CHAPTER–II

Compliance Audit– PRIs

RURAL DEVELOPMENT DEPARTMENT (PANCHAYATI RAJ)

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. 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 failures to comply with rules, orders etc. are discussed in succeeding paragraphs.

2.1 Audit on Construction Activities by the Panchayati Raj Institutions in the State of Jharkhand

2.1.1 Introduction

The State Government enacted Jharkhand *Panchayat Raj* Act (JPR Act), 2001 and transferred functions, functionaries and funds (3Fs) to the *Panchayati Raj* Institutions (PRIs) which comprises of *Zila Parishad* (ZP), *Panchayat Samiti* (PS) and *Gram Panchayat* (GP).

PRIs are implementing agencies of the Centrally Sponsored Schemes that comprise Backward Region Grant Fund (BRGF), Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Grants received under Thirteenth Finance Commission (13FC) and State Plans. Under these schemes, construction of buildings, roads, culverts, drains, ponds, wells, *chapakal*, *chabootara* etc. are done by the PRIs. ZPs also execute deposit works for other Departments.

PRIs are under the administrative control of Rural Development Department (RDD) (*Panchayati Raj*) (PR), headed by Secretary. The Deputy Development Commissioner (DDC) of the district is the Chief Executive Officer (CEO) of the ZP, Block Development Officer (BDO) is the Executive Officer (EO) of the PS and *Panchayat* Secretary is the executive head of the GP. They discharge their duties and functions entrusted under JPR Act, 2001 and rules made thereunder.

The audit of construction activities by PRIs covering the period 2011-16 was conducted between May 2016 and August 2016 through test check of records of six out of 24 ZPs selected by Probability Proportional to Size without Replacement sampling method. Besides 22 out of 263 PSs in the sampled ZPs and 104 out of 4402 GPs under the sampled PSs were selected using Simple Random Sampling without Replacement method **(Appendix-2.1.1)**. Works taken up prior to 2011-12 but continuing during the period 2011-16 were also scrutinised and commented, wherever necessary.

An entry conference was held on 28 April 2016 with Secretary, RDD (PR) to discuss the audit objectives, scope and methodology of the audit. An exit conference was held on 28 February 2017 with the Joint Secretary to the

Government, RDD (PR) to discuss the audit findings. Replies of the Government have been suitably incorporated in the Report.

Audit Findings

2.1.2 Planning

Panchayats are responsible for the preparation and implementation of plans for economic development and social justice including those in relation to the 29 matters listed in the Eleventh Schedule. The plans included construction works of roads, culverts, buildings etc. The plans prepared by the *Panchayats* are to be consolidated by District Planning Committee (DPC) at the district level. Further, a development plan for each district is also to be prepared. Following deficiencies were noticed in planning:

2.1.2.1 Preparation of Plans for construction works

As per Section 75, 76 and 77 of JPR Act, 2001, PRIs are required to prepare annual plans for development of the *Panchayat* area and to prepare sector specific plans. For preparation of annual plan, DPC has to identify local needs and objectives within the perspective of national and state goal, prepare a district stock-taking report assessing available resources and infrastructure, prepare a 15 years vision document and five years perspective plans. These exercises are to be done at each tier of PRIs by consolidating lower level plans (and adding their own plans) through active participation of *Gram Sabha*. Annual plan is to be prepared on the basis of perspective plan and available budget. Based on the approved plans which should include the list of works to be executed, the PRIs are required to take up the construction works.

Audit noticed that 15 years vision document, five years perspective plans and Annual Plan were not prepared by any of the test-checked PRIs though ₹ 35.40 lakh[1] were paid (August 2011) by the department to Technical Support Institutions (TSIs) and ZPs for assistance in preparation of perspective plans. Reasons for failure to prepare Annual Plan were:

- State has not prescribed specific guidelines including timeframe for various steps of planning by each tier of PRIs.
- Sub-Committees and technical groups of DPCs were not formed in any test checked ZPs.
- Development Committees in *Gram Sabhas* and Planning and Development Committees in PSs and ZPs were either not constituted or were not functional, where formed.

In the absence of Annual Plan and perspective plans, the construction works were selected on the basis of recommendations of District Authorities/MLAs/Members of Board which deprived participation of stake holders such as beneficiaries, end users etc. Thus, selection of the works were not adequately planned and 243 works valued ₹ 16.45 crore could not be commenced due to absence of land after administrative approval, 66 works worth ₹ 45.33 lakh were cancelled after sanction, 14 works were stopped due to land dispute etc. which are discussed in succeeding paragraphs of the Report.

[1] At the rate of ₹ 2.5 lakh to each TSIs and ₹ 3.40 lakh released to each ZPs which were still lying in their account.

In the exit conference (28 February 2017), Joint Secretary, RDD (PR) accepted the fact and replied that *Gram Panchayat* Development Plan was prepared under *Yojna Banao Abhiyan* in PRIs in November 2016 keeping in view the need of long term planning. Presently, preparation of vision documents for 15 years and three years are being made. However, the department did not give any reasons for not preparing the annual plans and perspective plans as required which resulted in injudicious selection of works requiring cancellation, stoppage etc.

2.1.3 Financial Management

2.1.3.1 Utilisation of funds

Funds under Central Schemes (BRGF, 13 FC etc.) are earmarked as per criteria fixed by GoI such as population, area etc. and released on the basis of fulfilment of conditions such as utilisation of grants, submission of Audit Report and Utilisation Certificate etc. as per provisions made in the scheme guidelines. GoI releases funds to the Consolidated Fund of the State Government and the State in turn releases the same to the PRIs after incorporating in State Budget. The funds are intended for execution of works such as construction/ repair of Inspection Bunglows, repair of *Panchayat* Bhawans (PBs)/ *Anganwadi* Centres (AWCs) etc. as per budgetary provisions of the PRIs which is prepared on the basis of proposals received from PRIs. After receipt of funds, PRIs prepare shelf of works and utilise the fund as per terms and conditions of the schemes. Accounting of the funds is to be done as per provisions of Act and Rules applicable to PRIs.

As per JPR (Budget and Accounts) Rules, 2010, budget estimates and annual accounts are required to be prepared. Further, the State Government adopted (November 2013) the Model Accounting System (MAS) and PRIASoft, prepared by CAG in consultation with Ministry of *Panchayati Raj* (MoPR), that captures three tier classification (Major, Minor and detailed head) and generates all the reports in the formats on Budget and Accounting Standards for PRIs.

Audit noticed that annual accounts were not prepared by the test checked PRIs and its compilation was not done by the Government as entries in PRIASoft[2] were either not done or partially made by the PRIs. Hence, state level figures of receipts and utilisation of fund by PRIs were not available.

In the test checked PRIs, utilisation of the funds received under Central schemes (BRGF, 13FC), State Plan/Non Plan and deposit works during 2011-16 is given in the **Table-2.1.1:**

[2] PRIASoft is a software application that captures receipt and expenditure details through voucher entries and automatically generates eight MAS reports including receipts and payments accounts. No entry was found for the years 2011-15, while only partial and incorrect entries relating to DRDA and Blocks were found in the year 2015-16.

Table-2.1.1: Allotment and expenditure in selected districts

(₹ in crore)

Name of Districts	Opening Balance	Central Grant	State Grant	Deposit funds	Others including own source	Total available fund	Expenditure (*per cent*)	Closing balance
Deoghar	21.96	96.02	4.26	13.03	0.49	135.76	128.97 (95)	6.79
Dhanbad	75.99	45.61	0.94	28.29	40.61	191.44	175.81 (98)	15.63
Garhwa	18.17	84.93	1.60	0.19	1.88	106.77	86.01(81)	20.76
Godda	16.36	45.76	6.52	0	9.57	78.21	65.37(84)	12.84
Palamu	23.50	124.14	15.44	1.63	4.09	168.80	160.68 (95)	8.12
Ranchi	19.67	94.97	16.12	163.58	2.05	296.39	209.78 (71)	86.60

(Source: Data provided by the test checked PRIs)

As could be seen from **Table-2.1.1**, the utilisation of fund ranged between 71 *per cent* and 98 *per cent.* Funds received from State were less than five *per cent* of available funds. As per provisions in the Constitution and JPR Act, 2001, State Government has to share net proceeds of taxes, duties, tolls and fees levied by the State Government with PRIs but, no recommendation has been made by State Finance Commission (SFC) for sharing of state revenue among PRIs as yet. No untied funds were available to PS and ZP for execution of schemes after termination of BRGF and 13 FC by GoI. As a result, the upper two tiers of PRIs failed to execute development works as per mandated functions for want of funds.

2.1.3.2 Entitlement and release of central funds

Funds provided by GoI constitutes major portion of the corpus available to the PRIs for undertaking construction activities. The entitlement *vis-a-vis* release of funds by GoI to the State under BRGF and 13 FC during the period 2011-16 is given in the **Table-2.1.2**:

Table-2.1.2: Entitlement and release of BRGF and 13FC grants

(₹ in crore)

Year	BRGF			13 FC			Total loss of Central Grant
	Entitle-ment	Release by GoI	Loss of Central Grant	Entitlement	Release by GoI	Loss of Central Grant	
2011-12	345.31	183.60	161.71	272.20	178.68	93.52	255.23
2012-13	365.16	166.60	198.56	392.70	417.64	(-)24.94	173.62
2013-14	447.89	40.85	407.04	451.75	249.44	202.31	609.35
2014-15	404.74	261.17	143.57	521.25	573.92	(-)52.67	90.90
2015-16	00	00	00	00	00	00	00
Total	**1563.10**	**652.22**	**910.88**	**1637.90**	**1419.68**	**218.22**	**1129.10**

(Source: Data furnished by the Department)

Delay in holding DPC meetings, submission of Annual Accounts and mandatory conditions resulted in loss of central allocation of ₹ 1129.10 crore

As could be seen from **Table-2.1.2**, GoI released BRGF grant of ₹ 652.22 crore against the entitlement of ₹ 1563.10 crore due to delay in holding DPC meetings and submission of Annual Action Plan by the districts. Likewise, 13FC Grant worth ₹ 1419.68 crore was released by GoI against the entitlement of ₹ 1637.90 crore on account of failure of the State to comply mandatory conditions such as adoption of model accounting system, constitution of Director of Local Fund Audit (DLFA) and submission of UCs in prescribed formats. Thus, the State lost central grant of ₹ 1129.10 crore (35 *per cent)* during 2011-16.

In the exit conference (28 February 2017), Joint Secretary, RDD (PR) accepted the fact and replied that due to failure to submit necessary documents along with Annual Action Plan by the districts, the State lost the Central share. Fact remains that the department did not take any action against the officials who failed to comply with the mandatory requirements for release of Central funds and inflicted loss to the State.

2.1.3.3 Short release of penal interest by the State

As per the BRGF and 13FC guidelines, the State Government was required to transfer the funds to the districts within 15 days and five days respectively from the date of release of funds by the GoI failing which a penal interest at RBI rate was to be paid to the district.

Penal interest of ₹ 3.87 crore was not paid by the State to the districts despite delay in release of funds

During scrutiny of records of RDD (PR), it was noticed that the State Government released BRGF and 13FC funds to PRIs with delays of 17 days to 198 days but penal interest of ₹ 71.87 lakh and ₹ 3.15 crore respectively was not released to the districts **(Appendix-2.1.2 and 2.1.3)** in violation of scheme guidelines. State Government attributed the delay in release of funds to procedural and technical reasons but no reply was furnished for failure to release penal interest.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that penal interest has been released in 13 FC and for BRGF it was not a prerequisite for release of fund.

The reply is not acceptable as para 4.6 of BRGF guidelines clearly mandated payment of penal interest by the Government for delayed release of funds beyond 15 days to PRIs. Further, ₹ 3.15 crore was the balance penal interest that the State has not released to the PRIs for 13 FC grant.

2.1.3.4 Interest money not refunded

As per BRGF and 13 FC guidelines, interest accrued on deposits of fund shall be treated as additional resource. Further, ZPs provide funds to executing agencies for execution of works on the basis of estimates of each works. Hence, interest accrued on these funds should be refunded to the ZPs.

Interest money worth ₹ 5.50 crore lying idle in the bank accounts of executing agencies

Audit noticed that in the five test checked ZPs, 32 executing agencies did not refund interest of ₹ 5.50 crore accrued on funds to the concerned ZPs **(Appendix-2.1.4).** Thus, these funds could not be utilised for projects for the benefit of the public and were lying idle in the bank accounts of executing agencies.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that instructions will be issued to ZPs for immediate action.

2.1.3.5 Unadjusted advances

Advances of ₹ 15.14 crore were outstanding against 103 executing agencies ranging from one to 23 years

According to Rule 100 of JPWA Code, temporary advances are required to be given to subordinate officers (not below the rank of Assistant Engineers) against passed vouchers.

Audit noticed that in 13 PRIs, advances of ₹ 15.14 crore **(Appendix-2.1.5)** were outstanding against 103 executing agencies. Of this, advances worth ₹ 1.66 crore were irregularly paid to 29 Junior Engineers (JEs)/ *Rojgar Sevaks*/ *Panchayat* Secretaries etc, who were below the rank of Assistant Engineers (AEs). Further, adjustments or recoveries of these advances were not made in one to 23 years in 38 instances causing such advances of government money to be fraught with risk of misappropriation.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observation and replied that the ZPs would be directed to review the issues and take necessary action for adjustment/recovery.

2.1.3.6 Parking of funds in Personal Ledger/ Current Account

RDD (PR) instructed (March 2012 and August 2012) PRIs to keep 13 FC grant in savings bank account. Further, Para 4.8 of BRGF guidelines states that BRGF funds shall be kept in a nationalised bank or in a post office and the interest accrued on such deposits shall be treated as additional resource under BRGF and should be utilised as per the guidelines of the Programme. Also, funds were to be transferred by the State Government to the Bank accounts of PRIs.

Audit observed that State Government, in violation of the above instructions and guidelines, sanctioned grants-in-aid to the districts and the districts deposited the grants in Personal Ledger (PL) Accounts in treasury as per existing mechanism for State Grants.

Audit further observed that six test checked ZPs and one PS deposited ₹ 153.24 crore in PL accounts or in current accounts for eight to 562 days during 2011-16 which resulted in loss of interest of at least ₹ 1.19 crore **(Appendix-2.1.6)**.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observation and replied that necessary instructions have already been issued to all PRIs for parking of funds in bank/treasury as per scheme guidelines. Fact remains that the instructions have been violated while no action have been taken against the defaulters.

2.1.3.7 Irregular parking of funds

A sum of ₹ 9.79 crore released for construction of PBs, shops etc. were lying unutilised in PL/Bank Account of ZPs

Rule 300[3] of Jharkhand Treasury Code prohibits drawal and parking of fund in anticipation of expenditure and to prevent lapse of budget. Audit noticed that in five[4] test checked ZPs, a sum of ₹ 9.79 crore[5] **(Appendix-2.1.7)** drawn by the CEO from treasury for construction of *Panchayat Bhawan* (PBs), creation of assets for augmentation of income of ZP, development purposes etc. were lying in the PL/Bank account of ZPs and remained unutilised for one to eight years as of March 2016. The reasons included failure to accord administrative approval by the RDD (PR), failure of ZP Board to identify and select the works, change in decision by ZP etc. Thus, failure to utilise the funds prevented creation of assets.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that necessary action will be issued to the ZPs for early utilisation of funds.

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[3] No money should be drawn from treasury and kept in bank in anticipation of expenditure to be incurred. It is not permissible to draw advances in anticipation of demands from the Treasury for execution of works, the completion of which is likely to take a considerable time to prevent lapse of appropriation

[4] Dhanbad -₹ 44.37 lakh, Garhwa-₹ 266.08 lakh, Godda- ₹ 577.24 lakh, Palamu- ₹ 16.24 lakh and Ranchi- ₹ 75.29 lakh

[5] ₹ 5.78 crore was lying in P.L. Account and ₹ 4.01 crore in bank accounts of ZPs.

2.1.3.8 Irregular exercise of financial power by the District Engineer

The post of District Engineer (DE) is governed by the Bihar PSs and ZPs (Conditions of Service) Rules, 1964 which provides for deputation of a DE by the State Government to the ZP for various technical purposes like preparation of schedule of rates (SORs), technical sanction (TS) of schemes, recommendation of acceptance of tenders to the ZP, checking of measurement of works etc. Further, as per applicable rules[6], the CEO, with prior approval of ZP Board, is the competent authority to accept tenders, sign agreements, issue work orders, pass bills and draw and disburse ZP funds.

DEs passed voucher worth ₹ 405.86 crore in contravention of JPR Act, 2001 and applicable rules

In five out of six test checked ZPs, the CEOs of ZPs irregularly transferred funds to the concerned DEs for execution of works while the DEs exercised financial powers by inviting tenders, executing agreements and passing vouchers worth ₹ 405.86 crore during 2011-16 though financial powers are not bestowed on DE under JPR Act, 2001 and applicable rules.

As evident from the above, the DEs though required to provide technical support to the ZPs, were irregularly functioning as independent financial authority without any formal devolution. Such a significant failure in the design for execution of works by DEs eroded the checks and balances of the system of public works by CEOs as provided in the Act/ Rules.

In the exit conference (28 February 2017), Joint secretary accepted the audit observations and replied that proper directions will be issued for functioning of District Engineer.

2.1.3.9 Irregular Expenditure without authority of Chairman/ Pramukh

Rule 8 (1) of Jharkhand *Panchayat Raj* (Budget and Accounts) Rules, 2010 prescribes that fund from the Bank/ Treasury will be drawn by the Secretary/ EO and Assistant Secretary of PS and CEO of ZP after getting proper authority of *Pramukh* and Chairman respectively.

Audit noticed that in contravention of the provisions, approval of Chairman or *Pramukh* was not obtained for drawal of ₹ 799.87 crore for incurring expenditure during 2011-16 in 28 ZPs/PSs of the test checked districts. Expenditure of ₹ 799.87 crore **(Appendix-2.1.8)** includes payments on execution of works, administrative expenses and transfer of funds to executing agencies/GPs.

As such, the executive control of *Pramukh* and Chairman was absent over expenditure of PS and ZP. Further, these PRIs neither prepared the budget estimates nor presented the annual accounts to the Board. Thus, drawal and expenditure of ₹ 799.87 crore was irregular as it bypassed the approval of competent authority.

In the exit conference (28 February 2017), Joint secretary accepted the audit observations and replied that proper directions will be issued.

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[6] The Bihar PSs and ZPs (Budget and Accounts) Rules, 1964 and JPR (B & A) Rules, 2010

2.1.4 Execution of schemes

During 2011-16, construction of PBs, AWCs, other buildings[7], roads, culverts, drain, *chabootara*, ponds etc. were undertaken by the PRIs from funds received under BRGF, 13FC, State plan grants and deposit works.

Audit noticed that RDD (PR) did not maintain consolidated status of the works taken up by the PRIs or expenditure incurred on these woks. However, in the sampled districts, the PRIs took up 15,313 works for construction during 2011-16 and spent ₹ 439.69 crore. This included 6182 road and culvert works valued ₹ 130.55 crore although these functions (works) were not devolved to them by the State Government. Joint Secretary, RDD (PR) accepted (28 February 2017) that such functions have not been devolved by the State Government to the PRIs and stated that correspondence would be made with other departments for this.

Further, it was observed that 13,361 works were completed during 2011-16 while 1,952 works could not be completed as of March 2016. On these incomplete works ₹ 93.71 crore was incurred as shown in **Table-2.1.3** below:-

Table-2.1.3: Physical status of works in test checked PRIs

(₹ in crore)

Sl. No.	Name of the District	Number of works taken up	Actual Expenditure	Completed	Incomplete	Estimated cost of incomplete works	Expendi-ture on incomplete works
1	Deoghar	3214	56.41	3132	82	5.71	0.84
2	Dhanbad	2262	68.54	1912	350	31.41	18.65
3	Garhwa	1928	41.61	1511	417	30.57	14.76
4	Godda	1409	62.18	1304	105	0.61	0.23
5	Palamu	4205	79.60	3700	505	37.15	23.00
6	Ranchi	2295	131.35	1802	493	85.89	36.23
Total		**15313**	**439.69**	**13361**	**1952**	**190.73**	**93.71**

The reasons for failure to complete the works included land dispute (23 works), paucity of fund (127 works), slackness of executing agencies (1,802 works) etc. Further, age analysis of these works revealed that of the 1952 works, 616 works were incomplete for more than three years despite incurring expenditure of ₹ 55.51 crore which defeated the intended objectives of the schemes as shown in **Table-2.1.4** below:-

[7] Multipurpose Hall, Shops, *Vivah Mandap*, *Dak Bunglow* etc.

Table-2.1.4: Year-wise position of incomplete works

(₹ in crore)

Test checked PRIs	Incomplete works	Number of works taken up to 2012-13	Expenditure	Number of works taken up during 2013-16	Expenditure	Percentage of incomplete works
ZPs	1636	614	55.507	1022	35.337	17
PSs	210	2	0.003	208	1.458	12
GPs	106	0	0	106	1.405	3
Total	**1952**	**616**	**55.51**	**1336**	**38.20**	**13**

In the exit conference (28 February 2017), Joint Secretary replied that necessary instructions would be issued for timely completion of the works.

A review of execution of these works in audit revealed irregularities such as wasteful expenditure, unfruitful expenditure, excess and fraudulent payments to executing agencies, incomplete works, works executed on private land etc. as discussed in succeeding paragraphs.

2.1.4.1 Expenditure on abandoned works

There was wasteful expenditure of ₹ 74.04 lakh on 14 abandoned works

As per Rule 132 of JPWD Code, except in the case of emergent work, no work should be started on land which has not been duly made over by the responsible Civil Officers. In ZPs Deoghar, Garhwa, Godda and Palamu construction of 12 buildings (PBs, AWCs and shops) estimated at ₹ 1.89 crore were taken up during 2007-11 by the CEOs without ensuring transfer of land in the name of ZPs. This led to stoppage (between December 2010 and February 2015) of the works and subsequently their abandonment (March 2011 to February 2015) due to land dispute. On these works expenditure of ₹ 51.06 lakh had been incurred by the ZPs which proved wasteful as detailed in **Table-2.1.5**:

Table-2.1.5: Wasteful expenditure on abandoned works till March 2016

(₹ in lakh)

District	Work	No. of works	Year	Estimated cost	Expenditure	Work stopped since
Palamu	PB, Shops	04	2010-15	88.63	15.24	December 2010 to February 2015
Godda	PB, AWC	02	2007-11	21.00	7.31	June 2011
Deoghar	PB	03	2008-11	64.62	19.26	May to July 2011
Garhwa	AWC	03	2010-11	15.00	9.25	July 2013
	Total	**12**		**189.25**	**51.06**	

Present status of two abandoned works at Palamu is shown below:

Photograph (12 August 2016) showing shops constructed upto plinth level and abandoned (Nawatoli, Palamu).

Photograph (12 August 2016) showing PB constructed upto lintel level and abandoned (Polpol, Palamu).

In ZP, Palamu, construction of two PBs at Sholay and Loinga *panchayats* under Patan block estimated at ₹ 42.53 lakh were taken up (March 2011) for construction departmentally. Audit noticed that works valued ₹ 22.98 lakh (54 *per cent*) were executed and thereafter stopped in December 2011 and June 2012 respectively. DDC ordered (July 2016) the concerned JEs to dismantle the buildings and to reconstruct them as the buildings were found not habitable due to substandard work and development of cracks in the structure. However, no action was taken (February 2017). Thus, expenditure of ₹ 22.98 lakh on the building under orders of demolition proved wasteful.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that due to land dispute works could not be completed. He further stated that inspection of both PBs was carried out by Building Construction Division and found inhabitable due to substandard work after which instructions have been issued to demolish them and construct new buildings for both PBs.

2.1.4.2 Unfruitful expenditure on incomplete works

- Under BRGF/State Plan, construction of 301 PBs[8]/ AWCs estimated at ₹ 54 crore were taken up departmentally or through *labhuk samitis* during 2007-11. However, these works could not be completed within the stipulated period on account of negligence of concerned AEs/JEs, local disturbance, land dispute, improper monitoring of ZPs while the completion periods were over. The delay in construction of buildings ranged from one year to nine years. On these incomplete works, expenditure of ₹ 28.57 crore was incurred which proved unfruitful.

- In ZP, Ranchi, GoI approved the construction of ITI at Bero with equipment at a benchmark cost of ₹ 3.04 crore (₹ 2.35 crore for civil works and ₹ 0.69 crore for equipment) with the condition that if the cost of DPR deviates by more than 10 *per cent* from the benchmark cost then the State would take prior approval of GoI before inviting tender.

Land disputes, paucity of fund, improper monitoring by ZP and negligence of concerned AEs/JEs resulted in unfruitful expenditure of ₹ 37.46 crore on 398 incomplete works

Audit noticed that State Government accorded administrative approval (AA) of ₹ 3.04 crore without specifying cost of equipment and released only ₹ 1.52 crore. DE prepared Detailed Project Report (DPR) of ₹ 3.04 crore for civil works which exceeded the benchmark cost of civil works (₹ 2.35 crore) by 29 *per cent*. However, tender for the work was invited by DE without approval of GoI for the increased cost of civil works. DE executed agreements of ₹ 3.12 crore to complete the works by May 2015 but the contractor stopped (October 2014) the work after executing work for ₹ 1.27 crore for want of fund against increased cost of ₹ 0.77 crore[9]. The work was not resumed as of February 2017 as balance fund was not released. Thus, the expenditure of ₹ 1.27 crore on incomplete ITI building proved unfruitful.

- In ZPs, Godda and Garhwa, construction of 10 schools valued ₹ 5.09 crore were taken up departmentally during 2008-10 for completion between September 2008 and December 2010. The works were stopped midway between

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[8] Districts: No. of works, expenditure; Dhanbad:22 works, ₹ 2.64 crore; Garhwa: 74 works, ₹ 6.15 crore; Palamu: 163 works, ₹ 15.94 crore; Ranchi: 42 works, ₹ 3.84 crore

[9] Agreement cost of ₹ 3.12 crore minus benchmark cost ₹ 2.35 crore.

May 2009 and October 2012 due to negligence of the concerned JEs/*Labhuk Samitis* to complete the works. On these incomplete works, expenditure of ₹ 3.05 crore was incurred which proved unfruitful.

- In three test checked ZPs, construction of 59[10] AWCs valued ₹ 3.08 crore were taken up during 2011-13 for completion between July 2011 and November 2012. After expenditure of ₹ 1.35 crore, the works were stopped between February 2012 and June 2013 without any reasons on record. These works were not resumed as of February 2017. As a result, the works remained incomplete and objective could not be fulfilled. Thus, expenditure of ₹ 1.35 crore on these incomplete works was unfruitful.

- In ZP, Garhwa, State Government sanctioned (September 2008) construction of a Hostel worth ₹ 39.08 lakh as deposit work. The State Government also sanctioned (March 2014) construction of 19 Ponds valued ₹ 2.78 crore by *Pani Panchayat*[11] and released ₹ 19.54 lakh (September 2008) and ₹ 1.30 crore (March 2014) respectively to ZP Garhwa. The works were taken up between July 2009 and March 2014 but were stopped (September 2010 and March 2015) after incurring expenditure of ₹ 19.54 lakh and ₹ 1.30 crore respectively as the remaining amount required to complete the works was not released by the Government for which no correspondence or reasons was available on record. Thus the expenditure of ₹ 1.50 crore on these incomplete works proved unfruitful.

- In ZP, Deoghar, State Government allotted ₹ 1.44 crore (between December 2008 and October 2009) to Deputy Commissioner (DC) for construction of Quarters in the campus of Civil Surgeon Office on the basis of model estimate of ₹ 2.04 crore and directed to get AA and TS from the competent authority prior to execution of work through tender.

Audit noticed that without AA and TS, DE Deoghar commenced (January 2009) the work departmentally for completion by three months. Later on detailed estimate of ₹ 2.30 crore was prepared (February 2009) and sent (February 2012) to the State government for AA but approval was not granted (February 2017). The DE executed work valued ₹ 1.22 crore and stopped (July 2011) further work after payment of ₹ 1.16 crore for want of fund. It was noticed in audit that the work was not resumed (February 2017). Thus, the expenditure of ₹ 1.16 crore on the incomplete work proved unfruitful.

- In ZP, Garhwa, construction of five *Panchayat* Resource Centres and a Hostel valued ₹ 89.08 lakh were taken up (between November 2008 and June 2010) departmentally for completion between March 2009 and October 2010. It was noticed in audit that the works were stopped between March 2009 and August 2013 after incurring expenditure of ₹ 56.14 lakh due to transfer/ retirement of the JEs. The work was not resumed as of February 2017. As a result, expenditure of ₹ 56.14 lakh on the incomplete works proved unfruitful.

Thus, due to lackadaisical approach of concerned AEs/JEs, local disturbance, land dispute, paucity of fund, execution of work without AA, improper

[10] Garhwa-17, Godda-10 and Ranchi-32

[11] *Pani Panchayat*: a body of beneficiaries of water tank formed as per instruction of Department of Agriculture and Sugar Cane Development, Jharkhand.

monitoring by ZP, expenditure of ₹ 37.46 crore on the incomplete works proved unfruitful besides failure to achieve intended objectives of the works.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that prioritisation of incomplete building of PBs are being done for their early completion. For other works, it was stated that remedial action would be taken for completion.

2.1.4.3 Avoidable liabilities

There was avoidable liability of ₹ 4.65 crore on 68 works due to delayed execution of works

- In four[12] test checked ZPs, construction of 67 PBs estimated at ₹ 13.60 crore sanctioned[13] during 2007-11 and taken up departmentally for completion by three/ six months remained incomplete (as of December 2016) despite expenditure of ₹ 7.95 crore due to negligence of executing agents (AEs/JEs/*Labhuk Samitis*) and absence of proper monitoring by ZPs. No fruitful action was taken by the ZPs despite instructions (March 2014 to June 2016) from the department for early completion of the works. As the works were not completed on time, the estimated cost of these 67 PBs increased from ₹ 13.60 crore to ₹ 16.32 crore during 2014-16 due to increase in cost of materials and labour which resulted into extra liability of ₹ 2.72 crore on state exchequer. Had these works been completed on time, ₹ 2.72 crore would have been avoided.

- In ZP, Ranchi, NIT for construction of Art and Cultural Building at Silli Block was invited (April 2012) at an estimated cost of ₹ 5.29 crore. The work was awarded (April 2013) to a contractor for ₹ 5.35 crore for completion by January 2015. The contractor intimated (October 2013) the DE about delay in award of work by one year and deviation in items of work due to uneven land at work site. Thus, the issue of uneven land was brought to notice of higher authority after more than five months of commencement of work while as per conditions of NIT the contractor was required to visit site of work before responding to the tender. Thus, contractor's statement regarding uneven land and acceptance of same by ZP was doubtful.

The estimate was revised (December 2015) to ₹ 7.22 crore which included ₹ 41.75 lakh as additional sum for the uneven land. The contractor executed work for ₹ 1.78 crore till January 2015 and thereafter stopped further work which was not resumed as of January 2017. Audit noticed that the department released only ₹ 2.15 crore (between May 2012 and September 2015) despite several requests by the DE which caused delay in payment to contractor up to 213 days.

Thus, delay in allotment of work and failure to provide fund by the department besides acceptance of claim of uneven land resulted in cost escalation of ₹ 1.93 crore[14] which created additional financial liability to the exchequer. Had the work been completed on time, liability of ₹ 1.93 crore would have been avoided.

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[12] Dhanbad, Garhwa, Godda and Palamu

[13] Under State Plan, BRGF and convergence of BRGF with MGNREGS Departmentally / *Labhuk Samiti.*

[14] ₹ 151.08 lakh for preparation of revised estimate at new SOR and ₹ 41.75 lakh due to uneven land.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations.

2.1.4.4 Fraudulent/Doubtful/Excess payments

Fraudulent payment of ₹ 8.27 lakh

- In ZP, Dhanbad, scrutiny of measurement book (MB) of construction work of providing and laying Pre-Cast Cement Paving in Marriage Hall Campus at Golf Ground near Durga Mandir revealed that precast cement paving was recorded as executed in an area of 13,926 square feet (sft) and a boundary wall measuring 576 feet was recorded as constructed. However, joint physical verification of the work site by audit revealed that precast cement paving was done in an area of 9,433 sft only while the boundary wall was found to be only 427 feet long. Thus, an excess work quantity of 4,493 sft was fraudulently entered in the MB by the JE on which excess payment of ₹ 4.28 lakh was made to the contractor. Likewise, excess length of 149 feet of the boundary wall was booked in the MB by JE on which excess payment of ₹ 2.95 lakh was made.

On being pointed out, CEO ZP, Dhanbad stated that necessary action would be taken.

- In ZP, Godda, physical verification (4 August 2016) of Argara[15] work in Sarauni, Godda revealed that Plumbing work of ₹ 0.35 lakh and flooring work (providing PCC work of 6.42 cubic metre of ₹ 0.25 lakh, RCC work valued ₹ 0.39 lakh and 25 mm thick PS flooring of 31.45 cubic metre of ₹ 0.05 lakh) of ₹ 0.69 lakh were not executed but were fraudulently booked in MB in March 2013. It was noticed that payments were made (March 2013) to the contractor by furnishing false completion certificate by the DE. The fact that the reported works were not executed as of 4 August 2016 as shown below:

Flooring and plumbing was not done in respect of works at Sarauni, Godda (as on 4 August 2016)

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and replied that concerned ZPs would be directed to recover the excess payment.

Doubtful Payment of ₹ 19.88 lakh

As per codal provision, payment in departmental works was to be made on the basis of bills of materials and execution of works through muster rolls. However, in ZP Dhanbad, payments for purchase of cement amounting to ₹ 19.88 lakh was made on plain paper without payees receipt and supporting

15 A place where cows/buffaloes are kept.

vouchers in 20 works under MLA scheme. As such, the consumption of cement was doubtful.

CEO, ZP Dhanbad replied that the matter was examined and found that the cement and other materials were utilised as per estimates of the schemes. Fact remains that the payment was made to the JE without supporting vouchers of purchase.

Excess Payment of ₹ 66.81 lakh

As per clause 11 of F2 Agreement, the contractor shall not be entitled to any payment for any additional work unless he has received order in writing from the engineer in charge.

Audit noticed that in 18 works under three ZPs[16], ₹ 66.81 lakh was paid in excess to the contractor either for items not mentioned in the estimate/agreement or excess consumption of items of works booked in the MB without receipt of orders from the Engineer-in-charge in writing. Thus, excess payments for items of works without approval stands recoverable. However, recoveries were not carried out while Security Deposits were refunded to the contractors.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations.

2.1.4.5 Execution of Sub Standard Work

In ZP, Godda, an estimate of ₹ 12.86 lakh for construction of PCC road was sanctioned (September 2012) in which earth work, sand filling, brick soling and PCC works were to be executed. The work was allotted (February 2013) to a contractor for ₹ 12.60 lakh. Scrutiny of MB of the work revealed that the PCC work was executed directly over earth work though as per the approved estimate PCC work was to be executed after sand filling and brick flat soling.

However, payment of ₹ 8.83 lakh was made for the executed[17] items and security deposit was also refunded (February 2015) to the contractor. This resulted in execution of sub-standard work of ₹ 8.83 lakh for which no action was taken against the contractor and the Engineer.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations. However, no action was taken against the officials responsible for execution of substandard works.

2.1.4.6 Penalty not/ short deducted

According to clause 2 of the terms and conditions of F2 contracts, if a contractor fails to complete the works within stipulated period, penalty at the rate of 0.5 *per cent* of the estimated cost per day subject to maximum of 10 *per cent* of the total estimated cost of the works is leviable.

Penalty of ₹ 5.63 crore was not/short recovered by the test checked ZPs

In test checked ZPs, 124 works estimated at ₹ 56.39 crore were not completed within the scheduled time for which the contractors did not apply for extension of time despite delays ranging from one month to 42 months. However, concerned ZPs imposed and deducted penalty worth ₹ 1.27 lakh only while

16 Dhanbad- ₹ 21.10 lakh, Godda-₹ 9.18 lakh and Ranchi-₹ 36.53 lakh

17 Earth work and PCC work

penalty worth ₹ 5.63 crore were not imposed as per clause 2 of the agreements. This resulted in loss of ₹ 5.63 crore to the ZPs.

In the exit conference (28 February 2017), Joint secretary accepted the audit observations and replied that necessary instruction would be issued to comply with the conditions of contract.

2.1.4.7 Refund of security deposit

As per Clause 16 of the condition of the F2 contract, the Security Deposit (SD) should be returned to the contractor only after three months of successful completion of the work.

Audit noticed that in ZP, Godda, though construction of an AWC estimated at ₹ 5.66 lakh had not been completed in all respect, SD of ₹ 0.24 lakh was irregularly refunded (March 2013) to the contractor on false completion certificate issued (March 2013) by the DE. The works that remained to be executed included plumbing and sanitation works which prevented the AWC to be put to function as of February 2017.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and stated that direction would be issued for remedial action.

2.1.4.8 Lapse of Bank Guarantee

As per clause 8 of Annexure "A" of the JPWD code volume-I, a successful tenderer is required to deposit five *per cent* of the estimated cost as SD before execution of the agreement. Besides, five *per cent* of the bill value is also to be deducted from each bill.

In ZP, Ranchi, Bank Guarantee worth ₹ 80 lakh submitted as SD against nine works lapsed (between September 2012 and August 2015) due to failure of the DE to take action to revalidate these till completion of these works. Hence, the financial interest of the ZP was compromised and put to risk.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations and stated that direction would be issued for remedial action.

2.1.4.9 Irregular Splitting of works to avoid sanction of higher authority

Rule 206 of Jharkhand Financial Rules (JFR) envisages that for purpose of approval and sanction, a group of works which forms one project, shall be considered as one work. The necessity for obtaining approval or sanction of higher authority to a project which consists of such group of works should not be avoided because of the fact that the cost of each particular work in the project is within the powers of such approval or sanction of a lower authority. Further, as per Government instruction (October 2011), if estimated cost is more than ₹ 25 lakh, sanction is to be obtained from Superintending Engineer (Financial limit ₹ 50 lakh).

In four out of six test checked ZPs, 21 works estimated at ₹ 12.71 crore for construction of *Vivah Mandaps*, shops/ halls, renovation of *dak bunglows* etc. were split up into 54 parts keeping the estimated cost of each part of the work below ₹ 25 lakh to avoid the sanction of higher authority as given in **Table-2.1.6**:

Table-2.1.6: Splitting of works to avoid sanction of higher authority

(₹ in lakh)

District	Number of works	Total no of split works	Total Estimated Cost	Expenditure	Remarks
Deoghar	07	17	393.39	319.22	2 incomplete
Dhanbad	04	08	199.76	186.27	All completed
Garhwa	04	16	378.37	352.18	All completed
Palamu	06	13	299.64	258.18	3 incomplete
Total	**21**	**54**	**1271.16**	**1115.85**	

(Source: Audit findings)

Thus, monitoring of higher technical authorities and the department was denied in violation of JFR.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to comply with the application of rules.

2.1.4.10 Irregular award of multiple works to contractors

According to Rule 16 of Revised Enlistment of Contractors Rules, 1992, no contractor should be allotted more than one work at a time even if their bids are valid/lowest in another bid and unless the previously allotted work of the contractor is 75 *per cent* complete. In three[18] ZPs, 24 contracts valued ₹ 18.17 crore executed during 2011-16 were awarded to 11 contractors either on same date or before completion of 75 *per cent* of works previously allotted to them in violation of above Rules. This resulted in midway stoppage of eight works valued ₹ 14.35 crore on which ₹ 8.79 crore was incurred.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to comply with the application of rules.

2.1.4.11 Irregularities in procurement of construction materials

As per provisions contained in JPWD[19] and instruction (March 1994) issued by the State Government, construction materials should be procured either on quotations or by inviting tender.

In test checked PRIs, it was noticed that in 184 works, construction materials (bricks, stone chips, sand, cement etc.) worth ₹ 8.25 crore were purchased without inviting tenders or quotation. Of this, purchase worth ₹ 4.30 crore was made from unregistered suppliers including purchase of ₹ 2.28 crore on Hand Receipts/Plain papers. Further, site accounts were also not maintained by two ZPs, 13 PSs and 42 GPs.

In the exit conference (28 February 2017), Joint Secretary did not furnish any reply.

2.1.4.12 Irregular execution of work by *Labhuk Samitis*

State Government directed (March 2011) that works having estimated cost up to ₹ two lakh may be executed through *Labhuk Samitis.*

Audit noticed that in 33 out of 104 test checked GPs, 44 works estimated at ₹ 3.09 crore, each valued above ₹ two lakh, were irregularly executed through *Labhuk Samitis* on which ₹ 2.75 crore were spent till March 2016. Further, the State Government did not prescribe any terms and conditions of agreement,

[18] Deoghar- ₹ 0.72 crore, Godda- ₹ 0.34 crore and Ranchi- ₹ 17.11 crore.
[19] Note-1 below Rule 158.

purchase of materials, maintenance of muster roll, supervision of works, quality control of works etc. for execution of works by *Labhuk Samitis*. Thus, the works were irregularly executed involving the *Labhuk Samitis*.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to GPs/PSs to comply with the departments' directions, issued from time to time for execution of works by *Labhuk Samitis.*

2.1.4.13 Failure to deduct royalty

Royalty not remitted

As per Jharkhand Minor Mineral Concession Rules 2004, royalty deducted on the basis of rates prescribed for different minor minerals is to be remitted to Mines Department.

However, in test check of 395 works under four PSs and 15 GPs, audit noticed that royalty amounting to ₹ 18.73 lakh was deducted from the bills of the executing agencies during 2011-16 by the executive officer/panchayat secretary but the amounts were not remitted to the Mines Department by the concerned executive officer/panchayat secretary.

Short deduction of Royalty

As per Rule 55 of Jharkhand Minor Mineral Concession Rules 2004, double the rate of royalty is to be deducted from the contractors' bills in the event of failure of the contractor to produce proof of payment of royalty.

Test check of 59 works executed by seven PSs and 18 GPs revealed that ₹ 3.28 lakh was deducted short due to deductions made at lesser rate than the rates prescribed against different minor minerals. This resulted in loss of Government revenue worth ₹ 3.28 lakh.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to PRIs for immediate remittances of the royalties to the concerned Government Head.

2.1.4.14 Work executed without title to the land

As per Government instruction (August 2014) works are to be constructed by ZPs only on the land which belongs to them.

However, on orders of ZP Godda and PS Patan (Palamu), eight works were constructed at a cost of ₹ 87.84 lakh on private land. Likewise, ZP Garhwa constructed 12 Community Halls/ *Vivah Bhawans* for ₹ 67.86 lakh on Government land without transferring the title in the name of ZP. Audit noticed that no action was taken to transfer the title of the lands in the name of ZPs. Thus, the works were executed in violation of Government instructions.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to the PRIs to comply with rules.

2.1.4.15 Irregular Administrative Approval

State Government directed (October 2011) to get administrative approval (AA) of the works of ZP up to ₹ 25 lakh from ZP Board.

In ZPs, Deoghar and Garhwa, AA of 698 works estimated at ₹ 134.33 crore executed under BRGF were accorded by the DDC-cum-CEO instead of ZP Board. Thus, these works were not sanctioned by the competent authority.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to the PRIs to comply with department's direction.

2.1.4.16 Failure in approval of building plan

As per clause 4.1 of building bye laws, no building shall be erected/re-erected without obtaining approval from concerned Municipalities.

However, in test checked ZPs, 50 buildings estimated at ₹ 44.81 crore were constructed in municipal area without sanction of building plan from the concerned Municipalities. Thus, ZPs constructed these buildings in violation of Building bye laws.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to the PRIs to comply with rules.

2.1.4.17 Irregular execution of works in municipal area

As per Section 47 of JPR Act, 2001 for every district there shall be a ZP having jurisdiction over the entire district excluding such portions of the district as are included in a Municipality. Further, as per Jharkhand Municipal Act, 2011, duties of providing basic services in municipal area lies with Municipalities.

Audit noticed that 25 works estimated at ₹ 1.58 crore relating to construction of roads and drain were irregularly executed by the ZP, Deoghar in municipal area over which it did not have any jurisdiction. On these works, ₹ 1.31 crore was spent. Further, 'No Objection Certificate' was also not obtained from the concerned Municipality.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be issued to the ZPs in this regard.

2.1.4.18 Buildings constructed without roof top rain water harvesting

As per instruction (May 2008) of MoPR, GoI the roof top rain water harvesting is required to be installed in buildings constructed from BRGF fund.

In six test checked districts, 1197[20] PBs estimated at ₹ 228.35 crore were taken up during 2007-15, in which provision of roof top rain water harvesting system was not included.

In the exit conference (28 February 2017), Joint Secretary accepted the fact and stated that it would be complied in future.

2.1.5 Utilisation of created Assets

2.1.5.1 Idle Assets

Assets valued ₹ 24.30 crore could not be settled for revenue generation and lying idle

In six[21] test checked ZPs, 1255 assets such as PBs, AWCs, Multipurpose Hall, Shops, *Vivah Mandaps*, *Dak Bunglows* etc. were completed during 2011-16. Audit observed that 125 (10 *per cent*) of the 1255 assets created at a cost of ₹ 24.30 crore for augmentation of income of ZPs during 2011-15 were lying idle since their construction due to failure in settlement/leasing of the assets by ZPs on grounds of deficient monitoring, absence of initiatives for leasing out the assets upon completion etc. by the ZPs. This defeated the intended objective of construction activities to create assets to augment the income of ZPs.

[20] Deoghar-183, Dhanbad-222, Garhwa-163, Godda-138, Palamu-217, Ranchi-274
[21] Deoghar-19, Dhanbad-44, Garhwa-17, Godda-8, Palamu-36 and Ranchi-1

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be given for immediate settlement of the assets lying idle after approval of the Board.

2.1.5.2 Loss of revenue from *Vivah Mandap*

Construction of *Vivah Mandap* at Golf Ground, Dhanbad was completed in March 2013 with the intention to generate income on its settlement/lease[22] but settlement of the *Vivah Mandap* could not be done by the ZP till June 2016. However, on physical verification (June 2016) of the *Vivah Mandap* by audit, it was found that *Vivah Mandap* was let out for marriage. On being enquired, the Manager stated that the *Vivah Mandap* was settled by ZP and furnished a statement of income of ₹ 2.56 lakh received as rent for the period February 2015 to March 2015 which was submitted to the Income Tax Department. However, no proof in support of settlement of the *Vivah Mandap* could be produced to audit by the Manager. As such *Vivah Mandap* was unathorisedly let out on rent by the Manager while the rent collected for ₹ 2.56 lakh was not deposited in ZP account.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be given for its remedial action. Fact remains that no action has been taken or contemplated against the officials involved in unauthorised running of the *Vivah Mandap*.

2.1.5.3 Loss of revenue due to delay in settlement of shops/*Vivah Mandap*

In ZP Godda, two *Vivah Bhawans* were constructed (February 2013) at a cost of ₹ 34.96 lakh without executing works related to electricity, water connection and sanitation despite their provision in the estimate.

Audit noticed that these essential works could not be done as Reinforcement in Cement Concrete work was executed in excess quantity over estimated provisions and to keep the value of work within the estimates, the works of electricity, water connection and sanitation were not done by contractor. Thus, the *Vivah Bhawan* constructed at a cost of ₹ 34.96 lakh remained unsettled and lying idle.

In the exit conference (28 February 2017), Joint Secretary stated that necessary direction would be given for its immediate settlement after approval of the Board.

2.1.5.4 Irregular use of constructed buildings

In ZP Palamu, a Multipurpose Hall constructed (May 2015) at a cost of ₹ 23.73 lakh was utilised by the DC for the Election purpose but not handed over to ZP for its intended use (June 2016). Further, PB in Haidernagar block constructed at a cost of ₹ 16.36 lakh was unauthorisedly captured by the local inhabitants for over three years claiming their rights over the land. Circle officer, Hussainabad reported (June 2015) that the land is *Gair-Mazurwa Malik*[23]. Thus, the PB was constructed without transfer of land in the name of the ZP as required and could not be settled.

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22 Entering into agreement with a person/firm etc. for a defined period by the property holder under defined terms and conditions for realisation of revenue.

23 Land settled to a person by the Government

In the exit conference (28 February 2017), Joint Secretary accepted the fact and replied that Multipurpose Hall has since been vacated and the process of settlement for rent realisation would be initiated soon. He also accepted that PB at Haidernagar Block has also been vacated and would be handed over to the concerned GP soon. Fact remains that settlement of these assets for revenue generation was yet to be ensured.

2.1.6 Internal Control and Monitoring

2.1.6.1 Maintenance of records

As per JPR (Budget & Accounts) Rules, 2010, important records[24] must be maintained and regularly updated to establish an effective internal control mechanism in the PRIs but these were not being maintained in the test checked PRIs.

Audit further noticed that important records related to construction activities prescribed in Bihar PS and ZP (Budget and Accounts) Rules, 1964 and JPWA Code, such as Contractors' Ledgers, Registers of Works, Register of bills, Order Books, Deposit Ledgers, Advance Ledgers, etc. were not maintained by any of the test checked ZPs and PSs. Absence of these records limited the scope of audit scrutiny.

In the exit conference (28 February 2017), Joint Secretary accepted the fact and replied that there is acute shortage of staff in the PRIs.

2.1.6.2 Inspection and supervision

- JPWD Code[25] prescribes for periodic inspection by Chief Engineer and Superintendent Engineer. But in absence of these posts in RDD (PR), these inspections could not be done. Further, no records were maintained by the DEs in any test checked districts in support of inspections carried out, if any.

- Section 105 of JPR Act, 2001 prescribes the State Government to authorise an officer or person to inspect construction works or development scheme. But no such inspection was done in any of the test checked districts.

- Vigilance Committees in *Gram Sabha* were not constituted in any test checked PRIs, though provided under Section 10 of the JPR Act, 2001. Vigilance Committee has to prepare a report which is to be placed in annual meeting of the *Gram Sabha*. In the absence of the vigilance committee, this exercise could not be undertaken.

In the exit conference (28 February 2017), Joint Secretary accepted the fact and replied that there is acute shortage of staff in the PRIs.

2.1.6.3 Monitoring and evaluation

DPC

As per Section 130 of JPR Act, 2001, meeting of DPC is to be held at least once in two months. In the six test checked districts, DPCs met only five to eight times during 2011-16 against prescribed 25 meetings. Further, DPCs neither

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[24] Budget Estimates, Annual Accounts, Administrative Reports, General Cashbooks, Grant Appropriation Register, Treasury Passbooks, Reconciliation Statements, Register of immovable property etc.

[25] Rule 20 and 24

monitored the implementation of the programme after approving the AAP under BRGF nor evaluated the outcome of the programme. Besides, sub-committees and executive committee were to be constituted by the DPC but, such committees were also not constituted.

In the exit conference (28 February 2017), Joint Secretary stated that due to shortage of staff at District Offices, these could not be done.

Social Audit

Though provided in BRGF scheme guidelines, social audit was not conducted for BRGF schemes in the test-checked PRIs. As a result, public grievances could not be addressed.

In the exit conference (28 February 2017), Joint Secretary accepted the audit observations.

Evaluation

As per MoPR guidelines (November 2008), PRIs have to undertake a diagnostic study of its backwardness which includes preparation of a baseline survey for undertaking evaluation at a later date.

Audit observed that in all the six test checked districts, baseline survey was not conducted. In the absence of baseline survey, the PRIs could not evaluate the benefits of the construction activities undertaken by them.

In the exit conference (28 February 2017), Joint Secretary accepted the fact and stated that due to shortage of staff it could not be done.

2.1.6.4 Use of IT applications

With a view to introduce and strengthen e-Governance, MoPR developed *Panchayat* Enterprise Suite which comprises 11 Core Common applications for planning, monitoring of works and assets, accounting, social audit etc.

It was noticed that the test checked PRIs did not use the available softwares such as Plan Plus, Action-Soft, National Asset Directory etc. Only PRIASoft (accounting softwares) was being utilised by PRIs but recording of entries in it during 2011-16 was dismal.

Audit further noticed that performance of e-panchayat scheme was marred due to absence of internet connectivity with computer cells in GPs, absence of computer operators and improper or absence of maintenance of records such as General Cash book and Asset register etc. by the PRIs.

In the exit conference (28 February 2017), Joint Secretary accepted the fact and stated that department has initiated for appointment of computer operators for each GP.

2.1.7 Conclusion

During 2011-16, the PRIs failed to prepare 15 years vision document, five years perspective plans, annual plans and sector specific plans for development of the *Panchayat* area as envisaged under JPR Act, 2001. Further, the PRIs executed functions such as construction of roads, culverts and bridges valued ₹ 130.55 crore although these functions were not devolved to them by the concerned departments of the State Government during 2011-16.

The PRIs were deprived of Central grants under BRGF scheme and 13 FC amounting to ₹ 1129.10 crore due to failure of the State to hold DPC meetings in time, submit AAP and comply mandatory conditions for release of fund. Besides, the PRIs were also denied ₹ 3.87 crore as State Government did not pay penal interest for delayed release of grants.

The construction activities were not efficiently managed as there was wasteful expenditure of ₹ 74.04 lakh on 14 abandoned works, unfruitful expenditure of ₹ 37.46 crore on 398 incomplete works, cost escalation of ₹ 4.65 crore on 68 works, excess payment of ₹ 5.63 crore for failing to impose penalty in 124 works besides failure to recover unutilised funds, interest money and advances worth ₹ 30.43 crore from the implementing agencies.

Settlement of assets created from construction activities was ill managed as 125 buildings constructed at a cost of ₹ 24.30 crore for income generation remained idle since its completion. Further, two *Vivah Bhawans* valued ₹ 34.96 lakh in Godda could not be settled for want of electricity and water connections while two buildings worth ₹ 40.09 lakh in Palamu was in unauthorised occupation. Besides, one *Vivah Mandap* in Dhanbad was let out unauthorisedly without settlement of the asset while the rent proceeds worth ₹ 2.56 lakh was not deposited in the PRI's account.

2.1.8 Recommendation

State Government should prescribe a timeframe for planning by PRIs to ensure proper selection of works. Devolution of functions and funds to PRIs as mandated in the JPR Act, 2001 should be ensured.

Concerted efforts should be made by the department to avoid delay in transfer of funds to PRIs and to ensure its timely utilisation to avoid loss of Central grants.

Construction activities should be efficiently managed by following codal provisions and stringent action should be taken against those involved in misuse of the funds and tardy implementation of works.

Framework for timely settlement of assets should be established to augment revenue mobilisation of the PRIs and to extend the benefits of these assets to the end users.