

***CHAPTER-III***

***GENERAL SECTOR***

***COMPLIANCE AUDIT***

## CHAPTER-III

### GENERAL SECTOR

#### 3.1 Introduction

The findings based on audit of State Government units under General Sector feature in this chapter.

During 2012-13, against total budget provision of ₹7,524.29 crore, total expenditure of ₹4,872.92 crore was incurred by 11 departments under General Sector. Department-wise details of budget provision and expenditure incurred thereagainst are shown in *Appendix – 3.1*. Moreover, in respect of three more heads of accounts<sup>1</sup>, expenditure of ₹3,777.79 crore was incurred during 2012-13 against the budget provision of ₹2,721.31 crore (*Appendix – 3.2*).

Besides, the Central Government has been transferring a sizeable amount of funds directly to the implementing agencies of the State Government for implementation of flagship programmes of the Central Government. During 2012-13, out of total major releases<sup>2</sup> of ₹13,255.49 crore, ₹335.08 crore were directly released to different implementing agencies under General Sector. Details are shown in *Appendix – 3.3*.

#### 3.1.1 Planning and conduct of Audit

The audits were conducted during 2012-13 involving expenditure of ₹5,834.33 crore of the State Government under General Sector. This chapter contains four Compliance Audit Paragraphs and three General Paragraphs.

The major observations made in audit during 2012-13 under General Sector are discussed in succeeding paragraphs.

### COMPLIANCE AUDIT

#### Home Department

#### 3.2.1 Excess payment

##### **Director General of Police, Assam made excess payment of ₹60.19 lakh towards procurement of Light Weight Bullet Proof Jacket.**

GoI decision (i) below rule 6 of General Financial Rules (GFR) provides that “Every officer is expected to exercise the same vigilance in respect of expenditure incurred

<sup>1</sup> (i) 23-Pension and other retirement benefits, (ii) 10-Public Service Commission and (iii) 68-Loans to Government Servant.

<sup>2</sup> Release worth ₹one crore and above.

from public money as a person of ordinary prudence would exercise in respect of expenditure of his own money”.

Scrutiny (April-May 2013) of the records of Director General of Police (DGP), Assam revealed that, for the procurement of Light Weight Bullet Proof Jacket (LWBPJ) under “Modernisation of Police Force (MPF) Scheme 2009-10 and 2010-11”, Additional Director General of Police, Assam Police Headquarters, Guwahati placed (March 2012) order with M/s TATA Advanced Materials Limited (TAML), Bangalore for supplying 1,260 numbers of LWBPJ at a unit cost of ₹30,089. The firm supplied 1,260 LWBPJ in March 2012 and was paid (March 2013) ₹4.77 crore (including customs duty, excise duty @ 10.3 per cent and CST 14 per cent).

Scrutiny further revealed that according to General Exemption No. 18 (Sl. No. 14) of Central Excise Tariff of India 2010-11 (60<sup>th</sup> edition) and General Exemption No. 8 (Sl. No. 16) of Custom Tariff of India 2004-05 (38<sup>th</sup> edition), Bullet Proof Jackets and its components are exempted from Excise and Custom duty on issuance of a certificate to that effect by the purchasing authority. The firm also quoted two separate rates of ₹28,411 (excluding custom and excise duty) and ₹30,089 (including custom duty) and intimated the purchasing authority for issuing exemption certificate. DGP, however, paid (March 2013) ₹4.77 crore which includes customs duty, excise duty and Central Sales Tax. This has resulted in an excess payment of ₹60.19 lakh<sup>3</sup>.

On this being pointed out, GoA, in reply stated (August 2013) that as per instructions (15 September 2009) of Ministry of Home Affairs, GoI, exemption of customs duty on Bullet Proof Jackets was not available. As regards excise duty, exemption certificate was not issued to the firm as the process of obtaining the same from the competent authority was lengthy and time consuming. The fact however, remains that DGP, Assam failed to seek exemption of Excise and Customs duty from the respective departments before placing the supply order with TAML, resulting in excess payment of ₹60.19 lakh towards procurement of LWBPJ, which was avoidable.

## Revenue and Disaster Management Department

### 3.2.2 Avoidable extra expenditure

**DC, Sonitpur's delayed action in finalization of land acquisition process led to an extra expenditure of ₹61.63 lakh towards acquisition of the same land after 26 years, which was avoidable.**

Section 4 (Part-II) of the Land Acquisition (LA) Act, 1894 (called the Act, hereafter) provides that whenever it is felt by the Government that land in any locality is needed

<sup>3</sup>

Rate allowed including customs duty	Excise duty @ 10.30 per cent	Total {(1) + (2)}	Rate actually offered on exempted item	Difference {(3) – (4)}	Quantity	Excess payment {(5) X (6)}
1	2	3	4	5	6	7
₹30,089	₹3,099.17	₹33,188.17	₹28,411	₹4,777.17	1,260	₹60,19,234.20

Source: Departmental records.

for public purpose, a notification to that effect shall be published in the official gazette and in two daily newspapers by the Collector or Deputy Commissioner for survey. Thereafter, a declaration shall be made under the signature of an officer of the level of Secretary to Government under section 6 of the Act for publication of notification to the effect that the land is needed for public purpose. The Collector shall then obtain an order from Government for acquisition of land under section 7 of the Act and thereupon under section 8 *ibid*, cause the land to be marked out, measured and a plan made for acquisition. The Collector shall then cause public notice issued to persons interested stating that claims to compensation against acquisition of such land may be made to him under section 9 of the Act.

Scrutiny (March-April 2012) of records of the Deputy Commissioner (DC), Sonitpur revealed that based on the proposal placed (February 1985) by Assistant Inspector General of Police (A), Assam, Guwahati, Government of Assam (GoA), Home (A) Department sanctioned (March 1985) ₹1.50 lakh for acquisition of a land under Mahabhairab Mouza of Sonitpur district where the office cum residential building of the Deputy Inspector General of Police (DIGP), Northern Range was located on rent basis since March 1979. The fund was released (March 1985) to DC, Sonitpur for payment to the pattadars. The DC, however, deposited (May 1985) the fund in revenue deposit. Meanwhile, value of the land and building was estimated (February 1988) at ₹5.31 lakh by the DC and a notification was published in the Assam Gazette for acquisition of land only in July 1991 *i.e.* after more than six years from the date of release of fund. The process of land acquisition could not be completed as the DC failed to furnish the draft declaration for publication under Section 6(1) of the Act to Government, though Government called for it (August 1991). As a result, the entire process lapsed. The DC, in his letter dated May 2005 to DIGP, Assam mentioned about the communication gap being the reason for not furnishing draft declaration to GoA. Records, however, revealed the contrary as several letters were written by the DIGP to the DC to expedite the process of acquisition of land. However, no tangible progress could be achieved.

Scrutiny further revealed that DIGP, Sonitpur reopened the matter and requested (January 2009) the DC to start afresh the acquisition process of land and building occupied by him. DC submitted (February 2009) revised estimate of ₹66.94 lakh for land and building, which was approved (December 2010) by Revenue and Disaster Management Department. GoA, Home Department accorded (March 2011) sanction of ₹65.44 lakh (after adjustment of ₹1.50 lakh disbursed to DC, Sonitpur in April 1985) and the amount (₹65.44 lakh) was received (April 2011) and disbursed (November 2011) to the land owners by the DC.

Thus, prolonged delay in finalizing the process of land acquisition by DC, Sonitpur resulted in extra expenditure of ₹61.63 lakh towards acquisition of the same land after 26 years, which was avoidable.

In reply, while not denying the avoidable extra expenditure as pointed out by audit, GoA stated (July 2013) that the DC failed to send draft declaration for publication under Section 6(1) due to non-receipt of balance fund from the requiring department. As a result, the LA proceedings got lapsed. In essence, the fact however, remains that the Government had to bear the extra expenditure of ₹61.63 lakh which was avoidable.

### **3.2.3 Doubtful utilization**

**Seven Circle Officers under DC, Kamrup failed to furnish the essential records in support of actual utilization of 3,090 quintal summer paddy seeds valued ₹82.19 lakh resulting the veracity of distribution of the same to the beneficiaries doubtful.**

Government of Assam (GoA), Revenue and Disaster Management Department accorded (December 2009) sanction for an amount of ₹15.83 crore under "Calamity Relief Fund (CRF) 2009-10" for procurement and distribution of different seeds<sup>4</sup> to drought affected farmers of Kamrup district. Accordingly, the Deputy Commissioner (DC), Kamrup procured the seeds including 4,653.90 quintals of summer paddy Seeds through Assam Seed Corporation Limited, a Government of Assam undertaking. The seeds were supplied (December 2009 to February 2010) to 11 Circle Officers (COs) of the district for distribution to the drought affected farmers.

Scrutiny (July-August 2012) of the records of the DC, Kamrup revealed that as per the 'action taken report on distribution of Rabi Seeds' submitted (June 2010) by the DC to Commissioner, Lower Assam Division, Guwahati, entire quantity of summer paddy seeds was distributed to the drought affected small and marginal farmers through the respective Circle office. During the course of audit, essential records in support of distribution of 3,302.40 quintal summer paddy seeds viz., list of beneficiaries, vouchers, actual payees' receipts, stock books etc., were called (July 2012) for from eight circle offices for test-checked as detailed below:

**Table 38**

Sl. No.	Name of the Circle	Quantity of summer paddy distributed (In quintal)
1.	Boko Revenue Circle	414.00
2.	Chamaria Revenue Circle	237.00
3.	Chaygaon Revenue Circle	373.80
4.	Garaimari Revenue Circle	272.70
5.	Hajo Revenue Circle	648.90
6.	Nagarbera Revenue Circle	212.40
7.	North Guwahati Revenue Circle	206.70
8.	Palasbari Revenue Circle	936.90
<b>Total</b>		<b>3,302.40</b>

Source: Departmental records.

<sup>4</sup> 1. Lentil: 808 quintal (₹76.19 lakh), 2. Pea: 358 quintal (₹18.61 lakh), Wheat: 3,424 quintal (₹95.53 lakh), Maize: 24 quintal (₹1.37 lakh), Mustard: 816 quintal (₹46.75 lakh), Potato: 22,986 quintal (₹866.59 lakh) and Summer Paddy: 17,961 quintal (₹477.77 lakh).

The DC immediately directed all the Circle Officers concerned to furnish the relevant records as called for in audit. In response, except the Circle Officer, Nagarbera Revenue Circle, the remaining seven Circle Officers, however, failed to furnish the relevant records called for in audit. Thus, in the absence of the vital records, the veracity of the distribution of 3,090 quintals (3,302.40 quintal - 212.40 quintal) of summer paddy seeds valued ₹82.19 lakh<sup>5</sup> remained doubtful.

The matter was reported to Government in June 2013; their reply had not been received (November 2013).

### 3.2.4 Irregular use of Calamity Relief Fund

#### **Deputy Commissioner, Goalpara incurred an expenditure of ₹2.68 crore on protection of erosion works by diverting Calamity Relief Fund (State Disaster Response Fund).**

According to the guidelines of Government of India (GoI), Calamity Relief Fund (CRF) should be used for providing immediate relief to victims of natural calamities such as cyclone, drought, earthquake, fire, flood, hailstorm, landslide etc., with prior approval of the State Level Committee (SLC) constituted for administration of CRF. The guidelines further envisages that the expenditure on restoration of damaged infrastructure such as roads, bridges, drinking water supply etc., should ordinarily be met from the normal budgetary heads.

Scrutiny (December 2011) of the records of Deputy Commissioner (DC), Goalpara revealed that Government of Assam (GoA), Revenue and Disaster Management (Gen) Department (RDMD) sanctioned (March 2010) ₹2.68 crore under CRF: 2008-09 (₹92.15 lakh) and CRF: 2009-10 (₹1.76 crore) against two works viz., (i) Immediate measures to protect Solmari and Joybhum area from the erosion of river Brahmaputra (for 2008-09); and (ii) Immediate measures to protect Brahmaputra Dyke from Kharmuza to Balikuchi from chainage 11 km to 14 km at Solamari area due to diversion of river Brahmaputra (for 2009-10). The entire amount (₹2.68 crore) was released (September 2011) by RDMD to DC, Goalpara through bank draft. The works were executed by Executive Engineer, Water Resource Department between April to September 2010 and payments (₹2.68 crore) were made to the contractors between October 2011 and January 2012.

The nomenclature of the works indicates that it was a protection work to check erosion from the river Brahmaputra. Further the reports accompanying the approved estimates indicated that the protection works were undertaken to arrest the situation of the continuous and severe erosion caused as a result of diversion of the flow of river Brahmaputra towards left bank due to formation of char, over last few years.

<sup>5</sup> 3,090 X ₹2,660 = ₹82,19,400.

On this being pointed out, the DC, Goalpara, in reply, stated (February 2012) that the works were undertaken under CRF for repair and restoration of road cum dyke damaged by the flood.

The reply was not tenable for the reason that the approved estimates itself indicated that Solmari and its adjoining area had been subjected to severe bank erosion of river Brahmaputra for last few years and as such, should be termed as pre-damaged work not to be executed under CRF.

Thus, execution of normal protection/restoration works not related to the needs of immediate relief due to natural calamity, in violation of guidelines of CRF, resulted in diversion of funds amounting to ₹2.68 crore. Besides, it led to depriving the benefit of the funds to the extent for use in calamity relief activities.

The matter was reported to Government in June 2013; their reply had not been received (November 2013).

### **3.3 General**

#### **3.3.1 Follow up on Audit Reports**

##### ***Non-submission of suo-moto Action Taken Notes***

In terms of the resolution (September 1994) of the Public Accounts Committee (PAC), the administrative Departments were required to submit *suo-moto* Action Taken Notes (ATNs) on paragraphs and reviews included in the Audit Reports, within three months of presentation of the Audit Reports to the Legislature, to the PAC with a copy to Accountant General (AG) (Audit) without waiting for any notice or call from the PAC, duly indicating the action taken or proposed to be taken. The PAC, in turn, is required to forward the ATNs to AG (Audit) for vetting before its comments and recommendation. No *suo-moto* replies/explanatory notes were, however, received in respect of paragraphs and reviews included in the Audit Reports (Civil) up to 2011-12 from the respective departments, except in respect of few paragraphs relating to Audit Report for 2010-11 where against 41 paragraphs and reviews included in the Audit Report *ibid*; only two *suo-moto* replies/explanatory notes were received from the respective departments.

As of March 2013, PAC discussed 1,048 out of 1,598 paragraphs, reviews and stand-alone Reports pertaining to the years 1983-84 to 2011-12. However, as of March 2013, only one ATN relating to one paragraph pertaining to 2004-05 was furnished by the Home Department. Consequently, the audit observations/comments included in those paras/reviews had not been settled by the PAC as of March 2013.

**3.3.2 Action taken on recommendations of the PAC**

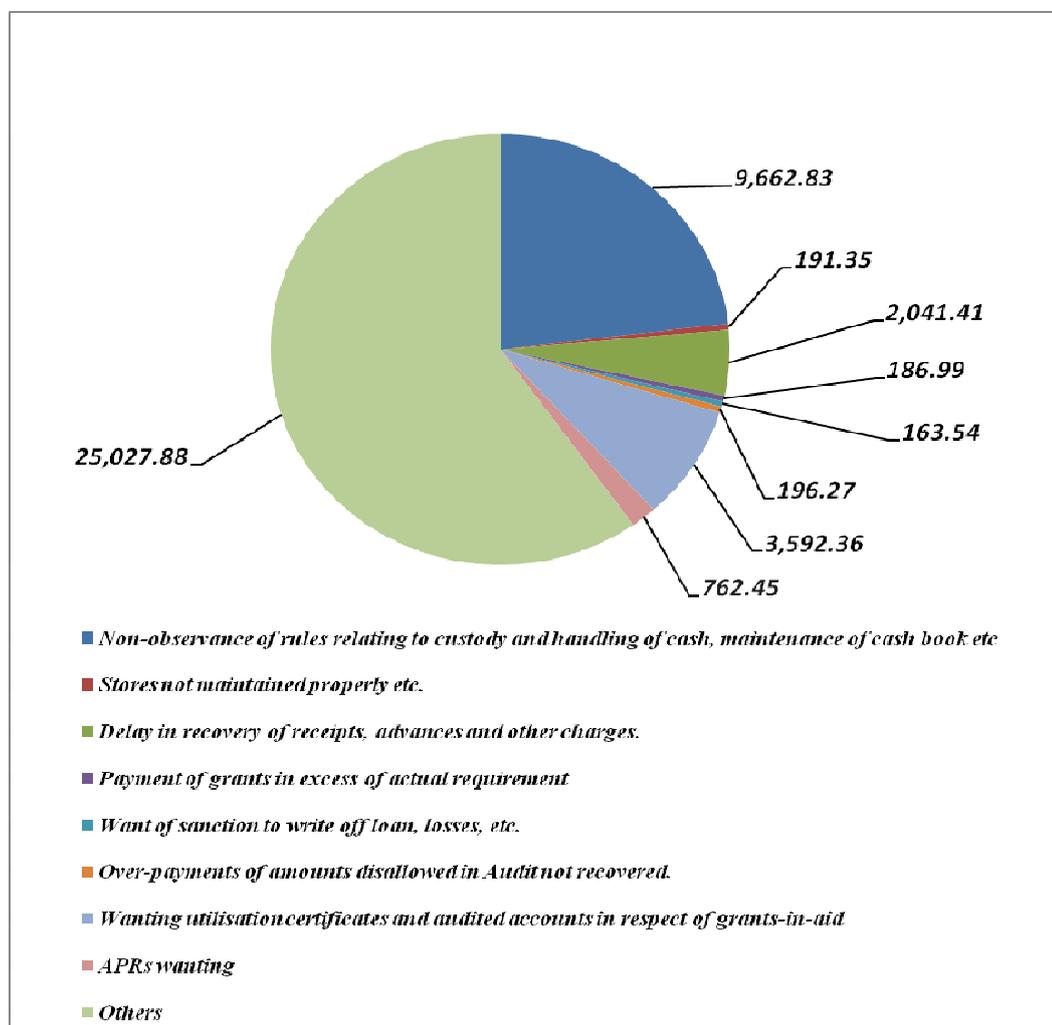
474 recommendations of the PAC, made in its Fifty Fifth to Hundred and thirty one Reports with regard to 36 Departments, were pending settlement as of March 2013 due to non-receipt of Action Taken Notes/Reports.

**3.3.3 Response to audit observations and compliance thereof by senior officials**

The Accountant General (AG) arranges to conduct periodical inspection of Government Departments to test-check the transactions and verify the maintenance of significant accounting and other records according to prescribed rules and procedures. When important irregularities detected during inspection are not settled on the spot, Inspection Reports (IRs) are issued to the Heads of the concerned Offices with a copy to the next higher authorities. Orders of the State Government (March 1986) provide for prompt response by the executive to the IRs issued by the AG to ensure rectificatory action in compliance with the prescribed rules and procedures. The authorities of the Offices and Departments concerned were required to examine the observations contained in the IRs in the light of the given rules and regulations and prescribed procedures and rectify the defects and omissions promptly wherever called for and report their compliance to the AG. A half-yearly report of pending IRs was sent to the Commissioners and Secretaries of the Departments concerned from time to time to facilitate monitoring of the audit observations in the pending IRs.

IRs issued up to December 2012 pertaining to Civil Departments/Public Health Engineering Department /Public Works Department/ Water Resource Department/ Irrigation and Inland Water Transport Department disclosed that 26,635 paragraphs pertaining to 4,858 IRs were outstanding for settlement at the end of June 2013. Of these, 655 IRs containing 2,267 paragraphs had not been replied to/settled for more than 10 years. Even the initial replies, which were required to be received from the Heads of Offices within six weeks from the date of issue, were not received from 45 Departments in respect of 1,670 IRs issued between 1994-95 and 2012-13. As a result, serious irregularities commented upon through 25,122 paragraphs involving ₹41,825.08 crore, had not been addressed as of June 2013 as shown in the Chart.

Chart (₹ in crore)

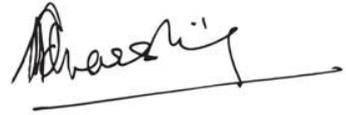


Non-receipt of replies to the IRs in respect of 45 Departments are indicative of the failure on the part of the Heads of Departments (Directors/Executive Engineers) to initiate action with regard to defects, omissions and irregularities pointed out by Audit. The Commissioners and Secretaries of the Departments concerned, who were informed of the position through half-yearly reports also failed to ensure prompt and timely action by the officers of the Departments concerned.

The above mentioned facts also indicated inaction against the defaulting officers thereby facilitating continuation of serious financial irregularities and loss to the Government though these were pointed out in Audit.

In view of large number of outstanding IRs and Paragraphs, Audit Objection Committee (AOC) is constituted by the Government every year at State level for consideration and settlement of outstanding audit observations relating to Civil and Works Departments. During 2012-13, the Government had constituted (1 March 2012) one AOC for discussion of the outstanding audit observations of all the three Sectors and 159 meetings (Social Sector: 73; Economic Sector: 66 and General Sector: 20) of the Committee were held, in which, 1,227 IRs and 4,956 Paragraphs were discussed and 115 IRs and 1,487 Paragraphs were settled.

It is recommended that Government should review the matter and ensure that effective system exists for (a) action against defaulting officials who failed to send replies to IRs/Paragraphs as per the prescribed time schedule, (b) action to recover loss/outstanding advances/ overpayments in a time bound manner and (c) revamp the system to ensure prompt and timely response to the audit observations.



**(C. H. Kharshiing)**  
**Accountant General (Audit), Assam**

**Guwahati**  
**The**

*Countersigned*



**(Shashi Kant Sharma)**  
**Comptroller and Auditor General of India**

**New Delhi**  
**The**