

CHAPTER II

AUDIT OF TRANSACTIONS

2.1 Fraudulent payment/misappropriation/losses

WATER RESOURCES DEPARTMENT

2.1.1 *Loss to State Government*

Incorrect interpretation of Government of India instructions led to a loss of ₹ 1.49 crore to the State Government.

Ministry of Water Resources, Government of India (GOI) directed (February 2004 and November 2008) that the expenditure under the Command Area Development and Water Management Programme (CADWMP) would be shared equally by GOI and the State Government on a 50:50 basis. These instructions also envisaged that the State Government would mandatorily recover 10 *per cent* of the total expenditure from the beneficiary farmers as part of the State's share on select components.¹

Test check (April 2010) of the records of the Executive Engineer, Sone Command Area Development Agency (SCADA), Dehri Division, Rohtas and information collected (September 2010) from Secretary, SCADA, Patna revealed that during 2005-10, an expenditure of ₹ 28.91 crore was incurred on select components for execution of 685 scheme works in five² divisions of the Sone Command Area. Consequently, ₹ 2.89 crore (10 *per cent* of the total cost) was required to be recovered from the beneficiary farmers.

However, the State Government directed (December 2004) that only 10 *per cent* of the State's share of expenditure (five *per cent* of the total expenditure) was to be recovered from the beneficiary farmers, instead of 10 *per cent* of the total expenditure as required under the GOI instructions. Consequently, SCADA recovered only ₹ 1.40 crore from the beneficiary farmers in these five divisions. This resulted in less recovery of ₹ 1.49 crore (five *per cent* of the total cost of the works executed).

In reply, the department stated (August 2010) that it was not practically possible to recover 10 *per cent* of the total expenditure on works as farmers' contribution because the majority of the farmers possessed less than one acre of land. Consequently, a decision was taken by the State Empowered Committee followed by Cabinet approval to recover only 10 *per cent* of the State's share (five *per cent* of the total expenditure) from the beneficiary farmers. He, however, stated that a provision regarding recovery of

¹ *Select components are those components which are essential for optimum utilisation of created irrigation potential, such as on-farm development (OFD) works, reclamation of water-logged areas etc.*

² *Ara, Aurangabad, Bhabhua, Dehri and Khagaul*

10 per cent of the total expenditure from the beneficiary farmers from 2009-10 onwards would be made in the ensuing sanction orders of the Government.

The reply is in itself, an admission of the Government deviating from the CADWMP guidelines under which 50 per cent assistance from the GOI was being extended to the State Government. Further, the State Government was not authorised to alter the CADWMP provisions under which it was mandatory to recover a minimum of 10 per cent of the total estimated cost of work from the beneficiary farmers.

Thus, non-adherence to and deviation from the provision made in the GOI instructions resulted in a loss of ₹ 1.49 crore to the State Government.

2.1.2 Fraudulent and excess payment for bitumen

There was fraudulent payment of ₹ 11.93 lakh and excess payment of ₹ 0.98 lakh without verification of bitumen invoices.

Based on the revised technical sanction³ for the work of pre-mix carpeting with built-up spray grout (BUSG) over water bound macadam (WBM) on the service road of Durgawati main canal from 22.01 km to 33.53 km under Water Ways Division (WWD), Mohania, Bhabhua, an agreement was entered into (March 2007) with an agency for ₹ 1.18 crore for completion of the work within three months i.e. by June 2007. The agency was paid (December 2008) ₹ 1.20 crore for the work done up to the 10th on-account bill (December 2008).

Test check (March 2010) of records of the Executive Engineer (EE), WWD, Mohania revealed that the agency submitted 20 bitumen invoices for 181.453 MT. Against these, payments were made for 184.42 MT bitumen i.e. for an excess of 2.967 MT bitumen as per the 10th on-account bill resulting in excess payment of ₹ 0.98⁴ lakh to the agency. Further, four invoices totalling 36.308 MT, submitted by the agency, were found to be duplicate copies as they bore the same invoice number. On verification (April 2010), the Indian Oil Corporation (IOC) confirmed that only 145.145 MT bitumen was lifted by the agency against the relevant supply order. This resulted in a fraudulent payment of ₹ 11.93⁵ lakh.

Thus, the failure of EE, WWD, Mohania in scrutinising the documents properly resulted in excess payment of ₹ 0.98 lakh and fraudulent payment of ₹ 11.93 lakh.

³ Accorded by the Chief Engineer, Water Resources Department, Dehri for ₹ 1.08 crore in December 2006

⁴ Payment made for 184.420 MT
Challan submitted for 181.453 MT
Differential quantity for which excess
Payment made = 2.967 MT
Excess Amount paid = ₹ $\frac{298328.25}{9.077} \times 2.967 = ₹ 97515$ or ₹ 0.98 lakh

⁵ 4 invoices of 9.077 MT at the rate of ₹ 298328.25/9.077 MT = ₹ 1193313/- (including VAT)

In reply, the EE, WWD, Mohania mentioned (March 2010) that the facts would be communicated to Audit after proper investigations. The department, in its reply, stated (August 2010) that the EE had already rejected the four duplicate bitumen invoices and payments made were by way of on-account bills to the agency for 184.42 MT of bitumen on the basis of the material statement. The final bill of the work had not yet been prepared and after verification of the invoice with the IOC, any excess payment would be adjusted or recovered from the final bill or security deposit of the work.

The replies are not acceptable and are an admission that payments were made without proper verification and authentication of the bitumen invoices. The assertion that the four duplicate bitumen invoices were rejected by the EE is also not true since the EE had even submitted these challans to the Commercial Tax Officer, Circle Bhabhua, Kaimur for calculation of VAT also. Thus, the failure of the EE, WWD, Mohania to detect the duplicate invoices for 36.308 MT and excess consumption of 2.967 MT bitumen resulted in fraudulent payments of ₹ 11.93 lakh and excess payment of ₹ 0.98 lakh to the agency.

HEALTH DEPARTMENT

2.1.3 Loss due to irregular interest payment

There was loss to the Government due to irregular interest payment of ₹ 3.52 crore to RINPAS.

For indoor treatment of patients in the Ranchi Institute of Neuro Psychiatry and Allied Sciences (RINPAS), Kanke, Ranchi (Jharkhand State) a consolidated charge of ₹ 500 per patient per day was to be levied from the Government of the States to which the patients belonged. These bills were to be raised by Director, RINPAS on a quarterly basis against the concerned States and a penal interest of 15 *per cent* was also payable for delays beyond 30 days from the date of receipt of the bill.

Test check (July 2009) of records of the Under Secretary (US), Health Department revealed that against a demand by RINPAS, payment of ₹ 7.11 crore was released (November 2000) by the State Government for the period April to October 2000. However, Director, RINPAS did not submit the bill to the treasury within its validity period (31.03.2001) and the payment could not be realised.

Thereafter, in a joint meeting (September 2001), the payment liability of the State for the unified period was mutually agreed at 74.71 *per cent* based on the population ratio (Bihar:Jharkhand). Accordingly the payment liability was reduced to ₹ 5.31 crore and an amount of ₹ 2.65 crore (50 *per cent*) was released (May 2003). In April 2007, RINPAS worked out the due and drawn statement and charged interest of ₹ 3.52 crore for the unpaid amount for which payment was accordingly made (October 2007) by the State.

However, this payment of interest of ₹ 3.52 crore by the State Government was not justified since the Government of Bihar had released the payment of ₹ 7.11 crore (November 2000) on time. The issue of non-payment arose due to Director RINPAS not presenting the bill to the treasury on time. Since this lapse was on the part of Director, RINPAS, the imposing of interest by RINPAS and its payment by Bihar Government is irregular.

On this being reported (August 2010) to the Government, the Principal Secretary, Health Department, Government of Bihar stated (September 2010) that ₹ 7.11 crore was provided as grant-in-aid to the Director RINPAS, but owing to its receipt in the afternoon of 15.11.2000, being the date of bifurcation of the State, the same could not be drawn and the Government of Bihar had to pay ₹ 3.52 crore as interest to Director, RINPAS.

The reply is not acceptable since there was no difficulty in drawing the payment during the period of its validity. Also, mentioning bifurcation of the State as the reason for non-drawal is not acceptable since it was mandatory on the part of the treasury of even the newly created States to honour financial instruments of the erstwhile States followed by *post facto* adjustment/regularisation of such presented instruments with the former State.

Thus, the payment of ₹ 3.52 crore as interest to RINPAS was irregular and a loss to the Government.

RURAL DEVELOPMENT DEPARTMENT

2.1.4 Fraudulent payment and unfruitful expenditure

There was unfruitful expenditure of ₹ 1.58 crore (including excess payment of ₹ 18 lakh and fraudulent payment of ₹ 4.39 lakh) on incomplete work of erection of high mast lights.

Under the Member of Legislative Assembly (MLA) Development Scheme (1980-81), a grant-in-aid of ₹ one crore is allotted to each MLA to enable him/her to recommend small welfare schemes in his/her constituency. This amount was made available to the District Rural Development Agency (DRDA) headed by the Deputy Development Commissioner (DDC)-cum-Managing Director (MD) of the concerned district for implementation.

Test check (May 2009) of the records of DDC-cum-MD, DRDA, Araria revealed that the installation of 36 high mast lights in four blocks⁶ (nine in each block) of four constituencies (Araria, Forbisganj, Jokihat and Raniganj) was recommended by the respective MLAs under the MLA Development

⁶ (1) **Araria:** ADB Chowk, R.S. Bazar, Bhagat Tola, Meera Talkies, Pachkauri Chowk, Town Hall, Madanpur bazaar, Araria Thakurhari and Gorhi Chowk, (2) **Forbisganj:** Netaji Chowk, Patel Chowk, Simraha bazaar, Parwaha Hat, Referral Hospital, Dindayal chowk, Bari chowk, Birpur chowk and East of Station, (3) **Jokihat:** Jokihat Bazar, Purana Hatia, Bhevra chowk, High Schoolchowk, College chowk, Referral Hospital Gate, Dak banglow gate, Telephone Exchange and Thengapur chowk, (4) **Raniganj:** Bhatgama, Block campus, Diwan tola, Kala Balua chowk, Gitwas bazar, Hansa chowk, Kamaldev residev tola, Basaithi Hat and Parsa hat

Scheme. The total cost⁷ of the work was ₹ 1.98 crore (₹ 5.49 lakh for each high mast light). Accordingly, the DRDA, Araria executed agreements (September 2007) with an agency and issued (October 2007) four work orders for completion of the work in one month from the date of the work order. As per the agreement, 50 per cent of the estimated cost was to be paid to the agency at the time of issuing the work order, 30 per cent after inspection of the supplied materials, 10 per cent after commissioning of the high mast lights, and the balance 10 per cent after four months. Further, failure of the agency to execute the work within the stipulated period entailed forfeiture of the security money, blacklisting of the contractor and recovery of the advance with interest.

Scrutiny further revealed that even after the lapse of 31 months (as of July 2010) from the date of issue of the work orders, only 26 out of 36 high mast light towers, without luminaries, were erected while no foundation work was done in respect of the remaining 10 towers. However, the agency was paid ₹ 1.58 crore⁸ though work amounting to ₹ 1.40 crore only was executed (July 2010).

It was observed that the DRDA had not initiated any penal action against the defaulting agency for the recovery of excess payment of ₹ 18 lakh (₹ 1.58 crore - ₹ 1.40 crore) or for non-completion of the work in time. Instead, it kept reminding (December 2007 to April 2009) the agency to complete the work/refund the advance. On this being pointed out (May 2009) by audit, the Director, Accounts, DRDA Araria lodged (October 2009) an FIR against the agency for defalcation of Government money and violation of the work order and agreement, along with a copy to the Superintendent of Police (SP), Araria with the request to arrest the defaulters.

The matter was reported (June and August 2010) to the Government. While the Special Secretary, RWD, categorically stated (September 2010) that his department only released the allotment and the work was executed through the DDC, Araria, the latter, at the instance of Principal Secretary informed (September 2010) that he was merely concerned with issuing work orders for the same and transferring the finished works to the concerned panchayats/blocks/department after their completion report, and not to the whereabouts of the items/materials brought at site or any place by the agency. No reason for delay was given by him or by the department.

Meanwhile, a joint physical verification (September 2010) conducted by Audit along with a DRDA officer in Araria revealed that one (at Town Hall, besides M.P. Residence, Araria) out of the reportedly six erected high mast towers, was non-existent, though an amount of ₹ 4.39 lakh was shown as incurred on its erection as per the report (July 2009) of the Sub-Divisional Officer, Electric Supply Sub-Division, Araria.

⁷ Cost of tower - ₹ 3.05 lakh; cost of lamps, circuits and luminaries - ₹ 1.39 lakh; Foundation - ₹ 0.45 lakh and cost of erection - ₹ 0.59 lakh i.e. total ₹ 5.49 lakh

⁸ ₹ 98.58 lakh, being 50 per cent of estimate in 1st instalment in October 2007 and ₹ 59.29 lakh, being 30 per cent of estimate as 2nd instalment in February 2008.

Thus in the absence of luminaries, none of the 25 erected high mast lights could be put to use. Lack of proper monitoring by DRDA officers resulted in an unfruitful expenditure of ₹ 1.58 crore due to non-completion of works of high mast light towers, which included an excess payment of ₹ 18 lakh and a **fraudulent payment of ₹ 4.39 lakh to the executing agency.**

2.2 Excess payment/wasteful/infructuous expenditure

ROAD CONSTRUCTION DEPARTMENT

2.2.1 Excess payment on price neutralisation

Incorrect price neutralisation formula resulted in an excess payment of ₹ 92.97 lakh.

Clauses 10 CA and 10 CC of the Standard Bidding Document (SBD) provide for payment of differential prices to executing agencies if the prices of cement, steel, bitumen etc. incorporated in a work increase/ decrease as compared to the prices prevailing at the time of the last date for receipt of tenders. The State Government decided (March 2008) to include the price neutralisation clause for bitumen as a special agreement condition and prescribed a formula⁹ for payment of price neutralisation for bitumen to the agencies, for previous agreements in which the provision for price neutralisation was not present. The Executive Engineer was authorised to pay price escalation to contractors on receipt of their claims.

Test check of the records of the Road Construction Divisions, Chhapra and Siwan revealed that the divisions paid price escalation towards adjustment of bitumen prices for different periods (March 2006 to November 2009) by incorrectly applying the above prescribed formula. Further, the percentage component of bitumen (P_b) employed on the works was to be calculated on the basis of its cost given in the Schedule of Rates (SOR) effective on the stipulated date of receipt of tender as per clause 10 CA of the SBD. However, the division derived it by employing the base price of bitumen and multiplying the same with a factor of 1.21¹⁰ (contractor's profit and overhead charges) or 1.144¹¹ (VAT, contractor's profit/overhead charges) along with the quantity of

$$^9 \quad V_b = 0.85 \times P_b / 100 \times R \times (B_1 - B_0) / B_0$$

V_b = Increase or decrease in the cost of work during the month under consideration due to change in rates for bitumen.

B_0 = The official retail price of bitumen at the IOC depot at nearest centre on the day 28 days prior to date of opening of Bids.

B_1 = The official retail price of bitumen of IOC depot at nearest centre for the 15th day of the month under consideration.

P_b = Percentage of bitumen component of the work.

R = Total value of work.

$$^{10} \quad 1.21 = 1 + 10\% \text{ of } 1 + 10\% \text{ of } 1.1$$

$$^{11} \quad 1.144 = 1 + 4\% \text{ of } 1 + 10\% \text{ of } 1.04 \text{ where } 4\% = \text{vat, } 10\% = \text{contractor profit/10\%} = \text{overhead charges}$$

bitumen utilised on work. This increased the bitumen component of the work (P_b) resulting in increased escalation component (V_b) of the work cost, during the month under consideration. Consequently, an excess payment of ₹ 92.97 lakh (*Appendix 2.1*) towards price escalation of bitumen was made to the contractor.

Executive Engineers of the concerned divisions, in their replies, stated (February 2010) that the multiplication factor of 1.21 was used to provide 10 per cent contractor's profit and 10 per cent overhead charges to the contractor. The reply of the division is not acceptable because SBD clauses 10 CA and 10 CC did not provide for grant of four per cent VAT, 10 per cent contractor's profit or 10 per cent overhead charges to the contractors on the differential cost of bitumen owing to its price escalation.

The matter was also referred (June 2010) to the Government. The Secretary, Road Construction Department, Government of Bihar, agreed (September 2010) to examine these cases and issue a departmental notification in this regard.

2.2.2 Wasteful expenditure on incomplete road

Incorrect estimation, improper survey of site and absence of approvals from Railways resulted in wasteful expenditure of ₹ 2.04 crore.

As per the Cabinet Secretariat and Co-ordination Department (Confidential Cell) Resolution no. 948 dated 16 July 1986, a proper survey and site verification was mandatory before preparation of an estimate.

In January 2007, the Executive Engineer (EE), Road Division, Lakhisarai awarded the work of construction of the Lakhisarai bypass road-via-Ashok Dham (6.5 km length) under the Rashtriya Sam Vikas Yojana to an agency for ₹ 6.47 crore with scheduled completion by July 2008. The objective behind the construction of this bypass road was to divert the heavy traffic from entering Lakhisarai town.

Scrutiny (June 2010) of the records of EE, Road Division, Lakhisarai revealed that payments of ₹ 2.04 crore were made (July 2009) to the agency up to the 16th on-account bill. Thereafter, in September 2009, the agreement was rescinded under the direction of the Engineer-in-Chief, Road Construction Department (RCD), Bihar, Patna without assigning any reasons. Audit observed that the work was not completed due to the following reasons:

- Provisions for two manned Railway level crossings (at chainage 2705 m and 3210 m) were made in the estimate (May 2006). However, the works were started without getting prior approval from the Railways which disallowed it and directed that Rail over Bridges (ROB) should be constructed instead of the level crossings.
- Since there was no provision for the safety of Indian Oil Corporation's (IOC) pipelines passing under the road, IOC objected (March 2009) to

the construction over these pipelines for safety reasons and suggested the construction of a reinforced cement concrete (RCC) culvert on it.

- Though there was no provision for the shifting of high tension electricity lines passing above the road, a sum of ₹ 4.93 lakh was paid (January 2009) to the Bihar State Electricity Board, Patna for shifting of electricity lines.
- No provision existed for the acquisition of land required (nine acres 93.75 decimal) for the construction. However, ₹ 40 lakh was made available (March 2007) to the Land Acquisition Officer, Lakhisarai for land acquisition. However, neither were the high tension electricity lines shifted nor was the required land acquired for the project.

A revised estimate for ₹ 10.58 crore was submitted for administrative approval (AA) to the Planning and Development Department, Government of Bihar. However, the department did not approve this revised estimate and directed (July 2008) the RCD to construct the road under the estimate of the tender within the originally approved AA.

Later on, a modified estimate for ₹ 4.39 crore was approved (February 2009) by the Chief Engineer, RCD Bihar, Patna and a provision was made to utilise the existing railway underpass without getting prior approval from the Railways. The Railways again disallowed (September 2009) the usage of this underpass for safety reasons. Audit observed that the estimated cost (July 2009) of the two ROBs (at 2705 m and 3210 m) was ₹ 115 crore and that of the RCC culvert (March 2009) was ₹ 1.75 crore. Thus the construction of ROBs and RCC culvert was not possible within the originally approved AA of ₹ 5.78 crore.

In reply, the Executive Engineer stated (June 2010) that the agreement was closed under the direction of the RCD and the work was stopped due to non-construction of ROBs, RCC culvert, non-shifting of electricity lines etc.

The matter was reported to the Government (July 2010). Though the Secretary, RCD, Government of Bihar, Patna agreed (September 2010) with the audit observations, he expressed his reservations in terming the expenditure as 'wasteful' since the 'partially constructed' road was being used to some extent by the local people and the expenditure was not misutilised in any way.

The reply of the Secretary is in itself an admission of Audit's contention that the proposal suffered from several deficiencies right from the planning stage itself. Improper survey, inadequate site verification and non-obtaining of prior approvals from IOC and Railways by the division/department clearly indicated the failure on the part of the EE/sanctioning authority. Besides, the intended objective of providing a by-pass road to divert heavy traffic from entering Lakhisarai town remained unachieved and the expenditure of ₹ 2.04 crore incurred became wasteful.

WATER RESOURCES DEPARTMENT

2.2.3 *Infructuous expenditure on anti erosion works*

Inadequate and incomplete execution of anti-erosion works led to infructuous expenditure of ₹ 10.27 crore.

The Water Resources Department (WRD) Government of Bihar (GOB) had prescribed (October 2007) a flood calendar for 2007-08, for flood protection and anti-erosion works that categorically prescribed the period and duration of works to be carried out from the inception stage to the completion stage (*Appendix 2.2*).

Test check (September 2009) of the records of the Flood Control Division, Naugachhia, Bhagalpur regarding anti-erosion work at villages Khairpur, Raghapur and Akidatpur revealed that the Technical Advisory Committee (TAC) had recommended (October 2007) construction of four spurs in the upstream (4000 m) and revetment in the downstream (2000 m). But, the Scheme Review Committee (SRC) modified the recommendations, and decided to construct a revetment with boulder pitching crated panel over Geo Textile Filter (GTF) in the entire length of six km including end anchorage from Kazikoria village to Raghapur village. SRC did so, despite the fact that the revetment did not have the property of deflect currents, which would have been possible only with the construction of a series of spurs.

Audit scrutiny further revealed that on the basis of the SRC's recommendation the work was allotted (February 2008) with a delay of 27 days (as per the Flood Calendar) to an agency at a cost of ₹ 18.78 crore for completion before May 2008. Further, the work of laying GTF between pitching and embankment slopes was only partially done in 60462.80 sq m (50 per cent) against the contracted area of 120157.79 sq m. Due to the slow progress of work, the CE ordered (9 May 2008) the agency to complete the work in at least four km length by 30 May 2008. However, even this revised schedule was not adhered to by the contractor. In spite of these shortcomings, a payment of ₹ 6.29 crore was made (June 2008) to the agency. In addition, expenditure on departmental materials¹² and miscellaneous expenditure totalling ₹ 3.98 crore was also incurred on this work.

The partially constructed structure and incomplete works could, however, not withstand the floods of 2008 and were washed away, rendering the entire expenditure of ₹ 10.27 crore infructuous. The floods of 2008 completely devastated the surrounding villages of Kharik block, causing immense loss to life¹³ and property¹⁴ (₹ 11.19 crore) apart from Government expenditure¹⁵ (₹ 36.22 lakh) on their rescue and rehabilitation.

¹² EC bags (3419110 bags) : ₹ 9231597, Nylon Crates (131041 No.) : ₹ 5097495, BA wire (364.442 MT) : ₹ 22066963, GT filter (60462.80 M) : ₹ 3204528 and Miscellaneous Expenditure : ₹ 267500

¹³ Lives lost – Human : 8, Livestock affected : 1006

¹⁴ Property damaged : Private: ₹ 1.50 crore; Public: ₹ 40.00 lakh; Crops: ₹ 9.29 crore

¹⁵ Government fund spent: ₹ 36.22 lakh

On this being pointed out by Audit, the Executive Engineer replied (September 2009) that GTF work had been done. This reply is not acceptable as only 50 per cent of the agreed work was completed before the floods of 2008 and even that work could not sustain the floods.

The matter was reported (June 2010) to the Government. The Joint Secretary, WRD, Government of Bihar, stated (August 2010) that the SRC was fully authorised to over rule/change the recommendations of the Expert Committee (EC) or TAC as per requirement and availability of funds. As such, the works executed on SRC's recommendations were justified.

The department's reply is not acceptable as the construction of a series of spurs would have been a better option. This fact was also corroborated by the Engineer-in-Chief who had visited (June 2008) the site along with members of the Ganga Flood Control Commission. Further, the flood protection works which were to be completed by 31 May could not be completed till July 2008 and the work (revetment with boulder pitching) was completely damaged (August 2008). The reason for non-completion of the works was attributed by the department to the non-availability of boulders. This reply is again not acceptable as the requirement and the availability of materials vis a-vis completion of work should have been assessed and ensured prior to the commencement of work.

Thus, due to inadequate and incomplete execution of anti-erosion works, the erected structures were completely damaged (August 2008) and the entire expenditure of ₹ 10.27 crore¹⁶ was rendered infructuous.

AGRICULTURE DEPARTMENT

2.2.4 Excess payment of allowances

There was excess payment of house rent allowances and cost of living allowances amounting to ₹ 27.22 lakh to teachers and scientists of Rajendra Agriculture University.

The Ministry of Agriculture, New Delhi revised (March 1999) the pay scales of teachers/scientists in agricultural universities and colleges as recommended by the Indian Council of Agricultural Research (ICAR) with effect from 1 January 1996. While clause v (a) of the ICAR package prescribed the payment of the revised scales with effect from 1 January 1996 and allowances from 1 August 1997, clause v (d) notified the payment of Cost of Living Allowance (CLA), House Rent Allowance (HRA), Transport Allowance (TA), City Compensatory Allowance (CCA) and other allowances to teachers in State Agriculture Universities (SAUs) at the same rates and dates as applicable in the respective State Governments. The Gazette passed (February 1999) by Government of Bihar, however, notified to pay DA/CLA w.e.f 01.04.1997 and HRA/CCA from 01.02.1999 at revised rates.

¹⁶ ₹ 628.81 lakh + ₹ 398.68 lakh = ₹ 1027.49 lakh or ₹ 10.27 crore

Scrutiny (November 2008) of records of the Rajendra Agriculture University (RAU), Pusa, Samastipur revealed that payment at the revised rates were made to teachers and scientists from 2003-04 onwards. The payment of arrears for the period 1 January 1996 to 2003-04 was made during the year 2005-06 after receipt of grants for this purpose from ICAR / State Government.

Scrutiny of 380 out of 430 cases disclosed that contrary to the provisions of ICAR, the RAU paid allowances viz. HRA and CLA at revised rates with effect from January and July 1996 respectively, instead of the dates notified by the State Government i.e. 01.04.1997 for DA/CLA and 01.02.1999 for HRA/CCA. This resulted in excess payments of ₹ 27.22 lakh on account of arrears of CLA and HRA pertaining to the period from January 1996 to January 1999.

The matter was reported to the Government in June 2010 and September 2010. The Comptroller, RAU, Pusa at the behest of Under Secretary (August 2010) asserted (September 2010) that only para (v) (d), and not para (v) (a), of the Circular of the Department of Agriculture Research and Education, Ministry of Agriculture, Government of India (March 2009) was applicable to RAU, Pusa. Consequently, no excess payment of CLA/HRA had been made to the teachers and scientists.

The reply of the University is not acceptable since as per Clause v (d) of the ICAR package, these payments were to be made in accordance with those applicable to the State Government employees. However, RAU implemented the revised rates of HRA w.e.f. 01.01.1996 and CLA w.e.f. 01.07.1996 respectively, instead of 01.04.1997 for CLA and 1.02.1999 for HRA.

RURAL WORKS DEPARTMENT

2.2.5 *Infertuous expenditure on abandoned work*

Payment of ₹ 2.46 crore was made for an incomplete road work.

The work of widening and strengthening of the Hajipur-Chhatwan road under the NABARD scheme, was awarded (January 2007) by the Chief Engineer, Patna for ₹ 3.58 crore, to a contractor for completion within six months i.e. by July 2007. Scrutiny of the records of Rural Works Division, Darbhanga revealed (June 2009) that as per the conditions of the agreement, the payment was to be made for only that part of the road where black topping work had been completed. The work involved widening the entire length of the 9.5 km road from 3.05 metres to 3.75 metres, strengthening with 75 mm stone metal grade (SMG)-II, 75 mm SMG-III, 50 mm built-up spray grouting (BUSG) and 25 mm semi-dense bituminous concrete (SDBC) work, along with the provision of cross-drainage.

However, the contractor did not execute the works according to the work plan and abandoned (February 2008) them without assigning any reason, after executing SMG – III in the entire length of the road and BUSG in 5.5 km, and received payment of ₹ 2.46 crore (March 2008). These payments were made

ignoring the agreement condition that payment would be made for only that part of road where black topping has been completed.

In the absence of final surfacing, 32.5 per cent¹⁷ of BUSG and SMG-II and 47.5 per cent¹⁸ of SMG-III amounting to ₹ 55.41 lakh was damaged (June 2009). The work was finally rescinded in November 2009.

In reply, the EE accepted (June 2009) that the work could not be executed in time and further action would be taken as per the terms of the contract. He further reported (July 2010) that the works executed by the contractor had been partially damaged. On this being reported to the Government (July 2010), the Special Secretary, RWD, Government of Bihar while agreeing (September 2010) with the audit observations regarding violation of payment norms also accepted laxity on the part of the EE while making payment to the contractor.

Thus, the payment of ₹ 2.46 crore to the contractor in violation of the conditions of the agreement, resulted in infructuous expenditure.

HUMAN RESOURCES DEVELOPMENT DEPARTMENT (HIGHER EDUCATION DEPARTMENT)

2.2.6 Irregular payment of pay and allowances

Continuance of services of ineligible employees in the university resulted in irregular payment of ₹ 6.75 crore on account of pay and allowances.

The Supreme Court, in its judgement (October 2004) on CA no. 6098/1997, laid down guidelines for absorption of teaching and non-teaching staff of affiliated colleges converted as constituent colleges of the universities of Bihar. The judgement, while accepting the findings of a one-man enquiry commission set up by the court, directed the universities that employees who were either appointees against sanctioned posts or were working against additional posts for which recommendations for sanction were sent by the Universities to the State Government before the cut off date¹⁹ should be absorbed in those posts. The judgement prohibited absorption of those employees whose recommendations were sent by the universities after the cut-off date or who were working against unsanctioned posts.

Audit (March 2009) of the records of all the six constituent colleges (converted from affiliated colleges) of Bhupendra Narayan Mandal University,

¹⁷	BUSG 20607.41 M ²	₹ 3934779	32.5%	₹ 1278803
	SMG-II 2260.98 M ³	₹ 4420329	32.5%	₹ 1436607
¹⁸	SMG-III 2514.95M ³	₹ 5948863	47.5%	₹ 2825710
				₹ 5541120

¹⁹ Under Bhupendra Narain Mandal University the recommended cut-off date for the five colleges were : 30 April 1986, and for one college: 31 March 1987

Madhepura disclosed that 91²⁰ teachers and 183²¹ non-teaching staff (Class-III: 106 and Class IV: 77) were retained in service in contravention of the Supreme Court's judgement, as their appointments were neither against sanctioned posts nor did their names figure in the list of employees whose services were recommended for absorption before the cut-off date. This resulted in irregular payment of ₹ 6.75 crore (**Appendix 2.3**) to them on account of salaries for the period July 2005 to August 2010.

On this being reported to the Government (June 2010), the Director, Higher Education, Government of Bihar stated (August 2010) that retrenchment of staff was a big process which generated great opposition apart from legal impediments. Further, as nobody had asked these staff to discontinue, they kept on continuing. He added that the service matters of these staff was sub-judice in the Judicature of the High Court at Patna and their services were protected by the order of the Court. As such, the University was bound to keep making payments to them until further orders.

The reply is not tenable as the Supreme Court had already intervened in this issue and given its judgement (October 2004) wherein the services of these employees had to be terminated. Moreover, since even the High Court, Patna (March 2010) had also excluded these employees from the purview of the case, the contention that cases pertaining to absorption and retention of these staff was pending in the High Court, Patna and the University was bound to make payments to these staff was not correct.

Thus, failure to comply with the Supreme Court's order led to unauthorised continuance of services of these employees in Bhupendra Narayan Mandal University, Madhepura, resulting in irregular payment of ₹ 6.75 crore on account of their pay and allowances.

2.3 Avoidable/unfruitful expenditure

ROAD CONSTRUCTION DEPARTMENT

2.3.1 Irregular award of road work

Downgrading the specifications of residual road work resulted in the reduction of the design life of a road and the execution of substandard work of ₹1.15 crore.

During the construction of roads, it is essential that once the specifications have been decided, they must be applied uniformly for the entire stretch of the road on which strengthening work is being undertaken. Any change in the

²⁰ Parvati Science College Madhepura (17), R.L. College, Madhav Nagar (42), R.M. College, Saharsa (9), S.N.S.R.K.S College, Saharsa (4), B.N.M.V College, Saharsa (9), K.B.Jha College, Katihar (10)

²¹ B.N.M.V. College, Madhepura(17), Parvati Science College, Madhepura (39) R.L.College, Madhav Nagar (59), R.M. College, Saharsa (38), K.B Jha College, Katihar (22), S.N.S.R.K.S College, Saharsa (8)

specifications or deviation, if at all required from the original one, should be duly approved by the original sanctioning authority.

Scrutiny (July 2009) of the records of Road Division No.- 2, Muzaffarpur disclosed that the work of strengthening the existing road crust from 0 to 12.8 km of Runnisaipur Belsand-Parsauni road was awarded (November 2006) for ₹ 5.05 crore by the departmental tender committee to an agency for completion by January 2008. However, after making payment (February 2008) of ₹ 3.21 crore for work done up to the length of 8.75 km, the Executive Engineer (EE), on account of complacency and non-execution of work by the contractor, rescinded (March 2008) the contract. Thereafter, for completion of all the remaining works between 0 to 12.8 km, the Division signed (March 2009) two agreements with two different agencies, the first for ₹ 69.93 lakh for Plain Cement Concrete (PCC) and brick soling work and the second for bituminous work and brick soling work worth ₹ 1.15 crore. The division made total payment of ₹ 5.06 crore for this work.

Scrutiny further disclosed that the original work specification was 25 mm Semi Dense Bituminous Concrete (SDBC) over 50 mm Bituminous Macadam (BM) over 50 mm Built up spray Grouting (BUSG) based on the California Bearing Ratio (CBR) value, design life for 10 years and traffic density on the road. However, these specifications were revised downwards to 20 mm premix carpet over 50 mm BUSG by the Chief Engineer (CE), North Bihar Wing (NBW) in the contracts for the residual works. Also, these changes in specifications were for far lesser than the design life of the road and the cumulative number of axles catered for in the design. Subsequently, the division made payment of ₹ 1.15 crore for the execution of the remaining works.

Thus, the division constructed a road of downgraded specifications with lesser design life even after incurring the expenditure of ₹ 1.15 crore.

On this being pointed out in audit, EE RCD No-2, Muzaffarpur replied (July 2009) that the remaining works were executed on reduced specifications due to the non-availability of hot-mix plant (HMP) with the contractor under the sanction of higher authorities in public interest. The Engineer-in-Chief (EIC) - cum-Special Secretary, Road Construction Department (RCD), Bihar, Patna while reiterating the same, further added (July 2010) that the specifications were changed by the CE, North Bihar Wing in the light of the Government's Resolution (No. 5452 of May 2006) regarding decentralisation of technical sanctioning authority and that resurfacing would be done after five years as per Ministry of Road Transport and Highways (MORTH) specifications in both the initial and residual work portions with 25 mm SDBC or 50 mm BM overlaid by 25 mm SDBC, as the case may be, to make it compatible for full life span of 10 years. The same facts were also corroborated by the Deputy Secretary (August 2010) and the Secretary (September 2010) in their replies.

The replies are not tenable as non-availability of HMP with the contractors is incorrect and misleading since the possession of mini HMP was a precondition of the NIT and its availability was duly certified by the Division itself. Secondly, the calculation of pavement thickness had been derived on the basis

of five years road life and traffic density at the rate of three Million Standard Axles (MSA) yearly in the revised specifications while it had been originally contracted for 10 years road life and traffic density of six MSA as shown in the calculation sheet of the pavement thickness submitted by the EIC cum-Special Secretary himself.

Thus, the execution of the remaining works on a road with reduced specifications led to the execution of substandard work amounting to ₹ 1.15 crore.

2.3.2 *Avoidable expenditure and undue aid to contractors*

Irregular award of works during the defect liability period led to avoidable expenditure of ₹ 10.63 crore and undue aid of ₹ 38 lakh to the contractors.

As per the special condition of the agreement for execution of Improvement of Riding Quality of Pavement (IRQP) and Periodical Renewal (PR) works, a contractor was required to rectify the damages during the defect liability period after completion of work (three years in IRQP and two years in PR works) at his own cost. The security deposit was also required to be retained with the division till the end of the defect liability period.

A test check of records of the National Highway (NH) Division, Lakhisarai, Munger disclosed (November 2009) that the division had executed four agreements for IRQP/PR works in different stretches of NH-80 between January 2007 and February 2007 (*Appendix 2.4*). The works were completed between January 2008 and March 2009 and payment of ₹ 6.52 crore was made up to March 2009 from the State Funds. The division again executed (March 2009 to July 2009) three Standard Bidding Document (SBD) agreements for IRQP works on the same stretches of road with the same specification. These works were executed through Central funds (Ministry of Road Transport and Highways) and payment of ₹ 10.63 crore was made to the contractors during November 2009 to March 2010. It was also observed that the division released (August 2009 to March 2010) security deposits of ₹ 34 lakh to the contractors (January 2011 to March 2012) and in one case (agreement no. 19 F₂/2006-07), the bank guarantee of ₹ four lakh was allowed to lapse (January 2008).

Scrutiny revealed that the agreements executed from the State funds entailed the defect liability clause as a special condition according to which occurrence of any damage in the road during the defect liability period should be rectified by the concerned contractor at his own cost. However, the division executed three SBD agreements for IRQP works on the same stretches of road from the Central Funds (MORTH) and made a payment of ₹ 10.63 crore. This expenditure was to be avoided because these roads were already under the defect liability period of the previous agreement. Further, the division also refunded the security deposit to the contractors, amounting to ₹ 38 lakh, during the defect liability period.

Thus, the award of work within the defect liability periods of previous works and their subsequent execution on the same stretches with the same specifications was irregular, resulting in avoidable expenditure of ₹ 10.63 crore and the division also provided undue aid amounting to ₹ 38 lakh through irregular refund of security deposits and lapse of bank guarantee to the contractors.

The EE, NH Division, Lakhisarai replied (November 2009) that the roads were made motorable initially with State funds and further IRQP works were done to increase the road crust with repair of pot patch. On this being reported (July 2010), the Deputy Secretary, Road Construction Department (RCD), Government of Bihar stated (August 2010) that securities were refunded to the contractors only after executing subsequent agreements. The Secretary further replied (September 2010) that the bituminous works were completed before the monsoon period of 2007 and stretches of road (NH-80) were badly damaged by heavy traffic during 2007-08 necessitating fresh agreements.

The replies are not acceptable as the earlier works were executed for IRQP and not to make the road motorable as stated by the EE and the contractors were liable to repair any damage to the road within the defect liability period. Subsequent entering into fresh agreements for execution of works on the same stretch of road during the defect liability period was just to utilise the GOI funds and to provide undue aid to contractors which was irregular and resulted in avoidable expenditure of ₹ 10.63 crore.

PUBLIC HEALTH ENGINEERING DEPARTMENT

2.3.3 Inadmissible payment

There was inadmissible payment of ₹ 2.48 crore to a contractor on account of price neutralisation.

Rule 340 of the Bihar Public Works Account Code read with Rule 246 of Bihar Financial Rules (Vol-I) provides that a contractor entering into a lump-sum contract has to execute the complete work with all its contingencies in accordance with the drawings and specifications for a fixed sum and the detailed measurements of work done are not required to be recorded except for addition or alteration. In December 2007, the Engineer-in-Chief-cum-Special Secretary, Public Health Engineering Department (PHED) invited tender for augmentation of drinking water supply schemes in six²² towns on turnkey basis. According to the tender conditions, only fixed and firm rates were to be quoted. Hence, clause 10 CA of the Standard Bid Document (SBD) relating to price escalation/neutralisation was not applicable during the execution of work and was not to be a part of the agreement for the work being executed on a turnkey basis.

Test check (September 2009) of records of the Executive Engineer (EE) Public Health Division (PHD), Sheikhpura disclosed that the Urban

²² *Barh, Hajipur, Hilsa, Kishanganj, Muzaffarpur and Sheikhpura*

Development Department (UDD), Government of Bihar and Chief Engineer, PHED accorded administrative and technical sanctions of ₹ 18.41 crore (March 2007) and ₹ 17.40 crore (September 2007) respectively for the urban water supply scheme, Sheikhpura. Based on the bids received (March 2008), the work was allotted to the lowest bidder at 24.13 *per cent* above the bill of quantity (BOQ) rates. While finalising this tender, the justification presented before the Departmental Tender Committee/ Scheme Empowered Committee for the high rates was the price hike in iron and iron made products. Accordingly, the division entered into an SBD agreement for ₹ 22.30 crore with the agency in July 2008 but without deleting the price escalation/neutralisation clause.

It was observed that out of a payment of ₹ 16.63 crore made (June 2010) for works executed, ₹ 2.48 crore was paid towards price escalation, which was not admissible in a turnkey contract. In reply, the EE stated (September 2009) that due to delayed finalisation of tenders and formalities in the Finance Department, it was decided (through resolution in June 2008) to provide PHED's price escalation/ neutralisation as per clause 10 CA/10 CC of the Standard Bid Document for G.I. pipes/C.I.pipe/D.I. pipe/H.S. pipes etc. On this being reported (July 2010) to the Government, the Principal Secretary also stated the same thing.

The replies are not acceptable because the work was tendered for execution on a turnkey basis with no provision for any price escalation/neutralisation as per the rule mentioned above. The work itself was awarded at 24.13 *per cent* higher than the estimated cost, giving the steep increase in price of steel pipes as justification. The non-deletion of the price escalation clause was also unjustified since it tantamounted to awarding undue benefit to the contractor.

Thus, non-deletion of the price escalation/neutralisation condition resulted in an inadmissible payment of ₹ 2.48 crore against a payment of ₹ 16.63 crore.

2.4 Idle expenditure /blocking of funds

HEALTH DEPARTMENT

2.4.1 Under-utilisation of Trauma Centres

Despite an investment of ₹1.85 crore, Trauma Centres remained under-utilised due to non-sanctioning of posts of medical and para-medical staff.

The Ministry of Health and Family Welfare, Government of India (GOI) sanctioned (April 2001) and released (May 2001) ₹ 1.50 crore to the Indira Gandhi Institute of Medical Sciences (IGIMS) and ₹ 80.50 lakh to PHC Bikram at Patna for setting up model highway trauma centres at these Highway places through upgradation and strengthening of emergency facilities for treatment of road accident victims. As per GOI guidelines, the State Government was to provide specialist manpower i.e. anaesthetist, surgical specialist, ortho-specialist and supporting staff to these centres.

(A) Audit scrutiny (October 2009) of records of IGIMS disclosed that the civil work was started (April 2006) after five years of sanction of funds due to delay in the finalisation of the tendering process. Even the work started in April 2006 with scheduled completion by September 2006, was delayed and completed only in November 2007 at a cost of ₹ 66.51 lakh. Further, IGIMS also purchased (March-December 2008) equipment and accessories valuing ₹ 38.07 lakh against the requirement of equipment for ₹ 60 lakh. However, the Government could not make the trauma centre functional due to non-sanctioning/non-posting of specialist medical and para-medical staff.

In reply, the Director, IGIMS stated (October 2009) that the non-deployment of specialist doctors/nurses/technical/non-technical officers/staff was due to non-sanctioning of posts by the Government. He further intimated (May 2010) that efforts were on to select six medical officers and seven Senior House Officers for smooth functioning of the Trauma centre. Principal Secretary, Health Department, Government of Bihar replied (September 2010) that two operation theatres (OTs) had been earmarked for the IGIMS trauma centre and six Medical Officers (MOs) had been deployed there. Efforts had been initiated to get the posts of the trauma centre duly sanctioned.

The replies are not acceptable as the civil works commenced (April 2006) after a delay of five years and were completed in November 2007. Also, despite a time lapse of almost nine and half years (as of September 2010) since the sanction of scheme, the Government did not sanction the posts of specialists required for the trauma centre, though mandated in the scheme guidelines. Further, the reply that the existing trauma centre is being run with two OTs and six MOs is misleading because these OTs are running inside the IGIMS hospital and not in the newly constructed model highway trauma centre. Thus, the trauma centre set up at a cost of ₹ 1.05 crore was not being utilised for its intended purpose, owing to apathy of the Government towards it.

(B) In another similar case, construction of the building of the Primary Health Centre (PHC), Bikram for a model highway trauma centre was completed in June 2002 at a cost of ₹ 62.45 lakh. The completion certificate was issued in May 2003. The contractor also supplied an ambulance, X-ray unit, OT equipment and accessories between April 2003 and August 2006 to the Medical Officer-in-Charge (MOIC) of PHC Bikram after incurring an expenditure of ₹ 17.66 lakh. However, due to non-sanctioning of posts, the trauma centre remained non-functional for the last seven years. Even the services of the ambulance could not be utilised for want of a driver and non-payment of road tax.

The MOIC, PHC, Bikram stated (January and June 2010) that the trauma centre could not be started due to non-receipt of funds from GOI and lack of any decision in respect of provision of specialist manpower to this centre from the State Government. The department, in its reply, stated (September 2010) that the trauma centre at Bikram had been made functional w.e.f. January 2010 and services of doctors deployed by CS-cum-CMO Patna (vide Lt. No. 439 dated 12.01.2010) were being utilised as a part of professional personnel management. The department's reply coupled with the non-sanctioning of

posts by the Government as of December 2010 further strengthens the audit contention that the trauma centre at Bikram was grossly under-utilised as despite its completion in June 2002 it could be put into use, albeit partially, only from January 2010.

Thus, despite an expenditure of ₹ 1.85 crore, the assets created for the trauma centres could not be made functional due to non-posting of medical/para medical staff by the Government of Bihar, resulting in their under-utilisation and denial of the intended benefits of the scheme.

HUMAN RESOURCES DEVELOPMENT DEPARTMENT

2.4.2 Wasteful expenditure on salary

Payment of ₹ 1.10 crore was made to idle teaching staff.

The National Council for Teachers Education (NCTE) Act, 1993, envisages that all institutions intending / offering training courses in teachers education have to mandatorily obtain recognition from NCTE. Some of the conditions for obtaining NCTE recognition included availability of unlitigated land, suitable accommodation, financial resources, well-equipped libraries, laboratories and qualified staff as per NCTE norms. Any institution refused recognition was required to discontinue the training course in teachers education at the end of the same academic session, but could appeal against this decision.

Test check (December 2009) of the records of the Primary Teacher Education College (PTEC), Masaurhi (Patna) revealed that though PTEC had been imparting teacher's training prior to the NCTE Act, 1993, it applied for recognition to the Eastern Regional Committee (ERC) of NCTE, Bhubaneswar, for its training programmes only in March 2002. This was turned down (July 2002) by the ERC due to non-fulfilment of the required conditions. No follow up action was taken in this regard by the then Principal and the fact was not communicated to the Government for reasons not on record. The PTEC again applied for the same in the February 2009.

It was further revealed that the PTEC had a staff of 22 teaching and 10 non-teaching staff (April 2001 to June 2010). However, it did not conduct any teachers' training course during this period except for conducting an unrecognised training programme for 54 trainees during 2006-07. Continued retention of teaching staff without conducting any training programme led to expenditure of ₹ 1.10 crore on payment of salaries to idle teaching staff.

In reply the Principal, PTEC Masaurhi admitted (December 2009) that training was imparted to newly appointed/untrained teachers during 2006-07 only. Regular enrolment of the teachers for training during the period 2001-2010 could not be done due to non-granting of recognition by NCTE, except for the unrecognised course conducted during 2006-2007. On this being reported (July 2010) to the Government, the Principal Secretary, Human Resources Development Department (HRDD), Government of Bihar replied

(August 2010) that though efforts were made in 2009-10 to get NCTE recognition, the same was not accorded by NCTE to the PTEC, Masaurhi. Thus, necessary steps had been taken to justify the expenditure on the PTEC, Masaurhi. This fact was further corroborated by the Assistant Director, Primary Education, HRDD, Government of Bihar who accepted that the payment on pay and allowances of those teaching staff was nugatory, but it was not possible to stop the payment to regular staff.

The reply is not acceptable because no efforts were made by the department to redeploy the teaching staff and utilise their services for nearly 10 years. The Government should have redeployed the teachers of PTEC, Masaurhi elsewhere, since the State was facing a shortage of teachers. The continued deployment of teachers without conducting any teachers' training courses resulted in wasteful expenditure of ₹ 1.10 crore on idle teaching staff.

2.5 General

2.5.1 Insufficient response of Government to Audit

The Principal Accountant General (Audit) (PAG), Bihar conducts periodical inspections of Government departments to check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by the issuance of Inspection Reports (IRs). The heads of offices and the next higher authorities are required to comply with the observations contained in the IRs, rectify the defects promptly and report their compliance to the Audit Department.

However, a review of IRs issued during the period 2003-04 to 2009-10 relating to 30 departments revealed that 37789 paragraphs relating to 7286 IRs remained outstanding at the end of October 2010 as shown in the **Table no. 1**.

Table no. 1
Outstanding IRs/Paragraphs

Outstanding IRs/Paragraphs for the year								
	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Total
IRs	958	907	853	1070	1129	1251	1118	7286
Paragraphs	5346	5262	4327	5700	5283	5955	5916	37789

The year-wise and department-wise breakup of outstanding IRs and paragraphs is mentioned in *Appendix 2.5*

The pendency of such large numbers of IRs/paragraphs indicate lack of responsiveness of the Government departments towards audit observations.

2.5.2 Non-submission of Explanatory (Action Taken) Notes

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisaged that the Secretaries to Government of the concerned

departments were required to submit explanatory notes to the Assembly Secretariat on audit paras and reviews included in Audit Reports (AR). Such notes were required to be submitted after vetting in audit and within two months from the date of presentation of the ARs to the State legislature without waiting for any notice or call from the Public Account Committee (PAC). They were also required to indicate therein, the circumstances and reasons for occurrence of such irregularities and deviations from the prescribed norms and the action proposed to be taken to make good the losses and to prevent recurrence of such instances.

Further, Regulation 213 of the Regulations on Audit and Accounts (November 2007) envisaged that the Union, the States and the Union Territories having legislative assemblies, where legislative committees were functioning or where the Government desires the Comptroller and Auditor General to vet the Action Taken Notes (ATN), the concerned Secretaries to Government should send two copies of draft self-explanatory ATN to the PAG (Audit) for vetting along with the relevant files and documents, properly referenced and linked. This was to be done within such period of time as might be decided for submission of the self-explanatory ATNs prescribed by the PAC.

It was noticed that as of October 2010, 25 departments had not submitted the Explanatory (ATN) Notes in respect of 24 reviews and 102 paragraphs pertaining to the years 2000-2009 (*Appendix 2.6*).

2.5.3 Follow up action on earlier Audit Reports

Regulation 212 and 213 of the Regulations on Audit and Accounts envisage the settlement of paragraphs featured in the Audit Reports of the Comptroller and Auditor General of India. Departments are required to furnish Action Taken Notes (ATNs) to the PAC within two months from the date of the recommendations made by the PAC in their reports.

Review of the outstanding ATNs on the paragraphs included in the earlier Reports of the Comptroller and Auditor General of India for the Government of Bihar revealed that the ATNs in respect of the PAC Reports pertaining to the period from November 2000 to November 2010, in respect of 393 paragraphs involving 30 departments remained outstanding as of November 2010 (*Appendix 2.7*).