

CHAPTER -III

LONG PARAGRAPHS

CHAPTER III
LONG PARAGRAPHS
HUMAN RESOURCES DEVELOPMENT DEPARTMENT

3.1 Working of Patna University

3.1.1 Introduction

Patna University (PU), the first University in Bihar, was established in the year 1917 with a vision to provide quality higher education in the State. Presently, it had 31 Post Graduate (PG) Departments, four institutes¹ and six allied units². PU has 10 constituent colleges under its administration. The existing number of students in the PG Departments, Colleges and Institutes were more than 18 thousand. The sanctioned post of teachers was 1004 against which 448 teachers were working. At present the teacher student ratio was 1:42 as against UGC norm of 1:10 to 1:30 for different programmes. The Governor of the State is the Chancellor of the University. The Vice-Chancellor (VC) is the principal executive and academic officer who exercises control over the affairs of the University. He is assisted by Pro-Vice Chancellor, Financial Adviser, Registrar, Finance Officer, Deputy Registrar and such other persons as may be declared officers of the University by the statutes. At present the matter of appointment of VC is under litigation.

3.1.2 Audit scope and methodology

The audit covered the period 2007-12 and was conducted between March and July 2012. To examine the financial status and infrastructure management of the University, the records of the University were assessed through transaction audit. However, the scope of audit was severely limited due to non production of various records like:

- Establishment and administration area could not be examined due to non-availability of important records such as proceedings of University Selection Committee, service books and personal files. The recruitment process, pay fixation, promotion policy and service matters could not be commented upon and possibility of recurrence of excess payments could not be ruled out.
- The academic activities such as enrolment, drop out ratio, utilisation of scholarship fund, success rate of students, campus placement, research activities etc. could also not be commented upon due to insufficient data furnished by the University.

¹ *Institute of Library and Information Science, Institute of Music, Institute of Psychological Research & Services and Institute of Public Administration.*

² *Central Dispensary, Computer Centre, Guest House, PU Central Library, PU Press and Works Department,*

- The process of preparation of budget and control thereon could not be commented due to lack of proper basic records such as cash book, control register and complete and reliable accounts,

The audit findings related to scrutiny of available records are discussed in the successive paragraphs:

3.1.3 Financial management

The University was being financed through grants from the State Government, University Grant Commission (UGC) and Central Government. The University had also generated its own income by way of fees and fines from the students and other receipts. The year wise position of receipt and expenditure is shown in Table below:

Table-1: Receipts and Expenditure of Patna University

(₹ in crore)						
<i>Receipts</i>	2007-08	2008-09	2009-10	2010-11	2011-12	Total
State Government Grant (HRD)	53.37	51.78	59.99	60.12	120.78	346.04
Income from own sources	23.05	22.00	19.81	20.22	21.50	106.58
Total Recurring receipts³	76.42	73.78	79.80	80.34	142.28	452.62
UGC Grants	1.39	3.04	0.94	5.58	1.04	11.99
Central Government Grants and other	1.15	0.69	0.48	2.68	4.48	9.48
Grand Total	105.51*	77.51	81.22	88.60	147.80	500.64*
<i>Expenditure</i>	2007-08	2008-09	2009-10	2010-11	2011-12	Total
Expenditure on pay & allowances (HRD)	78.01	57.08	52.81	70.82	98.48	357.20
Other Recurring Expenditure	16.74	11.47	13.35	15.87	17.31	74.74
Total Recurring Expenditure⁴	94.75	68.55	66.16	86.69	115.79	431.94
Expenditure related to UGC Grant	1.85	1.74	1.75	1.23	0.59	7.16
Expenditure related to Central Govt. Grant and other	1.37	1.68	0.75	2.10	1.67	7.57
Grand Total	97.97	71.97	68.66	90.02	118.05	446.67

*including opening balance of ₹ 26.55 crore as on 01.04.2007.

(Source: Budgets and utilisation certificate of Patna University)

Income from internal resources were almost stagnant

It was evident from the table above that grants from the State Government increased from ₹ 53.37 crore to ₹ 120.78 crore whereas the income from internal receipts was almost stagnant during 2007-12. This stagnation of income from internal resources was mainly attributed to the non-revision of tuition and hostel fee of the University since last two decades.

The other deficiencies in financial management are discussed in succeeding paragraphs:

3.1.3.1 Non maintenance of University fund

Section 46 of Patna University Act, 1976 stipulated that there shall be established a Fund for the University to be called the Patna University Fund which shall be vested in the University for the purpose of the Act and all sums received by the University shall be placed to the credit of the University Fund so that PU has consolidated database of fund availability.

³ Receipts which are of repetitive nature such as fee, grants etc.

⁴ Expenditures which are of repetitive nature such as salary, contingencies etc.

Audit noticed (July 2012) that Patna University had not maintained University Fund as prescribed in the Act and operated numerous bank accounts without any centralised account. Following shortcomings were noticed in the submitted bank account details:

Transactions in 15 bank accounts were not recorded in Cash Books and Receipt and Payment Accounts

- The University did not furnish the total number of bank accounts operated. However, scrutiny disclosed that the transactions of 15 bank accounts were neither incorporated in Receipt and Payment Accounts nor recorded in cash books. The balances in these accounts were ranging from ₹ 0.27 lakh to ₹ 122.20 lakh.

Table-2: Detail of Bank Accounts

(₹ in lakh)

S N	Name of Account	Account No.	Balance	Date
1	Self Financing/ Vocational course Receipt A/c	20245448965	122.20	01.04.2011
2	Self Finance A/c	3045831602	56.61	31.03.2011
3	Building Maintenance A/c	20245361924	1.20	31.03.2011
4	Transfer and Collection II-A/c	3043639615	20.81	31.03.2011
5	Account-I of Patna College	237728	9.78	31.03.2011
6	Account-I of Patna Science College	237736	2.39	31.03.2011
7	Account-I of Vanijya Mahavidyalaya	237752	1.33	31.03.2011
8	Account-I of Patna Law College	237744	1.09	31.03.2011
9	Account-I of Patna Training College	237761	0.27	31.03.2011
10	Account-I of B.N. College	138464	26.99	03.03.2011
11	Account-I of College of Arts and Craft	9537678	0.64	05.04.2011
12	Account-I of Patna Women Training College	212363	5.89	03.03.2011
13	Account-I of Magadh Mahila College	212326	35.45	03.03.2011
14	GPF A/c	20245395705	9.14	15.06.2012
15	RTI Act, 2005	20245444278	0.29	15.06.2012
	Total		294.08	

In absence of cash books or any other record, the transactions pertaining to these accounts could not be examined and quantified. The Receipts and Payments Account did not depict fair picture in absence of incorporation of transactions of the above bank accounts.

Accepting the audit observation, Patna University stated (October 2012) that measures had already been initiated to update the accounts of different heads.

Bank Reconciliation Statement had never been prepared

- It was observed during audit (July 2012) that the University never prepared Bank Reconciliation Statements to reconcile the differences between bank accounts and cash books. The cash books were not properly maintained or balanced. As a result, the accuracy of entries made in cash books could not be ensured or error committed in the cash books be rectified. As such, the chances of misappropriation/ defalcation cannot be ruled out.

While accepting the observation, the Patna University stated (October 2012) that bank reconciliation of 10 accounts had been completed up to 2010-11 and three accounts upto 2007-08.

Unutilised fund were not judiciously invested

- The Bank Statement of Development Fund⁵ of the University revealed that the minimum unutilised annual balance ranged between ₹ 2.96 crore and ₹ 7.18 crore during 2007-12. Had the unutilised funds been invested in better returns instruments like short term deposits/flexi-fixed deposits etc., the University would have earned more interest to the tune of ₹ 75.19 lakh (*Appendix 3.1.1*). Further, as per UGC guidelines earned interest was to be treated as additional grant in the accounts of the University. It was further found in audit (July 2012) that the Works Department of Patna University had kept the grant of ₹ 95.50 lakh into a non-interest bearing account (i.e. current account) of Allahabad Bank. This resulted in loss of interest of ₹ 6.18 lakh to the University funds (*Appendix-3.1.2*).

The University in its reply (October 2012) stated that it was not mandatory to keep the amount in Fixed Deposit A/c. However step was being taken to avail facility of auto sweep scheme.

The reply was not acceptable as sound financial management system requires adequate planning so that funds are judiciously invested or utilised.

3.1.3.2 Non – preparation of Annual accounts by the University

Section 34 (i) of Patna University Act, 1976 prescribes that the statute may provide for the maintenance of accounts of the income and expenditure of the University. Further, section 45 of the Act stipulates that the annual report on the working of the University shall be prepared under the directions of the Syndicate⁶ and shall include the annual accounts of the University. The annual report and the annual account of the University together with the resolution of the Syndicate (if any) relating thereto shall be placed before the next ensuing session of the State Legislature for consideration.

Annual accounts had never been prepared. Even the statutes for maintenance of accounts were not framed

Scrutiny of records disclosed that the University had never prepared its annual accounts since inception. As a result, all major provisions prescribed in the Act for the preparation and presentation of the annual accounts were being violated with impunity. In addition to this, the University has not prescribed any format of accounts. However, the University outsourced the work of preparation of ‘Receipt and Payment Account’ and ‘Internal Audit’ thereof to M/s Barun & Co for the period of 2007-11.

Scrutiny of budget revealed that sufficient provisions were not made for liabilities such as dues of ₹ 102.65 crore for electricity and municipal tax against which only ₹ 50.78 crore had been provided in the annual budget for 2011-12. It showed that proper provision for expenditure had not been made in budget also.

Hence, in absence of annual accounts, the state of affairs i.e. Assets, Liabilities, Loans and Advances received and paid to various agencies, investments made, cumulative excess/ deficit of income over expenditure etc.

⁵ *Development Fund: The fund is to be utilized for construction and renovation of buildings, purchase of equipment, books and journals, student/staff amenities, supporting extension activities and organization of seminars/workshops, etc.*

⁶ *The Executive Council of the University.*

could not be ascertained over the years. Non - availability of annual accounts and proper basic records resulted in limitation to the audit.

Patna University stated (October 2012) that the preparation of the statutes for the maintenance of accounts of income and expenditure of the University and Colleges with prescribed forms and registers as per section 34 (i) was under active consideration of the University.

3.1.3.3 Maintenance of cash books

Every officer who is authorised to receive or disburse Government money should keep an account in cash books. The cash book should be closed and balanced monthly and the closing balance should be checked with actual cash balance. Scrutiny of records revealed:

Cash Books were not properly maintained

- The University did not have records regarding the number of cash books. However, test check of 27 cash books submitted by the University revealed that the cash books were neither totalled nor authenticated by the competent authority;
- Opening balance and closing balance were not certified;
- Monthly physical verification was also not conducted at the end of each month.

The Patna University accepted (October 2012) it and attributed the non - maintenance of cash books to the shortage of staff and stated that steps had already been taken to update the cash books.

3.1.3.4 Outstanding temporary advances

Temporary advances require following control measures:

- Accounts for advances given are required to be rendered as early as possible and unspent balances refunded immediately after the completion /finalisation of occasions/purchases.
- The reasons for making the advances as well as the conditions attached to them should be stated clearly and completely in the relevant sanction orders.
- In reviewing the outstanding loans and advances, special attention should be paid to irregularities in repayment, acknowledgement of balances and unrealised and doubtful assets.
- Further loans should not be granted for the same purpose when substantial unutilised balances out of the previous loans are still available to the debtors and that there is adequate basis to establish that the loans have been utilised only for the purposes and on the objectives for which they were sanctioned.
- Periodic reconciliation statement of advance to suppliers and debtors should be maintained to ensure proper accounting.
- Control registers for advance should be maintained.

On scrutiny of records of the University it was revealed that it had large outstanding temporary advances with individuals/agencies for long periods. Test check (June 2012) of available records revealed:

Temporary advances were not adjusted since long due to inadequate internal control mechanism

- There was no monitoring of adjustments of these advances.
- Fresh advances were granted to 80 persons/heads of the department without adjusting the previous ones.
- No centralised records and control register was maintained so the overall position of advances could not be known.
- Temporary advances amounting ₹ 6.31 crore (₹ 4.30 crore from examination fund and ₹ 2.01 crore from contingency fund) remained unadjusted as on March 2012 as given below:

Table no-3
Year wise outstanding advances

(Amount in ₹)			
Year	Contingency fund	Examination	Total
O.B	2071922	18777795	20849717
2007-08	4395412	6854475	11249887
2008-09	-	1674525	1674525
2009-10	-	3230145	3230145
2010-11	-	5156483	5156483
2011-12	13690897	7290698	20981595
Grand total	20158231	42984121	63142352

- Out of these advances, ₹ 2.08 crore granted to 123 persons prior to April 2007 remained unadjusted till date (June 2012). Unadjusted advances also included ₹ 69.39 lakh granted to 58 outside agencies for supply of materials (*Appendix-3.1.3*). The advances were lying outstanding with different persons for period ranging between one to more than five years.

However, no punitive action was taken by the University for non-submission of the adjustment bills by the officials. This showed lapse in monitoring at the level of senior functionaries of the University. Absence of a system to monitor the adjustment of outstanding advances was indicative of inadequate and ineffective internal control mechanism. Non-maintenance of proper records resulted in limitation to audit. Non-recovery/adjustment of advances for such a long period without proper records was fraught with risk of misappropriation of Government money.

University attributed (October 2012) the non-adjustment of outstanding temporary advances to shortage of staff. It further stated that out of ₹ 6.31 crore of outstanding temporary advance, a sum of ₹ 45.62 lakh had already been adjusted and the process of adjustment of the remaining amount of advance was in progress. The reply was indicative of lackadaisical attitude of the University towards recovery of outstanding advances.

3.1.3.5 Under utilisation of UGC funds

University was deprived of UGC grants of ₹ 5.71 crore due to lack of planning

The University Grant Commission (UGC) sanctioned final allocation of ₹ 12.13 crore (July 2009) and released ₹ 6.42 crore as advance plan grant as tentative allocation during June 2007 to November 2010 to the University under General Development Grant⁷ and Merged Scheme Grant⁸ during Eleventh Plan (2007-12). It was stipulated in the release order that unutilised portion of grant would be considered as lapsed. The details are given in *Appendix 3.1.4* and table below:

Table-4: Detail regarding utilisation of fund

(₹ in lakh)

Scheme	Amount sanctioned	No. of instalment	Grant received	Fund utilised upto June 2012 (per cent)	Balance fund available/unutilised	Fund lapsed
General Development Grant	756.25	5	393.25	196.10 (50)	197.15	363.00
Merged Scheme Grant	457.00	2	248.50	28.30 (11)	220.20	208.50
Total	1213.25	7	641.75	224.40 (35)	417.35	571.50

As evident, the University could utilise only ₹ 2.24 crore, and ₹ 4.17 crore remained unutilised till June 2012. Thus, the University was deprived of the remaining grants of ₹ 5.71 crore which lapsed. Further, scrutiny of records disclosed following facts:

- **Unfruitful expenditure on incomplete works**

UGC had sanctioned ₹ 2.27 crore and released ₹ 1.52 crore to Patna University under 'General Development Grant' during 2005-09 to construct/renovate seven buildings. Estimates were approved by the Building Committee and the works were awarded to seven contractors (between August 2008 and July 2009) with agreement value of ₹ 2.70 crore. According to the agreement, works were to be completed during February 2009 to April 2010.

Unfruitful expenditure of ₹ 1.51 crore was incurred on construction/renovation work due to delay execution of work

Scrutiny of the records (May 2012) of Works Department of the University revealed that the contractors executed works (23 to 78 per cent) amounting to ₹ 1.51 crore and there after the works were stopped (during September 2008 and February 2011) due to non - availability of funds. It was further seen that UGC did not release the next instalments as utilisation certificates for previous instalments were not submitted. Even the university failed to provide funds in the budget for completion of works, though it was clear that additional funds

⁷ *Development grant- Development assistance may be utilised for the consolidation of existing infrastructure and for modernising teaching, research and administration as also for extension and field outreach activities to meet the changing needs of the Universities and to respond appropriately to the demands of the society.*

⁸ *Merged scheme-To provide for Support to Teachers/ Scientific/ Technical Officers/ Administrative Staff, all Administrative Officers of University from Administration, Finance and Examination viz., Pro Vice-Chancellor /Rector Registrars, Finance Officer, Controller of Examination with Librarians and Direct or Physical Education and other group 'A' Officers in these cadres for participating in international conferences/seminars/symposia/workshops held abroad.*

were to be managed by the university itself. No action was taken to obtain required funds from UGC and as such the work remained incomplete for more than 15 to 46 months thereby rendering the expenditure of ₹ 1.51 crore unfruitful (*Appendix-3.1.5*).

In reply the University stated (October 2012) that the major works had been completed and residual works would be completed from internal resources. The reply was unconvincing as after execution of 23 to 78 *per cent* of works by various contractors, they remained stalled for a long period of 15 to 46 months and no action was taken by the University to get the work completed since no provision has been made in the budget.

● **Inflated utilisation certificates**

According to para 5 of UGC guidelines, first installment of 20 *per cent* of allocation may be released for all items except building for which University is eligible and appropriate grant is allocated under the Eleven General Plan Development. The second and subsequent instalments of grants will be released on receipt of progress report and statement of expenditure/ utilisation certificate (UC) of previous grants.

Inflated utilisation certificate of ₹ 2.65 crore were submitted to UGC

It was seen that Patna University had submitted (March 2010) factually incorrect UC of ₹ 2.65 crore to UGC against actual expenditure of ₹ 1.55 crore by Development Wing, Patna University (*Appendix-3.1.6 and 3.1.7*). Thereafter, the University had not sent any UC to the UGC.

The University in its reply (October 2012) stated that the moment grant was disbursed to the respective departments, the utilisation was sent to UGC to ensure timely receipt of the next instalment of grant. The reply was not acceptable because mere transfer of funds to the concerned departments did not amount to actual utilisation of funds.

● **Misutilisation of the financial assistance for unauthorised purposes**

As per para 4A (v) of UGC guidelines, the financial assistance under Books and Equipment head was to be given for purchase of books, laboratory equipment, special office equipment (excluding furniture, fixtures and computer) and modern teaching aids like multimedia projectors, overhead projectors etc.

Rupees 20.56 lakh were misutilised for unauthorised purposes

Scrutiny (July 2012) revealed that ₹ 2.24 crore (out of the received grant of ₹ 3.93 crore under General Development Grant) was made available to 37 Departments and allied units of the University for purchase of books/journals and equipment etc.. However, in contravention of UGC guidelines, 11 PG Departments and allied units had utilised the grant amounting to ₹ 20.56 lakh (out of ₹ 1.15 crore) for purchase of desktop computer, laptop, air conditioner etc. (*Appendix-3.1.8*) defeating the purpose of the grant and students were deprived of intended benefits. It was further seen that the University had not taken any corrective measure for prevention of recurrence of mis-utilisation of fund.

The University stated (October 2012) that telephonic approval had been taken from UGC for purchase of computer under the head equipment. The reply

was not acceptable as it was not in accordance with the stipulated guidelines of the UGC.

3.1.4 Infrastructure Management

3.1.4.1 *Serious irregularities in award of tender for Examination Management System*

The University entered into agreement (April 2012) with M/s Mindlogicx Infratech Limited, Bangluru to implement new automated end to end Examination Management System (EMS). Scrutiny of the tender process revealed serious flaws at every stage as discussed below:

Insufficient time for tender and high turnover resulted in curtailment of competition

- The University had published short tender notice for implementation of end-to-end EMS giving only one week's time from the date of publication of the NIT without inviting Expression of Interest (EOI) and fixed high turnover criteria (₹ 10 crore whereas the expected expenditure on this system was ₹ 1.08 crore (approx.) per annum only). This resulted into curtailment of competition despite the fact that the examination management system was a new system to be introduced in Patna University.

Financial implication of EMS were not considered

- The financial implications of the new system were also not taken into consideration before calling of bids for implementation of the system. The Finance Committee of the University did not deliberate on the source from where the expected expenditure of ₹ 6.48 crore⁹ (approx.) would be met in case of full implementation of the system.
- The clauses of tender documents did not include the performance bank guarantee clause and bid capacity of the bidders.
- According to one of the most important and critical criteria, the bidder must have experience of three years in handling university examinations. But, M/s Mindlogicx Infratech Ltd. was a newly incorporated company which was incorporated on 28 July 2010 and didn't have requisite three years experience to qualify. Hence, the bid submitted by M/s Mindlogicx Infratech Ltd. (Bidder) was liable to be rejected.

The University replied (October 2012) that in view of the urgency to implement semester system from current session 2012-13, EOI was not invited and it was not mandatory for the University to follow Bihar Financial Rules. Further, it was stated that the work was awarded to the company on trial basis and the examination department had sufficient funds available for carrying out such trial. It was further stated that in the tender document itself firms were allowed to submit bid on behalf of their own/ subsidiary/ affiliate/ consortium/ group of companies in order to attract more and more companies, and a notice had been served to M/s Mindlogicx Infratec Ltd. for clarification.

The reply was not acceptable as the University should follow Bihar Financial Rules in absence of its own specific rules. Further, agreement with company

⁹ $40000 \text{ students} \times ₹ 54 \text{ per paper} \times 5 \text{ number of paper} \times 6 \text{ years} = ₹ 6.48 \text{ crore}$

for six years contradicted the reply of the University that initially the work was undertaken on trial basis.

The tender procedure fairness and transparency lacked and

It was, therefore, evident that the whole process from the presentation on automated EMS system to award of work (agreement) was done during the period 14 February 2012 to 13 April 2012 i.e. in only two months in undue haste after VC attended the seminar sponsored by the firm, without proper examination of its requirement, cost benefit analysis and considering the pros and cons of the system. The procedure adopted also lacked fairness and transparency (*Appendix-3.1.9*).

3.1.4.2 Construction Works

Patna University had undertaken 292 works valuing ₹ 14.11 crore during 2007-12. During scrutiny, 22 construction /renovation works valuing ₹ 8.04 crore were test checked and following shortcoming were noticed:

- **Irregular payment on carriage and royalty**

As per letter no. dated 02-02-1984 Cabinet, Vigilance (Technical Investigation Cell) Bihar, Patna the name of quarry was required to be mentioned in contractors bills relating to payment of carriage charges in respect of stone chips, sand etc.

Rupees 45.41 lakh was paid as carriage charges without any mention of destined quarry

In course of test check (May 2012) of records of the University, it was seen that though the name of quarry was not specified in the agreements, carriage costs with royalty were being provided for the utilisation of stone chips and sand in the works. Scrutiny of 17 works disclosed that ₹ 45.41 lakh was paid to contractors as carriage charges without any mention of destined quarry. It was further seen that the contractor's bills were also not supported by Form 'M' and 'N', though required under Minor Mineral Concession Rules 1972. Thus, in absence of the required documents, payment of ₹ 45.41 lakh on account of carriage charges was irregular (*Appendix-3.1.10 and 3.1.11*).

In its reply (October 2012) the University stated that in case of non-submission of 'M' and 'N' Forms, royalty would be deducted from the final bill of the contractor.

- **Non maintenance of register of works**

Register of works were not maintained

Bihar Public Works Account Code¹⁰ stipulates maintenance of Works Abstract Register, Contractor Ledger and Register of Works to have a check over the ongoing works of the department. Scrutiny of records (May 2012) of the University revealed that these records were not being maintained by the University. These were the vital documents for keeping a records and checking the quality of works.

In reply (October 2012) the University stated that Abstract Register had been maintained and there was no need to maintain Contractor Ledger. However, no records were produced in support of the aforesaid statement.

¹⁰ Rule-282 / Works Abstract, Rule-309/ Register of Works and Rule-321/ Contractors Ledger.

Rupees 8.01 lakh as labour cess were not deducted from contractors' bill

- **Non-deduction of labour cess**

Scrutiny of the records (May 2012) of Patna University revealed that the labour cess leviable under the Building and Other Construction Workers Welfare Cess Act, 1996 amounting to ₹ 8.01 lakh (*Appendix - 3.1.12*) was not deducted from the bills in 190, out of 292 works worth ₹ 8.01 crore made to different agencies/contractors during 2007-12.

In its reply the University stated that as per norms of Government labour cess had to be deducted from the bill of the contractor if there was provision in the estimate. The reply was not acceptable because as labour cess was to be deducted at the rate of one *per cent* in respect of all the construction works.

- **Unauthorised payment on extra works**

An amount of ₹ 19.91 lakh was paid for extra items without executing supplementary agreements.

In reply, the University stated that extra work had been done as per site requirement. The reply was contrary to the provision of supplementary agreement.

- **Quality control**

Scrutiny of records (May 2012) disclosed that the University had not ensured quality control in its executed works. The quality control test of utilised materials like iron, cement, sand, stone chips etc. were not on records. Further, the specification of cement was not mentioned in the agreements of the works. In absence of quality control of materials, there was possibility of sub-standard execution.

Patna University stated (October 2012) that at present there was no laboratory to carry out quality test of the bricks, stone chips etc and due to lack of the technical staff, it was not possible to develop laboratory at Works Department. It was further stated that the Government approved laboratory would be contacted for testing of building materials.

3.1.5 Miscellaneous

3.1.5.1 *Avoidable liability due to non-disconnection of electric line*

In four hostels¹¹ of the University, though seats were not allotted to students, electric connection was allowed to continue since long. However, after deliberation with Bihar State Electricity Board (BSEB) in 2007, the electric connection of two hostels was cut off and remaining connections continued till date. Thus due to delayed decision on disconnection of electric lines in two hostels and continuance of connections in remaining hostels, the University incurred an avoidable liability amounting to ₹ 18.06 crore on electric charges. Also, it was seen that the concerned Electric Supply Division had claimed ₹ 1.07 crore from the University for five other electric connections which were not being utilised by the University. However, no action had been taken by the

Continuation of electric connections which were not being utilised by the University resulted into avoidable liability of ₹ 19.13 crore

¹¹ Hostel no-2,3,4 and 7

University in this regard till July 2012 which resulted in avoidable liability of ₹ 19.13 crore (**Appendix-3.1.13**).

The University, in its reply (October 2012), stated that action had been taken to disconnect the electric supply of remaining two hostels.

The reply was not acceptable as the BSEB denied disconnection without clearance of outstanding dues.

3.1.5.2 *Loss of revenue due to non allotment of hostels*

Scrutiny of records of nine hostels of Patna University revealed that 2790 students had applied for accommodation in hostels during 2007-12, but the University allotted seats to only 2059 students and balance 731 students were denied seats despite availability. Details as given in table below:-

Table- 5: Statement of allotment of seats in hostels

Session	Total seats	Application submitted by students for allotment	Total seats allotted	Seats not allotted and lying vacant without any reason (3-4)	Hostel rent/student (per year)	Loss of revenue (in ₹) (5x6)
1	2	3	4	5	6	7
2007-08	703	515	392	123	2760	339480
2008-09	704	493	371	122	2760	336720
2009-10	726	551	401	150	2760	414000
2010-11	826	560	444	116	2760	320160
2011-12	826	671	451	220	2760	607200
Total	3785	2790	2059	731	2760	2017560

(Source: statement furnished by Patna University)

Non-allotment of hostels resulted into loss of revenue and students were deprived from the available infrastructure

Thus, due to non-allotment of seats in hostels, the University was deprived of an income of ₹ 20.18 lakh even though the fee was quite low and not revised since long.

Patna University accepted (October 2012) the audit observation and stated that rooms could not be allotted to the students as some of the rooms of PG Hostels were damaged and some of them were occupied by unauthorized students. However, the University had assured that steps had been taken to vacate the unauthorised occupants.

Thus, the resources of the University remained unutilised and students were deprived from the available infrastructure.

3.1.5.3 *Non implementation of new contributory pension scheme*

According to the State Government Employees Contributory Pension Scheme 2005 (notified in August 2005 and effective from 1 September 2005), 10 per cent of basic pay plus dearness pay of employees was to be deducted from monthly salary of employee and equal amount from the employer/ State Government/ University was to be given to contributory pension fund. It was noticed in course of test check that the University had not initiated the pension scheme while 92 employees (18 teaching staffs and 74 non-teaching staff) were appointed on or after 01 September 2005.

New Contributory Pension Scheme was not implemented on new recruitments

Patna University accepted (October 2012) the audit observation and stated that memorandum had been issued on 10 September 2012 to implement the new contributory pension scheme.

3.1.6 Conclusion

Though the scope of audit was severely limited due to non-production/non-maintenance of records, the furnished records revealed failure of financial discipline in the University. The University had not prepared financial statements according to statutes of Patna University Act. The financial disorder was evident from the non-maintenance of University Fund, non-preparation of annual accounts, non-maintenance of cashbooks, underutilisation/lapse of UGC funds and lack of internal control. The tendering process lacked fairness and transparency and undue aid was provided to the contractors. Further, lapse on the part of administration in exercising financial prudence resulted in incurring avoidable liability.

3.1.7 Recommendations

- The University should ensure preparation of financial statements according to the statutes of Patna University Act and preparation of Annual Accounts to maintain financial discipline;
- Transparency and fairness must be ensured in the tendering process;
- Internal Control System should be strengthened in respect of maintenance of accounts, cash book, unadjusted advances and other control registers; and
- Suitable mechanism may be devised to avoid liabilities such as electricity dues.

ENVIRONMENT AND FOREST DEPARTMENT

3.2 *Compensatory Afforestation Fund Management and Planning Authority (CAMPA)*

3.2.1 Introduction

An *Ad-hoc* body of Compensatory Afforestation Fund Management and Planning Authority (Ad-hoc CAMPA) Central level body, was constituted in May 2006 on the directive of Honorable Supreme Court of India to receive the funds from the user agencies towards compensatory afforestation (CA), penal compensatory afforestation (PCA), additional compensatory afforestation (ACA), Net Present Value (NPV) of the forest land and catchment area treatment plan (CAT) on account of use of forest land for non - forestry purposes. Further, to administer the amount received from the *Ad-hoc* CAMPA and utilize the money collected for undertaking CA, conservation and protection of forests and compliance of any other conditions stipulated by the Central Government while according approval under the Forest (Conservation) Act, 1980, State Compensatory Afforestation Fund Management and Planning Authority (CAMPA) was constituted in Bihar in January 2010 on the direction of Hon'ble Supreme Court in July 2009. The objectives of CAMPA were (a) conservation, protection, regeneration and management of natural forests (b) conservation, protection and management of wildlife and its habitat within and outside protected areas (c) compensatory afforestation (d) promotion of agricultural forestry and environmental services like grazing, tourism, wildlife protection and life support and (e) research, training and capacity building.

3.2.2 Organisational set up

CAMPA consists of one Governing body and two Committees viz. Steering Committee and Executive Committee. The Governing body, headed by the Chief Minister, formulates and reviews policies of the CAMPA. The Steering Committee and Executive Committee headed by the Chief Secretary and Principal Chief Conservator of Forest (PCCF) respectively are responsible for preparation, implementation and monitoring of annual work plan. The members of Governing body, Steering Committee and Executive Committee are given in *Appendix-3.2.1*.

3.2.3 Audit scope and methodology

The audit covered the period 2009-12 and was conducted between February to June and September to November 2012. The functioning of CAMPA in the State was assessed through transaction audit by covering 11¹ out of 22 Divisional Forest Offices (DFO) of the State, along with records of the CAMPA at headquarters. The selection of units for test check was done on the basis of quantum of funds released to various divisions through CAMPA and incurred expenditure.

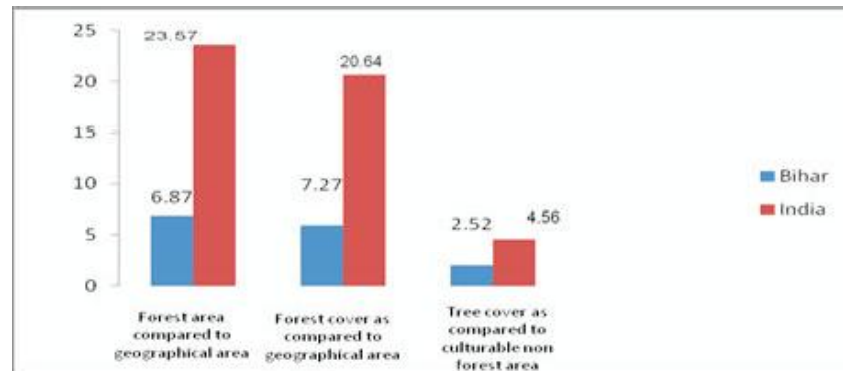
¹ Araria, Aurangabad, Banka, Bhojpur (Ara), Gaya, Jamui, Kaimur (Bhabua), Nawada, Rohtas (Sasaram), Saharsa and Tirhut (Muzaffarpur).

Audit Findings

The audit findings are discussed in the successive paragraphs:

3.2.4 Planning

As per records of Government of Bihar, the State had a recorded forest area of 6473 sq km which represented 6.87 per cent of the total geographical area of the State (94163 sq km)². The comparative forest coverage (in per cent) with country is given below in chart:



(Source: FSI Report 2011)

As evident from the chart above the State was lagging behind the national average. In this scenario the role of administration of the CAMPA was crucial in relation to planning for development of existing forest cover of the State.

As per clause 15(2) (ii) of the guidelines of the State CAMPA, the Executive Committee State CAMPA was required to prepare Annual Plan of Operation (APO) involving various activities to be undertaken in the State and to submit before the Steering Committee before end of December for each financial year. After approval from the Steering Committee, APO was required to be sent by the Nodal Officer, CAMPA to the Ad-hoc CAMPA for release of funds.

During 2009-10 and 2010-11, the CAMPA lacked adequate planning for the activities to be undertaken in the State

Scrutiny of records disclosed that no APO was prepared for the year 2009-10 and there was delay (ranging from 12 to 15 months) in preparation of APOs of 2010-11 and 2011-12. It was further observed that the Ad-hoc CAMPA had released fund of ₹ 7.73 crore to the CAMPA without receipt of APO 2009-10 and ₹ 8.67 crore prior to receipt of APO 2010-11. It was only in 2011-12 that the fund of ₹ 8.04 crore was released on the receipt of APO.

² Forest Area - Total Notified Forest Land (6473 sq. Km) is termed as Forest area.
 Forest Cover- Total forest comprising of very dense forest(231 sq. Km), moderate dense forest (3280 sq. Km) and open forest (3334 sq. Km). Total forest cover of the state is 6845 sq. Km.
 Tree Cover- The tree cover is derived using Tree outside forest (TOF) inventory data over a period of six years. The estimated tree cover in the State recorded during 2004-10 is 2369 sq. Km which is 2.52 per cent of the geographical area of the State.

Ad-hoc CAMPA also released fund without receipt of Annual Plan of operations (APO) during 2009-11

Thus, during 2009-10 and 2010-11 the CAMPA lacked adequate planning in identification of key activities to be undertaken. Similarly the *Ad-hoc* CAMPA also released funds without receipt of APOs (2009-11) by CAMPA.

On this being pointed out the department replied (November 2012) that due to non-creation of infrastructure the APO for the year 2009-10 could not be prepared. The reply was not in accordance with facts as the post of Nodal Officer was created in May 2008. However, non preparation/belated preparation of APOs attributed to deficient planning resulted in non-utilisation of funds released from *Ad-hoc* CAMPA. In addition, CAMPA did not develop any system or record to watch violations of Forest (Conservation) Act, 1980, and the agencies/departments had been using forest land for non-forest purposes as discussed in succeeding paragraph.

3.2.4.1 Violation of Forest (Conservation) Act, 1980

Forest (Conservation) Act, 1980 envisages that notwithstanding anything contained in any other law for the time being enforced in a State, no State Government or other Authority shall make, except with the prior approval of Ministry of Environment and Forest (MoEF), GOI, New Delhi, any order directing the use of any forest land or any portion thereof for non-forest purpose.

The user agencies were allowed use of forest land for non-forest purposes in contravention of Forest (Conservation) Act, 1980.

Scrutiny of records of four forest Divisions³ and CAMPA, Bihar, Patna disclosed that MoEF agreed in principle (stage-I) for use of 397.94 hectare forest land for non-forest purposes under five forest divisions. Further, as per conditions of MoEF, five user agencies⁴ were to deposit total demand of ₹ 30.42 crore on account of NPV, CA/PCA for getting the final approval for diversion of 397.94 hectares of forest land (**Appendix- 3.2.2**). However, it was observed that though the user agencies had deposited (March 2012) only ₹ 6.77 crore (22 *per cent*) in the account of CAMPA, they had started the use of land for non-forest purposes, prior to approval of MoEF in violation of Forest (Conservation) Act, 1980.

It was further observed from the records of CAMPA that Road Construction Department, Government of Bihar had utilised forest land for construction of road in as many as 95 cases without getting prior approval of MoEF.

On this being pointed out in audit, the CAMPA stated (March 2012) that the matter was discussed in the meeting of State Advisory Group. Recommendation of the State Government has already been sent to Government of India (GOI).

The department had also accepted (November 2012) that most of the diversion cases in the State related to strengthening and widening of roads in which the user agencies completed road construction works without obtaining formal approvals as envisaged under Forest (Conservation) Act, 1980. The department further stated that the CAMPA could gradually realize a total sum of ₹ 138.41 crore up to June 2012 on getting approval in some of the cases.

³ (i) DFO, Banka, (ii) Jamui, (iii) Kaimur and (iv) Nawada.

⁴ (i) Executive Engineer, CPWD, (ii) National Highway (iii) RCD, (iv) State Highway and (v) WRD.

The reply was not acceptable as the user agencies were allowed use of forest land for non-forest purpose without prior mandatory approval as envisaged under the Forest (Conservation) Act, 1980.

3.2.5 Financial management

The details of available funds⁵ in State CAMPA are given in the **Table-1**.

Table-1
Available funds of State CAMPA

Year	Amount Deposited in <i>ad-hoc</i> CAMPA	Amount Released to State CAMPA	(₹ in crore)	
			Amount received in State CAMPA from other sources	Total available funds
2006-07	42.22	-	-	-
2007-08	00.56	-	-	-
2008-09	45.82	-	-	-
2009-10	22.20	7.73	-	7.73
2010-11	22.80	8.67	12.47	21.14
2011-12	38.73	8.04	3.08	11.12
Total	172.33	24.44	15.55	39.99

(Source:-Figures furnished by CAMPA)

Due to non-utilisation of funds received from *Ad-hoc* CAMPA, the objectives of the State towards conservation and protection of forest were not achieved

As evident from the table, *Ad-hoc* CAMPA had released ₹ 24.44 crore to State CAMPA during 2009-12. Besides, ₹ 15.55 crore was directly credited into the account of State CAMPA through various offices/forest divisions⁶ under Green Belt, Median Plantation Schemes (**Appendix-3.2.3**). It was observed that CAMPA released ₹ 20.24 crore⁷ (**Appendix-3.2.4**) against the APOs of concerned forest divisions. It was further observed that the funds amounting to ₹ 19.75 crore (49 *per cent* of the available funds) remained unutilised with CAMPA (March 2012) of which ₹ 10.60 crore was being kept in term deposits. Due to non-utilisation of funds received from *Ad-hoc* CAMPA, the objectives of the State towards conservation and protection of forest were not achieved.

In reply to the audit observation, the department stated (November 2012) that though the Hon'ble Supreme Court of India issued directions to release 10 *per cent* of the fund deposited by the respective State, there was restriction of fixed maximum limit of ₹ 1000 crore too for national level. In view of this, state was deprived of availing 10 *per cent* of their total fund deposited with *Ad-hoc* CAMPA.

The reply was not satisfactory since the department could not justify the reason of non-utilisation of funds and admitted that all such funds were lying unutilised with the CAMPA.

⁵ As per orders of Hon'ble Supreme Court of India, *Ad-hoc* CAMPA would release funds equivalent to the amount of 10 *per cent* of the deposited fund of the concerned state

⁶ Purnea, Araria, Saharsa, Tirhut, Mithila (Darbhanga), RCCF, Patna, Kaimur, Rohtas, Aurangabad, Nalanda, Begusarai and Gaya.

⁷ ₹ 7.21 crore against the APO of ₹ 10.70 crore and ₹ 13.03 crore against APO of ₹ 14.37 crore in 2010-11 and 2011-12 respectively to the concerned forest divisions

Other irregularities noticed in course of audit are discussed in succeeding paragraphs.

3.2.5.1 Accounting Procedure

As per para 16 (3) of the guideline, CAMPA was required to maintain proper accounts and other relevant records and prepare an annual statements of accounts in such form as may be prescribed in consultation with the Accountant General and also to prepare Annual Report by end June for each financial year as per provisions as contained in para no. 15(2) (vii) of the guidelines. CAMPA did not take any action for the form of accounts and did not prepare accounts even in the form made available by the audit in June 2012. In absence of proper accounts, correctness of its income and expenditure for the year 2010-11 and 2011-12 could not be verified in audit.

3.2.5.2 Non maintenance of cash books

Rule 22 of Bihar Financial Rules stipulated that the every officer who was authorised to receive or disburse Government money would keep an account in cash books. The cash book would be closed and balanced monthly and the closing balance would be checked with actual cash balance. The Steering Committee of CAMPA had also reiterated requirement of maintenance of separate cash book and ledger etc. by all forest divisions and for submission of the monthly accounts to the Conservator of Forest (CF).

Five out of eleven test-checked divisions had not maintained cash books for the period ranging from four to 12 months

Scrutiny of records disclosed that the cash books/ledger in respect of the CAMPA funds of five out of eleven test check forest divisions were not maintained for the period ranging from four to 12 months⁸. Further, cash books in divisions were not being checked regularly by the DDOs. Thus, improper maintenance of cash book was fraught with risk of misappropriation. Department assured (November 2012) that efforts were being made to maintain/update the Cash Book and all other records properly.

3.2.5.3 Utilisation of funds

Test check of records of eleven selected divisions revealed that out of total fund of ₹ 8.84 crore released during 2011-12 a sum of ₹ 7.84 crore were utilised by them. However, CAMPA did not provide details of utilisation of fund of ₹ 13.03 crore made available to all 22 divisions during 2011-12. Thus owing to the reason of non-availability of compiled expenditure report, utilisation of funds could not be ascertained.

On this being pointed out, the department stated (November 2012) that the expenditure for the year 2011-12 was being compiled.

Reply was not convincing as the State CAMPA was required to obtain monthly expenditure report from the concerned DFOs and to compile all such expenses regularly.

3.2.5.4 Composition of expenditure

As per approved APOs State CAMPA released ₹ 20.24 crore during 2010-12 (₹ 7.21 in 2010-11 and ₹ 13.03 crore in 2011-12) for execution of work to the

⁸ (i) Aurangabad (April/2011 to March/2012), (ii) Banka (February/2011 to July/2011), (iii) Bhojpur (April/2011 to March/2012), (iv) Jamui (November/2011 to February/2012) and (v) Sasaram (August/2011 to March/2012).

all DFOs of concerned forest divisions. It was observed that while releasing the fund to the DFOs, State CAMPA had not fixed any norms regarding composition of expenditure. Following table shows the composition of expenditure of funds released to all DFOs and APO 2010-11 and 2011-12.

Table-2
Compositions of expenditure during 2010-12
(₹ in crore)

Sl. No.	Name of Works	Fund released to DFOs as per APO (2010-11)	Percentage	Fund released to DFOs as per APO 2011-12	Percentage
1.	Compensatory Afforestation	1.09	15.12	3.25	24.95
2.	Added Natural Regen.(ANR)	2.57	35.64	3.15	24.17
3.	Modern Nursery	-	-	-	-
4.	Up gradation of wildlife forest road	1.00	13.87	-	-
5.	Transportation for security	0.65	9.02	1.15	8.82
6.	SGBP Patna(wildlife)	0.18	2.50	-	-
7.	Transportation for others	0.62	8.60	0.98	7.52
8.	Dolfin Conservation	-	-	-	-
9.	Black Buck Conservation	0.02	0.28	-	-
10.	Estt. Nodal Officer	0.02	0.28	0.04	0.31
11.	Over Head Expenditure	0.03	0.42	0.03	0.23
12.	Green Belt Plantation	1.03	14.29	0.81	6.22
13.	Linear Plantation	-	-	2.03	15.58
14.	Building for Officials	-	-	1.13	8.67
15.	Audit Fees	-	-	0.02	0.15
16.	Vehicle for Nodal Officer	-	-	0.10	-
17.	Working Plan/Management Plan for Nawada, VTP, Munger And SGBP	-	-	-	-
18.	N.G.O.	-	-	-	-
19.	For evaluation by the specialised from impaneled by GOI	-	-	-	-
20.	Home guard	-	-	0.19	1.46
21.	Training	-	-	0.15	1.15
	Total	7.21		13.03	

It was evident from the above table that out of total fund released (₹7.21 crore) during 2010-11, 65 per cent of total fund earmarked for plantations (CA, ANR, and green belt plantations), 18 per cent on purchase of vehicles and 14 per cent on development of infrastructure (Road). Similarly out of total fund released (₹13.03 crore) during 2011-12, 70 per cent was allocated for plantations (CA, ANR, linear and green belt), 16 per cent on purchase of vehicles and 8.67 per cent on construction of buildings for officials.

In reply, the Nodal Officer accepted (November 2012) that norms were not fixed for various items of works to be carried out under CAMPA.

3.2.6 Receipt into CAMPA

There was short realisation of ₹ 7.26 crore as NPV/CA/PCA

Scrutiny of records revealed that during 2006-12 the user agencies had deposited ₹ 172.33 crore as against total demand of ₹ 168.11 crore towards NPV/CA/PCA and other activities. Details are given in the table below:

Table-3
Details of demand raised and recovered

(₹ in crore)

Year	Demand raised	Amounts recovered	Amounts transferred in the account of Ad-hoc CAMPA
2006-07	40.94	42.23	42.23
2007-08	1.48	00.56	00.56
2008-09	51.59	45.82	45.82
2009-10	22.76	22.20	22.20
2010-11	16.05	22.80	22.80
2011-12	35.29	38.73	38.73
Total	168.11	172.33	172.33

(Source: State CAMPA)

On the basis of above audit observed that there was variation in the amount recoverable and amount actually recovered from the user agencies. During the 2006-07, 2010-11 and 2011-12 the amount of receipt was higher than that of demand. Further, it was also revealed that as against original demand of ₹ 75.83 crore raised during 2007-08 to 2009-10 the user agencies paid ₹68.58 crore as of March 2012. Thus, there was short realisation of ₹ 7.26 crore as NPV/CA/PCA (**Appendix-3.2.5**).

In reply the Nodal Officer stated that amounts of CA were changed in every six months as a consequence of increase in cost of material and rate of wages. It was further stated that in some cases user agencies paid value of CA on the basis of original demands while in some cases it was paid on basis of revised demands. Reply of CAMPA was not acceptable as there was no system in place to assure that receipt towards CA and other activities were being correctly assessed. At the same time CAMPA did not peruse recovery effectively.

Thus, CAMPA could not recover ₹ 7.26 crore from user agencies even after lapse of two to four years since amount became due.

3.2.6.1 Funds received from user agencies kept outside State CAMPA

Para 10 (I) (iii) of CAMPA guidelines stipulated that the unspent funds already realized from user agencies prior to creation of State CAMPA and not transferred to the Ad-hoc CAMPA was to be deposited into the accounts of CAMPA.

The unutilised funds of CA amounting to ₹ 1.51 crore were kept outside CAMPA

In course of scrutiny, it was observed that funds amounting to ₹ 1.93 crore was received in four test checked divisions (**Appendix-3.2.6**), which remained unutilized in three divisions and partially utilized (₹42.37 lakh out of ₹ 48.85 lakh) by DFO, Nawada. The unutilized funds received towards CA amounting to ₹ 1.51 crore were kept in the treasuries by these divisions instead of transferring it to CAMPA as of March 2012 in violations of CAMPA guidelines.

On this being pointed out, the concerned DFOs assured (March to June 2012) to take necessary action after proper investigation of the matter.

Further, the department in its reply (November 2012) stated that ₹ 90.91 lakh was received (June 2012) from DFO, Gaya and steps were being taken to

ensure transfer of remaining funds lying with Forest Divisions into the accounts of CAMPA.

Thus, due to inaction on the part of the divisions, the State was deprived of the amount to be utilized towards various environmental protection programs.

3.2.6.2 Non-assessment/realisation of compensatory afforestation money

The Ministry of Environment and Forests, (MoEF), Government of India agreed (June 2011) in principle for diversion of 330.70 hectare of forest land for non-forestry use to construct Koderma -Tilaiya new Broad Gauge Railway line (49.515 km) in favour of East Central Railways, Koderma under Forest Division Nawada and accorded approval in principle. According to the conditions of MoEF, the user agency had to deposit the cost of CA over double the area of degraded forest land and the State Government would charge the NPV of the forest area diverted under this proposal from the user agency.

Due to non-preparation of estimate by the division for plantation in double the area of degraded forest land, CA could not be realised from the user agency

Scrutiny revealed that the NPV amounting to ₹ 26.56 crore was realized from the user agency (April 2012) but due to non preparation of estimate by the division for plantation in double the area of degraded forest land (661.54 hectare) CA money could not be realised from the user agency (June 2012).

On this being pointed out, the DFO, Nawada replied (June 2012) that estimate was being prepared and CA money would be realized in due course.

Further, the department had stated (November, 2012) that DFO Nawada had sent the estimate of ₹ 4.10 crore to Railway Authorities (October 2012) and final clearance would be given only after deposit of required money from the user agency.

3.2.7 Irregularities in Land Management

As per Rule 3.2(vi) of Forest (Conservation) Act, 1980 (with amendment made in 1988) and Forest (Conservation) Rule, 2003 (with amendment in 2004), CA may be raised over degraded forest land twice to the extent of forest land being diverted in case of link road, small water works, minor irrigation works, school building, transmission line, telephone and optical fibre lines etc. Para 12(ii) of guidelines also envisages that after receipt of the money CAMPA shall accomplish the afforestation for which money is deposited in the CA fund within a period of one year or two growing seasons after project completion, as may be appropriate.

As per records of CAMPA, 2286.25 hectares of forest land were diverted for non forest purposes during the period 2006-12. As envisaged under Forest (Conservation) Act, 1980 and rules made there under, CAMPA was required to complete the CA in 4572.50 hectare i.e. double of the area of forest land diverted.

Plantation works were not carried out in the diverted forest land (twice the degraded forest area) during 2006-10

Scrutiny of records revealed that against 1673.43 hectares of forest land diverted during 2006-10 no plantation works were carried out by the concerned DFOs. However, against the total diversion of 612.81 hectare of forest land (2010-12), 3204938 plants were reported to have been planted but corresponding areas of plantations were not indicated by CAMPA (*Appendix-3.2.7*).

In reply, the Nodal Officer, State CAMPA stated (November 2012) that diversion of land was calculated in hectare but sanction of MoEF, GOI has come in different units mentioning no. of plants. The reply of CAMPA was not convincing as area of plantation during 2010-12 was not indicated due to absence of methodology to calculate area to be afforested.

3.2.7.1 Notification of land as Protected Forest/Reserved Forest

As per paragraph 3.4 (i) of Forest (Conservation) Rule, 2003 (with amendments made in 2004), non forest land identified for CA was required to be transferred to the ownership of the State Forest Department and declared as reserved/protected forest so that the plantation raised could be maintained permanently. The transfer was to be done prior to the commencement of the project.

CAMPA could not furnish records relating to non-forest land received from the user agencies

In course of audit CAMPA could not furnish any records relating to non-forest land received from the user agencies in case of diversion of forest land. However, DFO, Gaya intimated that 2.51 hectare non-forest land had been received from the user agency in January 2008 but notification declaring it as Protected Forest was pending.

3.2.7.2 Release of funds without ensuring availability of land

It was decided in the meeting of PCCF (January, 2011) that selection of sites for plantation under Added Natural Regeneration (ANR) scheme was to be done after ascertaining availability of 500 hectare forest land so that plantation on 100 hectare land each could be made possible in five consecutive years.

The DFO, Aurangabad selected three sites for ANR Advance Work for plantation of 150000 trees in 300 hectare⁹ available land for first year at Karmdih, Narayanpur and Umga under APO 2011-12. CAMPA released ₹ 20 lakh to the DFO, Aurangabad (December 2011) for execution of the scheme.

The plantation work could not be started due to non-availability of forest land and fund remained unutilised

Scrutiny of records disclosed that the plantation work could not be started at Narayanpur and Karmdih due to non-availability of forest land and the fund of ₹ 9.07 lakh remained unutilised (June 2012).

On this being pointed out in audit, DFO, Aurangabad replied (June 2012) that funds were released without seeking estimates from them and the fact regarding non-availability of land had already been communicated to CF, Gaya and Nodal Officer, Bihar, Patna.

Further, the department in its reply stated (November 2012) that the matter had been brought to the notice of Steering Committee for regularization in APO-III for the year 2012-13 which was accepted by the Steering Committee.

Thus, the sanction of APO without availability of land resulted in non utilisation of funds coupled with non achievement of intended objective of ANR advance work for plantation of 100000 trees.

3.2.8 Implementation of the schemes

Test checks of records of selected forest divisions revealed that the research, promotion of agricultural forestry and environmental services like grazing,

⁹ 50000 plants in 100 hectare at each place

tourism etc. were not implemented from the CAMPA funds. The department cited paucity of funds as the reason for non-implementation of various schemes/activities.

However, the irregularities noticed in the schemes implemented by CAMPA are being discussed in the succeeding paragraphs.

3.2.8.1 Change of plantation sites

Bamboo and Iron gabion plantation were to be carried out in Singhi-Gundi Road under DFO, Ara and Aurangabad-Amba-Hariharganj road under DFO, Aurangabad according to the APOs of 2010-11 and 2011-12 respectively.

The plantation site was changed without the approval of competent authority

Scrutiny of records of those two divisions revealed that the plantation sites were changed without getting approval from the competent authority (Chair person of Steering Committee) and expenditure of ₹ 44.84 lakh was incurred.

In reply to the audit observation, the DFO, Ara, Bhojpur stated (May 2012) that the work was completed as per orders of the Nodal Officer whereas the DFO, Aurangabad stated (June, 2012) that ex-post-facto sanction would be obtained for the site deviation.

Further, the department had also stated (November 2012) that the needful would be done to get the approval from the competent authority. Thus, the intended plantations of APO were not done in the two forest divisions. Further change of plantation sites without the consent of Steering Committee was violative of the guidelines of State CAMPA.

3.2.8.2 Failed plantation

Scrutiny of records of the DFO, Jamui revealed that the CAMPA released ₹18.31 lakh (2010-11) and ₹ 6.77 lakh (2011-12) for execution of advance work¹⁰ under ANR plantation in 2010-11 and completion work¹¹ in 2011-12 respectively at Harni Protected Forest as per approved APOs 2010-11 and 2011-12, approved on 03 March 2011 and 12 October 2011 respectively.

The survival rate was only 50 per cent against the survival norms of 80 per cent, in Harni Protected forest under Jamui

Scrutiny revealed that even after incurring expenditure of ₹ 22.93 lakh (during January to March 2011 and July 2011) by DFO, Jamui, the survival rate of plantation was only 50 per cent against the desirable norms of 80 per cent. The reasons observed in audit for poor survival of plantation were wrong selection of plantation site, delay in execution of plantation work and improper digging of trenches around the plantation site, etc.

In reply, the department stated (November 2012) that the matter would be looked into and necessary information would be furnished after detailed scrutiny of records and physical inspection to be conducted by CF, Bhagalpur.

Thus, the expenditure incurred of ₹ 22.93 lakh on substandard plantation was nugatory to the extent of cost of plantation not survived.

3.2.8.3 Doubtful execution of work

CAMPA released ₹ 31.49 lakh (₹23.67 lakh in 2010-11 and ₹ 7.82 lakh in 2011-12) to DFO Banka towards plantation of 62500 plants in 125 hectare of forest land (Kadhar PF) as per APO (2010-11). DFO, Banka had incurred

¹⁰ Advance work - Preparation of land for plantation to be carried out.

¹¹ Completion work - Plantation on advance work

₹ 23.67 lakh during February 2011 to March 2011 on advance work and ₹ 5.91 lakh during April 2011 to August 2011 on completion work on 60345 plants. It was, however, observed that according to pit count register, plantation work was done for 60345 plants, whereas payment was made for 62500 plantations. Thus, expenditure of ₹ 1.02 lakh¹² made for non-existent plantation (2155 nos.) was doubtful.

The department stated (November 2012) that the necessary reply would be furnished after proper investigation to be conducted by the CF, Bhagalpur.

3.2.9 Monitoring system

No monitoring and evaluation mechanism to assess the implementation of the scheme was involved and implemented

According to the guidelines of CAMPA, an independent system of concurrent monitoring and evaluation of the works implemented in the States utilizing the funds of CAMPA was to be evolved and implemented to ensure effective and proper utilization of funds. Besides, the CAMPA was also authorized to incur expenditure on monitoring and evaluation to overall ceiling of two *per cent* of amount to be spent every year.

Scrutiny disclosed that no monitoring and evaluation mechanism to assess the implementation of the schemes was evolved and implemented by the CAMPA. It was further noticed that funds of ₹ 22.00 lakh earmarked for monitoring purpose in 2011-12 was also lying unutilized (March 2012).

The department, in its reply, stated (November 2012) that adequate measures were being taken to address the deficiencies in the monitoring system. In absence of monitoring system, forest lands were being used for non-forest purposes without getting approval from the MoEF and the objective of CAMPA funds towards ensuring forest and tree cover, conservation and management of wildlife were not achieved.

3.2.10 Conclusion

The planning aspect was deficient as APOs were either not prepared or prepared with delay and *Ad-hoc* CAMPA did not ensure that release of funds was based on the APOs. There was no mechanism where-by the status of proposals for diversion of forest land for non forest activities by various agencies could be watched. Further, the unspent funds of CA were not deposited into the CAMPA thereby depriving the State of the funds to be utilized for various environmental programmes. No activities of research and agro forestry were undertaken from the CAMPA funds. The CAMPA had also not evolved an independent system for concurrent monitoring and evaluation of the works implemented in the State. Thus, the objectives of conservation, protection, regeneration and management of natural forests were yet to be achieved by the CAMPA.

¹² Per plant expenditure = ₹ 29.58 lakh / 62500 plants = ₹ 47.32 × no of fictitious plants 2155 = ₹ 1.02 lakh

3.2.11 Recommendations

- APOs should be prepared and approved in time.
- The unspent funds of CA should be deposited into the CAMPA fund immediately.
- CAMPA should develop a system or record to watch status of proposal for diversion of forest land for non forest activities by various user agencies.
- CAMPA should evolve an independent system of concurrent monitoring and evaluation of the works implemented in the State.

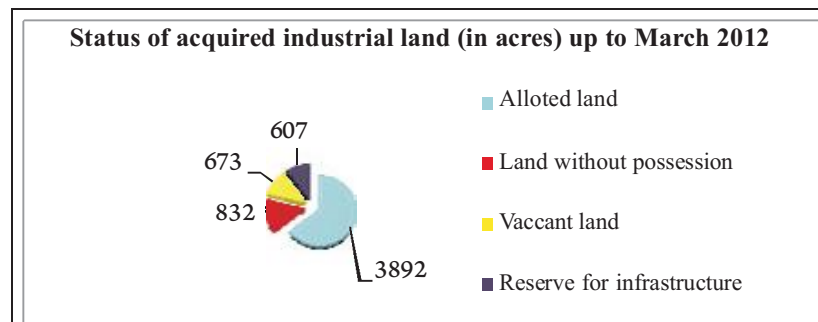
INDUSTRIES DEPARTMENT

3.3 Acquisition and allotment of land for Industrial purposes in Bihar

3.3.1 Introduction

Industry Department, Government of Bihar (Department) had the responsibility of acquisition and allotment of land for industrial purposes with the objectives of promotion and qualitative development of industries in the State. To meet these objectives Government of Bihar (GoB) established six Industrial Area Development Authorities¹ (1974) under Bihar Industrial Area Development Act, 1974. After bifurcation (November 2000) of the State of Bihar, three authorities i.e. Patna Industrial Area Development Authority (PIADA), Darbhanga Industrial Area Development Authority (DIADA) and North Bihar Industrial Area Development Authority Muzaffarpur (NBIADA) remained in Bihar. They were further reorganised (2003) as Bihar Industrial Area Development Authority (BIADA) which was responsible for planning, acquisition, development, maintenance and allotment of land. Later, Infrastructure Development Authority (IDA) and Land Bank (under IDA) was established (April 2006 and September 2006) to fulfil the requirement of land for industrial and other development schemes. The status of acquired industrial land (as on 31 March 2012) in Bihar can be seen in the chart below:

Chart-I



(Source : Information as furnished by BIADA)

As evident from the chart, only 65 per cent of the acquired land could be allotted (up to March 2012) and remaining were lying unused since long, without possession and reserved for infrastructure. Further, out of total acquired land of 6003.21 acres (up to March 2012), 1447 acres land was acquired during 2003 to 2012 and BIADA had allotted 1464.16 acres land during this period.

3.3.2 Organisational set up

The Industry Department is headed by a Principal Secretary who is assisted by one Special Secretary and four Directors. The organisational set up of the department is given in *Appendix-3.3.1*. BIADA is one of the authorities of the department that runs under the guidelines and policies of the Board of

¹ (i) Adityapur; (ii) Bokaro, (iii) Darbhanga, (iv) Muzaffarpur; (v) Patna and (vi) Ranchi.

Directors nominated by the State Government under the chairmanship of the Principal Secretary, Industry Department. Managing Director (MD) is the executive head of the Authority and works under the overall supervision and guidance of the Board of Directors. The Authority has been decentralised in four Regional Area Offices² which are headed by Executive Directors.

3.3.3 Audit scope and methodology

Audit on acquisition and allotment of land for industrial purposes for the period 2003 to 2012 was conducted in two phases i.e. between August 2011 to October 2011 and March 2012 to July 2012. During audit, risk areas of department's headquarter (Secretariat level), IDA, BIADA and its three regional area offices were examined and questionnaire/objection memos issued. Thereafter the views/replies of the department were appropriately considered and incorporated while finalising the report.

Audit findings:

The deficiencies noticed in implementation of policy and planning of the department, acquisition of land, development, allotment of land by BIADA and financial implications are discussed in the succeeding paragraphs:

3.3.4 Policy and planning

After bifurcation (November 2000) of Bihar, 17.9 *per cent* share of industrial units comprising only a limited number of large, medium and small scale enterprises remained with the State. The State Government took five years to formulate and announce the new Industrial Incentive Policy, Bihar 2006, effective from 1 April 2006 to attract investors. However, this did not change the scenario due to non-preparation of perspective plan by the department and Master plan for Industrial area. For setting up of industrial unit sufficient land and infrastructural facilities were required.

3.3.4.1 *Non revision of land rate*

Non-revision of land rates and delayed implementation of the instruction for revision of rates resulted into short realisation of ₹ 1755.89 crore to BIADA

Department had authorised (August 1975) the authorities to fix the prices of industrial land in different areas and to review its prices. Further, department had directed (July 1982) authorities to fix the price of industrial land by adding 10 *per cent* in the beginning of every year.

Scrutiny of the records disclosed that the department had not revised its instructions for the fixation of annual price of land since 1982. The BIADA was following the fixation of annual price formula of land prescribed by the department in 1982 without reviewing its rate and bringing it at par with the market rate prevalent in the area in the beginning of the year. As a result, the BIADA rate of land was much lower than the market prices of the land of the concerned area during 2007 to 2012. However, in December 2007 and February 2008, BIADA reviewed and revised the rates of land in five Industrial Areas³ and made the rates equal to Government rates of corresponding areas for that period after a span of 25 years. However, it could not be implemented in the remaining 45 Industrial areas till March 2012.

² (i) Bhagalpur, (ii) Darbhanga, (iii) Muzaffarpur and (iv) Patna.

³ (i) Biharsarif, (ii) Fatuha, (iii) Hajipur, (iv) Muzaffarpur and (v) Patna

In 11 test checked Industrial Areas, BIADA allotted 1195.79 acres of land during 2007-12 on unrevised rates which had resulted in short realisation of ₹ 1742.74 crore. In five Industrial Areas where rates were revised belatedly in respect of revised rates of local registry offices, BIADA had incurred loss of ₹ 13.15 crore (**Appendix-3.3.2**). Thus, non-revision of land rates and delayed implementation of the instruction for revision of rates resulted into short realisation of ₹ 1755.89 crore to BIADA.

On this being pointed out in audit, the department stated (January 2013) that land rate was to be revised on the basis of instruction under para 5.1 of Industrial Policy 2003 (IP).

The reply was not in consonance with the facts as IP 2003 was not implemented and was not included in Industrial Compendium 2011. BIADA itself had revised the rate in five Industrial Areas in 2007-08 with the justification that it was incurring loss due to non-revision of land rate.

3.3.5 Irregularities in implementation of Land acquisition

3.3.5.1 Land without possession

Powers for removal of encroachment of land is vested with the Authority under Clause 6(4) of BIADA Act, 1974.

Due to delay in taking over the physical possession of acquired land ranging from 11 to 39 years in four Industrial Areas, 831.665 acres of land worth ₹ 312.44 crore (March 2012) was not vacated by the previous land owners till March 2012

Scrutiny revealed that due to delay in taking over the physical possession of acquired land ranging from 11 to 39 years in four Industrial Areas⁴, 831.665 acres of land worth ₹ 312.44 crore (March 2012) was not vacated by the previous land owners till March 2012. No effort was made by BIADA till 2007 to take possession of the lands.

On this being pointed out, the department admitted (January 2013) that the encroachment could not be removed without the support of local administration. Efforts were being made in this direction.

The reply was not acceptable as BIADA initiated action belatedly only in 2007 onwards to vacate the same which yield no result.

3.3.5.2 Acquisition of land for Growth Centres

Government of India (GoI) sanctioned (December 1988) five growth centres (GC) for Bihar. The objective of the growth centres was to promote industrialisation and balanced growth of the backward areas. As per guideline (Department of Industrial Development, GoI) for preparation of project reports for growth centres, a growth centre was to be established with a cost of ₹ 30 crore in an area of 1000 to 2000 acres approximately. Accordingly the department started acquisition of land at five different places in the State.

⁴ (i) Begusarai (392.535 acres), (ii) Dehri (81.85 acres), (iii) Fatuha (56.15 acres) and (iv) Kumarbagh (301.13 acres).

The current status of the growth centres is given in the table below:

Table -1
Status of growth centres

Sl. No	Name of the Growth Centre(GC)	Year of Administrative approval	Area acquired	Total expenditure (₹ in crore)	Year of Possession	Current status
1	GC Kahalgaon	October 1993	1020.45	34.44	2002 to 2011	Allotment of land was done but construction activities were not started
2.	GC Begusarai	February 1993	392.535	9.14	1998 to 2001	Land encroached
3	GC Muzaffarpur	September 1996	-	0.13	-	Land not acquired
4	GC Chapra	September 1996	-	0.03	-	Land not acquired
5	GC Darbhanga	February 1998	-	0.38	-	Land not acquired
		Total		44.12		

(Source: Information as furnished by the department)

Five Growth Centres sanctioned by GoI remained non-starter due to non-settlement of issues with previous land owners, non-acquisition inspite of expenditure of ₹44.12 crore

It was evident from the above table that the department could acquire land for only two GCs with expenditure of ₹ 43.58 crore and land for remaining three GCs were not acquired despite expenditure of ₹ 0.54 crore. The GC Begusarai could not be started due to non-possession of acquired land. At GC Kahalgaon, 640 acres land was allotted to six entrepreneurs for establishment of seven heavy industries⁵ in contravention to the guideline. Thus, the objective of establishment of GC to step up industrialisation and balance growth of backward area in the State was defeated (July 2012).

On this being pointed out in audit, the Department stated (January 2013) that land could not be acquired in Muzaffarpur, Chapra and Darbhanga, while work could not be started at allotted land of GC Kahalgaon due to protest of the farmers.

The reply was not acceptable as the department acquires land under section 17(1) of the Land Acquisition Act, 1894 under which land gets vested with the Government with the issue of notification under section 4 of the Act. Also the department did not furnish any document in support of the reply to substantiate the farmers protest.

3.3.5.3 *Mega Industrial Park Hajipur*

MD, IDA stopped the acquisition of land unauthorisedly at MIP Hajipur and took back money from collector. This action jeopardised the establishment of Mega Industrial Park at Hajipur

The department accorded administrative approval (June 2006) of ₹ 60 crore for setting up a Mega Industrial Park (MIP) at Hajipur, Vaishali in 1000.90 acres of land. Accordingly, the District Magistrate (DM), Vaishali issued notification (October 2006 to February 2007) for land acquisition. IDA released (December 2006) ₹ 60 crore to DM, Vaishali towards the acquisition cost of land.

Audit scrutiny revealed that MD, IDA had directed (June 2007) DM within six months to stop the process of land acquisition and return the released funds to

⁵ (i) Adhunik Power and Natural Resources, (ii) Amboexport ltd, (two allotments) (iii) Cement Manufacturing company, (iv) Ganga Power & Natural resources) (v) Gulshan Polyols ltd, and (vi) Skand Agni Power Projects

IDA. Accordingly, DM returned the unspent amount of ₹ 59.88 crore. The direction of MD, IDA for stopping the work of land acquisition was not in consonance with the Government decision. As a result the acquisition process got lapsed (October 2008 to February 2009), while the unspent funds remained unutilised with IDA. Thus, unauthorised direction of IDA had jeopardised the establishment of MIP at Hajipur.

On this being pointed out in audit, the department accepted the observation and stated (January 2013) that land acquisition of MIP Hajipur was stopped by IDA. However, no reason was stated by the Department.

3.3.5.4 Cost Escalation due to delay in land acquisition process

Unauthorised decision by MD IDA and non action in part of the government, resulted in delay in acquisition of land and cost escalation of ₹ 594.13 crore

Under the Land Acquisition (Amendment) Act 1984, land acquisition programme is to be completed within two years from the date of declaration to date of land award. Non adherence to time schedule would result into lapse of entire acquisition process.

Test check of acquisition cases revealed that in spite of sufficient fund (₹ 701.87 crore) available with IDA, the projects were delayed beyond scheduled time which resulted into lapse of acquisition process and escalation of estimated cost of land valuing ₹ 594.13 crore as detailed below:

Table-2
Cost escalation in acquisition of land

Sl. No.	Name of the project	Year of Administrative Approval	Area under acquisition (in acres)	Estimated cost (₹ in crore)	Revised Estimated cost/Year (₹ in crore)	Cost escalation (₹ in crore)	Delay as on December 2012	Remarks
1.	Mega Industrial Park, Hajipur	June 2006	1000	60.00	372.19 / 2008	312.19	4 years	Acquisition is pending due to non-availability of fund with Collector
2.	Growth Centre, Kahalgaon (Mauza-Ramjanipur)	October 1993	223.22	15.07	135.71/ 2012	120.64	17 years	Revised compensation payment pending
3.	Growth Centre Begusarai	February 1993	685.855	18.00	161.00/ 2009	143.00	17 years	Acquisition is pending due to non-availability of fund with Collector
4.	Industrial Area Hajipur (third phase)	January 2001	100.00	6.00	24.30	18.30	10 years	Acquisition delayed due to lapse of proceeding due to BIADA's negligencies
Total amount required for land acquired				99.07	693.20	594.13		

(Source: Information as furnished by the department)

On this being pointed out in audit (March 2012), the department did not furnish any reply.

3.3.5.5 De-notification of land

The department irregularly de-notified 52.72 acres of acquired lands in three cases

Scrutiny of records of the department revealed that the department irregularly de-notified 52.72 acres of acquired lands in three cases. The cases of de-notification were as given below:

(a) M/s. Laxmi Vinayak Ventures (P) Limited

Rule 24(7) of Land Acquisition Act, 1894 stipulates that once the notification for acquisition is issued for acquisition of a land, no purchase of land can be

made without the prior permission of Collector. In Industrial Area, Hajipur the notification for acquisition was issued on 20 May 2006 and M/s. Laxmi Vinayak Ventures (P) Limited purchased five acres of land during 09 May 2008 to 20 May 2008 without prior permission of Collector. Despite this the department de-notified (July 2008) 4.59 acres of land on the request of the agency (21 May 2008).

On this being pointed out in audit, the department stated (January 2013) that land was de-notified under section 48 of Land Acquisition Act 1894. The reply was not in conformity with the facts as the department had issued de-notification in favour of an entity which had purchased land illegally.

(b) Bihar Chambers of Commerce

Rule 17(1) of the Land Acquisition Act, 1894 stipulates that in case of urgency, whenever the appropriate Government so directs, the Collector may, on the expiry of 15 days from the publication of the notice take possession of any land needed for a public purpose. Such land shall thereupon vest absolutely in the Government free from all encumbrances.

Scrutiny revealed that after declaration of land award (May 2008), the department de-notified (September 2011) 27.55 acres of land of Industrial Area Hajipur on the request of Bihar Chambers of Commerce (July 2009) to help private individuals to buy land directly from the farmers. Thus, the land acquired under public purpose was de -notified under Rule 48 of Land Acquisition Act 1894, for private purpose.

On this being pointed out in audit, the Department confirmed (January 2013) that it had de-notified 36.70 acres of land. This action showed that the government was unduly influenced by the business lobby and failed to balance between the interest of businessmen and farmers.

(c) Private Engineering College

Once a land has been acquired and its possession duly taken off after proper notification, it can be de-notified only under the provisions of Rule 104 and 154 of the Land Acquisition Act, 1894 i.e. by declaring the land as surplus.

It was observed that 699.5 acres land was acquired for setting up a MIP at Bihta and possession of land was given to BIADA (August 2009 to February 2010). Scrutiny disclosed that after taking possession of land, the department irregularly de-notified (July 2010) 11.43 acres land of MIP for setting up of a Private Engineering College without declaring the land as surplus.

On this being pointed out in audit the department stated (January 2013) that the decision of de-notification was taken at competent level. The reply was contrary to provision of the Act as a land, once its possession is taken of cannot be released from acquisition without declaring the land as surplus under Rule 104 or 154 of the Act.

3.3.6. Development and allotment by BIADA

Under Clause 6 (1) of Chapter III of BIADA Act, BIADA was responsible for the planning, development, maintenance and allotment of industrial land. The irregularities noticed in development and allotments of industrial land are discussed in succeeding paragraphs:

3.3.6.1. Non- development of industrial areas

Funds of ₹ 208.36 crore were allocated to BIADA by the department for infrastructure development during the period 2003-12 but BIADA could spend only ₹ 97.33 crore while the balance of ₹ 112.61 crore remained parked in bank

Scrutiny of records revealed that in violation, BIADA did not prepare the master plans for providing amenities *i.e.* road, hospitals, schools etc. were planned development of Industrial Areas/ GCs as required vide Clause 6(1) of Chapter III of BIADA Act and land of MIP Bihta, IA Bihta, GC Khagaria, Kopakala and GC Kahalgaon were allotted without development. Further, it was found that funds of ₹ 208.36 crore were allocated to BIADA by the department for infrastructure development during the period 2003-12 but BIADA could spend only ₹ 97.33 crore while the balance funds of ₹ 112.61 crore⁶ remained parked in bank. Thus, it was evident that the industrial areas were not developed by BIADA in a planned way.

On this being pointed out in audit, the department stated that (January 2013) land was earmarked for infrastructure development in all industrial areas which was shown in the map of related industrial areas. Infrastructure development activities like constructions of roads, drainage, street lights etc. were carried out accordingly. Hence it was not correct to say that no Master plan was prepared and work was done without them. Unspent funds were kept in fixed deposit in the nationalised banks and interest earned was being spent on different schemes.

The reply was not acceptable because the record of Technical Adviser, BIADA (April 2010) and reply of Executive Director, Darbhanga (April 2012) confirmed that there was no such Master plan prepared by BIADA for development of infrastructure.

3.3.6.2 Allotment of land without auction

The Board of Directors (BIADA) decided (May 2007) that allotment of the plots either through new acquisition or through cancellation or from unallotted land, should henceforth be done through auction instead of on “first come first serve” basis. It was decided that the minimum value of land (reserve price) would not be below the price fixed by the Government. The objective of auction was to fetch good prices from auction of plots and ensure transparency in allotment of lands.

Board of Director's decision to allot land through auction method was not implemented

Scrutiny of records disclosed that despite the decision of Board of Directors, BIADA had been following the allotment system of land to industrial units on “first come first serve basis” except the one in Patliputra Industrial Area. Thus the non-compliance of directives of the Board of Directors was irregular.

On this being pointed out in audit, the department stated (January 2013) that the decision taken on May 2007 by the Board was not accepted under BIADA's Regulation issued in December 2007 under Para 4.1.K, which stipulated that tender for allotment of land was not required. Hence the auction policy was not implemented.

The reply was not acceptable as Board of Directors in its 20th meeting (May 2007) had approved the policy of land allotment through auction. Further, tender and auction are two different issues. Allotment of land through tender is dealt under Bihar Financial Rule (BFR) 144 whereas auction is dealt under BFR 145. Hence Para 4.1.K of BIADA's Regulation was relevant only

⁶ Opening balance ₹ 1.58 crore + ₹ 208.36 crore - ₹ 97.33 crore = ₹ 112.61 crore

on BFR 144 and not on BFR 145. Thus decision of the Board was still effective under BFR 145.

3.3.6.3 *Serious irregularities in implementation of "first come first serve" policy*

In May 2007, the Government accorded approval to five technical consultants for preparation of project profile, feasibility report etc. Application conditions required that application for land allotment would be submitted along with project profile/ detailed project report (DPR) prepared by accredited/approved consultants. For fair and transparent system of allotment under 'first come first serve' policy, received applications were to be documented in an application register along with date of receipt and serial number of application.

Scrutiny of records revealed following irregularities:

- Application registers were not maintained by BIADA and the applications were being recorded with other letters in the General inward register. Thus, there was no centralized registry system for documentation of received applications and BIADA had no mechanism to ascertain the priority of received applications.

On this being pointed out in audit, the department stated (January 2013) that application registers were not maintained earlier. However from November 2011, application register was being maintained.

- Altogether 3722 applications were reviewed during 2003-12 and decision for allotment of land was taken in respect of 2049 cases. Scrutiny of 506 out of 2049 cases however revealed that though 83 cases (for 317.69 acres) were not submitted with approved project profile/ DPR by accredited/approved consultants, yet the allotment of land was made to them.

On this being pointed out in audit, the department stated (January 2013) that as regards 81 applications, submission of DPR prepared by approved consultant was not mandatory for allotment of land. The reply was contrary to the conditions of application form which required the submission of application along with DPR from approved / accredited consultants.

“First come first serve” policy for allotment of land in BIADA was full of irregularities

- The "first come first serve" policy was not followed and 61 applicants were given 'out of turn' allotment (*Appendix-3.3.3*).

On this being pointed out in audit, the department stated (January 2013) that in the 37th meeting of Board of Directors (March 2011), the prevailing procedure of allotment was changed in order to give priority to industries that make heavy investment.

The reply was not acceptable as 54 'out of turn' allotments were already made before the decision of Board. However, the reply confirmed the observation that "first come first serve" policy was not being followed.

- **Arbitrary and discriminatory allotments in Patna Region**

Out of 909 applications received (during 2006-11) under Patna Region, 103 were not produced before Project Clearance Committee⁷ (PCC) while 174 applications were directly produced to PCC without any documentation of receipt.

On this being pointed out, the department stated (January 2013) that had the details of these units been made available by the audit the status could have been clarified.

The reply was not acceptable because the details had already been made available/furnished by the Audit in November 2011 which was duly reviewed and confirmed by BIADA.

3.3.6.4 Irregular allotment of land

Irregularities revealed in allotment of land during scrutiny are discussed in succeeding paragraphs.

- **Allotment of land for non- industrial purposes**

The Micro, Small and Medium Enterprises Development Act 2006 (MSMED) had identified a detailed list of industrial activities which did not include hot mix plant, godown, agricultural production, punarvas colony, vermi/bio compost, CRPF Camp etc. for consideration of SSI registration. Consequently, lands were not to be allotted to the entrepreneurs for these industries by BIADA.

105.09 acres of land was allotted to 46 entrepreneurs for non-industrial purposes

Scrutiny of the records disclosed that 105.09 acres of land was allotted to 46 entrepreneurs for non-industrial purposes (*Appendix 3.3.4*).

On this being pointed out in audit, the department stated (January 2013) that allotment of land was made to entrepreneur under the code allotted to industrial activities under MSMED Act 2006.

The reply was not acceptable because Government of India notification (November 2007) did not contain the code as stated by BIADA.

- **Allotment of extra land than prescribed norm**

As per department's letter (June 1993), BIADA could allot land up to maximum of three times of building/ shed area for medium, small and micro industries. However, in special circumstances if an industry required more land than the norms, it was to be decided by the Land Allotment Committee⁸.

33.71 acres of excess land was allotted to entrepreneur against the prescribed norms and beyond PCC recommendation

Scrutiny of records (2003-12) disclosed that PCC recommended allotment of 70.08 acres of land to 44 private firms, out of which allotment of 32.42 acres land was in excess of the prescribed norms of the department without any justification on record (*Appendix- 3.3.5*). It was further observed that BIADA had even allotted 1.29 acres more land than that recommended by the PCC in seven cases (*Appendix- 3.3.6*). The circumstances under which the BIADA allocated more land than recommended by the PCC were also not on records. On this being pointed out in audit, the department stated (January 2013) that

⁷ Project Clearance Committee: It considers the projects and other expenditure proposals.

⁸ Land Allotment Committee was later merged with PCC (2003).

extra land was allotted under special circumstances vide para 3 of letter no. 5325 dated 25 June 1993. The reply was not acceptable because no such special circumstances were mentioned in the minutes of PCC meetings.

- **Growth Centre Gidha**

GC Gidha (Bhojpur) was earmarked for plastic and chemical industrial units to facilitate setting up of common facilities vide para 6.5 of IP 1995.

Special zone of plastic and chemical industries was to be created at GC Gidha as per recommendation of IP 1995. However 105.81 acres land was allotted to 50 entrepreneurs for other than plastic and chemical industries in the earmarked area

During scrutiny it was found that 105.81 acres land was allotted to 50 entrepreneurs for other than plastic and chemical industries like steel fabrication, LPG bottling plant, cold storage, and motels etc. in violation of the prescribed instructions (*Appendix- 3.3.7*).

On this being pointed out in audit, the department stated (January 2013) that allotment of land was made in view of industrial development to reflect changing standards of market, due to availability of vacant land and also in the light of para 4.1.k of BIADA Regulation 2007.

The reply was not acceptable because decisions taken by PCC were not in conformity with the provision of IP 1995 which recommended for creation of special zones and which remained unchanged in subsequent IP 2006. Further the land was also allotted prior to BIADA Regulation 2007 and para 4.1.K discussed only about allotment within the policy.

- **Establishment of private technical institution**

The State Government decided (January 2006) to provide land for engineering colleges, medical colleges, dental colleges, management institutions, law colleges (five years degree course) and teachers training colleges of private sector. The State Government decided that applications would be invited through advertisement in reputed national newspaper and the received applications would be scrutinized by a selection committee⁹.

The Committee was to compulsorily examine whether the application had conformed to the standards set by the affiliating universities viz. from All India Council of Technical Education (AICTE), Medical Council of India (MCI), Dental Council of India (DCI), All India Management Association (AIMA), Bar Council of India (BCI) and National Council of Teacher's Education (NCTE) as applicable. Allotment of land was to be made at market rate¹⁰.

PCC allotted 119.92 acres lands to 27 Private Technical Institutions beyond its competency and extended undue benefit to them at BIADA rate instead of market rate, resulted in loss of ₹ 182.49 crore.

Scrutiny of records disclosed that 119.92 acres lands were allotted to 27 Private Technical Institutions in 18 Industrial Areas /Growth Centre without advertisement in national newspaper and scrutiny by the committee and adhering to the above mentioned criteria of the Government. Further,

⁹ *The high level selection committee would be headed by Development Commissioner and Secretaries to the State Government, Department of Science & Technology, Land Reform Commissioner, Finance Commissioner, Industrial Development Commissioner and Secretary to the Department of Health. Secretary to the Higher Education Department would be Member Secretary and Department of Higher Education was made the Nodal Department.*

¹⁰ *Rate determined by DM under Land Registration Act.*

allotment of land at un-revised BIADA rate instead of market rate resulted in undue favour of ₹ 182.49 crore (**Appendix-3.3.8**) to 27 private institutions.

On this being pointed out in audit, the department stated that (January 2013) in the 24th meeting of Board of Directors, it was decided to reserve 20 per cent of land of total Industrial Areas for different educational institutions. The rate of BIADA land was determined on the direction of the Government and accordingly the allotment had been made. Hence there was no financial loss as stated by audit.

The reply was not acceptable as it was not in conformity with set criteria of Government.

● **Export Promotional Industrial Park, Hajipur**

Export Promotional Industrial Park (EPIP) was a centrally sponsored scheme aimed to build up infrastructure facilities of high standards required for establishment of export oriented units. Accordingly, the State Government had decided (December 1995) to set up an EPIP at Hajipur. Further, as per directive (April 1995) of Ministry of Commerce, GoI, only those units were to be allowed to be established in the park which had submitted undertaking for export commitment of at least 33 per cent of production.

Allotment of land to 22 (50.35 acres) out of 24 industrial units of EPIP Hajipur was made without obtaining the required undertaking of export commitment

It was, however, observed that allotment of land to 22 (50.35 acres) out of 24 industrial units of EPIP Hajipur was made without obtaining the required undertaking of export commitment (**Appendix-3.3.9**). On this being pointed out in audit, the department stated (January 2013) that allotment of land in EPIP Hajipur was made in the light of direction of the Industrial Development Commissioner (IDC) and at present three units were exporting. The reply was not acceptable as the direction of IDC was not in conformity with the provision of Industrial Policy and GoI guidelines.

● **Undue aid in allotment of land for Handloom, Textile and Jute Park**

As per GoI guidelines¹¹ the responsibility of execution, management and ownership of Handloom, Textile, and Jute parks, was to be vested with a Special Purpose Vehicle (SPV). SPV was to be a Body/Corporate registered under the Companies Act, 1956 in which financial institutions/banks, organised retailers, processors, service providers, producers, farmer organisations and other stake holders were to be the equity holders. Land for the projects was to be purchased/ arranged by the SPV. Further, the equity of Government in SPV was not to exceed 49 per cent of total shareholding.

Scrutiny of records disclosed that the department had provided land measuring 219.296 acres to three companies¹² worth ₹ 13.04 crore¹³ as its equity, which was several times higher than the total share holding of the SPV. Though the department was aware of the fact that its equity participation should not

¹¹ Clause 3.6 of Jute, 3.1 of Textile and 9.1 of Handloom Park

¹² M/s Bhagalpur Handloom Infrastructure Development (BHID)(25 acre), M/s Punaras Jute park Kolkata, (44.296 acres) & M/s Vikramshila Textile park (150 acres).

¹³ M/s Bhagalpur Handloom Infrastructure Development (BHID)(₹ 1.62 crore), M/s Punaras Jute park Kolkata, (₹ 1.67 crore), M/s Vikramshila Textile park (₹ 9.75 crore), M/s Keventer Food park Infra ltd (self procured)

State Government, financial institutions and others were not given representation in the SPV. Land was to be procured by the SPV whereas the department had provided land measuring 219.296 acres to three companies worth ₹ 13.04 crore as its equity, which was several times higher than the permissible limit of 49 per cent of the total shareholding of the SPV

M/s Holicow Pictures Private Limited (Currently P& M Mall) was allotted land for non-industrial purpose against the government directive. Land allotted at BIADA rate instead of commercial rate resulting in loss of ₹ 2.87 crore. Change of land use was allowed against the provision of MSMED, Act 2006. Subsequently facilitated with the benefit of subleasing of allotted spaces against the existing policy of BIADA

exceed from 49 per cent of total share holding of the company and land was to be procured by the SPVs, however it exceeded the limitation on several times by allotting land. State Government, financial institutions and others were not given representation in the SPV. On this being pointed out in audit, the department stated (January 2013) that the land for the Handloom Park was given in shape of equity. State Government was holding 49 per cent equity in the Jute Park project, so land cost was given towards that to BIADA.

The reply was not acceptable as it was not in conformity of GoI guidelines. Also, the company was not a true SPV.

● Undue aid to entrepreneur

As per the Land Acquisition Act, 1894 land was to be allotted for the purpose for which it was acquired. Perusal of the records showed that M/s Holicow Pictures Private Limited (Currently P& M Mall) had applied (January 2006) for allotment of land for 'Multiplex-cum-Mall' in six different Industrial Areas. Accordingly, BIADA allotted (March to May 2006) land to entrepreneur for 'Multiplex' in Patliputra Industrial Area and the Board of Directors decided to charge commercial rates for the allotted land. Scrutiny of allotment procedure disclosed the following irregularities:

- The unit was a Multiplex-cum-Mall and not only Multiplex. However, the Mall was not covered under entertainment industry according to the notification of Finance (Commercial Tax) Department and it was rightly placed by Deputy Secretary, Finance Department in the 17th meeting of Board of Directors.
- The land was allotted to the entrepreneur at the un-revised BIADA rates which resulted in undue favour to the private company and resultant loss of ₹ 2.87 crore¹⁴ to BIADA.
- Under the existing policy of BIADA, the lessee did not have the power to sub-lease the land but selective entrepreneur like malls etc. was facilitated by inserting a clause 6(c) in the lease document for enabling the lessee to sub-lease the allotted spaces and further sub-lease by sub-lessee at a fee of 10 and five per cent value of the sub-leased areas as per prevailing circle rate. This deviation from existing policy would encourage the misutilisation of land.
- It was also observed that BIADA had allotted land (March and April 2006) to M/s Holicow Pictures Private Limited in four other Industrial Areas¹⁵ for Multiplex-cum-Mall. Further, BIADA had changed the purpose from Multiplex-cum-Mall to super specialty hospitals at Hajipur (January 2011) and Muzaffarpur (April 2011) by considering it as Micro Small Medium Entrepreneur (MSME). However, the decision

¹⁴ Allotted land = 1.33 acres X market rate @ ₹ 2.30 crore /acre = ₹ 3.07 crore - ₹ 0.20 crore = ₹ 2.87 crore

¹⁵ (i) Aurangabad (1.35 acres), (ii) Hajipur (1.29 acres), (iii) Muzaffarpur (2.01 acres) and (iv) Sitamarhi (2.00 acres)

of BIADA was not in consonance of the provisions of service industries of MSME as the equipment cost of hospital was more than specified amount of ₹ five crore.

On this being pointed out in audit, the department stated (January 2013) that allotment of land to M/s Holycow pictures (P) Limited Patna was made with the approval of IDC and in the light of Government direction (August 2006). Board of Directors accorded *ex-post facto* approval (July 2006) to Mall-cum-Multiplex and product change was allowed in light of office order no. 319 dated: 8 December 2007. Hence no financial loss had been incurred.

The reply was contrary to the Commercial Tax department notification dated 25 December 2005 and Government directive (August 2006) to allot land for multiplex only. Hence, Mall was not entitled for land allotment in IA. Thus, it was evident that land was un-authorisedly allotted for non-industrial purposes.

3.3.6.5 Unused allotted land

262.73 acres land occupied by 236 units was under construction from one to 39 years where as 847.66 acres land occupied by 381 units was without construction during one to 11 years. However BIADA neither cancelled the allotments nor forfeited the deposited amount

Sub section (2) of Section 6 of BIADA (Amendment) Act, 1991 provides that in case necessary steps were not taken within the fixed period to establish the industry, the authority shall, in such condition, cancel the allotted plot/shed and also forfeit the amount deposited. As per application condition, construction work should start within six month from the date of allotment order and the production should start within one year from the date of allotment order.

Scrutiny of unit details disclosed that 262.73 acres land occupied by 236 units was under construction from one to 39 years where as 847.66 acres land occupied by 381 units was without construction during one to 11 years. However, BIADA did not take any action to cancel the allotments of defaulter entrepreneurs which had resulted in non-utilization of 1110.39 acres of land.

The department did not furnish any comment (January 2013) in this regard.

3.3.7. Functioning of Board of Directors

According to BIADA Act, 1974 Authority (Board of Directors) shall consist of a Chairman Principal Secretary, Industry Department (Government of Bihar), a Managing Director (BIADA) and five other Directors¹⁶ who shall be appointed by the State Government. Scrutiny of minutes of meetings (2003-12) of Authority disclosed the following facts:

All five members of Board of Director were never present together in a meeting. Thus, the policies formulated by the Authority were not the representative of majorities and not free from the shortcomings

● Though there was no time frame/period prescribed for meetings, 40 meetings were held with interval ranging from eight to 231 days.

● The required minimum presence of members in the meeting was not prescribed and it was found that all five members were never present together in a meeting. Further, in 10 meetings¹⁷ only two members were present while only one member in 26th meeting was present. Keeping in view of absence of members, a proposal for replacement of

¹⁶ Additional Finance commissioner, Director Industries, Chairman, BIA, Executive Director, IOC Barauni refinery and Chief General Manager, SBI Patna

¹⁷ 1st, 8th, 13th, 19th, 21st, 22nd, 23rd, 24th, 25th and 34th meeting

those members was put up in 20th meeting (May 2007) of Board of Directors, but in place of deciding substitutes and forwarding it to Government for approval, three additional members were co-opted as special invitees. Thus, without approval of Government those three invited members participated in 10 meetings¹⁸.

Thus, the policies formulated by the Authority were not the representative of majorities and not free from the shortcomings.

On this being pointed out in audit, the department stated (January 2013) that selection of five additional members of Board of Directors were made in the light of Government notification no 2539 dated 19 June 2003 and each meeting was done after completing the quorum.

The reply was not in conformity with facts as the IDC had given the instruction to re-constitute the Board by alternating the membership on two years basis between BIA & CII instead of co-opting three additional members as special invitees. The decision taken by the Board was against the provision of the BIADA Act, 1974 also.

3.3.8 Financial implications

3.3.8.1 *Loss due to land transfer*

As per BFR 438, land belonging to the Government may be sold or transferred except with the previous sanction of the Government. The department agreed in principle for transfer of established industrial units with certain conditions in July 1982. Accordingly PIADA decided (December 1992) that if there was any change in management of functional unit it should be treated as fresh allotment of land and present cost of land should be realised. If unit was not functioning then land should be allotted afresh to new management.

108 transfer cases was allowed without the approval of Board of Director. Non charging the present cost of land on transfer cases resulted in loss of ₹ 45.29 crore

Scrutiny disclosed that BIADA decided (November 2003) to change the transfer policy and charge 15 *per cent* cost of allotted land as transfer fee *in lieu of* present cost of land. Test check of 108 transfer/resale cases of land (64.08 acres) disclosed (July 2012) that the lands were transferred by the BIADA without charging the present market price of land which had led to loss of ₹ 45.29 (₹ 49.92(-)₹ 4.63) crore. It was further observed that out of 108 cases, 65 were regularised by according *ex-post facto* approval of PCC after being pointed out in audit (*Appendix-3.3.10*).

On this being pointed out in audit, the department stated (January 2013) the transfer policy was adopted in the light of Government decisions. *Ex-post facto* approval in respect of 65 cases was taken from PCC. Prior to 2004, land was transferred free of cost but after July 2007, 15 *per cent* of circle rate was being taken as transfer fee. Hence there was no financial loss.

The reply was not acceptable as prior permission of Board of Directors (Government) was required for transfer cases according to Rule 438 of BFR. However, the same was not obtained in any of the 108 cases. PCC was not competent for according the *ex-post facto* approvals according to BIADA Act.

¹⁸ 21st to 26th, 29th, 30th, 33rd and 34th meeting.

Non-adherence to allotment condition resulted in shifting of ownership of land to BSFC who charged ₹ 24.53 crore to write off its bad debt created due to defaulters of BSFC. This ultimately laid to loss to BIADA to the tune of ₹ 24.53 crore

3.3.8.2 *Loss due to non-adherence of allotment conditions*

Clause 6 of allotment condition provided that units had to enter into written agreement with BIADA for making payments either in lump-sum or in instalments towards cost of land. It also stipulated that land would be mortgaged with BIADA till the recovery of all the instalments.

Scrutiny of records disclosed (November 2011) that BIADA in contravention to allotment conditions, released the lease deed to entrepreneurs before realising the entire cost of land. It was further seen that the allottees had mortgaged the leasehold land to Bihar State Financial Corporation (BSFC) for getting loans and ultimately became defaulter of BSFC due to non payment of loans. Thus, ownership of land shifted from BIADA to BSFC due to non-adherence of contract conditions by BIADA. To resolve the issue, committee under the Chairmanship of the Chief Secretary was constituted for settlement of dispute. In the light of the order of Hon'ble High Court (September 2008), the committee decided (August 2009) that BIADA would pay principal amount with interest to BSFC to redeem the mortgage. In the light of the order BIADA paid ₹ 24.53 crore to BSFC and bought back 329 plots (July 2010).

Thus, lack of monitoring and non-observance to allotment condition resulted into loss to BIADA to the tune of ₹ 24.53 crore.

On this being pointed out in audit, the department stated (January 2013) that the payment was made out of the amount of ₹ 29.18 crore received from the re-allotment of land of 329 cancelled plots. Hence there was no loss but there was a profit of ₹ 4.65 crore. The reply confirmed that the income of BIADA reduced by ₹ 24.53 crore leading to loss to that extent.

3.3.8.3 *Short charging of interest*

Before unification of Industrial Development authorities (2003-04), the prevailing rate of interest on instalment of land cost were different in all the three authorities. In order to make a uniform rate of interest, the department constituted a core committee (September 2002) to carry out a study on the issues regarding fixing up the land rates and uniformity of rate allotment etc. The recommendations of core committee were discussed in the third meeting of Board of Directors (November 2003) and it was decided to seek the directives of the State Government. Further in a meeting held under the chairmanship of Commissioner, Land Reforms, GoB (January 2007) it was decided that the interest rate chargeable on the instalment amount would be arrived at by adding one *per cent* on Prime Lending Rate (PLR) of Reserve Bank of India. This rate would be variable in correspondences with changing PLR. Rebate of two *per cent* was admissible on payment before time and penalty of two *per cent* was chargeable on late payment.

Board of Directors did not follow the recommendation of the core committee to charge variable rate of interest on instalment on cost of land. However it charged flat rate of five *per cent* which resulted in loss to BIADA

Audit scrutiny revealed that Board of Directors in its meeting held in May 2007, decided to charge only five *per cent* interest on instalment of lease amount. However rebate of two *per cent* and penal interest of two *per cent* was implemented. Test check of 1010 allotment cases for the period pertaining to 2007-12 revealed that the interest was charged at the flat rate of five *per cent* thereafter whereas the PLR of the SBI ranged between 8.25 and 12.75 *per cent*. On this being pointed out in audit, the Department stated (January 2013) that uniform rate of five *per cent* was charged on the basis of decision

of 19th meeting of Board of Directors. The reply was not acceptable as no justification in support was given.

3.3.8.4 *Loss due to less fixation of reserve price*

Reserve prices of the auctioned plots were fixed at BIADA rates instead of Government rates. As a result the offered rate was much below the Government rate. BIADA made allotment at the lower rate which resulted into loss of ₹ 1.83 crore

Board of Director decided (2007) to auction entire plots wherein the reserve price of land was not to be below the Government rates.

Scrutiny of records disclosed that BIADA allotted five plots in Patliputra IA on auction basis (June 2007). However the reserve prices of the plots were fixed at BIADA rates instead of Government rates. As a result the offered rate was much below the Government rate. BIADA made allotment at the lower rate which resulted into loss of ₹ 1.83 crore as detailed in *Appendix 3.3.11*.

On this being pointed out, the department stated (January 2013) that decision to revise the land rate was not taken at the time of publication of auction notice. Therefore rate was not revised. Hence BIADA incurred no loss.

The reply was not in conformity with audit observation since as per the 20th meeting of Board of Directors held on 20 May 2007 the minimum price of the land was not to be fixed below the price fixed by the Government

3.3.8.5 *Improper management of revolving fund of IDA*

Standing guideline for regulation of the Revolving fund was issued after a delay of years. Hence the fund could not be used properly and sufficiently

As per Para 1.2(VIII) of Industrial Incentive Policy 2006, Land Bank was established to meet the requirement of land for industrial and development works. A revolving fund was established (September 2006) under Land Bank with a ceiling of ₹ 1500 crore. Revolving fund was to be regulated as per the provisions contained in standing guideline.

Scrutiny of records showed that against the ceiling amount of ₹ 1500 crore, the corpus /revolving fund was ₹ 1089.81 crore up to March 2012. Further, examination of maintenance of the fund disclosed the following facts:

- The standing guidelines regarding control of corpus/revolving fund for acquisition and disposal of land was issued after five years (March 2011);
- The corpus/revolving fund were being kept with infrastructure development funds of IDA and despite directives, separate saving bank account was not opened in State Bank of India, Main Branch, Gandhi Maidan Patna till date (March 2012). Consequently the interest accrued on the fund amounting to ₹ 233 crore were not incorporated in the revolving fund;

Thus in absence of guideline, fund amounting to ₹ 468.75 crore (as on 31 March 2012) and accrued interest amounting to ₹ 233 crore was lying unutilized in bank.

On this being pointed out, the department admitted (January 2013) that amount of revolving fund was kept in nationalised banks as fixed deposit.

3.3.8.6 *Improper management of fund of BIADA*

Unreconciled amount of ₹ 5.31 crore due to non - preparation of Bank reconciliation statement

Bank reconciliation statement is an important instrument of accounting by which the accuracy of the bank balance shown by pass book and cash book is ensured. In course of scrutiny it was seen that BIADA had not been preparing

Bank reconciliation statements and the difference of ₹ 5.31 crore in fixed deposit scheme detected in internal audit report 2007-08 were yet to be reconciled.

- The Board of Directors had decided (22nd meeting dated: 31st August 2007) to refund all accruals on account of land allotment to the Government. However the collected revenue amounting to ₹ 218.83 crore was parked in banks (March 2012).

On this being pointed out in audit, the Department stated (January 2013) that a team had been constituted and a Chartered Accountant had been appointed to carry out the bank reconciliation and the land allotment fund would be refunded to the Government according to direction of Government.

3.3.9. Conclusion

Though the State Government had taken sincere initiative for industrial growth with announcement of Industrial Incentive Policy, Bihar 2006, there was no long term planning for acquisition of land and development of industrial infrastructure in the State. The land records were not being maintained at department as well as authority level. Acquired lands were not being utilised for the specified purposes and lands were de-notified irregularly in favour of entrepreneurs. Land was allotted for non-industrial purposes, allotment norms were not adhered in allotment, lands were transferred irregularly and records were manipulated in favour of agencies. The land rates were not revised and the funds of BIADA were not managed properly.

3.3.10 Recommendations

- The department should dovetail acquisition of land with the Industrial Policy and accordingly prepare a long term plan for acquisition of land in the State.
- There should be a mechanism to maintain the land records as well as proper documentation of received applications for allotment of land.
- A transparent policy should be adopted in allotment of lands.