further shortfall to generate revenue to the tune of ₹ 42.00 lakh. The above non-extraction leading to shortfalls in revenue though pointed out during audit (June 2010), NCHAC did not put forward reasons for occurrence of such shortfalls till July 2012.

3.2 Extra expenditure due to deployment of excess teachers

According to the prescribed norms for granting permission/recognition of primary schools by NCHAC, the maximum enrolment in a section/class should be 40 and minimum 20 which was relaxed by the Government of Assam to 15 for the areas inhabited by SC/ST population in North Cachar Hills. Thus, in primary schools of NC Hills district, teacher-student ratio was required to be maintained at 1:15. The Government, vide notification of 23 January 2004 also stressed the need for rational deployment of teachers in primary schools.

Scrutiny of records of Education Department revealed that, during 2008-09, 1030 teachers were deployed in

⁵ *M/s Tribal Cultivation and Harvesting Agencies*

excess of norms resulting in extra expenditure of ₹ 8.31 crore during 2008-09 as detailed in **Appendix-II**.

Entertainment of teachers in excess of prescribed norms was attributed by NCHAC (July 2010) to prevailing law and order situation which was stated to have arisen because of certain ethnic clashes in the District. The reply does not explain as to how maintenance of excess teachers was related to ethnic clashes and law and order situation. The position did not improve even upto 2009-10.

3.3 Irregular utilization of departmental receipts towards departmental expenditure – ₹ 12.25 lakh

According to Rule 18 of the N.C. Hills District Fund Rule 1953, all money received by the Council shall be remitted into treasury promptly and no money shall be appropriated towards expenditure.

In the course of test check of records of Transport department of NCHAC, no revenue collection and deposit register was made available to audit. Thus, actual revenue collected during the year could not be ascertained in audit.

However, as per cash book and information furnished to audit, the Transport department of NCHAC collected revenue to the tune of ₹ 16.19 lakh during 2008-09. Of this, ₹ 12.25 lakh was utilized towards purchase of fuel and lubricants for plying of Council buses violating the provision of Fund Rules. In reply (June 2011), it was stated that departmental receipts were utilized due to non receipt of required funds. This was contrary to the provision of Fund Rules which stated all money received by the Council shall be remitted into treasury

promptly and no money shall be appropriated towards expenditure of the Council.

3.4 Non-production of records

Supporting vouchers and actual payee receipts (APR's) against expenditure of ₹ 47.02 lakh incurred between 3 January 2009 and 12 March 2009 by Secretary incharge Legislative Department for payments towards pay, TA, election expenses etc could not be produced to audit .

Thus, the expenditure of ₹ 47.02 lakh remained unverified and is fraught with risk of possible misutilisation.

B Irregularities in transaction relating to discharge of entrusted functions

4.1 Public Works Department

4.1.1 Misappropriation of fund

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all moneys received and disbursed and for the safe custody of cash. Besides, Rule 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

Scrutiny (May - July 2010) of the records revealed that a demand of ₹ 50 lakh was placed (19 January 2009) by the Executive Engineer, Public Works Division (R&B), Haflong for clearing outstanding liabilities in respect of construction of Passi-Garampani-Haflong Road. Against the demand, the then Principal Secretary of the North Cachar Hills Autonomous Council (NCHAC), who also happened to be the Deputy Commissioner (DC) of the district, proposed (19 January 2009)

withdrawal of ₹ 2.20 crore (Haflong Division: ₹ 1.30 crore and Mahur Division: ₹ 0.90 crore) from the district fund. Mahur Division, however, had not placed any requisition for fund. Chief Executive Member of the Council approved the proposal on 19 January 2009 and the Principal Secretary, NCHAC withdrew (30 January 2009) ₹ 2.20 crore by drawing a cheque⁶ on Personal Ledger Account (PLA) in his favour.

The amount was neither entered in any cash book nor any document in support of releases to the concerned Divisions were made available to audit though called for. In reply to audit query, the concerned Divisions denied (June 2010) receipt of any fund on the said account.

Thus, ₹ 2.20 crore was misappropriated as neither the amount was accounted for in the cash book nor its whereabouts were produced by the Council to audit. The Council accepted (July 2010) the audit observation and the matter was referred to the Executive Committee and Government, outcome of which was, however, not intimated (August 2012).

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.1.6 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

⁶ Cheque No. 0121441 dated: 28 January 2009.

4.2 Agriculture Department

4.2.1 Suspected misappropriation

NCHAC decided, vide Notification dated 20 May 2007, to constitute an Agriculture Mission initially for a period of one year to function as a separate unit within the Agriculture Department. The purpose of formation of the mission was to boost rural economy and arrest the pernicious practice of 'jhum' cultivation through expansion of area of horticulture and agriculture programme by implementing and popularising use of modern machines and technology. The Mission was set up in May 2007.

In a meeting held on 6 September 2007 (presided over by the Governor of Assam), retired District Agricultural Officer (DAO), Haflong (superannuated on 30 May 2007) was appointed as Mission Director (MD) and entrusted with the responsibility of implementation of schemes and submission of accounts to Governor's Secretariat. Accordingly, the retired DAO assumed (7 September 2007) charge as Mission Director and was declared (15 October 2007) DDO of the Mission. However, function of DDO was subsequently withdrawn (12 August 2008) from the Mission Director and Principal Secretary (Transfer), NCHAC functioned as DDO as retired DAO had no authority of drawal of Government money. According to Notification dated 20 May 2007, the Mission was to continue till May 2008. No record of its extension or discontinuance was found available with the Council.

Scrutiny (May-July 2010) of the records revealed that during 2007-09 the Council issued cheques of ₹ seven crore as detailed in Table 12:

Table 12

Cheque No. and date	Amount (₹ in crore)	To whom issued
0063499 17 October 2007	2.00	Mission Director
0063718 17 November 2007	1.50	Mission Director
0100096 date not available	2.00	Principal Secretary (Transfer), NCHAC
0099900 11 September 2008	1.00	Principal Secretary (Transfer), NCHAC
0121922 18 March 2009	0.50	Principal Secretary (Transfer), NCHAC
Total	7.00	

Principal Secretary (Transfer) issued two cheques for ₹ 3.50 crore in favour of Mission Director⁷ during October and November 2007 and three cheques for ₹ 3.50 crore in favour of himself during September 2008 to March 2009. Entire ₹ seven crore was withdrawn (October 2007 to March 2009) from the district fund⁸.

According to the procedure envisaged in Receipts and Payments Rules 1983, on receipt of cheque, entry is to be made in 'Register of valuables' and the cheque is to be sent to treasury along with treasury transit register and advice slip for crediting the money in DDO's bank account. As soon as money is deposited in DDO's bank account, receipt of money is to be entered in the cash book of the DDO. However, treasury transit register, advice slip, cash book etc., were not made available to audit, though called for. Besides, no records of utilization viz; detailed project report, approved action

⁷ The retired DAO, Haflong.

⁸ Personal Ledger Accounts of the NCHAC maintained by Treasury.

plan, vouchers, APRs, progress report, monitoring report, evaluation/impact assessment report etc., were found available with NCHAC or DAO. Even no requisition was placed against ₹ 3.50 crore released during 2007-08 to Mission Director. Thus, misappropriation of ₹ seven crore could not be ruled out as the Council failed to furnish utilization or whereabouts of the amount after its withdrawal from district fund.

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.1.2 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.2.2 Doubtful expenditure under Mini Compact area Development Project

Records revealed that the Assistant Executive Engineer (AEE), Agriculture, Haflong placed demand to NCHAC for release of fund to meet the liability created during 1994-95 for Mini Compact Area Development Project (MCADP), implemented during 1994-95 for development of 20 villages in NC Hills, which was kept previously in Revenue Deposit (during 1994-95) as per State Government's direction. The council accordingly released ₹ 70.00 lakh (November 2008) from Revenue deposit. However, the records that money was kept in revenue deposit instead of releasing the same to AEE for making payment towards specific works done, which created liability of AEE, was neither available with NCHAC nor with the AEE.

During audit (June 2010) it was noticed that AEE disbursed the entire fund of ₹ 70.00 lakh to Secretaries of 17 Village Level Committees for implementation of a scheme under MCADP for which estimate was prepared on 5 November 2007 based on rates of APWD SOR for Roads & Bridges 1990-91 and the measurement was taken between 13 and 19 November 2008. Moreover, measurement showed that two items of works valued at ₹ 19.52 lakh, though included in the estimate, were not executed. The Secretaries of the 17 Village Level Committees did not furnish Actual Payee Receipts obtained from the workers engaged for the purpose.

Thus, the manner in which the fund was withdrawn and utilised by the AEE cast doubt about the bona fides of the transaction of ₹ 70.00 lakh.

4.3 Health and Family Welfare Department

4.3.1 Suspected misappropriation

Rule 95 of Assam Financial Rules (AFR) provides that Drawing and Disbursing Officer (DDO) is personally responsible for accounting of all money received and disbursed and for the safe custody of cash. Besides, Rule 78 and 79 of AFR provide that every payment must be supported by a claim and supporting voucher/acknowledgement.

According to normal procedure, NCHAC was to release funds through cheques in favour of the concerned line Department (Joint Director of Health Service, Haflong) for implementation of the approved schemes/programmes. Scrutiny (May-July 2010) of the records, however, revealed that the Principal Secretary

(Transfer), NCHAC, in contravention to the existing procedure, drew three cheques amounting to ₹ 1.90 crore in his favour during November 2007 to March 2009 for purchase of medicine (₹ one crore), implementation of health care scheme/programme (₹ 0.60 crore) and incentives to doctors (₹ 0.30 crore) without any demand from the concerned line Department. Though the withdrawal from district fund was confirmed from the treasury, but the line Department received (April 2009) only ₹ 15 lakh from NCHAC on account of incentives to doctors. The whereabouts of balance fund of ₹ 1.75 crore could not be confirmed either from the records of the Council or that of the line Department. Besides, basic records viz; budget allotment, administrative approval, financial sanction, bid documents, comparative statements, tender agreement, supply orders, Bills/Vouchers, stock register, actual payees' receipts etc., were not available with the Council, though called for. No reply has so far been received (August 2012) from NCHAC.

Thus, misappropriation of ₹ 1.75 crore (₹ 1.90 crore - ₹ 0.15 crore) could not be ruled out as the Council failed to furnish details of utilization of Government money after its withdrawal from district fund.

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.1.3 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.4 Public Health Engineering Department

4.4.1 Loss of Government money

Rule 479(1) of Assam Financial Rules stipulates that the Divisional Officer as the primary disbursing officer of the Division is responsible not only for the financial regularity of the transactions of the whole Division but also for the maintenance of the record of transaction correctly and in accordance with the rules in force.

Scrutiny (May-July 2010) of the records revealed that NCHAC released (June 2008 to March 2009) plan fund of ₹ 5.94 crore to Executive Engineer, Public Health Engineering Division, Haflong for maintenance of Water Supply Schemes (WSSs). Of this, the EE spent ₹ 2.39 crore on maintenance of Haflong WSS and balance ₹ 3.55 crore on other WSSs of the Division.

However, no materials were received by the Division nor any work was done in respect of payment of ₹ 1.98 crore (out of ₹ 5.94 crore) made to eight contractors/suppliers during January-February 2009. In addition, ₹ 19 lakh was also drawn by EE during January-February 2009, but details of schemes and contractor-wise payments etc., were not furnished to audit, though called for. In fact, vital records viz. sanction orders, estimates, work orders/supply orders, progress report, measurement books, bills, vouchers, utilisation statement, stock register etc., were not furnished to audit. The Division accounted for the total payment of ₹ 2.17 crore (₹ 1.98 crore + ₹ 0.19 crore) under suspense head 'Miscellaneous Public Works Advance (3) losses etc' being the amount recoverable from the then Executive Engineer and a police case was lodged in February 2009 against him. Details of follow up action to recover the amount or initiation of Departmental proceedings against the defaulter, was not

on record. Thus, in the absence of above records, circumstances leading to loss of Government money of ₹ 2.17 crore could not be ascertained in audit and the amount remained unrecovered. Latest position has been called for (January 2012), but the reply is awaited (August 2012).

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.1.4 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.4.2 Unproductive expenditure

According to Rule 37 of General Financial Rules, every authority empowered to procure goods in public interest shall have the responsibility and accountability to bring efficiency and economy in execution. Besides, Rule 243 of Assam Financial Rules provides that during execution, if cost of a work/project exceeds the administratively approved amount by more than 10 *per cent*, revised administrative approval of the excess expenditure must be obtained. Further, physical existence of stock is to be ensured at regular interval as envisaged in Rule 195 of Assam Financial Rules.

In order to improve both quality and quantity of potable clean water supply, the augmentation of Maibong Water Supply Scheme was proposed to be taken up at the estimated cost of ₹ 3 crore⁹. The estimate also

9

Sl. No.	Item	Estimated cost (in lakh)
1.	Source development and intake structures	11.39
2.	Raw water gravity main	127.72
3.	Construction of treatment plant	51.03
4.	Construction of clear water sump cum service reservoir	20.39
5.	Construction of distribution network & clear water gravity main	87.46
6.	Cost of detailed design and survey	2.00
Total		₹ 299.99 lakh say ₹ 3 crore

specified requirement of 16,253 RM¹⁰ Galvanized Iron (GI) pipes for items of raw water gravity main and construction of distribution network.

Government of India (Planning Commission) approved (March 2007) the proposal under Special Plan Assistance of 2006-07. Accordingly the State Government released (March 2007) ₹ 2.70 crore to NCHAC as special plan assistance for implementation during 2007-08. The amount was credited (18 March 2008) to the Personal Ledger Account of NCHAC. NCHAC accorded (May 2008) administrative approval for ₹ 3 crore and released (23 January 2009) ₹ 2.70 crore to the Executive Engineer (EE), Public Health Engineering (PHE), Maibong Division.

Scrutiny (May-July 2010) of the records revealed that no tender/quotation was invited by the EE, PHE, Maibong Division for award of work of the scheme as of June 2010. No tender for procurement of GI pipes was also invited but the Additional Chief Engineer, PHE, NCHAC, Haflong placed 11 supply orders of 12,040 RM GI pipes to 10 local suppliers at the Council's approved rate of ₹ 2,317, ₹ 1,525 and ₹ 1,049 per RM for 150 mm, 100 mm and 80 mm dia GI pipes respectively.

¹⁰

150 mm dia @ ₹1,287 : 7,548 RM

100 mm dia @ ₹847 : 1,740 RM

80 mm dia @ ₹583 : 6,965 RM

16,253 RM

Accordingly, against estimated quantity of 16,253 RM, only 12,033.54 RM of GI pipes worth ₹ 2.14 crore was received and payments were made during February to March 2009 as detailed in *Appendix-III*. Statement of materials procured and utilized as of June 2009 showed that though 3,198.60 RM of GI pipes (worth ₹ 70.92 lakh) was issued to site retaining the balance 8,834.94 RM in PHE store, none of the pipes could be utilized. The reason for idle stock of materials worth ₹ 2.14 crore was stated (June 2009) to be mainly due to non-availability of fund for labour charge (June 2009).

As no physical verification of the stock was done, the Principal Secretary, NCHAC, who was also the Deputy Commissioner of the district, was requested by audit (15 and 24 June 2010) to conduct physical verification of the said materials by a technical officer and furnish the status of the existence of the material, but status of the stock was not made available as of July 2010.

Thus, injudicious decision of procurement of GI pipes without assessing availability of fund for execution of work resulted in unproductive expenditure of ₹ 2.14 crore. The beneficiaries were also deprived of the intended benefits. Besides, in the absence of physical verification of stock, actual quantity available in stock was not ascertainable in audit. Latest position has been called for (January 2012); but the reply is awaited (August 2012).

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.2.1 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.4.3 Idle expenditure

North Cachar Hills Autonomous Council (NCHAC) accorded administrative approval for execution of 41 water supply schemes under Accelerated Rural Water Supply Programme (ARWSP) at a cost of ₹ 3.91 crore during 2008-09 and NCHAC placed ₹ 2.50 crore at the disposal of the Executive Engineer (EE), PHE, Maibang Division for implementation of the Programme. Considering receipt of ₹ 2.50 crore against approved cost of ₹ 3.91 crore, 26 out of the 41 ARWSP schemes were taken up in February 2009 and supply orders for 55,618 RM of GI pipes of different diameters were placed with two firms¹¹ at the approved rates of the Council (details are shown in *Appendix-IV*). The firms supplied (February 2009) only 40,826 RM GI pipes of different diameter worth ₹ 1.83 crore and total payment of ₹ 1.72 crore was made in March 2009.

Scrutiny (May-July 2010) of the records, however, revealed that all the pipes remained unused (May 2010). On being asked, the Division stated (June 2010) that all the records relating to the procurement of pipes in respect of those 26 schemes were taken away by National Investigating Agency for investigation and accordingly, no further step was taken to complete the schemes. Thus, procurement of the GI pipes worth ₹ 1.83 crore and their prolonged storage without utilisation led to idle expenditure of ₹ 1.72 crore. Latest position has been called for (January 2012); but the reply is awaited (August 2012).

¹¹ M/S Jeet Enterprise = 32,568 RM

M/S Loknath Trading = 23,050 RM

55,618 RM

4.5 Social Welfare Department

4.5.1 Doubtful expenditure

Para-7 of 'Plan of operation and management' for implementation of Supplementary Nutrition Programme (SNP) under Integrated Child Development Service (ICDS) programme in Assam provides that the Director, Social Welfare shall first transfer the fund to the bank account of the District Level Committee for SNP which shall, after due verification, transfer the same to the Account of the Anganwadi Centre Management Committees (AWCMCs). The bank account of the AWCMC shall be operated jointly by the Chairperson and the Secretary of the AWCMC and every drawal from this account shall necessarily be preceded by a resolution adopted by the AWCMC allowing such drawal. The AWCMC shall be responsible for procuring the food items from Self Help Groups and NGOs.

(a) The Deputy Director, Social Welfare, NC Hills, Haflong received ₹ 4.16 crore during November 2007 to August 2008¹² for implementation of SNP in the District. Scrutiny of the relevant cash book revealed that in violation of the provision of Plan of Operation and Management, the Deputy Director directly disbursed (February to April 2008) ₹ 1.87 crore to different self-help groups against their bills for supply of food materials during February to April 2008. Documentary evidence for supply of food materials and providing services to the targeted beneficiaries were not available as stated (June 2010) by the concerned Child

¹² ₹1.87 crore in November 2007 and ₹2.29 crore in August 2008.

Development Project Officers (CDPOs) rendering the expenditure of ₹ 1.87 crore doubtful.

The balance fund of ₹ 2.29 crore (₹ 4.16 crore - ₹ 1.87 crore) was shown as disbursed to five¹³ CDPOs in two equal instalments during October 2008 and February 2009. Of these five CDPOs, cash books of two CDPOs viz., Mahur and Maibong were maintained by the Deputy Director himself, wherein disbursement of ₹ 69.74 lakh and ₹ 39.60 lakh respectively was shown to have been made to the supervisors of the Anganwadi Centres. The Supervisors, however, denied (June 2010) receipt of any such fund. Thus, ₹ 109.34 lakh (₹ 69.74 lakh + ₹ 39.60 lakh) appears to be misappropriated. The other three CDPOs did not maintain any Cash book at their level and hence, expenditure of ₹ 1.20 crore stated as disbursed to these CDPOs was not verifiable. In response to audit query the CDPOs stated (June 2010) that during 2007-09 the scheme was directly implemented by the then Deputy Director who was the DDO of all ICDS projects in the District.

Thus, the entire expenditure of ₹ 4.16 crore under SNP remained doubtful.

(b) The Deputy Director, received ₹ 6.09 crore (2007-08: ₹ 2.38 crore and 2008-09: ₹ 3.71 crore) from the Council for implementation of Integrated Child Development Service Scheme. Of this, ₹ 1.90 crore was not entered in the cash book of the scheme maintained by the Deputy Director. Thus, status of utilisation of

¹³ Mahur: ₹69.74 lakh; New Sangabar: ₹17.14 lakh; Diyungbra: ₹51.94 lakh; Diyung Valley Maibong: ₹39.60 lakh and Harangazao: ₹50.44 lakh.

₹ 1.90 crore remained undisclosed and whereabouts of the fund untraceable.

Further, out of the balance amount of ₹ 4.19 crore, the cash book entry showed that total payment of ₹ 3.88 crore was made during 2007-09 to suppliers for procurement of different articles/materials for Anganwadi centres. Against this relevant stock register showed receipt of materials worth ₹ 2.20 crore only. All the materials received were also shown as issued to Anganwadi centres of five projects (*Appendix-V*), but date of issue and challan and bill references were not recorded in the stock register. Thus, not only was there short supply of materials worth ₹ 1.68 crore, but in the absence of supporting records bonafideness of expenditure of ₹ 2.20 crore, also remained doubtful.

(c) Records disclosed that the Council sanctioned ₹ 2.69 crore for ICDS during 2008-09 for providing different articles/materials to poor and BPL families. Status of receipt of fund, procurement and cost thereof, could not be ascertained from the records of the Deputy Director as the same were stated to be seized by National Investigating Agency, Stock register and distribution register disclosed that 8,000 blankets, 8,200 mosquito nets and 8,000 water filters were shown as procured during June 2008 to February 2009 and issued during February 2009 to 30 Members of Autonomous Councils (MAC) for distribution amongst beneficiaries of their respective constituencies. But, no approved list of beneficiaries and acknowledgement of receipt of materials was furnished by MAC to the Council as of June 2010. Thus, actual expenditure against the sanctioned amount of ₹ 2.69 crore was doubtful.

Thus, total doubtful expenditure in execution of ICDS scheme amounted to ₹ 12.63 crore (SNP: ₹ 4.16 crore; ICDS Scheme: ₹ 5.78 crore and ICDS-BPL beneficiaries: ₹ 2.69 crore). Latest position has been called for (January 2012); but the reply is awaited (August 2012).

This irregularity has been pointed out vide Report of the Comptroller and Auditor General of India (Civil) for the year ended 31 March 2011 (Report No. 2) Government of Assam (Paragraph 4.1.12 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.5.2 Doubtful expenditure of ₹ 1.64 crore

NCHAC, Haflong accorded sanction and released ₹ 164.00 lakh (June 2008 ₹ 75 lakh; January 2009: ₹ 89 lakh) to Deputy Director Social Welfare, Haflong (DDSO) for purchase and distribution of Filter & Mosquito net (worth ₹ 1.04 crore) and disbursement of Grants in aid to BPL families (₹ 60 lakh) under Social Welfare scheme for Aged Infirm & Destitute Persons of Sixth schedule area. However, NCHAC approved (June 2009) list of beneficiaries for uniform disbursement of ₹ 60 lakh to 300 beneficiaries, distribution of blankets valued at ₹ 80 lakh to 1000 beneficiaries and also payment of Working capital Assistance of ₹ 10 lakh to 1000 beneficiaries at uniform rates. No other approval was on record. Reasons for such abnormal delay and deviation between sanction and approval were neither on record nor stated.

Scrutiny (June 2010) revealed that DDSO, Haflong procured 11875 woollen blankets at a total cost of ₹ 95 lakh without inviting tender and recorded as

distributed to 11875 beneficiaries. It was also recorded that a total payment of ₹ 39 lakh was made at variant rates to 350 beneficiaries (150 beneficiaries @ ₹ 20000 each, 200 beneficiaries @ ₹ 4500 each). There was no record of payment of working capital assistance so made, found with DDSO. The status of balance fund of ₹ 30 lakh¹⁴ could not be ascertained as the related cash book was seized by NIA. Distribution of blankets was stated to be made by organizing public meetings having no mention of the date and venue of the meeting or any other proof for holding such meeting. Further, Actual Payee's Receipts (APRs) obtained against disbursements bore thumb impression of the payee with no identification and address of the beneficiary.

Thus in the absence of proper APRs and other details, actual status of disbursements and genuineness of the beneficiaries remained doubtful and fraught with the risk of mis-utilisation.

4.6 Forest Department

4.6.1 Fictitious expenditure of ₹ 3.13 lakh

Scrutiny of records maintained by Range officer, Langting, revealed that Muster roll payment of ₹ 3.13 lakh was made on 30 March 2009 for engagement of labourers during 1 June 2009 to 7 November 2009 for maintenance of older plants. Payments to labourers before engaging them rendered the expenditure fictitious.

¹⁴ ₹164 lakh-(₹95 lakh + ₹39 lakh)

5 Non production of records

During audit (May-July 2010), records related to transactions of different Drawing and Disbursing officers (DDOs) as detailed in *Appendix-VI*, were not produced to audit on the plea that respective records were seized by different investigating agencies for which transactions could not be examined in audit.

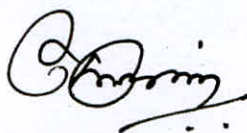
6 Internal Control Mechanism

Internal control is an integral process which is designed to provide reasonable assurance about achieving the organizational objectives viz., fulfilling accountability obligations, complying with applicable laws and regulations, executing programmes/schemes in an orderly, economical, efficient and effective manner and safeguarding resources against loss. An effective internal audit (IA) wing is necessary to strengthen the internal control system and enforce effective management.

Scrutiny of the records indicated that NCHAC had no IA wing. Consequently, the internal control in the Council was ineffective as would be seen from the following in addition to observations discussed above.

➤ A series of financial irregularities were observed in Inspection Reports (IR) on Special Audit and other IRs containing 334 outstanding paragraphs pertaining to the period 1994-95 to 2007-08 which were yet to be settled (August 2012).

➤ Figures in PLA cash book were not reconciled with those of treasury over the years leading to continuing and avoidable discrepancies between these two sets of records.

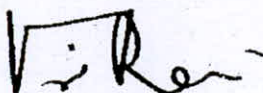


Guwahati
The

(K.P. Anand)
Accountant General

29 JAN 2013

Countersigned

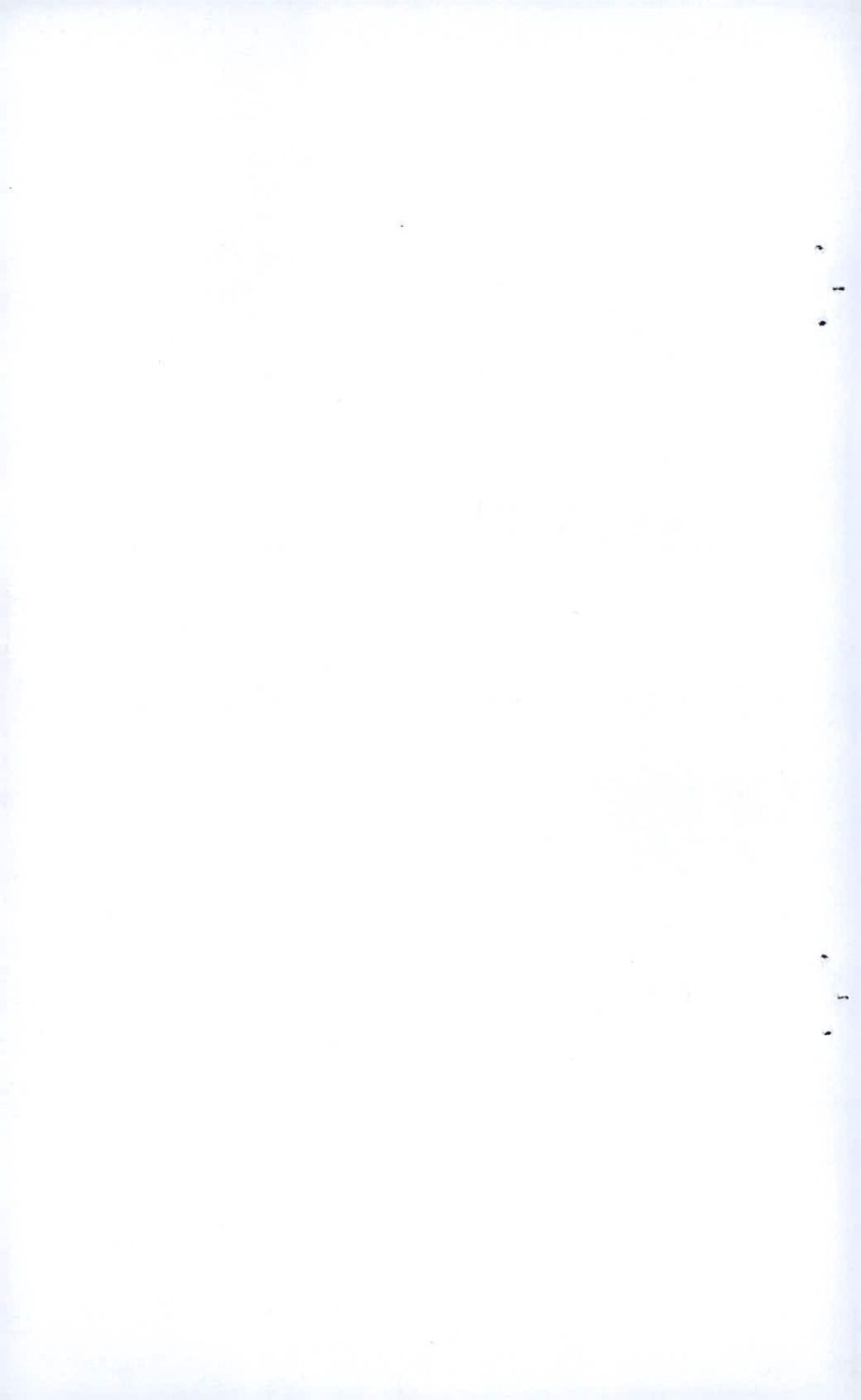


New Delhi
The

(Vinod Rai)

Comptroller and Auditor General of India

11 FEB 2013



Appendix-I
Reference: Paragraphs No.2.3.1 & 2.3.2
Financial Statement of North Cachar Hills Autonomous
Council for the year 2008-09

(₹ in lakhs)

Sl. No	Head of Account	Plan		Non Plan	
		Fund Received	Fund Disbursed	Fund Received	Fund Disbursed
1	2	3	4	5	6
1	2401-CH-Agriculture	963.00	950.66	259.54	184.37
2	2435-Marketing	15.00	12.50	20.08	15.29
3	2415-AR-Agriculture	3.50	0.00	0.00	0.00
4	2202-Education	525.00	255.68	2345.21	2050.13
5	2204-Sports/District sports Officer	10.00	5.00	8.61	6.01
6	2851-VSI-Sericulture	25.00	24.83	312.13	251.00
7	2215-WSS-PHE	1225.00	1309.85	1309.63	1048.81
8	2215-WSS-PHE(ARP)	150.00	135.00	0.00	0.00
9	3054-PWD Roads	0.00	0.00	1678.54	1369.82
10	5054-CO-PWD Roads	1270.00	1253.50	0.00	0.00
11	3452-Tourism	0.00	0.00	14.82	10.51
12	5452-CO-Tourism	100.00	87.04	0.00	0.00
13	2235-Social welfare	2030.00	2029.80	56.01	51.41
14	2235-ICDS	526.54	464.15	0.00	0.00
15	2236-Nutrition	268.06	268.06	7.21	4.00
16	2425-Cooperation	0.00	0.00	57.15	35.37
17	2210-Medical	272.00	227.41	634.04	496.05
18	2215-WSS-Medical	0.00	0.00	5.84	9.12
19	2211-Family Welfare	192.24	143.93	18.74	8.94
20	2702-Minor Irrigation	0.00	0.00	338.21	265.85
21	4701-CO-Irrigation	20.00	10.94	0.00	0.00
22	4702-CO-Irrigation	290.00	307.77	0.00	0.00
23	4705-CO-Irrigation	10.00	10.00	0.00	0.00
24	2403-Veterinary	200.00	169.00	350.10	263.47
25	2415-AR- Veterinary			6.81	6.46
26	2404-Dairy Dev.	100.00	65.00	119.44	38.69
27	2405-Fishery	95.00	60.00	32.82	32.63
28	2515-Panchayat	50.00	30.00	150.09	103.23
29	2851-VSI-Industries	55.00	16.70	111.59	92.42
30	2225-HA-P.S. & Establishment.	0.00	0.00	37.55	27.95
31	2059-PWD Building	0.00	0.00	283.15	218.57
32	4059-CO-PWD Building	274.00	137.00	0.00	0.00
33	2216-H-PWD Building	0.00	0.00	14.70	7.30
34	2205-AC-Cultural Centre	25.00	25.00	18.01	16.03
35	2205-AC-Librarian	10.00	10.00	12.66	11.46
36	2205-AC-Museum	10.00	10.00	7.33	6.02
37	2205-AC-Archaeology	5.00	5.00	1.18	0.90
38	3475-Weight & Measure	3.00	3.00	4.86	3.53
39	2851-VSI-Handloom & Textile	69.00	64.00	82.97	59.24
40	2408-F & CS	0.00	0.00	28.48	15.81

1	2	3	4	5	6
41	3451-A/C Admn. Charges	50.00	0.00	0.00	0.00
42	2235-HA-A/C GIA	2.20	0.00	0.00	0.00
43	2029-Land Reform	20.00	0.00	0.00	0.00
44	2202-Adult Education	10.00	8.76	0.00	0.00
45	2225-HA-IJDP	288.00	288.00	0.00	0.00
46	2225-HA-WDPSCA	300.00	437.50	0.00	0.00
47	2202- DIET	37.80	41.51	0.00	0.00
48	2217-Town & Country Planning	10.00	10.00	19.49	12.80
49	2210-Medical(12th Finance Commission)	0.00	0.00	104.95	30.00
50	2711-Water Resources	0.00	0.00	47.49	25.84
51	4711-Water Resources	90.00	57.00	0.00	0.00
52	2406-Forest	460.00	300.16	383.14	292.41
53	2401-CH-Cooperation	60.00	54.00	0.00	0.00
54	2402-Soil Conservation	435.00	324.36	208.77	156.36
55	2039-Excise	0.00	0.00	42.50	33.41
56	2515-NSAP-Dy. Dir.Social Welfare	239.00	239.00	0.00	0.00
57	2220-Information & Publicity	35.00	34.64	45.17	28.16
Total		10828.34	9885.75	9179.01	7289.37

Source: Information furnished by the Council.

Appendix-II

Reference: Paragraph 3.2

Statement showing the minimum extra expenditure for entertainment of teacher in excess of Prescribed norms of Teachers - student ratio (2008-09)

SL No	Name of Circle	Number of L.P. School	Total Enrollment of Student	Number of teacher should be on roll as per teacher and student Ratio(1:15)	Number of teacher actually entertained	Entertainment of excess teacher(as per teacher Student Ratio i.e.1:15)	Minimum Pay & allowance of one teacher as on 1/4/08	Period 1/4/08 to 31/03/09 (Month)	Total minimum expenditure involved for entertainment of excess teacher
1	Haflog'A' Circle	26	876	58	299	241	6720	12	19434240
2	Haflog'B' Circle	30	2581	172	476	304	6720	12	24514560
3	Jatinga Circle	30	1307	87	224	137	6720	12	11047680
4	Mahur Circle	44	1401	93	155	62	6720	12	4999680
5	Harangajao 'E' Circle	29	927	62	108	46	6720	12	3709440
6	Maibong'W' Circle	21	762	51	165	114	6720	12	9192960
7	Maibong'E' Circle	20	781	52	126	74	6720	12	5967360
8	Kalachand Circle	25	577	38	91	53	6720	12	4273920
Total		225	9212	613	1644	1031			83139840
Minimum Salary of one teacher as on 1/4/08 in the Scale of Pay ₹ 3130-60-3490-90-4030-4480-120-5200-175-6600[allowance:50%Dearness Pay, (41% DA,7.5% HRA,5% HA &MA) on Basic plus Ch Allowance= ₹ 350]-₹ 6720/- per month.									

Appendix-III
(Reference to paragraph 4.4.2)
Procurement and issue of GI pipes under Augmentation of
Maibong Water Supply Scheme

Sl. No.	Supply order No. & date	Name of the supplier	Specification	Quantity	Rate (₹)	Quantity supplied (RM)
1	2	3	4	5	6	7
1.	ACE/PHE/HF G/M-7(Pt-II)/08-09/624 dtd.15.09.08	Shristy Crop Care	150 mm	2300	2317	2298.82
2.	-do-/348 dtd.10.07.08	Monjoy Thaoson	150 mm	440	2317	438.28
3.	-do-/784 dtd.26.11.08	Dilip Phonglo	150 mm	1000	2317	999.90
4.	-do-/780, dtd.26.11.08	Munna Phonglosa	80 mm	1000	1049	999.12
5.	-do-/776 dtd.26.11.08	M/s. Longthasa Supply Syndicate	80 mm	2000	1049	1998.35
6.	-do-/772 dtd.26.11.08	Bibrata Langthasa	150 mm	300	2317	299.96
			80 mm	1400	1049	1399.39
7.	-do-/265, dtd.27.06.08	Monika Hojai	150 mm	500	2317	500.00
8.	-do-/257 dtd.27.06.08	Chandra Sen Hojai	150 mm	500	2317	499.84
9.	-do-/261 dtd.27.06.08	Arup Langthasa	150 mm	500	2317	499.92
10.	-do-/789 dtd.27.11.08	Findavda Suchew	100 mm	1100	1525	1100.00
11.	-do-/793 dtd.27.11.08	Manna Phonglosa	150 mm	1000	2317	999.96
Total				12,040		12,033.54

Source: Departmental records.

Appendix-III - Continued

SL No.	Dates of receipt	Bill value (₹)	Voucher No. & date	Quantity of materials issued to site (RM)	Value (₹)	Balance (RM)	Amount (₹)
8	9	10	11	12	13	14	15
12.	November 2008	53,26,365	200 24.02.09	2,298.82	5326365	Nil	0
13.	November 2008	10,15,395	201 24.02.09	43,8.28	1015395	Nil	0
14.	December 2008	23,16,769	33 & 76 27.03.09	59.10	136935	940.80	21,79,834
15.	December 2008	10,48,077	75 23.03.09	Nil	Nil	999.12	10,48,077
16.	December 2008	20,96,269	11 02.03.09	Nil	Nil	1998.35	20,96,269
17.	December 2008	21,62,967	12 02.03.09	Nil	Nil	299.96	21,62,967
18.	December 2008					1399.39	
19.	December 2008	11,58,500	53 02.03.09	Nil	Nil	500.00	11,58,500
20.	December 2008	11,58,129	51 02.03.09	Nil	Nil	499.84	11,58,129
21.	December 2008	11,58,315	49 02.03.09	Nil	Nil	499.92	11,58,315
22.	December 2008	16,77,500	52 02.03.09	402.40	513660	697.60	10,63,840
23.	December 2008	23,16,907	74 23.03.09	Nil	Nil	999.96	23,16,907
		2,14,35,193		3,198.60	70,92,355	8,834.94	1,43,42,838

Appendix-IV
(Reference to paragraph-4.4.3)
Details of supply order of GI pipes and payments made

Sl. No.	Name of the Supplier	Supply Order No. and date	Name of the schemes	Requirement of GI pipes		Quantity supplied (RM)	Rate per RM (₹)	Bill value (₹)	Payment made (₹)	Voucher No. and date
1.	M/s Jeet Enterprise	ACE/PHE/HFG/M-7(pt-II)/08-09/962 dated 7.02.2009	Daudang Lower, Lower Jagdi, Thingie West, Khomonnom, Upper Choto Laisong, N/Ngalsong, Lasong West, NKIA Bunglo, Upgradation of Longshep, Upgradation of Diduki, Upgradation of Phaiding, Hange Naga Basti, Lower Noblaidisa, Borowapu West, Naya Bathari, Upper Longkhor	65 mm	2,050 RM	1,349	819	94,74,938	88,40,000	54, 55 dtd.2.03.2009
				50 mm	3,090 RM	3,590	635			
				40 mm	13,040 RM	9,770	457			
				25 mm	13,040 RM	4,355	310			
				20 mm	1,348 RM	1,331	207			
				Total	32,568 RM	20,395 RM				
2.	M/s Loknath Trading	ACE/PHE/HFG/M-7(pt-II)/08-09/958 dated 7.02.2009	Lower Khepre, N/Didambra, N/Thingvom, Gerem Gisim, Langting Rly Siding, P/Wardrangdis, U/Natun Disao Numjang Lower U/Didaodip U/Khailcmdisa	80 mm	800 RM	787	1,049	88,00,756	83,20,000	56, 57 dtd.2.03.2009
				50 mm	725 RM	725	635			
				40 mm	13,830 RM	11,224	457			
				25 mm	7,695 RM	7,695	310			
				Total	23,050 RM	20,431 RM				
				Grand total						

Source: Departmental records

Appendix-V

(Reference to paragraph 4.5.1)

**Difference of the value of material shown received in stock
and payments made under ICDS 2007-09**

(in ₹)

Name of CDPO	Value of materials received	Amount shown as paid			Difference
		2007-08	2008-09	Total	
1	2	3	4	5	6
Child Development Project Officer, Diyungbra	86,97,105	66,86,875	41,57,545	1,08,44,420	-21,47,315
Child Development Project Officer, New Sangbar	3,10,400	18,44,696	7,34,510	25,79,206	-22,68,806
Child Development Project Officer, Jatinga Velly, ICDS Project	1,93,927	86,14,448	41,20,700	1,27,35,148	-1,25,41,221
Child Development Project Officer, Diyung Velly, ICDS Project	90,25,626	66,40,485	20,51,450	86,91,935	3,33,691
Child Development Project Officer, Harangajao, ICDS Project	37,88,835		39,37,385	39,37,385	-1,48,550
Total	2,20,15,893	23786504	1,50,01,590	3,87,88,094	-1,67,72,201

Source: Departmental records.

Appendix-VI
(Reference to paragraph 5)
Non production of records

Name of the DDO	Period of release of fund from council	Fund involved ₹ in crore	Name of investigating agency	Particulars	Impact
EE, PWD (Roads), Haflong	2008-09	12.22	CBI	Implementation of roads schemes	Expenditure remained unverified
EE, PWD (Roads), Mahur	2008-09	6.41	CBI	Implementation of roads schemes	Expenditure remained unverified
EE, PHE Division, Haflong	29.03.2008 to 31.03.2009	-	NIA	Cash Book	Cash Book remained unverified
District Agricultural Officer, Haflong	2008-09	0.93	-	APRs of beneficiaries	Expenditure remained unverified
Divisional Forest Officer Southern afforestation Division, Haflong	April 2008 to March 2009	0.84	Monisena Commission	Implementation for quick growing species, social forestry, nursery etc.	Expenditure remained unverified
Deputy Director, Social Welfare Department	May 2008 to January 2009	0.27	NIA	Infrastructure Development under Special Central Assisted Scheme for 2007-08	Expenditure remained unverified
Beat Officer, Haflong under Conservation of Forest, NCHAC	2008-09	0.70	Monisena Commission	Social forestry, Medicinal plant, Natural regeneration Scheme.	Expenditure remained unverified
Principal Secretary, NCHAC	2008-09	174.08	NIA	Sanction of advance received from State Government	Actual receipt remained unverified