

CHAPTER -V
COMPLIANCE AUDIT

CHAPTER V

Compliance Audit

Compliance audit of the Government departments, their field formations as well as that of autonomous bodies brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under the broad objective heads.

5.1 Non-compliance with the rules

For sound financial administration and effective financial control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, *vis-à-vis* loss to the Government, but also helps in maintaining good financial discipline. Some of the significant audit findings on non-compliance with rules and regulations, leading to loss to the Government, are as under:

SOCIAL SECTOR

RURAL WORKS DEPARTMENT

5.1.1 Non remittance of registration fee into treasury and loss of interest

Due to non-adherence of rules relating to cash management and failure of officials to do their assigned duties, the department incurred a loss of ₹ 3.82 crore on account of non-remitted missing bank drafts (₹ 0.89 crore) and loss of interest (₹ 2.93 crore).

The Bihar Contractor Registration Rule 2007 required all contractors to get registered with the department within one year from the date of its coming into effect (May 2007). The registration fee at the rate of ₹ two lakh for Grade-I, ₹ one lakh for Grade-II and ₹ 0.25 lakh for Grade-III contractors was to be paid through Bank Draft.

Vide Rule 86 of Bihar Treasury Code (BTC) the government servant receiving money on behalf of the Government was required to maintain a cash book to record all monetary transactions as soon as they occurred while the DDO, attesting each and every entry in the cash book, was also required to verify the totalling of cash book apart from physically verifying the cash balance and recording a certificate to that effect at the end of each month. Further Rule 37 of Bihar Financial Rule (BFR) provided that all revenue receipts collected on behalf of the Government were to be remitted into the treasury immediately, and a receipt in form No. 3 (Sch. XLV-form no. 114) vide Rule 71 of Bihar Public Works Account Code was to be issued to the payer. Further, vide Rule 487 of BTC it was mandatory for the officer-in-charge of remittances to maintain a book (T.C. Form 63) in which he would enter all remittances into the treasury.

A test check (September 2011) of records of Engineer-in-Chief (EIC), RWD, Bihar, Patna revealed that the bank drafts received on account of registration

fee were neither entered in the cash book nor all the bank drafts were remitted into the treasury. The office also did not issue money receipts to the contractors and the treasury remittance book (T.C. Form 63) was also not maintained. The office also did not maintain any record to verify whether all bank drafts of registration fees were remitted into treasury or not. Thus, the aforesaid codal provisions and financial rules were completely ignored. The office could produce only registration registers and copy of treasury challans, scrutiny of which revealed the following:

- Altogether 7555 contractors were registered with RWD (Grade I- 629, II- 2147 and III- 4779) during December 2007 to July 2011 and bank drafts amounting to ₹ 43.65 crore were received as registration fee. Of this, bank drafts amounting to ₹ 30.09 crore only were remitted into treasury indicating short remittances of ₹ 13.56 crore.
- The non-remittance of bank drafts had resulted in expiry of their validity period.
- It was also noticed that no money was remitted into treasury during 2008-09. The department however did not maintain month-wise grade-wise number of contractors registered and registration fee collected from them during 2008-09.

Later, at the instance of audit, the department furnished (October 2011) a list of 2673 unremitted bank drafts issued upto 05 September 2011 amounting to ₹ 13.35 crore, though the difference of ₹ 13.56 crore (₹ 43.65 crore - ₹ 30.09 crore) was worked out by audit on the basis of drafts obtained before 31 July 2011. There were altogether 176 bank drafts amounting to ₹ 0.68 crore pertaining to the period 01 August 2011 to 05 September 2011 whereas audit objection was related to bank drafts issued prior to these dates. Thus the value of the bank drafts furnished by the department and pertaining to aforesaid period was only of ₹ 12.67 crore (₹ 13.35 crore - ₹ 0.68 crore). Resultantly the bank drafts amounting to ₹ 0.89 crore were still missing. Also there was loss of interest amounting to ₹ 2.93 crore due to non-remittances of Bank Drafts into treasury through Bank. On this being asked, the Joint Secretary (JS), RWD, Government of Bihar replied (September 2012) that Rule 87 of BTC or Rule 37 of BFR were not applicable owing to their amendment or irrelevancy in the instant case. He also stated the registration fees of contractors were to be deposited in accordance with Rule 101 read with Rule 104 and 105 of the BTC, which had not been complied by the contractors and as such there had been no violation of codal provisions or financial rules. He further added that the non-timely remittances of bank drafts had adversely impacted the ways and means of the State without any loss of interest as calculated by the audit.

The reply of the JS, RWD was not acceptable as Rule 101, 104 and 105 of BTC were applicable to any person or private persons making direct remittances into the treasury. As per Bihar Contractor Registration Rule 2007, registered by RWD, Government of Bihar (vide Notification no. 8123 dated 19 December 2007) the concerned contractors were required to submit alongwith other requisite documents, a bank draft of prescribed amount in favour of Under Secretary, RWD payable at Patna. Had it been the case, the department should not have received the bank drafts from the concerned contractors, which later, itself provided a list of 2673 unremitted bank drafts to

the audit. Thus the reply of JS is not correct and the applicability of Rule 86 of BTC or Rule 37 of BFR was very much relevant in the instant case. Further, the JS's reply that non-timely remittances of bank drafts had impacted ways and means of State without causing loss of interest was contradictory and merely an attempt to extenuate the case as considerable delay in crediting/non-crediting of receipts into Government accounts would ultimately lead to loss of interest/loss of revenue of the Government. It would be pertinent on part of the Government to put a system in place so as to avoid such lapses leading to loss of interest and fruitful utilisation of revenue thus accrued. Thus, due to non-adherence of rules relating to cash management and failure of officials to do their assigned duties, the department incurred a loss of ₹ 3.82 crore on account of non-remitted missing bank drafts (₹0.89 crore) and loss of interest (₹2.93 crore).

RURAL DEVELOPMENT DEPARTMENT

5.1.2 Doubtful/fraudulent payment

Non-adherence of codal provisions and non-compliance of order of the Vigilance Department led to fraudulent payment of ₹ 0.21 lakh and doubtful payment of ₹ 19.56 lakh on muster roll in execution of 12 departmental works. Besides there were dubious payments of ₹ 2.01 crore on fake invoices.

A. Doubtful payment on muster roll

Rule 227 of Bihar Public Works Accounts (BPWA) Code read with the Order (December 1983) of sub-para 12 of the Vigilance Department, Government of Bihar stipulates that in a departmental work, the muster roll (MR), containing labourer's name, father's/husband's name, village name and complete address, should be prepared in Form 21 (TC Form-49) and the attendance of labourers employed on work should be recorded on daily basis along with the progress of work done by the respective labourers. For the works not susceptible of measurement, a remark to this effect should also be recorded.

We examined (June 2012) 67 MRs for ₹ 19.77 lakh pertaining to 12 Departmental¹ works, executed on the recommendation of the Member of Legislative Assembly/Member of Legislative Council during 2011-12 under District Rural Development Agency (DRDA) Patna which revealed the following:

- MRs were not prepared in the prescribed form. There were no details of labourers such as address and villages on the MRs. Initial signature of the authority taking attendance was also not found in any of the MR. Labour report was also not prepared in any case.
- In five cases the same set of labourers were shown working simultaneously at different sites during the same period, involving payment of ₹ 0.21 lakh.

¹ Construction of PCC Roads, Brick soling, Earth filling, Installation of Hand Pumps etc.

- Labourers were engaged even on national holidays involving payment of ₹ 0.23 lakh on such dates.
- No inspection was carried out for checking the attendance of the labourers engaged in work at site.
- Voucher numbers and pay orders were not recorded in the MRs.

Thus, due to lack of supervision and non-adherence of codal provisions, there was fake payment of ₹ 0.21 lakh and doubtful payment of ₹ 19.56 lakh on MR (*Appendix 5.1*).

B. Fraudulent payment on fake invoices

Rule 230 of BPWA Code provides that the payments for all works done otherwise than by daily labour and for all supplies should be made on the basis of measurements recorded in Measurement Books (MB). Further, as per Rule 118 of the BPWA Code all materials should be examined and counted or measured, as the case may be, when delivery is taken. The same should be duly recorded in MB as prescribed in Rule 230 and 231 of the Code *ibid*. Also the order of Cabinet Vigilance Department (1994) clearly stipulates that all supply of materials should be obtained through inviting tender/quotation in respect of departmental work.

We examined (May 2012) 193 vouchers related to 41 schemes for which departmental works were executed on the recommendations of Member of Legislative Assembly/ Member of Legislative Council during 2007-08 to 2011-12 under DRDA, Patna and noticed that materials worth ₹ 2.01 crore were purchased without inviting any quotation/tender. Further scrutiny revealed that supplied materials had neither been counted/measured nor entered in measurement book and stock accounts/or site accounts. Registration number and Value Added Tax (VAT) number of agency were also not printed on the invoices. No deductions on account of VAT, Income tax and Royalty were done in the invoice. Quality test reports were also not obtained from the suppliers.

To ascertain the genuineness of materials supplied and payments made there against, letters were written to 14 agencies/firms. Of these, 12 letters were returned back by the postal department with the comments that the agencies/firms could not be located. These 12 agencies/firms which were not traceable involved 174 vouchers with total payment of ₹ 1.75 crore (*Appendix 5.2*). Further, the two firms namely Hindustan Pipe, Exhibition Road, Patna and New Patna Sanitary Store, Exhibition Road, Patna, to whom payments of ₹ 0.26 crore (*Appendix 5.3*) were shown to have been made, stated that no supply had been made by them and neither had they received any payment. In support of the statement, they furnished their original bill-form, which was found totally different from the bill-form furnished by the department. Thus there was doubtful payment of ₹ 2.01 crore on fake invoices.

In reply, the Director, Accounts and Administration, DRDA, Patna stated (September 2012) that an enquiry would be set-up to investigate into the cases of doubtful works. Also, in reply to an audit query regarding genuineness of firms, the Director stated that the said firms were non-existent and a letter was being issued to the executing agencies for necessary action.

Thus, non-adherence of codal provisions of the BPWA Code and non-compliance of order of the Vigilance Department led to fraudulent payment of ₹ 0.21 lakh and doubtful payment of ₹ 19.56 lakh on muster roll apart from dubious payment of ₹ 2.01 crore on fake invoices.

As such, the department should take necessary step so that an effective monitoring mechanism be put in place for proper adherence of codal provisions while executing departmental works. A departmental investigating committee may also be constituted to investigate the matter and take corrective measure.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013).

HEALTH DEPARTMENT

5.1.3 Fraudulent payment

Passing of a bill twice by the Civil Surgeon-cum-Chief Medical Officer on two different occasions for the supply of same items led to fraudulent payment of ₹ 4.78 lakh to a private firm.

A test-check of records (April 2012) of Civil Surgeon-cum-Chief Medical Officer (CS-cum-CMO), Purnea revealed that a supply order for six equipment was placed (March 2009) with an agency². This included three equipment³ worth ₹ 3.38 lakh. The agency supplied the equipment and submitted three different bills (of ₹ 23,962, ₹ 2,43,734 and ₹ 88,400) bearing the same date (12th of March 2009) for payment in the office. The CS-cum-CMO passed (March 2009) the vouchers worth ₹ 3.56 lakh (including four *per cent* VAT) by drawing the amounts through two different bills⁴.

It was also observed that for the same supply order of three equipment, the agency again submitted another bill bearing the same equipment name, quantity and date (12th March 2009). These items were also shown as having been entered in same pages of the stock register wherein the earlier entries had been made, although no such/separate entry was actually made in the stock register. Against this bill an amount of ₹ 3.85 lakh (including 12.5 *per cent* VAT) was paid to the agency by drawing the amount (vide bill no. 53/2009-10).

Scrutiny further revealed that another supply order (November 2010) for Anti Rabbits Vaccine⁵ worth ₹ 0.89 lakh was issued to the same agency and the firm supplied the medicine in the same month. It was observed that the

² Hitech Health Care, Laheriasarai, Darbhanga

| Sl. No. | Name of equipment | Rate (in ₹) | Quantity |
|---------|-------------------------------------|-------------|----------|
| (i). | Dressing Drum | 850 each | 100 |
| (ii) | Dressing Drum | 2520 each | 100 |
| (iii) | Seamless jointless Stitching needle | 18 per six | 300 |

⁴ Bill No.-52/2009-10 (June 2009) and 53/2009-10 (June 2009)

⁵ Total 500 Anti Rabbits Vaccine (ARV) - ₹ 178/unit. (₹ 178/unit × 500)

contractor had submitted two bills (dated 6th November 2010) against the same supply order for ₹ 0.93 lakh (including VAT) each and were passed twice by the CS-cum-CMO on two different occasions (December 2010 and June 2011) by drawing two different bills⁶. This also resulted in fraudulent payment of ₹ 0.93 lakh to the same agency. Thus, an amount of ₹ 4.78⁷ lakh was fraudulently drawn and paid by the CS-cum-CMO to the agency.

On this being pointed out, the CS-cum-CMO stated (April 2012) that necessary action for recovery of the said amount from the agency would be taken. The reply is not acceptable because the onus of responsibility of passing payment of fake bills lay on the CS-cum-CMO himself who failed to verify the stock entries against the supply made by the agency. Further the connivance of CS-cum-CMO with the other erring officials including the agency for the same could not be ruled out and required thorough investigation by the department itself.

The above facts also indicated that the internal controls viz. expenditure control and monitoring mechanism were inadequate and ineffective in the Department.

The matter has been reported to the Government (July 2012); the reply has not been received (February 2013).

5.1.4 Injudicious purchase of Anti Haemophilic Factor –VIII

Due to non-adherence of laid down norms for purchase of medicines and injudicious decision to purchase the Anti Haemophilic Factor-VIII on higher rates resulted in loss to the Government of ₹ 97.20 lakh.

Health Department, Government of Bihar had laid down norms (August 2002) for purchase of medicine, machine equipment and chemical, which, interalia, were as follows:

- Separate tender should be floated in each financial year and the rate contract should be valid for that financial year only.
- Reasonability of rate should be ascertained by assessing the cost of the material (as specified in the tender) at prevalent market rate before opening of financial bid.
- Minimum period for submission of bid should be three weeks.

Scrutiny of files/records of the Superintendent, Patna Medical College and Hospital (PMCH), for procurement of medicines and surgical items for the year 2009-10, revealed that two tenders were floated for procurement of Anti Haemophilic Factor- AHF-VIII⁸. The details of both the tenders are as under **Table 1** :

⁶ Bill No.-102/2010-11 (December 2010) and 53/2011 -12 (June 2011)

⁷ Total excess amount= ₹ 92560 (ARV) + ₹ 385200 (three equipment) = ₹ 477760.

⁸ A medicine.

Table 1

| Sl No. | Particulars | Tender no.9705 (2009-10) | Tender no.10174 (2009 -10) |
|--------|---|---|----------------------------|
| 1 | Date of publication of NIT | 3.3.2009 & 4.3.2009 | 4.3.2010 |
| 2 | Date of opening of Technical bid | 16.4.2009 | 19.3.2010 |
| 3 | Minimum period for submission of bid | Three weeks | Seven days |
| 4 | Date of opening of Financial bid | 2.12.2009 | 29.3.2010 |
| 5 | Name of bidder who was declared L ₁ for purchase of AHF-VIII | M/s Vaishnavi Associates, Mehta colony, Sandal pur road, Kumhrar, Patna-6 | |
| 6 | Price quoted by the L ₁ bidder | ₹ 2500 per vial | ₹ 3850 per vial |

From above table it was evident that in second tender, against the norm, only seven days were given for submission of bid and M/s Vaishnavi Associates, Patna was the L₁ bidder with different rates i.e. ₹ 2500 and ₹ 3850 per vial respectively. The Superintendent, PMCH did not place any purchase order for procurement of AHF-VIII to the L₁ bidder on the basis of earlier bid with lower rate at ₹ 2500 per vial instead purchase orders were issued to the same agency for supply of 7200 vials of AHF-VIII (between June 2010 and January 2011) on higher rate of ₹ 3850.00 per vial. The agency supplied all the vials of AHF-VIII between July 2010 and March 2011 and received (March 2011) the payment of ₹ 2.77 crore.

Thus, non-adherence of the laid norm and placing purchase orders at higher rate, when the same firm was awarded rate contract of the same medicine at a comparatively lower rate of ₹ 2500 per vial in the same financial year, resulted in loss to Government of ₹ 97.20 lakh⁹.

In reply the Superintendent, PMCH stated (December 2012) that the head of department of medicine did not recommend the AHF-VIII of Reliance Pharmaceuticals as it was not mono clonal¹⁰ and after correspondence with the Health Department, the department directed to purchase the AHF-VIII through re-tender. Hence the purchase was made on the basis of second tender at the rate of ₹ 3850 per vial.

The reply was not acceptable as the Superintendent in his letter to the department (in which direction for purchase of the medicine was sought for) in December 2009 had mentioned that the AHF-VIII having mono clonal made no difference and was being used in PMCH without any adverse effect on the patient Further examination of the records of the department relating to its direction to retender for purchase of this medicine revealed that the department considered the earlier tender as single tender which was factually not correct. Moreover, it is pertinent to mention here that State Health Society, Bihar has finalised the rate contract of this medicine (at ₹ 2678.40 per vial)

⁹ (₹ 3850 – ₹ 2500) = ₹ 1350.00 × 7200 vial = ₹ 97.20 lakh

¹⁰ A particular specification of the medicine.

from the same manufacturer i.e. Reliance Life Science Private Limited in March 2012.

Thus, due to non-adherence of laid down norms for purchase of medicines and injudicious decision to purchase the Anti Haemophilic Factor-VIII on higher rates resulted in loss to the Government of ₹ 97.20 lakh.

The matter has been reported to the Government (August 2012) and their reply has not been received.

SOCIAL WELFARE DEPARTMENT

5.1.5 Risky and imprudent investment

Imprudent decision to invest the funds of ₹ 268.71 crore allocated under the Mukhya Mantri Kanya Suraksha Yojna in a mutual fund without instituting any monitoring mechanism exposed the scheme to market risks.

The Social Welfare Department (SWD), Government of Bihar approved (July 2008) a scheme called 'Mukhya Mantri Kanya Suraksha Yojna (MMKSY)' for the welfare of minor girl children from Below the Poverty Line (BPL) families of the State. Under the scheme, a sum of ₹ 2000 was to be invested in Unit Trust of India-Children Care Plan (UTI-CCP) Mutual fund¹¹ in the name of newly born girl child, the maturity proceeds of which would be paid to her on attaining 18 years of age. MMKSY provided that the amount made available by the SWD was to be invested by the Women Development Corporation (WDC) in its own name in 'UTI Liquid Cash Plan scheme-Growth option (UTI-LCP). Subsequently on the receipt of application from the beneficiary, duly forwarded by the concerned Child Development Project Officer (CDPO), the amount invested in the UTI-LCP was to be transferred in UTI-CCP¹² mutual fund scheme against the name of the individual eligible¹³ beneficiary. The WDC was to be the applicant and the minor girl being the beneficiary.

Scrutiny of the records (June 2012) of the WDC under SWD revealed that a tri-partite memorandum of understanding (MOU) was signed (June 2008) among SWD, WDC and UTI with the consent of Finance Minister, Government of Bihar. However the MOU did not guarantee any minimum assured amount payable to the beneficiary at the time of maturity nor was there any clause inserted in the MOU to safeguard the interest of the Government or the beneficiary. The return was based on the speculation of the market, despite the fact the investment was made for a period ranging between 15 to 18 years since the inception of the scheme. Altogether an amount of ₹ 300.41 crore was allotted by the SWD to WDC during 2008-12 of which ₹ 294.40 crore was transferred to UTI till July 2012, The UTI invested the

¹¹ A Mutual Fund is a trust that pools the savings of a number of investors who share a common financial goal. The money thus collected is then invested in capital market instruments such as shares, debentures and other securities. The income earned through these investments and the capital appreciation realised are shared by its unit holders in proportion to the number of units owned by them.

¹² Fund allocation of UTI-CCP= minimum 60 percent of the amount to be invested in debt and maximum 40 per cent in equity.

¹³ Beneficiary should be of zero to three years after 22.11.2007.

amount of ₹ 268.71 crore for issuing 13,43,547 bonds out of 15,31,013 nos. of application received under the scheme, while two *per cent* of the allotment (₹ 300.41 crore) amounting to ₹ 6.01 crore was expended in administrative expenses of WDC for implementation of the scheme.

The net present value of ₹ 268.71 crore invested in UTI-CCP was ₹ 292.41 crore (May 2012) during 2008-12. Had these amounts been invested in any other long term schemes (viz. post office fixed deposit etc.) having guaranteed/assured returns the maturity amount as of date (May 2012) at the rate ranged between 7.5 to 8.5 per cent per annum would have been at least ₹ 299.09 crore (*Appendix 5.4*).

The Government did not invite any bids from the public and private sector mutual fund for selection of the mutual fund manager.

The Department in its reply (December 2012) stated that the scheme had been implemented after detailed analysis and evaluation after approval of State Cabinet and the results so far had also been very encouraging. There was a growth of 8.82 *per cent* and 17.64 *per cent* as on 31st May 2012 and 30 September 2012 respectively, which clearly indicated the growth in fund investment under the scheme

The reply is not acceptable as there was no assurance/guarantee of minimum assured return of the investment under the scheme. The fact had been reiterated (October 2012) by the Country Head Retail, UTI. UTI admitted that the equity market in general had not performed favourably and due to an increasing interest rate environment, the bond evaluation had an adverse effect on the return generated by the scheme during the period 2008-12. The reply itself showed that investment return might go below post office returns. Even on investment at the rate of 7.5 per cent in Post Office Fixed deposit account for 18 years, there would have been a total accumulated assured amount including interest of ₹ 1256.44 crore. On the other hand the maturity amount under UTI investment was uncertain. The minimum assured amount payable to the beneficiary at the time of maturity was not inserted in MOU to safeguard the interest of the Government or the beneficiary. This would result in compromising with the basic tenets of social security system by not providing security assurance even in long term investment.

For arguments sake even if it turns into profit the wisdom of decision of investing ₹ 268.71 crore of tax payers money into non-assured guarantee return scheme is defeatable for this type of scheme. In case the fund depreciates there is no provision of compensation to the beneficiaries of Mukhya Mantri Kanya Suraksha Yojna. Hence the beneficiaries are open to the perils of the market risk as there is no assurance/guarantee of minimum assured return of the investment under the scheme. It may be more judicious to put such funds in long term scheme which would guarantee assured return rather than hoping for higher returns from uncertain market.

5.2 Audit against propriety/Excess/Wasteful/Infructuous expenditure

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

SOCIAL SECTOR

RURAL WORKS DEPARTMENT

5.2.1 Infructuous expenditure

Abandoning of work by the agency midway and non-rescission of contract by the department resulted in infructuous expenditure of ₹ 96.83 lakh on incomplete road works.

As per the departmental order, incorporated in Bihar Public Works Departmental (BPWD) Code issued for adherence and compliance by its officers in charge of work, to achieve an intended objective of the expenditure and to provide smooth traffic, the construction of road works must got be completed with all items in limited length first and then work on further length may be taken up. The Notice Inviting Tender (NIT) also stipulated that works would be executed as per the codal provisions of the department.

A test check (December 2011) of records pertaining to up-gradation of road from Tenari More to Latta (8.2 Km) in Rafiganj block under jurisdiction of the Executive Engineer (EE), Rural Works Division (RWD), Aurangabad revealed that the work was awarded (March 2006) to an agency at an agreed cost of ₹ 1.50 crore for completion period of six months upto September 2006. A total of ₹ 96.83 lakh was paid to the agency as of June 2008 when the work was stopped.

Scrutiny further revealed that while the agency had executed granular sub-base (GSB) and base course (Water Bound Macadam) involving laying of Gr.I, II and III metal (WBM) in the entire stretch of road by March 2006, it had executed merely 17625 m³ (57 per cent) of built up spray grouting (BUSG) over WBM against the agreement quantity of 30750 m³ of BUSG. Of this, 9750 m³ was executed in November 2006 and 7875 m³ in March 2007 after delays of seven and twelve months respectively from the date of execution of WBM. By that time the underlying base-course had considerably deteriorated and got damaged due to their exposure to traffic. This fact was also duly corroborated in the various inspection reports of EE and other divisional officers. Further no semi dense bituminous concrete (SDBC) work was executed over BUSG in any stretch of the said road. No work was carried out since June 2008 afterwards. When the work was neither undertaken nor completed by the agency despite several reminders by the EE, an inspection by a team, constituted (24 October 2011) to take final measurement, was

carried out (10 November 2011) after issuing press notice to the agency, the details of which was as under in **Table No. 2** :

Table No. 2

| Sl. No. | Km | Thickness of road crust | | | Remarks in the Inspection Report |
|---------|----------------------|-------------------------|----------------|------------------------------|--|
| | | As per agreement (mm) | As per MB (mm) | As per last measurement (mm) | |
| 1. | 0-1.40 | 300 | 250 | Nil | BUSG not found and due to bad condition of road, measurement could not be taken. |
| 2. | 3.30 | 300 | 300 | 112 | BUSG-50 mm and WBM-62 mm |
| 3. | 4.00 | 300 | 300 | 170 | Gr. II+Gr.III+BUSG |
| 4. | 4.80 | 300 | 300 | 180 | BUSG-50 mm Gr.II+III-130 mm |
| 5. | 6 | 300 | 300 | 99 | BUSG-37mm WBM-62 mm |
| 6. | 7 | 300 | 300 | 99 | BUSG-37mm WBM-62 mm |
| 7. | Between 7 to 8.20 Km | 300 | 250 | 0 | No work was found between km 7 to 8.20 |
| 8. | | | | | BUSG work was in dilapidated condition |

The final measurement report was self explanatory of the dilapidated condition of existing road, worsened to the extent that even taking measurements in certain stretches was not at all possible. This was also evident from the fact that the crust thickness of the existing road, as per the final measurements, varied between 99 mm and 180 mm only, though payments had been made for 300 mm (Gr.I: 100mm; Gr.II: 75mm; Gr.III: 75mm; and BUSG: 50mm) crust thickness.

In reply the EE stated (December 2011) that the said agreement would be rescinded, and the same would be duly communicated to the audit. However, the work was closed (August 2012) on verbal orders of the Principal Secretary and as the Rafiganj block was transferred under the jurisdiction of RWD, Works Division, Daudnagar, its Divisional Officer was instructed to prepare the road's estimate and initiate its retendering process.

Thus, while there was no reason for the department to persevere with a defaulting agency for almost six years without taking any penal action against the agency or rescinding the contract, the non-compliance of codal provisions/ departmental orders by the Divisional Officer resulted in non-completion of road with all items of works in limited stretch of road. It also facilitated the deterioration of executed base layer of the road. This coupled with the lackadaisical attitude and inaction of the department resulted in infructuous expenditure on abandoned road to the tune of ₹ 96.83 lakh besides depriving the intended beneficiaries of a motorable road as envisaged under the scheme. Even the cancellation of contract, instead of rescission, was also not justified as it absolved the defaulting agency of its accountability and resulted in putting extra burden on the Government exchequer for completing the abandoned works.

The matter was referred to the Government; their reply is yet to be received (February 2013).

5.2.2 Unfruitful expenditure

Due to lack of proper survey and non-inclusion of work of construction of bridges across the rivers intersecting the road in the Detailed Project Report the objective of providing connectivity to unconnected habitations as envisaged in The Pradhan Mantri Gram Sadak Yojana could not be achieved and the expenditure of ₹ 1.18 crore incurred on construction of road was rendered unfruitful.

The Pradhan Mantri Gram Sadak Yojana (PMGSY) aimed to provide connectivity to rural unconnected habitations with all weather road for their socio-economic development.

A test-check (December 2011) of records of the Executive Engineer (EE) Rural Works Division (RWD), Aurangabad pertaining to the project of construction of Rafiganj to Baligaon Road under PMGSY revealed that the aforesaid work, was awarded (February 2009) to an agency at an agreed cost of ₹ 1.47 crore for completion in twelve months by February 2010. A sum of ₹ 1.18 crore had been paid to the agency as of June 2012.

Further scrutiny of records and inspection reports (June 2010) of Sub divisional officer and EE revealed that the road-profile from Rafiganj to Baligaon was intersected by two rivers at different chainages. However this fact was not mentioned in the detailed project report (DPR) prepared by Infrastructure Development Corporation Limited (ILFS), an agency recruited by Government of Bihar for providing consultancy services for preparation of DPR, tender documents, evaluation of tender for the Rural Road Improvement Programme in the State under PMGSY.

The division was also not pre-acquainted with the proposed road profile to be taken up under PMGSY and the Chief Engineer-4 (HQ) of the department, even accorded (August 2008) technical sanction to the estimate prepared by an independent agency without getting the veracity of the estimate verified by the division through proper survey.

The failure of the division to conduct the proper survey prior to the commencement of work got further credence and was corroborated by the fact that there was nothing on record to suggest that any separate proposal for constructing these bridges had been forwarded to the department for approval.

Even the completed road could not have served the purpose of providing connectivity to rural habitations as envisaged under PMGSY in the absence of required bridges across the river. This fact, duly accepted by the EE himself in his inspection report (June 4, 2010), was further confirmed by his replies (December 2011 and July 2012) that this would require two bridges, each costing approximately ₹ four crore, the proposal of which was pending with the Department.

Thus the lack of proper survey of work by the Division, non-inclusion of work of construction of bridges in the DPR and consequent failure of the division in providing connectivity to rural habitations as envisaged under PMGSY resulted in unfruitful expenditure of ₹ 1.18 crore.

The matter has been reported to the Government (July 2012); the reply has not yet been received.

5.2.3 Irregular award of 71 contracts to nine ineligible contractors

Irregular award of works worth ₹ 853.45 crore to the ineligible contractors resulted in dismal programme implementation of Pradhan Mantri Gram Sadak Yojna in seven divisions and even after a lapse of two to 22 months from the stipulated dates of completions, not even a single road was fully completed after incurring expenditure of ₹ 119.77 crore.

As per Clause 4 under Section 2: Instructions to Bidders (ITB) contained in bid documents, a bidder, in order to qualify in a two-bid tender process, was required to demonstrate sufficient experience and resources to meet the aggregate of qualifying criteria for individual contracts, in case of a package contract (Clause 4.4c). As such, the bidders were required to submit in their bids, among others, evidence of ownership/arrangement regarding major construction equipment¹⁴ (Clause 4.2d) including details of personnel to be employed against the contract and labour license etc. (Clause 4.2e). For contracts exceeding ₹ 10 crore, the bidder should have in any one of the last five years, turnover equal to or more than the amount put to bid. In case of joint venture bids, contract document was to be signed by all the partners of joint venture (Clause 4.3b). A bidder fulfilling the minimum qualifying criteria could be qualified only if his bid capacity was equal to or more than the total bid value of the contracts. However, as per Clause 25.1 of Section 2 Instruction to Bidders (ITB), during the detailed evaluation of the technical bids, the technical bid committee¹⁵ (TBC) had to determine whether each bid met the eligibility criteria as defined in Clause 3 and 4 of ITB and was substantially responsive to the requirement.

We conducted the audit scrutiny (December 2011 to May 2012) of records under seven¹⁶ test-checked divisions of Rural Works Department related to construction of 430 road works (1504.233 km length) in 71 packages under Pradhan Mantri Gram Sadak Yojna worth ₹ 853.45 crore awarded to the nine¹⁷ contractors.

¹⁴ (i) Static/ Vibratory Roller, (ii) Front End Loader, (iii) Tractor with leveller, (iv) Tractor with Rotavator, (v) Mini HMP/Mix All, (vi) Concrete Vibrator, (vii) Concrete Mixer, (viii) Tipper/ Tractor, (ix) Tar Boiler, (x) Vehicle Mounted Mechanical Spray, (xi) Water Tanker with Sprinkler

¹⁵ For tenders above ₹ 3.50 crore a technical bid committee comprising of Engineer -in-Chief (EIC), technical secretary to EIC, concerned Chief Engineer, Superintending Engineer and Project Officer and for tenders between ₹ 70 lakh to ₹ 3.50 crore, a committee headed by Chief Engineer, his Secretary and concerned Superintending Engineer were to finalise the bids.

¹⁶ Chapra, Benipatti, Muzaffarpur, Bhagalpur, Samastipur, Rosera and Sitamarhi

¹⁷ M/S JSR Construction Pvt. Ltd., Hyderabad, (ii) M/S BSS Projects Pvt. Ltd., Hyderabad (iii) M/S SPR Infrastructure India Pvt. Ltd., Hyderabad (iv) M/S Araw ali Infra Power, New Delhi (v) M/S Singh Construction, Muzaffarpur (vi) M/S Aryan Concrete, Mokama (vii) M/S Subham Construction, Muzaffarpur (viii) M/S Siva Swathi Construction Pvt. Ltd., Hyderabad and (ix) M/S Singh Construction Company, Punjab.

It revealed the following deficiencies:

Ineligible Contractors awarded contracts

(a) Six contractors¹⁸ of four Divisions¹⁹ attached the ownership documents of only few plants and equipment (*Appendix 5.5*) and the same set of documents were attached with the technical bid submitted for all packages in a Division. Even against the bids of two different divisions (Rosera and Sama stipur), the two contractors²⁰ submitted the same set of documents relating to ownership of machine and equipment/lab equipment at both the places.

Five contractors²¹ pertaining to six divisions²² were awarded the contract though they did not submit the ownership documents of plants and equipment with the technical bid.

(b) The bid capacities of three contractors in three divisions were less than the bid value of the works (*Appendix 5.5*).

(c) The individual financial turnover of eight contractors in four divisions was less than the total bid value of all the packages. (*Appendix 5.5*).

(d) The work experiences as a prime contractor of seven contractors in civil construction work in five divisions were less than required (*Appendix 5.5*). Even the contractor, SPR Infrastructure India Ltd., Hyderabad who was awarded works in three²³ divisions was not found to have submitted the details of experience certificate with their bid documents.

(e) SPR Infrastructure India Ltd., Hyderabad had not submitted any labour licence though works of construction of 142 roads (516.586 km) were awarded to it under three divisions. Even the number of labourers, for which labour licenses were submitted by other contractors were also not sufficient to complete the construction of all the roads simultaneously in time. For example a contractor namely M/s. JSR Construction Pvt. Ltd., Hyderabad with labour license of only 40 labourers was awarded construction work of 90 roads in two²⁴ divisions for completion simultaneously within the schedule which was not at all possible.

(f) The contract document of SPR Infrastructure India Ltd., Hyderabad was not signed by their joint venture partners.

Hence either proof of ownership of machine/equipment was not attached with the bid documents, and/or if attached, was not sufficient for execution of multiple road works at a time. As such their bid documents were liable to be disqualified during evaluation of technical bid. However this fact was not considered by the Executive Engineer (EE)/Superintending Engineer

¹⁸ M/s. JSR Construction Pvt. Ltd., Hyderabad, BSS Projects Pvt. Ltd, Hyderabad, Singh Construction, Muzaffarpur; M/s. Aryan Concrete, Mokama, Shubham Construction, Muzaffarpur, and Singh Construction Company, Punjab.

¹⁹ Muzaffarpur, Samastipur, Rosera and Benipatti

²⁰ BSS Projects Pvt. Ltd, Hyderabad and M/s. Aryan Concrete, Mokama

²¹ M/s. JSR Construction Pvt. Ltd., Hyderabad, BSS Projects Pvt. Ltd, Hyderabad, SPR Infrastructure India Ltd., Hyderabad, Arawali Infra Power, New Delhi and Siva Swathi Construction Pvt. Ltd., Hyderabad

²² Chapra, Rosera, Samastipur, Bhagalpur, Benipatti and Sitamarhi

²³ Bhagalpur, Rosera and Samastipur

²⁴ Muzaffarpur: 71, Chapra: 19

(SE)/Chief Engineer (CE)/Technical Bid Committee²⁵ (TBC) while the contractors who did not possess adequate resources to meet the aggregate of qualifying criteria for individual contracts, as required under clause 4.4(C) of ITB, were awarded the contracts by TBC.

Inordinate delay in execution

Further scrutiny revealed that as per agreements, dates of start of works pertaining to 430 roads ranged between October 2009 and May 2011 and the due dates of completion of 414 roads were between October 2010 and December 2011. The due dates of completion of 15 roads in Benipatti and one in Rosera works Division were June 2012 & May 2012 respectively. It was observed that out of 430 roads, construction work on 194 roads was not started till the date of audit. Further, of the 236 roads on which construction works were started, works on 122 roads were stopped in midway. Hence construction works on only 114 roads were in progress. It was observed that there had been delays of three to 24 months in the start of respective works from the dates of corresponding work orders i.e. from due date of start. Against construction of road in total 1504.233 Km length (430 roads) under seven divisions and 71 packages, sub-base, base and surface works were completed only in 464.415 Km, 150.913 Km and 66.246 Km respectively (*Appendix 5.6*) against a total expenditure of ₹ 119.77 crore, being 14 *per cent* of the aggregate awarded value. Thus after lapse of two to 22 months from the stipulated dates of completion of works only four *per cent* of road works were executed upto surface level but not even a single road was fully completed as of the period of audit (December 2011 to May 2012).

On being asked all the EEs while agreeing with the audit's contentions were unanimous in their replies (December 2011 to May 2012) that all the bids were evaluated by TBC at headquarters office headed by EIC and all the decisions regarding thereto were also taken at the same level.

The replies were not acceptable as the concerned EEs were responsible for opening of technical bids of the contractors and preparing the technical evaluation sheet wherein the vital information relating to contractors' bid capacities or equipment details were either not disclosed or improperly analysed.

Thus irregular award of works worth ₹ 853.45 crore (*Appendix 5.7*) to the ineligible contractors resulted in dismal programme implementation of PMGSY in those seven divisions and even after a lapse of two to 22 months from their stipulated dates of completion, not even a single road was fully completed after incurring expenditure of ₹ 119.77 crore.

The matter has been referred to the Government (August 2012); their reply is yet to be received (February 2013).

²⁵ (a) For the contracts valuing ₹ 70 lakh to ₹ 350 lakh TBC headed by CE, Technical Secretary (TS) of the concerned CE and concerned SE.

(b) For the contracts valuing more than ₹ 350 lakh, TBC headed by Engineer-in-Chief (EIC), TS to EIC, concerned CE, concerned SE, and concerned Project Officer.

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.2.4 Award of contracts to an ineligible contractor

Due to irregular award of contracts worth ₹ 232.79 crore to an ineligible contractor, the objective of providing uncontaminated drinking water to the rural population as envisaged under the scheme, remained unachieved.

Clause 10 of the notice of National Competitive Bidding (NCB) stipulates that the tenderer must have a minimum experience of five years prior to submission of bid in works relating to water supply schemes and successful completion of similar water supply schemes with treatment facilities of value not less than 50 per cent of estimated amount. Further as per clause 4.5 A (b) of Instruction to Bidders (ITB) issued by the Department a bidder, in order to qualify for award of contract, must have satisfactorily completed, as a prime contractor or as a nominated sub-contractor, at least one similar work of value not less than 50 per cent of the estimated value of contract during the last five years. Further Clause 4.6 of ITB ibid clearly stipulated that the sub-contractor's experience and resources shall not be taken into account in determining the bidder's compliance with qualifying criteria. Thus, the experience of prime contractor was essential for qualifying in a bid.

During the test check (August 2011) of records in the office of the Engineer-in-Chief, Public Health Engineering Department (PHED), Patna, it was noticed that tenders were invited (January 2010) in six groups by the Chief Engineer (Urban), PHED, Patna through NCB for 'Design, Construction and Commissioning of Mini Water Supply Schemes (MWSS) with provisions of suitable treatment plants for the contaminants and solar pumping sets' on turn key basis in different arsenic, fluoride, iron and drought affected districts in Bihar. The works of four groups (Group I, II, III & V) with total estimated cost of ₹ 278.68 crore were awarded (April 2010) to M/S Punj Llyod Ltd. (PLL), Gurgaon being the lowest 'sole tenderer', at a total agreed cost of ₹ 232.79 crore as detailed in *Appendix 5.8*. All the works were to be started from April 2010 and completed by March 2011.

Audit scrutiny, however, revealed the following:

- From the minutes of the meeting (March 2010) of the Technical Bid Evaluation Committee (TBEC), it was observed that the agency M/S PLL was irregularly allowed to qualify in the technical bid against the experience of its subsidiary company M/S Sembawang Engineers and Construction Pte Ltd (SECPL), Singapore, stated to have executed works relating to water supply worth ₹ 2056 crore, though neither of the companies had requisite experience relating to water treatment plant as per the bid documents submitted by the agency.
- Though there was no mention in the comparative statement prepared by the Department for individual groups regarding Aquatic Treatment Solution (I) Pvt. Ltd (ATSPL) collaborating for providing technical support to M/s PLL in the field of water treatment, this fact was duly mentioned and taken cognisance by the TBEC while finalising the tender. Except a unilateral letter (January 2010) from ATSPL in favour

of CE (Urban), PHED that it was collaborating with M/S PLL in the field of water treatment plant and providing technical support to it, there was no resolution passed by Board of Directors of M/S PLL regarding execution of water treatment plant by ATSPSPL nor were any supporting documents like Article of Association (AOA), Memorandum of Association (MOA) of ATSPSPL attached with the technical bid.

- The details of information relating to ATSPSPL downloaded (03 May 2012) from the website of Ministry of Company Affairs, Government of India, revealed that the paid up capital of ATSPSPL was only ₹ one lakh. The company's status (for e-filing) was shown as dormant.

From the above facts, it was clear that the department failed to save the interest of the Government by awarding the work to a contractor without assessing the requisite eligibility qualification, as stipulated in NCB/ITB, of sole tendering company, (M/S PLL) as a prime contractor in the field of water treatment. The department also did not bother to enquire about the financial status of the tied-up company (ATSPSPL) having a paid up capital of ₹ one lakh, despite the fact that it was to execute the work of installation and maintenance of water treatment plant worth ₹ 78 crore.

Further test check (November 2011 to June 2012) of records in 17 test checked PH divisions²⁶ relating to execution of four groups of works allotted to M/s PLL revealed that as against the agreed 453 No. of MWSSs in the test-checked divisions, the agency could complete only 57 MWSS as of May 2012, after incurring expenditure of ₹ 9.75 crore while works on 336 schemes were in progress. Thus, it was clear that the agency had executed only 13 *per cent* work even after the lapse of 14 months from the stipulated date of completion. Even the EEs failed to invoke penalty Clause 2 of the bid document.

The Executive Engineers of the test checked divisions accepted the audit findings and stated that the execution of work by the agency was extremely tardy or negligible.

In reply, the Principal Secretary (PS), PHED stated (November 2012) that the financial and technical capabilities of M/S PLL alongwith the work experience of SECPL relating to water supply schemes with treatment facilities satisfied the required eligibility requirement for the bid. The experience of M/S ATSPSPL was neither included in the Comparative Statement of technical proposal nor considered by the TBEC for satisfying the eligibility requirement for M/S PLL. Also, against physical target of 850 MWSSs for all four agreements, the firm had completed 261 MWSSs while works under 307 MWSSs were in progress as of November 2012.

The reply of the Department was not acceptable since as per the comparative statement M/S PLL or SECPL had requisite experience in water supply schemes only. They did not have requisite experience relating to water

²⁶ PH Divisions – Patna (West), Hajipur (Vaishali), Gaya, Begusarai, Purnia, Muzaffarpur, Patna (East), Sasaram, Aurangabad, Biharsharif, Bhagalpur (East), Bhagalpur (West), Katihar, Chapra, Siwan, Ara, Buxar

treatment plant, its commissioning or operation and maintenance. For this the sole tender had appended a copy of unilateral letter (January 2010) from ATSP to the CE (Urban), PHED, Government of Bihar to camouflage this vital lacuna on its part. Also, in contrary to PS, PHED's assertions, the TBEC took full cognisance of this fact and duly mentioned the same in the minutes of its proceedings (3 March 2010) while taking decision on the technical bids. Besides the completion of merely 261 MWSSs (31 *per cent*) against the total physical target of 850 MWSSs, as stated by the PS, even after lapse of almost one and half years since their stipulated date of completion further corroborated the inefficiency on part of the contractor.

Thus, the irregular award of contract by the department to an ineligible contractor, which did not have requisite experience in the field of water treatment facilities led to inordinate delay in the execution of MWSS and the objective of providing uncontaminated drinking water to the rural population as envisaged under the scheme, remained unachieved.

5.2.5 Irregular award of work to an ineligible agency

The failure of department in processing the tender document transparently resulted in irregular award of the contract of ₹ 157.59 crore to an ineligible joint venture agency.

With a view to remove excessive iron in water, Public Health Engineering Department (PHED) sanctioned a project of ₹ 175.44 crore in January, 2010 for designing, construction and commissioning of 500 mini water supply units with provision for installation of suitable treatment plants for removal of iron with solar pumping set on turnkey basis under centrally sponsored scheme on 50:50 sharing basis between the Centre and the State in nine districts²⁷ of the State. The work was technically sanctioned for ₹ 174.93 crore by the Chief Engineer, PHED, Patna in January 2010. After National Competitive bidding (NCB) on 8th January 2010, six out of the total nine bids received were technically qualified (3 March 2010) by the Technical Bid Evaluation Committee (TBEC) for opening of financial bids of which the lowest bidder M/S Pratibha Membrane, was awarded (April 2010) the work at ₹ 157.59 crore on the recommendation of Department Tender Committee (DTC) for completion of work in 18 months by September 2011.

As per Clause 4.5A of Section-IA General- Instruction to Bidders(ITB) of the Standard Bid Document (SBD), to qualify for award of the contract, each bidders in its name should have, in the last five years, (a) achieved in any one year a minimum annual financial turnover volume of construction work of at least an amount equal to the 50 *per cent* of estimated cost of works for which bids has been invited, and (b) satisfactorily completed as a prime contractor or as a nominated subcontractor, at least one similar work of value not less than 50 *per cent* of estimated value of contract. Further, as per Clause 7.2, tender documents were not transferable.

²⁷ Araria: 44 units, Begusarai: 70 units, Katihar: 30 units, Khagaria: 18 units, Kishanganj: 60 units, Madhepura: 50 units, Purnia: 83 units, Saharsa: 60 units, Supaul: 85 units.

However, a test-check (August 2011) of bid documents and scrutiny of other related records relating to aforesaid works in the office of Engineer-in-Chief, PHED, Patna revealed the cost ratio of treatment plant was almost one-third (34 *per cent*) of the unit cost of whole work. It was, however, observed that M/S P ratibha Membrane Filters JV did not have relevant experience of commissioning and installation of suitable treatment plants for removal of iron with solar pumping sets of value not less than 50 *per cent* of the estimated amount. Even in the comparative statement of technical bid documents, the experience and financial credibility of M/S Pratibha Industries, (the lead partner) was evaluated with a mere mention of JV with M/S Membrane filter (India) Ltd. (the JV partner). No separate assessment of the latter was found done by the department or the Tender Evaluation Committee. Thus qualifying of technical bid documents by the TBEC for opening of financial bid was itself irregular. Subsequently, on the basis that the rates quoted by M/S Pratibha Membrane Filters JV were the lowest, the department issued (1 April 2010) work order/letter of acceptance in favour of the said JV firm.

Further scrutiny also revealed that:

- The tender document of the work was initially issued to M/S Pratibha Industries Ltd. by the office of the Chief Engineer (Urban), PHED Bihar, Patna as a sole tenderer²⁸ on the 22 January 2010.
- A Memorandum of Understanding for Joint Venture (JV) was executed (29 January 2010) between M/s Pratibha Industries Ltd. and M/S Membrane Filter (India) Pvt. Ltd. after the closing date of issue of bidding document (28 January 2010).
- The bid documents were submitted (2 February 2010) in the name of M/S Pratibha Membrane Filters JV though as per Clause 7.2 of ITB the tender documents were not transferable. Consequently the department failed to detect the difference between the firm which purchased the tender document and the entity which submitted the bid. Even the bidder failed to seek necessary clarifications generally obtained in the pre-bid conference. Thus the submission of the bid in the name of JV after purchasing the tender document as a sole tenderer was irregular and liable to be rejected.
- The department did not prescribe any terms and conditions of JV in the NCB or mentioned the same as to how the cases of JV would be dealt with, assessed or scrutinised after opening of bids.
- Subsequent to the NCB, the department stipulated and issued directions (1 April 2010) regarding Joint Venture/partnership which included, amongst others that the lead partner and other partner should fulfill at least 50 *per cent* and 25 *per cent* respectively of the qualification criteria and secondly after purchase of BOQ only, the person/firm registered with the department could participate in the tender process. But, instead of bringing amendment or adding the same in the bid document through addendum vide clause 10 of Instruction to

²⁸ *Sole tendering implies participation of any agency, on its own and alone, in a bidding process.*

Bidder (ITB) and scrutinising the bid documents afresh, it issued work order to the JV on the same date i.e. 1 April 2010.

Thus, there was irregular award of work to an ineligible agency which was also manifested by the tardy implementation of work by the agency as 25 per cent of work (128 out of 500) was incomplete even after a lapse of 14 months (as of November 2012) from the stipulated date (September 2011) of completion of works.

In reply, the Principal Secretary (PS), PHED stated (November 2012) that there were no detailed criteria/guidelines available regarding JV in the SBD. As per provision for JV in Clause 4.4 of the SBD, the tender of M/S Pratibha Membrane Filter JV was accepted and accordingly the firm, being the lowest tenderer, was awarded the work. He also stated that as per the joint venture document (Addendum to MOU for JV) of M/S Pratibha Membrane Filter (JV) the lead partner (M/S Pratibha Industries Ltd.) and the second partner (M/S Membrane Filter India Pvt. Ltd.) fulfilled 51 and 49 per cent of the qualifying criteria respectively as stipulated in Road Construction Department's (RCD) circular letter no. 8131 dated 24 July 2012 regarding criteria and guidelines for joint venture. Further, the firm had completed 372 Mini Water Supply Schemes (MWSS) while 35 schemes were in progress, out of the total 500 Mini Water Supply Schemes awarded to the firm.

The department's contention that the agency had completed 372 out of 500 MWSSs was not acceptable as not even a single completed unit was handed over to the department as of January 2013. However the reply of PS was candid in admitting the fact that this particular case of JV was not assessed in absence of any guidelines regarding JV while awarding the contract, though it failed to justify as to how a JV firm lacking relevant experience of five years in the field of commissioning and installation of water treatment plant, either severally or jointly, was awarded the contract. It also did not explain why the Department, which prescribed the terms and conditions of JV and issued relevant instructions to its officers for observation and compliance, also issued a work order to the JV firm on the same date i.e. 1 April 2010 instead of coming up with an addendum vide clause 10 of ITB and scrutinising the financial bids *ab initio*. That, citing of guideline circular of RCD of July 2012 by the PS and his assertions that the JV conformed to its provision was irrelevant, unwarranted and simply a pleading to cover department's failure to scrutinise the bids properly and to cover up its omission and commission in the course of finalising the contract and issuing the work order to the JV firm in April 2010. Even his assertions were based on the Addendum to JV which was entered in May 2010 after execution of agreement in April 2010. Also no plausible justification was given by the PS for department's failure in detecting the firm (sole tenderer), purchasing the tender document and another entity (JV) submitting the same in violation of clause 7.2 of ITB which prohibited the transfer of tender document.

Thus, due to department's failure in processing the tender documents transparently, a contract of ₹ 157.59 crore was irregularly awarded to an ineligible joint venture agency.

HEALTH DEPARTMENT

5.2.6 Excess payment on irregular purchase of medicines and equipment

Irregular purchase of medicines and equipment in violation of State Health Society's prescribed procedures resulted in excess payment of ₹ 1.33 crore.

In order to ensure uniformity in rate and quality of drugs and equipment (small surgical items) all over the State, the Finance Department, Government of Bihar nominated (April 2007) State Health Society Bihar (SHSB) as 'State Purchase Organisation' for purchase of drugs and medical equipment/instruments in the State. Subsequently, SHSB executed (February 2007 to August 2011) agreements for supply of drugs/surgical items with different agencies to supply the same during March 2009 to March 2013 in all districts of the State and circulated the lists to all Superintendents of Medical Colleges & Hospitals and all Civil Surgeon-cum-Member Secretaries of District Health Societies. As specially mentioned in the agreements, the concerned authorities of the respective districts were required to directly place the orders at the company's godown-cum-store in Patna and to collect the delivery of items there from after payment through bank drafts on delivery.

Test check (November 2011 to June 2012) of records of six²⁹ Civil Surgeon-cum-Chief Medical Officers (CS-cum-CMO) and one Superintendent of a Hospital (Lady Elgin Hospital, Gaya) pertaining to the period 2008-09 to 2011-12 revealed that in 79 cases, medicines and equipment, featuring in the SHSB contracted list and valuing ₹ 2.28 crore, were purchased locally on the recommendation of the District Purchase Committee at the rates higher than those approved by the SHSB. Had these medicines and equipment been purchased at the approved rates of SHSB, their cost would have been only ₹ 95.93 lakh. Thus local purchase of medicines and equipment in violation of the prescribed procedures resulted in excess payment of ₹ 1.33 crore (*Appendix 5.9*).

On this being pointed out (December 2011 to June 2012), the CS-cum-CMO, Kaimur (Bhabua) accepted (June 2012) the audit observations noting the same for future guidelines. The CS-cum-CMO, Madhubani (May 2012) and Vaishali (June 2012) attributed the same to 'immediate requirement' and 'necessity of medicines'. The CS-cum-CMOs of Bhagalpur, Samastipur and Gaya and Superintendent, Lady Elgin Hospital, Gaya however furnished replies quoting authorities of letters (April 2007) issued by SHS as reasons for local purchase.

The replies of the CS-cum-CMOs and the Superintendent (except CS-cum-CMO, Kaimur) were not acceptable as local purchase against 'immediate requirement' was simply a cover-up to justify their local purchases. Further the replies forwarded by CS-cum-CMOs of Bhagalpur, Samastipur and Gaya and Superintendent, Lady Elgin Hospital, Gaya quoting the SHSBs letters (April 2007), which contained clear instructions to float tenders for rate contract of drugs not contracted by SHSB, was misleading as all the local

²⁹ CS-cum-CMO, Bhagalpur, CS-cum-CMO, Gaya, CS-cum-CMO, Kaimur, CS-cum-CMO, Madhubani, CS-cum-CMO, Samastipur and CS-cum-CMO, Vaishali

purchases objected to by the audit were related to those featuring in the contracted list of SHSB. As such, all the 79 cases of purchase of medicines and equipment, despite their inclusion in the SHSB contracted lists, were made in gross violation of the rules.

Thus, the irregular purchase of medicines and equipment from unauthorised agencies not only resulted in excess payment of ₹ 1.33 crore but also imparted undue favour to those private suppliers.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013)

ECONOMIC SECTOR

ROAD CONSTRUCTION DEPARTMENT

5.2.7 Undue favour to the contractor

The department, without verifying the veracity of place of upliftment of earth, irregularly sanctioned extra-lift leads in the revised estimate of a work leading to excess differential payment of ₹ 1.19 crore and undue favour to the contractor.

Under the provisions 5 and 6 of Special Conditions of Contract, the tenderer, before submission of tender, was required to completely acquaint and satisfy himself after thorough examination, among others, with the BOQ specifications including approved leads and site conditions etc. alongwith the nature and extent of the liability of the work in connection with completion of the work. No claim either for cost or for extension of time was to be entertained on any of these or similar ground.

A test check (May 2012) of records of the Executive Engineer (EE), National Highway (NH) East Division, Patna revealed that the construction of four laning work in km 178.60 to 188.50 (length: 9.9 km) of N.H. 30 was awarded (September 2009) for ₹ 41.30 crore to a contractor by the EE NH East Division Patna for completion by September 2011 i.e. in 24 months. The work included earthwork for construction of embankment at the rate of ₹ 212 per cubic meter (cum) of materials obtained from borrow pits within an average permitted lead of 8 km. Later, the Chief Engineer (CE), NH Wing, RCD, Bihar Patna communicated (February 2011) the department's decision for foreclosure of the ongoing agreement on 'as is where basis' to the Superintending Engineer, NH Works Circle Patna. By that time (February 2011) the contractor had been paid ₹ 3.79 crore.

Scrutiny of records (May 2012) revealed that the CE, NH, Bihar sanctioned (January 2012) revised/modified estimate for fore-closure of four-laning work from km 178.6 to 188.5 without any 'area plan' for lead-lift, though essentially required vide para no. 4.3.10 of Cabinet (Vigilance) Technical Examination Cell letter no. 452 dated 2 March 1984, and irregularly allowed leads of 17 km and 24 km for upliftment of earth for construction of road embankment. This resulted in excess differential payment of ₹ 1.19 crore out of the total payment of ₹ 6.32 crore as of March 2012 as shown below **Table 3**:

Table 3

(Amount in ₹)

| Lead for earth work (1) | Quantity of earth work | | Rate of revised estimate (4) | Rate of agreement (5) | Total payment made (3X4) (6) | Amount payable as per agreement (3X5) (7) | Excess payment (6-7) (8) |
|----------------------------|---------------------------------------|--------------------------------|---------------------------------|--------------------------|------------------------------------|---|--------------------------------|
| | Revised estimate (cubic metre) (2) | Work done (cubic metre) (3) | | | | | |
| 17 km | 55473.78 | 55473.78 (34%) | 255.67 | 212 | 14182981 | 11760441 | 2422540 |
| 24 km | 109144.00 | 108981.309 (66%) | 298.83 | 212 | 32566884 | 23104037 | 9462847 |
| Total | 164617.78 | 164455.089 | | | 46749865 | 34864478 | 11885387 |

It was observed that the departmental officials all along the time i.e. from September 2009 to January 2011 had been reporting the fact that the contractor was not providing the land details taken on lease/agreement with the farmers/supplier or quantity of earth lifted therefrom. They also failed to provide the requisite 'area plan' to the contractor for lifting of earth for execution of earth work. As such, without taking/verifying pit measurements or quantity of earth actually lifted and employed on work, payments were made to the contractor. Even the EE, in his reply to audit stated (May 2012) that the trip register relating to earth work would be procured and necessary action would be taken accordingly. The reply of the EE further corroborated the audit's contention that payments for earth work were made without verifying/ascertaining the places of upliftment of earth and quantity employed on work. The EE later made available (May 2012) to the audit the documents provided by the contractor relating to agreements made between the company and soil suppliers/farmers of village Janipur, Sherpur, Gaurichak and Madhopur.

The Secretary, RCD in his reply (October 2012), while quoting the contractor's letter also affirmed about the agreement executed between the contractor and the supplier for obtaining earth from Gopalpur, Gaurichak, Janipur and Sherpur which belonged to Sampatchak, Naubatpur and Maner Circles respectively. He further stated that 'the lead and location for carriage of earth from Beur area in DPR was based on the condition existing at the time of preparation of DPR. But due to rapid development the required earth for execution of work was not available at these locations. Hence after detailed site inspection another nearest borrow area for suitable earth was approved which had a lead of 17Km and 24Km.

The reply of the Secretary was not acceptable as revision of lead by the department was itself irregular and in violation of provisions 5 and 6 of the Special Conditions of the Contract. Secondly, the 'area plan' for extra lead-lift for the purpose of providing technical sanction was not ensured/assigned by the CE though essentially required vide Cabinet (Vigilance) Technical Examination Cell directions in this regard. Without any mention/pleading for lead of 24 Km or any reasons thereto, the same was arbitrarily allowed in the estimate and consequently payments made for. Further, as test-check, when the plot numbers of Gopalpur and Gaurichak were sent for confirmation to the Circle Officer (CO), Sampatchak and plot numbers of Sherpur to the CO,

Maner, both the COs confirmed (January 2013 and August 2012 respectively) to the contrary.

Thus, the department, without verifying the veracity of place of upliftment of earth, irregularly sanctioned extra-lift leads in the revised estimate of the work leading to excess differential payment of ₹ 1.19 crore and undue favour to the contractor.

WATER RESOURCES DEPARTMENT

5.2.8 Unfruitful expenditure

Initiation of a work without prior land acquisition and midway stoppage resulted in unfruitful expenditure of ₹ 80.66 lakh on incomplete works, besides denial of intended benefits to the targetted beneficiaries as envisaged under the scheme.

As per para 7.5 of Resolution No. 948 (July 1986) of Cabinet Secretariat and Coordination Department of Bihar Public Works Account (BPWA) Code, the tender process is to be initiated only after the technical sanction is accorded and funds allotted for the work. In cases where land acquisition is imminent for execution of a work, the same should be completed in advance, prior to the initiation of the tender process for the said work.

The scheme for Darbhanga Town Protection, envisaging special repair and maintenance of retaining wall and raising and strengthening (R/S) of embankment (eastern part) was technically sanctioned (March 2008) for ₹ 14.01 crore by the Chief Engineer, Water Resources Department (WRD), Samastipur. The scheme included the work of R/S of embankment from Bihar Military Police (BMP) camp (0.0 m) to Bhirua Tola road (5825 m) at an estimated cost of ₹ 1.90 crore. The work was awarded (October 2008) to an agency at ₹ 1.65 crore which was 15 *per cent* below the bill of quantity amount, for scheduled completion by April 2009.

A test-check (May 2012) of records of the Executive Engineer (EE) Flood Control Division (FCD), Darbhanga pertaining to the aforesaid work revealed that against the R/S work of embankment from chainage 0.00 m to 5825 m, the agency partially executed the earth work (75 *per cent*) and fine dressing with turfing of embankment (26 *per cent*) between chainage 0.00 m to 1635 m and 3120 m to 5505 m, for which payment of ₹ 80.66 lakh was made to the agency as of March 2011 through 6th and final on-account bill.

It was further noticed that the agency did not execute the work between chainage 1635 m to 3120 m and 5505 m to 5825 m due to non-availability of land. It was however observed that neither were the funds for acquisition of land provisioned in the estimate nor was the same acquired prior to the execution of work. Acquisition of land during the course of execution of work provoked public protest leading to litigation in the High Court at Patna (March 2009). Even the High Court while disposing the case in March 2010 observed in its judgement that the Division should have identified the plots required for acquisition of land before tendering process and directed the division to acquire land through valid acquisition process. Later the EE, FCD, Darbhanga intimated (December 2010) the Superintending Engineer, FC Circle, Darbhanga regarding stoppage of the work owing to non-acquisition of land.

Thus, due to lack of proper planning and land acquisition prior to the execution of work, ₹ 80.66 lakh expended on incomplete work was rendered unfruitful.

On this being pointed out (May 2012), the EE, FCD, Darbhanga stated that though there was no provision of fund for land acquisition in the estimate, the work was initiated in anticipation of settlement of same with the land owners. Further, the Special Secretary to the Government, WRD stated (November 2012) that the works were executed as per schedule. However, in the rest reach execution of work was stopped till land acquisition was completed. It was further stated that in reach from 1635m to 3120m a road had been constructed by RWD under Pradhan Mantri Gram Sadak Yojna (PMGSY). The top of the road, equivalent to highest flood level, was acting as an embankment in this reach thus fulfilling the flood protection criteria. However, in 5505m to 5825m the work was not completed due to protest by the local populace. Hence the expenditure was fruitful.

The reply of the Special Secretary is not acceptable as it was merely an attempt to seek umbrage from the fact that the PMGSY road constructed by RWD would serve the purpose of embankment in the reach from 1635 m to 3120 m against the Department's inability in getting the works completed due to non-acquisition of land. Further, owing to the same reasons the non-execution of work between 5505 m and 5825 m and leaving a gap of 300 m completely unexecuted defeated the very purpose to protect the town as envisaged under the scheme and the expenditure incurred was unfruitful.

Thus, the very initiation of work by the Division without prior acquisition of land was gross violation of the Cabinet Secretary and Co-ordination Department's Resolution quoted in BPWA Code, which led to unfruitful expenditure of ₹ 80.66 lakh, besides non-achievement of the intended objectives as envisaged under the scheme.

5.3 Irregular/Avoidable/Unadjusted expenditure

An expenditure is deemed as irregular if there is a deviation, willful or otherwise, from the rules and norms prescribed by a competent authority, while incurring the same since this is indicative of lack of effective monitoring by the executive. This, in turn, leads to avoidable/unjustified expenditure. A few cases of such irregularities are discussed below:

SOCIAL SECTOR

SOCIAL WELFARE DEPARTMENT

5.3.1 Avoidable expenditure

Due to improper monitoring and lackadaisical attitude of the department an avoidable expenditure of ₹ 30.59 crore was incurred on delayed construction of Anganwadi Centre buildings.

National Bank for Agriculture and Rural Development (NABARD) sanctioned (January 2007) a loan of ₹ 396.70 crore (85 per cent) against total outlay of ₹ 466.70 crore for construction of 420 Godown cum Project Offices (GPOs) buildings and 22285 Anganwadi Centres (AWCs) under Rural Infrastructure Development Fund Phase - XII (RIDF-XII). Rupees 70 crore (15 per cent) was to be contributed by the State Government.

The scheme envisioned the construction of AWCs (at the rate of ₹ two lakh per unit) in the premises of Primary Schools and Middle Schools and the GPOs (at the rate of ₹ five lakh per unit) in the premises of Primary Health Centres (PHCs) where additional land was available, or otherwise, in Block Campus. The land for the construction of AWCs in the district was to be identified/earmarked by the District Level Co-ordination Committee (DLCC) headed by District Magistrate (DM) of the concerned district. The whole project was to be monitored by the Department itself and was to be completed by March 2008.

A test check (April 2012) of records of the Directorate, Integrated Child Development Scheme (ICDS), Patna under Social Welfare Department (SWD), Government of Bihar revealed that the SWD released an amount of ₹ 150.09³⁰ crore to Bihar Education Project Council (BEPC) and Building Construction Department (BCD) during March 2008 to September 2010 for the construction of AWCs and GPOs respectively.

Scrutiny further revealed that due to delayed/non-identification/non-earmarking of land by the concerned DLCC and revision of rates, the target of construction of AWCs was reduced to 3319 (BEPC: 724 and BCD: 2595) and the very idea of construction of GPOs was deferred (February 2010). The rate of construction of AWCs was revised for ₹ 4.02 lakh per unit for BEPC (February 2010) and ₹ 4.66 lakh per unit for BCD (March 2010). Meanwhile the target date of completion was revised during the period and fixed as March

| | | |
|---------------|------------------------|-----------------------|
| ³⁰ | BCD (March 2008) - | ₹ 21.00 crore |
| | BCD (September 2010) - | ₹ 99.95 crore |
| | BEPC (March 2008) - | ₹ 29.14 crore |
| | Total - | ₹ 150.09 crore |

2013. It was however observed that against the revised target of 3319 (BEPC: 724; BCD: 2595), a total of 1274 AWC units (BEPC: 514; BCD: 760) were constructed as of February 2012 at a total cost of ₹ 56.07³¹ crore.

In reply (September 2012) the Secretary attributed the reasons for delay in completion of project to less/non-availability of land and stated that as and when lands were earmarked by the concerned DMs, AWCs were constructed there. The reply of the Secretary was not satisfactory and cogent as there was no dearth of land for the project. Even in those districts (viz. Samastipur) where land was not available in the premises of primary schools, the available land in the Middle Schools were to be utilised/earmarked for the construction of AWCs as per the decision already taken by SWD and conveyed to the concerned DMs. This was however neither followed by the DLCCs nor monitored by the department itself.

Thus, due to inordinate delay by the DLCC in making available the land despite their availability, failure of the DM in taking proper initiatives and lack of close monitoring by the department in ensuring the timely completion of entire project, only 1274 AWCs units were ultimately completed at a cost of ₹ 56.07 crore as against the original estimate of ₹ 25.48³² crore, resulting in avoidable excess expenditure of ₹ 30.59 crore and consequent loss to the Government to that extent. Even the completion of remaining 2045 units (3319-1274) would result in avoidable excess expenditure of ₹ 53.05³³ crore at the present fixed rates.

RURAL WORKS DEPARTMENT

5.3.2 Irregular grant of equipment/mobilisation advance to private contractors

Violation of the Central Vigilance Commission guidelines and general conditions of contracts led to irregular payment of mobilisation advance of ₹ 31.91 crore and machinery advance of ₹ 35.42 crore to private contractors.

Government of India, Central Vigilance Commission (CVC) OM dated 08 June 2006 inter-alia states that the advance payment on mobilisation/equipment advance would be released in stages to the contractor depending upon the progress of the work and mobilisation of required equipment etc. Further as per clause 45 of General Conditions of Contract (Section 4) of technical bid, equipment advance upto 90 per cent of the cost of new equipment brought to the site may be given to agency/contractor, but the contractor had to demonstrate that advance payment had been used for the purpose, by supplying copies of invoice or other documents to the Engineer.

³¹ BEPC: 514 AWCs @ ₹ 4.02 lakh = ₹ 2066.28 lakh
BCD: 760 AWCs @ ₹ 4.66 lakh = ₹ 3541.16 lakh
Total ₹ 5607.44 lakh or ₹ 56.07 crore

³² Total completed projects (BEPC: 514 + BCD: 760 = 1274 no.)
Expenditure should have been (@ ₹ two lakh/unit): 1274 x 0.02 crore = ₹ 25.48 crore

³³ BEPC - 210 AWC @ ₹ (4.02 - 2.00) lakh = ₹ 424.20 lakh
BCD - 1835 AWC @ ₹ (4.66 - 2.00) lakh = ₹ 4881.10 lakh
Total: ₹ 5305.30 lakh or ₹ 53.05 crore.

Test check of the records of six divisions³⁴ relating to execution of Pradhan Mantri Gram Sadak Yojna (PMGSY) work revealed that construction of 1299.71 km of road (393 roads) were awarded to eight contractors³⁵ during November 2009 to December 2010 at an agreement value of ₹ 697.58 crore with stipulated completion schedule between January 2011 and June 2012.

Audit scrutiny of records revealed that in violation of CVC's guidelines mobilisation advance of ₹31.91 crore were given to eight private Contractors during June 2010 to June 2011 in single instalment without linking the same with the progress of work. Even after lapse of two to 12 months from the due date of completion, only 312 km of sub-base (24 per cent), 90 km base (7 per cent) and 31 km surface (2 per cent) works were completed by the Contractors.

Thus, without taking into consideration the progress of work, grant of mobilisation advance of ₹ 31.91 crore (**Appendix 5.10**) was irregular and amounted to undue favour to the contractors.

Further equipment advance of ₹ 35.42 crore were released to seven Contractors during December 2010 to July 2011 (**Appendix 5.10**). We noticed that none of the Contractors had submitted invoice or other documents to show the cost of equipment as required under Clause 45 of General Condition of Contract. There was nothing on record to show that new equipment were brought to the site. It was also observed that equipment advance of ₹ 8.10 crore was released to two Private³⁶ Contractors at Sitamarhi and Benipatti after due date of completion of work. In other four divisions equipment advance of ₹ 25.82 crore was released to four other Contractors before three to eight months of due date of completion.

Hence release of advances at the fag end of the construction period or after due date of completion and without any invoice or record in support of the cost of equipment resulted into undue benefit to the private Contractors. In reply, the Executive Engineer stated (April/May 2012) that direction of Audit would be followed in future while making mobilisation/equipment advances.

Thus, violation of the CVC guidelines and General Conditions of Contract led to irregular payment of mobilisation advance of ₹ 31.91 crore and machinery advance of ₹ 35.42 crore to private contractors.

It is recommended that the Government of Bihar should institute internal control mechanism to ensure adherence to the CVC guidelines and General Conditions of Contract by the executing Divisions/Department before making any kind of payment/granting advances to a contractor so as to safeguard the Government's interest.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013).

³⁴ RWD Benipatti, Bhagalpur, Muzaffarpur, Rosera, Samastipur and Sitamarhi

³⁵ BSS Projects Pvt. Ltd, Hyderabad, SPR Infrastructure India Ltd., Hyderabad, Arawali Infra Power, New Delhi, Siva Swathi Construction Pvt. Ltd., Hyderabad, Singh Construction Company, Punjab, M/s. JSR Construction Pvt. Ltd., Hyderabad, Shubham Construction, Muzaffarpur, Singh Construction, Muzaffarpur

³⁶ Arawali Infra Power Ltd. and Siva Swathi Construction Pvt. Ltd.

PUBLIC HEALTH ENGINEERING DEPARTMENT

5.3.3 Outstanding Advances

The non-adjustment of advances of ₹ 8.20 crore lying with Gram Panchayats and reluctance of Gram Panchayat representative to furnish utilisation certificates was indicative of probable misappropriation of Government money, besides non-achievement of objectives of Swajaldhara scheme and Total Sanitation Campaign.

The Swajaldhara scheme was launched by Government of India (GOI) in the year 2002 as the reform measure in the Rural Drinking Water sector. It aimed for adopting the demand responsive strategy and further to institutionalize community based rural water supply programme with Panchayati Raj Institutions and local communities to generate resources and equip them to plan, implement, use, maintain and replace water supply scheme themselves. Each Gram Panchayat (GP) was to have a Village Water and Sanitation Committee (VWSC). These committees were to submit their plans as per local requirement to State Water and Sanitation Mission (SWSM)/District Panchayat (DP)/District Water and Sanitation Committee (DWSC) and after their approval, fund was to be made available to them. The utilization certificate (UC) along with details of work done was to be submitted for the first installment to DWSC and then second installment was to be released. Further, Ministry of Finance, GOI (August 2006) had prohibited any further release until all UCs, which have fallen due, had been received.

The scrutiny of records relating to implementation in Swajaldhara in six PH Divisions³⁷ disclosed that ₹ 8.61 crore were advanced to 742 VWSCs³⁸ during 2002 to 2012 (*Appendix 5.11*). Despite follow-up action, and even warning for lodging FIRs by the DWSC headed by the Deputy Development Commissioner, Vaishali against VWSCs in Hajipur (Vaishali) district, the efforts failed to yield any result and the amount of ₹ 7.12 crore remained as advances pending with VWSCs as of February 2012. No FIRs were lodged against the defaulting VWSCs nor any action taken against them. All the Executive Engineers however assured to take appropriate action though the possibility of recovery was remote.

The villages having sanitation facilities for each and every household has been declared as Nirmal Gram under Total Sanitation Campaign (TSC). Award is being provided to such Nirmal Gram for creation of sanitation facilities at market and community places, solid and waste management, maintenance of already created sanitation facilities etc.

Scrutiny of records of PH Divisions, Hajipur and Begusarai revealed that ₹ 1.08 crore and ₹ 0.08 crore were given as first installment to 21 Gram Panchayat of seven Blocks and one Block Pramukh and two GPs respectively in 2008-09. The UCs along with details of work executed against the advance after physical verification by concerned JE/AE was to be submitted. But the

³⁷ Bhagalpur (East), Gaya, Hajipur, Katihar, Muzaffarpur, and Purnea.

³⁸ Hajipur (352), Gaya (2), Muzaffarpur (1), Purnea (377), Bhagalpur (East)(7) and Katihar (3)

UCs for only ₹ eight lakh by two Gram Panchayats (GP) in Hajipur were submitted as of December 2011 (*Appendix 5.12*).

Further as per instructions issued in January 2008 by the Joint Secretary, Ministry of Drinking Water Supply, GOI, the present status of Nirmal Gram was to be assessed before releasing the first instalment. After proper utilization of first instalment, the second one was to be released. However no such assessment was done by the DWSC, Vaishali before releasing the first instalment.

Thus, the entire advances of ₹ 8.20³⁹ crore pending with GPs could not be adjusted due to the reluctance of GP representatives to furnish UCs. This indicated probability of misappropriation of Government money besides non-achievement of the prime objectives of the Swajaldhara scheme and TSC.

The matter has been referred (July 2012) to the Government; their reply has not been received (February 2013).

5.3.4 Undue favour to the executing agencies

In violation of the codal provision as well as agreement clause, mobilisation advance of ₹ 33.18 crore were given to the executing agencies after a delay of five to eight months after its sanction, thereby defeating the very purpose of advance intended for and resulting in undue financial aid to the agencies.

Rule 207 of Bihar Public Works Department Code stipulated for providing advances to the contractors including the mobilisation advance (MA) as per the conditions of the contract only. Such advances and the interest accruing thereagainst were to be recovered at the rate specified in the contract.

Scrutiny (July 2011) of records of Engineer-in-Chief, Public Health Engineering Department (PHED) Bihar, Patna revealed that six groups of different Mini Water Supply Schemes (MWSS) with water treatment plants for arsenic, fluoride and iron in drought affected areas were awarded to three private agencies in April 2010 for completion by March 2011 and September 2011. Six different divisions were entrusted to execute contracts for each of the six groups with those three agencies (*Appendix 5.13*). The contracts executed (April 2010) with the agencies deleted Clause 10 (B) of Standard Bidding Document (SBD) which dealt with 'advances to the contractor' including the MA. It was however observed that after execution of agreement (April 2010), the agencies requested for granting of MA, though it was not admissible under the contracts. The Chief Engineer (CE) (Urban) irregularly recommended (April 2010) for sanction of MA on the grounds of severe heat and prevailing drought like situation apart from the urgency for providing safe drinking water through deep tube wells to the intended beneficiaries.

The prime purpose for granting MA was to facilitate the contractors the timely initiation and execution of work through mobilisation of his resources. Scrutiny of records however revealed that though the MAs were recommended by the CE (Urban) and sanctioned by the Principal Secretary and the Minister

³⁹ ₹ 7.12 crore + ₹ 1.08 crore = ₹ 8.20 crore

way back in April 2010, the MAs amounting to ₹ 30.52⁴⁰ crore were disbursed as first instalment to the respective agencies after a delay of five to eight months.

Test check (November 2011 to June 2012) of records of 17⁴¹ PH Divisions relating to execution of aforesaid works disclosed that against the 1481⁴² Nos. of MWSSs scheduled to be completed by March and September 2011, depending upon the Groups they belonged to, only 150⁴³ MWSSs had been completed against an expenditure of ₹ 55.85 crore incurred as of June 2012. Thus, only 10 *per cent* works could be completed by the agencies even after lapse of 10 to 16 months from the stipulated dates (March 2011 and September 2011) of completion as of July 2012.

It was further observed that against the total MA of ₹ 13.79 crore given to the agencies by the test checked divisions, ₹ 3.46⁴⁴ crore could only be recovered from the executing agencies as of June 2012. Further, against the interest of ₹ 2.67 crore accrued on the aforesaid amount, ₹ 23.64 lakh could only be recovered in six divisions⁴⁵ while 11 divisions did not initiate any recovery as the recoveries were to be initiated after completion of at least 10 *per cent* of the ageemented works. Further in eight test checked divisions, second instalment of MA amounting to ₹ 2.66⁴⁶ crore was paid (March to October 2011) to the executing agencies without ensuring the utilisation of first instalment of MA paid to them.

On being asked (July 2011), the Executive Engineers (EEs) of concerned divisions replied (November 2011 to June 2012) that the MAs were given to the agencies as per the order of CE (Urban) and their (MA's) recoveries from the executing agencies would be effected against their running account bills. The Principal Secretary, PHED in his reply (November 2012) also accepted the fact that in the bid document of the above tender for the works, Clause 10B(II) was mentioned as 'not applicable'. However, MA were allowed to the contractors on their requests against securities of equal amount as Bank Guarantee as per provision of MA in the SBD.

The contention of the Department was not acceptable as the very allowance of MA to the executing agencies was irregular and not as per the conditions of the contract where in the Clause 10 (B) relating to MA was explicitly deleted after it was mutually agreed upon by the contracting parties. Even the

⁴⁰ Punj Lloyd - ₹ 11.64 crore, Pratibha Membrane - ₹ 7.88 crore and SPML - ₹ 11 crore

⁴¹ PH Divisions – Patna (West), Hajipur, Gaya, Begusarai, Purnia, Muzaffarpur, Patna East, Sasaram, Aurangabad, Biharsharif, Bhagalpur (East), Bhagalpur (West), Katihar, Chhapra, Siwan, Ara, Buxar

⁴² Punj Lloyd -453 Nos., M/s Pratibha Membrane Filter (JV) - 243 Nos., M/s SPML - 785 Nos.

⁴³ Punj Lloyd -57 Nos., M/s Pratibha Membrane Filter (JV) - 74 Nos., M/s SPML - 19

⁴⁴ Punj Lloyd- ₹ 84.58 lakh, Pratibha Membrane- ₹ 2.21 crore and SPML – ₹ 40.06 lakh

⁴⁵ PH Division Begusarai, Bhagalpur (East), Biharsharif, Buxar, Gaya, and Sasaram,

⁴⁶ SPML - ₹ 1.62 crore (PH Division Patna (East): ₹ 15.39 lakh; Aurangabad: ₹ 33 lakh; Biharsharif: ₹ 24.20 lakh; Bhagalpur (East): ₹ 29.33 lakh; Bhagalpur (West): ₹ 29.33 lakh and Ara: ₹ 30.80 lakh); Pratibha Membrane - ₹ 1.04 crore (PH Division Kishanganj: ₹ 56.73 lakh and Katihar: ₹ 47.28 lakh)

disbursements of MA to the executing agencies were done after five to eight months of the award of contract, thus defeating the very purpose of MA. This coupled with release of second instalment of MA to the executing agencies without ensuring the utilisation of first instalment or effecting their proper recoveries resulted in ₹ 33.18 crore remaining irregularly parked with the executing agencies amounting to undue financial aid to the agencies.

RURAL DEVELOPMENT DEPARTMENT

5.3.5 Irregular payment for departmental works

Non-adherence of codal provisions and departmental order led to irregular payment of ₹ 75.95 lakh.

As per Rule 226 of Bihar Public Works Account (BPWA) Code read with instruction of the Vigilance Department (1994), the supply of materials is required to be obtained through inviting tenders/quotations and payment to labour is to be made through muster roll (MR) in respect of departmental work. Rule 257 of Bihar Financial Rule (BFR) and Rule 244 of Bihar Public Works Department (BPWD) Code provide that "The Measurement Book (MB) must be looked upon as most important record, since it is the basis of all accounts of quantities, whether the work done by daily labour, or by the price or by contract or of material received, which have to be counted or measured. The description of work must be lucid, so as to admit easy identification and check". Further as per the State Government decision No 22 in Annexure A of BPWA Code, the payment on hand receipt can be made only on emergency works like flood, patrolling of embankment etc.

Our examination of 210 number of hand receipts pertaining to 42 number of schemes executed departmentally on the recommendations of Members of Legislative Assembly/Legislative Council during 2007-12 under District Rural Development Agency, Patna disclosed that a sum of ₹ 75.95 lakh was spent through Departmental Hand Receipts (HRs) which included payment of ₹ 42.71 lakh to labour-mates, ₹ 3.94 lakh for carriage of materials, ₹ 14.30 lakh for construction of platform, ₹ 0.98 lakh for purchase of materials, ₹ 5.29 lakh for construction of name plates and ₹ 8.74 lakh on drilling of tubewells.

Further the following deficiencies were also noticed:

- Payment to labour should have been made on Muster Roll detailing nature and period of work executed, sanction order of estimate and number of labour engaged. In absence of aforesaid information, authenticity of works executed and payments made there against could not be ascertained.
- The works executed were neither recorded in MB nor its reference page number recorded on any of the HRs in respect of departmental works executed under District Rural Development Agency, Patna.
- Supply of materials was made without inviting tenders/quotations.

- A single person was paid for all work such as labour work (like drilling of tube well), construction of platform (including cost of materials), construction of name plate and carriage of materials on different HRs.

Thus, due to non-adherence to codal provisions and departmental order irregular payments of ₹ 75.95 lakh were made on hand receipts.

It would be therefore very pertinent on the part of Department that compliance to the Codal provisions and departmental orders be strictly ensured. The department must ensure that all the materials for departmental works should be purchased by inviting tender/quotations (market rates) and all payments be made on muster rolls duly filled up.

The matter had been referred to the Government (July 2012); their reply is yet to be received (February 2013). However, Executive Engineer, Local Area Engineering Organisation, Patna has accepted the audit observations. (February 2013).

HEALTH DEPARTMENT

5.3.6 Distribution of medicines in eight districts without quality test

Failure of internal control mechanism in the State Health Society (SHS) coupled with non adherence of terms and conditions prescribed in the drug-rate-contract of the SHS led to purchase and distribution of medicines worth ₹ 25.07 crore among the patients without quality test report.

Vide Clause 8.01 of the terms and conditions of drug-rate-contract of State Health Society (SHS) Bihar regarding supply of drugs, the companies' supplier were required to submit drug test report for each batch supplied. Further Clause 8.10 provided for testing of drugs samples of each batch by the respective Drug Inspector (DI). As such, the Medical Officer-in-charge of stores in districts was to provide samples of drugs. The batch wise sample was to be collected for all drugs by DI as per section 52(4) of Drugs and Cosmetics Act, 1940 and the Rules, 1945. Further, Clause 8.04 provided that in the event of a product failing in the quality test, the failed batch was to be taken back by the supplier at its own cost.

A test-check of records of 12 Health Offices⁴⁷ in eight districts (February to June 2012) disclosed that medicines/drugs amounting to ₹ 25.07⁴⁸ crore were purchased from Medical firms/suppliers during the period 2009-10 to 2011-12 from 77 firms. However, the quality test reports (QTR) for drugs were not submitted by any of the supplier with the supply of drugs.

⁴⁷ CS-cum-CMO Kaimur(May 2012), DHS Kaimur(June 2012), CS-cum-CMO Nalanda (February 2012), DHS Samastipur (June 2012), CS-cum-CMO Samastipur (June 2012), Lady Elgin Zanana Hospital (April 2012), CS-cum-CMO Sheikhpura (June 2012), CS-cum-CMO Siwan (July 2012), CS-cum-CMO Patna (May 2012), DHS Vaishali (April 2012), DHS Gaya (March 2012), CS -cum-CMO Gaya (March 2012).

⁴⁸ CS-cum-CMO Kaimur - ₹ 5.10 crore, DHS Kaimur- ₹ 0.45 crore, CS-cum-CMO Nalanda- ₹ 0.84 crore, DHS Samastipur- ₹ 1.47 crore, CS-cum-CMO Samastipur- ₹ 5.61 crore, Lady Elgin Zanana Hospital Gaya- ₹ 0.48 crore, CS-cum-CMO Sheikhpura- ₹ 0.68 crore, CS-cum-CMO Siwan- ₹ 0.85 crore, DHS Gaya- ₹ 0.87 crore, CS-cum-CMO, Patna- ₹ 5.21 crore, DHS Vaishali - ₹ 1.58 crore, CS-cum-CMO Gaya- ₹ 1.93 crore.

While the receiving/acceptance of those drugs not accompanying the QTR was itself irregular, the concerned officials failed to undertake assigned responsibilities to ensure quality test under the provision of Drugs and Cosmetics Act, 1940 and the Rules, 1945.

The majority of drugs samples were not taken by the DI. Even the QTRs of a few samples collected by the DIs were not submitted. A further scrutiny (May 2012 and February 2012) of records of Medicines and Drug Inspector's (DI) report pertaining to the Civil Surgeon-cum-Chief Medical officer (CS-cum-CMOs), Chapra and Siwan disclosed that medicines⁴⁹ worth ₹ 5.89⁵⁰ lakh and ₹ 5.70⁵¹ lakh respectively had been declared substandard. Despite this, the CS-cum-CMOs did not pursue to obtain the QTRs from the suppliers nor did they return the supplies to the concerned suppliers.

On this being pointed out, all the concerned Civil Surgeons were unison in their replies that either the quality test reports were not submitted by the suppliers or the drug test reports were not submitted by the DIs. The CSs, Nalanda and Sheikhpura further added (February 2012 and July 2012) that the quality tests of medicines and drugs were not conducted as there were no DIs posted during the period. The CS-cum-CMO, Chapra stated (June 2012) that action was being taken against the concerned firms while the CS-cum-CMO, Siwan stated (February 2012) that FIR would be lodged and the audit would be intimated accordingly. The replies were not acceptable as the very acceptance of drugs from the concerned suppliers without QTR was irregular and tantamounted to putting to risks the lives of those patients being served to.

Thus, the failure of internal control mechanism in the SHS coupled with non-adherence of terms and conditions prescribed in the drug-rate-contract of the SHS led to purchase and distribution of medicines worth ₹ 25.07 crore among the patients without quality test report.

The matter had been referred to the Government (August 2012); their reply is yet to be received (February 2013).

5.3.7 Non-utilisation of machines and equipment

Machines/equipment of ₹ 4.41 crore were not put to use for the benefit of patients and kept idle due to non-availability of required chemicals/reagents and specialist doctors.

As per the Government sanction orders (March 2009), in case of non-utilisation of machines and equipment, respective unit head/Head of the Department would be held responsible individually.

⁴⁹ Medicines were not included in medicines of ₹ 25.07 crore.

⁵⁰ 1999 no. of Alka Rolled Bandage (₹ 1.77 lakh), 900 number of Alka Bandage Than (₹ 2.42 lakh), 1000 no. of ASVS (₹ 1.70 lakh)

⁵¹ 380000 nos. of Tetracycline (₹ 3.65 lakh), 20000 nos of Zentamycine (₹ 0.71lakh), 1320 nos. of ASVS (₹ 1.34 lakh).

During verification of records relating to utilisation of machines and equipment purchased by the three Government Medical Colleges and Hospitals⁵² it was noticed that machines/equipments valuing ₹ 4.41 crore were not put to use for the benefit of patients and kept idle due to non-availability of required chemicals/reagent and specialist doctor. Details are as under:

- In two departments (Nephrology and Clinical pathology) of PMCH, 16 machines of nine types valuing ₹ 3.94 crore were not being utilised due to non availability of required chemicals/reagent (*Appendix 5.14*).

In reply, the Superintendent, PMCH, Patna accepted the audit observation by stating (May 2012) that chemicals and reagents were not purchased during 2010-11 due to higher tendered rate than maximum retail price (MRP) and in 2011-12 belated purchase orders were placed for purchase of chemical and reagent. It was further added that presently all the machines and equipment were in working condition. The reply was factually incorrect because the log books of the machines showed that they were not utilised till June 2012.

- Similarly in SKMCH, Muzaffarpur, Operating Microscope machine valuing ₹ 14.11 lakh and Endoscopy Camera valuing ₹ 5.62 lakh were not being utilised from October 2009 due to absence of senior/specialist doctor. In reply the Superintendent accepted the audit observation.
- In ANMMC, Gaya, a fully auto analyzer machine valuing ₹ 28.08 lakh was lying idle in the college for want of kits/chemical and washing reagents. In reply, the Principal stated (January 2013) that the Superintendent had issued purchase orders to the supplier in July 2010 and September 2012 to supply required kits/chemicals and washing reagents but the supplier did not supply the required material till January 2013.

Thus, it was evident that against the norm the available machines and equipment of the Medical colleges and hospitals of ₹ 4.41 crore were not effectively utilised to provide the intended benefits to the patients.

The matter has been reported to the Government (August 2012) and their reply has not been received.

ECONOMIC SECTOR

WATER RESOURCES DEPARTMENT

5.3.8 *Avoidable loss to the Government*

Due to imprudent decision of initiating a work without conducting Physical Model Test, proper survey and studies before commencement of work the Government incurred an avoidable loss of ₹ 2.99 crore.

⁵² Anugrah Narayan Magadh Medical College, Gaya ANMMC), Patna Medical College and Hospital, Patna (PMCH) and Sri Krishna Medical College and Hospital, Muzaffarpur (SKMCH).

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

A test-check (November 2011) of records of Water Ways Division (WWD), Uderasthan, Jehanabad revealed that to meet the acute scarcity of water in the Falgu sub-basin, despite availability of plenty of fertile cultivable land, Water Resources Department (WRD), Bihar sanctioned and approved (January 2007) the work of construction of a barrage and appurtenant works on the river Falgu at Uderasthan. An agreement worth ₹ 66.09 crore for construction of this barrage was executed by the WWD, Jehanabad with an agency⁵³ for completion of work within 30 months i.e. by 30 September 2009.

Scrutiny further revealed that the construction of barrage was started at 500 metres upstream of the old weir on the basis of recommendation reports (October 2006) of a consultant⁵⁴ employed for preliminary survey. The report was submitted without conducting the Physical Model Test⁵⁵ (PMT) which was an important component to help in taking decision to ensure safe operation of a project. Later on, it was noticed that local people doubted the appropriateness of the site of construction of barrage and subsequently the department constituted (November 2007) a high level committee under the chairmanship of Engineer-in-Chief (EIC) with three Chief Engineers to review the doubts of the local populace.

The committee while approving the construction of barrage at original site (i.e. 500 m upstream) suggested in its recommendations (December 2007) to carry out a PMT before starting the construction work. Later, on the request of the Executive Engineer (EE), WWD, Jehanabad (June 2008) and subsequent letter of EIC, WRD (January 2009), hydraulic model studies were conducted at a cost of ₹ 44.06 lakh by Central Water and Power Research Station (CWPRS), Pune which recommended (October 2009) construction of barrage at about '200 metre upstream' of Uderasthan weir. The reason for selecting this site was due to the fact that approach flow condition at this location was uniform and obliquity of flow was within permissible limit. Subsequent to the CWPRS's recommendations, the Joint Secretary (Engineering), WRD directed (December 2009) the CE, WRD, Gaya to issue work order to the same agency after finalising the modalities with the Design Organisation.

It was further noticed that the CE, WRD in his revised estimate report (July 2010) further recommended abandoning the old site and writing off the expenditure incurred thereagainst. Thus, initiation of work without conducting the essential PMT resulted in change of work site and the total expenditure of ₹ 2.99 crore expended on previous location was rendered infructuous.

⁵³ *M/s Vijeta Construction, Ranchi*

⁵⁴ *Nano Consultant, Ranchi*

⁵⁵ *PMT- A commonly used term to use during design stages to optimize a structure and to ensure a safe operation of the structure. It helps the non-engineering decision making people to visualize and to picture the flow field, before selecting a 'suitable' design.*

On this being pointed out (November 2011) the EE, WWD, Jehanabad stated (November 2011) that the location was changed by the department on the recommendation of PMT carried out by CWPRS, Pune.

The reply is not acceptable as due to imprudent decision of initiating a work without conducting PMT, proper survey and studies before commencement of work the Government incurred an avoidable loss of ₹ 2.99⁵⁶ crore.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013).

5.4 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people through fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public service. However, Audit scrutiny revealed instances wherein the funds released by the Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels. A few such cases have been discussed below:

SOCIAL SECTOR

HEALTH DEPARTMENT

5.4.1 Injudicious withdrawal of funds

Owing to injudicious withdrawal of ₹ 921.32 crore without proper planning and implementation arrangement the funds destined for intended purposes kept shuttling in the bank accounts of implementing agencies at the cost of health care facilities to the rural populace.

In order to bring the rural health care facilities (infrastructure and other medical facilities) at par with Indian Public Health (IPH) standards, the Government of Bihar vide its Resolution dated 06 December 2006 decided to construct 1544 additional primary health centres (APHCs), 7765 health sub-centres (HSCs) and upgrade all 533 primary health centres (PHCs) into 30 bedded community health centres (CHCs). Besides new constructions, buildings for old health sub-centres were also decided to be constructed in phases. The requirement of fund was sourced through National Rural Health Mission (NRHM) for new constructions and NABARD sponsored Rural Infrastructural Development Fund (RIDF) scheme for construction of buildings of old sub-centres.

The implementing agencies identified by the Health Department were the Building Construction Department (BCD) and the State Health Society (SHS).

⁵⁶ Earth work and concreting- ₹ 2.63 crore
 Consultation and other miscellaneous work - ₹ 0.36 crore
 Total- ₹ 2.99 crore

At subsequent stages two Government corporations⁵⁷ viz. Bihar Health Project Development Corporation (BHPDC)/Bihar State Building Construction Corporation Ltd. (BSBCCL) and Bihar Medical Services and Infrastructure Corporation (BMS&IC) were also chosen to execute the works as envisaged by the department in the Resolution.

Scrutiny of records (May-June 2012) maintained in the Secretariat, Health Department, the SHS, the aforesaid corporations and Civil Surgeon office, Patna disclosed the following :

The department advanced a sum of ₹ 509.96⁵⁸ crore to Civil Surgeon Patna during 2006-08 with a direction to transfer the amount in favour of BCD/BHPDC for execution of the works. The fund was made available to the BHPDC in August/September, 2008. Apart from above, the BHPDC was also provided with fund of ₹ 31.00 lakh by SHS in 2008-09 for construction of APHCs. Thus, the corporation was already having a corpus fund of ₹ 510.27 crore (**Appendix 5.15**). The BHPDC, however, could not move forward with the implementation aspects despite having funds at their disposal. Subsequently, the BHPDC transferred ₹ 112.78⁵⁹ crore in February 2009 to SHS as per the direction of the BCD. This company was renamed as BSBCCL in May 2010 with enlarged scope of activities. In the intervening period the BSBCCL, however, could spend ₹ 13.68 crore only and the balance fund of ₹ 383.83 crore (after deducting ₹ 112.78 crore transferred to SHS as stated above), remained unutilised with the company in shape of bank balances. Later, on the instructions (March 2012) of the Finance Department, BSBCCL further refunded ₹ 100 crore to the Government accounts on 31 March 2012 while the balance amounts remained un-utilised with BHPDC/BSBCCL.

The reasons assigned (July 2012) for the same by the present Managing Director was the transfer of the then Secretary, BCD, Patna in May 2009 and subsequent retirement of Corporation's Managing Director (MD)-cum-Chief General Manager (CGM) in June 2009. The CGM, GM (North) and GM (South) were later appointed in September 2011 and there was no competent authority to sanction amount of more than ₹ one lakh in the intervening period (July 2009 to September 2011).

⁵⁷ *The Govt. of Bihar created (January 2008) Bihar Health Project Development Corporation (BHPDC) which started functioning in March'2008 and was mainly entrusted with the health project civil construction works. This corporation was converted into Bihar State Building Construction Corporation (BSBCC) in May'2010 with enlarged scope of function of civil construction of all the departments of Bihar. In the mean time, another corporation namely Bihar Medical Services & Infrastructure Corporation (BMSIC) was created in May'2010 by Health Department for construction of health infrastructure units, procurement of medicine and machine & equipments.*

⁵⁸ ₹ 88.79 crores for 65 CHC during 2006-07, 51.91 crores for 38 CHC, ₹.199.20 crores for 98 CHC, ₹ 120.09 crores for 1985 new HSC and ₹ 49.97 crores for 526 old HSC, totalling ₹ 509.96 crore under NABARD sponsored RIDF scheme during 2007-08.

⁵⁹ *This fact has already been commented upon in AR -2008-09 in Chapter I, P/6 under Performance audit of National Rural Health Mission and being included in this para owing to its remaining unutilised as of 2011 -12.*

Further, the department also provided ₹ 348.70⁶⁰ crore to SHS (including ₹ 112.78 crore transferred from BHPDC to SHS in February 2009 as stated earlier) between 2006-07 and 2009-10 for execution of new constructions/ up-gradation works. The SHS/BCD records revealed that it could spend ₹ 25.91 crore only as of March 2012 leaving a balance of ₹ 322.79 crore remaining unutilised and kept as bank balance in the account of SHS/BCD (*Appendix 5.16*). Thus the SHS was already having huge unutilised fund of ₹ 322.79 crore. Despite this, the department further provided (January 2012) ₹ 100 crore to SHS for construction of HSC/APHC in 2011-12, though going by the pace of expenditure there was least likelihood of its utilisation by March 2012. The details of funds utilisation was not provided to audit nor was there any reason assigned by the SHS for keeping such huge amount in bank.

The department meanwhile created another company (Bihar Medical Services & Infrastructure Corporation Limited) in May 2010 and provided it with fresh funds of ₹ 175.12 crore during 2010-12 for similar nature of works⁶¹ (*Appendix 5.17*). The entire fund provided to it remained unutilised and kept in its bank account as of March 2012.

Thus, owing to injudicious withdrawal of ₹ 921.32 crore (*Appendix 5.17*) without proper planning and implementation arrangement the funds destined for intended purposes kept shuttling in the bank accounts of implementing agencies at the cost of health care facilities to the rural populace as evident from the fact that a paltry sum of ₹ 39.59 crore was spent during 2006-12 which included ₹ 13.68 crore (spent on 186 new HSCs and seven new APHCs which were under construction) incurred by BSBCC and ₹ 25.91 crore by BCD (on 375 completed HSCs and 44 HSCs which were still in progress). This also exposed the Government's non-committal approach in bringing health services at the doorsteps of common populace and its utter failure in creating adequate health infrastructure right upto village level.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013).

5.4.2 Idle equipment

Due to lack of planning, coordination and monitoring by the State Health Society Bihar, the Special Newborn Care Units (SNCU) in the earmarked districts could not be commissioned and the equipment worth ₹ 90.57 lakh purchased for the same remained idle depriving the targetted people of SNCU facilities.

The State Health Society Bihar (SHSB) entered into an agreement (September 2009) with five private agencies duly approved by the Project Appraisal

⁶⁰ ₹ 118.00 crore for 62 CHC during 2008-09, ₹ 112.78 crore transferred by BSBCCCL in 02/2009, ₹ 29.30 crore for 100 APHC during 2009-10 and ₹ 88.62 crore for 1014 old HSCs during 2006-07 to 2008-09 under NABARD sponsored RIDF scheme.

⁶¹ ₹ 131.34 crore for 136 CHC during 2010-12, ₹ 23.85 crore for 100 APHCs during 2011-12 and ₹ 19.93 crore for 128 old HSCs under NABARD sponsored RIDF scheme.

Committee after the tendering process for purchase of equipment (**Appendix 5.18**) for Special Newborn Care Unit (SNCU). The equipment were to be purchased from National Rural Health Mission (NRHM) funds sanctioned by Government of India (GOI).

As per the agreement, the District Health Society (DHS) was to place orders directly with the agencies and the latter were required to supply the instruments at the designated hospitals (DH). Subsequently, 70 *per cent* of the payment was to be released to suppliers by the concerned DHS while the balance 30 *per cent* was to be released after its successful installation and certificate to that effect by the concerned Hospital-in-charge. As such there was no provision for giving advance to the supplier agencies. The SNCU was to be installed in a separate building specially constructed for the same by the SHSB.

Subsequent to the Chief Minister's declaration for the year 2010 as the year of Newborn, SHSB scaled up the comprehensive Newborn initiative and instructed (March 2010) all District Magistrates-cum-Chairman, DHS to make SNCU operational in at least 23 districts by the end of the year i.e. 2010. The cost of SNCU per unit was ₹ 23.77 lakh.

Audit scrutiny (March to July 2012) of seven⁶² DHSs revealed that supply orders (November 2009 to August 2011) worth ₹ 1.09 crore (**Appendix 5.19**) were placed with the designated suppliers for installation of the SNCU in their districts without taking adequate action to get the buildings constructed in the specified hospitals. Against the said orders the agencies supplied (December 2009 to August 2011) equipment and a payment of ₹ 90.57 lakh (**Appendix 5.19**) was made to them during the same period. It was observed that the delivered equipment were lying idle in those districts for a period ranging from one to two years. Besides, the following points were also noticed:

- In two districts⁶³ though the SNCU buildings were completed (May 2012), the equipment were either being installed (Bhabua) or after installation (Nalanda) was still non-operational/non-functional.
- In four districts⁶⁴ the construction of SNCU buildings was in progress and the purchased instruments were lying idle in the stores of DH. Interestingly, 84 *per cent* and 100 *per cent* payments had already been made in Samastipur and Gaya districts respectively in gross violation of the terms and conditions of the agreement.
- In Kishanganj the SNCU was partially installed and 87 *per cent* of the payment was made to the agencies.

On this being pointed out by audit, the Civil Surgeon-cum-Member Secretary of all DHSs reiterated (March to July 2012) the same fact that the equipment were purchased as per the instructions of SHSB, the building construction works were in progress and after their completion equipment would be installed.

⁶² Samastipur, Nalanda, Bhabua, Chapra, Gaya, Kishanganj and Sheikhpura

⁶³ Bhabua and Nalanda

⁶⁴ Chapra, Gaya, Samastipur and Sheikhpura

The replies were themselves a covert admission of the fact that there was lack of planning, coordination and monitoring by the SHSB. Thus the very idea of installing SNCUs in the earmarked districts remained unachieved. Besides the equipment worth ₹ 90.57 lakh purchased for the intended purposes in these districts remained idle and unutilised defeating the intended objectives of providing SNCU facilities to the people in the targeted district.

In view of the above, it is very pertinent on part of SHSB to make all out efforts to complete the pending works, be it that of construction of SNCU building or installation of equipment in the completed ones, so as to provide SNCU facilities to the targeted populace in the earmarked districts.

The matter has been referred to the Government (July 2012); their reply is yet to be received (February 2013).

Patna
The



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