

CHAPTER - II

AUDIT OF TRANSACTIONS

2.1 Misappropriation/doubtful expenditure

AGRICULTURE AND SUGARCANE DEVELOPMENT, RURAL DEVELOPMENT AND WATER RESOURCES DEPARTMENTS

2.1.1 Misappropriation of Government money

Failure to comply with the codal provisions resulted in misappropriation of Rs 8.67 lakh and doubtful payment of Rs 7.53 lakh.

Rule 12 read with Rule 34 of the Jharkhand Financial Rules envisages that every Controlling Officer must satisfy himself that the prescribed checks against loss of public money have been effectively applied and Government servants should be held responsible for any losses to the Government through fraud or negligence on their part.

Scrutiny (between February and September 2008) of the records of three offices revealed misappropriation of Rs 8.67 lakh as brought out below:

Name of office	Misappropriated amount (Rs in lakh)	Remarks
Sub-divisional Agriculture Officer (SDAO), Chas, Bokaro.	2.10	The SDAO received (March 2004) Rs 58,862 from farmers on account of distributed seeds but the amount was not deposited either into the treasury or the bank. He was relieved (5 June 2004) on transfer without handing over the cashbook, chequebook or cash balance to his successor. Further, after being relieved, he encashed (23 June 2004) a self cheque of Rs 1.51 lakh from the official account but did not hand it over to his successor. Thus, Rs 2.10 lakh was misappropriated. The audit observation was accepted (December 2008) by the Joint Director, Agriculture.
Block Development Officer, Dhurki, Garhwa.	1.57	Scrutiny of the cashbook balance disclosed shortage of Rs 1.57 lakh <i>vis-a-vis</i> the actual cash balance as on 15 April 2006. The amount was shown as deduction on account of royalty and was kept out of the Government account (treasury, bank or cash chest) for 44 months as of December 2009.
EE-cum-Rehabilitation Officer (RO), Panchkhero Reservoir Project, Barhi, Hazaribag.	5.00	Monthly Account of the RO showed closing balance of Rs 4.38 crore (cash: Rs 5 lakh and bank balance: Rs 4.33 crore) on 30 June 2008. On transfer, the RO left the office without handing over charge of records including the cashbook or cash balance to the new RO. The new RO, after taking charge on 9 August 2008, opened a new cashbook on 24 September 2008, with an opening balance of Rs 4.25 crore, the bank balance on that day, with a shortage of Rs 12.53 lakh. The shortage of Rs 12.53 lakh included payments of Rs 7.53 lakh to contractors by cheques encashed in July 2008 as per the bank account statement, which could not be vouchsafed in the absence of relevant records like Measurement Books, agreement etc. Thus, chances of misappropriation of Rs five lakh and doubtful payment of Rs 7.53 lakh could not be ruled

		out. On this being pointed out, the RO accepted the audit observation and stated (December 2009) that an FIR had been lodged (November 2009) against the ex-RO for recovery of the amount.
Total	8.67	

The matters were reported to the Government (May 2009). Their reply had not been received (December 2009).

RURAL DEVELOPMENT DEPARTMENT

2.1.2 Misappropriation of foodgrains

There was misappropriation of 26,819.66 MT of foodgrains valuing Rs 30.23 crore and deterioration of 153.85 MT of foodgrains valuing Rs 18.58 lakh allotted under SGRY and NFFWP.

Government of India (GOI) provided (2003-06) foodgrains to District Rural Development Agencies (DRDAs) under the Sampoorna Grameen Rozgar Yojana (SGRY) (2003-04) and the National Food for Work Programme (NFFWP) (2004-05). In turn, DRDA released (2003-07) the foodgrains to scheme implementing agencies for distribution among laboureres as wages. In Jharkhand, the Bihar State Food and Civil Supply Corporation (BSFC) was the nodal agency for lifting foodgrains from depots of the Food Corporation of India (FCI) and issuing it to Public Distribution System dealers, based on allocations made by DRDA to the implementing agencies. The Deputy Development Commissioner (DDC) in charge of DRDA, was to monitor the delivery of foodgrains and the implementing agencies were required to submit monthly and annual progress reports to the DDC. After commencement of the National Rural Employment Guarantee Scheme in February 2006, both the schemes *viz.* SGRY and NFFWP, were closed.

Scrutiny (December 2008) of the records of DRDAs and District Managers (DMs), BSFC, Sahebganj and Pakur districts, along with records of 26 implementing agencies¹ disclosed that the DDCs did not monitor the deliveries and distributions of foodgrains at regular intervals and failed to ensure timely submission of monthly and annual progress reports by the implementing agencies. This led to misappropriation of Rs 30.23 crore and deterioration of foodgrains valued at Rs 18.58 lakh as described in the following paragraphs:

- During 2003-07, DMs, BSFC, Sahebganj and Pakur lifted 38,023.43 metric tonnes (MT) of rice and 23,783.22 MT of wheat from FCI godowns and issued 25,961.69 MT² and 18,723.73 MT respectively to the implementing agencies. However, the balance stock with the DMs, BSFC was only 223.15 MT of rice and 1,605.08 MT of wheat (December 2008

¹ Fifteen Block offices (Amlapara, Barharwa, Barhet, Borio, Hiranpur, Littipara, Maheshpur, Mandro, Pakur, Pakuria, Pattna, Rajmahal, Sahebganj, Taljhari and Udhwa); three Circle Offices (Amlapara, Maheshpur and Pakur); two Rural Works Divisions (Pakur and Sahebganj); two Rural Development Special Divisions (Pakur and Sahebganj); Divisional Forest Office, Tasar, Dumka; National Rural Employment Programme Division, Sahebganj; Zila Parishad, Sahebganj and Minor Irrigation Division, Sahebganj.

² Including 1,013.28 MT issued from foodgrains of other schemes.

and January 2009) instead of 13,075.02³ MT and 5,059.49 MT respectively. As such, 12,851.87 MT of rice and 3,454.41 MT of wheat valued at Rs 18.74 crore⁴ was misappropriated.

- Further, out of 25,961.69 MT of rice and 18,723.73 MT of wheat shown as issued by DMs, BSFC (2003-07), the implementing agencies received only 19,718.83 MT of rice and 14,453.21 MT of wheat. Thus, there was misappropriation of 6,242.86 MT of rice and 4,270.52 MT of wheat costing Rs 11.49 crore.
- Stock balances with the DMs, BSFC (2003-07) included 152.45 MT of deteriorated rice and 1.40 MT of deteriorated wheat costing Rs 18.58 lakh.

Therefore, failure in accountal/monitoring of delivery of foodgrains resulted in misappropriation and deterioration of the same valuing Rs 30.42 crore. (*Appendix-2.1*)

The matter was reported to the Government (May 2009). Their reply had not been received (December 2009).

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

2.1.3 Doubtful expenditure

Unauthorised expenditure of Rs 29.12 crore was incurred on construction, renovation and maintenance of buildings in violation of codal provisions by an Assistant Engineer.

The Jharkhand Public Works Account (JPWA) Code⁵ stipulates that every work/purchase of materials must be done through tenders/quotations and the estimate should not be split up to avoid the sanction of the higher authorities. Heads of departments have the power to order departmental execution of work or purchase of materials up to Rs 2,000 without inviting tenders/quotations.

The Assistant Engineer (AE), Engineering Cell, Reproductive Child Health (RCH) Society, Ranchi, was the Drawing and Disbursing Officer for drawing and disbursing pay and allowances etc. of the officials of the Engineering Cell. The Principal Secretary, Health, Medical Education and Family Welfare Department (HMEFWD) authorised (February 2005) the AE for clearing bills etc. for development work executed against allotment of funds. The AE was authorised to sanction works/proposals and incur expenditure up to Rs 10,000 per work in violation of the Codal provisions.

Scrutiny (February 2009) of the records of the Engineering Cell of RCH Society, Ranchi revealed that HMEFWD released (between June 2004 and March 2008) Rs 41.04 crore directly to it for execution of various works⁶. The Cell also received (March 2005 and June 2007) Rs 4.65 crore from the Ranchi Institute of Neuro Psychiatry and Allied Sciences (RINPAS) for executing

³ 38,023.43 MT + 1,013.28 MT – 25,961.69 MT = 13,075.02 MT.

⁴ Calculated at the rate of rice at Rs 12,100 per MT and of wheat at Rs 9,226 per MT.

⁵ Annexure-A-Vigilance Commissioner, Bihar letter no. 46/93-733 dated 9 March 1994.

⁶ Renovation of main administrative building and constructions of boundary wall of the State Leprosy Institute and Research Centre, Brambe, a warehouse at Namkum, a teaching block at RINPAS, repair and maintenance works etc.

deposit work of construction of the academic building of RINPAS. The AE got the works executed, passed vouchers and authorised payments (between June 2004 and March 2008) for Rs 29.12 crore, though he was authorised to incur expenditure only up to Rs 10,000 per work.

Audit further noticed that the entire expenditure of Rs 29.12 crore was incurred through supply bills and Hand Receipts⁷ (HRs). Audit scrutinised 8,412 HRs involving payments of Rs 7.70 crore and found serious irregularities as discussed below:

(i) The Secretary, HMEFWD accorded administrative approval in respect of all the works. In the sanction orders, it was mentioned that technical sanctions were already accorded by the Chief Engineer. However, when Audit asked for the technical sanctions indicating details like names (items) of works, quantities to be executed, rates and amounts of sanction, the same were not produced in respect of any of the works. In the absence of such details, the genuineness of the expenditure incurred could not be vouchsafed in audit.

(ii) Rule 158 of the JPWD Code stipulates that all works valuing Rs 2,000 and above should be executed by inviting tenders. However, the Secretary of the department is empowered to order departmental execution of works in case of extreme urgency with justification for not inviting tenders. In violation of the codal provisions, the Secretary ordered all works to be executed departmentally, irrespective of their value, without any justification.

(iii) According to Annexure A of the JPWA Code for departmental works, material is to be procured through quotations or by inviting tenders and labour should be engaged on muster rolls. This procedure was not followed. The AE incurred expenditure of Rs 7.70 crore on HRs (each valuing below Rs 10,000) instead of purchase bills and muster rolls. Even components of material and labour were not bifurcated on the HRs.

(iv) According to Rule 20 of the Jharkhand Financial Rules, every voucher should contain details of works for proper classification of expenditure and details of payees. Payments for jobs like excavation of earth, brickwork, brick soling, PCC, RCC, supply and erection of electrical items etc. were made on HRs though HRs were to be used only for miscellaneous payments. Further, payments on HRs were made in cash without ensuring the payees' identities. This indicated that the expenditure was incurred in violation of the financial rules and raised doubts about their genuineness.

(v) Execution of the works was not recorded in the Measurement Book (MB) as required under the rules.

Thus, the AE unauthorisedly incurred expenditure of Rs 29.12 crore. The payment of Rs 7.70 crore on HRs which was checked by Audit was doubtful in the absence of supporting documents as proof of payment for material and labour.

The department replied (July 2009) that all sanctions had been accorded by the Secretary, vouchers had been passed by the AE with reference to those sanctions and payments were made through HRs. The department further stated that all the works executed were measured and entered in the MB. The

⁷ This is a simple form of voucher used for miscellaneous payments and advances.

reply of the department is not acceptable because in violation of the JPWA Code, no tenders were invited for the works executed. No market surveys were carried out even for ascertaining the rates of materials for departmental works. Engagement of agencies/persons for executing jobs without ensuring proper selection through competitive bidding, not adopting a transparent tendering process and payment of huge amount on HRs amounted to irregular practice. As regards the contention of the department that the works were measured and entered in the MBs, it was observed that except for electrical works, measurements of other works executed were not entered in the MBs. In most of the cases, the MBs contained only serial numbers of HRs and the amounts of payment, but, detailed measurement of works executed were not recorded therein as required. In view of the violation of codal provisions and huge payment on HRs for both labour as well as material, the matter requires investigation.

2.1.4 Doubtful payment

Payment of Rs 30.08 lakh was made against supply of non-functional EPABX systems, genuineness of which was doubtful.

The Assistant Engineer (AE), Engineering Cell (EC), Reproductive and Child Health Society, Ranchi placed two supply orders (July and December 2004 respectively) to M/s Magnum Buyers India Private Limited, Ranchi for supply, installation, testing and commissioning of two Alcatel Digital EPABX systems with accessories valuing Rs 37.62 lakh at the State Leprosy Centre, Brambe and the TB Sanatorium, Itki. As per the payment schedule, 60 *per cent* of the cost of the product was to be paid as advance, 20 *per cent* after delivery of the systems and the balance 20 *per cent* after successful installation and commissioning of the system.

Scrutiny (February 2009) of the records of EC revealed that 80 *per cent* of the ordered value *i.e.* Rs 30.08 lakh was paid as advance (between July 2004 and March 2005) to the firm in violation of the payment schedule and 20 *per cent* (Rs 7.54 lakh) had not been claimed by the firm as of November 2009. Audit also noticed the following:

- (i) Supply orders were issued without assessing the requirements and obtaining indents from the offices where these systems were to be installed.
- (ii) The firm submitted two Customer Acceptance Certificates (CACs) for Itki (May 2005) and Brambe (June 2005) in support of supply and commissioning of the systems. However, the CACs did not contain details like model and serial number of the systems, delivery challan numbers, warranty period and date of supply of the system at Brambe. The systems were shown to have been supplied at Itki from May 2005 to May 2006 which was not practically possible as the CAC was issued in May 2005. As such, the genuineness of CACs was doubtful. In addition to the CACs, there was no document on record *viz.* delivery challans, supply bills and cash memos in support of supply of the systems.
- (iii) Payment of Rs 30.08 lakh was shown as outstanding advance against the firm in the cashbook as of April 2009. Thus, non-adjustment of advance and non-claiming of the remaining 20 *per cent* payment by the firm even after three to four years of supply/commissioning of systems, raises suspicions

about the veracity of the claim of receipt of the ordered systems. The firm was also not found registered with the Commercial Taxes Department.

The above facts raised doubts about the genuineness of the ordered systems, involving payment of Rs 30.08 lakh, which required further investigation.

The department replied (July 2009) that the proof of commissioning of the systems was given by both the offices in the form of CACs. The reply was not acceptable as the genuineness of the CACs was doubtful. Further, during physical verification (December 2009) of the systems by Audit at Itki, the machines supplied were found to be burnt and the system was non-functional. The system at Brambe was partially installed but non-functional. Further, the required stock entries and other documents in support of supply and successful commissioning of systems were not produced to Audit.

WELFARE DEPARTMENT

2.1.5 Avoidable loss to the Government

The Welfare Department sustained loss of interest of Rs 3.13 crore on an unused loan amount due to its failure to utilise the loan for construction of houses for Primitive Tribe Groups in time.

The Welfare Department, Government of Jharkhand launched (2001-02) the Birsa Awas Yojana to construct houses for families of Primitive Tribe Groups. The Tribal Welfare Commissioner, Jharkhand was to implement the scheme through Project Officers, MESO⁸ and District Welfare Officers. To meet the cost of the scheme, the State Government borrowed (between December 2006 and March 2008) Rs 48 crore from the Housing and Urban Development Corporation (HUDCO) at an interest rate of 8.5 per cent per annum. HUDCO released the loan in three phases i.e, two instalments of Rs 12 crore each on 30.12.2006 and 28.12.2007 and Rs 24 crore on 31.3.2008.

Scrutiny (between February and May 2009) of the records of the Tribal Welfare Commissioner and nine district offices⁹ along with information collected (December 2009) from these offices disclosed that out of the loan of Rs 24 crore, the Welfare Department allotted (June 2008) Rs 15.26 crore to nine districts for construction of 2,164 houses in 2008-09. The balance amount of Rs 8.74 crore was not allotted as of December 2009. It was seen in audit that though the funds were allotted to the districts, construction of houses was not taken up in 2008-09 and the loan remained unutilised. Further, during 2009-10, the progress of construction of houses was tardy and an amount of Rs 11.17 crore was lying unutilised in seven districts¹⁰ as of December 2009. However, the department paid interest of Rs 3.13 crore (*Appendix-2.2*) to HUDCO on unused loan amount.

⁸ During 5th five year plan (1972-77) tribal sub plan (TSP) was evolved for socio economic upliftment of tribes. In Jharkhand TSP was grouped into 14 integrated tribal development projects in 1976 covering 112 blocks locally known as Meso area.

⁹ Project Officers, MESO, Chakradharpur, Dumka, East Singhbhum, Gumla, Jamtara, Latehar, Pakur, Sahebganj and District Welfare Officer, Godda.

¹⁰ Dumka, Godda, Gumla, Jamtara, Latehar, Pakur and Sahebganj.

Thus, the department failed to ensure utilisation of the loan for construction of houses in time and had to pay interest of Rs 3.13 crore (*Appendix-2.2*) on the said loan amount lying unutilised. This resulted in loss to the Government, besides the purpose was not achieved for which the loan was availed.

The matter was reported to the Government (August 2009). Their reply had not been received (December 2009).

2.2 Excess/wasteful/infructuous expenditure

WATER RESOURCES DEPARTMENT

2.2.1 Extra payment of interest

Default in timely payment of Rs 7.39 crore by the department as compensation to landowners led to extra liability of Rs 13.57 crore.

Section 34 of the Land Acquisition Act, 1894 envisages payment of interest at the rate of nine *per cent* per annum for the first year and 15 *per cent* per annum thereafter (from the date of taking possession¹¹ of land to the date of payment) in cases of delayed payment of compensation to landowners. Further, as per Executive Instructions 122 and 123 of the Bihar Land Acquisition Manual (as adopted by the Government of Jharkhand), the Collector is required to satisfy himself if payment of compensation has been made on time.

Scrutiny (August 2008) of the records of the Special Land Acquisition Officer (SLAO), Adityapur, Jamshedpur, revealed that awards of Rs 9.33 crore were declared between November 1988 and December 1992 for acquisition of 3,092.96 acres of land in 18 villages¹² of East Singhbhum district for construction of the Kharkai Reservoir under the Subernarekha Project. The Special Land Acquisition Officer demanded (February 1989 to April 1991) village-wise separate allotments of funds for payment of compensation to landowners. The village-wise allotments of funds were provided to the SLAO in March 2003 (Rs 7.88 crore) and February 2006 (Rs 2.33 crore) after abnormal delays of 14 to 15 years. As a result, the compensation was paid to landowners after abnormal delays of 12 to 21 years, between December 2004 and March 2009. Since compensation of Rs 7.39 crore was not paid to the landowners in time, the Government had to pay (between December 2004 and March 2009) interest of Rs 13.57 crore in terms of Section 34 of the Land Acquisition Act. Compensation of Rs 1.94 crore had still not been paid to landowners as of March 2009 (*Appendix-2.3*).

Thus, default in payment of compensation resulted in extra payment of Rs 13.57 crore on account of interest to be paid to the landowners.

Government accepted (October 2009) that there were delays in payment of

¹¹ Date of declaration of award under Section 11 of the Land Acquisition Act.

¹² Amla Tola, Baddih, Baduri, Bara Gidhi, Ganjia, Ghaghra, Haribera, Hathising, Hindudih, Iligarha, Kandegutu, Karia Sindri, Kathbhari, Kulaburu, Nimdih, Rajabasa, Shyamsundarpur and Yadudih.

compensation to the landowners due to non-allotment of funds by the department in time. Delays of up to 15 years in allocation of funds indicated negligence on the part of controlling/monitoring authorities as the work was part of a World Bank project and the argument regarding shortage of funds was not credible.

ROAD CONSTRUCTION DEPARTMENT

2.2.2 Loss to the Government

Failure to revalidate a bank guarantee, non-recovery of liquidated damages and failure to ensure deposit of a bank guarantee for the defect liability period from a contractor resulted in loss of Rs 2.40 crore.

The Road Construction Department, Government of Jharkhand, signed (February 2002) a Memorandum of Understanding (MOU) with Associated Cement Companies Limited (contractor) for construction of roads. Accordingly, Executive Engineer (EE), Road Construction Division, Giridih executed (December 2003) an agreement for Rs 6.43 crore with the contractor for widening and strengthening of the Tisri-Thansingdih-Kauwakol road (0 to 12.903 km) and a link road from Chanderi to Tisri via Kodaibank (0 to 8.925 km) for completion by June 2004 (subsequently extended to December 2007).

Scrutiny (February 2009) of the records of the division revealed that the contractor left (February 2007) the work after partial execution for Rs 4.24 crore. Even when the contractor stopped the work midway, the EE failed to take appropriate action against the contractor as per the agreement clause which specified the levy of liquidated damage (Rs 63.06 lakh¹³ in this case) for not executing the agreed works in time. Besides, a bank guarantee of Rs 32.15 lakh,¹⁴ deposited by the contractor, towards the initial security deposit lapsed on 31 December 2007 and the division failed to revalidate the same.

Further, according to the MOU, the contractor was required to repair the road at his cost within the defect liability period of six years after completion. Accordingly, the contractor was required to submit a BG for an amount equivalent to the total cost of the road constructed by the ACC Marg technique,¹⁵ with a validity period of six years. It was observed that the said BG for Rs 1.45 crore for defect liability was not deposited by the contractor as per the agreement clause as of November 2009.

The department rescinded the agreement in July 2008. Though the work was discontinued by the contractor in February 2007, the department did not take action for getting the remaining work executed at the risk and cost of the contractor by any other agency (November 2009). The partially constructed road was damaged due to rainwater and plying of vehicles.

¹³ Ten per cent of agreement value of Rs 6.43 crore (Rs 64.28 lakh - Rs 1.22 lakh already deducted = Rs 63.06 lakh).

¹⁴ Bank guarantee subsequently changed to Rs 25.94 lakh.

¹⁵ Providing, laying and placing of 25 mm thick surface by ACC Marg technique, developed by the ACC Company, in place of 50 mm bituminous macadam and 25 mm semi-dense bituminous macadam.

Thus, failure to revalidate the BG, initiate timely action according to the terms of agreement for recovery of LD from running account bills and to obtain the BG for the defect liability period resulted in a loss of Rs 2.40 crore.

The matter was reported to the Government (April 2009). Their reply had not been received (December 2009).

2.2.3 Wasteful expenditure

Disregarding the Detailed Project Report of a consultant and adopting incorrect drawing/design by the department led to wasteful expenditure of Rs 2.33 crore on a collapsed bridge.

The Rural Development Department (RDD) executed (February 2002) an agreement with MECON Ltd. (previously Metallurgical and Engineering Consultants) for preparation of a Detailed Project Report (DPR) for construction of a bridge over Kharkai river at Gajiaghat in Gajiaghat-Ujjawalpur road. The work included preparation of drawings, designs, cost estimates, assessment of the nature of soil and the Highest Flood Level (HFL) etc. MECON observed (August 2002) that the HFL was 109.505 metres¹⁶ and recommended (August 2002) that the height of the bridge should be 113.450 metres¹⁷ with seven RCC solid piers (each of 6 metres x 1.5 metres cross-sectional area) and two RCC abutments with weep holes¹⁸ at two ends. The bridge was estimated to cost Rs 1.92 crore. The DPR was sanctioned and approved for Rs 1.92 crore by RDD and MECON was paid Rs 1.76 lakh up to February 2004.

Following the receipt (November 2002) of tenders based on the DPR, the Chief Engineer (CE), Rural Development Special Zone (RDSZ) awarded (February 2003) the work to a contractor on turnkey basis at a cost of Rs 1.92 crore for completion by June 2004. As the work was awarded on turnkey basis, the CE directed the contractor to submit working drawings and designs based on a fresh survey and investigations.

Scrutiny (April 2009) of the records of the Executive Engineer (EE) Rural Development Special Division (RDSD), Saraikela revealed that the contractor on his own, revised the HFL between 97.200 and 97.331 metres and reduced the height of the bridge from 113.450 metres to 101.381 metres. The contractor also recommended construction of cylindrical hollow piers of lesser cross-sectional area (2.30 metres diameter with 40 centimetres thickness) with weep holes in place of the RCC solid piers recommended by MECON. Thus, 1.5 metres (2.30 metres (-) 0.80 metre) wide piers, which should have been solid RCC as per the design of MECON, remained hollow. Although the height, cross-sectional area and effective volume of the piers (hollow) were reduced, the contractor increased the cost of the bridge from Rs 1.92 crore to Rs 2.31 crore. The CE, without obtaining any opinion from MECON, approved the contractor's design and drawings.

The contractor, as per their revised design, completed (September 2004) construction of the bridge and was paid (September 2004) Rs 2.31 crore.

¹⁶ Above bed level (bed level was 97.600 metres).

¹⁷ Above bed level.

¹⁸ One inch hole on the surface of the piers.

Scrutiny revealed that the bridge was damaged and washed away during heavy rains in June 2008 as six out of its seven piers broke when the water level of the river rose to 104.381 metres (four metres above the top of the bridge). An investigation (July 2008) by the department pointed out that the flood water level which rose to 104.381 metres passed the bridge-top by four metres and damaged the bridge by creating pressure on the bridge which could not withstand the pressure due to excess weep holes on the hollow piers. Audit observed that the level to which the flood water had risen in June 2008 was 104.381 metres which was less than the HFL (109.505 metres) recommended by MECON. Further, MECON had also not recommended weep holes on the surface of the piers.

Had the bridge been constructed as per the specifications and drawing and design recommended by MECON, the flood water level at HFL (June 2008) of 104.381 metres would have passed about 9.069 metres (113.450-104.381) below the top of the bridge, without damaging the built-up structures. Moreover, the weep holes which may have facilitated breakage of the piers were mainly due to hollow piers which were adopted by contractor on his own and, against the recommendations of MECON.

Thus, the CE's approval of changes in MECON's DPR after tendering the work for the bridge led to wasteful expenditure of Rs 2.31 crore on the collapsed bridge. In addition, Rs 1.76 lakh, paid to MECON for the DPR, also became wasteful as the design was changed by the CE/contractor. Thus, the total wasteful expenditure worked out to Rs 2.33 crore.

The matter was reported to the Government (April 2009). Their reply had not been received (December 2009).

AGRICULTURE AND SUGARCANE DEVELOPMENT DEPARTMENT

2.2.4 Wasteful expenditure

Ineffective monitoring and distribution of dolomite without the mandatory soil test resulted in wasteful expenditure of Rs 6.30 crore on reclaiming soil fertility.

Under the Drought Protection Programme (Programme) of the Contingent Crop Scheme for the year 2006-07, the Agriculture and Sugarcane Development Department sanctioned (July 2006) Rs 6.56 crore for purchase of dolomite/lime to be distributed among selected marginal farmers and farmers belonging to Schedule Castes and Schedule Tribes at subsidised rates of 75 and 90 *per cent* respectively. Dolomite/lime was required to neutralise the soil's acidity and make it suitable for cultivation of pulse, oil and crude crops. Soil tests were to be conducted prior to the distribution of dolomite. The Director of Agriculture, Jharkhand was the Controlling Officer, who was required to maintain the accounts and submit implementation reports to the Department. District Agriculture Officers (DAOs) were to monitor and implement the programme.

Scrutiny (February 2008 and March 2009) of the records of the Director of Agriculture revealed that the department allotted (March 2007) Rs 6.56 crore

to the Director of Agriculture, with instructions to submit monthly reports of physical and financial achievements under the programme, details of beneficiaries and amounts realised. The Director of Agriculture placed (30 March 2007) an order for supply of 13,115.4 metric tonnes (MT) of dolomite (at the rate of Rs 4,800 per MT) and paid (30 March 2007) Rs 6.30 crore in advance on proforma bills. Dolomite was supplied to all 22 districts (between April 2007 and March 2008) and was distributed to farmers during 2007-08. However, details of supply, physical and financial achievement, list of beneficiaries, amount realised and other details, like soil test reports, selection of beneficiaries etc. were not available with the Director.

Further scrutiny (between May 2008 and April 2009) of the records of 15 DAOs and information collected (November 2009) from seven DAOs revealed that dolomite was distributed to farmers on ad hoc basis without adhering to the guidelines for selection of beneficiaries and mandatory soil tests. Distribution of dolomite without conducting soil tests proved futile as in response to an audit query regarding importance of soil tests, the Birsa Agricultural University stated that soil testing was necessary to ascertain its PH value in order to determine the quantity and frequency of dolomite to be added to the soil. In addition, the following were observed:

- There was short supply of 2,034.65 MT of dolomite valuing Rs 97.66 lakh in 17 districts¹⁹
- There was shortage of stock of 380.2 MT of dolomite valuing Rs 18.25 lakh in Gumla district
- In six districts²⁰, 629.10 MT of dolomite valuing Rs 30.20 lakh was not distributed (November 2009) on time to farmers and became useless as it's quality deteriorated.
- As against Rs 42.54 lakh (being 10 *per cent* of the cost of 8861.55 MT dolomite i.e., Rs 480 per MT) to be realised as subsidy from the farmers, only Rs 32.95 lakh was realised. Less receipt of Rs 9.59 lakh was indicative of doubtful distribution of 1,997.91 MT of dolomite to the targeted beneficiaries.

Thus, the ineffective monitoring and distribution of dolomite without mandatory soil tests and proper selection of beneficiaries resulted in wasteful expenditure of Rs 6.30 crore.

The matter was reported to the Government (May 2009). Their reply had not been received (December 2009).

¹⁹ Bokaro, Deoghar, Dhanbad, East Singhbhum, Garhwa, Giridih, Godda, Hazaribag, Koderma, Latehar, Pakur, Palamu, Ranchi, Sahebganj, Saraikela, Simdega and West Singhbhum.

²⁰ Bokaro, Chatra, Dumka, Gumla, Koderma and Latehar.

2.3 Unfruitful expenditure

URBAN DEVELOPMENT DEPARTMENT

2.3.1 Denial of benefits despite availability of funds

Failure of the department to provide the intended benefits to urban slum dwellers despite availability of sufficient funds led to unfruitful expenditure of Rs 4.14 crore, besides blocking of Rs 6.83 crore for more than five years.

The Valmiki Ambedkar Awas Yojana (VAMBAY), a Centrally sponsored scheme shared on a 50:50 basis with the States, was launched in August 2001 to ameliorate the housing problems of urban slum dwellers living below the poverty line. The prime objective of the scheme was to provide shelter or upgrade the existing shelters for people living in urban slums.

Scrutiny (March 2009) of the records of Ranchi Municipal Corporation (RMC) revealed that the Urban Development Department (UDD) sanctioned and allotted (February 2004) Rs 4.99 crore as the State share for implementation of the scheme. Central share of Rs 4.99 crore was allotted (October 2004) to RMC for construction of 2,498 dwelling units (DUs) in Ranchi to be completed by 2003-04. The fund was kept in a savings bank account by RMC. A State Level Co-ordination Committee²¹ (SLCC) headed by the Secretary, UDD was constituted (May 2005) to monitor the implementation and progress of VAMBAY. SLCC decided (June 2005) to construct only housing units from the funds of VAMBAY whereas the construction of other infrastructural facilities like roads, drains, sanitation, water supply, sewerage etc. were to be undertaken under the National Slum Development Programme (NSDP). A Memorandum of Understanding (MOU) was signed (January 2006) between RMC and the Housing and Urban Development Corporation (HUDCO) for construction of 2,498 DUs (at the rate of Rs 40,000 per unit) at three places²² in Ranchi by March 2007. RMC paid (January and May 2006) Rs 5.63 crore to HUDCO. The district administration, Ranchi was to provide the land required to RMC. Scrutiny further revealed that 408 units of Bargama were completed (November 2007) at Rs 1.63 crore and 882 units of Borya were under progress (as of March 2009) after incurring expenditure of Rs 2.51 crore, however, construction of units at Loadih were not started as of March 2009 as the required land was not provided by the district administration. Further, the completed units at Bargama could not be handed over (as of March 2009) to the beneficiaries due to resistance by local people on selection of beneficiaries.

Thus, failure of UDD in monitoring the progress of works resulted in denial of the intended benefits to urban slum dwellers despite availability of sufficient

²¹ Secretary, UDD-Chairman, Administrator, RMC-Member, Special Officer, Hazaribag Municipality-Member, nominated officer of Urban Development Ministry, GOI-Member, two social workers as members and Regional Chief of HUDCO as Member Secretary.

²² Bargama: 408 units, Borya: 882 units and Loadih: 1008 units. Details of remaining 200 units were not furnished to Audit.

funds. Further, expenditure of Rs 4.14 crore on complete/incomplete units proved unfruitful, besides blocking of Rs 6.82 crore (RMC: Rs 5.33 crore (including interest of Rs 98.25 lakh) and HUDCO: Rs 1.49 crore) for more than five years.

The matter was referred to the Government (April 2009). Their reply had not been received (December 2009).

RURAL WORKS DEPARTMENT AND FOREST AND ENVIRONMENT DEPARTMENT

2.3.2 Unfruitful expenditure on incomplete roads

Commencement of road works in forest areas without obtaining prior clearance from the Government of India and non-cooperation of the Forest Department led to stoppage of works midway and unfruitful expenditure of Rs 2.80 crore.

According to the guidelines issued (April 2005) by the Government of India (GOI), Ministry of Environment and Forest (MoEF), upgradation of *kutchra* roads to black-topped/tarred roads in forest areas are to be taken up after obtaining prior environmental clearance of GOI. As per the revised notification issued in September 2006, District Forest Officers (DFOs) were authorised to permit black-topping of those roads which were in existence prior to October 1980.

Scrutiny (May 2008) of the records of the Executive Engineer (EE), Rural Works Division (RWD), Koderma revealed that seven agreements of Rs 3.44 crore were executed between January and March 2006 with seven contractors for upgradation of three²³ roads under the Rashtriya Sam Vikas Yojana (RSVY) for completion of work between November 2006 and March 2007. This included the Janpur to Satgawan road (27 km), in three parts, which was in existence prior to 1980 and passed through forest areas (under DFO, Giridih 25 km and Koderma 2 km). As part of the road lay in forest areas, the work on the said road could be executed only after forest clearance from GOI. The DFOs, Koderma and Giridih objected (July 2006) to the construction of the road in forest areas. Following this, the EE stopped (July 2006) the work, which had been executed up to the Water Bound Macadam (WBM) level²⁴ after spending Rs 2.29 crore (up to March 2007). The EE also failed to give any explanation for his failure to obtain prior clearance from the Forest Department before commencement of the road works. DFO, Koderma, however, conditionally permitted (August 2007) the execution of bituminous work, on a request of the EE but the work could not be executed due to increase in the cost of bitumen. DFO, Giridih, however, did not grant permission for bituminous surfacing in 25 km of the road on the ground that the EE had cut soil, moorum, stones and trees etc. from the forest land without any authority.

Further scrutiny (January 2009) of the records of the EE, RWD, Chatra

²³ Janpur to Ratanpur road (length-7 km), Kothyar to Satgaon road (length- 15 km) and Ratanpur to Kothyar road (length-5 km).

²⁴ Upper road surface consisted of Grade-III metal with granular materials.

revealed that an agreement for Rs 4.90 crore was executed (January 2007) with a contractor for upgradation of two roads (A and B)²⁵ under the Pradhan Mantri Gram Sadak Yojna (PMGSY) for completion by October 2007 to provide communication and for maintaining law and order in Naxal-affected areas. The roads were in existence prior to 1980 and were passing through forest areas. During execution, the Divisional Forest Officer, North Forest Division, Chatra lodged (August 2007) an FIR against the contractor for execution of work in the forest area without obtaining prior environmental clearance from the Forest Department. As a result, the contractor could not start the work on Road 'A' whereas he stopped (September 2007) the work on Road 'B' after execution up to Grade II level in partial stretches at a cost of Rs 50.89 lakh and received payment of Rs 50.57 lakh up to March 2009. A proposal for obtaining the required forest clearance for completing Road 'B' was also not submitted by the EE as survey of the road was under progress (September 2009).

Due to non-execution of bituminous work on the above mentioned road work up to the WBM level, the road became unfit for traffic movement as the WBM surface was not covered by a bituminous layer as per the specification under para 4.8.2 of the Indian Road Congress. However, traffic was allowed on the WBM surface, which resulted in damage to the surface.

Thus, due to failure on the part of the EEs to obtain prior clearances from the Forest Department important roads could not be completed. This resulted in unfruitful expenditure of Rs 2.80 crore besides non-achievement of the intended objectives.

The matters were reported (March and April 2009) to the Government. Their reply had not been received (December 2009).

RURAL WORKS DEPARTMENT

2.3.3 Unfruitful expenditure

Sanction and execution of a road work passing through a railway line without obtaining a no objection certificate from the Railways and without proper site survey led to stoppage of work midway and unfruitful expenditure of Rs 1.19 crore on the incomplete road.

According to the Indian Railway Code of Civil Engineering, access across or along the railway track or any railway land can be done only after obtaining a 'No Objection Certificate' (NOC) from the Railways.

Deputy Commissioner (DC), Saraikela-Kharsawan, administratively approved (June 2005) the construction of a bituminous road (12.80 km) from the Saraikela-Kandra PWD road to Sini *via* Bhalukpahari for Rs 2.23 crore against a technical sanction (December 2004) for Rs 2.25 crore by the Chief Engineer (CE), Rural Works Department (RWD), for providing connectivity to nine villages²⁶. The proposed road was intersecting railway tracks at eight

²⁵ A-Siddiki More (Sijna) to Dumarwar (1st km to 13.30 km) B- T-20 to Ghorighat, Pratappur (1st km to 10.675 km).

²⁶ Bhalukpahari, Gopinathpur, Madhopur, Mundatar, Padampur, Rangatar, Sindri, Swarnpur and Ulidih.

places²⁷ which inter-alia, separated the villages located on one side of the railway land from the places on the other side of the line/railway track.

Scrutiny (July 2008 and February 2009) of the records of the Executive Engineer (EE), Rural Works Division (RWD), Saraikela revealed that the fact regarding the alignment of the road passing through railway land was not mentioned in the estimate prepared by the EE. The CE also, did not inspect the site before granting technical sanction while the DC accorded administrative approval based on the deficient estimate and without site survey. Thus, prior permission/NOC from Railways, as per the Railway Code to utilise railway land was neither obtained nor was any alternative alignment of the road bypassing the railway land planned or executed.

The CE awarded (March 2005) the work to a contractor at an agreed value of Rs 1.89 crore for completion by May 2006. While the work was under way, the South-Eastern Railway (SER) directed (between March 2006 and January 2007) the EE, RWD, Saraikela and DC, Saraikela to stop construction of the road as it was fraught with the risk of compromising the security/safety of the Railways. The EE stopped (March 2006) the work midway and paid (June 2007) Rs 1.19 crore to the contractor for the partial work executed by him. Further, the Senior Divisional Engineer, SER, Chakradharpur confirmed (March 2009) that NOC for constructing the road would not be given as the site was intended for future expansion of railways and construction of road close to railway tracks was not permissible.

Thus, construction of the road through Railway land without obtaining an NOC from the Railways in contravention of the Railway Code and failing to conduct a survey for alternative alignment of the road resulted in stoppage of the work besides unfruitful expenditure of Rs 1.19 crore on the incomplete road. Further, the objective of providing connectivity to the villages was also not achieved.

The matter was reported to the Government (March 2009). Their reply had not been received (December 2009).

DRINKING WATER AND SANITATION DEPARTMENT

2.3.4 Undue aid to the contractor

Unauthorised retention of construction material by a division led to undue financial aid of Rs 61.03 lakh to contractors.

Executive Engineers (EEs), Subernarekha Distributory Division (SDD) and Drinking Water and Sanitation Division (DWSD), Ranchi executed (October 2005 and January 2006 respectively) eight agreements (valued at Rs 34.92 crore) on turnkey basis with two contractors for supply and laying of ductile iron (DI) pipes as a part of reorganisation of the existing distribution network of water supply pipelines. According to the terms of the agreements, payments to the contractors were to be made for supply of pipes at 80 *per cent* of the cost of materials/pipes brought to the site in good condition and the remaining

²⁷ Sini-Kandra: UP line-four places and DN line-two places and Mumbai-Horwrah: UP line-one place and DN line-one place.

20 per cent was to be paid only after satisfactory erection/laying and testing of pipes. Further, Chapter-4.0-Distribution Mains, item no.(vii) of the special note to Notice Inviting Tender stipulated that “the length of pipes and specials (pipe fittings) will be paid as per fabrication and laying jobs”, which meant that no payment was to be made for pipes and specials not laid and retained at the site. The rates also included the cost of wastages and breakages in pipes and specials.

Scrutiny (February 2007 and April 2008) of the records of these two divisions revealed that the contractors supplied 2.47 lakh metres of DI pipes costing Rs 27.71 crore between October 2005 and November 2007. As per the agreement, 80 per cent of the cost of supplied pipes *i.e.* Rs 22.17 crore was to be paid. But the EEs, in violation of the provisions of contract, paid (between October 2005 and November 2007) Rs 27.71 crore (100 per cent of the cost of pipes) resulting in an excess payment of Rs 5.55 crore. The contractors could lay only 2.44 lakh metres of DI pipes valuing Rs 27.11 crore and the remaining 2,811.66 metres of DI pipes became surplus. The EEs did not initiate any action to adjust the cost of the unused pipes *i.e.* Rs 61.03 lakh already paid, from the final bills of the contractors as per the terms of the agreements. Further, security deposits of Rs 83.44 lakh²⁸ were also refunded (January 2009) to the contractors. The contractors left the unused pipes with the divisions and received an undue favour of Rs 61.03 lakh (*Appendix-2.4*), for which no responsibility was fixed against the EEs.

On this being pointed out by Audit, the department stated (April 2009) that DI pipes were purchased from the manufacturing company and the small quantity of unused pipes could not be taken back by the company. Further, the unused pipes could be used in future operational and maintenance work for uninterrupted water supply. The reply of the department was clearly an afterthought because as per the agreement, payment was to be made only for the pipes laid and unused pipes were the responsibility of the contractors and not of the divisions. Further, the divisions could not retain the excess pipes on the ground of future use because there was no approval of the competent authority for maintaining such an inventory.

AGRICULTURE AND SUGARCANE DEVELOPMENT DEPARTMENT

2.3.5 Unfruitful expenditure

Awarding work for preparation of a database to the Society for Rural Industrialisation and failure to ensure its completion led to unfruitful expenditure of Rs 63 lakh and blocking of Rs 7.20 lakh.

The Agriculture and Sugarcane Development Department (ASDD) sanctioned (August 2002) Rs 70.20 lakh to strengthen the database for developing district-wise agriculture and horticulture Perspective Plans for the State under the Centrally sponsored Macro Management Scheme. District Horticulture Officers (DHOs) were responsible for survey and computerisation

²⁸ Security deposits of Rs 26.13 lakh in January 2008 and Rs 24.07 lakh in January 2009, Rs 20.44 lakh in March 2009.

of the data at the district level at the cost of Rs 55 lakh while the Director of Agriculture (DOA), Jharkhand and Deputy Director, Horticulture, Ranchi were responsible for analysis of data and preparation of a Perspective Plan for the State at the cost of Rs 15.20 lakh.

Scrutiny (March 2009) of the records of DOA, Jharkhand disclosed that the Director withdrew (March 2003) Rs 70.20 lakh and instead of disbursing Rs 55 lakh to DHOs, executed (March 2003) an agreement for Rs 70.20 lakh (with an advance payment of Rs 35 lakh) with the Society for Rural Industrialisation (SRI), Ranchi, a Non Government Organisation (NGO), for preparation of the data base by 5 November 2003. SRI submitted (November 2003) its report, which was found 'inadequate' by an expert committee as the data was old, insufficient, discrepant and collected without adopting a proper sampling procedure. Accordingly, the Secretary, ASDD cancelled (December 2003) the agreement and asked SRI to refund Rs 35 lakh, advanced to it for execution of the said work. SRI challenged this in the High Court, which advised (February 2004) the State Government to reconsider the matter. The Court, in view of the Expert Committee's Report of December 2003, further advised the State Government to get the work redone either by SRI, if SRI expressed its willingness within four weeks to complete the work, or alternatively by some other agency. Accordingly, ASDD re-allotted (November 2004) the work to SRI with the condition that balance payment would be made only after submission and finalisation of the report. However, DOA paid Rs 28 lakh (October 2005 and March 2006) to SRI before submission of the report. The report, resubmitted in January 2007 by SRI, was forwarded (February 2007) to Birsa Agricultural University (BAU), Ranchi for review, which found (July 2009) it to be inadequate.

Thus, awarding the work to SRI instead of DHOs and making payments to SRI, without ensuring adequacy of the report resulted in non-preparation of the database and Perspective Plan for agriculture and horticulture in the State, rendering the expenditure of Rs 63 lakh unfruitful, besides blocking of Rs 7.20 lakh for six years.

The matter was referred to the Government (April 2009). Their reply had not been received (December 2009).

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE AND AGRICULTURE AND SUGARCANE DEVELOPMENT DEPARTMENTS

2.3.6 Unfruitful expenditure

Failure of departments to ensure the required facilities for utilisation of equipment resulted in their remaining idle, rendering expenditure of Rs 2.05 crore on their purchase unfruitful.

The Health, Medical Education and Family Welfare Department (HMEFWD) sanctioned (between October 2005 and March 2006) purchase of four incinerators to be installed in four Sadar hospitals²⁹. Similarly, the Agriculture and Sugarcane Development Department sanctioned (November 2002 and March 2005) the purchase of 22 tractors and accessories (one set each for 22

²⁹ Government hospitals with specialised facilities at district headquarters.

districts under the Micro Management Scheme) and three Rice Bye-product Industrial Units (RBIUs) for three districts under the Agriculture Mechanisation Incentive Schemes.

Scrutiny (between March 2008 and April 2009) of the records of 25 offices³⁰ revealed that these machine and equipment were not utilised for the envisaged purposes and expenditure of Rs 2.05 crore on them proved unfruitful as detailed below:

(Rupees in crore)

Name of the offices	Expenditure	Remarks
Chief Medical Officer (CMO), Sadar Hospitals, Palamu, Giridih, Dumka and Chatra.	1.15	Four incinerators were purchased and installed (between March 2006 and May 2007) in four hospitals at a cost of Rs 1.15 crore. The incinerators were not operational as of March 2009 due to lack of power supply (Giridih and Palamu), trained personnel (Chatra) and authorisation by State Pollution Control Board (Chatra and Dumka), as mandatory under the Bio-Medical Waste Handling Rules 1998. Thus, the incinerators remained unutilised for 22 to 36 months. Government accepted (June 2009) the audit observation.
Director, of Agriculture, Ranchi.	0.90	To improve basic infrastructure for seed production and mechanisation of farming, the Director purchased and distributed 19 tractors (between January and November 2003) and three RBIUs (between May and June 2006) costing Rs 62.51 lakh and Rs 27 lakh respectively to 19 District Agriculture Officers/Sub-divisional Agriculture Officers (DAOs/SDAOs). These tractors were lying idle in all the 19 districts, either since their receipt or for the last four to five years for different reasons like supply of defective tractors, non-supply of all accessories required for use in agriculture, non-posting of operator, breakdown of tractors, non-availability of spare parts etc. (<i>Appendix-2.5</i>). Similarly, RBIUs were lying idle for about 34 months in three districts for want of space/building, operator, required training etc. (<i>Appendix-2.6</i>). Thus, expenditure on tractors and RBIUs was rendered unfruitful. Reply of the Government was awaited (December 2009).
Total	2.05	

Thus, failure of the departments to ensure the required facilities for utilising the machinery and equipment resulted in unfruitful expenditure of Rs 2.05 crore and non-achievement of the intended benefits.

2.4 Blocking of funds

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE AND WELFARE DEPARTMENTS

2.4.1 Blocking of funds

Release of funds without assessing actual requirements led to blocking of Rs 6.72 crore for about four years besides diversion of Rs 20 lakh.

According to Rule 13 of the Bihar Financial Rules read with Rule 107 of the

³⁰ Four Sadar Hospitals; PMCH, Dhanbad; Director, Agriculture and 19 District Agriculture Offices.

Bihar Budget Manual, as adopted by the Government of Jharkhand, drawing of money from the treasury and placing it in deposit so as to avoid lapse of allotments is not permissible. If under special circumstances, money is drawn in advance under orders of the competent authority, the unspent balance, so drawn, should be remitted to the treasury at the earliest possible opportunity, latest by the close of the financial year in which the amount was drawn.

Scrutiny (between January and March 2009) of the records of three offices³¹ revealed blocking of funds besides diversion and loss as discussed below:

Sl. No.	Name of the office	Amount released (Rs in crore)	Amount utilised (Rs in crore)	Audit observation
1	Civil Surgeon-cum- Chief Medical Officer (CS-cum-CMO), Hazaribag.	1.50	Nil	To upgrade and strengthen emergency facilities in the Government hospitals located on National Highways, GOI sanctioned (March 2006) Rs 1.50 crore to CS-cum-CMO, Hazaribag for setting up a Trauma Centre in District Hospital, Hazaribag by March 2007. As of February 2009, the entire amount of Rs 1.50 crore was lying idle for three years in a savings account in a bank as the civil work could not be taken up. No efforts were made by the CS-cum-CMO to get the civil work done.
2	Medical Officer (MO), Leprosy Research and Training Institute (LRTI), Brambe, Ranchi.	1.42	0.20	The Secretary, Health, Medical Education and Family Welfare Department (HMEFWD) sanctioned (February 2005) Rs 1.42 crore for purchase of machinery and equipment for LRTI, Brambe. MO, LRTI received (July 2005) the fund and parked the same in a current account of a bank. Scrutiny of the records of the LRTI revealed that the MO diverted (October 2005) Rs 20 lakh to the State Leprosy Committee for payment of wages/honorarium on the orders (July 2005) of the Secretary. While sanctioning diversion of Rs 20 lakh, the Secretary ordered (December 2005) not to make any expenditure out of the balance fund. Since then, Rs 1.22 crore was lying idle, i.e. for about four years. The Government had neither reviewed its order of July 2005 nor deposited the said amount in the Government account (January 2009).
3	Deputy Director, Tribal Welfare, Jharkhand.	4.00	Nil	The Welfare Department sanctioned (March 2006) Rupees four crore under the scheme for generation of income for the youth of backward and minority communities below the poverty line. Under this scheme, commercial vehicles (three or four wheelers) were to be provided to the youth of backward and minority communities on the basis of 10 per cent beneficiaries' contribution, 40 per cent subsidy and 50 per cent loan. Rupees four crore was released in July 2006 towards subsidy of 40 per cent to the backward and minority youths. Deputy Director, Tribal Welfare drew (July 2006) the funds and transferred (July 2006) them to the Managing Director, Jharkhand State Tribal

³¹ Civil Surgeon-cum-Chief Medical Officer, Hazaribag, Medical Officer, Leprosy Research and Training Institute (LRTI), Brambe, Deputy Director Tribal Welfare, Ranchi.

				Co-operative Development Corporation Limited (JSTCDC-an undertaking of the Government of Jharkhand) for implementation of the scheme. A list of beneficiaries to be considered under the scheme was still awaited (February 2009) from the Welfare Department. Thus, Rupees four crore was lying idle for more than two years with JSTCDC.
Total	6.92	0.20		

The above failures of the departments led to blocking of Rs 6.72 crore, released between July 2005 and March 2006, for more than three years, entailing loss of interest of Rs 1.49 crore (calculated at the average borrowing rate of 8.44 *per cent*) and diversion of Rs 20 lakh, besides denial of the intended facilities to the beneficiaries.

The matter was reported to the Government (April 2009); their reply had not been received (December 2009).

WATER RESOURCES DEPARTMENT

2.4.2 Blocking of funds

The Punasi dam project, taken up in January 1982, was anguishing for more than 26 years due to non-acquisition of land and non-rehabilitation of displaced persons. Expenditure of Rs 10.48 crore incurred between February 1999 and March 2008 remained blocked. Besides, the objective of providing irrigation was not achieved.

According to the Jharkhand Public Works Account Code³², special attention should be given to projects which require acquisition of land. For such projects, estimates for acquisition of land are to be sanctioned before land acquisition. After acquisition of land, estimates for project work are to be sanctioned and then the works should be commenced.

With a view to create irrigation potential of 24,292 hectares in Deoghar and Dumka districts, the State Government decided (January 1982) to construct an earthen dam from chain 0 to 70 under the Punasi Reservoir Scheme at a sanctioned estimate of Rs 26.01 crore. The earthen dam from chain 0 to 53 (excluding boulder pitching and rip-rap work) was completed as of 1998. Scrutiny (September 2006 to June 2009) of the records of the Executive Engineer (EE), Punasi Dam Division, Deoghar disclosed that the remaining work (chain 53-70) was awarded to a contractor in December 1998 for Rs 14.56 crore, to be completed by June 2002. The work was, however, stopped in February 2002 after completion of the work valued at Rs 7.28 crore (paid between February 1999 and October 2007) due to agitation by the displaced persons and non-acquisition of 491.45 hectares of land (including 220.03 hectares of forest land).

Though the dam work remained incomplete, the EE incurred an expenditure of Rs 3.20 crore between June 2006 and March 2008, on dam outlet and channel works, which also remained unfruitful.

³² Annexure 'A' Cabinet Secretariat and Co-ordination Department (Vigilance Cell) Resolution number 948 dated 16 July 1986- Para 4.5.

Thus, commencement of work without ensuring availability of the required land coupled with non-rehabilitation of displaced persons resulted in languishing of the project for a long period and blocking of funds of Rs 10.48 crore up to 10 years. This also resulted in non-achievement of the intended objective of providing irrigation.

The Department accepted (October 2009) the audit observations and stated that efforts were being made to resolve the problems of displaced persons.

2.5 Unauthorised expenditure

CIVIL AVIATION DEPARTMENT

2.5.1 Unauthorised expenditure

The State Government created a Civil Aviation Authority in violation of constitutional provisions, ignoring the opinion of the Law Department, resulting in unauthorised expenditure of Rs 10.74 crore.

The Civil Aviation Authority (Authority) was constituted (for regulation, planning, improvement, operation, management and maintenance of civil aviation activities) by the Government of Jharkhand with effect from June 2005 as per an executive order of the Governor of Jharkhand, with the stipulation that the statutory Act and Rules would be framed in due course.

Examination (May 2007 and March 2009) of the records of the Civil Aviation Department disclosed the following facts:

- (i) The Law Department of Government of Jharkhand had opined against setting up of the Civil Aviation Authority. As per the Law Department, civil aviation was a subject mentioned in the Union list of the Seventh Schedule under Article 246 (1) of the Constitution of India and in such matters, the Parliament alone had the exclusive power to make laws.
- (ii) The Authority was made functional with effect from April 2005 *i.e.* even before the issue of the said executive order. It was observed that the Authority incurred expenditure of Rs 10.74 crore up to March 2008.
- (iii) The Government neither repealed the creation of the Civil Aviation Authority nor made efforts to get the approval of the Parliament.

Thus, the constitution of the Civil Aviation Authority without legislative approval was in violation of the constitutional provisions. The appropriation of funds from the State Budget was irregular and the entire expenditure of Rs 10.74 crore incurred by the Civil Aviation Authority since inception to 31 March 2008 was unauthorised.

The matter was reported to the Government (April 2009). Their reply had not been received (December 2009).

2.5.2 Unauthorised expenditure

Government aircraft/helicopters were utilised unauthorisedly without obtaining the mandatory approval of the Finance Department, resulting in unauthorised expenditure of Rs 17.79 crore.

The operation of aircraft in Jharkhand is governed by the Rules approved (September 1968) by the Government of Bihar as the same had not been replaced by the Government of Jharkhand under the scope of Section 85³³ of the Bihar Reorganisation Act, 2000. According to these Rules, journey by Government aircraft was permissible only after getting approval of the Finance Department on the basis of requisitions made by or on behalf of visitors.

Scrutiny (March 2009) of the records of the Civil Aviation Department and the Civil Aviation Authority (Authority) disclosed that Rs 17.79 crore was paid (between April 2005 and October 2008) to different agencies by the department/Authority as hire charges for 724 flights of aircraft/helicopters hired during April 2005 to October 2008. The aircraft/helicopters were used by the Governor, Ministers, Government officers and others³⁴. However, in no case was the approval of the Finance Department obtained as required under the Rules of 1968.

Use of Government aircraft/helicopters without necessary approval of the Finance Department resulted in unauthorised expenditure of Rs 17.79 crore paid as hire charges.

The matter was reported to the Government (April 2009); their reply had not been received (December 2009).

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

2.5.3 Unauthorised creation of posts

Health, Medical Education and Family Welfare Department irregularly created additional posts in MGM Medical College, Jamshedpur in excess of the sanctioned strength and without approval of the competent authority, resulting in unauthorised expenditure of Rs 5.47 crore for the years 2005-09.

Rule 80 of the Jharkhand Financial Rule (JFR) stipulates that permanent posts can be created with the sanction of the Government. Further, Rule 12(1) of Rules of Executive Business of Bihar Government, as adopted by the Government of Jharkhand, envisages that no department shall, without prior concurrence of the Finance Department, authorise any order which relates to

³³ Section 85 of The Bihar Reorganisation Act, 2000 envisages that any law made before the appointed day (15 November 2000 i.e., date of bifurcation of states), may be adapted or modified by the appropriate Government, before the expiration of two years from that day and thereupon every such law shall have effect subject to the adaptation, modifications so made until altered, replaced or amended by the competent authority.

³⁴ This included private persons and visitors whose names were as either not recorded or only surnames were recorded in the passenger manifests (log books of flights).

the number, grading, cadre or emoluments of the post or other conditions of service.

Scrutiny of the records of and further information collected (December 2009) from the of Mahatma Gandhi Memorial (MGM) Medical College, Jamshedpur disclosed that there were eight sanctioned posts of Medical Officers in the college. The Health, Medical Education and Family Welfare Department (HMEFWD) sanctioned (May 2004) 97 posts of Senior Residents and 84 posts of Medical Officers in MGM Medical College, Jamshedpur through notification without obtaining concurrence of the Finance Department though there were only eight sanctioned posts of Medical Officers while no post of senior resident was sanctioned.

On this being pointed out (March 2008), the Secretary, HMEFWD accepted (December 2009) that the proposal for creation of these posts was neither sent to the Cabinet for approval nor to the Finance Department for concurrence. However, HMEFWD operated (2005-08) the posts of three Medical Officers and 42 Senior Residents in excess of the original sanctioned strength of the college citing the notification of May 2004 and paid Rs 5.47 crore as pay and allowances during 2005-09.

Thus, non-observance of codal provisions and irregular creation of posts resulted in unauthorised expenditure of Rs 5.47 crore to the exchequer.

The matter was referred to the Government (March 2009); their reply had not been received (December 2009).

2.6 General

Follow-up on Audit Reports

2.6.1 Non-submission of Explanatory (Action Taken) Notes

According to instructions issued (September 2005) by the Ministry of Finance, Government of India, administrative departments are required to submit explanatory notes on paragraphs and reviews included in the Audit Reports within three months of the presentation of these Reports to the legislature, without waiting for any notice or call from the Public Accounts Committee, duly indicating the action taken or proposed to be taken on the audit observations contained therein.

As of July 2009, seven departments had not submitted any compliance or explanatory/Action Taken notes in respect of 147 out of 201 paragraphs/reviews for the years 2000-01 to 2007-08.

2.6.2 Action taken by the Government

Government/Heads of Departments are required to take necessary remedial action on the points mentioned in the Reports of the Comptroller and Auditor General of India. However, similar shortcomings/deficiencies were noticed in the Audit Reports for the years 2003-04 to 2007-08. Two cases are discussed below:

(A) Irrecoverable advance

Mention was made in paragraph 4.1.1 of the Audit Report 2003-04 about irrecoverable advances of Rs 25.90 lakh due to non-pursuance by Drawing and Disbursing Officers.

A similar case was noticed (December 2008) in the records of the Sub Divisional Officer, Godda, where an advance of Rs 41.24 lakh was outstanding since long against officials as well as private persons, some of whom had retired, died or been transferred elsewhere.

(B) Idle expenditure

Mention was made in paragraph 4.4.2 of the Audit Report 2004-05 about nugatory/idle expenditure of Rs 1.36 crore on pay and allowances of idle staff *i.e.* bull attendants in the Animal Husbandry Department.

It was seen (September 2009) in audit that Rs 22.22 lakh was paid to idle staff *i.e.* ploughmen and drivers of Sub Divisional Agriculture cum District Agriculture Office, Godda where there were no bullocks in any of the farms and the tractors had been out of order since the last 10 years.

2.6.3 Action not taken on recommendations of the Public Accounts Committee

According to instructions issued (September 2005) by the Ministry of Finance, GOI, all administrative departments and Heads of Departments were to submit Action Taken Notes (ATNs) on the recommendations of the Public Accounts Committee (PAC) within six months from the date(s) of receipt of recommendations. As of July 2009, 123 paragraphs were discussed by the PAC and recommendations were made against 27 paragraphs between November 2000 and July 2009. Of these, only in seven cases, ATNs had been received.

2.6.4 Lack of response

The Principal Accountant General (Audit) arranges to conduct periodical audit inspections of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). Half-yearly reports of pending IRs are sent to the Principal Secretaries/Secretaries of the departments concerned to facilitate monitoring of the audit observations and their disposal. The Heads of offices and the next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the Principal Accountant General (Audit).

The status of pendency of IRs/paragraphs at the end of June 2007, June 2008 and June 2009 is shown below:

Items	Pending as at the end of		
	June 2007	June 2008	June 2009
Number of IRs	4319	3744	3924 ³⁵
Number of paragraphs	24427	20866	20942

³⁵ The number of pending IRs and paragraphs decreased.

Out of the 3,924 IRs/20,942 paragraphs pending as on 30 June 2009, even first replies had not been received in respect of 947 IRs/6,025 paragraphs. The year-wise break-up of these IRs and paragraphs is indicated in **Appendix-2.7**. The Principal Secretaries/Secretaries, who were informed of the position through half yearly reports, could not ensure prompt and timely action by the concerned officers.

2.6.5 Constitution of Audit Committees

A State level Audit Committee, under the chairmanship of the Chief Secretary, was constituted (February 2005) following recommendations of the Shakti Committee³⁶ to monitor the compliance of Audit Reports/IRs and to develop internal audit systems in all departments. In the State, the Secretary, Finance Department was designated as the Member (Co-ordination) and all departmental Secretaries and the Principal Accountant General were to be members of the committee. The committee did not meet during September 2008 to September 2009. Principal Accountant General had requested (March 2009) the Chief Secretary and Finance Secretary to expedite the settlement of outstanding paragraphs.

Audit Committees were formed in 12 departments and meetings were held on 20 occasions between March 2008 and March 2009 in which 17 IRs and 790 paragraphs were settled. Principal Secretary/Secretary and representatives of Finance Department, however, did not take part in the Audit Committee meetings even though they were informed about them.

This indicated lack of seriousness on the part of these departments in rectifying the deficiencies pointed out by Audit.

It is recommended that the Government should (i) constitute Audit Committees at the department and district level, (ii) conduct Audit Committee meetings regularly for speedy settlement of pending IRs and paragraphs, (iii) ensure timely and proper responses to the IRs of the Principal Accountant General and (iv) effect recoveries pointed out in the IRs, promptly.

³⁶ A high-powered committee appointed to review the response of the State Governments to the Audit Reports of the Comptroller and Auditor General of India.