

## CHAPTER III 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.

### 3.1 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

##### HUMAN RESOURCES DEVELOPMENT DEPARTMENT

#### 3.1.1 *Loss of interest*

**Imprudent and invigilant financial management in Bihar Intermediate Education Council while investing its funds in bank led to loss of interest amounting to ₹ 52.13 lakh.**

Section 29(4) (e) of the Bihar Intermediate Education Council (BIEC) (Council) Act, 1992 stipulates that the Finance Committee of the Council would advise them on problems affecting the finance of the Council.

Scrutiny (January 2013) of the records of the BIEC, Patna revealed that during 2007-12 the Council had huge surplus fund<sup>1</sup> in almost all the years. However, audit scrutiny revealed that in the absence of any investment policy, BIEC suffered a loss of interest amounting to ₹ 52.13 lakh due to investment below prevailing rate, premature encashment of investment and blockage of fund.

Following are the cases where BIEC's imprudent decision and non-maintenance of financial records led to loss of interest:

- There were two proposals offered (October 2009) by the Allahabad Bank for investment of ₹ 11.20 crore. The first was at the rate of seven *per cent* for investment up to ₹ one crore each and another was at the rate of 5.75 *per cent* for investment exceeding ₹ one crore. BIEC however opted for the second, lesser beneficial proposal. Thus, the

<sup>1</sup>

(₹ in crore)

Year	Receipt	Expenditure	Surplus
2007-08	39.67	17.14	23.53
2008-09	66.91	34.61	32.30
2009-10	69.02	29.32	39.70
2010-11	63.27	35.14	28.13
2011-12	75.20	42.05	33.15

imprudent decision of investment caused loss of interest amounting to ₹ 14.66<sup>2</sup> lakh.

- A sum of ₹ two crore out of General Fund was invested in Fixed Deposit Receipt (FDR)<sup>3</sup> with the Union Bank of India on 26 September 2008 for one year (upto 26 September 2009) involving maturity value ₹ 2,22,92,425.00. The investment was pre-maturely encashed on 26 July 2009, just two months prior to its maturity date despite availability of sufficient fund<sup>4</sup> lying in the current accounts. No reasons were found on record to justify premature encashment. As a result the Council sustained a loss of ₹ 10.12 lakh.
- The Council had maintained three accounts<sup>5</sup> with Allahabad Bank which became inoperative (May 2007) and three new accounts<sup>6</sup> were opened (May 2007) in place of old accounts but the balance lying with the old accounts of ₹ 53.74 lakh<sup>7</sup> was neither transferred to new accounts nor the old accounts were closed and balance was blocked for more than five years (July 2007 to January 2013). Had the available amount been invested in fixed deposit, the Council would have earned interest of ₹ 27.35 lakh at prevailing rate<sup>8</sup> of interest for fixed deposits (Appendix 3.1).

On this being pointed out in audit, the Council took up the matter with the concerned bank (17 January 2013) and at the instance of audit, the balance amount of ₹ 53.74 lakh lying in the old accounts was drawn and converted into FDs<sup>9</sup> (21 January 2013).

The matter was reported to the Council (May 2013 and July 2013). The Council replied (June 2013) that the matter had been taken up with the bank to get the loss compensated.

The reply is not acceptable as despite issue of several letters to the concerned banks, the amount was not refunded till date (November 2013). In the case of premature encashment, the bank replied to BIEC that there was no lapse in calculation on premature encashment while in the case of fund lying in the inoperative accounts, the bank disclaimed its responsibility.

Thus, due to imprudent financial management of surplus fund of ₹ 13.74 crore<sup>10</sup>, non maintenance of key financial records and indifferent attitude of the

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<sup>2</sup> Principal- ₹ 112005511, Rate = 7 per cent per annum, Time = 4 quarters  
 $A = P(1 + R/100)^T = ₹ 112005511(1 + 7/400)^4 = ₹ 120054118$   
Bank credited principal with interest (at the rate of 5.75 per cent per annum) = ₹ 118588033. Thus, Loss = ₹ 120054118 - ₹ 118588033 = ₹ 1466085

<sup>3</sup> FDR No. 266502, dated: 26.09.2008

<sup>4</sup> ₹ 2.02 crore (CA-9: ₹ 57.95 lakh, CA-8: ₹ 32.92 lakh, CA-13: ₹ 20.67 lakh, CA-6353: ₹ 90.19 lakh)

<sup>5</sup> Current A/c numbers-08, 13 and 14

<sup>6</sup> Current A/c numbers - 17, 18 and 19

<sup>7</sup> CA 8: ₹ 32.92 lakh, CA13: ₹ 20.67 lakh, CA14: ₹ 0.15 lakh

<sup>8</sup> Prevailing rate- 9 per cent per annum

<sup>9</sup> FDR No. -50141327365, 50141327387, 50141327401

<sup>10</sup> ₹ 11.20 crore + ₹ 2 crore + ₹ 0.54 crore

executive, the Council had been deprived of earning interest amounting to ₹ 52.13 lakh<sup>11</sup>.

The matter has been reported to the Government (June 2013 and August 2013); their reply is awaited (December 2013).

## FOOD AND CONSUMER PROTECTION DEPARTMENT

### 3.1.2 Irregularities in procurement of paddy and loss to the Government

**Procurement of paddy amounting to ₹ 2.37 crore against tampered documents and irregular land rent receipts defeated the very objective of providing minimum support price to bonafide farmers. Further due to non-delivery of 25.58 lakh quintal of Customed Milled Rice against 2.14 crore quintal of paddy released to the millers in advance resulted in loss of ₹ 433.94 crore to the Government.**

The Co-operative Department, Government of Bihar (GoB) vide a notification<sup>12</sup> (December 2011) decided to procure paddy from purchase centres of Primary Agriculture Credit Co-operative Society<sup>13</sup> (PACCS) and purchase centres of Bihar State Food and Civil Supplies Corporation<sup>14</sup> (BSFC) for the year 2011-12 with the aim to provide Minimum Support Price<sup>15</sup> (MSP) to the bonafide farmers. The paddy was to be procured through BSFC/PACCS from farmers between 15 November 2011 and 30 April 2012 and the Customed Milled Rice (CMR) was to be delivered by millers to Food Corporation of India (FCI) between 15 November 2011 and 15 October 2012. The BSFC was declared the nodal agency for procurement of paddy under overall monitoring and supervision by the Deputy Development Commissioner (DDC) in the district.

#### (A) Procurement of paddy against tampered document and irregular land rent receipts

As per the additional guidelines issued (November 2010) by the Managing Director (MD), BSFC, the District Manager/ Procurement-purchase in-charge of the respective centres were required to procure paddy after proper scrutiny of land records (*khatiyani*) of the farmers, assessment of their land area and proportionate paddy produce quantity as per local parameters<sup>16</sup> apart from maintaining these records in detail in the purchase register.

<sup>11</sup> ₹ 52.13 lakh (₹ 14.66+₹ 10.12+₹ 27.35 lakh)

<sup>12</sup> Co-operative Department, Government of Bihar circular letter No. 5981 dated 07 December 2011

<sup>13</sup> It is a Co-operative Society under short term Co-operative Credit Structure Committee constituted in each panchayat of the State. It comprises of local farmers without any Government nominee in the managing committee. It provides short term loans apart from fertiliser, seeds, agri-equipment, gennicides etc. to the farmers. Through PACCS wheat and paddy are procured from farmer after providing the Minimum Support Price fixed by the Government.

<sup>14</sup> BSFC had been made nodal agency for the procurement of paddy during 2011-12.

<sup>15</sup> The Minimum Support Price of paddy was fixed (December 2011) at ₹ 1080 per quintal and that of CMR at ₹ 1903.13 per quintal.

<sup>16</sup> It was based on the average yield of paddy in that region/district which ranged between 18 and 25 Quintal/acre in the State of Bihar for the year 2011-2012

A test check of the records of BSFC and PACCSs of Chenari Block in Rohtas district disclosed (December 2012) that BSFC and PACCSs procured 24994.4 quintal of paddy during the year 2011-12, out of which 16245.4 quintal of paddy amounting to ₹ 1.75 crore was procured on fake<sup>17</sup>, (₹ 1.10 crore) fabricated<sup>18</sup> (₹ 0.20 crore) and irregular<sup>19</sup> (₹ 0.45 crore) land rent receipt (*Appendix 3.2*).

Similarly, test check of records (December 2012) of District Co-operative Officer (DCO) and State Food Corporation, Kaimur pertaining to Kudra block revealed procurement of 5782 quintal of paddy by the PACCSs amounting to ₹ 62.45 lakh on false/fake<sup>20</sup> land rent receipts (*Appendix 3.3*).

On this being pointed out (December 2012), the Circle Officer<sup>21</sup>, Chenari stated that the documents relating to purchase of paddy were not produced to his office and the whole responsibility vested with the In-charge of Purchase Centre. In case of PACCSs he stated that the irregularities noticed had been forwarded to the concerned revenue official (*Karmachari*). On the other hand the DCO, Kaimur (Bhabhua) stated (December 2012) that the report of the matter, after getting it investigated by the Circle Officer, Kudra, would be duly communicated to the audit.

No communication had been received till date (December 2013) from DCO, Kaimur. The overall responsibility of monitoring and supervision of the entire process vested with the Deputy Development Commissioner.

Thus, the very purpose of the Government order (December 2011) to benefit the bonafide farmers by providing the minimum support price to them against procurement of paddy was defeated due to lack of due diligence including monitoring and supervision by the designated officials which resulted in procurement of paddy against false and tampered documents amounting to ₹ 2.37<sup>22</sup> crore.

### **(B) Loss to the Government**

For milling of procured paddy an agreement was to be executed between BSFC and the rice miller on the format prescribed by the Managing Director, BSFC. As per Clause-2 of the agreement the millers were to deliver CMR in advance to the Food Corporation of India (FCI) and after delivery of advance rice, the proportionate quantity (100 units of paddy against 67 units of CMR) of paddy was to be issued to the millers by BSFC. An officer on special duty was also to be deputed for monitoring, evaluation and inspection of the process to ensure and expedite the process vide order (January 2012) of the Principal Secretary, Food and Consumer Protection Department (FCPD), GoB.

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<sup>17</sup> *The Fake cases were those cases whose details of land/land receipts did not feature in Register II.*

<sup>18</sup> *Fabricated were those cases where-in the figures of land records had been fabricated/manipulated.*

<sup>19</sup> *Irregular cases were cases of double receipt on same land receipt and the land was not related to PACCSs shown associated with.*

<sup>20</sup> *Since the land rent receipts of different farmers bore the same number which was not possible.*

<sup>21</sup> *A Circle Officer of Department of Revenue is responsible for maintaining land records.*

<sup>22</sup> ₹ 1.75 crore + ₹ 0.62 crore = ₹ 2.37 crore

Scrutiny of records (December 2012) of BSFC and the millers under District Administration, Rohtas and information collected (between May and September 2013) from seven<sup>23</sup> other districts disclosed that agreements were executed (January to March 2012) between 451 millers and the respective BSFCs. However, in gross violation and contrary to the provision under Clause-2 of the agreement, the BSFCs, without ensuring the receipt of proportionate quantity<sup>24</sup> of CMR (37.09 lakh quintal) in advance by FCI from the millers, released 55.37 lakh quintal of paddy to the rice millers in advance after taking a security deposit of ₹ 50,000 from each miller. It was further observed that only 28 lakh quintal of CMR had been delivered by the millers to FCI while the remaining 9.09 lakh quintals (24.50 per cent) of CMR amounting to ₹ 173.18 crore (*Appendix 3.4*) was yet to be delivered to FCI by 212 defaulting millers as of 30 April 2013, despite the extensions granted by the Department upto 30 April 2013 for the delivery of CMR to FCI. Meanwhile, the season for procurement of paddy for the year 2012-13 had already started<sup>25</sup> and was nearing completion (October 2013).

In reply the District Manager, BSFC, Rohtas stated (May 2013) that certificate cases against 78 rice millers and FIRs against 12 rice millers had been lodged as of date involving recoverable amount of ₹ 73.30 crore. The District Manager, Motihari also conveyed (July 2013) the same actions having been taken against the four and two rice millers respectively. While the District Manager, Jamui affirmed (May 2013) booking of the lone defaulting rice miller under PDR Act, the District Manager, Buxar communicated (September 2013) institution of certificate cases against all the 95 defaulting rice millers besides lodging of FIRs against the three millers.

Further, the pan-Bihar information gathered (November 2013) from the head office of Chief Procurement Officer, BSFC revealed that altogether 2.14 crore quintal of paddy was released to the rice millers in 38 districts in the State during 2011-12. However, against the required delivery of 1.44 crore quintal of CMR to the FCI by the rice millers, the latter had delivered only 1.18 crore quintal of CMR to FCI while 25.58 lakh quintal of CMR valuing ₹ 486.79 crore were yet to be delivered by the 540 defaulting rice millers. Against this, FIRs against 110 rice millers and certificate cases against 373 millers had been lodged and ₹ 52.85 crore had been reportedly recovered from the defaulting millers.

Thus as is evident, while BSFC failed to adhere to the prescribed provisions under the agreement clause and Department's notification, it also failed to enforce necessary controls and checks stipulated thereagainst. This led to the release of 2.14 crore quintal of paddy to the rice millers in advance and non-delivery of 25.58 lakh quintal of CMR to the FCI, which resulted in wanton loss of ₹ 433.94 crore to the Government.

The matter was referred to the Government (June 2013) and subsequent reminder issued (August 2013); the matter was again referred to the

<sup>23</sup> Bhagalpur, Buxar, Jamui, Khagaria, Motihari, Sheikhpura and Supaul

<sup>24</sup> 37.09 lakh quintal rice i.e. 67 per cent of 55.37 lakh quintal paddy.

<sup>25</sup> The procurement of paddy was to be carried between 15 November 2012 and 30 April 2013 and Customised Milled Rice (CMR) was to be supplied between 15 November 2012 and 31 October 2013.

Government in October 2013. Their reply is yet to be received (December 2013).

## ECONOMIC SECTOR

### WATER RESOURCES DEPARTMENT AND MINOR WATER RESOURCES DEPARTMENT

#### 3.1.3 Loss of revenue

**Due to non-preparation of *Khatian*, non-raising of demand and resultantly non-recovery of water rates from the beneficiaries by the five divisions, the State Exchequer suffered revenue loss of ₹ 1.32 crore during 2009-12.**

As per Rule 3.4 of the Bihar Irrigation, Flood Management and Drainage Rules, 2003 read with the Water Resources Department's order (July 2012), the preparation of the Statement of Land irrigated (*Sudkar*<sup>26</sup>), cultivator-wise measurement (*Khesra*<sup>27</sup>) and ownerwise detail of land (*Khatian*<sup>28</sup>) was to be completed<sup>29</sup> yearly for recovery of water rates and raising demands thereagainst from the beneficiaries to whom water is supplied for irrigation purpose.

As such, for assured irrigable command area, a permanent *Khatian* was to be prepared by *Ziladar*/Junior Engineer (JE) in-charge with the help of *Amin*. Subsequently on the basis of *Khesra* and details of irrigated land maintained by the division, *Sudkar* was to be prepared for the land to which water was supplied. On the basis of *Sudkar* and *Khatian* so prepared, the demand statement was to be raised and executed by the division for recovery of water rates. Further the Executive Engineer (EE) and the SE were required to conduct sample checks through surprise inspection of *Sudkar* to ensure that no area where irrigation was provided, was left un-accounted in the *Sudkar*.

A test check of statements and records of irrigated lands in the offices of the EE, Tirhut Canal Division Motihari and Bettiah, Saran Canal Division, Chapra, Minor Irrigation Division, Gaya and Irrigation Division, Baunshi revealed that 150770.60 hectares of *Kharif* crops and *Rabi* crops was irrigated under these divisions during the year 2009-10 to 2011-12. It was however, observed that *Khatian* was prepared for only 95463.49 hectares while no *Khatian* was prepared for 55307.10 hectares.

As such the demand of water rates amounting to ₹1.32 crore was not raised by the concerned departments through their respective divisions for irrigating *Kharif* and *Rabi* crops which led to loss of revenue to that extent during 2009-12 (**Appendix 3.5 & 3.6**).

In reply, all the five concerned EEs stated (December 2012 to May 2013) that due to shortage of staff, *Khatian* for whole irrigated land was not prepared. The replies were not acceptable as *Khatian* was to be prepared by the JE incharge with the help of *Amins* under the overall supervision of EEs and the concerned SEs were to ensure that no irrigated land was left unaccounted for and its *Sudkar*

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<sup>26</sup> *Sudkar: Detail of irrigated land*

<sup>27</sup> *Khesra: Owner wise particulars of irrigated land*

<sup>28</sup> *Khatian : Owner-wise detail of land*

<sup>29</sup> *By 30 November for Kharif, 30 April for Rabi and 15 June for hot weather crops by the Irrigation Department*

accordingly prepared. Further, the availability of JEs in all the divisions indicated that the concerned EEs did not make sincere attempt for preparing the *Khatian* completely and raise the demands for realisation of water rates. Thus, due to apathy of the departments, the State exchequer had to incur revenue loss to the tune of ₹ 1.32 crore.

The matter had been reported to the Government (May and August 2013); their reply has not been received December 2013.

## INDUSTRIES DEPARTMENT

### 3.1.4 Loss of Interest

**Due to non-adherence of the guidelines in vogue prior to revised direction regarding operation of funds, the department suffered loss of interest to the tune of ₹ 4.64 crore due to keeping of land-bank fund in non-interest bearing account by the concerned District Land Acquisition Officers.**

As envisaged in para 1.2 (vii) of Bihar Industrial Incentive Policy (BIIP), 2006, the Industry Department (Department), Government of Bihar (GoB) constituted (July 2006) a land bank with a corpus/revolving fund kept under the control of Infrastructure Development Authority (IDA) to meet the requirement of land for industries and development schemes. However, the department vide Resolution in March 2011 issued guidelines after five years regarding the process of acquisition and disposal of land along with administration and control of the fund. As per the guidelines, the fund released by the IDA to districts was to be maintained project-wise by the concerned districts in the interest bearing accounts in nationalised banks and the interest accrued on these deposits were to form the part of the land bank scheme.

Test check of the records (October 2012) of the office of the Director of Industries (DI), Department of Industry GoB, Patna and information collected (March 2013) from Managing Director, IDA and the three District Land Acquisition Offices (DLAO) (Patna, Vaishali and Gaya) revealed that out of ₹ 1119.81 crore made available (2006-13) to IDA under land bank scheme, the IDA released ₹ 1119.15 crore (*Appendix 3.7*) to the concerned District Magistrates including Bihar Industrial Area Development Authorities (BIADAs). Of this, the three DLAOs (Patna, Vaishali and Gaya) received a total fund of ₹ 351.95 crore for Land Acquisition (LA) under various schemes proposed during 2006-11. The three DLAOs, in violation of guidelines, kept the funds in current accounts,<sup>30</sup> incurred an expenditure of ₹ 235.97 crore on acquisition of land under various schemes during April 2011 to March 2012, and further retained the balance amount of ₹ 115.98 crore in their respective current accounts. This led to loss of interest amounting to ₹ 4.64 crore as of March 2012 (*Appendix 3.8*).

On this being pointed out (November 2012) the Director of Industries, Industries Department replied (November 2012) that permanent

<sup>30</sup> Patna:- (1) Madhya Gramin Bank, Kankar Bagh, Patna – C/A-380 (2) Axis Bank, Dak Bungalow, Patna- C/A-912020040149714  
Vaishali :- (1) Allahabad Bank, Hajipur- C/A- 1187  
Gaya:-(1) Punjab National Bank, AP Colony, Gaya.

guidelines/instructions for keeping fund in particular account was not issued by the Government.

The reply of the Director of Industries was not acceptable as instructions regarding keeping of funds in interest bearing accounts of nationalised bank were already given in the department's guideline (March 2011).

However, the Principal Secretary in his reply (November 2013) stated that as per direction issued (March 2012) by the Finance Department, Bihar, Patna, all the operational banks accounts in the nationalised banks had to be closed and the amounts along with the interest accrued thereupon were to be deposited in the respective Personal Deposit Account (PDA), to be opened in the respective treasuries.

Thus, due to lackadaisical attitude and apathy of the department towards implementation, monitoring and financial control of land bank scheme under BIIP, the Government suffered loss to the tune of ₹ 4.64 crore owing to non-earning of interest on scheme fund.

### **3.2 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**

#### **HEALTH DEPARTMENT**

##### **3.2.1 Excess payment**

**Due to execution of agreement without specifying the area to be cleaned, inadequate monitoring and making payment to the agency without proper verification resulted in excess payment of ₹ 70.78 lakh to the agency leading to loss to the Government.**

In order to provide outsourcing services for cleanliness inside the building and inside the premises of Guru Govind Singh Hospital (GGSH), Patna City, the District Health Society (DHS), Patna, after finalising the tender (March 2007), issued work order (April 2007), to an agency<sup>31</sup> at the rate of ₹ 0.07/sqm/per day for cleaning inside the building and ₹ 2950 per month for cleaning premises respectively. As per the work order all payments to the outsourced agency were to be made by the Doctor-in-charge of the hospital. Further, as per DHS directives (May 2006), the Deputy Superintendent (DS) of the hospital was required to depute a staff who would verify the payment and would be held directly responsible for the monitoring and supervision of all outsourced facilities.

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<sup>31</sup> *Karpi Grameen Samanwaya Samiti, Arwal.(NGO)*



Scrutiny of the records (April 2012) relating to cleanliness inside the building and inside the premises of GGSH, however, revealed the following:

- (i) Neither DHS executed any agreement with the agency while placing the first work order (April 2007) nor specified the area to be covered. Later, the DHS executed agreement with the agency in August 2010 after three years and that too without specifying the area of Hospital establishment which would be subjected to cleanliness.
- (ii) Audit scrutiny of records<sup>32</sup> revealed that the total area of hospital premises was 212165.10 sq.m which included the residential quarters area (134565.34 sq.m) and a T.B. Centre (1019.55sq.m), not coming under the jurisdiction of GGSH establishment. Thus, the net effective area subject to cleanliness worked out to 76580.21<sup>33</sup> sq.m only.
- (iii) It was further observed that the net area for cleanliness was further reduced to 50032.27sq.m w.e.f. July 2010 as children ward cum medicine store (9217.65 sq.m) was handed over to Building Construction Department (BCD) for renovation and the Delivery ward (17330.29 sq.m) was closed after July 2010.
- (iv) However the agency claimed charges for the entire area (212165.10 sq.m) since 13 April 2007 till May 2011 against which payment of ₹ 1.17crore was made to it by the hospital till May 2011 resulting in excess payment of ₹ 70.78 lakh on account of cleanliness of 76580.21 sq.m area of October 2013.

Thus, an inadmissible and excess payment of ₹ 70.78<sup>34</sup> lakh was made to the agency during April 2007 to May 2011 (**Appendix 3.9**).

On this being pointed out (April 2012), the DS, GGSH stated (April 2012) that after verification of the records, the excess amount paid would be recovered and punitive action would be taken against the guilty officials as per the orders of the higher officers. The Civil-Surgeon-cum-Member Secretary, DHS, Patna accepted (June 2012) the fact of placing the first work order to the outsourcing agency in April 2007 and executing the agreement with it in the subsequent year (August 2010). Later the Dy. Superintendent, GGHS also accepted (June 2012) the fact of excess payment for the cleanliness of the hospital area to the agency. It also confirmed that no punitive action had been taken and the excess amount paid to the agency was yet to be recovered (October 2013).

Thus, execution of agreement without specifying the area to be cleaned, inadequate monitoring and making payment to the agency without proper verification resulted in excess payment of ₹ 70.78 lakh to the agency leading to loss to the Government.

<sup>32</sup> *Measurement report of Building Division Guljarbagh, Patna City, the reply submitted by Dy. Superintendent, Guru Govind Singh Hospital, Patna City and a letter issued (June 2012) to the Principal Secretary, Health Department by DS, GGSH*

<sup>33</sup> *Total area involved inside the building: 48529.68 sq.m (Main building), 17330.29 sq.m (Delivery ward), 9217.65 sq.m (Children ward & Medicine store), 712.00 sq.m. (Kitchen house), 790.59 sq.m (Maternal child welfare centre)= 76580.21 sq.m.*

<sup>34</sup> *Total payment made to agency - Total admissible payment = Excess payment ( ₹ 116.64 lakh – ₹ 45.86 lakh = ₹ 70.78 lakh)*

The matter had been reported to the Government (May 2013) and reminders were issued (August 2013 & October 2013); their reply has not been received (December 2013).

### 3.2.2 Avoidable and excess expenditure

**Non-adherence of provision of Bihar Financial Rules 2005, violation of Operational Guidelines of Financial Management and non-enforcement of strict economy while incurring expenditure led to avoidable and excess expenditure of ₹ 1.20 crore.**

Rule 442 of Bihar Financial Rules (BFR) 2005 provides that as a normal policy no Government property is to be insured and no expenditure should be incurred thereagainst without the prior consent of the Finance Department. Further, Rule 146 of Motor Vehicles Act (MV Act) 1988 provides that no person shall use (including Central Government/State Government connected with commercial enterprises) a motor vehicle in a public place unless having a policy of insurance complying third party risk. Thus, the third party insurance was mandatory for such Government vehicles including the ambulances plying for commercial activities. Also, as per Clause 5.5.3 of Operational Guidelines of Financial Management issued (January 2012) by Ministry of Health and Family Welfare, Government of India, the State Health Society, Bihar (SHSB) was required to show the purchased ambulances as transferred to the Health Department entities<sup>35</sup> in its Asset Register and further tracking of the life of the asset (ambulance) was not required by SHSB. As such, the role of SHSB was restricted only to purchase the ambulances and transferring the same to their designated units.

Test check of records (November 2012) of SHSB, Patna disclosed that the SHSB decided (July 2011) to procure ambulances on DGS&D based model rates for extension of Health services and to provide free-of-cost ambulance facility to pregnant women and infants in the State.

Accordingly, quotations were called for (September and October 2011) and SHSB purchased (September and October 2011) 484 number of ambulances from two agencies<sup>36</sup> at the total cost of ₹ 35.70 crore including DGS&D rates of units, their insurance, road tax and registration charges. The total amount paid (September and December 2011) to the agencies against insurance was ₹ 80.66 lakh<sup>37</sup> which included third party insurance premium of ₹ 10.34 lakh.<sup>38</sup> Since, the vehicles purchased by the SHSB were liable for insurance against third party risk only, insuring the vehicles with comprehensive insurance premium led to avoidable expenditure of ₹ 70.32 lakh<sup>39</sup> against insurance charges.

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<sup>35</sup> Office of Health and Family Welfare/Family Welfare Stores/CMDs/PHCs/CHCs etc.

<sup>36</sup> Pramod Motors for Force Traveller (144 units) and Maurya Motors for Tata Winger (340 Units).

<sup>37</sup> Comprehensive insurance premium of 340 Nos of TATA Winger @ ₹ 17500/unit = ₹ 5950000 and Comprehensive insurance premium of 144 Nos of Force Traveller @ ₹ 14690/unit = ₹ 2115360. Total premium paid (₹ 5950000 + ₹ 2115360) = ₹ 8065360

<sup>38</sup> Third party insurance premium cost of 340 nos of TATA Winger @ ₹ 2178/unit = ₹ 740520 and third party insurance premium of 144 Nos of Force Traveller @ ₹ 2035/unit = ₹ 293040. Total premium paid (₹ 740520 + ₹ 293040) = ₹ 1033560

<sup>39</sup> Difference = ₹ 8065360 - ₹ 1033560 = ₹ 7031800.00

Further, scrutiny disclosed that the SHSB paid ₹ 63.16 lakh<sup>40</sup> to the agencies for the road tax and registration charges against the aforementioned vehicles. The total admissible amount as per the rate of District Transport Office Patna was ₹ 13.06 lakh<sup>41</sup> only. As such, the SHSB provided undue benefit to the agencies by paying ₹ 50.10 lakh in excess on account of road tax and registration charges of the said vehicles.

Thus, avoidable expenditure of ₹ 70.32 lakh and excess payment of ₹ 50.10 lakh was made to the agencies on account of inadmissible comprehensive insurances and road tax, registration charges respectively on 484 ambulances.

In reply, SHSB stated (November 2012) that the supply contract of ambulances was awarded on packaged rate owing to time constraint. The SHSB further stated (August 2013) that the Finance department, Government of Bihar had explicitly clarified (February 2013) that the SHSB could not be treated as Government/ State Transport Authority for the purpose of exemption from insurance within the ambit of Rule 146(3) of Motor Vehicles Act, 1988. That, the insurance and registration of vehicles had been done in light of directions received from the Finance Department (February 2013) and there had been no excess payment on account of road taxes and registration charges. The service charges were still to be paid to the agency. The reply further stated that ambulances were normally operated during contingent, emergent and natural disaster's periods making them prone to the accidents. Through comprehensive insurance the accidented /damaged vehicles could be immediately repaired, set right and pressed into services. Recently, a compensation of ₹ 3.67 lakh had been received from the insurance company due to comprehensive insurance. As such the question of recovery of amount comprehensive insurance, which also had the approval of the 13th Governing Board meeting, did not arise.

The reasons given are not plausible in view of the following:

- As per Rule 146 of MVA Act, 1988 only third party insurance was mandatory for any vehicle including the Government vehicles engaged in Commercial activities, to ply on the road. The Finance department also never asked the SHSB to go for comprehensive insurance. Moreover, the ambulances purchased by the SHSB were to ultimately become the assets<sup>42</sup> of Health Department, Government of Bihar.
- Reply was silent on allowing higher rates of road taxes and registration charges of vehicles. It also indicated that the department did not exercise due diligence in examining the package offer.

Thus, adoption of option for comprehensive insurance instead of third-party insurance and payment of road taxes and registration charges of vehicles on

<sup>40</sup> 340 Nos of TATA Winger @ ₹15400 = 5236000.00 and 144 Nos of Force Traveller at the rate of ₹ 7500 = ₹ 1080000.00. Total paid to the agency (5236000+1080000) = ₹ 6316000.00

<sup>41</sup> 340 Nos of TATA Winger @ ₹3153(road tax- ₹2353 + registration ₹ 800) = ₹ 1072020.00 and 144 Nos of Force Traveller @ ₹ 1627(road tax ₹ 827+registration ₹ 800) = ₹ 234288.00. Total paid to the (agency ₹1072020+ ₹ 234288) = ₹ 1306308.00

<sup>42</sup> As per Clause 5.5.3 of Operational Guidelines of Financial Management, issued by Ministry of Health and Family Welfare, GoI.

package rates against the actual admissible amount led to excess expenditure of ₹ 1.20<sup>43</sup> crore.

The matter was referred to the Government (June, 2013) and subsequent reminder issued (August 2013); their reply is yet to be received (December 2013).

## ECONOMIC SECTOR

### ROAD CONSTRUCTION DEPARTMENT

#### 3.2.3 Unfruitful expenditure on incomplete road works

**Initiation of work without finalisation of alignment and prior land acquisition by the department resulted in abandoning of work mid-way by the contractor leading to unfruitful expenditure on incomplete works amounting to ₹ 2.54 crore.**

As per Resolution no.948 (July, 1986) of Cabinet Secretariat and Coordination Department (Confidential), a proper survey and site verification was mandatory before preparation of all estimate and the process of tender disposal should be done only after the technical sanction is accorded for that work, allotment of fund is ensured, and land acquisition, wherever required, is completed.

During test check of records of the Executive Engineer, Road Construction Division (EE, RCD), Patna City, we observed that the work of widening and strengthening of Agam Kuan Kamaldah Road<sup>44</sup> (length 2434m), administratively approved (AA) (October, 2007) and technically sanctioned (TS) (May 2008) for ₹ 7.69 crore (TS revised in October, 2011 for ₹ 9.21<sup>45</sup> crore) was awarded (July 2008) to an agency<sup>46</sup> at ₹ 4.67 crore for completion within 15 months from the date of commencement of work.

Scrutiny further revealed that initially there was provision of ₹ 3.16 crore only for Land Acquisition (LA) in the original TS (May 2008). However, the Department failed to finalise the alignment of road and the total area of land required for LA. It also did not notify the exact length of road either in the Notice Inviting Tender or in the agreement. With the change of alignment, the length of the road<sup>47</sup> and LA area<sup>48</sup> kept changing and the Land Acquisition Officer (LAO) continued to send revised proposals<sup>49</sup> for fund allotment to the Division/Department. The Department allowed the work to be started (July 2008) without acquisition of land. This resulted in mid-way stoppage of work by the contractor in August 2010. The LA process was still not complete as of November 2013.

<sup>43</sup> ₹ 6316000- ₹ 1306308 = ₹ 5009692.00+ ₹ 70.32 lakh= ₹ 120.42 lakh or ₹ 1.20 crore

<sup>44</sup> The road comprised of two sections -(a) Link road of length 810 m approx.

(b) From Jain Mandir to NH-30; length 1624 m; Total length: 2434m or 2.434 Km.

<sup>45</sup> Total sanction (Revised): ₹ 9.21 crore (for road works: ₹ 4.431 crore; and for land acquisition: ₹ 4.78 crore.

<sup>46</sup> M/s Bansidhar Construction Pvt. Ltd., Patila, Maner, Patna

<sup>47</sup> 2.005 km originally to 3.43 km in 2008 to 2.434 km

<sup>48</sup> 11.15 acre originally to 8.64 acre in 2008; 10.758 acre in May 2009; 4.78 acre in July 2012 and 1.26 acre (only private. Land) in August 2012.

<sup>49</sup> ₹ 3.16 crore originally in Technical Sanction (TS); ₹ 39.23 crore in May 2009; ₹ 26.74 crore in May 2011; ₹ 36.97 crore in July 2012 to ₹ 22.34 crore in August 2012.

Moreover, the item wise works executed as per project completion report (May 2012) of incomplete work, as detailed in *Appendix 3.10*, also revealed completion of work upto black topping level in merely 286 m out of the 810 m stretch, while no bituminous work was found executed in another stretch (1624 m) of road. Thus, no stretch of road, executed up to black topping level in any single kilometre, could be opened to traffic. Resultantly the expenditure of ₹ 2.54 crore (*Appendix 3.11*) incurred on whole quantum of work was rendered unfruitful on incomplete road works.

Further, the Bihar Public Works Department Code Vol.I Annexure A-10 provided that work should be completed with all items in limited length instead of earthwork and metal work in full length of road. Clause 17 of the Notice inviting tender (NIT) also stipulated that all the payments would be made only after completion of black topping/SDBC<sup>50</sup> work. Till then the claim of contractor would not be acceptable.

It was however observed that the department, instead of making payment for the stretch completed up to black topping/SDBC level (0.286km), allowed payment for the whole quantum of work executed by the contractor amounting to ₹ 2.54 crore (*Appendix 3.11*).

The EE, in reply, stated (December, 2012) that the road was constructed in available land up to 1600 metre and had been opened to traffic. Hence the question of unfruitful expenditure did not arise.

Reply was not acceptable as the execution of work suffered from several deficiencies right from estimation of work by the Department without proper survey, site verification or affixation of road alignment to commencement of work without required land acquisition, which was also in violation of conditions stipulated in Cabinet Secretariat and Coordination Department (Confidential) Resolution (no.948 of July, 1986). Even the latest proposal of LAO for acquisition of private land (1.267 acre) amounting to ₹ 22.34 crore was forwarded by the EE to the Government in August 2012 after a delay of 54 months<sup>51</sup> for according AA. Further the contention of EE that the road was constructed up to 1600 metre and was opened to traffic was also not acceptable in the absence of completion of bituminous work in entire stretch of road since the black topping work (SDBC) was done in merely 0.286 km. While this reflected the lackadaisical attitude of the Department towards execution of road work, it also failed to provide the intended benefit to the populace as envisaged in the scheme. Thus, the expenditure of ₹ 2.54 crore was rendered unfruitful on incomplete road works.

The matter was referred to the Government (June, 2013) and subsequent reminder issued (August 2013); their reply is yet to be received (December 2013).

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<sup>50</sup> *Semi Dense Bituminous Concrete.*

<sup>51</sup> *Since date of award of work in August 2008.*

## WATER RESOURCES DEPARTMENT

### 3.2.4 Wasteful expenditure

**Due to non-adherence to the approved specification of GFCC and lackadaisical attitude towards the timely initiation of execution, the Department had to incur wasteful expenditure of ₹ 5.79 crore on washed away bed bars. Besides the intended objective of curbing/restricting the damage owing to recurring flood could not be achieved.**

As per para 4.6 of Flood Management Programme (FMP), the State Government, while submitting a new proposal to Ganga Flood Control Commission (GFCC), Government of India (GoI), shall ensure acquisition of land required under the scheme alongwith a certificate to this effect.

A test check of records (December 2011) of the Executive Engineer, Flood and Drainage Division (EE, FDD), Lalganj revealed that anti-erosion work *i.e.* Flood Protection Work between five and six miles of Paharpur Manorath at Tirhut embankment of Gandak river, administratively approved (AA) (March 2010) for ₹ 7.59 crore and technically sanctioned for ₹ 7.58 crore, was awarded (April 2010) to an agency<sup>52</sup> for completion by May 2010 at a total cost of ₹ 7.99 crore. The work involved construction of one boulder spur<sup>53</sup> and sixteen boulder bed bars<sup>54</sup> at the specified site and was approved by Technical Advisory Committee (TAC) in October 2009 and by GFCC, GoI in February 2010.

Scrutiny of records further revealed that the Department, without initiating any land acquisition process, asked (April 2010) the contractor to start the work. This resulted in public protest by the affected farmers. Subsequently the EE, FDD, Lalganj changed the specification and site of the work and proposed construction of 25 bed bars which included nine boulder bed bars in place of the boulder spur within the same estimate. The EE got the work started (May 2010) on the telephonic directions (May 2010) received by the Chief Engineer, WRD, Muzaffarpur. The latter, however, intimated the matter to Engineer-in-Chief (North), WRD, Patna and asked for his approval. Meanwhile, the Joint Secretary, WRD, accorded (May 2010) the approval to the revised work in anticipation of its approval from GFCC. However, the work with revised specification was neither technically sanctioned by TAC nor was approved by the GFCC, GoI till March 2013. Even the Empowered Committee, GoI turned down the proposal (March 2013). In the mean time the works were completed in September 2010 after incurring a total expenditure of ₹ 8.04 crore.

It was further observed that out of 25 bed bars constructed without any spur, 18 bed bars, constructed at a cost of ₹ 5.79 crore, were outflanked (washed away) during the flood (August-September of 2011). The EE, FDD Lalganj admitted (December 2011) that after the objection was raised by the public, boulder spur could not be constructed.

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<sup>52</sup> M/s Lalbabu Singh.

<sup>53</sup> Spurs are relatively bigger structure constructed deep inside a river (200-250m) to protect the bank by repelling the direction of flow of river and deflecting its current away from the embankment.

<sup>54</sup> Bed bars are constructed normally in medium and small rivers due to its effectiveness in checking erosion as well as deflecting the current from the bank. The length of bed-bar normally remains 10-15m with one-third of bed bar embedded in the bank.

However, the department in its reply (September 2013) stated that though the State Government, as per para 4.6 of FMP, was responsible for arranging lands and funds for acquisition of land, it did not insist that in the event of the land not arranged in other circumstances, the scope of work as per site condition could not be changed. Also the completion of land acquisition process required a minimum of 280 days. As such, the LA process would not have been completed within three months. It further stated that "generally lands are arranged with understanding with land owners and works are executed". However, in the instant case, owing to reluctance and agitation by the local people and less execution period, the scope of the work was changed (April 2010) under intimation to the GFCC. Hence, the expenditure was legitimate, necessary and could not be treated as wasteful expenditure.

The reply is not acceptable as the 'flood protection work' required advance planning followed by scrupulous execution of work within the prescribed time frame to provide lasting solution to a recurring problem. However, the Department, in contravention of para 4.6 of FMP Guidelines, awarded the work to contractor in April 2010 for completion by May 2010 without ensuring acquisition of the land. Further, the execution of work on changed specifications was not got technically approved by the TAC and neither the Empowered Committee of GoI nor the GFCC allowed it.

Thus, due to non-adherence to the approved specification of GFCC, GoI *i.e.* construction of boulder spur along with the bed bars, and lackadaisical attitude towards the timely initiation of execution, the Department incurred wasteful expenditure of ₹ 5.79 crore on washed-away bed bars. Besides the intended objective of curbing/restricting the damage owing to recurring flood could not be achieved.

### 3.3 Irregular/Avoidable/Unjustified expenditure

An expenditure is deemed as irregular if there is a deviation, wilful 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

##### 3.3.1 Irregular purchase

**Violation of Government order and approval of higher rate by District Magistrate led to irregularities in purchase of equipment worth ₹ 98.76 lakh and excess payment of ₹ 15.36 lakh.**

The Mukhya Mantri Samarthyta Yojna (MMSY) was designed in 2007-08 to facilitate the physical, psychological and social rehabilitation of disabled persons. The scheme envisaged provision of special equipment and artificial limbs such as hearing aids, tricycle, crutch-axilla calipers and similar aids to the beneficiaries (handicapped) through Social Welfare Department (Department).

The Department allotted ₹ 1.60 crore<sup>55</sup> to Assistant Director (AD), District Social Security Cell (DSSC), Patna during 2007-12 with the special mention that the concerned District Magistrate (DM) would purchase special equipment and artificial limbs after making formal request to Artificial Limbs Manufacturing Corporation of India (ALIMCO), Kanpur, a Government of India enterprise under the Ministry of Social Justice.

Test check of records of AD, DSSC, Patna revealed (February 2013) that AD requested (March 2008) ALIMCO for cost estimate of proposed aids and appliances. The same was sent (March 2008) by ALIMCO. ALIMCO also offered three *per cent* discount on 100 *per cent* advance payment. But the DM did not place any order for supply of equipment on ALIMCO.

Scrutiny further revealed that the DM, Patna invited (October 2008) short tender notice for purchase of the equipment. A purchase committee under the chairmanship of Deputy Development Commissioner was constituted (December 2008) to purchase special equipment for disabled persons in which M/s Gulab Smriti Viklang Rehabilitation Centre (GSVRC)<sup>56</sup>, Patna was found technically sound and subsequently purchase order was issued (January 2009) to it. It was however observed that the rate of GSVRC was much higher than that of ALIMCO, especially in respect of wheel chairs and tricycles. The firm supplied the equipment and submitted the bills (February 2009) against which ₹ 7.35 lakh was paid in 2007-08. It was further observed that the DM, Patna had purchased equipment worth ₹ 91.41 lakh during 2008-09 to 2011-12 from GSVRC without inviting tender.

Thus, violation of the Government order and acceptance of higher rate led to irregular purchase of equipment worth ₹ 98.76 lakh and excess payment of ₹ 15.36 lakh (*Appendix 3.12*) leading to loss to the Government.

On this being pointed out (February 2013) the AD, DSSC stated (February 2013) that the matter would be examined and intimated to audit.

Thus, incurring expenditure on purchase of equipment from other than the designated agency was irregular. However, the Department had constituted an enquiry committee (September 2013).

The matter has been reported to the Government (May 2013) and reminder letters were issued (July 2013 and October 2013) but their reply is awaited.

## **ECONOMIC SECTOR**

### **ROAD CONSTRUCTION DEPARTMENT**

#### *3.3.2 Execution of road work on lower specifications*

**Due to imprudent decision taken by the department in getting the residual bituminous work executed in 2012 on lower specification based on traffic census of 2007, led to substandard execution of work worth ₹ 2.51 crore.**

Rule 9 of Bihar Financial Rules (BFR) stipulates that every Government servant incurring or authorising expenditure from public funds should be guided by high

<sup>55</sup> 2007-08 : ₹ 35.00 lakh + 2008-09: ₹ 33.00 lakh + 2009-10: ₹ 33.00 lakh + 2010-11: ₹ 33.00 lakh + 2011-12: ₹ 26.40 lakh = ₹ 160.40 lakh or ₹ 1.60 crore

<sup>56</sup> GSVRC was a private body registered with the Commercial Tax Department, GoB having BST TIN (VAT) no. 10131990006 and also registered under Societies Registration Act XXI of 1860 as mentioned in the bill submitted by the Agency.



standards of financial propriety and is expected to exercise the same vigilance while incurring expenditure from public moneys as a person of ordinary prudence would exercise in respect of his own expenditure.

A simultaneous test check (June 2013) of records of two road works of adjacent stretches ( km 167 to 180 and km 181 to 190), falling in the same alignment and being parts of the same road (NH-80) under the jurisdiction of the Executive Engineer (EE), National Highways (NH) Division, Bhagalpur revealed that the work of widening and strengthening of road, based on traffic census<sup>57</sup> of September 2007, from km 167 to 180 of NH-80 was awarded<sup>58</sup> (June 2009) to an agency<sup>59</sup> at ₹ 12.86 crore for completion by September 2010. The work included provisioning of 75mm bituminous crust thickness of 50 mm Bituminous Macadam (BM) and 25 mm Semi Dense Bituminous Concrete (SDBC) apart from 300 mm Granular Sub Base (GSB) and 250 mm Granular Base (GB).

The pavement design i.e thickness of individual road layers were affixed and calculated on the basis of Traffic Census of September 2007. The work was later rescinded (September 2011) by the EE due to delay in execution of work and non-compliance of work schedule by the contractor. By that time, the contractor was paid ₹ 6.30 crore (49 *per cent*) through 15 running account (R/A) bills.

The Division, in the meantime had executed (March 2011) agreement for the work of strengthening of adjacent stretch from km 181 to 190 on the same NH-80 with another agency (M/S S&P Infrastructure New Delhi) vide SBD agreement<sup>60</sup> for execution of work with enhanced specifications by increasing the bituminous crust thickness from 75 mm (in the previous one) to 200 mm by provisioning 50 mm Bituminous Concrete (BC) over 150 mm Dense Bituminous Macadam (DBM) layer, while the GSB and GB layer remained the same. The change in design and specification was necessitated due to manifold increase in traffic density as per Traffic Census<sup>61</sup> of June 2009 owing to plying of heavy vehicles from Mirzachowki mines, located at km 190 of NH-80. Also, there was no lateral road between km 167 to 190.

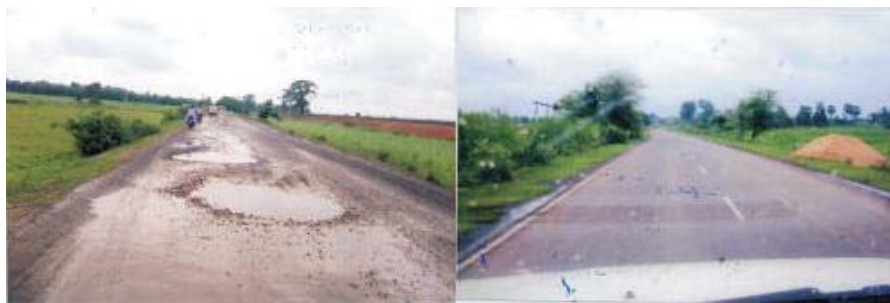
Audit, however, observed that the balance work of widening and strengthening of road at km 167 to 180 of NH - 80 was awarded<sup>62</sup> (July 2012) to the same agency for ₹ 8.60 crore with the old specification of 75 mm crust thickness for completion by July 2013. The agency had been paid ₹ 6.65 crore (77 *per cent*) through five running account bills (May 2013) which included executed bituminous works amounting to ₹ 2.51 crore (**Appendix 3.13**).

The decision to award the balance work (from Km 167-180) in July 2012 on the basis of Traffic Census 2007 instead of Traffic Census 2009 was imprudent which made the work vulnerable owing to increased traffic load. A joint

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<sup>57</sup> Design traffic = 507  
<sup>58</sup> 2 SBD km/09-10  
<sup>59</sup> M.S.D.K Engineering and consultants.  
<sup>60</sup> No. 1 SBD(m)/10-11  
<sup>61</sup> Design traffic = 1581  
<sup>62</sup> Vide SBD agreement (3SBD (M)/12-13)

physical verification<sup>63</sup> by Audit also revealed (June 2013) that bituminous crust in km 167 to 180 was damaged at several locations and several pots had developed on the road. On the other hand, the bituminous layer in km 181 to 190 was intact and in good condition and was sustaining the heavy traffic despite its completion in December 2011.



*Km 167 of NH 80*

*Km 184 of NH 80*

In reply, the EE stated (July 2013) that the present status of road was same as was on the day of audit (June 2013). In his compliance report to audit's observation (August 2013) endorsed to the Deputy Secretary, RCD, he had specifically mentioned that the facts and points raised in audit were acceptable and in light of suggestions and recommendations of audit, the department had taken decision to get the revised estimate approved from MORTH after designing the crust on the basis of recent traffic census, the process of which was underway.

Thus, the imprudent decision taken by the department in getting the residual bituminous work executed in 2012 on lower specification based on traffic census of 2007, led to substandard execution of work worth ₹ 2.51 crore apart from denial of intended objective to the beneficiaries.

The matter was referred to the State Government (July 2013) and subsequent reminder issued in August 2013; their reply had not been received (December 2013).

## **BUILDING CONSTRUCTION DEPARTMENT**

### ***3.3.3 Irregular payment***

**The irregular allowance of price neutralisation in execution of the works under Centrally Sponsored Scheme, though prescribed only for State funded works, resulted in extra burden on the State exchequer amounting to ₹ 62.27 lakh.**

As per clause 7 of Building Construction Department's Resolution (July 2008), price neutralization for increase/decrease of price of steel and cement in case of work in progress under F<sub>2</sub> agreement would be payable in the manner prescribed in the Clause 10 CA/10 CC of Standard Bid Document (SBD), and it would be applicable only in the work executed under State Fund.

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<sup>63</sup> *With Assistant Engineer and Junior Engineers of NH Division, Bhagalpur on 29<sup>th</sup> June 2013.*

A test check of records (February 2013) of the Executive Engineer (EE), Building Construction Division, Jehanabad revealed that the work of construction of District Jail Building, Kako, Jehanabad was taken up under "Prison Reforms Scheme", a centrally sponsored scheme of the year 2003-04 funded in the ratio of 75:25 between Government of India (GoI) and Government of Bihar (GoB) respectively. The project was accorded (September 2004) administrative approval for ₹ 9.50<sup>64</sup> crore by the Home Department (revised to ₹ 18.38<sup>65</sup> crore by the BCD in March 2011) and technical sanction (June 2006) for ₹ 9.82 crore (revised to ₹ 11.04 crore in July 2009) by the Chief Engineer (Design), BCD, GoB. The work was allotted (July 2006) to M/S Ramiya Construction Private Limited. An agreement was executed (February 2007) for ₹ 7.51 crore with the agency for completion of work by June 2008.

Scrutiny further revealed that the construction work was completed (December 2012) after a lapse of two and half years from the extended date of completion (i.e. upto March 2010). It was however observed that the sanction of extra cost of steel and cement for ₹ 1.32 crore towards price neutralization had been accorded (June 2009) in the technical sanction of the work itself. A total payment of ₹ Eight crore (including extra cost of steel and cement: ₹ 83.03 lakh) was made (December 2012) to the agency through 15th and final account bill (*Appendix 3.14*). Of the extra cost of ₹ 83.03 lakh paid towards price neutralization, ₹ 62.27<sup>66</sup> lakh, being 75 per cent (of ₹ 83.03 lakh), pertained to the central share. Since the price neutralization on works-in-progress under F<sub>2</sub> agreement was to be effected only upon the works funded by the State Government as per the BCD's Resolution (July 2008), and there was no instruction especially laid down for provisioning price neutralization for GoI funded part of work, the payment of ₹ 62.27 lakh was irregular and inadmissible *vis-à-vis* loss to the Government apart from extra expenditure from the State fund to that extent.

On this being pointed out, the Deputy Secretary, BCD, GoB in his reply (August 2013) stated that payment towards extra cost of steel and cement had been made in accordance with BCD's Resolution (No. 5633(B) dated 17 July 2008), which also had the concurrence of Law and Finance Departments, Government of Bihar, and as per SBD norms. The BCD, considering all facts and aspects, had allowed provisioning of price neutralization for cement and steel as per SBD's norms. Since then the department had been able to complete many projects. Had this decision not been taken, the works would have been left incomplete and revision of schemes would have created extra burden on the department. Further the reply mentioned that the resolution itself had clarified that the provision of price neutralization was applicable only to those schemes which got completed within the stipulated time period. As such the payments made were not irregular and admissible as per norms of SBD of BCD. The Engineer-in-Chief-cum-Additional Commissioner-cum-Special Secretary, BCD, GoB also stated (January 2014) that the price neutralization on cement and steel on the works being executed under centrally sponsored/State plan scheme were being incurred out of State fund. As such, any action calling for additional fund from GoI was not required.

<sup>64</sup> This included ₹1.43 crore for land acquisition.

<sup>65</sup> This included ₹1.43 crore for land acquisition.

<sup>66</sup> 75 per cent extra cost of ₹83.03 lakh i.e. central share= ₹ 62.27 lakh

The reply of Engineer-in-Chief-cum-Additional Commissioner-cum-Special Secretary was not acceptable as Clause 7 of the BCD's Resolution stipulated that the payment of price neutralisation was applicable on the State funded works only. Also, the Deputy Secretary, BCD had contended that "the payment of price neutralisation was admissible to those schemes which got completed within stipulated time period". However, in the instant case the payment towards price neutralisation was made despite delay in completion of work by 33 months in December 2012 after grant of time extension upto 30 March 2010 only.

Thus, the irregular allowance of price neutralisation in execution of the works under Centrally Sponsored Scheme, though prescribed only for State funded works, resulted in extra burden on the State exchequer owing to irregular payment of differential amount of the central share of the apportioned amount of ₹ 62.27 lakh from the State funds.

### **MINOR WATER RESOURCES DEPARTMENT**

#### **3.3.4 Avoidable payment**

**Failure of the department to ascertain the actual liabilities through joint physical verification of STWs before making the payment of outstanding electricity bills to BSEB resulted in avoidable payment of ₹ 37.51 crore against 548 non-functional STWs.**

Minor Water Resources Department (MWRD), Government of Bihar allotted<sup>67</sup> ₹ 313.65 crore to the Under Secretary (US), MWRD, Patna for payment of outstanding electricity bills of State Tube Wells (STWs) to Bihar State Electricity Board (BSEB) during 2010-11. The allotment letters also stipulated, among others, that the payment was to be made against functional STWs of current financial year (2010-11) and for outstanding energy bills of only those STWs which were jointly physically verified by the officers of BSEB and the concerned STW divisions.

Test check (December 2011 to July 2012) of records of 14 divisions of MWRD revealed that the BSEB raised (May 2010) outstanding electricity bills amounting to ₹ 319.69 crore to MWRD for payment. Subsequently the US, MWRD, Patna made centralised payment of ₹ 313.65 crore to BSEB between July 2010 to March 2011 on the basis of the bills.

Subsequent scrutiny of consumer-wise utilisation of energy dues of MWRD revealed that the centralised payment included ₹ 169.34 crore against 2512 STWs in the test checked districts. This further included ₹ 37.51 crore towards payment made against 548 STWs which were non-functional due to electrical, mechanical and joint faults for one to more than 20 years. It was also observed that joint physical verification/certifications was not made in any of the test-checked districts before making payment (*Appendix 3.15*). On this being pointed out (December 2011 to July 2012), all the Executive Engineers of 14 divisions stated that the payments were made centrally by the department and

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<sup>67</sup> ₹ 25.00 crore (vide Lt. No. MI/Budget(NP) TW Electricity- 28/06-13 dated 30 June 2010) + ₹ 60.00 crore (vide Lt. No. 38 dated 27 August 2010) + ₹ 228.65 crore (vide Lt. No. 114 dated 24 March 2011) = ₹ 313.65 crore

steps for disconnection of the break down STWs were being taken. Even the Secretary, MWRD, in his reply (July 2013), corroborated the fact of centralised payment against the outstanding electricity bills. He also acknowledged about the special condition mentioned in the allotment order regarding conducting of joint physical verification of STWs, whose electricity bills were in arrear, before making payment thereagainst. He further stated that the concerned EE and SE had been issued show cause notices to explain the circumstances under which payments against non-functional tube wells were made. And lastly, he asserted that the matter would be taken up with the Bihar State Power Holding Company (BSPHC), formerly known as BSEB, for the adjustment of bills apart from putting up a system in place to prevent such recurrences.

Thus, failure of the department to ascertain the actual liabilities through joint physical verification of STWs before making the payment of outstanding electricity bills to BSEB resulted in avoidable payment of ₹ 37.51 crore against 548 non-functional STWs. The department needs to maintain data base of the STWs of the State and monitor their functioning.

The matter was further reported to Government (November 2013) seeking appraisal regarding adjustment of electricity bills with BSPHC; their reply has not been received (December 2013).

Patna  
The



(P. K. SINGH)

Accountant General (Audit), Bihar

Countersigned

New Delhi  
The



(SHASHI KANT SHARMA)

Comptroller and Auditor General of India