

CHAPTER-III COMPLIANCE AUDIT

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Compliance Audit of the Government departments, their field formations as well as that of autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented sector-wise in the succeeding paragraphs.

GENERAL SECTOR

HOME DEPARTMENT

3.1 *Loss to the Government*

Due to non installation of separate meters in 83 staff quarters of Beur Jail, Patna and supply of electric energy from High Tension connections for domestic use coupled with consumption of electricity in excess of Contract Demand resulted in avoidable expenditure of ₹1.12 crore.

Para 7.1 of Bihar Electricity Regulation Commission (BERC) Tariff order stipulated that if in any month the recorded maximum demand exceeds 110 *per cent* of Contract Demand the excess portion of the demand would be billed at twice the normal charges.

A test check of records of Superintendent, Model Adarsh Kendriya Kara, Beur, Patna (Jail) disclosed (December 2014) that an agreement was executed (August 2005) between Bihar Electricity Board and the Superintendent, Jail for providing electric connection of 11 KV (three phase) High Tension (H.T) supply with Contract Demand of 371 KVA. Superintending Engineer, Patna Electrical Supply Unit (PESU), West Circle, Patna generated bills for Jail premises which included ₹1.12 crore as penal demand charges for the period from April 2007 to March 2015 for utilisation of load above the Contract Demand which ranged from 427.40 KVA to 845 KVA.

Scrutiny further disclosed that electricity charges paid for jail premises include charges for 83 staff quarters¹ also as no separate meters were installed for these staff quarters since 2007-08. Separate meters for staff quarters would have reduced the electricity charges for jail premises and the amount paid against the penal demand charges for utilisation of load above Contract Demand could have been avoided. Finance Department, Government of Bihar also stated (October 2013) that there was no provision to pay electricity charges of staff quarters by the offices concerned.

Thus, due to non-installation of separate meters in 83 staff quarters of Beur Jail, Patna and supply of electric energy from the H.T connection of the jail for domestic use resulted in the electricity consumption exceeding the Contract Demand and avoidable expenditure of ₹1.12 crore.

¹ *The load assessment report in respect of staff quarters submitted by the board authority showed that the load was 249 KW (311.25 KVA)*

Inspector General (Prison) replied (September 2015) that notice was issued to staffs for installing domestic service connections in staff quarters and action was initiated to enhance the load for electric connection in the jail.

The matter has been reported to the Government (June 2015); despite reminder (August 2015), their replies have not yet been received.

PLANNING AND DEVELOPMENT DEPARTMENT

3.2 Excess expenditure on purchase and installation of solar street lights

The purchase and installation of solar street lights by the District Planning Officers, Darbhanga and Khagaria at higher rates than finalised by BREDA resulted in excess expenditure of ₹7.01 crore.

As per Rule 126 of the Bihar Finance (Amendment) Rules (BFR), 2005, every authority delegated with financial powers of procuring goods in public interest shall have the responsibility and accountability to bring efficiency, economy and transparency in matters relating to public procurement and should satisfy himself that the price of the selected offer is reasonable and consistent with the quality required.

A test check (September 2014 and June 2015) of records relating to purchase and installation of solar street lights under MPLADS² by the District Planning Officer (DPO), Darbhanga and Khagaria revealed that the State Government replaced (September 2012) BELTRON with BREDA³ as the State Purchase Organisation (SPO) for purchase of solar equipment. The Assistant Director, BREDA also issued instructions (January 2013) to DPO, Darbhanga for purchase of solar equipment from the licensed channel partners/shops authorised by BREDA such as Akshay Urja Shop, Begusarai at rates finalised by BREDA. This was corroborated (June 2013) by the Principal Secretary, Planning and Development Department, Government of Bihar. The Director, BREDA also instructed (July 2013) that the work of purchase and installation of solar street lights should be done through tendering process from Akshay Urja Shops. The BREDA finalised (September 2013) the rate of purchase and installation of solar light⁴ as per the specification of Ministry of New and Renewable Energy (MNRE), Government of India at ₹61,775 per light.

Despite availability of rates finalised by BREDA (₹61,775), the DPO, Darbhanga and Khagaria placed orders (August 2013 to February 2014) for purchase and installation of 674 and 28 solar street lights respectively with Akshay Urja Shop, Begusarai at ₹1.75 lakh per light. Though an amount of ₹10.83 crore was paid against the total cost of ₹12.29 crore, 596 and 23 solar lights respectively were only installed (upto July 2015) in Darbhanga and Khagaria. Thus, the failure of the DPOs to purchase solar street lights from Akshay Urja Shop through tendering process at rates finalised by BREDA, despite instructions in this regard, resulted in excess expenditure of ₹7.01 crore.

² Member of Parliament Local Area Development Scheme

³ Bihar Renewable Energy Development Agency

⁴ (4x11w) arms light with Lead Acid tubular Flooded Battery

On this being pointed out, the DPO, Darbhanga and Khagaria stated (September 2014) that on the basis of the letter (January 2013) of the Assistant Director, BREDA declaring Akshay Urja Shop, Begusarai as a licenced/channel partner of BREDA, the work of installation of solar lights was allotted to it. The DPO, Khagaria stated that the orders could not be implemented as he was not aware of the orders issued by the Director, BREDA in July 2013.

The replies of the DPOs were not acceptable as DPO Darbhanga and Khagaria neither followed the tendering process for the purchases from Akshay Urja Shops nor ensured that the rates were as prescribed by BREDA.

The matter has been reported to the Government (June 2015); despite reminder (August 2015), their replies have not been received.

SOCIAL SECTOR

RURAL WORKS DEPARTMENT

3.3 *Unfruitful expenditure*

Rural Works Division, Purnea failed to prepare Detailed Project Reports for bridges while constructing roads between Sahangawn to Tiarpara under PMGSY. State Technical Agency and Bihar Rural Road Development Agency also failed to notice this omission. As a result, the roads constructed at a cost of ₹4.15 crore remained unconnected across the rivers since September 2013 rendering the expenditure unfruitful.

Government of Bihar (GoB) identified (December 2000) Rural Works Department (RWD) as executing agency for works under Pradhan Mantri Gram Sadak Yojana (PMGSY) and appointed (June 2007) RWD, Works Division, Purnea as Programme Implementation Unit (PIU). The PIU was responsible for co-ordination and implementation of PMGSY and ensure that Detailed Project Report (DPR) was prepared for bridges, the span size of which exceeds 25m after joint site inspection by the Superintending Engineer, RWD and the State Technical Agency⁵ (STA) appointed (August 2004) by the National Rural Road Development Agency. The RWD also appointed (June 2007) a DPR consultant for preparation of DPR for the road. The DPR was to be scrutinised subsequently by the STA and the State Rural Road Development Agency (SRRDA)⁶ in the light of the PMGSY Guidelines.

A test-check (February 2014) of records of the Executive Engineer (EE) Rural Works Department (RWD), Works Division, Purnea⁷ revealed that a road of length 9.991 km was to be constructed between Sahangawn to Tiarpara village

⁵ NRRDA (National Rural Roads Development Agency) has identified in consultation with each State Government, reputed Technical Institutions, designated as State Technical Agencies (STA) to provide outsourced technical support to the PIUs. In case of Bihar it was Bhagalpur College of Engineering, Bhagalpur; BESU, Howrah; MIT, Muzaffarpur and NIT, Patna

⁶ Bihar Rural Road Development Agency (BRRDA)

⁷ Appointed (June 2007) as PIU by the State Government. Later the work was transferred to RWD, Works Division, Baisi in March 2012

under PMGSY to provide all-weather connectivity to Tiarpara village. The road-profile was intersected by two rivers⁸.

The DPR for the road prepared (August 2008) by the DPR consultant specified the requirement of slab culverts/bridges having span of more than 25 meters at two different chainages⁹. However, the PIU failed to prepare DPRs for the bridges. The Administrative approval (AA) and Technical sanctions accorded for ₹467.77 lakh (March 2007 and August 2008 respectively) and the revised AA given for ₹571.11 lakh (July 2009) were without provision for bridges across the rivers for connecting the two sides of the roads. The work (without provision for bridges) was awarded (December 2009) to an agency at an agreed cost of ₹5.25 crore¹⁰ for completion by June 2011. The construction of road costing ₹4.15 crore was completed (September 2013) but the absence of bridges across the two rivers defeated the objective of PMGSY to provide all-weather connectivity to the targeted habitation. Thus, the failure of the PIU to prepare the DPR for the bridge and lack of scrutiny for the DPR by STA and SRRDA as specified by PMGSY guidelines resulted in the unfruitful expenditure of ₹4.15 crore.

Joint physical verification (July 2014) of the site by audit personnel with Assistant Engineer, Works Division, Amour confirmed that the villagers were using boats to cross the river.

The Secretary RWD, GoB accepted (July 2015) that preparation of DPR was delayed and the same was under preparation by the Works Division, Baisi. Construction of the bridge would be commenced after approval of DPR by Government of India, so that all-weather connectivity could be provided.

3.4 Wasteful expenditure

Commencement of work without ensuring encumbrance-free land resulted in foreclosure of the work and defeated the objective of providing all-weather connectivity to the scheduled caste habitation and wasteful expenditure of ₹83.60 lakh.

The objective of Special Component Programme (SCP) under Rural Works Department (RWD), Government of Bihar (GoB) was to provide all-weather road connectivity to Scheduled Caste (SC)/Scheduled Tribe (ST) habitations having a population of more than 200. Executive Engineer (EE) of the concerned district was entrusted with the task of timely completion of the road under SCP. As per Bihar Public Works Account (BPWA) Code, availability of land, free of all encumbrances should be ensured before commencement of works.

A test-check of records (September 2014) of the EE, RWD Works Division, Dumraon revealed that the contract for construction of village road from Kasiyan Mahadalit South Tola to Mathila Main road (2.15 Km) was awarded (March 2013) to an agency at an agreement cost of ₹1.62 crore by EE, RWD Works Division, Dumraon for completion by January 2014. The construction

⁸ Parman River and Bakhra River

⁹ Chainage 2290 (bridge) span 60 meter approx and chainage 7373 (bridge) span 50 meter approx

¹⁰ ₹4.93 crore for construction and ₹0.32 crore for maintenance of road for five years

of road included items of work such as Granular sub-base, Water bound Macadam (WBM) Grade-II and Grade-III, Prime and tack coats, Premixed carpet with seal coats etc. However, the contractor could complete only the sub-base and WBM Grade-II and III works upto 0.85 Km due to land dispute and the work executed was measured (July 2014) as costing ₹83.60 lakh.

Joint physical verification (May 2015) of work executed was carried out by Junior Engineer (JE) of RWD Works Division, Dumraon along with Audit team and it was confirmed that the work was completed only upto WBM Grade-III level in 0.85 Km and the executed work was damaged. Remaining 1.30 Km of road was an earthen track negotiable only during dry weather and no habitation was connected to it.



Constructed part of the road (0.85 km)

Earthen track (1.3 km)

On this being pointed out, the Secretary RWD replied (July 2015) that approximately 0.85 Km length of the road was constructed upto Grade-III level in non-disputed alignment of the proposed road and the idea of construction of rest portion of road was dropped as there was no provision for land acquisition in PMGSY road. However, the constructed part of the road was used to some extent by the villagers.

The reply was not tenable as the constructed portion of the road was deteriorated over time rendering the expenditure of ₹83.60 lakh on its construction wasteful and the non-completion of the village road defeated the objective of providing all-weather connectivity to SC/ST habitations.

3.5 Avoidable expenditure

Injudicious provision of lead in procurement of Minor Minerals in construction of five roads under Pradhan Mantri Gram Sadak Yojna resulted in an avoidable expenditure of ₹2.01 crore and loss to the Government.

Bihar Financial Rules (BFR) 2005 stipulated that every Government servant incurring or authorising expenditure from public funds should be guided by high standards of financial propriety. Rural Roads Manual (RRM) of Indian Road Congress stipulated that materials used in structural layers of the pavement should be selected based on availability, economy and previous experience.

A test check of records relating to five¹¹ roads constructed under Pradhan Mantri Gram Sadak Yojna (PMGSY) during December 2008 to June 2013 in Rural Works Department (RWD) revealed (November - December 2014) that provision for procurement of minor minerals¹² was made in the estimate from Pakur quarry, though the sites of the five works were located nearer to Sahkund quarry. The Mineral Development Officer (MDO), Bhagalpur confirmed (May 2015) that minor minerals such as stone aggregate, stone chips, stone metal for GSB, Gr.-II, Gr.-III etc were being produced and available in Sahkund quarry since 2008 to January 2013. Further, the distance from Pakur to work sites ranged from 113 to 172 Km whereas the distance of Sahkund to work sites ranged from 48 to 103 Km only in aforesaid five cases. Lead¹³ from Pakur was allowed by respective Executive Engineer (EEs) in cost estimate attached with Detailed Project Reports (DPR) and works were executed accordingly. This resulted in excess lead of 53 to 70 Km in respect of the five works under PMGSY and avoidable expenditure of ₹2.01 crore (*Appendix 3.1*).

On this being pointed out, the EEs stated (August 2015) that minor minerals were procured from Pakur quarry due to availability and quality of stone metals/minor minerals. Additional Chief Executive Officer-cum-Secretary (ACEO), Bihar Rural Roads Development Agency (BRRDA), Patna stated (September 2015) that both Sahkund and Pakur were approved quarries and because of insufficient availability of stone metals from Sahkund quarry, these were obtained from Pakur quarry.

The replies of EEs and ACEO were not acceptable as the MDO, Bhagalpur clearly stated that minor minerals were available in Sahkund quarry till January 2013. Audit also observed that Superintending Engineer (November 2009) approved procurement of stones from Sahkund quarry which was the least distant for another 33 road works in RWD (Works) Division Banka and was used in construction of 26 roads and eight bridges during 2008-13.

The matter has been reported to the Government (June 2015), despite reminder (August 2015), their reply is awaited.

¹¹ Three roads in Banka - I Division and two roads in Banka – II Division

¹² Stone metal for granular sub base (GSB), stone aggregate, crushed stone coarse aggregate, stone chips etc

¹³ Distance between quarry and worksite

URBAN DEVELOPMENT AND HOUSING DEPARTMENT

3.6 *Infructuous Expenditure*

The amount of ₹4.42 crore spent on preparation of six Detailed Project Reports (DPRs) became infructuous as Dwelling Units could not be constructed at the allotted sites due to encroachment and failure of the Department to provide hindrance-free sites for construction.

Basic services to urban poor (BSUP) was one of the components of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for integrated development of slums by providing shelter, basic services and other related civic amenities. Two cities (Patna and Bodh Gaya) of Bihar were selected under JNNURM by the Ministry of Urban Development and the period was seven years from the year 2005-2006.

Government of India (GoI) sanctioned (2007-09) 18 projects¹⁴ under Phase-I to VI for Patna and Bodh Gaya with a project cost of ₹709.98 crore for construction of 22,372 Dwelling Units (DUs). Bihar Urban Development Agency (BUDA), an agency under Urban Development and Housing Department (Department) Government of Bihar (GoB) was appointed as Nodal Agency (January 2008) for the project. The BUDA further appointed Housing and Urban Development Corporation Limited (HUDCO) as executing agency for preparation of Detailed Project Reports (DPRs) and a Memorandum of Understanding (MoU) was signed between them (January 2008) for execution of works.

The State Government allotted ₹102.42 crore including central share of ₹78.19 crore to the Department to provide funds to BUDA for implementation of the project (2007-10). The BUDA released ₹21.51 crore (March 2008 to September 2010) to HUDCO for preparation of 18 DPRs for construction of 22,372 DUs. But, HUDCO prepared only nine DPRs for construction of 14,596 DUs and works were started on the basis of three DPRs only. Accordingly, 480 DUs were constructed and the HUDCO charged ₹5.60 crore for preparation of nine DPRs out of which ₹4.42 crore pertain to preparation of six DPRs for construction of 11,268 DUs (*Appendix 3.2*).

HUDCO submitted a statement of expenditure of ₹19.37 crore to the BUDA for the project including for the DPRs and the balance amount of ₹2.14 crore was retained by them. As per the information provided (March 2015) by Director/BUDA, the remaining projects were surrendered (July 2014) by BUDA to the Ministry of Housing and Urban Poverty Alleviation, GoI, as these sites were encroached and the State Government could not provide any other encroachment-free land.

On this being pointed out in audit (November 2012 and January 2015), the Director BUDA replied (March 2015) that only 480 DUs were completed by HUDCO and handed over to the beneficiaries.

¹⁴ 17 projects at Patna and one project at Bodh Gaya

Thus, the expenditure of ₹4.42 crore incurred by HUDCO on preparation of six DPRs without ensuring availability of land became infructuous as no works were started as on March 2015. The slum dwellers were also deprived of improved housing, water supply, sanitation, health and social security offered by the BSUP scheme.

The matter was reported to the Government (May 2015), despite reminder (June 2015), the reply is still awaited.

EDUCATION DEPARTMENT

3.7 Irregular retention of Sarva Shiksha Abhiyan Fund

Non-adherence to the provision of Bihar Financial Rules, lack of monitoring by the District Programme Officers (DPOs) and non-adjustment/non-recovery of funds provided for implementation of Sarva shiksha Abhiyan Programme from the Head Masters/Secretary, Vidyalaya Shiksha Samiti led to irregular retention of ₹2.72 crore in seven DPOs.

Rule 9 read with Rule 39 of Bihar Financial Rules, 2005 (BFR) stipulated that every Government servant incurring or authorising expenditure from public fund should be guided by high standards of financial propriety and no amount due to Government should be left outstanding without sufficient reason, and where any dues appear to be irrecoverable, the orders of the competent authority must be sought for their adjustment.

Guidelines of Sarva Shiksha Abhiyaan (SSA) envisaged that construction should be carried out by the Vidyalaya Shiksha Samiti (VSS) of the school under an agreement to be made between the State Project Director, Bihar Education Project Council (BEPC) and or its representative (DPO/SSA) and VSS within three months from the date of receipt of fund. The funds provided for implementation of the programme to VSS were to be kept in nationalised/scheduled banks. The accounts of the VSS were to be operated with the joint signature of the Secretary, VSS and Head Master (HM) of the school. The DPO was responsible for regular supervision and guidance of the work.

A test check of records (December 2013 to February 2015) of seven DPOs¹⁵ disclosed that an amount of ₹5.12 crore was released to VSS of 48 schools during 2004-15 for construction of Additional Class Rooms (ACRs)/ New School Buildings (NSBs)/Resource Centre/HMs room and Store Room. Out of this, HMs/Secretary, VSS of 31 schools withdrew ₹2.70 crore and construction work for ₹1.54 crore was done and the remaining ₹1.16 crore was retained by the concerned HMs/Secretary, VSS. Subsequently, out of ₹5.12 crore, ₹1.56 crore was withdrawn by HMs/Secretary, VSS of 17 Schools but construction work was yet to be started (September 2015). These amounts were retained by the HMs/Secretary, VSS for periods ranging from one year to seven years. It was also noticed that out of this, two HMs of two districts¹⁶ were dead, eight HMs of four districts¹⁷ got retired (September 2012 to

¹⁵ Begusarai, Darbhanga, Katihar, Muzaffarpur, Purnea, Sitamarhi and Siwan

¹⁶ Katihar and Purnea

¹⁷ Begusarai, Darbhanga, Katihar and Siwan

January 2015) and 22 were relieved from the charge (*Appendix 3.3*). The act of relieving the HMs without recovery of outstanding amount was a serious lapse on the part of concerned DPOs, while the chances of recovery from retired/dead HMs was remote. The possibility of some of the amount withdrawn by HMs/Secretary, VSS being misappropriated by them could not be ruled out.

Thus, non-adherence to the provisions of Bihar Financial Rules, lack of monitoring by the DPOs and non-adjustment/non-recovery of fund from the Head Masters /Secretary, VSS led to irregular retention of ₹2.72 crore in seven DPOs.

On this being pointed out, the State Project Director, BEPC stated that (August 2015) directions were given to DPOs and BEOs to lodge FIRs and recover the amount from defaulters.

The replies of the DPOs were not acceptable as non adjustment/non-recovery of amount from the concerned HMs/Secretary, VSS by the DPOs was indicative of negligence and non-adherence to the above financial provisions/rules.

The matter was referred to the Government (May 2015); despite reminders their reply is still awaited (July 2015, August 2015 and September 2015).

ECONOMIC SECTOR

AGRICULTURE DEPARTMENT

3.8 *Fraudulent Payment of subsidy on fake invoices*

Lack of monitoring by District Agriculture Officer led to fraudulent payment of subsidy of ₹2.29 crore to farmers against fake invoices presented by them for procurement of tractors.

Under Farm Mechanisation Programme of Agricultural Department, Government of Bihar (Department), subsidy was to be provided to eligible farmers for purchase of agricultural tools. As per Implementation Instructions of Agricultural Road Map issued (2012-15) by the Agriculture Department Bihar, Patna, the District Agriculture Officer (DAOs) should issue a sanction letter for grant of subsidy to eligible farmers after proper verification of applications specifying that the farmer should purchase agricultural tools at subsidised rates from any authorised agency in Kisan Melas. The purchases should be verified by the DAOs by visiting farmers houses within two to six months of purchase. In order to ensure purchases of tools through Kisan Melas, the DAOs should countersign the cash memos and the farmer should claim subsidy on the basis of the countersigned cash memo. In case of any fraud, subsidy should be recovered from the farmer and action should be initiated as per law.

A test check (December 2014 to July 2015) of purchase invoices of agriculture tools (tractors) of nine DAOs¹⁸ disclosed that 486 tractors were shown as

¹⁸ Bhagalpur, Biharsharif, Chhapra, Gopalganj, Hajipur, Kishanganj, Madhubani, Motihari and Sitamarhi

purchased in Kisan Melas. However, a cross verification of the invoices with data in respect of registration of vehicles from concerned District Transport Officer (DTO) disclosed (December 2014 to July 2015) that out of 486 tractors, dates of purchase of 449 tractors were either before or after the Kisan Melas conducted during July 2012 to March 2015 and 37 were purchased though no Kisan Melas were conducted during the period. This showed that the farmers produced fake invoices to obtain subsidy of ₹2.29 crore (**Appendix 3.4**).

It was also noticed that:

- Twelve farmers (out of 486) under DAO, Bhagalpur, Chhapra, Hajipur, Kishanganj, Motihari and Sitamarhi and to whom subsidy of ₹5.70 lakh was sanctioned, submitted invoices for purchase of tractors which belonged to other persons as per DTO records (**Appendix 3.5**).
- Out of 486, 470 tractors were registered as commercial vehicles.

Thus, the lack of monitoring of purchases by the DAOs led to fraudulent payment of subsidy of ₹2.29 crore against fake invoices.

DAO Biharsharif replied (January 2015) that the matter would be reviewed and intimated to audit. DAO Kishanganj replied (February 2015) that correspondence had been made with DTO Kishanganj regarding date of purchase of the tractors. DAO Motihari replied (June 2015) that subsidy was given in the light of original invoices regarding purchase of tools by the farmers from Kisan Melas. DAO Gopalganj, Madhubani, Hajipur, Sitamarhi replied (March 2015 to May 2015) that action taken after the investigation of related documents would be intimated to audit. DAO Bhagalpur replied (July 2015) that payment was made to beneficiary farmers as per departmental guidelines. DAO Chhapra replied (June 2015) that subsidy was given to beneficiaries on the basis of cash memos regarding purchases in Melas held during 2012-13 and 2013-14.

The matter has been reported to the Government (May 2015), despite reminders (June 2015 and August 2015), the reply is still awaited.

3.9 Defalcation of Government money

Non-adherence to the provisions of the Bihar Agriculture Produced Market Regulation, 1975 and failure of the Special Officer-cum-Sub Divisional Officer in checking the daily collection of receipts and their deposit in the bank account resulted in defalcation of the Government money amounting to ₹50.40 lakh.

Rule 68 of Bihar Agriculture Produce Market (BAPM) Regulation, 1975 provides that all moneys received on behalf of Agriculture Committee should be estimated and deposited in a fund *viz.* 'Bazar Samittee Fund' and all moneys be kept in this fund should be deposited in State Bank of India at least once in a week. Further, Rule 84 (i) of BAPM Regulation, 1975 stipulates that signed receipts in triplicate should be given to persons from whom the amount was collected by the Government Servant duly authorised to collect/receive all moneys on behalf of *Bazar Samittee* and one copy of receipt would be kept for office record. As per notification 3875 dated 13 September 2006 issued by

Department of Agriculture, Government of Bihar (GoB), concerned Sub Divisional Officer was appointed as Special Officer (SO) of *Bazar Samittee*. The SO should take charge of all the movable and immovable property of the *Bazar Samittee* including shops and Godowns given on rent.

Test check of records of the Office of the Special Officer-cum-Sub Divisional Officer (SO-cum-SDO), Agriculture Produce Market Committee (APMC), Samastipur disclosed (December 2014) that:

- Rupees 28.13 lakh was received by *Bazar Samittee* from traders as rent through Money Receipts (MR) which were issued by Bihar State Agriculture Marketing Council, (BSAMC), Patna in favour of APMC, Samastipur during the period of August 2012 to July 2014. However, the amounts were neither entered in the cash book and Daily Collection Register (DCR) nor deposited in the bank account of APMC (*Appendix 3.6*).
- Rupees 43.96 lakh was collected by APMC through cheque and cash in 2013-14 and the opening balance of APMC for the year 2013-14 was ₹0.60 lakh. However, an amount of ₹29.31 lakh was only deposited in the bank resulting in short-deposit of ₹14.65 lakh in the bank account of APMC (*Appendix 3.6*).
- Rupees 7.63 lakh pertaining to the year 2011-12 and 2012-13 consisting of 11 receipts were not deposited in bank during February 2012 to December 2012 though these were entered in the cash book (*Appendix 3.6*).

On this being pointed out (December 2014), the SO-cum-SDO, APMC, Samastipur stated that the Accounts Clerk who retired on 31 January 2014 did not hand over the records for verification and an FIR (3 December 2014) and certificate case (13 January 2015) had been lodged against him. However, the reply was silent about the responsibility of the Controlling Officer to check regular credit of money into Government Account. Further, the reply and the action taken by the SO-cum-SDO was not acceptable as failure of the SO-cum-SDO in checking the daily collection of receipts and their deposits in bank was indicative of negligence and non-adherence to the rules of BAPM Regulations and Government notification.

Thus, non-adherence to the provisions of the BAPM Regulation and failure of the SO-cum-SDO in checking the daily collection of receipts and their deposit in the bank account resulted in defalcation of the Government money amounting to ₹50.40 lakh.

The matter has been reported to the Government (April 2015), despite reminders (May 2015), the reply is still awaited.

WATER RESOURCES DEPARTMENT

3.10 Wasteful Expenditure

Due to injudicious decision of curtailing the boulder revetment work recommended by Anti Erosion Committee before flood 2010, the Government incurred a wasteful expenditure of ₹1.18 crore.

Para 4.9 of Flood Management Rules, 2003 envisaged that every year, the field offices shall make a list of the flood protection works to be done before the next flood season on the basis of river behavior in the antecedent flood period and experience gained during the period. For this purpose, every Chief Engineer (CE) of the Water Resources Department (WRD) shall constitute an Anti Erosion Committee (AEC) for flood prone areas of his jurisdiction. Based on recommendation of the AEC, the field officers shall prepare the estimate and put up before the State Technical Advisory Committee (TAC). The field officers of the WRD shall submit the revised schemes based on the recommendation of the TAC to the Departmental Scheme Review Committee (SRC) for selecting the most essential schemes.

A test check of records (August 2013) of the Executive Engineer (EE), Flood Control Division (FCD), Begusarai (EE) revealed that anti-erosion work between 17.0 km to 18.0 km of Munger embankment near Village-Ayodhya, Baruni, on the left bank of river Ganga, administratively approved (AA) (December 2009) for ₹1.28 crore and technically sanctioned (TS) (January 2010) for ₹1.14 crore, was awarded (March 2010) to an agency for completion by May 2010 at a total cost of ₹1.18 crore. It was however observed that the proposal of AEC to do boulder and porcupine work¹⁹ (October 2009) for anti-erosion was changed by the TAC without mentioning any reason. The Department laid only porcupines on the recommendation of the TAC (October 2009) and the SRC (December 2009). The work started in March 2010 was completed in May 2010 by the agency and a payment of ₹1.18 crore was made to it. However, the executed work failed to sustain the current of river Ganga and most of the porcupines were washed away during flood 2010/2011.

Scrutiny further revealed that the AEC again recommended²⁰ (December 2010) for execution of the boulder and porcupines protection work before Flood 2011. The TAC and SRC approved the proposal after observing the past experience of failure of porcupines and an agreement was executed (February 2011) with a contractor for ₹6.04 crore. The work was completed in June 2011 and the payment of ₹6.04 crore was made. The work was intact till date (May 2015).

¹⁹ Boulder revetment in a length of 210M with end anchorage on both sides in front of channel with 22m X1.20M apron and 0.60 M thick slope pitching in panels of 16.5M C/C and laying of R.C.C. porcupine screen in 5 rows in two layers in a length of 150 M. across the channel.

²⁰ Boulder revetment with 22m X1.2m boulder (in panels of crated boulder) apron over N.C. base in length of 600m with both end anchorage and slope should be pitched with 0.6m thick boulder pitching over G.T.F. in panels and top should be capped with 1.5m X0.6m thick crated boulder and closure of channel with R.C.C. Porcupine M-200 with nominal mix (1:1:5:3) in foundation of various components of canal or embankment and placing of 600 manufactured porcupine rehandling and jhankhi filling.

Thus, due to injudicious decision of curtailing the boulder revetment work recommended by AEC before flood 2010, the Government incurred a wasteful expenditure of ₹1.18 crore.

In reply EE, FCD Begusarai accepted (August 2013) that the porcupines were washed away during flood 2010 and flood 2011. This was also confirmed by the CE, WRD Samastipur and the Joint Secretary, WRD, Government of Bihar (May 2015).

In reply Government stated (September 2015) that work was completed after administrative approval and technical sanction of ₹118.48 lakh. Work sustained the intensity and ferocity of flood 2010 and it was effective in minimising the damage to the site and fulfilled the purpose. Thus, the cost incurred on this anti erosion work was fruitful.

The reply was not acceptable as the structure was to be constructed as per the actual requirement of the site as recommended by AEC for its complete protection and not to minimize the damage to that extent. This was substantiated from the fact that TAC and SRC had approved the recommendation of AEC completely for the flood year 2011 and succeeded in keeping in work intact.

ROAD CONSTRUCTION DEPARTMENT

3.11 Avoidable excess payment

Due to irregular inclusion of service tax (ST) in the estimate by the Chief Engineers, in violation of GoI notification of exemption of ST, resulted in avoidable excess payment of ₹11.23 crore to the contractor.

As per the Ministry of Finance, Government of India (GoI) notification (July 2009) as amended, taxable services provided by any person in relation to management, maintenance, repair of roads are exempted from service tax leviable thereon.

Test check of records of six Road Divisions²¹ (RD) disclosed (May 2014 to May 2015) that the Road Construction Department (RCD) invited tenders (September 2013 and October 2013) for Long Term Output and Performance based Assets Maintenance Contracts (OPRMC) as per estimated cost value²² (ECV) of ₹329.22 crore which included service tax (ST) of ₹36.22 crore, though services relating to maintenance and repair of roads were exempted from ST. Accordingly, agreements were executed (December 2013 to February 2014) by the Executive Engineers (EEs) of concerned divisions for OPRMC at contract price which included ST also and the divisions¹ made payment of ₹102.05 crore (January 14 to May 2015) to the contractors including ST of ₹11.23 crore (*Appendix 3.7*). The inclusion of ST in the estimate was also not noticed at the time of execution of agreement by the EEs. Thus, the irregular inclusion of ST in the estimates by the CEs in violation of GoI notification of exemption of ST, resulted in avoidable excess payment of ₹11.23 crore to the contractors.

²¹ Bhabhua,, Katihar, Madhepura, New Capital Division Patna, Patna city Gulzarbagh, Sheikhpura

²² Prepared by Junior Engineer, Executive Engineer and finally approved by Chief Engineer

The EEs of RDs, Sheikhpura and Madhepura, replied (June 2014) that matter would be reported to higher authorities. However, RD, Sheikhpura deducted the ST from bills of contractors and kept in Deposit Head²³ but later on released the amounts to contractor in August 2014. The EEs, RDs, Katihar and Bhabhua replied (February 2015 and May 2015) that payments were made as per agreement. The EE, New Capital Division, Patna replied (September 2014) that there was no role for the division in the matter. The EE, Patna City, Gulzarbagh replied (January 2015) that as the amount of ST had been included in the estimates, instruction would be obtained from the Government. The remaining RDs²⁴ deducted ST from the Running Bills of the contractors and kept in Deposit Head. The replies of RDs, Katihar and Bhabhua were not acceptable as the amount of ST was irregularly included in the estimates.

The matter has been reported to the Government (May 2015). Despite reminder (June 2015), the reply is still awaited.

SUGARCANE INDUSTRY DEPARTMENT

3.12 *Inadmissible re-imburement of central excise duty*

Non-adherence to the provisions of the resolution of Sugarcane Development Department led to inadmissible re-imburement of central excise duty amounting to ₹5.85 crore.

Under the New Industrial Policy of the State, the Sugarcane Development Department (SDD) formulated (September 2006) an “Incentive Package 2006” for Private/Co-operative Sector to encourage the technical up-gradation and capacity expansion of Sugar Mills and to attract capital investment for establishment of new Sugar Mills. The Resolution stipulated that the benefit of the incentive policy is available only to mills which would enhance capacity by 5000 Tons of Cane per Day (TCD) within three years from the date of approval of State Investment Promotion Board (SIPB). The resolution also stipulated that central excise duty should be reimbursed on the quantity of excess sugar produced due to capacity expansion of the sugar mill. Further, as per Rules of Executive Business, 1979, Bihar no department shall, without previous consultation with the Department of Finance (DoF), authorise any order which directly or resultantly affect the finances of the State.

A test check of records of Sugarcane Industries Department (SID) disclosed (April 2015) that the SIPB approved the proposal for capacity expansion to the Jaishree Sugar Mill²⁵, Majhauria, West Champaran on October 2006 and the commercial production of 5000 TCD was attained by the company after four years in December 2010. Hence as per provisions of the Resolution, the mill was not eligible for any incentive. However, the Principal Secretary (PS), SID *vide* guidelines issued in July 2011 clarified that since most of the industries are taking three to four years in capacity expansion, it is essential to identify the two years preceding the year of capacity expansion. The Principal Secretary also directed that average value of sugar production in the crushing season of approval of SIPB and its preceding season should be considered for

²³ It is a part of Minor Head “Suspense” under rule 37 of Bihar Public Works Account Code

²⁴ Begusarai, Darbhanga, Jamui and Muzaffarpur

²⁵ Erstwhile M/s MP Chini Industries Ltd., Majhauria

working out excess production due to capacity expansion for Sugar Industries. This guideline was in contravention to the Resolution issued in September 2006. Besides, approval was also not obtained from the DoF under the Rules of the Executive Business 1979. Thus, the guidelines issued by the Principal Secretary in contravention to the Resolution issued by the Government resulted in inadmissible re-imburement of central excise duty amounting to ₹5.85 crore (₹1.47 crore, ₹ 1.77 crore and ₹ 2.61 crore during 2011-12, 2012-13 and 2013-14 respectively).

On this being pointed out (June 2015), the department replied (August 2015) that the approval for project of capacity expansion from 3500 TCD to 5000 TCD was given by the SIPB in two phases. The first approval was given on 9 December 2006 and the second on 8 March 2010 (4300 TCD to 5000 TCD). Further, it was also stated that in case of any dispute, the decision of the Secretary SID would be final.

The reply was not acceptable as the SIPB had already given approval for capacity expansion from 3500 TCD to 5000 TCD on 9 October 2006. However, the mill took over four years to attain commercial production after capacity expansion in December 2010. Secondly, the benefit of incentive policy remained intact in the next package (March 2014) also.

Patna
The



(P.K. SINGH)

Accountant General (Audit), Bihar

Countersigned



New Delhi
The

(SHASHI KANT SHARMA)

Comptroller and Auditor General of India