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



**FOR THE YEAR ENDED
31 MARCH 2008**

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



सत्यमेव जयते

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TABLE OF CONTENTS

	Paragraph (s)	Page
Preface		v
Overview		vii
SECTION-I		
Introduction	1.1	1
Rules for the management of District Fund	1.2	2
Maintenance of Accounts	1.3	4
SECTION -II		
Receipts and disbursement	2.1	5
Revenue deficit	2.1.1	6
Receipts and expenditure compared with the actuals of previous year	2.1.2	7
Variation in receipts and expenditure compared to budget provisions	2.1.3	8
Annual accounts	2.1.4	10
Comments on accounts		
Part-I District Fund	2.2	10
Overstatement in revenue receipt	2.2.1	10
Discrepancy in revenue receipts	2.2.2	10
Understatement of revenue expenditure	2.2.3	11
Overstatement of revenue expenditure	2.2.4	12
Overstatement of Capital expenditure	2.2.5	12
Understatement of opening and closing balance	2.2.6	13
Part-II Deposit Fund	2.3	13
Non reconciliation of receipts	2.3.1	13
Non reconciliation of disbursement	2.3.2	14
Diversion of funds	2.3.3	14
Personal Ledger Account	2.3.4	15
SECTION -III		
(A) Irregularities in transactions relating to discharge of inherent functions		
Failure to generate revenue, loss of revenue, avoidable expenditure and creation of avoidable liability	3.1	17
Failure to generate revenue to the tune of ₹ 1.09 crore	3.2	21
Extra expenditure due to deployment of excess teachers	3.3	23
Irregular deployment of departmental receipts towards departmental expenditure – ₹ 1.47 lakh	3.4	24

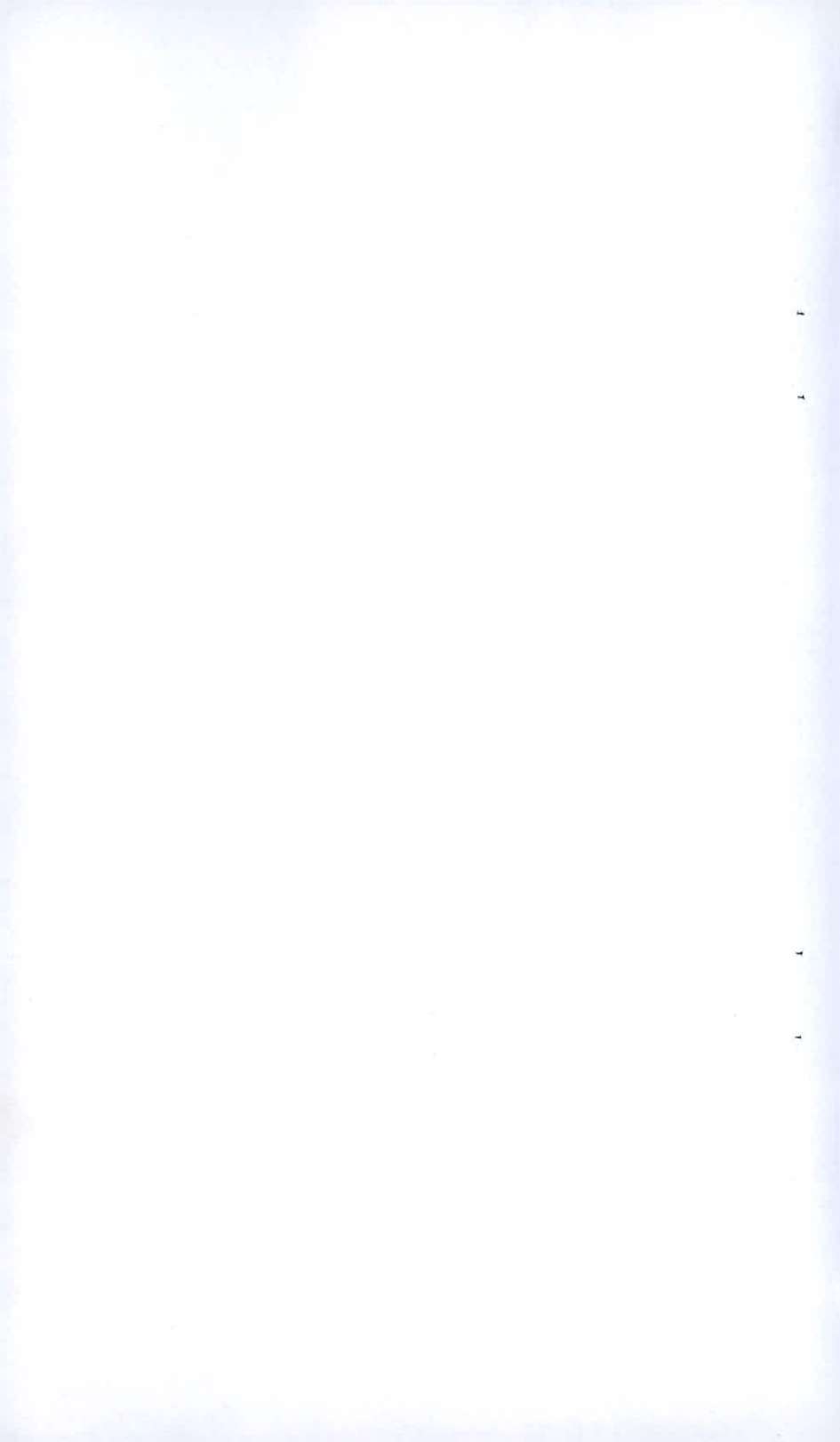
	Paragraph (s)	Page
(B) Irregularities in transactions relating to discharge of entrusted functions		
Public Works Department	4.1	24
Doubtful expenditure	4.1.1	24
Suspected misappropriation and unauthorised expenditure	4.1.2	26
Acceptance of tender beyond delegated power	4.1.3	28
Public Health Engineering	4.2	29
Doubtful expenditure	4.2.1	29
Agriculture Department	4.3	31
Suspected misappropriation	4.3.1	31
Absence of APR's for materials worth ₹ 3.26 lakh	4.3.2	33
Social Welfare Department	4.4	33
Doubtful payment and unauthorised expenditure	4.4.1	33
Doubtful expenditure and suspected misappropriation	4.4.2	36
Doubtful expenditure	4.4.3	38
Non production of records	5	39
Internal Control Mechanism	6	40
Appendices	Paragraph reference	Page
Appendix-I	2.3.1 & 2.3.2	42
Appendix-II	2.3.4	44
Appendix-III	3.3	45
Appendix-IV	4.2.1	46
Appendix-V	4.4.2	48

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 observations included in the Report are those which came to notice in the course of special audit of eight selected departments under the administrative control of NCHAC executing entrusted functions conducted during May-July 2010 and test check of annual accounts for 2007-08 conducted during May-June 2011.

The Report contains three sections, of which one 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 in transactions relating to the year 2007-08.



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 2007-08 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 fifteen paragraphs. The main observations are detailed below:

Comments on annual accounts

- The Council met its revenue deficit of ₹ 26.67 crore under normal or inherent functions by diverting funds advanced by the State Government for discharging entrusted functions unauthorizedly.

(Paragraph 2.1.1)

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

(Paragraph 2.3.4)

Audit findings on transaction audit of normal or inherent functions

- NCHAC failed to generate revenue to the tune of ₹ 0.96 crore, sustained loss of revenue to the extent

of ₹ 22.12 lakh, incurred extra avoidable expenditure of ₹ 2 crore and created avoidable liability of ₹ 16.09 crore, in various instances/cases.

(Paragraph 3.1)-

- Short extraction of bamboo, led to failure in generation of revenue of ₹ 1.09 crore.

(Paragraph 3.2)

- Deployment of primary school teachers in excess of prescribed norms resulted in extra expenditure of ₹ 8.40 crore.

(Paragraph 3.3)

Audit findings on transaction audit of entrusted functions

- Absence of sanctioned estimate and fictitious measurement of work rendered expenditure of ₹ 27.49 lakh, doubtful.

(Paragraph 4.1.1)

- Non-furnishing of the documents in support and the details of whereabouts of ₹ 3.88 crore by NCHAC pointed towards suspected misappropriation. Further NCHAC incurred expenditure of ₹ 8 crore of scheme fund towards discharging old liabilities without authorization.

(Paragraph 4.1.2)

- Executive Engineer, Public Health Engineering, Haflong Division made part payment of ₹ 1.30 crore to suppliers but failed to furnish receipt and details of utilization of the materials procured rendering the entire expenditure doubtful.

(Paragraph 4.2.1)

- Cheques amounting to ₹ 11 crore issued by NCHAC in favour of District Agriculture Officer, Haflong from district fund were neither accounted for in the cash book nor details of utilization were furnished to audit. Thus, possibility of misappropriation of ₹ 11 crore could not be ruled out.

(Paragraph 4.3.1)

- Actual Payee Receipts (APR) against distribution of agricultural items worth ₹ 3.26 lakh to the beneficiaries were not made available to audit rendering the expenditure doubtful.

(Paragraph 4.3.2)

- Deputy Director, Social Welfare, Haflong showed disbursement of National old age pension of ₹ 1.10 crore without documents in support of bonafides of beneficiaries viz., list of approved beneficiaries, identification of beneficiaries etc., rendering the entire disbursement of ₹ 1.10 crore doubtful. Besides, the Council incurred unauthorised expenditure of ₹ 2 lakh towards administrative expenses which was not permissible under the guidelines of the scheme.

(Paragraph 4.4.1)

- Deputy Director, Social Welfare, Haflong did not deposit ₹ 3.50 crore in the DDO's bank account after its receipt. Withdrawal of another ₹ 3 lakh was not accounted for in the cash book. Thus, misappropriation of ₹ 3.53 crore could not be ruled out. Besides, the Council failed to produce supporting records towards receipts and utilization of the materials shown as procured for ₹ 7 crore, rendering the said expenditure doubtful.

(Paragraph 4.4.2)

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 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 (August 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 2007-08 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, conducted 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 2007-08 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 2007-08 and the resultant revenue and capital deficits were as shown in Table-1:

Table-1 (₹ in lakh)

Revenue Receipts	Part-I District Fund	Revenue Expenditure
	A Revenue Receipt and Expenditure	
(1)	(2)	(3)
173.91	Taxes on Income and Expenditure	
184.59	Land Revenue	146.93
0.69	Stamps and Registration	-
	Taxes on Vehicle	
0.00	Interest Receipt	
	Education	2435.65 ¹
158.60	Forests	650.15
70.63	Mines and Minerals	
	District Council	103.47
	Executive Members	17.34
	Administration of Justice	20.98
	Secretariat General Services	343.30
	Pension and other Retirement Benefits	59.59
	Art and Culture	27.64
	Urban Development	19.20
	Social security and Welfare	19.44
	Relief on account of Natural calamities	4.25
6.61	Roads and Transport Services	54.38
0.02	Stationery and Printing	23.55
3.66	Public Works	308.40
144.72	Other General Economic Services	107.84
931.84	Grants in Aid	-
1675.27	Total –A: Revenue Receipts and Expenditure	4342.11
2666.84	Revenue Deficit	

¹ Includes Plan expenditure of ₹ 30.24 lakh

(1)	(2)	(3)
	B Capital Receipts and Disbursements	
	Capital account (Public works)	11.92
	Capital account (Road transport)	62.82
	Debt	
	Loans and Advances	
0.06	Recoveries of Loans and Advances	
	Disbursement of Loans and Advances	
0.06	Total-B: Capital Receipts and Disbursements	74.74
74.68	Deficit under Capital and Loans and Advances	
1675.33	Total Receipts and Payments under Part-I District Fund	4416.85
4416.85	Total Part-I District Fund	4416.85
	C PART-II Deposit Fund	
Receipt	Receipts and Disbursement under entrusted functions of the State Government	Disbursements
20226.61	Funds Received from the State Government	
	Expenditure incurred out of Deposit Fund	17359.46
	Surplus/Savings on Deposit Fund	2867.15
20226.61	Total-C : Part II Deposit Fund	20226.61
21901.94	Total Receipts and Disbursement under Part-I & II	21776.31
	D Opening balance/ Closing balance	
-93.66*	Cash	31.97*
21808.28	Grand Total (A+B+C+D)	21808.28

Source: Annual Accounts of NCHAC

*Discrepancy between opening and closing balance in the annual accounts 2007-08 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 the year 2007-08 pertaining to the functions as specified in Sixth Schedule of the Constitution were ₹16.75 crore. Against this, NCHAC spent ₹43.42 crore resulting in revenue deficit of ₹ 26.67 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 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 Expenditure 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	Actual Receipts	Actual Receipts	Decrease in receipt	Percentage of variation
	(Receipts)	in 2006-07	in 2007-08		
	(₹ in lakh)				
1	Land Revenue	221.37	184.59	36.78	17
2	Taxes on Vehicle	23.95	0.00	23.95	100
3	Stamps and Registration	3.00	0.69	2.31	77
4	Forest	260.38	158.60	101.78	39

B-Expenditure

Sl. No.	Heads of Account	Expenditure in 2006-07	Expenditure in 2007-08	Increase in expenditure	Percentage of variation
	(Expenditure)				
	(₹ in lakh)				
1	District Council	28.74	103.47	74.73	632
2	Social security and Welfare	8.84	19.44	10.60	120
3	Other General Economic Services	86.34	107.84	21.50	25
4	Urban Development	14.76	19.20	4.44	30
5	Roads and Transport Services	47.96	54.38	6.42	13

Source: Annual Accounts

Reasons for decrease in revenue receipts ranging from 17 to 100 *per cent* and increase in expenditure ranging from 13 to 632 *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 Variation in receipts and expenditure compared to budget provisions

Revenue receipts (excluding Grants-in Aid of ₹ 9.32 core) during 2007-08 were ₹ 7.43 crore against the estimated amount of ₹ 10.27 crore (overall shortfall 28 *per cent*). Shortfall ranging from 6 to 100 *per cent* was noticed under 11 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	213.00	184.59	28.41	13
2	Stamps and Registration	2.00	0.69	1.31	66
3	Taxes on Vehicle	25.00	0.00	25.00	100
4	Interest Receipts	1.00	0.00	1.00	100
5	Stationery and Printing	1.00	0.02	0.98	98
6	Public Works	9.00	3.66	5.34	59
7	Other Administrative Services	4.00	0.00	4.00	100
8	Fisheries	1.00	0.00	1.00	100
9	Forests	362.00	158.60	203.40	56
10	Mines and Minerals	100.00	70.63	29.37	29
11	Roads and Transport	7.00	6.61	0.39	6

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 receipt over the estimated budget under one head of account was also noticed as shown in Table - 4:

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)			
1.	Taxes on Income and Expenditure	155.00	173.91	18.91	12

Source: Annual accounts and Budget document.

Instances of excess expenditure over budget estimates ranging between 20 and 128 *per cent* under three heads of accounts were also noticed during 2007-08 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	1068.60	2435.65	1367.05	128
2.	Urban Development	16.00	19.20	3.20	20
3.	Capital Outlay on Road Transport Services	46.00	62.82	16.82	37

Source: Annual accounts and Budget document.

Reasons for excess receipts 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 Overstatement in revenue receipts

NCHAC accounted for revenue receipts of ₹ 1.58 crore under the heads of accounts 'XIII-Forest' against actual receipt of ₹ 1.52 crore as per cash book, cheque receipt register of concerned department and information furnished to audit. Thus there was overstatement of receipts by ₹ 0.06 crore, which needs reconciliation.

2.2.2 Discrepancy in revenue receipt

Revenue receipts aggregating ₹ 261.83 lakh were accounted under three heads of accounts against actual revenue receipts of ₹ 268.19 lakh as detailed in Table-6. Thus, there was a discrepancy of receipt by ₹ 6.36 lakh which needed to be reconciled.

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)		
Revenue Receipts				
1	Land Revenue	184.59	184.83	0.24
2	Mines & Minerals	70.63	75.13	4.50
3	Road and Transport Services	6.61	8.23	1.62
Total		261.83	268.19	6.36

Source: Cash book, information furnished by respective departments:

2.2.3 Understatement of revenue expenditure

Revenue expenditure aggregating ₹ 31.89 lakh was accounted under two heads of accounts under normal functions against actual expenditure of ₹ 32.61 lakh as detailed in Table-7 leading to understatement of revenue expenditure by ₹ 0.72 lakh.

Table-7

Sl No	Heads of account	As per Annual accounts	As per verification of records and information furnished by the Deptt.	Understatement of Revenue expenditure
		(₹ in lakh)		
Revenue Expenditure				
1	Relief on account of Natural Calamities'	4.25	4.30	0.05
2	Art & Culture & Publicity	27.64	28.31	0.67
Total		31.89	32.61	0.72

Source: Cash book, information furnished by respective departments:

2.2.4 Overstatement of revenue expenditure

Revenue expenditure aggregating ₹ 40.50 crore was accounted for under nine heads of account in the annual accounts 2007-08 by NCHAC against actual expenditure of ₹ 38.62 crore leading to overstatement of revenue expenditure by ₹ 187.84 lakh 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 Deptt.	Understatement of Revenue expenditure
			(₹ in lakh)	
1	Land Revenue	146.93	132.54	14.39
2	Admn. of Justice	20.98	18.81	2.17
3	Forest'	650.15	602.39	47.76
4	Secretariat General Services	343.30	326.87	16.43
5	Social Security & Welfare	19.44	15.94	3.50
6	Other General Economic Services	107.84	107.41	0.43
7	Executive Member.	17.34	17.11	0.23
8	Education	2435.65	2361.43	74.22
9	PWD	308.40	279.69	28.71
	Total	4050.03	3862.19	187.84

Source: Cash book, information furnished by respective departments:

2.2.5 Overstatement of Capital expenditure

NCHAC accounted for ₹ 62.82 lakh as Capital expenditure under the head "Capital outlay on Road Transport. Services" against actual expenditure of ₹ 42.82 lakh as per cash book and information furnished to audit by the Transport department. Thus, there was overstatement of capital expenditure by ₹ 20 lakh.

2.2.6 Understatement of opening and closing balance

Figures of opening and closing balance were exhibited in the annual accounts 2007-08 as (-) ₹ 59.38 lakh and ₹ 12.64 lakh instead of (-) ₹ 93.66 lakh and ₹ 31.97 lakh respectively (Section D of Table-1 of the report). This resulted in understatement of both opening and closing balance by ₹ 34.28 lakh and ₹ 19.33 lakh respectively, which needs reconciliation.

2.3 Part-II Deposit Fund

2.3.1 Non reconciliation of receipts

Annual accounts for 2007-08 exhibited ₹ 202.27 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 ₹ 185.43 crore (Plan: ₹ 108.72 crore and Non-plan: ₹ 76.71 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 appended to annual accounts. Consequently, discrepancy of ₹16.84 crore could not be correlated and reconciled and the correct position of receipts was not ascertainable in audit.

2.3.2 Non reconciliation of disbursement

Annual accounts for 2007-08 exhibited ₹ 173.59 crore as disbursement towards discharge of entrusted functions by NCHAC under Part-II Deposit Fund. However, the statement showing major head-wise funds disbursed, furnished during audit (June 2011), showed disbursement of ₹163.33 crore (Plan: ₹ 97.37 crore and Non-plan: ₹ 65.96 crore) as detailed in *Appendix-I*. 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 ₹ 10.26 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 reappropriate funds within the same major head of account while approval of State Government is required for reappropriation of funds between two major heads of account.

Scrutiny revealed that NCHAC incurred expenditure of ₹ 2.29 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 being pointed out in previous Audit Reports.

Table -9

Heads of Account	Plan/Non-Plan	Fund Received from State Government	Expenditure Incurred	Excess expenditure
		(₹ in lakh)		
3054-PWD(Roads)	Plan	2220.00	2398.00	178.00
2235/2236 -Social welfare	Plan	2959.67	3006.77	47.10
2405-Fishery	Non- Plan	26.24	26.44	0.20
2205-Library	Plan	10.00	14.05	4.05
Total		5215.91	5445.26	229.35

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 2008, 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 2008, there was a difference of ₹ 3.65 crore in the closing cash balance between the two sets of records as shown in Table-10:

Table – 10

(₹ in lakh)

Sl. No.		As per Treasury records	As per annual accounts and PLA Cash Book	Discrepancy excess (+) Less (-) in Cash Book
1	Opening balance as on 1 April 2007	187.69	(-) 59.38	(-)247.07
2	Closing balance as on 31 March 2008	377.49	12.64	364.85

It is noticed that 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 sixteen cheques amounting to ₹ 14.19 lakh issued to different drawing and disbursement officers during the period January 2008 to March 2008 were duly entered in PLA cash book *Appendix-II*. 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 2008. This was one of the factors that contributed to the above discrepancy.

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

Section –III

(A) Irregularities in transactions relating to discharge of inherent functions

3.1 Failure to generate revenue, loss of revenue, avoidable expenditure and creation of avoidable liability

NCHAC entered into a contract 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 2.90 lakh Metric Tonne Green (MTG) of bamboo annually at the HPC Mills sites from NC Hills forest areas. The quality of bamboo 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. But species of bamboo to be supplied were not specified.

NCHAC engaged 3 firms by entering into separate agreements on 19 October 2006 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. The

proceeds received from HPC for supply of bamboo were to be credited in the Bank account of the NCHAC for immediate transfer of the entire proceeds (within one day) to the respective contractor/supplier of bamboo. NCHAC also agreed to pay compensation for delay in allotment, subsequent cancellation and/or suspension thereof in any manner and for any reason whatsoever including expenses on account of business operation such as captive transportation cost, wages/salaries, other infrastructure cost, loss of profit sustained by contractor for the period attributable to such delay in allotment.

Scrutiny revealed that NCHAC allotted 2.90 lakh MTG (November 2006) bamboo to 3 firms. Of this, contractors felled 0.57 lakh MTG bamboo but in December 2006, HPC did not accept 5 trucks of bamboo supplied by one of the firms on the ground that the bamboo were thin walled and not in conformity with the quality of bamboo of Reserve Forest Area of NC Hills. NCHAC filed a writ petition in the High Court for issue of order for acceptance of such bamboo by HPC. During hearing (5 February 2007), HPC expressed willingness to accept the already cut bamboo at reduced rate (₹ 1285 in place of ₹ 1990). Accordingly, the Court directed (5 February 2007) to form a committee with representatives of NCHAC, HPC and contractors to assess the quantity of already cut bamboo within 9 February 2007 and also fixed an interim rate for supply without prejudice to final fixation of rate at a later date. However, the assessment did not materialise during the period 6 February to 18 April 2007, due to lack of proper response from NCHAC. In May 2007 HPC intimated NCHAC that such assessment was beyond the scope of High Court's order as

the correct assessment at such belated stage was not feasible. However, contractors disagreed with interim rate for bamboo fixed by the Court and sought appointment of arbitrator (July 2007) for redressal of loss that had occurred to them on account of felling, stacking, and wage payment, leasing of truck etc. There was no record available with NCHAC of assessment of quantity of bamboo extracted by the contractors during the period between issue of allotment order and the date of rejection by HPC. Records of disposal or status of the extracted bamboo were also not available with NCHAC.

The arbitrator awarded (October 2007) payment of compensation of ₹ 18.09 crore in all to three contractors with 12% interest per annum. On the date of award (30 October 2007) the contractors prayed jointly to the Governor of Assam for directing NCHAC to pay the amount of award in the ratio of 31:28:41 amongst them. The Governor accepted the prayer and directed (21 November 2007) NCHAC to pay ₹ 1 crore amongst the contractors in the same ratio as put forth by the contractors and waived the contractors from paying royalty subject to ceiling of ₹ 50 lakh and also directed that the issue of waiver of award in respect of interest payment be taken up on appeal with the arbitrator and balance amount of award be paid in staggered installments, (numbering ten or less as suitable). NCHAC was also directed to initiate civil suit against HPC for recovery of damages due to the arbitration award. Accordingly, compensation of ₹ 1.00 crore was paid (January 2008) to a lone contractor (instead of paying proportionately) and subsequently in March 2008, ₹ 1.00 crore was paid to another contractor. However, the Council

in pursuance of direction of the Governor neither appealed to the arbitrator for waiver of interest payment nor filed any civil suit against HPC for recovery of damage due to arbitration award.

It is pertinent to point out here that during subsequent years, bamboo extracted from the same forest area were being supplied and accepted by HPC. However in the instant case NCHAC did not

- (i) investigate the reason for alleged inferior quality of bamboo supplied to HPC,
- (ii) ascertain whether proper selection of matured bamboo was made during allotment/extraction,
- (iii) verify the quantity of bamboo extracted by 3 contractors, and
- (iv) undertake any step to dispose of the extracted bamboo.

Thus, by undertaking the responsibility to supply bamboo under supplementary agreement, NCHAC failed to generate revenue to the tune of ₹ 95.97 lakh* during

*

Name of the firm/contractor	Allotment (in lakh MTG)	Extraction (in lakh MTG)	Share of royalty (per MTG)	Unextracted quantity (in lakh MTG)	Royalty for balance	Royalty for extracted bamboo
Dimalika F/A	0.13		₹25	0.01	₹25000	
Jinamvalley	0.23	0.12	₹30	0.23	₹690000	300000
Krumgming RF						
Dimasa Associate	1.88	0.15	₹42.50	1.73	₹7352500	637500
M/s ENNCEE	0.66	0.30	₹42.50	0.36	₹1530000	1275000
Hills Traders						
Total	2.90	0.57		2.33	₹9597500	2212500

2006-07 as 2.33 lakh MTG bamboo allotted in November 2006 were not extracted and revenue to the tune of ₹ 22.12 lakh* was lost due to non-delivery/non-disposal of extracted bamboo (0.57 lakh MTG). In addition, NCHAC incurred avoidable expenditure of ₹ 2 crore on account of payment of arbitration award and created an otherwise avoidable liability of ₹ 16.09² crore, for itself.

3.2 Failure to generate revenue to the tune of ₹ 1.09 crore

3.2.1 NCHAC entered into an agreement (01 March 2005) for a period of 21 years with a firm 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 make allotment for extraction of bamboo (felling series-wise) and the firm would pay royalty @ ₹ 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 to NCHAC.

NCHAC allotted 74044 MTG of bamboo to the firm covering three³ felling series, during 2007-08 on which the firm was to pay royalty @ ₹ 97.75 per MTG. Scrutiny of records (June 2011) revealed that during the year the firm extracted only 8347.93 MTG of bamboo. NCHAC did not

² Arbitrator award of ₹ 18.09 crore minus (₹ 1 crore paid in January 2008 and another ₹ 1 crore paid in March 2008 to two contractors)

³ Longkua: 56700 MTG; Harangajao: 8838 MTG; Khepre: 8506 MTG

furnish felling series wise quantity extracted for which audit could not ascertain the amount of compensation which could have been imposed on the firm for failure on the part of the firm to extract the allotted quantity of bamboo to compensate shortfall in generation of revenue. Moreover, no records in support of any action initiated by NCHAC for extraction of the balance quantity of allotted bamboo were made available. Thus, there was shortfall in generation of revenue to the tune of ₹ 63.09 lakh⁴ due to non extraction of allotted bamboo.

3.2.2 Scrutiny also revealed that during 2007-08, NCHAC allotted (September 2007) 1.57 MTG of bamboo to two firms at the rate of royalty specified in the agreements executed in terms of supplementary agreements dated 11 October 2006 with HPC. The firms concerned extracted only 0.50 MTG leaving 1.07 MTG un-extracted as detailed in Table below.

Name of firm to whom allotted	Quantity allotted (in lakh MTG)	Quantity Extracted (in lakh MTG)	Quantity left unextracted (in lakh MTG)	Rate of royalty (₹ per MTG)	Loss of revenue (₹ in lakh)
Dimasa Associates	1.11	0.46	0.65	42.50	27.62
Enn Cee Hills Traders	0.46	0.04	0.42	42.50	17.85
	1.57	0.50	1.07		45.47

Moreover, no records were produced to audit in support of any action initiated for ensuring extraction of the balance quantity of allotted bamboo during the year. Thus there was further shortfall in generation of revenue to the tune of

⁴ $(74044 \times 97.75) = ₹ 72.38 \text{ lakh minus } ₹ 9.29 \text{ lakh deposited in August 2009} = ₹ 63.09 \text{ lakh}$

₹ 45.47 lakh. On this being pointed out NCHAC did not furnish reasons for occurrence of such shortfall till August 2012.

3.3 Extra expenditure due to deployment of excess teachers

According to the prescribed norms for granting permission/recognition of primary schools by NCHAC, maximum enrolment in a section/class should be 40 with a minimum of 20 which was relaxed by the Government of Assam to 15 in areas inhabited by SC/ST population in North Cachar Hill areas. 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 had also stressed the need for rational deployment of teachers in primary schools.

Scrutiny of records of Education Department revealed that, during 2007-08, 1736 teachers were deployed in excess of norms which resulted in extra expenditure of ₹ 8.40 crore during 2007-08 as detailed in *Appendix-III*.

On this being pointed out, 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.

3.4 Irregular deployment of departmental receipts towards departmental expenditure – ₹ 1.47 lakh

According to Rule 18 of the N.C. Hills District fund rules 1953, all money received by the Council shall be remitted into the 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 ₹ 8.22 lakh during 2007-08 of which ₹ 6.75 lakh was deposited in PLA maintained by Treasury during 2007-08. Balance ₹ 1.47 lakh was utilized towards purchase of fuel and lubricants for plying Council buses violating the provision of Fund Rules. In reply (June 2011) it was stated that departmental receipts were utilised due to non-receipt of required funds. Thus, NCHAC action was contrary to the provision of Fund Rules and would require regularisation.

(B) Irregularities in transaction relating to discharge of entrusted functions

4.1 Public Works Department

4.1.1 Doubtful expenditure

Once soil and rock, accumulated due to landslide, are cleared from the valley/gorge side, the scope for their measurement is well nigh impossible.

Scrutiny (May-July 2010) of the records of the Executive Engineer, Public Works Department (R&B), Maibong Division revealed that the work "Improvement of Purana Maibong Bonglaidisa Road (0 to 23 km)" was 'administratively approved (October 2006) for ₹ 70 lakh by NCHAC, but the relevant approved estimate was not made available to audit though called for. In the absence of approved estimate, the quantity of soil to be removed under the item 'clearance and disposal of landslide' remained unconfirmed.

The work was awarded (January 2007) to a contractor, selected after inviting tender, at the tendered value of ₹ 65.42 lakh. Clearance of landslide along with other item of works commenced on 15 January 2007 and completed on 29 March 2007. However, the measurements were recorded subsequently on 30 March 2007. According to the measurement book recordings and voucher, 83,308.62 cubic meter of landslide soil with ordinary rock were cleared and disposed by bulldozer at the cost of ₹ 27.49 lakh out of the total paid (August 2007) amount of ₹ 65.32 lakh.

As measurement after clearance and disposal of landslide soil from the valley/gorge side is not feasible, the expenditure of ₹ 27.49 lakh was doubtful.

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 4.1.7 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.1.2 Suspected misappropriation and unauthorised expenditure

Rules 78 and 79 of Assam Financial Rules (AFR) provide that every payment should be supported by a voucher and Actual Payee's Receipt (APR). Further, according to Rule 95 of AFR, every receipt and disbursement should be recorded in the cash book.

Scrutiny (May-July 2010) of the records revealed that Planning Commission sanctioned (March 2007) ₹ 20.50 crore as Special Central Assistance for implementation of 10 road schemes⁵ of NCHAC. Accordingly, the State Government released ₹ 20.50 crore in October 2007. Out of the released amount of ₹ 20.50 crore, Principal Secretary, NCHAC drew (October 2007) ₹ 18.50 crore in favour of himself from the district fund. But the amount so withdrawn was not deposited in the bank account (State Bank of India, Haflong) of Principal Secretary and also not accounted for in the cash book of the

5

Sl No	Name of schemes	Amount (₹ in crore)
1	M&BT of Laisong Raja Bazar road (24 KM) 5.2 KM proposed in the first phase from Raja Bazar-	1.50
2	M&BT of Amangbra village approach road from Passi Garampani Road, 5KM	1.50
3	M&BT of Nanadisa village approach Road from S.S. Road (2 KM include RCC Culverts)	1.40
4	M&BT of Jorai-Michidui upto Boro Chenum (15 KM in first phase)	8.00
5	R.C.C. Bridge on the above road falling within first 15 KM	2.90
6	M&BT of Mahur Manigaonto P. Leikul village (6 KM in first phase)	2.00
7	M&BT of S.S Road to Jorai bathari village (1.5 KM)	0.50
8	M&BT of Khumonon village approach road from S.S. Road (1 KM)	0.30
9	M&BT of Road from P. Leikul to Laisong Bagan (6.3 KM)	1.90
10	M&BT of Maibangsa village approach road from Passi-Garampani road (1.7 KM)	0.50
Total		20.50

Source: Departmental records.

Council. Further, no records of utilisation, voucher, APRs, physical progress reports etc., were maintained by the Council. In response to audit query, Executive Engineers, PWD, Haflong and Mahur Divisions acknowledged (March 2008) receipt and expenditure of ₹ 8.01 crore and ₹ 6.61 crore respectively for implementation of road schemes. Details of utilisation were as below:

Table-12

(₹ in crore)

Name of the Division	Total fund received	Fund utilised	
		On sanctioned schemes	On clearance of old liability
PWD (Roads) Division, Haflong	8.01	3.51	4.50
PWD (Roads) Division, Mahur	6.61	3.11	3.50
Total	14.62	6.62	8.00

Source: Departmental records.

Though all the schemes were incomplete except one⁶, which was completed at ₹ 43.26 lakh, the scheme fund of ₹ 8 crore was unauthorisedly utilised to discharge old liabilities of other schemes as per direction of the Principal Secretary, NCHAC. Hence, the residents of the Council were deprived of easy communication facilities on account of non-completion of approved road schemes.

Due to non-maintenance of cash book as envisaged in Rule 95 of AFR and non-deposit of the amounts received in the official bank account, whereabouts of the balance fund of ₹ 3.88 crore (₹ 18.50 crore - ₹ 14.62 crore) could not be traced. The Council and the two Divisions also failed to furnish the whereabouts of the balance fund. Thus, it is most likely that ₹3.88 crore was misappropriated which

⁶ M&BT of Maibangsa village approach road from Passi-Garampani road.

warranted further investigation and fixation of responsibilities. This clearly reflected poor financial control.

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 4.1.8 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.1.3 Acceptance of tender beyond delegated power

As per provision of Delegation of Financial Powers Rules (amended June 1999), of the Government of Assam, the Superintending Engineer (SE) of a working division can accept tender upto ₹ 5 lakh and beyond that, approval of Additional Chief Engineer is required.

Test check of the records revealed that administrative approval was accorded for improvement of Halikhali-Wajao road (October 2006) at the estimated cost of ₹114.00 lakh by the Principal Secretary, NCHAC, Haflong. The estimate provided for earthwork and cutting of roadside drain from 500m to 13200m. The SE PWD (R&B) Haflong divided the work by splitting in 'two' parts as shown in Table-13.

Table-13

Group	Name of work	Value of work
I	Earthwork in widening and cutting Roadside drain (5000m to 9000m)	₹ 52.98 lakh
II	Earthwork in widening and cutting Roadside drain (9000m to 13200m)	₹ 53.66 lakh

Accordingly, tenders were invited (December 2006) by SE and the offers of lowest bidders were also accepted by him (January 2007) un-authorisedly.

- Both the works were awarded (January 2007) at the tendered value of ₹ 52.98 lakh and ₹ 53.66 lakh respectively. The works were completed within the stipulated period. First and final bill in connection with the work under Group I was submitted and passed for payment (October 2007) at a bill value of ₹ 52.98 lakh and the final payment for the other Group was not made till the date of audit (June 2010).

Further, the Division neither furnished (August 2012) the detailed approved estimate though called for, nor maintained the register of works.

Thus the action of SE, Maibong PWD Division in accepting the tender of the work beyond delegated financial power by splitting the work into two groups was irregular and also in the absence of detailed approved estimate and register of works, it could not be ascertained whether the work was executed as per approved estimate.

4.2 Public Health Engineering

4.2.1 Doubtful expenditure

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, Rules 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 of NCHAC revealed that the Executive Engineer, Public Health Engineering, Haflong Division issued 10 supply order in January 2008 for supply of Galvanized Iron (GI) Pipes, Prestress (PS) plates, Diesel pump sets etc., under Accelerated Rural Water Supply Programme. He made (January 2008 and March 2008) part payment of ₹ 1.30 crore to four suppliers as advance (although there was no clause for payment of advance in the supply order) as detailed in *Appendix-IV*.

According to the procedure in vogue, on receipt of materials, the bills are required to be verified by the authorised person receiving the materials and on his full satisfaction that the materials were received as per terms and specification, a certificate to that effect is to be recorded on the body of the bills. Then the bills are to be verified by the Divisional accountant and submitted to the Divisional Officer for issue of necessary pay order. However, no records of receipt and utilisation of the materials against the above payments were made available to audit, though called for. The basic records viz. administrative approval, financial sanction, bid documents, comparative statements, supply orders, delivery challan, site accounts, progress reports, measurement books etc., were also not made available to audit, though called for. In reply to audit queries, the Division stated (June and November 2010) that the then Executive Engineer verified all the bills personally and made payments violating Departmental rules without recording receipt of materials

in measurement book and site account. As such, this only confirms that the bonafides of expenditure of ₹ 1.30 crore were doubtful.

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 4.1.5 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.3 Agriculture Department

4.3.1 Suspected misappropriation

Rules 78 and 79 of Assam Financial Rules (AFR) provide that every payment should be supported by vouchers and Actual Payee's Receipts (APRs). Further, according to Rule 95 of AFR, every receipt and disbursement should be recorded in the cash book.

Annual sectoral plan allocation 2007-08 of the State budget provided (21 March 2007) ₹ 6 crore for water shed projects for boosting agricultural production and ₹ 5 crore to rejuvenate orange orchards for income generation of tribal horticulture farmers under Hill Areas Development Programme (Special Central Assistance) to be implemented through NCHAC and Agriculture Department.

According to the procedure, the DDO is to submit requisition of fund showing details of approved scheme/project to the Council for further approval. The Council⁷ is to issue cheques in favour of DDO after due verification of the facts. Scrutiny (May-July 2010) of the

⁷ Principal Secretary(T)

records revealed that District Agriculture Officer (DAO), Haflong placed (5 May 2007) requisition for ₹ 8⁸ crore (₹ 3 crore for Crop Husbandry and ₹ 5 crore for rejuvenation of orange orchards scheme/project) to NCHAC. Based on the requisition, Principal Secretary (Transfer) NCHAC, with the approval of the Executive Member of the Council, drew (18 May 2007) a cheque of ₹ 8 crore in favour of the DAO, Haflong prior to receipt of fund from the Government. No project report/detailed action plan/administrative approval etc. were made available to audit, though called for. The Principal Secretary (Transfer), NCHAC drew (28 May 2007) another cheque of ₹ 3 crore in favour of DAO, Haflong for contingencies without any requisition. Both the amounts (₹ 8 crore and ₹ 3 crore) were withdrawn from District Fund⁹ on 21 and 29 May 2007. Receipts of the above amounts, however, were not reflected in the bank account and cash book of DAO. The DAO also denied (July 2010) receipt of any such fund. The DAO, however, failed to furnish treasury transit register through which cheques were sent to treasury for drawal. Thus, according to treasury records, although ₹ 11 crore was withdrawn from "District Fund", its receipt was not reflected either in the records of DAO or of the Council. No records of progress report, vouchers, APRs etc., showing implementation of the schemes were also available either with the Council or with the DAO, Haflong.

⁸ Material and supply: ₹7.5 crore; Other charges: ₹0.5 crore.

⁹ Personal Ledger Account of NCHA District maintained by Treasury.

Thus, misappropriation of ₹ 11 crore could not be ruled out as the amount was not entered in the cash book of DAO and the Council also failed to furnish its whereabouts.

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 4.1.1 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.3.2 Absence of APR's for materials worth ₹ 3.26 lakh

DAO, Haflong received ₹ 57 lakh for implementation of different schemes under State plan and Special Central Assistance from the State Government during 2007-08 and procured seeds, sprayer and fertilizer worth ₹ 34.53 lakh which were shown to have been distributed (May 2007 and April 2008) to 6912 beneficiaries. Acknowledgement of receipt of material from 1301 beneficiaries involving material worth ₹ 3.26 lakh was not produced to audit. Reason attributed by the Council was non receipt of acknowledgement from beneficiaries. APRs were also not furnished to audit till date (August 2012) which renders the expenditure doubtful.

4.4 Social Welfare Department

4.4.1 Doubtful payment and unauthorised expenditure

National Old Age Pension (NOAP) Scheme under National Social Assistance Programme (NSAP), a 100 *per cent* centrally sponsored programme was launched on 15 August 1995. The Scheme intended to provide old age pension at the rate of ₹ 75 per month to destitute (aged 65 years and

above) who had no regular means of subsistence. The NSAP was transferred to State Plan since 2002-03 with the provision of release of funds for operation of the schemes as additional central assistance. The scheme was modified and renamed as Indira Gandhi National Old Age Pension Scheme from 19 November 2007 with the additional eligibility criterion that the applicant must belong to a household of below the poverty line (BPL). The monthly rate of central assistance was enhanced to ₹ 200 per month since 1 April 2006, which can be further enhanced up to ₹ 1,000 depending on State's contribution. As per guidelines, the pension amount was to be credited to the beneficiary's account, either in a post office or public sector bank.

Scrutiny (May-July 2010) of the records revealed that the Council accorded (July and November 2007) administrative approval and expenditure sanction for ₹ 68 lakh and ₹ 44 lakh for disbursement of old age pension. Of the total sanctioned amount of ₹ 1.12 crore, ₹ 1.10¹⁰ crore was disbursed to 11,000 beneficiaries as old age pension and ₹ 2 lakh was spent as administrative expenses. However, in the absence of basic records of identification, selection and approved list of beneficiaries, the bonafideness of disbursement of ₹ 1.10 crore to targeted beneficiaries remained doubtful. Further, the expenditure of ₹ 2 lakh (February 2008) on administrative expenses was inadmissible and unauthorised as there was no provision in

¹⁰ ₹ 66 lakh for three months from April-June 2007 at ₹ 200 PM and ₹ 44 lakh for two months from July-August 2007 @ ₹ 200 PM for 11,000 beneficiaries.

the guidelines of the scheme for administrative expenses to be met from the scheme fund.

Further, a bank draft of ₹ 69 lakh was received (February 2008) by the Deputy Director, Social Welfare (DDSW), Haflong from the Director, Panchayat and Rural Development, Government of Assam for implementation of NOAP scheme. As the fund was received directly by the DDSW, beyond the normal mode of receipt of fund through NCHAC, the amount was not deposited into the district fund. The entire amount was shown disbursed to 8,632 beneficiaries during 25 February 2008 to 29 March 2009 at the rate of ₹ 800 each. No records of applications, identification, selection, approved list of beneficiaries, Actual Payees' Receipts (APRs), month of disbursement etc., were, however, found available though called for in June 2010. On being pointed out, it was stated (June 2010) that entries were recorded in the cash book as per verbal instructions of the then Deputy Director without any APRs/vouchers. Thus, in the absence of basic records in support of identification, selection and approved list of beneficiaries, the bonafideness of actual disbursement of ₹ 69 lakh to the targeted beneficiaries remained doubtful.

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 4.1.9 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.4.2 Doubtful expenditure and suspected misappropriation

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.

Government of Assam released ₹ 7 crore during June 2007 (₹ 3.50 crore) and November 2007 (₹ 3.50 crore) for specific schemes for upliftment of BPL families in NCHAC as 'state priority scheme'. NCHAC was also advised to set aside an amount for organising training of beneficiaries and marketing of produce and directed to assess the impact of the scheme. The Council approved (August 2007) the proposal for providing water filter, mosquito net and blankets to 6,790 families, sewing machine to 3,200 families, knitting machine and working capital @ ₹ 667 to 900 beneficiaries under the scheme. The Council accorded two sanctions of ₹ 3.50 crore each in July and November 2007 for implementation of the above scheme and also accorded (August 2007) approval for providing different articles, equipment and cash assistance worth ₹ 3.27 crore¹¹.

11

Sl. No.	Name of article	Number of families	Rate (₹)	Amount (₹)
1	Water filter	6,790	1,450	98,45,500
2	Mosquito Net	6,790	250	16,97,500
3	Blanket	6,790	550	37,34,500
4	Sewing Machine	3,200	3,300	1,05,60,000
5	Knitting Machine	900	7,000	63,00,000
6	Working capital	900	667	6,00,300
Total				3,27,37,800

to the families as approved by the Council. Records as to how the balance amount of ₹ 3.73 crore was to be spent were not furnished to audit, though called for.

Scrutiny (May-July 2010) of records revealed that Deputy Director, Social Welfare Department, Haflong received (September 2007 and November 2007) two cheques from Council amounting to ₹ 7 crore (₹ 3.50 crore each) and duly accounted for in the cash book. Out of this ₹ 7 crore, ₹ 3.50 crore received on 25 September 2007 was not deposited in bank account (operated by the Deputy Director as drawing and disbursing officer), which was confirmed (June 2010) by the Bank (SBI, Haflong). The said bank account also showed withdrawal of ₹ 7.03 crore¹² during February 2008. However, cash book maintained by the Deputy Director (photocopy obtained from National Investigation Agency (NIA)) showed receipt and disbursement of ₹ 7 crore during the same period to different suppliers and service providers as shown in *Appendix-V*. Stock Register in support of receipt and utilization of the materials paid for, was not made available to audit though called for in May 2010. Besides, progress reports, approved list of beneficiaries, acknowledgement of receipt of materials etc., were also not found on record. In the absence of such vital records, actual receipt and

¹² Dates of withdrawal from bank: 09.02.2008: ₹1.53 crore + 12.02.2008: ₹1.50 crore + 14.02.2008: ₹1.50 crore + 15.02.2008: ₹1.50 crore + 27.02.2008: ₹1.00 crore = ₹7.03 crore.

distribution of the materials worth ₹ 7 crore to the targeted beneficiaries remained doubtful.

Further, misappropriation of ₹ 3.53 crore could not be ruled out as the cheque of ₹ 3.50 crore was not deposited in the concerned bank account and withdrawal of ₹ 3 lakh was not entered in the cash book.

Thus, ₹ 3.50 crore was suspected to be misappropriated and expenditure of ₹ 7 crore was doubtful. The DDO failed to exercise requisite control measures such as maintenance of basic records, periodical reconciliation of cash book balance and bank balance etc. As a result of which, the basic objective of uplifting the economic condition of the beneficiaries was not fulfilled to the extent of expenditure of ₹ 10.53 crore¹³.

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 4.1.10 of the Report refers) laid before the Assam State Legislature on 30 March 2012.

4.4.3 Doubtful expenditure

Records disclosed that the Council accorded sanction of ₹ 35 lakh to Deputy Director Social Welfare, Haflong for implementation of Balwadi Programme under Child Welfare measures for beneficiaries belonging to SC, ST and OBC of Hill areas of Assam. Accordingly, Deputy

¹³ Withdrawn from bank during 09.02.2008 to 27.02.2008 : ₹7.03 crore
Cheque received on 25.09.2007 not deposited in the bank account : ₹3.50 crore
₹10.53 crore

Director Social Welfare, Haflong drew ₹ 17.50 lakh (July 2007) and ₹ 17.50 lakh (November 2007) respectively.

Though the relevant cash book was not made available on the ground that the same was seized by National Investigating Agency(NIA), scrutiny of relevant bills, vouchers, supply order, stock book, APRs, etc., disclosed that the Deputy Director expended the entire amount for procurement of material (July 2007 and March 2008) and showed the same as having been issued to Balwadi centres. The fact of issue of these materials was not supported by entries in subsidiary register of Balwadi centres to substantiate receipt and issue of materials. Further, the bills of procurement were not supported by delivery challans which renders the expenditure doubtful.

5 Non production of records

During the course of audit (May-July 2010), records related to transactions of different Drawing and Disbursing officers (DDOs) as shown in Table-14 were not produced to audit on the plea that the records were seized by different investigating agencies and, therefore, the concerned transactions could not be examined in audit.

Table-14

Name of the DDO	Period of release of fund from council	Fund involved ₹ in crore	Name of investigating agency	Particulars	Impact
1	2	3	4	5	6
EE, PWD (Roads)	2007-08	9.56	CBI	Implementation of roads schemes	Expenditure remained unverified
EE, PWD (Roads)	2007-08	5.58	CBI	Implementation of roads schemes	Expenditure remained unverified

1	2	3	4	5	6
Beat Officer, Haflong under Conservation of Forest, NC Hills	May 2007 to July 2007	(i) 0.18 (ii) 0.86	Monisena Commission	Creation of nursery under Assisted Natural Regeneration Scheme	Expenditure remained unverified
Divisional Forest Officer Southern afforestation Division, Haflong	May 2007 to March 2008	0.93	Monisena Commission	Implementation for quick growing species, social forestry, nursery etc.	Expenditure remained unverified
Deputy Director, Social Welfare Department	October 2007	4.50	NIA	Infrastructure Development under Special Central Assisted Scheme for 2007-08	Expenditure remained unverified

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 to 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 (March 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.

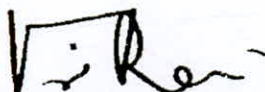
Guwahati
The

15 JAN 2013



(K.P. Anand)
Accountant General

Countersigned



New Delhi
The

(Vinod Rai)
Comptroller and Auditor General of India

24 JAN 2013

Appendix-I

Reference: Paragraphs No. 2.3.1 and 2.3.2

Financial Statement of North Cachar Hills Autonomous Council for the year 2007-08
(₹ 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	2225/3054-PWD(Roads)	2220.00	2398.00	1087.09	1086.19
2	2225/2059-EE PWD Bldg.	10.00	10.00	254.55	179.45
3	2225/2851-Sericulture	70.00	65.22	251.06	227.46
4	2225/2851-Handloom & Textile	10.00	10.00	69.75	66.58
5	2225/2217-Town and Country Planning	12.00	11.80	17.56	14.61
6	2225/3452-Tourist	25.00	25.00	11.06	11.71
7	2408-F& CS	0	0.00	25.21	17.77
8	2225/2215-PHE	1455.24	709.18	1067.05	1012.87
9	2225/2402-Soil Conservation	147.00	114.09	201.63	158.27
10	2225/2851-Industries	20.00	23.75	92.20	87.03
11	2225/3475-Weight & Measure	3.00	2.50	5.12	2.84
12	2225/2702-Irrigation	264.00	170.26	270.25	266.88
13	2225/2401/2435-Agriculture	1612.00	1479.06	240.33	188.48
14	2225/2235/2236-Social Welfare	2959.67	3006.77	56.42	51.88
15	2225/2220-Information & Publicity	45.00	44.04	35.93	26.84
16	2225/2039-Excise	0.00	0.00	35.85	31.92
17	2225/2403/2404-Veterinary & Dairy	295.00	274.10	458.09	301.56
18	2225/2406-Forest	355.00	312.64	322.35	281.49
19	2225/2210/2211-Medical	479.39	392.43	761.69	492.66

1	2	3	4	5	6
20	2225/2405-Fishery	25.00	14.00	26.24	26.44
21	2225/2515-Panchayat	75.00	63.50	150.25	67.51
22	2225/2425-Corporation	50.00	50.00	51.81	33.35
23	2225/2711-Water resources	110.00	93.00	43.04	31.38
24	2225/2205-Cultural Centre	28.00	28.00	17.46	16.66
25	2225/2205-Library	10.00	14.05	11.00	11.41
26	2225/2205-Museum	10.00	9.86	6.56	8.25
27	2225/2205-Archaeology	5.00	4.95	0.00	0.00
28	2225/2202-Education	577.00	410.58	2101.04	1894.65
Total		10872.30	9736.78	7670.59	6596.14

Source: Information furnished by the Council

Appendix-II
(Reference: Paragraphs No. 2.3.4)

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	2	3	4	5	6
1	29.1.08	694/69379	81190.00	Pay of Hadingma High School	17.4.08
2	8.2.08	695/69447	7725.00	Deduction of pay of J B Hagger HS	29.9.08
3	28.3.08	698/69787	12217.00	Deduction of Pay of Flangpui HS	17.4.08
4	28.3.08	698/69788	114579.00	Pay of Flangpui	17.4.08
5	28.3.08	698/69778	2573.00	Pay of Tuolpui HS	17.4.08
6	29.3.08	699/69814	27182.00	Deduction of pay of Principal HS	17.4.08
7	29.3.08	699/69815	453283.00	Pay of Maibong HS	17.4.08
8	29.3.08	699/69816	7500.00	Wages -do-	17.4.08
9	29.3.08	699/69817	18359.00	Deduction of pay Kalachand HS	17.4.08
10	29.3.08	699/69818	184136.00	Pay -do-	17.4.08
11	29.3.08	699/69821	3880.00	Deduction of pay of Narengdisa HS	17.4.08
12	29.3.08	699/69822	83648.00	Pay of do-	17.4.08
13	29.3.08	699/69837	2500.00	Pay of Lower Haflong HS	17.4.08
14	29.3.08	699/69836	169287.0	-do-	17.4.08
15	29.3.08	699/69866	17848.00	BDO, Harangajao	29.5.08
16	29.3.08	699/69865	233328.00	BDO, Harangajao	29.5.08
	Total		1419235.00		

Appendix-III

(Paragraph reference 3.3)

Statement showing the minimum extra expenditure for entertainment of teacher in excess of Prescribed norms of Teachers & student ratio (2007-08)

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 teachers actually entertained	Entertainment of excess teacher(as per teacher Student Ratio i.e.1:15)	Minimum Pay & allowance of one teacher as on 1/4/07	Period 01/04/07 to 31/03/08 (Months)	Total minimum expenditure involved for entertainment of excess teacher	Actual Teacher Student Ratio
1	Haflog 'A' Circle	26	942	63	299	236	6344	12	17966208	1:03
2	Haflog 'B' Circle	31	2274	152	489	337	6344	12	25655136	1:05
3	Jatinga Circle	30	1263	84	226	142	6344	12	10810176	1:06
4	Mahur Circle	41	1327	88	159	71	6344	12	5405088	1:08
5	Harangajao 'E' Circle	29	917	61	108	47	6344	12	3578016	1:08
6	Maibong 'W' Circle	21	805	54	153	99	6344	12	7536672	1:05
7	Maibong 'E' Circle	20	772	51	126	75	6344	12	5709600	1:06
8	Kalachand Circle	24	674	45	100	55	6344	12	4187040	1:07
9	Gunjang Circle	30	524	35	76	41	6344	12	3121248	1:07
Total		252	9498	633	1736	1103	57096		83969184	

Minimum Salary of one teacher as on 1/4/07 in the Scale of Pay Rs.3130-60-3490-90-4030-4480-120-5200-175-6600

[allowance:50%Dearness Pay, (29% DA,7.5% HRA,5% HA &MA) on Basic plus Ch Allowance= ₹ 350]=Rs.6344/- per month.

Appendix-IV
(Reference to paragraph 4.2.1)
Statement showing details of part payments made to the contractors

Sl. No.	Supply order No. & Date	Name of suppliers	Materials supplied	Quantity supplied	Bill No. & Date	Rate per RM (₹)	Cost of Materials (₹)	Part payment made (₹)	Voucher. No. & Date	Cheque No. & Date
1	2	3	4	5	6	7	8	9	10	11
1	NA	M/S Munna Phonglosa, Haflong	GI Pipes	NA	NA	NA	NA	16,00,000	6 dt.14.01.08	00085/980986 dt. 14.01.08
2	NA	Dilip Phonglo, Haflong	GI Pipes	6720 RM	HFG/PHE/01 dt.6.11.07	254	17,06,880	12,00,000	5 dt.14.01.08	980984/00084 dt.14.01.08
3	NA	Jibangshu Paul	25 mm dia GI Pipes	6730 RM	NA	172	11,57,560	8,50,000	3&3A dt.7.03.08	368706/00137 dt.7.03.08
4	ACE/PHE/HFG/ M-7/2007- 08/1294 dtd Nil	Jibangshu Paul	25 mm dia GI Pipes	6730 RM	NA	172	11,57,560	3,50,000	7 dt.14.01.08	980985/00084 dt.14.01.08
5	ACE/PHE/HFG/ M-7/2007- 08/829 dt.31.1.08	M/S Munna Phonglosa, Haflong	40 mm dia G.I. pipe	9850 RM	Div/MP/07-08 dt. NIL	254	25,01,900	20,00,000 3,64,611	1 dt.8.4.08 4 dt.8.5.08	083702/00141 dt.8.4.08 083712/00141
6	ACE/PHE/HFG/ M-7/2007- 08/863 dtd. 29.01.08	M/S Munna Phonglosa, Haflong	40 mm dia (Medium) G.I. pipe	1440 RM	09/MP/07-08 dt. NIL	254	3,65,760	4,00,000	9 dt.9.4.08	083708/00141
			25 mm dia G.I. pipe	3700 RM	09/MP/07-08 dt. NIL	172	6,36,400	5,40,865	2 dt.8.5.08	083712/00141

1	2	3	4	5	6	7	8	9	10	11
7	ACE/PHE/HFG/ M-7/2007- 08/834 dtd Nil	M/S Munna Phonglosa, Haflong	P.S. Plate 6000 litre capacity	154 nos.	07/MP/07-08	7585	11,68,090	11,00,890	3 dt.8.5.08	083712/0014 1
8	NA	Dilip Phonglo, Haflong	P.S. Plate 6000 litre capacity	84 nos.	DIL/HFG/PHE /01	7585 8.8% Tax	6,37,140 <u>56,068</u> 6,93,208	6,00,842	6 dt.8.5.08	083713/0014 1
9	ACE/PHE/HFG/ M-7/07-08/821 dt.17.1.08	Dilip Phonglo; Haflong	P.S. Plate	112 nos.	DIL/HFG/PHE /02 dt. NIL	7585 each	8,49,520	5,00,000 3,00,000 920	2 dt.8.4.08 8 dt.9.4.08 7 dt.8.5.08	083703/0014 1 083707/0014 1 083713/0014 1
10	ACE/PHE/HFG/ M-7/2007- 08/871 dtd 29.01.08	Dilip Phonglo, Haflong	40 mm dia G.I. pipe	9850 RM	DIL/HFG/PHE /03 dt. NIL	254	25,01,900	20,00,000 59,681	3 dt.8.4.08 5 dt.8.5.08	083703/0014 1 083713/0014 1
11	ACE/HFG/AC- 6(Pt)/07-08/830 dt.18.1.08	Sujata Enterprise, Guwahati	14 Diesel pump set	4 sets	Invoice No.1257 dt. 17.3.08	98,496 4% VAT	3,93,984* 15,760 4,09,744	3,91,984 (including VAT)	5 dt.8.4.08	DD No.1296 "155382" dt.8.4.08 for ₹11,75,952
12	NA	Sujata Enterprise, Guwahati	14 Diesel pump set	8 sets	Invoice No. 1256 dt. 17.3.06	98,496 4% VAT	7,87,968# 31,519 8,19,487	7,83,968 (including VAT)	6 dt.8.4.08	against cheque No.083705/00 141 dt.8.4.08
Total							1,39,68,009	1,30,43,761		

Appendix-V

(Reference to paragraph 4.4.2)

Statement of receipt and expenditure of ₹ 7 crore (as per cash book) received under State Priority Scheme during 2007-08

(₹ in lakh)

Details of receipt					Details of expenditure							
Date of Entry in cash book	Amount received	Cheque No & date	Date of Deposit into Bank	Bank account No	Date of withdrawal from bank	Account No	Amount withdrawn	Voucher No. and date	To whom Paid	Materials for which payment was made	Quantity (In nos.)	Amount paid in cash
1	2	3	4	5	6	7	8	9	10	11	12	13
25/9/07	350.00	629/0062805 dt 5/9/07	25/9/07	11315096522	9/2/2008	11315095622	138.75	1 of 9/2/2008	M/s S R Enterprise	Water Filter	7500	138.75
28/11/07	350.00	0063746/638	28/11/07	11315096522	12/2/2008	11315095622	137.96	2 of 12/2/2008	M/s H.K. Enterprise	Tarpaulin 20x20	3000	137.96
										Automatic sewing machine	200	
										Hand sewing machine	300	
										Foot sewing machine	1700	

1	2	3	4	5	6	7	8	9	10	11	12	13
					14/2/08	11315095622	375.00	3 of 14/2/08	M/s JK Traders, Haflong	Rei/Muga Reeling Machine	3000	375.00
					15/2/08	11315095622	43.62	4 of 15/2/08	M/s N D. Enterprise	Rearing Tray (915mmx600m mx8mm)	3000	43.62
										Steel rack 2.1 m X 6 m X 1.8 m	300	
										Plastic Mantages	3000	
					27/2/08	NA	4.67	5 to 12 of 27/2/08	Seven drivers & Technical persons	Carrying charges& fitting & fixing charges		0.75
								13 to 17 of 27/2/08	Hotel manager	Fooding etc		0.32
								18 to 26 of 27/2/08	Nine Truck Driver	Carrying charges		3.60
	700.00											700.00

Source: Departmental records.

