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# **CHAPTER-3**

## **COMPLIANCE AUDIT**

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### Compliance Audit

Compliance Audit of Government Departments and their field formations 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 in the succeeding paragraphs under broad objective heads.

#### 3.1 Non-compliance with the Rules, Orders, etc.

For sound financial administration and financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but also helps in maintaining good financial discipline. Some of the audit findings on non-compliance with Rules, Orders, etc. are as under.

#### **RURAL DEVELOPMENT AND HEALTH, MEDICAL EDUCATION & FAMILY WELFARE DEPARTMENTS**

##### 3.1.1 Suspected misappropriation due to non-adjustment of advance

**Non-adherence to the codal provisions by Executive Engineer regarding grant of advances led to suspected misappropriation of ₹ 0.57 crore besides unfruitful expenditure of ₹ 0.93 crore on incomplete building.**

Rule 100 of the Jharkhand Public Works Account Code provides that when a disbursing officer makes a remittance to a subordinate officer for making petty payments on muster rolls or other vouchers, it should be treated as a temporary advance and should be accounted for in Form 2 (Schedule XLV-form no.113). The accounts of temporary advances are to be closed by the Executive Engineers (EEs), as soon as possible, after recovery or adjustment of advances. As per Government order<sup>1</sup> (December 1983), the accounts of temporary advances were to be rendered by the officials to the EE within one month from the date of drawal of such advances and subsequent advances should be granted only after assessing the progress of work done and adjustment of the previous advances.

Health, Medical Education and Family Welfare Department (DoHMFw), Government of Jharkhand administratively approved (AA) (December 2007) construction of 30-bed *Matri Shishu* Health Centre at Hazaribagh for ₹ 3.54 crore and released (between December 2007 and May 2012) ₹ 2.75 crore<sup>2</sup> to the Deputy Commissioner (DC) and EE, Rural Development Special Division (RDSD), Hazaribagh. Out of ₹ 1.25 crore, DC released ₹ 25 lakh to EE, RDSD, Hazaribagh for execution of the work.

Scrutiny of records (January 2015) of RDSD Hazaribagh revealed that the EE granted (between May 2008 and March 2009) advances of ₹ 1.50 crore in seven installments to two Assistant Engineers (AEs) for execution of the work. However, codal provision for granting second and subsequent advances only

<sup>1</sup> Letter dated 31 December 1983 of Technical Vigilance Cell, Cabinet (Vigilance) Department.

<sup>2</sup> ₹ 1.50 crore to EE-2007-08, ₹ 1.25 crore to DC-2011-13

after adjustment of previous advances and assessment of progress of work done was not followed.

We observed that the executing agency had executed work for ₹ 1.50 crore, which came to a halt (August 2009) upon instructions of the Finance Department that prohibited departmental execution of work. Measurement by a Joint Inspection Committee<sup>3</sup> (April 2012) found that the value of work executed was only ₹ 0.93 crore. This resulted in a difference of ₹ 0.57 crore for which neither any work was executed nor any resources in cash or material was available with the executing agency. However, based on request of the AE, Deputy Development Commissioner Hazaribagh constituted (August 2013) a team to re-investigate the matter, but its report was not submitted till November 2015. Such inaction for more than two years is fraught with the risk of cover-up of the initial findings of the Joint Inspection Committee and of misappropriation of resources.

Thus, violation of codal provisions in granting advances and delayed investigation led to unfruitful expenditure of ₹ 0.93 crore on incomplete building besides, suspected misappropriation of ₹ 0.57 crore.

On being pointed out, EE stated (January 2015) that recurrence of such incidence would be avoided in future and steps would be taken for recovery of advance. No action was initiated against EE/AEs even after lapse of more than six years and upon the lapse being detected by Audit, further action will be watched.

The matter was referred to Government (June 2015); their reply had not been received (November 2015) despite reminders<sup>4</sup>.

### **3.2 Audit against propriety/Expenditure without justification**

Authorisation of expenditure from public funds is to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit detected instances of impropriety and excess expenditure, some of which are given hereunder:

#### **AGRICULTURE, ANIMAL HUSBANDRY AND CO-OPERATIVE DEPARTMENT**

##### **3.2.1 Excess payment**

**Non-adherence to the condition of guidelines led to excess payment of share of insurance claims of ₹ 93.03 crore against 1.72 lakh hectares of unsown area.**

To cover comprehensive risk insurance for yield losses due to Non Preventable Risks<sup>5</sup>, Government of India (GoI) launched National Agriculture Insurance

<sup>3</sup> Additional Collector, Hazaribagh and EE, Building Division, Hazaribagh.

<sup>4</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/95 dated 5 August 2015, 206 dated 8 September 2015, 245 dated 12 October 2015 and 252 dated 6 November 2015.

<sup>5</sup> Natural fire and lightning, Storm, Hailstorm, Cyclone, Typhoon, Tempest, Hurricane, Tornado, Flood, Inundation, Landslide, Drought, Dry Spells, Pests/Disease etc.

Scheme (NAIS) in 1999-2000. NAIS is implemented by the Agriculture Insurance Company of India Limited (AIC). Under NAIS the claim payments fall on the GoI and State Government on 50:50 basis, beyond a pre-defined level. The Government may at their option also scrutinize/examine a claim falling within their risk liability. According to the guidelines of NAIS, the Department of Agriculture/Statistics/district administration was to set up a District Level Monitoring Committee (DLMC) which is responsible for providing a fortnightly report of agriculture status with details of sown area, weather situation, pest incidence stage of crop failure (if any) etc. to AIC. Further, insurance coverage is compulsory for all loanee farmers availing seasonal agriculture operation loans from Financial Institutions. But loans given for unsown areas will not be covered by the scheme, as indemnity claims will arise under the scheme only after the crop has been sown and in the event of crop failure. Mere disbursement of loan by the Financial Institutions will not entitle the farmer for compensation under the scheme.

We noticed that DLMC was not set up in the State. Further scrutiny (July 2015) of records of the Registrar, Co-operative Societies, Jharkhand, Ranchi and analysis of the data<sup>6</sup> furnished by the AIC revealed payments in excess of the share of the State (and Centre) for insurance claims were forwarded by the Nodal Banks and paid by AIC to farmers whose crops were declared affected by perils covered under the Scheme of Insurance. The basis of payments of Insurance claims for ₹ 189.82 crore<sup>7</sup> by AIC was the sown area of such crops as submitted in Declaration Forms of concerned Banks.

When data underlying the payments of claims was compared with data<sup>8</sup> collected by another directorate viz. the Economics and Statistics, Planning and Development Department (ESPDD) significant discrepancies were detected in the sown area for the same combination of crop and district<sup>9</sup> as per details below:

Source of data	Sown area in hectares		Total
	Agahani Paddy	Bhadai Maize	
AIC	371206.98	12126.41	3,83,333.39
ESPDD	201654.00	9305.00	2,10,959.00
Excess	169552.98	2821.41	1,72,374.39

The higher sown area accepted by the AIC and the Co-operative department led to excess payment of ₹ 93.03 crore (Agahani paddy: ₹ 92.14 crore and Bhadai Maize: ₹ 0.89 crore) in relation to 1,72,374.39 hectares that were not reported by the ESPDD (**Appendix-3.2.1**).

The Co-operative Department did not compare the sown area with the figures of ESPDD, which were lower. The share of GoJ was 50 *per cent* (₹ 41.48 crore) of net payment of ₹ 82.96 crore, excluding the premium

<sup>6</sup> 3,83,333.39 hectares (Agahani Paddy: 3,71,206.98 hectares for 2009-10, 2010-11 and 2012-13 in and Bhadai Maize: 12,126.41 hectares for 2009-10.

<sup>7</sup> ₹ 185.84 crore for Agahani Paddy in 2009-10, 2010-11 and 2012-13 and ₹ 3.98 crore for Bhadai Maize in 2009-10.

<sup>8</sup> 2,10,959 hectares (Agahani Paddy: 2,01,654 hectares for 2009-10, 2010-11 and 2012-13 and Bhadai Maize: 9,305 hectares for 2009-10).

<sup>9</sup> Agahani Paddy for 2009-10, 2010-11 and 2012-13 in nine districts Chatra, Deoghar, Dhanbad, Garhwa, Giridih, Hazaribag, Latehar, Lohardaga and Palamau and for Bhadai Maize for 2009-10 in three districts: Deoghar, Garhwa and Sahebganj.

amount of ₹ 10.07 crore. The department failed to make any enquiries regarding the payment made by the AIC against claims under the scheme.

Further, the Director, ESPDD could not furnish data for area sown during 2013-14 and 2014-15. In absence of details of sown area, excess payment of insurance claim for 2013-14 and 2014-15 could not be ascertained. The Director, ESPDD stated that the figure of sown area for 2013-14 and 2014-15 would be made available after submission of report to the GoI.

The Registrar, Co-operative Societies, Jharkhand accepted the audit observation and replied (July 2015) that the agriculture insurance claim was being paid on the basis of demand raised by the AIC and the report regarding sown area was not being made available by the ESPDD.

Thus, due to non-adherence of the checks prescribed in the guidelines, excess payment of share of insurance claims for ₹ 93.03 crore against 1,72,374.39 hectares, which were not determined as sown area, was made to the farmers.

The Department did not give (October 2015) specific reply.

## RURAL DEVELOPMENT DEPARTMENT

### 3.2.2 Wasteful expenditure

#### **Wasteful expenditure of ₹ 1.30 crore on incomplete bridge besides undue benefit of ₹ 18.22 lakh to the contractor**

Construction of an RCC Bridge over the Tubed River on GT moorum Road in Latehar Block was technically sanctioned (May 2007) for ₹ 2.06 crore by Chief Engineer (CE) Rural Engineering Organisation, Ranchi for execution by Executive Engineer (EE) Rural Works Division, Latehar. An agreement was executed by the EE with a contractor for ₹ 1.67 crore along with a supplementary agreement for ₹ 30.47 lakh for completion of the work by October 2008.

Scrutiny (March 2014) of records of Rural Works Division, Latehar revealed that the contractor had executed work valued at ₹ 1.30 crore<sup>10</sup> and then stopped (May 2009) the work. Despite protracted correspondence and notice in the newspaper, the contractor did not resume the work. Consequently, final measurement of the work was taken (June 2012) and the agreement was rescinded (December 2012). It was also recommended to black list the contractor and forfeit earnest money and security deposit<sup>11</sup> amounting to ₹ 16.54 lakh. But only ₹ 1.39 lakh was forfeited by the EE. In addition, excess payment of ₹ 3.07 lakh made to the contractor was not recovered. Meanwhile, the incomplete bridge developed cracks in three piers, which was not taken up for repair.

Thus, the work remained incomplete even after a lapse of six years rendering the expenditure of ₹ 1.30 crore wasteful. Non-recovery of excess payment of ₹ 3.07 lakh and non-forfeiture of earnest money and security deposit worth ₹ 15.15 lakh reveal an intent to favour the contractor.

<sup>10</sup> ₹ 1.33 crore (₹ 1,09,19,584+₹ 24,17,506) (Total Expenditure)-₹ 0.03 crore (Excess Payment)

<sup>11</sup> Earnest money-₹ 9,86,000 and Security Deposit-₹ 6,68,416

On being pointed out, EE stated (August 2015) that revised estimate has to be prepared taking into account the existing structure as per the direction of CE (May 2015). However, the reply evaded the specific point raised by audit.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>12</sup>.

## ROAD CONSTRUCTION DEPARTMENT

### 3.2.3 Unauthorised equipment advance

**Failure of Executive Engineers, Assistant Engineers and Junior Engineers to adhere to the provision of SBD in granting equipment advances to the contractors resulted in unauthorised payment of ₹ 4.14 crore to the contractors.**

According to clause 51.1 of the Standard Bidding Document<sup>13</sup> (SBD) contract, the employer shall make advance payment to the contractor of the amounts stated in the contract data. As per para 32 of the contract data, equipment advance is to be paid as 90 *per cent* for new and 50 *per cent* of depreciated value for old equipment purchased by a contractor subject to a maximum of five *per cent* of the Contract Price. Further, as per clause 51.2 of the conditions of contract, the contractor shall use the advance payment to pay for equipment and plant required specifically for execution of the works and shall demonstrate the same by supplying copies of invoices or other documents to the employer.

Ministry of Road Transport and Highway, Government of India and Road Construction Department, Government of Jharkhand gave administrative approval (March 2010 to March 2013) for widening and improvement in km 142 to 176 of National Highway (NH) 75(E) and reconstruction of Kesamore-Tangarbasli-Mandar Road (00 to 18.95 km) for ₹ 80.70 crore. An agreement for ₹ 46.94 crore was executed (December 2010) by Executive Engineer (EE), National Highway Division, Chaibasa with a contractor<sup>14</sup> for widening to two-lane and improvement in km 142 to 176 of NH 75(E) while EE, Road Division Ranchi<sup>15</sup> executed (June 2013) another agreement for ₹ 30.74 crore for re-construction of Kesamore-Tangarbasli-Mandar Road with another contractor<sup>16</sup>.

Scrutiny of records of the EEs, National Highway Division Chaibasa (August 2014) and Road Division Lohardaga bifurcated from Ranchi Division (May 2015), revealed that ₹ 3.85 crore was paid (December 2010 to September 2013) to two contractors<sup>17</sup> as equipment advance, out of which ₹ 2.99 crore<sup>18</sup>

<sup>12</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/133 dated 27 August 2015, 231 dated 28 September 2015 and 258 dated 6 November 2015.

<sup>13</sup> SBD is a bidding documents adopted by the Road Construction Department for projects costing more than ₹ 2.50 crore.

<sup>14</sup> M/s Ram Kripal Singh Construction Pvt. Ltd.

<sup>15</sup> Work was further transferred to Road Division Lohardaga.

<sup>16</sup> M/s SKS MC Joint Venture.

<sup>17</sup> M/s Ram Kripal Singh Construction Pvt. Ltd: ₹ 2.35 crore and M/s SKS MC Joint Venture: ₹ 1.50 crore.

<sup>18</sup> M/s Ram Kripal Singh Construction Pvt. Ltd: ₹ 2.35 crore and M/s SKS MC Joint Venture: ₹ 0.64 crore.

was paid against tools and plants already in their possession before dates of agreements.

Further, the EE NH Division, Chaibasa (August 2015) also paid ₹ 1.15 crore as equipment advance to another contractor against the invoices already utilized against previous advances received for executing three works<sup>19</sup>. These advances constitute fraudulent payments as the invoices were inadmissible once used. Further, these invoices could have been easily verified as information in office files were available to serve as a check against such abuse (**Appendix-3.2.2**).

Thus, non-adherence to the provision of SBD for granting advances to the contractors resulted in undue favour of ₹ 2.99 crore and fraudulent payment of ₹ 1.15 crore to contractors.

On being pointed out, the EE, NH Division Chaibasa stated that matter was noted for future guidance whereas the EE, Road Division Lohardaga replied that payment of equipment advance was made by EE, Road Division Ranchi and correspondence would be done with him.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>20</sup>.

### **HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT**

#### **3.2.4 Irregular payment**

**Rajendra Institute of Medical Sciences (RIMS) paid ₹ 8.21 crore from its internal receipts without adhering to the provisions of RIMS Act, 2002.**

According to Section 14 (V) of Rajendra Institute of Medical Sciences (RIMS) Act, 2002, service conditions of RIMS's staff would be similar to that of civil servants of State Government until separate set of Service Rules for RIMS's are approved by it. The State Government decided (October 2004) to pay Non Practicing Allowance (NPA) to Junior/Senior Residents of RIMS (from 1<sup>st</sup> May 2004) as per All India Institute of Medical Science Residency Scheme norms. It was also decided to provide Grants-in-Aid to RIMS for bearing the financial burden as a result of payment of NPA. Sections 6 (XV) and 12 (VIII) of Act *ibid* permit the Governing Body (GB) of RIMS to utilize internal receipts of RIMS only towards maintenance and development of the Institute.

The Principal Secretary, Health, Medical Education and Family Welfare Department prohibited payment of NPA by RIMS for the years 2012-13 and 2013-14 as stated in budget allotment letters of May 2012, March 2013 and September 2013 respectively. However, without authority RIMS paid ₹ 8.21 crore as NPA to its Junior/Senior Residents from its internal receipts from

<sup>19</sup> P/R work from KM 177.00 to 202.00 of NH 75(E) agreement No.- SBD-2/2013-14 dated 05 March 2014, widening and strengthening work of KM 129.00 to 142.00 of NH 75(E), agreement No.- SBD-3/2013-14 dated 05 March 2014 and construction of bridge work in KM 75/5, 82/1, 82/2, 84/5, 86/3, 88/4, 89/6 & 95/2 of NH 75(E) agreement No.- SBD-4/2013-14 dated 05 March 2014

<sup>20</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/124 dated 21 August 2015, 223 dated 22 September 2015 and 259 dated 6 November 2015.

April 2012 to March 2014 by the order of the Director, RIMS. But approval of the State Government was not obtained for making payment.

At the instance of audit, the State Government, accepting the fact that the payment of NPA from internal receipts was irregular, ordered (October 2014) for constitution of a three<sup>21</sup> member committee to give a report either for recovery or regularization of NPA paid from April 2012 to March 2014. But no such committee was formed as of July 2015.

Thus, RIMS paid NPA of ₹ 8.21 crore by diverting the fund of its internal receipts in violation of RIMS Act, 2002.

On this being pointed out (May 2014) in audit, the Director, RIMS stated (December 2014) that Doctors of the institution were continuously agitating and doing *dharna* to pressurise for making payment of NPA and also threatened several times to go on strike. In order to avoid the unwanted situation, the payment of NPA was made.

Reply was not tenable as the payment of NPA from its internal receipts by the Director was in violation of the provisions of RIMS Act, 2002 and the Director has made a financial decision that exceeds his powers.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>22</sup>.

## WELFARE DEPARTMENT

### 3.2.5 Irregular expenditure

**Expenditure of ₹ 3.10 crore was irregularly incurred on purchase of books without having targeted number of SC/ST beneficiaries under Book Bank Scheme.**

Centrally sponsored Book Bank scheme was introduced with the main objective to establish Book Bank in various fields like Medical, Engineering, Agriculture, Veterinary, Law, Chartered Accountancy etc. for those SC/ST<sup>23</sup> students who cannot afford expensive education but for adequate state support. Purchase of books for 'Book Bank' was restricted to the prescribed text books for the entire course and limited to ₹ 7,500 for issuing one set of books for two students of UG<sup>24</sup> courses and for one student of PG<sup>25</sup> courses in the medical stream.

Scrutiny of the records of the DWO<sup>26</sup>, Jamshedpur revealed (March 2015) that during 2010-15 an allotment of ₹ 3.27 crore<sup>27</sup> was provided for purchase of books for SC/ST students of MGM<sup>28</sup> Medical College, Jamshedpur from which 13,538 books were procured.

<sup>21</sup> Development commissioner, Finance Secretary and Health Secretary

<sup>22</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/122 dated 21 August 2015, 225 dated 22 September 2015 and 260 dated 6 November 2015.

<sup>23</sup> Scheduled Caste/Scheduled Tribe

<sup>24</sup> Under Graduate

<sup>25</sup> Post Graduate

<sup>26</sup> District Welfare Office

<sup>27</sup> 2010-11- ₹ 25.00 lakh 2011-12- ₹ 79.00 lakh , 2012-13- ₹ 100.00 lakh , 2013-14- ₹ 48.00 lakh and 2014-15- ₹ 75.00 lakh

<sup>28</sup> Mahatma Gandhi Memorial

We noticed in audit that, there were only 416 SC/ST students for UG course and 19 SC/ST students for PG courses during 2010-15 as detailed in **Appendix-3.2.3**.

For these students, 228 sets of books (209 sets for UG students and 19 sets for PG students) were sufficient at a maximum cost ₹ 17, 02,500 (₹ 7500 x 228) out of the available allotment of ₹ 3.27 crore. But DWO spent entire amount of ₹ 3.27 crore, of which ₹ 3.10 crore was spent in violation of the prescribed norms.

Thus, DWO, Jamshedpur spent ₹ 3.10 crore irregularly on purchase of books without having the identified number of SC/ST beneficiaries under the scheme.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>29</sup>.

### **3.3 Failure of oversight/administrative control**

The Government has an obligation to improve the quality of life of the people for which it works, towards fulfillment of certain goals in the areas of health, education, development and upgradation of infrastructure, public service etc. However, Audit noticed instances where the funds released by the Government for creating public assets for the benefit of the community remained unutilised/ blocked and/or proved unfruitful/ unproductive due to indecisiveness, lack of administrative oversight and suspect actions at various levels. A few such cases have been discussed below:

#### **ROAD CONSTRUCTION DEPARTMENT**

##### **3.3.1 Unfruitful expenditure on bridge**

##### **Commencement of work without ensuring availability of land for approach road led to unfruitful expenditure of ₹ 1.90 crore on a bridge that remains idle.**

According to Rule 132 of the JPWD code, except in a case of emergent work viz. repair of breaches etc. no work should be started on land which has not been duly made over by a responsible civil officer. Further, as per paragraph 4.5 and 7.5 of memo no. 948 dated 16 July 1986 of Cabinet Secretariat and Co-ordination Department (Confidential Cell) incorporated in BPWD Code, the process of tender should be initiated only when technical sanction has been accorded, allotment of fund ensured and land has been acquired, if required for the work.

For the construction of High Level Bridge over Kharso River with approach roads in 41<sup>st</sup> km of Rehala-Garhwa-Ranka-Godharmana Road in Garhwa district, Road Construction Department (RCD), Government of Jharkhand accorded (October 2012) administrative approval (AA) and Chief Engineer, Central Design Organisation (CDO) RCD granted (November 2012) technical sanction for ₹ 2.35 crore. Executive Engineer (EE), Road Division, Garhwa executed (March 2013) an agreement with a contractor for ₹ 2.36 crore to complete the work by March 2014.

<sup>29</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/139 dated 27 August 2015, 229 dated 28 September 2015 and 261 dated 6 November 2015.

Scrutiny of divisional records of Road Division, Garhwa revealed (May 2015) that prior to executing the agreement, the EE requested (December 2012) for change in alignment of the bridge on the ground that the proposed diversion might be washed out in rainy season and communication would be disrupted. The EE further communicated that there was no need of land acquisition or forest clearance. The bridge work was completed (September 2014).

Scrutiny further revealed that the Divisional Forest Officer (DFO), South Forest Division, Garhwa objected (March 2014) to the construction of approach road as it passed through forest land which was not transferred to RCD. After objection by the DFO, the EE submitted (June and August 2014) the proposal for transfer of 47.50 decimal of forest land and for issuing forest clearance for construction of the approach road. Transfer of required forest land and forest clearance were awaited as of May 2015. Meanwhile, the work of approach road was stopped (September 2014) rendering the completed bridge not usable & idle. Thus, commencement of work without ensuring availability of unencumbered land for approach road resulted in unfruitful expenditure of ₹ 1.90 crore. Besides, the purpose of construction of a new bridge could not be achieved.

On being pointed out, EE stated (May 2015) that alignment of the approach road was changed as per site condition and in the new alignment Forest Department raised an objection for execution of work.

The reply confirms failure of EE to ensure acquisition of land and clear title before commencement of execution of work.

The matter was referred to Government (June 2015); their reply had not been received (November 2015) despite reminders<sup>30</sup>.

## HOME DEPARTMENT

### 3.3.2 Jammers in Jails failed to block cell phones

**Failure of the Department to adequately contract for installation of cell phone jammers and to upgrade it with 3G technology led to non-achievement of specified purpose of blocking communication of prisoners despite expenditure of ₹ 7.55 crore.**

According to rule 30 of Bihar Financial Rule as adopted in the Jharkhand, terms of contract must be precise, definite, without ambiguities and standard form of contract should be adopted. Government of Jharkhand decided (November 2008) to install latest cell phone jammers<sup>31</sup> in all Jails to block mobile communication of prisoners. The Home Department accorded (February and July 2009) administrative approval (AA) for ₹ 12.17 crore for installation of 43 jammers in 18 Jails<sup>32</sup> on the basis of survey report submitted (August 2008) by M/s Electronic Corporation of Indian Limited (ECIL), Hyderabad. The Inspector General (IG) Prisons issued (February 2009) purchase order to ECIL, Hyderabad and executed (March 2010) an agreement

<sup>30</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/80 dated 21 July 2015, 116 dated 21 August 2015 and 217 dated 22 September 2015.

<sup>31</sup> This equipment was useful for interrupting communications by blocking cell phones signals sending out radio waves along the same frequencies that mobile communication use.

<sup>32</sup> Five Central Jails, 11 District Jails and two Sub-Jails

for ₹ 12.67 crore for installation of 43 jammers and construction of 36 watch towers in 18 jails. The agency assured completion of work by October 2010. The agency installed (July 2009 to June 2011) 43 jammers in 17 jails and received (between March 2010 and July 2011) payment<sup>33</sup> of ₹ 7.55 crore against the bill of ₹ 11.72 crore.

Scrutiny (March 2015) of records of IG Prisons revealed that the installed jammers were not functioning (September 2012) properly in any of the jails as these were unable to block signals of all mobile service providers. Inadequate functioning of jammers was also reported by an inspection team<sup>34</sup> between February and August 2011. IG Prisons also inspected (September 2012) functioning of jammers in five jails<sup>35</sup> and found that signals of none of the cell phones were being jammed. Principal Secretary, Home Department also observed (December 2012) non-functioning of jammers during inspection of jails. In response, ECIL, Hyderabad stated that due to increase in number of mobile service provider companies<sup>36</sup> and introduction of 3G technology the installed systems were unable to block all mobile signals. Besides, irregular power supply, abrupt switch on and off, insufficient back up of UPS etc. affected the functioning of jammers.

The upgradation of installed systems with 3G technology for Jharkhand had been sanctioned (February 2010) by Government of India and ECIL, Hyderabad also submitted (January 2011) a proposal for ₹ 4.30 crore for up gradation of jammers to 3G technology. This proposal was submitted (February 2011) by IG Prison to the Home Department for approval which was not sanctioned as of March 2015. Actions towards strengthening of infrastructure like uninterrupted power supply/sufficient UPS back up and deputation of trained manpower was not observed in audit.

Thus, faulty agreement and failure to select appropriate technology led to non-functioning of the jammers besides non-achievement of its purpose of blocking communication of prisoners, despite expenditure of ₹ 7.55 crore. Up gradation of the jammers was also stalled for reasons not provided to audit.

The Department accepted the fact that 3G up gradation was required for proper and effective cell phone jamming and it had been decided (June 2015) to upgrade the cell phone jammers to 3G. It further stated that condition of penalty clause would be observed in future. Reply was not tenable as jammers could not even block all 2G signals as evident from inspection report.

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<sup>33</sup> Payment against 17 jammers was pending due to appearance of defects in installed jammers.

<sup>34</sup> Representatives of ECIL, NIC and Superintendent of concern jail.

<sup>35</sup> Garhwa, Hazaribag, Latehar, Palamu and Ranchi.

<sup>36</sup> ECIL Hyderabad reported that at the time of installation only BSNL, Reliance, Airtel and Idea were providing 2G services but now other service providers also provide this service.

## RURAL DEVELOPMENT AND HEALTH, MEDICAL EDUCATION & FAMILY WELFARE DEPARTMENTS

### 3.3.3 Unfruitful expenditure

**Tardy execution of construction of Bundu Sub Divisional Hospital Building resulted in unfruitful expenditure of ₹ 2.87 crore on incomplete work besides cost escalation of ₹ 2.78 crore.**

According to Rule 121 of Bihar Public Works Department Code, for every work (excluding repairs and petty works) initiated or connected with the requirements of another department, it is necessary to obtain the concurrence of the department concerned to the proposals before technical sanction to the work is accorded in the Public Works Department (PWD). The formal acceptance by the department concerned is termed as 'administrative approval' of the work, and is, in effect, an order to the PWD to execute certain specified works at a stated sum to meet the administrative needs of the department requiring the work. Rule 123 read with Rule 124 of the Code *ibid* state that the procedure of administrative approval is also applicable to modification of the proposals when such modification exceeds the amount administratively approved by more than 10 per cent or 5 per cent over the approved outlay.

Scrutiny of records (July 2014) of Rural Development Special Division (RDSD) National Rural Employment Program-II (NREP-II), Ranchi, revealed that the Department of Health, Medical Education and Family Welfare (DoHFW) accorded (January 2007) Administrative Approval (AA) for construction of Bundu Sub Divisional Hospital (BSDH) for ₹ 2.81 crore which was technically approved (March 2007) by Chief Engineer (CE), Minor Irrigation, Ranchi. Executive Engineer (EE), RDSD (NREP-II), Ranchi was nominated (January 2007) by Secretary, DoHFW as executing agency to construct BSDH building. As per order (March 2007) of the Deputy Commissioner (DC) Ranchi, the work was to be executed departmentally by RDSD and commenced in October 2007. DoHFW released ₹ 2.75 crore<sup>37</sup> from March 2007 to September 2010 to DC, Ranchi who further released it to EE between March 2007 and February 2012. EE advanced ₹ 2.70 crore<sup>38</sup> to the Assistant Engineer (AE) against which work valued ₹ 2.87 crore was shown executed (February 2012) as per entries in the Measurement Book. However, vouchers worth ₹ 1.51 crore were adjusted during March 2008 to December 2012 and for ₹ 1.25 crore vouchers were being adjusted as of August 2015. The balance ₹ 5.25 lakh was lying with RDSD.

Subsequently, RDSD stopped the work from February 2012 due to a ban (October 2010) on departmental works above ₹ 25,000 by the Finance Department, Government of Jharkhand. Therefore residual works viz. external plaster, installation of windows, doors, finishing works etc. were yet to be completed as of August 2015. We further observed that EE, RDSD prepared a revised estimate of works on account of changes in Schedule of Rate (2012) for ₹ 5.27 crore against which Technical Sanction was accorded (June 2013)

<sup>37</sup> ₹ 1.50 crore-March-2007, ₹ 50.00 lakh- June 2008, ₹ 75.00 lakh- September 2010.

<sup>38</sup> ₹ 75.00 lakh 2006-07, ₹ 15.00 lakh 2007-08, ₹ 54.75 lakh 2008-09, ₹ 50.00 lakh 2009-10, ₹ 68.24 lakh 2011-12, ₹ 6.76 lakh 2012-13.

by CE, Rural Development Special Zone, Ranchi for ₹ 5.24 crore. Subsequently, the estimate was again revised (April 2015) to ₹ 5.59 crore for which the Department was requested (April 2015) to grant AA. Revisions involved an additional ₹ 2.78<sup>39</sup> crore (overall cost increase of 99 per cent) over the original estimate for the work. The AA was not accorded as of June 2015 by the Department.

Thus, due to failure of the EE RDS, Ranchi to complete the work departmentally as per the stipulated time, the work approved at a value of ₹ 2.81 crore in March 2007 remained incomplete for more than seven years rendering the expenditure of ₹ 2.87 crore unfruitful. This failed to augment health services in the sub-division of Bundu.

The delay has caused the cost of work to increase 99 per cent and stands revised at ₹ 5.59 crore which is also yet to be approved.

EE stated (August 2015) that Principal Secretary, DoHFW, Jharkhand, Ranchi has been requested for revised AA and allotment of fund.

The matter was referred to Government (June 2015); their reply had not been received (November 2015) despite reminders<sup>40</sup>.

## RURAL WORKS DEPARTMENT

### 3.3.4 Unfruitful expenditure on incomplete road

**Failure of the Department to take timely action resulted in non-completion of roads which led to unfruitful expenditure of ₹ 1.57 crore on incomplete roads for three to five years.**

According to para 13.1 (iv) of guidelines of *Pradhan Mantri Gram Sadak Yojana* (PMGSY), time period provided in the Notice Inviting Tender and the work programme was to be strictly enforced and action must be taken against the contractor in case of delay, as per contract provision. Provision of Standard Bidding Document also provided termination of the contract if the contractor causes a fundamental breach of contract by stopping the work for more than 28 days without authorization of the engineer. Further, as per paragraph 4.8.2 of the standard specification and Code of practice for Water Bound Macadam (WBM) of the Indian Road Congress (IRC), the base course is to be provided with bituminous surfacing. The latter shall be laid only after the WBM course is completely dry and before allowing any traffic on it.

The Chief Engineer (CE), Jharkhand State Rural Road Development Authority (JSRRDA) sanctioned (November 2008) estimates of ₹ 2.60 crore for construction and maintenance for five years of two roads under PMGSY viz. road from Sansang to Sos (3.70 km in Chandwa block Latehar) and road from Olhepat to Masiyutu (3.30 km in Balumath block in Latehar). Executive Engineer (EE), Rural Works Division (RWD), Latehar executed (April 2009) an agreement for ₹ 2.42 crore with a contractor for completion of the work by April 2010.

<sup>39</sup> ₹ 5.59 crore - ₹ 2.81 crore

<sup>40</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/95 dated 5 August 2015, 206 dated 8 September 2015, 245 dated 12 October 2015 and 252 dated 6 November 2015.

Scrutiny (January 2015) of records of RWD, Latehar revealed that provision of granular sub base course, WBM in two layers, primer coat, premix carpet and seal coat were made in the agreement for construction of roads. We further noticed that the contractor had executed work only up to WBM level (March 2010: Sansang to Sos road and June 2012: Olhepat to Masiyatu road) and received (August 2012) payment of ₹ 1.57 crore.

Thereafter, the contractor stopped execution of work contrary to instructions of EE (December 2013). In March 2014, the Superintending Engineer ordered to rescind the agreement, in response to which EE initiated action for rescinding of agreement and recommended for blacklisting the contractor. But, neither the agreement was rescinded nor any action was taken by the EE for completion of bituminous works (July 2015).

As such, both roads remained incomplete as of July 2015 and envisaged objective of PMGSY of providing all weather smooth roads could not be achieved. Further, as per Joint physical verification report (July 2015) WBM surface of both the roads were damaged<sup>41</sup> significantly due to lapse of time and non-execution of bituminous work.

Thus, failure of EE to take action as warranted in the contract for completion of two roads led to non-execution of bituminous surface over WBM surface for three to five years. This resulted in unfruitful expenditure of ₹ 1.57 crore on incomplete roads in addition to excessive wear and tear by vehicles that are forced to use the road.

On being pointed out in audit, the EE stated (January 2015) that the contractor was requested several times to complete the work. However, the contractor did not adhere to the instructions. The EE further stated (June 2015) that action was being taken to rescind the agreement.

Reply was not acceptable as action was not taken against the contractor as per the clause of the contract and objective of providing all weather black top roads to rural people could not be achieved.

The matter was referred to Government (June 2015); their reply had not been received (November 2015) despite reminders<sup>42</sup>.

### **HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT**

#### **3.3.5 Non-fulfilment of objective**

**Non-synchronisation of various activities as per DCI norms, resulted in expenditure of ₹ 9.54 crore on construction of Dental College & Hospital Building remaining idle.**

Section 6 (VI) of Rajendra Institute of Medical Science (RIMS) Act, 2002, mandates the establishment for a Dental College and Hospital with essential facilities to teach and provide practical training to medical students. Further, as per the norms of Dental Council of India (DCI), a Dental College may be

<sup>41</sup> (i) Sansang to Sos in Chandwa Block- Gr III (60 per cent) Gr II (50 per cent) and (ii) Olhepat to Masiyatu in Balumath Block Gr III (50 per cent) Gr II (40 per cent).

<sup>42</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/78 dated 21 July 2015, 118 dated 21 August 2015, 219 dated 22 September 2015 and 254 dated 6 November 2015.

established after obtaining prior permission of Central Government, DCI and affiliation from the concerned university.

Secretary, Health, Medical Education and Family Welfare Department accorded (January 2006) administrative approval for ₹ 8.00 crore for construction of Dental College and Hospital building and Executing Engineer, NREP-II, Ranchi as executing agency completed<sup>43</sup> (October 2013) the building at a cost of ₹ 9.54 crore.

Scrutiny of records (July 2014) revealed that RIMS approached (December 2012) State Government for sanction of funds for procurement of machines/equipment and for posts of Medical and Para-Medical staff. Audit noticed that posts of Medical and Para-medical staff were finally sanctioned in May 2015 by the State Government and funds for procurement of machines/equipment were yet to be sanctioned as of June 2015.

The Director, RIMS also requested (November-December 2013) Central Government to grant permission for establishing a new dental college in the name of Dental Institute, RIMS, Ranchi from the academic session 2014-15. Accordingly, the DCI, New Delhi carried out (May 2014) inspection of Dental College, RIMS to assess feasibility to start the Dental College but found several deficiencies with regard to posts and equipment. Hence, approval was not granted by the DCI.

The matter was referred to the State Government in July 2015 and in reply the Government stated (September 2015) that posts for Dental College had been sanctioned in May 2015 and the Dental College building has been completed in July 2015. However, its handing over was under process. It was further stated that recruitment against sanctioned posts and procurement of machine and equipment was under process, hence expenditure was not unfruitful.

Reply of the State Government was contradictory to the completion report given by EE in October 2013 which indicates poor synchronization of critical activities viz. construction of college building, procurement of equipment, recruitment of staff and then seeking approval of DCI. The Dental College and Hospital had not started as of September 2015 even after nine years from the approval by the State Government and two years from its physical completion.

As a result the building completed at a cost of ₹ 9.54 crore remains idle and the state was deprived of the dental professionals while public at large did not get benefit of treatment from a government hospital.

### **3.4 Persistent and pervasive irregularities**

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it prevails in the entire system. Recurrence of irregularities, despite their being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive, but is also an indication of the lack of effective monitoring. This, in turn, encourages wilful deviations from the observance of rules/regulation and results in weakening of the administrative structure. A few such cases have been discussed below:

<sup>43</sup> Delay in completion of Dental College and Hospital building has already been mentioned in paragraph 1.2.8.5 of Audit Report (Civil and Commercial) 2009-10.

## RURAL WORKS DEPARTMENT

### 3.4.1 Unfruitful expenditure

**Commencement of work without ensuring environmental clearance led to stoppage of work rendering expenditure of ₹ 2.78 crore as unfruitful.**

According to the Chief-Conservator of Forest-cum-Executive Director, Barren Land Development Board's letter<sup>44</sup>, permission for environmental clearance of bituminous works falling within National Park/Wild Life Sanctuary must be obtained from the National Board of Wildlife (NBWL) and the empowered committee of Hon'ble Supreme Court.

Chief Engineer (CE), Rural Engineering Organisation (REO)-cum-Jharkhand State Rural Road Development Authority (JSRRDA), gave technical sanction (December 2007) for construction and maintenance of road<sup>45</sup> for ₹ 4.18 crore under PMGSY and awarded (September 2008) the contract to a contractor for ₹ 4.16 crore. Executive Engineer (EE), Rural Works Division (RWD), Chatra executed (September 2008) an agreement with the contractor to complete the work by September 2009.

Scrutiny (March 2014) of records of RWD, Chatra revealed that while preparing (May 2007) Detailed Project Report for the work, the nature of land was categorised as 'agriculture or barren land' and accordingly EE, RWD published (March 2008) the Notice Inviting Tender<sup>46</sup> (NIT) and issued (September 2008) the work order.

However, Divisional Forest Officer (DFO), Wild Life Division, Hazaribagh objected (November 2008) to the publication of NIT and to construction of proposed road as it fell within Wild Life Sanctuary area. He further requested EE to obtain environmental clearance by submitting necessary information in prescribed form without which execution of bituminous works would be in violation of the Forest Conservation Act, 1980.

We further noticed that EE did not act upon DFO's letter and completed the road up to Water Bound Macadam (WBM) Grade III (April 2010) without prior environmental clearance. However, he requested (April 2010) DFO for allowing execution of bituminous works over WBM surface on the ground that no environmental clearance was required for a road constructed prior to 25 October 1980. But DFO objected (May 2010) to the construction work, as it was within the stretch of 10 km from the boundaries of forest land. The division did not stop the work, despite being repeatedly requested by the Forest Department, and completed (March 2011) work valued ₹ 2.78 crore.

Meanwhile, the Superintendent Engineer (SE) directed (July 2010 and October 2010) EE to submit a report on clearance/No Objection Certificate from Forest Department and also to submit (December 2010) a proposal of *moorum* topping to cover the metaled surfaces. Further, EE informed (July 2012) CE, JSRRDA that 40 to 45 *per cent* of constructed road of WBM Grade III had been damaged due to rain, erosion or by other means. Accordingly, division

<sup>44</sup> Letter no. 968 dated 07 November 2006.

<sup>45</sup> Madhania to Sehda under package no. JH 0201 of PMGSY, Phase V (Length-13.70 kms)

<sup>46</sup> Published vide NIT No. 06/2007-08 dated 29 March 2008.

submitted estimates of *moorum* topping and profile correction for ₹ 35.59 lakh which was approved (July 2013) by CE and EE issued (July 2013) a work order to the same contractor.

DFO again intimated (July 2013) EE not to execute any work as approval of proposal had not been received from NBWL, otherwise legal action would be initiated. There after the work was suspended (July 2013) by the EE.

Thus, execution of work by EE in violation of the codal provisions, absence of environmental clearance for bituminous works in forest areas, non-adherence to conditions of NBWL and the Hon'ble Supreme Court's rulings as well as repeated warnings and protests from the DFO, resulted in expenditure of ₹ 2.78 crore becoming unfruitful. Intended objectives of PMGSY were also not achieved.

On being pointed out, EE stated (March 2014) that the matter would be referred to the higher authority for necessary action.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>47</sup>.

### HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

#### 3.4.2 Idle expenditure

**Failure of Department to synchronise different activities viz. construction of hospital building, obtaining sanction of required posts and supply of equipment and medicines resulted in idle expenditure of ₹ 3.54 crore on Mother and Child Welfare Hospital.**

To strengthen the medical infrastructure in urban areas of Jharkhand in the light of recommendation of Twelfth Finance Commission, Secretary, Health, Medical Education and Family Welfare Department (Department), Jharkhand gave administrative approval (November 2008) to a proposal of ₹ 3.54 crore for converting Mother and Child Welfare Centre into 30-bed Mother and Child Welfare Hospital at Petarwar, Bokaro.

Scrutiny of records (February 2014) of Primary Health Centre Petarwar revealed that Mother and Child Welfare Hospital including staff quarters was completed and handed over (June 2013) to Medical Officer in-charge, Primary Health Centre, Petarwar, Bokaro after incurring expenditure of ₹ 3.54 crore. We further observed that the Department after a delay of two years submitted (June 2015) a proposal to *Prashasi Padvarg Samiti* with a copy to Finance Department for sanction of post of 53 staff<sup>48</sup> as per standard norm of Government of India to provide quality delivery and pre-delivery care services to pregnant women for this centre. However, posts were not sanctioned as of June 2015. Further, equipment and medicines were also not supplied to the hospital. As such, quality delivery and pre-delivery care services could not be started through this centre despite lapse of two years from completion of hospital complex.

<sup>47</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/120 dated 21 August 2015, 221 dated 22 September 2015 and 256 dated 6 November 2015.

<sup>48</sup> Medical and Para medical staff, guard and sweeper.

Thus, failure of the Department to synchronise different activities resulted in idle expenditure of ₹ 3.54 crore on construction of Mother and Child Welfare Hospital and staff quarters, Petarwar, Bokaro and the intended objective of converting the Child and Mother Care Centre to a 30 bed hospital was also defeated.

On being pointed out, Civil Surgeon-cum-Chief Medical Officer Bokaro accepted (June 2015) the fact that Mother and Child Welfare Hospital Petarwar, Bokaro had been non-functional in absence of staff, equipment and medicines.

The matter was referred to Government (July 2015); their reply had not been received (November 2015) despite reminders<sup>49</sup>.

**Ranchi**  
**The 05 February 2016**



**(S. RAMANN)**  
**Accountant General (Audit) Jharkhand**

**Countersigned**

**New Delhi**  
**The 09 February 2016**



**(SHASHI KANT SHARMA)**  
**Comptroller and Auditor General of India**

<sup>49</sup> Reminders: Letter Nos. Report (Civil)/AR/2014-15/122 dated 21 August 2015, 225 dated 22 September 2015 and 260 dated 6 November 2015.