

2.1 Defalcation/loss/fraud of Government money

RURAL DEVELOPMENT, AGRICULTURE & SUGERCANE DEVELOPMENT AND ROAD CONSTRUCTION DEPARTMENTS

2.1.1 Non-recovery of advance and defalcation

Non-adherence to financial rules led to advance of ₹ 20.15 lakh becoming irrecoverable, besides defalcation of ₹ 18.44 lakh.

Rule 86 (ii), (iii), (iv) and (v) of the Jharkhand Treasury Code (JTC) (Vol. I) provides that all monetary transactions should be entered into the cash book as soon as they occur and be attested by the Head of the Office. The cash book should be balanced, closed and checked daily by the Drawing and Disbursing Officer (DDO). Further, the cash balances at the end of every month are required to be physically verified by the DDO. This is in order to ensure that the cash balances shown in the cash book tally with the physical balances. The DDO should compare the Treasury Officer's or the bank's receipts on the challans or his passbook with the entries in the cash book before attesting them and satisfy himself that the amounts have been actually credited into the Treasury or the bank. Further, Rule 210 of JTC stipulates that a Government servant entrusted with the payment of money should obtain for every payment he makes, including repayment of sums previously lodged with the Government, a voucher setting forth full and clear particulars of the claim and all information necessary for its proper classification and identification in the accounts. Every voucher must bear or have attached to it, an acknowledgement of the payment signed by the person by whom, or on whose behalf, the claim is put forward. Acknowledgements should be taken at the time of payment.

Scrutiny (between July 2008 and May 2010) of the records of four offices revealed defalcation/loss of Government money of ₹ 18.44 lakh as discussed below:

Name of office	Defalcated amount (₹ in lakh)	Remarks
Block Development Officer (BDO), Sahebganj	5.50	The BDO, Sahebganj received (April 2006) a cheque for ₹ 5.50 lakh under the Indira Awas Yojana (IAY) and deposited (May 2006) it into UCO Bank, Sahebganj (A/c No.- 8137). The amount was neither accounted for on the receipt side nor on the payment side in the cash book of the office of the BDO, Sahebganj and kept outside the Government Account upto August 2008. Further, the said amount was entered (September 2008) on the receipt side of the cash book and the closing balance in the cash book was also enhanced by ₹ 5.50 lakh as the said amount was already included in the balance of UCO Bank. Since the amount was deposited into the bank only, a discrepancy of ₹ 5.50 lakh should have appeared between the cash book and the bank account but the physical balance remained unchanged (as of May 2010).The BDO,

		Sahebganj stated (May 2010) that the shortage of ₹ 5.50 lakh had been noticed in the IAY account and proper action was being taken accordingly.
BDO, Bishunpur, Gumla	9.15 ¹	The BDO, Bishunpur, Gumla advanced (prior to May 2001) ₹ 20.15 lakh (outstanding advance ₹ 4.67 lakh + scheme advance ₹ 15.48 lakh) to different employees which remained outstanding as of November 2009. Audit observed that the details of employees who were paid advances and the advance register were not available in the office. It was further seen in audit that the value of unadjusted vouchers which was shown as ₹ 5.88 lakh in the cash book prior to May 2001 increased to ₹ 9.04 lakh as on July 2002. Thereafter, a new voucher register was started by taking the opening balance as ₹ 9.04 lakh and a certificate was recorded that the vouchers and the voucher register were not available in the office in support of the payments for the period prior to July 2002. Thus, an amount of ₹ 9.04 lakh shown in the closing balance of the cash book remained unreconciled. Besides, ₹ 2,333 stated to be in single lock and ₹ 8,500 in the bank was also not physically available (since July 2002). The BDO, Bishunpur stated that the matter would be investigated.
District Agriculture Officer (DAO), West Singhbhum, Chaibasa	3.39	The DAO, West Singhbhum, Chaibasa received (March 2006) an account payee cheque for ₹ 3.39 lakh issued by the Director of Agriculture, Ranchi for organising a <i>Kisaan</i> fair for agriculture. The said cheque was neither deposited into the bank nor taken into the cash book as of April 2010. Further, the said cheque was drawn (April 2006) in cash by the DAO, Chaibasa from the bank on which the cheque was issued. The amount was not accounted for in the cash book (receipt side). No documentary evidence was produced in support of the expenses. This also showed failure on the part of the Director, Agriculture, who failed to ensure that the amount advanced to the DAO was adjusted.
Executive Engineer (EE), Road Construction Division, Deoghar	0.40	It was observed during scrutiny of the cash book of the EE, RCD, Deoghar that the total of the withdrawals from the Treasury on 17 March 2005 against bill nos 128, 131 and 132 were ₹ 1,59,917 but the total amount on the receipt side of the cash book was entered as ₹ 1,19,917 only. Despite this, the closing balance of the cash book and entries were verified by the EE, who recorded a certificate that entries made on both the sides were verified and found correct. Thus, ₹ 40,000 was defalcated. The matter was reported to the Government. No action had been taken by the department against the erring officials as of November 2010.
Total	18.44	

Thus non-adherence to codal provisions by the then BDO/DAO/EE facilitated defalcation of Government money of ₹ 18.44 lakh.

The matters were reported (between May and July 2010) to the Government. Their replies had not been received (November 2010).

¹ ₹ 9.15 lakh = ₹ 9.04 lakh + ₹ 2,333 + ₹ 8,500.

DRINKING WATER AND SANITATION DEPARTMENT

2.1.2 Loss to the Government

Failure of the Department to recover the element of excise duty from a contractor led to a loss of ₹ 4.48 crore.

The Department of Revenue, Ministry of Finance, Government of India extended full exemption from excise duty to all items required for setting up of water treatment plants (WTPs) vide notification No. 47/2002 dated 6 September 2002. Central excise duty was also exempted on pipes required for obtaining untreated (raw) water from its source to the WTPs and for supplying treated water to storage places. Exemption of excise duty was subject to certification by the Collectors/District Magistrates/Deputy Commissioners of the districts in which the WTPs were to be set up.

The Drinking Water and Sanitation (DW&S) Department issued (July 2004) a work order to M/s Nagarjuna Construction Company Limited (NCCL) for construction of an intake channel, an intake well-cum-raw water pump house, raw water rising mains from Maithan to the proposed WTP at Dhanbad and for supply of treated water from the WTP to the existing distribution system at Dhanbad and Govindpur. The work was awarded at a total cost of ₹ 109.83 crore, inclusive of Central excise duty etc. The work, *inter alia*, included supply and installation of 79,000 m of ductile iron (DI) pipes of various diameters between 1000 mm and 250 mm at a total price of ₹ 68.24 crore. The rates for supply of DI pipes with eight *per cent* excise duty were approved on the ground that the manufacturer was not maintaining separate accounts for dutiable and non-dutiable inputs as per Rule 6 of the CENVAT Credit Rules. However, as per the directions of the Excise Department, the manufacturer was maintaining separate accounts for dutiable and non-dutiable goods from June 2004 itself *i.e.* prior to award of the work. As per the CENVAT Credit Rules, under such option, no excise duty was payable on goods declared as exempted. Further, as per the terms and conditions of the contract, the amount of eight *per cent* of the basic price was to be reflected in the Central excise challan-cum-invoice issued by the manufacturer as proof of payment to the Excise Department on this account. Accordingly, the contractor placed (July 2004) an order on M/s Electrosteel Castings Limited, Kolkata for supply of 79,000 m of DI pipes. The rates were inclusive of applicable excise duty. The contractor actually supplied and laid 82,999.69 m of DI pipes up to the 33rd running account bill and was paid ₹ 70.90 crore towards supply and installation of pipes for the works executed.

Scrutiny (April/May 2009) of records of Executive Engineer (EE), DW&S Division 1, Dhanbad revealed as under:

- The Executive Engineer issued five certificates in favour of the contractor and the manufacturer for exemption of excise duty on 82,999.69 m of DI pipes, duly signed by the Deputy Commissioner, Dhanbad.
- The contractor furnished challan-cum-invoices issued by the manufacturer indicating 'nil' excise duty. There was no proof of payment of excise duty to the Government despite the provision made in the contract. In the absence of proof of payment of excise duty, the department could not claim refund of

duty from the Central Excise Department in terms of Section 11B of the Central Excise Act, 1944. It was observed that the EE paid ₹ 70.90 crore towards supply and installation of DI pipes without taking any steps for realisation/recovery of the amount of excise duty already paid from the bills of the contractor.

In reply to the audit query, the EE stated (May 2009) that the work was executed and payments were made as per instructions of the higher authority as per the CENVAT Credit Rules 2002.

The reply of the EE was not in order as the EE made payments for the pipes at full rates inclusive of eight *per cent* excise duty but failed to obtain from the contractor, proof of payment of excise duty as per the terms of contract.

Thus, failure of the department to recover the element of excise duty from the contractor led to a loss of ₹ 4.48 crore. Moreover, in the absence of any proof, the payment of excise duty by the contractor was not found on record and undue benefit to the contractor on this account could also not be ruled out.

The matter was reported (July 2010) to the Government. Their reply had not been received (November 2010).

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

2.1.3 Loss to the Government

Injudicious purchase of X-ray films without following tender procedure or competitive bidding and excess quantity of medicines led to expiry of medicines/X-ray films and loss of ₹ 28.81 lakh to the Government.

According to Rule 129 of the Jharkhand Financial Rules, purchases must be made in the most economical manner in accordance with definite requirements of the public service. Further, Rule 160 of the General Financial Rules envisage that all Government purchases should be made in a transparent, competitive and fair manner, to secure best value for money.

Sadar Hospital, Dumka purchased 400 packets of X-ray films at a cost of ₹ 7.60 lakh during 2004-06 while the Mahatma Gandhi Medical College and Hospital (MGMC&H), Jamshedpur purchased 11,27,900 packs of medicines at a cost of ₹ 26.70 lakh during 2006-07.

Scrutiny (between February and November 2009) revealed that the above purchases were made despite the fact that the average annual consumption of X-ray films during 2002-05 was 26.2 packets in Sadar Hospital, Dumka and the consumption of medicines during the preceding three years in MGMC&H, Jamshedpur was 30,207 packs only.

Further scrutiny (between February and November 2009) of records revealed that 302 packets of X-ray films worth ₹ 5.69 lakh and 8,38,787 packs of medicines worth ₹ 23.12 lakh expired without being put to use. Thus purchases of excess quantities were made for which there was no requirement.

It was also observed that the purchase proposal for the X-ray films moved by the Head Technician on 17 August 2005 was approved by the Superintendent, Sadar

Hospital, Dumka and the order was placed on a private supplier on the same day without any tendering process or inviting any competitive bidding.

On these being pointed out, the Superintendent, Sadar Hospital, Dumka stated (February 2009) that departmental action was being taken, whereas the Superintendent, MGMC&H, Jamshedpur, noted (November 2009) the audit observation for compliance in future.

Thus, due to injudicious purchase of X-ray films (without tender process/ competitive bidding) and medicines without assessment of requirement, Government suffered an avoidable loss of ₹ 28.81 lakh.

The matter was reported (June 2010) to the Government. Their reply had not been received (November 2010).



According to Rules 24 and 245 of the Jharkhand Public Works Department (JPWD) Code, it was the duty of the Superintending Engineer (SE) to inspect the state of various works within his circle. He was also required to see that the measurements were properly recorded and that they were complete records of actual measurements of work done for which certificates have been granted. Further, the Jharkhand Public Works Account Code² provides that acquisition of land in forest areas must be settled before preparation of estimates/ commencement of works.

Scrutiny (between November 2008 and May 2010) of records of the Executive Engineer (EE), Rural Works Division (RWD), Lohardaga revealed that an agreement for ₹ 3.52 crore was executed (September 2006) with a contractor for construction of the Fatehpur-Tuimu road (length 15.32 km) under the Pradhan Mantri Gram Sadak Yojana (PMGSY-Phase-IV) for completion by June 2007. Work valuing ₹ 1.82 crore was shown to have been executed between September 2006 and January 2008 up to the fourth running on account bill as measured by the Junior Engineer (JE) and duly checked and passed by the Assistant Engineer (AE) and the EE. The work was stopped (January 2008) midway by the Forest Department as the entire stretch of the road was under forest area and prior no objection certificate (NOC) had not been obtained from the Forest Department as per rule. The Forest Department issued NOC only in January 2009 *i.e.* much after the scheduled date of completion.

It was seen in audit that the successor EE inspected (February 2008) the site/work and reported that the work was substandard and fake measurements had been recorded in Measurement Book. After this was pointed out by the EE, the Deputy Commissioner, Lohardaga got the complaint investigated (July

² Annexure-'A' Cabinet Secretariat and Co-ordination Department (Vigilance Cell) resolution Number 948 dated 16 July 1986; para 4.5 and 6.3.

2008) by a team of officers from other departments³ and reported (July 2008) to the Principal Secretary, Rural Works Department, Jharkhand that the contractor had executed work valuing ₹ 56.20 lakh only. Thus, payment of ₹ 1.26 crore to the contractor was in excess of the actual work executed. The EE lodged (November 2008) an FIR against the then EE, AE, JE and the contractor. The result of the police investigation was awaited (October 2010). Further, EE (November 2008), SE (December 2008) and Chief Engineer, Jharkhand State Rural Road Development Authority recommended (July 2009) to the Rural Works Department that the contractor be blacklisted. It was noticed (May 2010) that the department not only failed to fix any responsibility against the erring officials for recording fake measurements but also failed to take action for recovery of the amount paid in excess of the actual work done and to blacklist the contractor under the codal provision⁴ despite lapse of more than two years from detection of the fraudulent payment. It was observed (May 2010) by Audit that the contractor was still working in Phase-V of PMGSY (Package No. JH-1501 and JH-1503). It was also observed (May 2010) that even the security deposit of the contractor amounting to ₹ 26.71 lakh against the executed work which was available with the department had not been forfeited. The department failed to take any action against the erring EE who retired on 31 January 2008. It was observed in audit that his pension and retirement benefits were sanctioned in July 2009 much after detection of the fraudulent payment in February/July 2008.

Thus, due to failure of the department to take action against the concerned officials and the contractor, fraudulent payment made to the contractor for ₹ 1.26 crore by the engineers in collusion with him could not be recovered. Besides, there was wasteful expenditure of ₹ 56 lakh on incomplete roads as the objective of the scheme to provide all weather roads to rural people could not be achieved.

The matter was reported (June 2010) to the Government. Their reply had not been received (November 2010).

DEPARTMENT OF ART, CULTURE, SPORTS AND YOUTH AFFAIRS

2.1.5 Irrecoverable advance

Undue aid of ₹ 2.60 crore to a contractor in the form of interest-free mobilisation advance led to its becoming irrecoverable.

Orders of the State Government do not provide for payment of mobilisation advance to a contractor. According to instructions⁵ issued (December 2004 and April 2007) by the Central Vigilance Commission (CVC), interest free mobilisation advance is not to be encouraged but if the management feels it necessary in specific cases, it is to be clearly stipulated in the tender documents and its recovery is to be timebound and not linked to the progress

³ Engineers of district council, NREP, Minor Irrigation and District Welfare officers, Lohardaga.

⁴ Annexure 'B': 18 (ii) of JPWD Code.

⁵ Circular No.004/ORD/9 dated 10 December 2004 and No.4CC-1-CTE-2 dated 10 April 2007.

of the work. Recovery of the advance is to be ensured so that misuse of such advances can be reduced. Part bank guarantees' (BGs) against the mobilisation advance are to be taken in as many numbers as the proposed recovery instalments and is to be equal to the amount of each instalment. This is to ensure recovery of advances by encashing the BGs.

The National Games Organising Committee (NGOC), Jharkhand was constituted to organise the 34th National Games to be held in Jharkhand during 15 to 28 February 2009. It entered (November 2008) into a contract with M/s Wizcraft International Entertainment Private Limited, Mumbai for event management against a consideration of ₹ 8.65 crore and was paid (December 2008) ₹ 2.60 crore as mobilisation advance.

Scrutiny (November/December 2009) of the records of NGOC revealed that it paid interest-free mobilisation advance of ₹ 2.60 crore which was equal to 30 *per cent* of the contract value, violating the norms and instructions contained in the CVC circular. Nothing was mentioned in the Notice Inviting Tender (NIT) about the amount of mobilisation advance to be given and the rate of interest leviable on the mobilisation advance. Violating the norms and instructions contained in the CVC circular, NGOC allowed the contractor to submit a post-dated cheque of ₹ 2.60 crore instead of a BG. Audit further observed that the NGOC unilaterally terminated the contract on 5 October 2009 when the validity of the post-dated cheque submitted by the said contractor as BG against the mobilisation advance had already expired. As a result, NGOC could not encash the said cheque. It, however, was in a position to encash the security deposit of ₹ 86.51 lakh lying with it in the shape of a bank draft and earnest money deposit against the said contract but records revealed that no such action has been initiated so far (December 2009).

In reply, NGOC stated (December 2009) that correspondence had been made for revalidation of the post-dated cheque but M/s Wizcraft raised the issue of power back-up which led to a stalemate.

The reply of NGOC was not satisfactory in view of the fact that interest-free mobilisation advance to the extent of 30 *per cent* of the value of the contract was paid without safeguarding the interest of the Government. It not only agreed to accept a cheque instead of BG in violation of CVC guidelines but also failed to ensure that the cheque remained valid till the mobilisation advance was recovered.

Thus, the mobilisation advance of ₹ 2.60 crore paid by NGOC amounted to undue aid to the contractor. This resulted in chances of recovery of the mobilisation advance of ₹ 2.60 crore given to the contractor becoming remote.

The matter was reported (June 2010) to the Government and further reminders were issued between August 2010 and October 2010. Their reply had not been received (November 2010).

2.2 Excess/wasteful/infructuous expenditure

ROAD CONSTRUCTION, WATER RESOURCES, DRINKING WATER & SANITATION AND BUILDING CONSTRUCTION DEPARTMENTS

2.2.1 Excess payment

Non/partial incorporation of a Government decision in the terms and conditions of contracts resulted in excess payment of ₹ 7.21 crore to contractors.

Based on the approval of the Cabinet, the Government of Jharkhand, Road Construction Department, Ranchi decided (26 March 2002) that all materials required for execution of contracts over ₹ 10 lakh would be supplied by the contractor and not by the department. It was also decided that “approved percentage rates” over the tendered Bill of Quantity (premium rates) were not payable to contractors on the cost of materials like bitumen, cement, steel, rods, pipes and other construction materials including carriage and profit, supplied and utilised by them in the works. It was observed that the Schedule of Rates (SOR) prepared by the Rate Fixation Committee included 10 *per cent* as contractor's profit for each item including cost of materials. According to the direction of the Cabinet of Ministers, the office order issued by the Road Construction Department for non-payment of premium rate on materials was applicable to all the works departments in the State. The order was published in the State gazette, endorsed to all heads of departments and was being published in SOR every year.

Scrutiny (between March 2009 and March 2010) of the records of six divisions⁶ revealed that the Executive Engineers entered (between 2006-07 and 2008-09) into 17 contracts (F2 agreements) at a total cost of ₹ 489.34 crore on premium rates ranging from 3 to 34.25 *per cent*. It was also observed that the abovementioned Government decision was ignored and the condition that premium rates were not payable to the contractors on the cost of materials was not incorporated in any of the contracts. It was seen that only in the case of one contract, it was mentioned that the premium rate was not payable on the cost of bitumen only. In the absence of suitable terms and conditions in contracts/agreements, premium rates amounting to ₹ 7.21 crore (*Appendix-2.1*) were irregularly paid on the cost of materials supplied and used by the contractors themselves, including carriage and profit for ₹ 42.01 crore in gross violation of the Government order.

Thus, non/partial incorporation of the Government decision in the terms and conditions of contract resulted in excess payment of ₹ 7.21 crore to contractors. No action had been taken against the officer(s) responsible for ignoring the Government order and making excess payment of ₹ 7.21 crore to the contractors (May 2010).

⁶ (i) Road Construction Division, Garhwa, (ii) Subernrekha Canal Division, Gangudih, (iii) Subernrekha Canal Division, Jamshedpur, (iv) National Highways Division, Jamshedpur, (v) Drinking Water & Sanitation Division, Saraikella and (vi) Building Construction Special Division, Ranchi.

The matter was reported (June 2010) to the Government. The Joint Secretary, Water Resources Department and Engineer-in-Chief, Drinking Water & Sanitation Department stated (September 2010) that as per Cabinet (Vigilance) Department, Technical Examination Cell, Bihar, Patna (letter issued in December 1983, June 1989 and September 1989) the contractor would be allowed premium rate on wages as well as on the materials purchased by him.

The reply of the department is not acceptable because they did not follow the resolution passed in March 2002 by the Cabinet of the Government of Jharkhand, though it was made applicable to all the departments, which automatically superseded the previous orders.

ROAD CONSTRUCTION DEPARTMENT

2.2.2 Excess payment

Wrong interpretation of terms and conditions of a contract led to undue financial benefit to a contractor through payment of inadmissible amount of ₹ 1.32 crore.

Based on the approval (May 2006) of the Chief Engineer (CE), Road Construction Department (RCD), Ranchi, the Executive Engineer (EE), Road Division, Latehar executed (August 2006) an agreement with M/s Mini Construction, Daltonganj for widening and strengthening of the Kutmu-Garu-Mahuadar road (0 to 84 km) at a total cost of ₹ 29.47 crore against the technically sanctioned estimate of ₹ 30.28 crore. The work was awarded on item rate contract basis through standard bidding documents, where item rates were offered by the contractor himself which included their profit. The work was scheduled to be completed within 24 months *i.e.* by July 2008. On the basis of a decision taken as per RCD notification No. 405 (S) dated 31 January 2004, the terms and conditions of the contract provided for reimbursement of the differential cost between "the accepted rate as per agreement" and "the price based on original invoices against actual purchase" of bitumen supplied and used in the works. There was no provision for payment of element of contractor's profit over the differential cost of bitumen.

Scrutiny (February 2010) of the records of the Road Construction Division, Latehar revealed that the contractor executed works valuing ₹ 30.03 crore (paid up to November 2009) and used 3,847.25 MT bitumen in the road works. The EE, Latehar, with the approval of the Superintending Engineer (SE), Road Construction Circle, Daltonganj paid the differential cost of bitumen including carriage amounting to ₹ 7.48 crore. It was further observed in audit that the amount also included ₹ 1.32 crore towards contractor's profit (10 *per cent*) on the invoiced cost of bitumen including carriage, which was not admissible as per the terms of the contract and the notification of the department. As per the above notification, the differential cost of bitumen was to be compensated to the contractor in the light of hike in price of bitumen. However, apart from compensating the cost differential, 10 *per cent* profit on hiked price was also allowed, which was not admissible.

Thus the terms and conditions of the contract were wrongly interpreted by the EE/SE to give undue financial benefit to the contractor, which resulted in

excess payment of inadmissible amount of ₹ 1.32 crore. The amount was recoverable from the contractor or the concerned officers of the department as per the conditions of the notification which had not been done so far.

The matter was reported (May 2010) to the Government. Their reply had not been received (November 2010).

BUILDING CONSTRUCTION DEPARTMENT

2.2.3 Excess payment

Reimbursement of Customs duty in violation of the provisions of the NIT resulted in excess payment and undue benefit of ₹ 13.81 crore to a contractor.

The Government of Jharkhand, Art, Culture, Sports and Youth Affairs Department (ACSYAD) decided (March 2005) to construct a 'Mega Sports Complex' at Hotwar (Ranchi) at an approved estimated cost of ₹ 206 crore for holding the National Games, 2007. The work was to be executed by the Special Works Division, Building Construction Department (BCD), Ranchi, Jharkhand in four packages. Tenders were invited (May 2005) under the two-bid system. M/s Nagarjuna Construction Company Limited (NCCL) was not declared (July 2005) pre-qualified by the consultant Meinhardt-SAA on the ground that the agency did not have the required experience as stipulated in the Notice Inviting Tender (NIT). Despite this, the price bid tendered by NCCL was opened under the orders of the Secretary ACSYAD (February 2008), relaxing the terms and conditions of NIT and the company was declared the lowest tenderer for package-II work at their quoted price of ₹ 171.48 crore, which was 31.57 *per cent* higher than the estimated cost of ₹ 130.33 crore for the package. Works of Package-II included design, engineering, fabrication and installation of 13,278 sqm. high quality PTFE⁷ coated fiberglass tension membrane fabric for the main stadium roof canopy at the quoted rate of ₹ 13,090 per sqm. which was inclusive of all taxes and duties. While approving the award of the work, the Secretary, ACSYAD decided (May 2006) to delete PTFE roofing work from the scope of the contract on the ground that the cost was very high and entered (May 2006) into an agreement with NCCL for a total cost of ₹ 152.22 crore.

It was observed in audit that after a lapse of 21 months from the date of award of the work, the department decided (February 2008) to use a PTFE roof canopy, which was earlier deleted from the scope of contract with NCCL. This item, which was deleted (May 2006) by the Secretary ACSYAD from the scope of work earlier on the ground that cost of the proposed PTFE was very high, was now allotted to NCCL as an extra item of work at the negotiated enhanced rate of ₹ 13,549 per sqm which was higher by ₹ 459 per sqm.

Scrutiny (between February and March 2010) of the records of the Executive Engineer, Special Works Division, BCD, Ranchi revealed the following:

- Though the value of the PTFE roofing work was ₹ 17.38 crore as per the earlier agreement, the department did not re-tender the work when it was

⁷ Design, Engineering, Patterning, fabrication, supply and installation of high quality PTFE coated fiberglass tension membrane fabric.

decided again to use the same PTFE roofing in order to ascertain the current market price. No rate analysis for this extra item of work was taken from the contractor for evaluation of proposed work. Audit, however, made its own analysis of contractors receipts and contractors expenditure for PTFE roofing works which indicated excess payment of ₹ 9.94 crore (

⁸ Quantity billed – 11,302.537 sqm multiplied by ₹ 459.

ROAD CONSTRUCTION DEPARTMENT

2.2.4 Wasteful expenditure

Despite being aware that a work was sub-standard, the Executive Engineer made payment of ₹ 9.92 crore which proved wasteful. He also failed to recover liquidated damages of ₹ 1.06 crore and encash the bank guarantee of ₹ 77.97 lakh.

Work for widening and strengthening of the Sarath-Palajori road (20 km) under the Central Road Fund was administratively approved (March 2007) by the Ministry of Shipping, Road Transport and Highways, Government of India, New Delhi for ₹ 15.97 crore and technically sanctioned (May 2007) by the Chief Engineer, Central Design Organisation, Road Construction Department, Ranchi for ₹ 16.54 crore. The Executive Engineer (EE) executed an agreement with a contractor for ₹ 15.59 crore with the date of start as 25 July 2007 and the scheduled date of completion as 24 January 2009. The defect liability period was one year from the actual completion of the road.

As per clause 13 of the terms and conditions of the contract, the contractor was liable to re-execute/rectify the whole or part of the work at his own cost or pay compensation for the damaged work/imperfect or unskillful workmanship or with materials of any inferior description not in accordance with the contract. Otherwise, such works were to be executed through other agencies at the risk and cost of the contractor.

Scrutiny (October 2009 and March 2010) of the records of the EE, Road Construction Division (RCD), Deoghar revealed as under:

- The contractor commenced the work in August 2007 and the first Running Account Bill was paid (30 October 2007) for ₹ 91.23 lakh even though the EE, RCD, Deoghar inspected (12 October 2007) the work site and observed irregularities in construction of Granular Sub Base (GSB) in which the required ratio of stone metal and stone dust was not properly mixed and oversized metals were used. Non-use of proper mix of downsized metal and dust would create voids/gaps. Further, Rotator (a machine) was not used for mechanical mixing of materials and compaction was done without proper watering and rolling. As the contractor was not executing the work as per the specifications, the then EE directed (15 October 2007) the contractor to rectify the defects in the GSB as these defects were bound to create voids in the GSB/Water Bound Macadam (WBM) and ultimately lead to failure of the road crust. The EE, RCD, also stated that he would not be responsible for payment of such irregular work.

- In view of the defects observed by the EE, the Superintending Engineer (SE), Road Construction Circle, Dumka directed (13 November 2007) the EE to reject the old work and ensure re-execution of defective works maintaining quality and using required machinery and equipment as per the Bill of Quantities as otherwise, the road would get damaged. It was seen that rectification of the defective work was not done by the contractor. The Junior Engineer, Assistant Engineer, EE and the SE again observed (between December 2007 and February 2008) use of oversize metals in GSB and non-watering of WBM. Despite highlighting of the irregularities in the use of

materials and sub-standard execution, the contractor continued the work up to 5 December 2008 (date of last measurement) without rectification of defects and the then EE, RCD, made payments amounting to ₹ 9.92 crore between October 2007 and December 2008 in 10 Running Account bills.

●? The EE further noticed (February 2009) irregularities in construction of road crust like faulty earth work and WBM work and their compaction, less thickness of bituminous layers⁹ than given in the contract and reminded (between February to June 2009) the contractor to rectify the defects as these defects may cause failure of road in future. The contractor neither rectified the defects nor completed the works as of March 2010. As a result, the executed road crust was completely damaged in almost total length due to non-rolling/ compaction of earthwork and execution of off-specification GSB and WBM. The Deputy Commissioner (DC), Deoghar (September 2009) and the EE, RCD, Deoghar (October 2009) reported (September and October 2009) the failure of the road to the Secretary and the Deputy Secretary, Road Construction Department respectively. In spite of the fact that the road work was sub-standard and the road crust was completely damaged, no action as per clause of the contracts was initiated against the contractor by the EE, SE or the Department.

●? The contractor had deposited two bank guarantees (BGs) for ₹ 77.97 lakh valid up to July 2009 as security deposit. The work was neither completed, nor did the contractor extend the validity of the BGs. The department failed to ensure that the BGs were renewed in time. The EE also failed to take any action for encashment as per the terms of BGs.

●? In spite of non-completion of the work in time, liquidated damages (LD) amounting to ₹ 1.56 crore (10 *per cent* of the estimated contract value) were not recovered from the contractor as per the terms of the contract.

Thus, payment of ₹ 9.92 crore by the then EE, despite being aware that the work was sub-standard and that the contractor had committed serious irregularities, proved wasteful. Besides, LD of ₹ 1.06 crore (₹ 1.56 crore – ₹ 49.58 lakh recovered/adjusted from security deposit) and security of ₹ 77.97 lakh was recoverable from the contractor. No action was taken by the department against the Executive Engineer who made payment for the sub-standard work as of October 2010.

On this being pointed out, the EE replied (April 2010) that the contractor had been reminded to rectify the defective work and to deposit the required security. He further stated that the matter had already been reported to the higher authorities.

The matter was reported (April 2010) to the Government. Their reply had not been received (November 2010).

⁹ Built-up spray grout in thickness of 48 to 58 mm in place of 75 mm, bituminous macadam in thickness of 32 to 42 mm in place of 50 mm and non-covering of bituminous macadam by semi-dense bituminous concrete, immediately as provisioned.

2.2.5 Wasteful expenditure

Execution of work without acquisition of land resulted in its stoppage midway and wasteful expenditure of ₹ 1.83 crore besides loss to Government of ₹ 19.01 lakh.

The Jharkhand Public Works Account Code¹⁰ provides that projects requiring acquisition of land are to be technically sanctioned and work awarded only after the acquisition. Rule 126 of the Jharkhand Public Works Department (JPWD) Code stipulates that a properly detailed estimate for every work must be prepared and technical sanction of the competent authority obtained before construction of the work is commenced. Further, for widening and strengthening of a road, a survey should be conducted as per the norms of the Indian Road Congress to ascertain the traffic density of the road.

Widening and strengthening of the Rahe-Sitafall road (length 11.4 km) was administratively approved (August 2005) for ₹ 6.03 crore by the Road Construction Department (RCD), Ranchi. After tendering (September 2005), the Executive Engineer (EE), Road Construction Division, Ranchi (Rural) executed (March 2006) an agreement with a contractor for ₹ 5.89 crore with scheduled completion as June 2007, in spite of the fact that technical sanction for the work had not been accorded. In fact, the technical sanction was accorded eight months after the award of work in November 2006 by the Chief Engineer, Central Design Organisation, RCD, Ranchi for ₹ 5.83 crore. Award of work without technical sanction was a clear violation of the JPWD code¹¹. As per the technical note attached to the technical sanction, the roadway and carriageway were provided for nine metres and 5.5 metres respectively. However, the width of the available land was between one metre/2.5 metres and seven metres only.

Scrutiny (April 2010) of the records of the EE, Road Construction Division, Ranchi (Rural) revealed that the EE submitted (9 August 2007) an application for acquisition of the required land to the Deputy Commissioner, Ranchi, which was not accepted as the same was prepared based on a survey map of 1971-72, not approved by the Government. The EE had not been able to submit the documents in the desired map of 1932-33 as of March 2010 due to its non-availability in the relevant offices and hence, the required land had not been acquired till March 2010. In the meantime, the contractor executed earthwork in box cutting, road embankment, Granular Sub Base (GSB) (sand and moorum) and Water Bound Macadam (WBM) –II and III on the width of available land from km 1 to km 8.6. Bituminous work which was necessary to cover the executed WBM work for smooth plying of motor vehicles and safety of the road from damage was not done at all. The contractor also executed only 17 out of the 36 culverts designed to be constructed. Though the work was not executed according to the approved design in the full width of nine metres, the value of work done for ₹ 1.83 crore up to February 2008 was accepted and payment was made by the EE. The EE finally rescinded (May 2009) the agreement and took final measurements in June 2009.

¹⁰ Annexure 'A' –Cabinet Secretariat and Co-ordination Department (Vigilance Cell) resolution No-948 dated 16 July 1986, para 4.5.

¹¹ Rule 126 of Jharkhand Public Works Department Code.

Further scrutiny revealed that the tenth and final bill was prepared for ₹ 1.64 crore only as against ₹ 1.83 crore already paid upto ninth running account bill. This amount could not be recovered as the bank guarantees (BGs) for ₹ 29.47 lakh obtained as security deposit had lapsed because the EE failed to either get them revalidated or to encash them within their validity period. No action had been taken by the department against the officials responsible for excess measurement and lapse of the BGs (March 2010). Further, it was seen in audit that the work was awarded and execution was commenced without acquisition of the required land in full width in violation of codal provisions, which resulted in partial execution of the road (1 to 8.6 km) up to the limited width for which land was available, and only up to WBM, level-III. In some stretches, the road was constructed in a width of 2.5 metres only which was not adequate¹² for plying motor vehicles. More than two years had lapsed since execution of the WBM work, which was likely to deteriorate. The Superintending Engineer (SE), Road Circle, RCD, Ranchi submitted (June 2008) a report to the Chief Engineer (Transport) stating that the transportation of vehicles in the proposed road was low, traffic density was poor and the purpose could be achieved only after completing the road with bituminous work even where the width was less than three metres. It was also stated that the detailed project report was required to be prepared afresh in chainage 8.6 km to 11.4 km. The SE submitted (February 2010) a revised estimate for completion of the work for ₹ 7.94 crore which was 31.77 per cent higher than the sanctioned estimate. This was not approved so far.

Thus, the award, commencement and execution of road work without acquisition of land, proper survey and planning etc resulted in stoppage of the work midway and wasteful expenditure of ₹ 1.83 crore. Besides, due to failure on the part of EE to encash the BG within the validity period, loss of ₹ 19.01 lakh to the Government could not be recovered.

The matter was reported (June 2010) to the Government. The Government accepted and stated (September 2010) that efforts were being made to get the balance work completed at the risk and cost of the original contractor and steps had been taken to recover the amount of ₹ 19.10 lakh of damaged WBM from the contractor.



¹² Carriage way of 5.5 metres is necessary for plying of vehicles.

them to submit a concept note showing their capability to handle the assignment, evidence of affiliation to the airport (in case, it did not have its own airport), authorisation by the International Air Transport Association (IATA), details of courses and number of students in each batch/year/semester, profile of the institute and details of current activities, fee structure and history of the last three years including details of companies which visited the institute for campus selection. The institute to be selected to provide training was required to be approved by the Director General of Civil Aviation (DGCA). As per Rule 437 of the Jharkhand Financial Rules, whenever a firm contracted with the Government to execute a work, it was required to give security for the fulfilment of the contract and suitable provisions regarding the security were to be incorporated in the agreement.

The Institute of Aviation and Aviation Safety (IAAS), Mumbai which was the lowest tenderer at the rate of fees of ₹ 20.50 lakh per student, was awarded (November 2007) the work. IAAS refused (June 2008) to provide the services. The work was then awarded to Ahmedabad Aviation and Aeronautics Ltd. who was the second lowest bidder. On being refused by it, finally the work was awarded to M/s Spica Airlines and Aviation Academy (P) Ltd, Hyderabad (SAAA), the third lowest bidder. The fact that the DGCA's website showing the names of the institutes approved for imparting commercial pilot training did not indicate the name of M/s Spica Airlines and Aviation Academy (P) Ltd., Hyderabad was overlooked by the TWC. A memorandum of understanding was signed (February 2009) by the TWC with the SAAA at the rate of ₹ 20.50 lakh per student. Scrutiny (November 2009) of records revealed that the Principal Secretary had desired (January 2009) inspection of the infrastructure available with SAAA before signing of the MOU. The MOU was, however, hurriedly signed by the TWC on 5 February 2009 before the inspection by the Special Secretary was carried out on 16-17 February 2009.

The Special Secretary carried out the inspection and noticed that the hostel arrangements provided to the trainees were not adequate and the aircraft earmarked for training were not available at the Begampet Airport. The Special Secretary specifically asked SAAA to show the DGCA's permission/ license but it failed to do so.

Further examination of the relevant records revealed that the Committee, while recommending award of work to SAAA relied upon the information provided by the said academy (September 2007) to the Tribal Welfare Department. As per the concept note, the permission/ license issued by the DGCA was stated to have been enclosed. This was, however, not found enclosed. Though this fact was intimated by the Special Secretary categorically advising the TWC to examine this issue, the same was not considered by the TWC.

The concept note as per the requirement of EOI should have indicated history of the last three years including details of companies which participated in the campus interviews and the number of students selected by them. It was observed that this vital requirement was ignored by the recommending committee. Since SAAA came into existence in the year 2007, the fulfilment of the three years' condition by the academy was impossible. It was also observed that 30 students were sponsored (March 2009) for training against a

fee of ₹ 6.15 crore out of which ₹ 2.67 crore was paid. The said payment was, however, made without any bank guarantee (BG).

In view of the absence of essential facilities and vital infrastructure, the Government was forced to call back (April 2009) the trainees and ask the SAAA to refund the fees of ₹ 2.67 crore paid to it. SAAA refunded ₹ 1.75 crore (as of December 2009) only. Since advance payments were made without any BG, TWC failed to realise the remaining fee of ₹ 91 lakh.

TWC in its reply accepted (May 2010) the audit observations and stated that steps were being taken for recovery of the outstanding fees of ₹ 91 lakh.

Thus, failure of TWC to exercise due diligence before signing the MOU and to ensure submission of BG against payments of advance of ₹ 2.27 crore to the SAAA resulted in wasteful expenditure of ₹ 91 lakh to the Government and failure to provide training to weaker sections of society.

The matter was reported (April and June 2010) to the Government. The Government accepted the audit observations and stated that it had taken cognizance of the failure in this case and instructions had been issued to the TWC to be careful in future. The Government also stated that the opinion of Law Department had been sought (July 2010) in the matter.



¹³ Annexure – A: 4.5 of Cabinet Secretariat and Co-ordination Department (Confidential Cell) Resolution No.948 dated 16 July 1986 incorporated in Bihar PWA Code.

¹⁴ Members of Site Selection Committee: (1) Joint Director, Agriculture, Santhal Pargana Region, Dumka, (2) Project Director, ATMA, Dumka, (3) District Agriculture Officer, Godda and (4) Representative, Dean (Agriculture), BAU, Ranchi.

Scrutiny (March 2010) of the records of the Birsa Agricultural University (BAU), Kanke revealed that the Government released (June 2007) ₹ four crore as a grant to the BAU with the conditions that the amount was to be drawn in three instalments after obtaining approval of DPR, no objection certificate (NOC) from the Forest Department was to be obtained, statements of expenditure, Utilisation Certificates and Physical Progress Reports etc were to be furnished by BAU. It was observed that BAU invited (April 2006) tenders and awarded (July 2006) the work prior to the approval of DPR. The DPR was submitted to the Government in July 2006 but the approval was still awaited (March 2010). BAU awarded the construction work of buildings to two tenderers at ₹ 7.71 crore, each which was in excess of the sanctioned amount by ₹ 3.24 crore¹⁵. The Deputy Director (Works and Plant), BAU directed (October 2006) the contractors to start the work in spite of the fact that neither had the land been acquired nor had the DPR been approved by the Government. Moreover, the availability of funds was also not ensured at the time of commencement of the work.

It was further observed that the work was stopped (February 2007) midway by the Forest Department as the site of work was in a forest area and clearance/permission was not obtained from GOI which was mandatory. The work had not been restarted as of October 2010. In violation of the conditions of the sanction, BAU withdrew (March 2008) the total grant of ₹ four crore in one instalment and utilised the same for payment of ₹ 3.32 crore to two contractors against the work executed up to February 2007. Physical verification (April 2010) of the site revealed that some parts of the building were damaged and left abandoned.

Thus, failure of the BAU to comply with the condition of obtaining the approval of the DPR by the Government before drawing the sanctioned amount and taking up the construction work on forest land without obtaining NOC from the Forest Department, led to the work being stopped midway, resulting in infructuous expenditure of ₹ 3.32 crore.

The matter was reported (May 2010) to the Government. Their reply had not been received (November 2010).



¹⁵ Excess ₹ 3.24 crore = Tendered amount (₹ 15.43 crore) minus sanction amount (₹ 12.19 crore).

works was allotted to the Bihar Rajya Pul Nirman Nigam Ltd. (BRPNNL) at a cost of ₹ 1.48 crore. Out of 66 piers, 22 piers were constructed during 2002-03 at a cost of ₹ 2.58 crore by (BRPNN). The work remained closed since 2002-03 due to agitation by the local public on the selection of site at Saptarghat. This point was mentioned in paragraph 4.2.1 of the Report of the Comptroller and Auditor General of India (Civil and Commercial) Government of Jharkhand for the year ended 31 March 2004. Thereafter, the remaining work of construction of 44 piers, deck slabs and allied works of the bridge was administratively approved (April 2007) for ₹ 2.89 crore and technically sanctioned (May 2007) for ₹ 2.90 crore by the Road Construction Department, Ranchi. The Executive Engineer (EE), Road Construction Division (RCD), Deoghar executed an agreement (December 2007) with a contractor for ₹ 3.16 crore for construction of 44 piers, deck slabs and allied works of the bridge for scheduled completion by June 2009. As per the terms of the agreement, the selected contractor was to deposit five *per cent* of the rate contract value as security money in cash in the treasury or in government securities¹⁶ duly endorsed to the EE. Instead, the contractor deposited eight pass books¹⁷ with balance at credit of ₹ 15.81 lakh. The nature of the pass books could not be ascertained as the same were not produced to Audit on the plea of non-handing over of the pass books by the ex-cashier.

Scrutiny (November 2009 and January 2010) of the records of the division revealed as under:

- During execution of work the EE inspected (May 2008) the work site and observed that the shuttering installed for casting the deck slabs was not adequate and directed (May 2008) the contractor to improve the shuttering installation. Otherwise, responsibility for any damage to the deck slabs would be on the contractor's account. Though the contractor failed to strengthen the shuttering installation as evidenced by the sagging of deck slabs later on, he was allowed to do the casting of the deck slabs and was paid (June 2008) ₹ 32.62 lakh for the same. The contractor executed only 29 pier shafts and six spans of deck slabs including supporting works and was paid (upto June 2008) ₹ 1.31 crore. The Chief Engineer, Road Construction Department, Ranchi also inspected (May 2009) the site and observed that the progress of the work was very slow and two newly cast deck slabs had sagged. The Secretary, Road Construction Department directed (October 2009) the EE to get the deck slabs between P-25 and P-26 dismantled and recast. However, no action was taken to carry out the directives of the Government. The EE, RCD, Deoghar proposed (October 2009) that prior to construction of the bridge, load test and deflection of all the 28 (22 old + 6 new) spans of deck slabs should be carried out by the contractor. However, no such tests had been conducted so far.
- Though the work was discontinued by the contractor in June 2008, the department did not take action to rescind the agreement and get the remaining work executed at the risk and cost of the defaulting contractor. The EE also

¹⁶ Rule 416 of Bihar Public Works Accounts Code: Government Securities other than National Certificates, Municipal Debenture and Port Trust Bond, National Savings Certificates, Post Office Savings Pass Book, State Development Loan or National Plan Loan Certificates and Deposit Receipt of the State Bank of India.

¹⁷ Types of Pass book was not on record.

failed to recover liquidated damages amounting to ₹ 31.60 lakh (10 *per cent* of contract value) as per the agreement clause.

- As per the terms of the agreement, five *per cent* amount was to be deducted from each running account bill towards the balance security deposit. Against this, only ₹ 6.58 lakh was deducted from the gross value of three running account bills. The balance of ₹ 9.23 lakh was not deducted as the work was not completed.

Thus, failure of the EE to initiate timely action against the contractor as per terms of agreement resulted in unfruitful expenditure of ₹ 1.32 crore besides non-recovery of liquidated damages of ₹ 31.60 lakh.

The matter was reported (April 2010) to the Government. Their reply had not been received (November 2010).

CIVIL AVIATION DEPARTMENT

2.3.2 Unfruitful expenditure

Purchase of aircraft without necessary preparation resulted in their becoming unserviceable leading to unfruitful expenditure of ₹ 3.98 crore.

The Civil Aviation Department (CAD), after finalisation of a global tender, resolved (June 2006) to purchase three pilot training aeroplanes and one motor glider at a cost of ₹ 3.78 crore. For this purpose, an agreement was executed (July 2006) between M/s Varman Aviation Private Limited (VAPL), Bangalore and the Government of Jharkhand. Accordingly, the Principal Secretary, CAD sanctioned and allotted (February 2007) ₹ 3.78 crore to the Civil Aviation Authority (CAA), Government of Jharkhand. M/s VAPL supplied three Zlin 143L Aeroplanes and one Motor Glider (September 2007) to CAD at a price of ₹ 3.98 crore.

Scrutiny (April 2010) of records of CAD revealed that these aeroplanes were lying idle and had become unserviceable. It was also observed that there were no pilots to fly these aircrafts in the CAD even though there was provision for imparting training by the vendor to one pilot, one mechanic and one engineer per aircraft. This training could not be imparted because these personnel were not in existence.

In response to an audit query, CAD replied (May 2010) that the tender for the Annual Maintenance Contract (AMC) was in progress. The Government replied (August 2010) that the AMC was valid up to February 2009 and thereafter, due to lack of spare parts, the aircraft had become unserviceable.

The reply of the Government confirmed the unserviceability of the aircraft, but was silent on the appointment of pilots and the failure on the part of the vendor to provide training.

Thus, purchase of aircraft without necessary preparation *i.e.* appointment of pilots, arrangement for scheduled maintenance and ensuring supply of spare parts resulted in the aircraft becoming unserviceable and the expenditure of ₹ 3.98 crore becoming unfruitful.

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

2.3.3 Unfruitful Expenditure

Non-completion of work in time led to unfruitful expenditure of ₹ 50 lakh.

The Health, Medical Education and Family Welfare Department (HMFWD) invited (June 2008) tender enquiries for establishing a Health Management Information System (HMIS) for effective monitoring of physical and financial performance data that emanated from the Health Sub-Centres to the State. The main tasks of the project included study phase (study present data collection system and conversion into browser based systems), installation and commissioning of software and hardware, network connectivity from block to state, wi-fi zone implementation, training, post implementation support and system implementation.

Scrutiny (March 2010) of the records of HMFWD revealed that the work order was issued (September 2008) by the Secretary, HMFWD in favour of M/s IBilt Technologies Ltd (ITL) to provide the aforesaid services to be completed by 31 March 2009 at a total fee of ₹ 10.50 crore. Payments were to be made to ITL after submission of security deposit of 90 *per cent* of the total value as performance guarantee¹⁸ in the form of a bank guarantee.

The said work order was followed by a fresh work order (March 2009) by the State Reproductive and Child Health (SRCH) office to Vayam Technologies Ltd. (VTL), formerly known as ITL, with a new time schedule of completion to 31 December 2009 at the same price. There was no recorded reason for extension of the time limit. Also, no records were there to show that the work order awarded previously to M/s ITL and subsequently to M/s VTL was done on the basis of competitive bidding. According to the work order, M/s VTL was required to furnish a security deposit of ₹ 50 lakh as a performance guarantee in the form of a bank guarantee.

Instead, M/s ITL was paid (March 2009) advance of ₹ 50 lakh. There were no records to show that any bank guarantee was submitted by the said party. The Mission Director, National Rural Health Mission, Jharkhand stated (March 2010) that the file along with the bank guarantee was not available in the office.

M/s VTL claimed to have submitted (May 2009) a System Requirement Study (SRS) and established (June 2009) a wi-fi connectivity zone at the State RCH office. As per the work order, SRS was required to be approved by the Government to carry out works of HMIS. The records made available to Audit, however, showed that wi-fi connectivities were not functioning (October 2010).

¹⁸ Performance guarantee is to ensure that the goods purchased or services provided give performance as envisaged in the specification whereas bank guarantee safeguards the interest of the purchaser in case the goods purchased do not conform to the envisaged specification.

Thus, award of work without any competitive bidding and failure to complete the work in time led to the expenditure of ₹ 50 lakh incurred on it, becoming unfruitful.

The matter was reported (April 2010) to the Government. Their reply had not been received (November 2010).

FOREST AND ENVIRONMENT DEPARTMENT

2.3.4 Unfruitful expenditure

There was unfruitful expenditure of ₹ 1.35 crore on construction of an Aquarium and a Snake House.

Construction of an Aquarium and a Snake House at the Bhagwan Birsa Biological (BBB) Park, Ormanjhi under the 'Scheme for development of sanctuarie' estimated at ₹ 1.40 crore (Aquarium: ₹ 1.02 crore¹⁹ and Snake House: ₹ 37.47 lakh) was administratively approved in November 2004. Technical sanction for the building portion was accorded (March 2005) by the Chief Engineer, Building Construction Department, Jharkhand for ₹ one crore²⁰. Scrutiny (November 2009) of records of the Conservator of Forests (CF) cum Director, BBB Park, Ormanjhi revealed the following:

Aquarium

The Construction of the Aquarium was taken up during 2004-05 and was scheduled to be completed by 2005-06. Scrutiny revealed that construction of the Aquarium's main building (₹ 68.99 lakh), other allied works²¹ (₹ 12.77 lakh) and development of outer area of the Aquarium (₹ 15.91 lakh) were completed at a total expenditure of ₹ 97.67 lakh during 2005-09. However, the construction work of the actual Aquarium was not taken up (November 2009) due to release of funds at the fag end of the financial years, which were ultimately surrendered. Due to late release of funds, the designated agency expressed its inability to execute the work for want of sufficient time. Thus, due to improper planning, the Aquarium could not be commissioned and opened to the public even after the lapse of more than three years from the scheduled date of completion.

Snake House

Similarly, the construction of a Snake House was taken up during 2004-05 and was to be completed by March 2006. Allotment of ₹ 37.47 lakh for the purpose was received between December 2004 and June 2005.

Scrutiny revealed that construction of the Snake House was completed within the stipulated period *i.e.* 31 March 2006 at an expenditure of ₹ 37.47 lakh. However, even after the lapse of more than three years from its completion, it

¹⁹ Aquarium main building: ₹ 63.87 lakh, Aquarium proper: ₹ 32.90 lakh and provision for water supply: ₹ 5.68 lakh.

²⁰ Aquarium Building: ₹ 62.95 lakh (excluding estimated expenditure of ₹ 32.90 lakh on construction of Aquarium proper consisting of glasswork, aqua scaping, specific lighting, provision for fresh/marine water species etc. and provision for water supply for ₹ 5.68 lakh) and Snake House: ₹ 37.27 lakh.

²¹ Approach road, gates etc.

was not opened to public (November 2009), reasons for which were not on record.

On these being pointed out, the Conservator of Forests cum Director accepted (November 2009) the observations made by Audit. The department stated that due to non-availability of snakes, the Snake House could not be commissioned.

Thus, due to improper planning and lack of commitment towards implementation of the scheme, the total expenditure of ₹ 1.35 crore incurred on construction of the Aquarium (₹ 97.67 lakh) and Snake House (₹ 37.47 lakh) became unfruitful and defeated the very purpose of the scheme.

Further scrutiny revealed that the Forest and Environment Department, by a notification, (September 2007) had fixed rates for entry for visitors into the Snake House at ₹ 15 and ₹ 8 per adult and per child respectively. However, due to non-operation of the Snake House, the Government had to sustain potential revenue loss of ₹ 68.91 lakh²², in the shape of entry tickets for visitors into the BBB park.

The matter was reported (June 2010) to the Government. Their reply had not been received (November 2010).

2.3.5 Non/short realisation of Net Present Value and cost of Compensatory Afforestation

Under-assessment of density of vegetation and incorrect computation led to short raising of demand of net present value by ₹ 5.19 crore while non/short raising of demand of compensatory afforestation led to consequent non/short realisation of ₹ 3.17 crore.

Under the provisions of the Forest (Conservation) Act, 1980, approval for diversion of forest land for non-forest purposes is accorded by the Government of India (GOI) on fulfilment of stipulated conditions, which include payment of net present value (NPV), carrying out mandatory compensatory afforestation (CA), cost of penal CA, creation of safety zone etc. The cost of such measures is to be borne by the user agency.

Short raising of demand for Net Present Value: ₹ 5.19 crore

According to a Supreme Court judgment of October 2002 and orders issued by the Compensatory Afforestation Fund Management and Planning Authority (CAMPA) in October 2006, the NPV was to be determined between ₹ 5.80 lakh and ₹ 9.20 lakh per hectare, depending upon the quality of forest, density of vegetation and type of species in the areas under diversion. Accordingly, the Principal Chief Conservator of Forests (PCCF), Jharkhand worked out (February 2006) a formula²³ for calculating NPV which was prevalent as of

²² Calculated on the basis of number of visitors entry into the BBB Park for the period from 13 September 2007 to 31 October 2009 as per entry fee register maintained by the park authorities.

²³

March 2008. However, in the light of the Supreme Court's orders of March 2008, rates varying from ₹ 4.38 lakh to ₹ 10.43 lakh per hectare were fixed by classifying the forest land into six categories²⁴. The forest land in Jharkhand was classified into two categories *i.e.*, Eco-class-I and Eco-class-III (rates varying from ₹ 6.26 lakh to ₹ 10.43 lakh per hectare).

Scrutiny (between January and March 2010) of records of three forest divisions²⁵ revealed that GOI accorded (between December 2004 and December 2008) in-principle/final approval for diversion of 592.5326 hectares of forest land to eight user agencies for non-forest purposes. Demands for NPV of ₹ 43.74 crore were raised between December 2004 and February 2009 and paid by the user agencies between December 2004 and March 2009. Audit scrutiny revealed that due to under-assessment of the density of vegetation and incorrect computation by Divisional Forest Officers (DFOs) (Chatra South, Koderma and Saranda forest divisions) during December 2004 and February 2009, there was short levy of demand for NPV by ₹ 5.19 crore (based on the formula laid down by the PCCF and rates fixed by the GOI in March 2008) (*Appendix-2.4*).

On these being pointed out the DFO, Saranda Forest Division, Chaibasa stated (March 2010) that the cases would be reviewed and action would be taken accordingly. The DFO, Chatra South Forest Division stated (March 2010) that action would be taken to rectify the error while the DFO, Koderma Forest Division stated (January 2010) that the land transferred was non-forest/*raiya* land which was handed over by a lessee for compensatory afforestation. Hence, the amount of NPV was calculated on the rates specified for plantation category. The reply is not acceptable as the trees standing on the questionable land were of natural species and no plantation was done by the department on the same.

Non/short raising of demand for compensatory afforestation

In order to mitigate the adverse effects of diversion of forest land, GOI, while granting approval under the Forest (Conservation) Act, 1980, stipulated carrying out of CA over equivalent area of land made available by the user agency or double the area of degraded forest land in case land was not made available by the user agency. The cost of such CA was to be borne by the user agency. Further, in order to maintain uniformity in raising the demand for compensatory afforestation, the PCCF-cum-Executive Director, Wasteland Development Board, Jharkhand, Ranchi issued (June 2007) a Schedule of Rates (to be calculated for seven years vide orders issued by the Government in May 2001), for different plantation schemes.

Audit scrutiny (between January and March 2010) revealed that in three forest divisions²⁶, GOI, while giving in-principle/final approval for diversion of forest land for non-forest purposes to six user agencies, stipulated CA in 833.5744 hectares of land. However, the demand for cost of CA was either not levied or short levied resulting in non/short raising of demand and consequent non/short realisation of ₹ 3.17 crore (*Appendix-2.5*).

On these being pointed out, the DFO, Saranda Forest Division, Chaibasa stated (March 2010) that the cases would be reviewed and action would be taken accordingly. DFO, Dhalbhum Forest Division stated (August 2009) that the estimates would be examined and the shortfall in demand, if found, would be realised from the user agency. The DFO, Latehar Forest Division stated (January 2010) that demands would be raised.

Similar cases were pointed out in the Audit Report (Civil & Commercial) of the Comptroller and Auditor General of India, for the year ended 31 March 2009 vide Para Nos. 1.1.9.3 & 1.1.9.4. Despite this, the department failed to take action and the error still persisted resulting in short raising of demand of NPV by ₹ 5.19 crore and non/short raising of demand and consequent non/short realisation of ₹ 3.17 crore on account of CA due to under-assessment of density of vegetation and incorrect computation.

The matter was reported (June 2010) to the Government. Their reply had not been received (November 2010).

ROAD CONSTRUCTION DEPARTMENT

2.3.6 *Undue aid to a contractor*

Award of work without acquisition of required land and non-recovery of mobilisation advance resulted in undue aid to a contractor of ₹ 2.30 crore and loss of interest of ₹ 35.10 lakh.

The Jharkhand Public Work Account (JPWA) Code²⁷ provided that in the first phase, estimate for land acquisition only was to be sanctioned and land was to be acquired. Only after this, estimate for construction of work was to be sanctioned to start a work.

The Road Construction Department technically sanctioned (January 2008) a project for reconstruction of the Pakur-Barharwa road (13 to 29 km) and the Barharwa-Digghi More up to NH-80 link road (0 to 3.65 km) for ₹ 36.18 crore. The Executive Engineer (EE), Road Construction Division (RCD), Sahibganj executed (March 2008) an agreement for ₹ 23.01 crore with the contractor for completion of work by March 2009. As per the Detailed Project Report, the roads were to be widened for 12 metres in 'formation width' with seven metres in 'pavement width (carriage way)' against the average width of available land of 8.19 metres only, along with construction of 79 culverts. The EE filed (April 2008) an application with the Land Acquisition Officer (LAO) for acquisition of 15 metres of land on each side of the road from the centre

²⁶ Dhalbhum, Latehar and Saranda.

²⁷ Annexure- A: Para 4.5 of Cabinet Secretariat and Co-ordination Department (Confidential Cell) Resolution No. 948 dated 16th July 1986 incorporated in JPWA Code.

after technical sanction of the work which was in contravention of the provisions of the JPWA code. The application was initially set aside due to insufficient documentation but finally accepted in September 2008 with a demand of ₹ 2.97 crore as compensation for land. The EE deposited (March 2009) the amount after the scheduled date of completion of work *i.e.* March 2009. The land had not been acquired as of July 2010.

Scrutiny (May 2008 and January 2010) of the records of the EE, RCD, Sahebganj and further information collected (July 2010) revealed that the contractor was paid (March 2008) interest-free mobilisation advance of ₹ 2.30 crore on submission of four bank guarantees (BGs) for ₹ 57.50 lakh each, valid up to 31 March 2009 (subsequently extended to March 2011). According to clause 51.2 of the conditions of contract and guidelines issued (April 2007) by the Central Vigilance Commission, mobilisation advance was to be used for purchase of equipment, plant and mobilisation expenses specifically required for the work and the contractor was to supply copies of relevant invoices and other documents. Recovery of such advance was to be time based and not linked with the progress of work with clear stipulation of interest to be charged on delayed recoveries. Recovery of such advances could be ensured by encashing the BGs. It was observed that the contractor neither supplied any such invoices/documents nor brought any plant/equipment to the site nor started the road work barring partial construction of culverts (11 out of 79) for a value of ₹ 34.29 lakh only. The payment was made (March 2010) after deducting ₹ 24.18 lakh, leaving the balance amount of mobilisation advance of ₹ 2.06 crore unrealised so far (July 2010).

Further, the Superintending Engineer, Road Circle, Dumka directed (June 2008) the EE to recover the mobilisation advance with interest from the contractor, if he failed to abide by his directives and complete the work in stipulated time. In spite of this, the advance was not recovered by the EE as of July 2010.

Thus, failure to take up the work in phased manner as envisaged in JPWA Code and subsequent non-recovery of mobilisation advance resulted in undue financial aid of ₹ 2.30 crore which was lying with the contractor for more than two years and loss of interest of ₹ 35.10 lakh²⁸ together with unfruitful expenditure of ₹ 34.29 lakh on partial execution of culverts.

The matter was reported (October 2010) to the Government. Their reply had not been received (November 2010).

²⁸ Calculation: 7.91 per cent of ₹ 2.30 crore for six months and 7.91 *per cent* of ₹ 2.15 crore for 18 months = ₹ 9.10 lakh + ₹ 26 lakh = ₹ 35.10 lakh.

2.4 Blocking of funds

TOURISM DEPARTMENT

2.4.1 Blocking of funds

Non-utilisation of funds led to blockage of ₹ 2.96 crore besides loss of interest of ₹ 23.88 lakh.

The Tourism Department decided (March 2008) to produce 10 short theme films on different subjects. For this purpose, the department invited (March 2008) open tenders in two parts *i.e.* technical and financial, setting forth the criteria that the prospective bidder should have produced films at a cost of more than ₹ 5 lakh each and should have had experience in producing films in the tourism sector during the last three years. Three bids of M/s Genesis Media (P) Ltd, New Delhi, M/s Cine India International and M/s Genesis, Mumbai were found suitable after technical bid evaluation. The lowest bid of M/s Genesis Media (P) Ltd., New Delhi was rejected on the ground that the rate quoted by it was not workable. Out of the remaining two bidders, M/s Genesis, Mumbai was the lowest and accordingly, an order was placed (January 2009) with them for ₹ 6.29 crore to produce eight theme films in two languages²⁹.

The order was placed with the approval of the concerned Minister, violating the existing provision of placing of orders beyond ₹ 5 crore with the approval of the Cabinet. The value and scope of order was subsequently modified (March 2009) to ₹ 3.15 crore for four theme films only due to curtailment in the Plan allocation of the department during the period 2009-10.

Scrutiny (between April and May 2010) of the records of the Tourism Department revealed the following facts:

- ? During 2004-05, films on Parasnath and Eco Tourism of 15-20 minutes duration each were prepared for the Tourism Department by M/s Genesis Media (P) Ltd., New Delhi and M/s Gulbahar Singh at costs of ₹ 3.25 lakh and ₹ 3.45 lakh respectively. Films on the same themes were again ordered by the department (January 2009) to encourage, promote and attract tourism and investments in the State at a much higher cost *i.e.* ₹ 75.84 lakh each, from M/s Genesis, Mumbai. The overall differential amount of the order placed on M/s Genesis, Mumbai as compared to M/s Genesis Media (P) Ltd., New Delhi, which was the lowest bidder, worked out to ₹ 2.63 crore.

- ? Films on Parasnath and Eco Tourism were made at a much lower cost and these films were still being displayed by the department in various marts/festivals/conferences/seminars for promoting tourism in the State. In view of this, the criterion fixed by the department of producing films at a cost of more than ₹ 5 lakh (no reasons were available on record for fixing the limit) in the preceding three years seemed arbitrary. Moreover, the decision to treat the bid of M/s Genesis Media (P) Ltd. as unworkable was also without any justification.

²⁹ English and Hindi.

●? It was also noticed that the Secretary, Tourism Department, in his note dated February 2009 to the Minister, did not mention the requirement of the Cabinet's approval for orders beyond ₹ 5 crore.

●? The department paid (August 2009) ₹ 18.91 lakh (25 per cent of the cost of production of theme films related to Deoghar excluding taxes) to M/s Genesis, Mumbai and fixed the date of submission of the final script, the rough cut and the final cut of the films between June and October 2009, but the films were not ready as of May 2010.

●? Rupees 3.15 crore was withdrawn (March 2009) from the treasury and subsequently kept (March 2009) in the Personal Deposit Account of the Jharkhand Tourism Development Corporation, Ranchi. An unspent amount of ₹ 2.96 crore was still lying (June 2010) in the said account. Thus, the purpose of the Government of promoting tourism through these films was defeated as the funds remained blocked.

Thus, fixation of unjustifiable criterion for selection of bidders, award of work at much higher cost to the tenderer and non-utilisation of funds created avoidable liability of ₹ 2.63 crore and loss of interest of ₹ 27.70 lakh³⁰.

The matter was reported (June 2010) to the Government. Their reply had not been received (November 2010).

2.5 General

Follow-up on Audit Reports

2.5.1 Non-submission of Explanatory (Action Taken) Notes

The manual of instructions (1998) of the Finance Department, Government of Bihar (as adopted by Government of Jharkhand) envisaged that the Secretaries to Government of the concerned departments were required to submit the explanatory notes to the Assembly Secretariat on paras and reviews included in Audit Report (AR) duly vetted by audit within two months from the date of presentation of the ARs before the legislature without waiting for any notice or call from the Public Account Committee (PAC) and indicate therein, the circumstances and reasons for occurrence of such irregularities and deviations from prescribed norms and the action proposed to be taken or taken thereagainst.

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 Secretaries to Government of the concerned departments should send two copies of draft self-explanatory Action Taken Notes to the Principal Accountant General (Audit) for vetting along with the relevant files and documents for which the explanatory notes have been formulated, properly referenced and linked. This was to be done within such period of time as may be decided for submission of self-explanatory Action Taken Notes prescribed by the PAC.

³⁰ Calculated @ 8.03 % per year for 14 months (₹ 2.96 crore X 8.03% divided by 12 X 14).

It was noticed that as of July 2010, seven departments had not submitted any compliance or explanatory/Action Taken notes in respect of 151 out of 227 paragraphs/ reviews included in the Audit Reports for the years 2000-01 to 2008-09 and presented to the legislature up to 13 August 2010.

2.5.2 Action not taken on recommendations of the Public Accounts Committee

As per Manual of Instructions for settlement of paragraphs featured in the Audit Reports of the Comptroller and Auditor General of India, departments are required to furnish the Action Taken Notes (ATNs) to the PAC within two months from the date of recommendations made by the PAC in their report.

It was noticed that as of July 2010, 134 paragraphs were discussed by the PAC and recommendations were made against 27 paragraphs between November 2000 and July 2010. Of these, only in seven cases, ATNs were received as of November 2010.

2.5.3 Lack of response

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

The status of pendency of IRs/paragraphs at the end of June 2008, June 2009 and June 2010 is shown below:

Out of the 3,658 IRs/20,047 paragraphs pending as on 30 June 2010, even first replies had not been received in respect of 1092 IRs/6813 paragraphs. The year-wise break-up of these IRs and paragraphs is indicated in

³¹ The number of pending IRs and paragraphs decreased.

develop internal audit systems in all departments. In the State, the Secretary, Finance Department was designated as the Member (Co-ordination) and all departmental Secretaries and the Principal Accountant General were to be members of the committee. The committee did not meet during October 2009 to September 2010.

Audit Committees were formed in 18 departments and meetings were held on 18 occasions between April 2009 and March 2010 in which 51 IRs and 892 paragraphs were settled. Principal Secretary/Secretary and representatives of Finance Department, however, did not take part in the Audit Committee meetings even though they were informed about them.

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

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