

OVERVIEW

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The Report comprises three sections:

SECTION-A deals with the results of audit of the Departments/Entities under General Social and Economic sectors of the Government of Jharkhand;

SECTION-B deals with the results of audit of the Departments/Entities under Revenue sector; and

SECTION-C deals with the results of audit of State Public Sector Undertakings.

SECTION-A: GENERAL, SOCIAL AND ECONOMIC SECTORS

This section comprises two chapters. Chapter I presents the planning and extent of audit and a brief analysis on the expenditure of major Departments along with responses of Government to the Audit Inspection Reports/Audit Reports and action taken on these. Chapter II deals with the findings of one Compliance Audit on Implementation of *Mukhya Mantri Gram Setu Yojana* in Jharkhand and six Audit paragraphs of various Departments. The audit findings included in this section have total money value of ₹ 251.29 crore (Compliance Audit ₹ 209.83 crore and Audit Paragraphs ₹ 41.46 crore) covering systemic deficiencies, loss, wasteful/ unfruitful/ idle expenditure, avoidable extra expenditure, undue favour, excess payments etc.

The audit has been conducted in conformity with the Auditing Standards of the Comptroller and Auditor General of India. Audit samples have been drawn based on statistical sampling methods. The specific audit methodology adopted has been mentioned in the Performance/Compliance Audits. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the State Government. The main audit findings are summarised below.

2.1 Audit on Implementation of *Mukhya Mantri Gram Setu Yojana* in Jharkhand

Government of Jharkhand (GoJ) launched (September 2001) *Mukhya Mantri Gram Setu Yojana* (MMGSY) for construction of bridges over rivers and *nallas* falling in the alignment of rural roads. The aim of the scheme was to connect every village (32,394 villages) to gram panchayat, every gram panchayat (4,423 gram panchayats) to block headquarters and every block (260 blocks) with district headquarters (24 districts). It is an ongoing scheme under the Rural Development Department and funded out of own resources of the State Government. The Secretary, Rural Works Affairs (under Rural Development Department) is overall responsible for implementation of MMGSY in the State.

Audit was conducted between September 2019 and March 2020 covering the period 2014-19 in six sampled districts, office of the Chief Engineer (CE) and at the Departmental level to assess whether (i) selection and approval of the bridges were granted after proper survey; (ii) construction of bridges and

approach roads were undertaken economically as per codal provisions with due regard to quality, workmanship and timeliness; and (iii) post-execution maintenance of the bridges and approach roads were ensured.

Significant areas of deficiencies noticed by audit are as under:

The Department neither framed any operational guidelines nor conducted any survey to assess the un-bridged gaps in rural roads requiring construction of a bridge. Though the Department issued instructions through circulars/letters to manage the scheme and had a District Rural Road Plan (DRRP) under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) with information on gaps in rural road network, these were not adhered to.

The bridges under the scheme were selected on the recommendations of MPs/MLAs/others without examining their feasibility or factoring in the un-bridged gaps in DRRP. Resultantly, bridges were constructed outside the realm of DRRP, at places having pre-existing bridges constructed under different schemes within one KM connecting same/nearby habitats and in municipal areas.

(Paragraph 2.1.2.2)

Of the 208 incomplete bridge works in the State as on March 2019, 39 bridges could not be completed despite their completion periods by over six months to nine years and six months.

(Paragraph 2.1.3.1)

The Department did not have any operational guidelines for engagement of consultants for preparation of Draft Project Reports (DPRs). Resultantly, undue benefits were extended to the empanelled consultants by keeping their period of engagement open ended leaving no scope for entry of new consultants and absence of penalty clause, performance review of consultants based on assessment criteria, review of DPRs of consultants by independent agencies etc.

The consultants did not conduct the required geo-technical investigations, hydrological and traffic data analysis. As a result, eight bridges constructed at a cost of ₹ 52.12 crore out of 42 test-checked bridge works got fully or partly damaged subsequently.

In designing approach roads, the consultants provided sharp curves (up to 90 degree) at the entry/exit point of 16 bridges and shortened the width (3.75 metres to 4.1 metres) of approaches in comparison to width of bridges (7.5 metre) in 28 bridge works. The consultants had also added extra provision of five *per cent* for laps and wastage of steel valued at ₹ 2.41 crore in 33 sampled bridge works.

(Paragraph 2.1.3.2)

The tender and agreement documents were loaded in favour of contractors such as reduction in defect liability period of bridges etc.

(Paragraph 2.1.3.3)

No responsibility was fixed for execution of sub-standard works valued at ₹ 52.07 crore in six bridges.

(Paragraph 2.1.3.4)

In the absence of periodic maintenance of completed bridges, scouring in bridge foundations, wear and tear in expansion joints and wearing coats, cracks in RCC works and damages in elastomeric bearing, damages to railings, footpaths, approach roads and flanks etc., were noticed during joint physical verification.

(Paragraph 2.1.4)

2.2 Audit Paragraphs

Audit observed significant deficiencies in critical areas which impact the effectiveness of the State Government. Some important findings arising out of compliance audit (six paragraphs) are included in the Report. The major observations relate to absence of compliance with rules and regulations, audit against propriety, cases of expenditure without adequate justification and failure of oversight/administrative control. Some of these are mentioned below:

- Award of work on the strength of fake bank guarantees and power of attorney suspected to be fake led to fraudulent payment and loss of Government money of ₹ 13.24 crore.

(Paragraph 2.2.1)

- Injudicious sanction of widening and strengthening work of a portion of HKC road by Road Construction Department concurrently with the preparation of DPR of the same road led to avoidable expenditure of ₹ 5.03 crore on overlaying the bituminous works afresh.

(Paragraph 2.2.2)

- Failure of the Welfare Department to monitor the activities of District Welfare Office (DWO), Chatra and enforce internal control measures led to embezzlement of ₹ 13.59 crore by the District Welfare Officer, Chatra in connivance with the cashier.

(Paragraph 2.2.3)

- Failure of the Department to ensure water and electric supply besides operational cost for operation of two nurseries even after more than four years of their construction led to unfruitful expenditure of ₹ 2.78 crore.

(Paragraph 2.2.4)

- The Department failed to release funds to operationalise the Pig Breeding Nucleus (PBN) unit, establish Satellite Field Breeding units and implement the Pig Development Scheme despite a lapse of more than seven years since

commencement. The pig sheds of the PBN unit constructed at a cost of ₹ 1.59 crore were lying idle since December 2014.

(Paragraph 2.2.5)

- The Executive Engineer, Minor Irrigation Division, Giridih commenced work on the Charki Pahari Medium Irrigation Scheme without completing the process of land acquisition leading to idle expenditure of ₹ 1.30 crore and blocking of ₹ 3.93 crore.

(Paragraph 2.2.6)

SECTION-B: REVENUE SECTOR

This section contains a Performance Audit on “Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand”, results of Compliance Audit on “Mechanism for levy and collection of electricity duty in Jharkhand” and five audit paragraphs relating to taxes on sales, trade etc., in Commercial Taxes Department and state excise in Excise and Prohibition Department. The total financial implication of Section-B of this Report is ₹ 1,627.99 crore which constitutes 7.08 *per cent* of tax and non-tax revenue of the year 2018-19. Out of the above, the concerned departments accepted audit observations involving ₹ 1,612.24 crore (99.03 *per cent* of observations). Some of the major findings are summarised below:

General

The total receipts of the Government of Jharkhand for the year 2018-19 were ₹ 56,151.70 crore. The revenue raised by the State Government was ₹ 23,010.02 crore (40.98 *per cent* of the total receipts). The share of receipts from the Government of India amounting to ₹ 33,141.68 crore (59.02 *per cent* of the total receipts) comprised of State’s share of divisible Union taxes of ₹ 23,906.16 crore (42.57 *per cent* of the total receipts) and grants-in-aid of ₹ 9,235.52 crore (16.45 *per cent* of the total receipts). Tax revenue raised by the State Government increased by 19.42 *per cent* in 2018-19 over 2017-18, whereas non-tax revenue increased by 5.24 *per cent* over the same period.

(Paragraph 1.2)

Arrears of revenue as on 31 March 2019 in respect of taxes on sales, trade etc., and taxes on vehicles amounted to ₹ 6,534.13 crore, of which ₹ 1,694.94 crore was outstanding for more than five years.

(Paragraph 1.3)

PA on Assessment and collection of motor vehicle Tax and fee in Transport Department, Jharkhand

The Performance Audit contains the following observations:

Delayed mapping of provisions as well as incorrect mapping in the application software resulted in short levy of one-time tax of ₹ 5.54 crore from 2,633 vehicles and excess levy of ₹ 59.32 lakh from 189 vehicles.

(Paragraph 2.1.11.2)

The amended provisions were mapped in the application software with a delay of five days which resulted in short levy of temporary tax of ₹ 8.68 lakh from 434 vehicles.

(Paragraph 2.1.11.3)

Non-revision of axle weight of 15,507 transport vehicles resulted in non-assessment of tax of ₹ 6.95 crore.

(Paragraph 2.1.12.2)

The DTOs irregularly endorsed hire purchase/hypothecation agreement in certificate of registration in favour of financiers who had not obtained trade certificates.

(Paragraph 2.1.12.3)

Absence of check mechanism to detect expiry of fitness certificate resulted in non-assessment of fee and fine of ₹ 22.82 crore from 6,498 transport vehicles due to non-renewal of certificate of fitness.

(Paragraph 2.1.12.4)

Certificate of registration of personalised vehicles were not renewed after expiry of their validity resulting in non-assessment of ₹ 2.94 crore on 829 vehicles.

(Paragraph 2.1.12.5)

In the absence of mechanism for inter-departmental exchange of data/information, 174 common carriers remained unregistered resulting in non-levy of fee of ₹ 33.06 lakh.

(Paragraph 2.1.12.6)

Tax and penalty of ₹ 74.57 crore from 9,260 transport vehicles realisable from defaulting vehicle owners was not collected by the DTOs.

(Paragraph 2.1.12.7)

One-time tax and penalty of ₹ 44.37 crore from 30,262 vehicles brought under the purview of one-time tax was not collected by the DTOs.

(Paragraph 2.1.12.8)

Subsequent authorisation during currency of national permits of transport vehicles was not done which resulted in non-realisation of consolidated fee and authorisation fee of ₹ 6.73 crore from 1,515 national permit holders.

(Paragraph 2.1.12.9)

In the absence of mechanism for monitoring of defaulting vehicles plying under reciprocal agreements, tax and penalty of ₹ 1.66 crore from 108 vehicles was not collected.

(Paragraph 2.1.12.10)

Service tax/ GST of ₹ 7.59 crore collected along with issue/ renewal of fitness fee was not deposited in the appropriate head of account.

(Paragraph 2.1.12.11)

Audit on Mechanism for levy and collection of electricity duty in Jharkhand

The Audit on “Mechanism for levy and collection of electricity duty in Jharkhand” contains the following observations:

In the absence of mechanism to verify energy consumption through DG sets, the Commercial Taxes Department (CTD) was unaware of the actual consumption of energy generated from 363 DG sets.

(Paragraph 3.3.5.1)

In the absence of mechanism for inter-departmental exchange of information, the CTD failed to identify 222 persons/establishments using 287 DG sets who were liable for registration.

In the absence of mechanism to obtain data/information from licensees, the CTD failed to identify 550 unregistered bulk consumers. This resulted in non-levy of electricity duty of ₹ 16.57 crore and penalty of ₹ 22.40 crore.

(Paragraph 3.3.5.2)

Absence of mechanism to verify returns with information on actual consumption resulted in concealment of electrical energy of 482.31 crore units and consequent short levy of electricity duty of ₹ 24.85 crore and penalty of ₹ 28.87 crore.

(Paragraph 3.3.5.3)

Absence of mechanism to verify returns with information on transfer of energy between licensees resulted in allowance of excess exemption of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

(Paragraph 3.3.5.4)

The Assessing Authorities while finalising the assessments did not verify the returns with the documents available on record which led to under assessment of electricity duty and penalty of ₹ 640.12 crore.

(Paragraph 3.3.7.1)

The Assessing Authorities while finalising the assessments did not verify the rates of electricity duty from the schedule of rates resulting in short levy of electricity duty of ₹ 316.79 crore including penalty.

(Paragraph 3.3.7.3)

Other observations

Commercial Taxes Department

The Assessing Authorities, while finalising the assessments, did not cross-verify returns with the utilisation of Form C, F and other records which led to under assessment of tax and penalty of ₹ 25.99 crore.

(Paragraph 3.4)

The Assessing Authority disallowed unascertainable claims of labour and other like charges but levied tax at the rate of five *per cent* instead of leviable 14 *per cent* of the taxable turnover arrived thereafter resulting in short levy of tax of ₹ 4.39 crore.

(Paragraph 3.5)

The Assessing Authority disallowed adjustment of Input Tax Credit of ₹ 5.51 crore. However, interest of ₹ 3.97 crore was not levied on disallowed Input Tax Credit.

(Paragraph 3.6)

Excise and Prohibition Department

The Department did not take action to ensure lifting of minimum guaranteed quota which resulted in short lifting of liquor by 496 vendors between April 2016 and July 2017 in four excise districts and non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

(Paragraph 3.9)

SECTION-C: PUBLIC SECTOR UNDERTAKINGS

This section deals with the results of audit of Government Companies for the year ended 31 March 2019 and has been prepared for submission to the Government of Jharkhand under Section 19A of the Comptroller and Auditor General's (Duties, Power and Conditions of Services) Act, 1971 as amended from time to time. This section comprises two chapters. Chapter-1 deals with the functioning of the Government companies of Jharkhand. Chapter-II contains results of Compliance Audit on "Management of Assets by Jharkhand Tourism Development Corporation Limited" and two Audit paragraphs which highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications.

1.1 Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG. As on 31 March 2019, Jharkhand had 31 State Public Sector Undertakings (PSUs) (including 3 inactive Government Companies) under the audit jurisdiction of the CAG. The working PSUs registered a turnover of ₹ 5,283.72 crore as per their latest finalised accounts as on 30 September 2019. The turnover relative to the Gross State Domestic Product (GSDP) of Jharkhand was 1.72 *per cent*. As on 31 March 2019, the investment (Equity and Long Term Loans) in 31 PSUs was ₹ 19,218.87 crore. The Power Sector received (₹ 12,872.91 crore) 97.98 *per cent* of total investment (₹ 13,138.89 crore) made during the period from 2014-15 to 2018-19.

(Paragraphs 1.1.1, 1.1.2, 1.1.3, 1.1.4 and 1.1.8)

1.2. Functioning of Power Sector PSUs

Formation of Power Sector PSUs

The State Government formulated (06 January 2014) the Jharkhand State Electricity Reforms Transfer Scheme, 2013 (JSERTS 2013) for unbundling of Jharkhand State Electricity Board (JSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of JSEB to four power sector companies (*i.e.*, *Jharkhand Urja Vikas Nigam Limited, Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited and Jharkhand Urja Utpadan Nigam Limited*). These four power sector companies came into existence with effect from 06 January 2014 and all the assets and liabilities of JSEB were distributed among these companies according to the provisions of the JSERTS 2013.

JSERTS 2013 provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of JSEB to one or more power sector companies of the State Government. Besides these four companies, four other power sector companies were incorporated prior to the JSERTS, 2013. Out of above four companies, one company *i.e.*, Tenughat Vidyut Nigam Limited is a power generating company and other three companies *i.e.*, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited are the subsidiaries of Jharkhand Urja Utpadan Nigam Limited (November 1987 to October 2012). Of these eight Power Sector companies, three companies did not commence commercial activities till 2018-19.

(Paragraphs 1.2.1 and 1.2.2)

Stake of Government of Jharkhand

As on 31 March 2019, the total outlay (equity, long term loans and grants and subsidies for operational & management expenses) in these eight Power Sector PSUs was ₹ 28,495.38 crore. This consisted of ₹ 4,244.02 crore (16.64 *per cent*) towards equity, ₹ 14,561.42 crore (49.35 *per cent*) towards long term loans and ₹ 9,689.94 crore (34.01 *per cent*) towards grants and subsidies for operational & management expenses). Out of the total long term loans of ₹ 14,561.42 crore, ₹ 13,353.12 crore (91.70 *per cent*) was availed from the State Government and balance ₹ 1,192.42 crore (8.30 *per cent*) was availed from Central Government and financial institutions.

(Paragraph 1.2.4)

Performance of Power Sector PSUs

The overall loss incurred by these five power sector PSUs were ₹ 479.44 crore in 2018-19 against loss of ₹ 1,518.39 crore incurred in 2014-15. According to the accounts of the power sector PSUs for the year 2018-19, one PSUs earned profit of ₹ 92.57 crore and four PSUs incurred loss of ₹ 572.01 crore and three

non-working PSUs had not yet started operation/commercial production. The top profit making company was Tenughat Vidhyut Nigam Limited (₹ 92.57 crore), while Jharkhand Urja Sancharan Nigam Limited ₹ 358.27 and Jharkhand Bijli Vitran Nigam Limited incurred substantial loss of ₹ 212.17 crore.

At the aggregate level, the accumulated losses of the five power sector PSUs was ₹ 6,744.16 crore as against the capital investment of ₹ 4,235.32 crore as on 31 March 2019. Of the five working Power Sector PSUs, net worth of Jharkhand Bijli Vitran Nigam Limited (₹ 1,918.33 crore) and Tenughat Vidhyut Nigam Limited (₹ 1,013.63 crore) had fully eroded.

(Paragraphs 1.2.9 and 1.2.12)

Quality of accounts

The quality of accounts of power sector PSUs needs improvement. Nine audited accounts for the years 2011-12 and 2017-18 relating to four PSUs were finalised during 01 May 2018 to 31 December 2019. The Statutory Auditors had issued certifications with qualifications for seven accounts, Adverse for one accounts & Disclaimer for one accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out three instances of non-compliance to the Indian Accounting Standards in two accounts of two PSUs.

(Paragraph 1.2.19)

1.3. Functioning of State Public Sector Undertakings (Non-Power Sectors)

As on 31 March 2019, Jharkhand had 23 State Public Sector Undertakings in the Non- Power Sector. The working PSUs registered a turnover of ₹ 1,161 crore as per their latest finalised accounts as on 31 December 2019. The turnover relative to the GSDP of Jharkhand was 0.38 per cent.

(Paragraphs 1.3.1 and 1.3.2)

Stake of Government of Jharkhand

As on 31 March 2019, the total outlay in these 23 PSUs was ₹ 402.58 crore, 82.54 per cent (₹ 332.28 crore) equity, 12.22 per cent (₹ 49.21 crore) long-term loans and 5.24 per cent (₹ 21.09 crore) grants and subsidies for operational & management expense. Long-term loans of ₹ 49.21 crore was availed from the State Government as interest free loan.

(Paragraph 1.3.4)

Performance of State PSUs (Non-Power Sector)

Out of 16 working State PSUs, 9 PSUs earned profit of ₹ 37.25 crore and 7 PSUs incurred losses of ₹ 11.62 crore. Seven non-power sector companies had not yet submitted their first account. The top profit making companies were Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi

Development Agency (₹ 8.86 crore) while, Jharkhand Silk Textile & Handicraft Development Corporation Ltd (₹ 4.62 crore) and Jharkhand Hill Area Lift Irrigation Corporation Limited (₹ 3.65 crore) incurred losses.

(Paragraph 1.3.11)

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 10 accounts forwarded to the Accountant General during 1 January 2019 to 31 December 2019, the Statutory Auditors issued certification with qualifications in respect of eight accounts and disclaimer in two accounts. There were five instances of non-compliance with Accounting Standards in three accounts.

(Paragraph 1.3.21)

2.1 Audit on Management of Assets by Jharkhand Tourism Development Corporation Limited.

Jharkhand is a sought after destination for tourists as it is blessed with immense bio-diversity, moderate climate, rich cultural and historical heritage and famous pilgrimage sites. The State has several tourist spots of international, national and state level importance.

The Department of Tourism, Art, Culture, Sports & Youth Affairs (Department), Government of Jharkhand constructed and transferred (between June 2004 and October 2018), 85 assets situated in 22 districts to Jharkhand Tourism Development Corporation Limited (JTDC), a wholly owned Government Company for operation and management. The ownership of the assets vests with the Department and JTDC manages the assets through self-managed and outsourced mode.

A Detailed Compliance Audit of “Management of Assets by JTDC” covering the period from 2015-16 to 2018-19 was conducted with the objective of assessing the extent to which JTDC prepared comprehensive plans, utilised funds properly and managed the assets economically, efficiently and effectively to promote tourism in the State. Following are the main audit findings:

- Master plan for integrated development and marketing of tourism was not prepared, detailed survey of tourism potential of every district to optimally utilise such potential was not conducted and minimum standards for tourism units was not set up as envisaged in the Jharkhand Tourism Policy 2015 even after a lapse of more than four years after it was introduced.

(Paragraph 2.1.2)

- Thirty nine assets constructed (between 2004 and 2018) at a cost of ₹ 39.62 crore remained non-operational or partially operational.

(Paragraph 2.1.3.2)

- Bed occupancy remained low due to remoteness of location, poor management and lack of basic amenities/facilities.

(Paragraphs 2.1.3.4 and 2.1.3.5)

- The Company failed to enforce the terms and conditions of the agreements due to which undue benefits accrued to developers.

(Paragraphs 2.1.3.6(a) and 2.1.4.6)

- Lack of monitoring led to irregular commercialisation of assets, failure to insure assets, illegal operation of assets by locals, encroachment etc.

(Paragraphs 2.1.3.1, 2.1.3.5 and 2.1.3.6 (e))

Due to poor financial management, JTDC could neither utilise the funds provided by the Department for advertisements/incentives nor realise the outstanding rent/license fee/damage charges.

(Paragraphs 2.1.4.2, 2.1.4.3, 2.1.4.5, 2.1.4.7 and 2.1.4.9)

2.2 Audit Paragraphs

Compliance audit paragraphs included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. Some of these are as follows.

Jharkhand Urja Sancharan Nigam Limited failed to fully implement the provisions of the Building and Other Construction Worker's Welfare Cess Act, 1996 which led to short deduction of labour cess of ₹ 17.89 crore.

(Paragraph 2.2.1)

Failure to recover fees and charges for State Load Despatch Centre operation from users by Jharkhand Urja Sancharan Nigam Limited led to loss of ₹ 12.18 crore.

(Paragraph 2.2.2)

