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 Enterprises.

SECTION-A: GENERAL, SOCIAL AND ECONOMIC SECTORS

This section comprises two chapters. Chapter I presents the planning and extent of audit 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 of procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi. The audit findings included in this section have total money value of ₹ 29.15 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 Compliance Audit Report. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the State Government.

2.1 Audit of procurement of machines, equipment and accessories for Dental Institute, Rajendra Institute of Medical Sciences (RIMS), Ranchi

The Rajendra Institute of Medical Sciences (RIMS), Ranchi is an autonomous medical institute of the Government of Jharkhand (GoJ) under the administrative control of the Health, Medical Education & Family Welfare Department (the Department). A Dental Institute, with a capacity of 50 annual intakes in Bachelor of Dental Surgery (BDS) course, was started from the Academic year 2017-18 in RIMS for which 176 types of dental equipment worth ₹ 37.17 crore was procured. On the request of the Secretary of the Department, audit of procurement of equipment for Dental Institute, RIMS was conducted between July 2019 and May 2020 for the period 2014-15 to 2018-19 to assess whether the tendering process was regular and equipment were procured economically. Main audit findings are summarised below:

➢ Against an original proposal of ₹ 5.80 crore for procurement of dental equipment as approved by the Governing Council, the Director, RIMS submitted detailed budget of ₹ 9.29 crore to the State Government. However, RIMS procured dental equipment valued at ₹ 37.17 crore during 2014-19 which was 400 *per cent* of the budget.

(Paragraph 2.1.2)

- In a tender invited in January 2016, technical and financial evaluation was not done on combined scoring pattern as per terms of the NIT giving weightage to the technical qualification and financial offers without recording any reasons. The purchase and technical committees approved the lowest rates from the rates quoted by technically qualified bidders without giving scores at any stage. Against this tender, 20 items valued at ₹ 18.52 crore were procured.

(Paragraph 2.1.3.1)

- Though instructed by the Health Minister, the Director, RIMS neither cross-verified the compliance submitted by the accused supplier nor surveyed the market price or procurement price of similar equipment in other medical institutions prior to payment of outstanding bill of ₹ 5.40 crore and further procured equipment valued ₹ 11.40 crore from the same supplier without obtaining the approval of the Health Minister.

(Paragraph 2.1.3.2)

- The Finance and Accounts Committee did not decide the tenders though required under the Regulations of RIMS. Instead two different committees (Purchase Committee and Technical Committee) having no defined role in the Regulations were entrusted with the decision of tender by RIMS.

(Paragraph 2.1.3.3)

- There was absence of uniformity and transparency in technical evaluation of bids besides arbitrariness in deciding technical qualification in favour of a bidder with respect to procurement of basic and advance dental chairs, mobile dental van and 15 other items valued at ₹ 25.70 crore.

(Paragraph 2.1.4)

- RIMS incurred avoidable expenditure of ₹ 14.25 crore on procurement of dental equipment (Chairs, Mobile dental van and RVG) compared to the rates given in the budget estimates.

(Paragraph 2.1.5)

- Attachments and accessories with basic dental chairs, advanced dental chairs and Mobile Dental Van were either missing or of lower specifications. Two out of ten supplied Radiovisiography systems were of different model. RIMS also failed to impose penalty of ₹ 2.37 crore for delayed supply.

(Paragraphs 2.1.6 and 2.1.7)

- Dental equipment worth ₹ 12.02 crore supplied to the Dental Institute was not found entered in inventory and was thus fraught with the risk of misuse.

(Paragraph 2.1.8)

- Equipment worth ₹ 1.94 crore purchased (August 2016) for laboratory and the operation theatre (OT) was found lying idle in the store as laboratories and OT had not been set up as of May 2020. Disinfectants worth ₹ 17.85 lakh purchased in August 2016 for use in the OT had expired.

(Paragraph 2.1.8)

SECTION-B: REVENUE SECTOR

This section contains an Audit on GST refunds and 10 paragraphs relating to taxes on sales, trade etc., in Commercial Taxes Department, state excise in Excise and Prohibition Department and mining receipts in Mines and Geology Department. The total financial implication of Section-B of this Report is ₹ 1,138.20 crore which constitutes 4.46 *per cent* of tax and non-tax revenue of the year 2019-20. Out of the above, the concerned departments accepted audit observations involving ₹ 338.73 crore. Some of the major findings are summarised below:

1.1 General

The total receipts of the Government of Jharkhand for the year 2019-20 was ₹ 58,417.14 crore. The revenue raised by the State Government was ₹ 25,521.43 crore (43.69 *per cent* of the total receipts). The share of receipts from the Government of India amounting to ₹ 32,895.71 crore (56.31 *per cent* of the total receipts) comprised of State's share of divisible Union taxes of ₹ 20,593.04 crore (35.25 *per cent* of the total receipts) and grants-in-aid of ₹ 12,302.67 crore (21.06 *per cent* of the total receipts). Tax revenue raised by the State Government increased by 13.69 *per cent* in 2019-20 over 2018-19, whereas non-tax revenue increased by 5.96 *per cent* over the same period.

(Paragraph 1.2)

Arrears of revenue as on 31 March 2020 in respect of taxes on sales, trade etc., taxes on vehicles, state excise, land revenue and mining receipts amounted to ₹ 12,179.30 crore, of which ₹ 2,898.27 crore was outstanding for more than five years.

(Paragraph 1.3)

COMPLIANCE AUDIT

Commercial Taxes Department

The Audit on GST refunds contains the following observations:

The proper officers did not adhere to the prescribed timelines and issued acknowledgment of refund applications in 19 cases with delays ranging between nine and 246 days beyond the prescribed period of 15 days of filing the claim. Besides, acknowledgments in 12 cases were not issued till date.

(Paragraph 2.3.6.1)

The proper officers did not adhere to the prescribed period of 15 days of filing of claim to communicate the deficiencies in Form GST RFD-03 in 12 cases resulting in issuance of memos with delays ranging between three and 215 days.

(Paragraph 2.3.6.2)

In the absence of a mechanism for monitoring of refund processing claims at different stages, sanctioned amount of ₹ 5.97 lakh in nine cases was not paid to the claimants while payment in 33 refund cases were made with delays beyond the prescribed timeline of 60 days and consequently the department was liable to pay interest of ₹ 5.48 lakh.

(Paragraph 2.3.6.3)

The proper officer did not adhere to the prescribed period and sanctioned provisional refund in eight cases with a delay ranging between 7 and 99 days beyond the prescribed period of seven days of issue of acknowledgment.

(Paragraph 2.3.6.4)

The proper officer failed to cross verify the monthly return in GSTR-3B available with the Department which resulted in incorrect allowance of refund of ₹ 0.15 lakh to the claimant.

(Paragraph 2.3.6.5)

In the absence of a mechanism to synchronize the dues of JGST Act and earlier repealed Acts, dues of ₹ 0.42 lakh were not adjusted from the refund claim of two cases resulting in excess payment of refund of ₹ 0.42 lakh.

(Paragraph 2.3.6.6)

Other observations

The Assessing Authorities while finalising the assessments did not scrutinise the information furnished by the dealers which led to non-detection of concealment of turnover of ₹ 3,271.08 crore by 39 dealers and consequential under assessment of tax and penalty of ₹ 812.99 crore.

(Paragraph 2.4)

The Assessing Authorities enhanced turnover of nine dealers on account of suppression of sale and levied additional tax of ₹ 43.84 crore but did not levy penalty of ₹ 131.51 crore.

(Paragraph 2.5)

The Assessing Authorities of 14 circles disallowed exemptions, concessions and adjustment of ITC of ₹ 2,264.96 crore. However, interest of ₹ 102.24 crore was not levied as per the provisions of the Act.

(Paragraph 2.6)

The Assessing Authorities while finalising the assessments in case of 29 dealers, allowed ITC of ₹ 109.51 crore instead of ₹ 85.70 crore. This resulted in allowance of excess ITC of ₹ 23.81 crore.

(Paragraph 2.7)

The Assessing Authorities determined GTO/ TTO of ₹ 1,962.03 crore instead of ₹ 2,407.40 crore in case of seven dealers, which resulted in short determination of GTO by ₹ 445.37 crore and consequential under assessment of tax of ₹ 22.33 crore.

(Paragraph 2.8)

The Assessing Authorities, while finalising the assessments levied the incorrect rates of tax on taxable turnover resulting in short levy of tax of ₹ 14.53 crore.

(Paragraph 2.9)

The Assessing Authorities levied concessional rate of two *per cent* CST on turnover of ₹ 92.59 crore instead of applicable rates of five *per cent* CST and 14 *per cent* under JVAT. This resulted in under assessment of CST of ₹ 10.64 crore.

(Paragraph 2.11)

Mines and Geology Department

Failure of the Department to verify the rate of royalty in accordance with provisions of the Act/Rules resulted in short levy of royalty of ₹ 15.42 crore.

(Paragraph 2.15)

Excise and Prohibition Department

The Department did not take action to ensure lifting of minimum guaranteed quota which resulted in short lifting of liquor and non-levy of penalty equivalent to loss of excise duty of ₹ 2.07 crore.

(Paragraph 2.18)

SECTION-C: STATE PUBLIC SECTOR ENTERPRISES

This section deals with the results of audit of Government Companies for the year ended 31 March 2020 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 form 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 "Marketing, sales and inventory management by Jharkhand State Forest Development Corporation Limited".

1.1 Functioning of State Public Sector Enterprises

This Chapter presents the summary of financial performance of Government Companies and Government controlled other Companies of the Government of Jharkhand (GoJ) and within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These SPSEs were established to carry out activities of commercial nature and to contribute in economic development of the State.

A Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG.

As on 31 March 2020, there were 31 SPSEs (including 03 inactive SPSEs) in Jharkhand. The financial performance of the SPSEs, drawn up on the basis of latest finalised accounts as on 31 August 2021, is covered in this section.

The working SPSEs registered an annual turnover of ₹ 7,739.34 crore i.e., increase of 17.43 *per cent* in 2019-20 over 2018-19 as per their latest finalised accounts as on 31 August 2021. This turnover was equal to 2.36 *per cent* of Gross State Domestic Product (GSDP) for the year 2019-20 (₹ 3,28,598 crore). The working SPSEs incurred a loss of ₹ 1,354.20 crore as per their latest finalised accounts.

Framework of Power Sector SPSEs

Power is a core component to operate any industrial activity to boost the economy of any State. 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 excluding State Government liability were distributed among these companies according to the provisions of the JSERT Scheme 2013.

Besides these four companies, four other power sector companies were incorporated prior to the JSERT Scheme, 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 2019-20.

Framework of Non-Power Sector SPSEs

State Public Sector Enterprises (Non-Power Sector) consist of State Government Companies, Government-controlled other Companies and subsidiary Companies as of 31 March 2020, operating in the Non-Power Sector. These included all working Government Companies, one working other Government-controlled Company and one working subsidiary company.

(Paragraph 1.1.1)

Investment in Government Companies

Aggregate investment in SPSEs with sector-wise summary

As on 31 March 2020, the investment (capital and long-term loans) in 31 SPSEs was ₹ 19,696.52 crore as per accounts of 2019-20 or information from SPSE. This total investment consisted of 23.40 *per cent* towards paid-up capital and 76.60 *per cent* in long-term loans.

Investment in Power Sector SPSEs

As on 31 March 2020, the total investment (equity and long term loans) in eight Power Sector SPSEs was ₹ 19,281.29 crore. The investment consisted of ₹ 4,244.02 crore (22.01 *per cent)* towards equity and ₹ 15,037.27 crore

(77.99 *per cent*) as long-term loans.

The aggregate investment in the Power Sector SPSEs over the period from 2015-16 to 2019-20 had increased by 43.90 *per cent.*

The Power Sector constituted the major share of equity at 92.06 *per cent* (₹ 4,244.02 crore) and loans at 99.67 *per cent* (₹ 15,037.27 crore) from the Government of Jharkhand, banks and financial institutions.

Investment in SPSEs (Non-Power Sector)

As on 31 March 2020, the total investment (equity and long-term loans) in 23 SPSEs (Non-Power Sector) was ₹ 415.23 crore. The investment consisted of ₹ 365.84 crore (88.11 *per cent)* towards equity and ₹ 49.39 crore (11.89 *per cent*) in long-term loans.

(Paragraph 1.1.2)

Return from Government Companies

Performance of Power Sector SPSEs

Net worth of the Power Sector SPSEs was positive during the years 2015-16 and 2016-17. The net worth has decreased significantly from ₹ 2,083.29 crore in 2015-16 to (-) ₹ 4,022.13 crore in 2019-20 due to increase in accumulated losses.

Performance of Non -Power Sector SPSEs

The combined net worth of the working SPSEs was positive during the five-year period. The net worth has decreased from 2015-16 to 2019-20 in spite of increase in share capital.

(Paragraph 1.1.3)

Submission of accounts by SPSEs

Accounts for the year 2019-20 were required to be submitted by all the Power Sector SPSEs by 30 September 2020. No Government Company in Jharkhand submitted their accounts for the year 2019-20 for audit by CAG on or before 30 September 2020. Five SPSEs submitted their Financial Statements for the year 2019-20 by 31 August 2021.

During the period from 01 January 2020 to 31 December 2020, 11 of the 23 SPSEs had finalised 18 annual accounts which included one accounts for the year 2019-20 and 17 accounts for previous years. Thus, 66 accounts of 21 SPSEs were in arrears.

In the absence of finalisation of accounts for 2019-20 as well as earlier years, no assurance could be given on whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved.

(Paragraph 1.1.8)

2.1 Audit of "Marketing, sales and inventory management by Jharkhand State Forest Development Corporation Limited"

Jharkhand State Forest Development Corporation Limited (JSFDCL), a public sector undertaking of Government of Jharkhand, was incorporated to promote production, collection, processing and marketing of minor forest produce (MFP) commercially and was to undertake scientific exploitation of forest products to get maximum financial returns. The Company was mainly engaged in marketing of Kendu Leaves (KLs). A Compliance Audit of "Marketing, sales and inventory management by JSFDCL" covering the period 2015-16 to 2019-20 was conducted with the objective to assess whether an effective and efficient system was in place for marketing, sales and inventory management in the Company. The major audit findings are summarised below:

There was no provision of coppicing or other suitable mechanism in the Jharkhand State Kendu Leaves Policy or in other statutes required to ensure enhancement in quantity and quality of KLs. The Company had, however, instructed (February 2008) the field offices for coppicing of kendu bushes but could not continue the practice later on. As such, average yield of 232 (77 *per cent*) out of 300 KLs lots (specific identified area) was less than the notified yield which included 123 lots where actual yield was less by 30 to 89 *per cent*.

(Paragraph 2.1.2.1)

The quantum of notified yield of KL lots was not re-assessed for more than 36 years as of July 2021. Out of 1499 KL lots, 495 (33 *per cent*) lots with notified yield of 12.63 lakh standard bags (SBs) remained unsold during 2015 to 2019 KL seasons. The reserve price of these unsold lots was ₹ 74.38 crore.

(Paragraph 2.1.2.1)

In test-checked Divisions (Daltonganj, Dhalbhum, Hazaribag and Ranchi), the Company could only realise ₹ 8.57 crore (for 50 *per cent* of excess collected quantity) during the KL season 2015 to 2019 against the realisable amount of ₹ 17.14 crore. Besides, additional collection cost of ₹ 5.82 crore were not paid to the primary collectors (PCs) as of March 2021 for excess collection of 1.01 lakh SBs during the season 2016 to 2019.

(Paragraphs 2.1.2.3 and 2.1.3.2)

During the KL seasons 2016 to 2019, 333 lots with notified yield of 8.52 lakh SBs remained unsold. The Department did not release ₹ 61.93 crore though demanded (April 2016 and February 2019) by the Company to facilitate departmental collection. The Company also did not explore the possibilities of bidding of these lots on actual basis and thus the lots remained unharvested and as such the prime objective of KL trade i.e., income generation for the PCs could not be achieved.

(Paragraph 2.1.3.1)

Out of development fund of ₹ 15.58 crore released to 149 Collectors Committees (CCs) for the KL seasons 2016 to 2018, ₹ 15.16 crore remained unutilised and was lying with the CCs as of March 2020.

(Paragraph 2.1.3.3)

Out of 39 godowns, seven godowns were in good condition, 23 needed major repairs and nine were in dilapidated condition. The Company did not initiate renovation of godowns despite it being a source of revenue as ₹ 28.12 lakh was realised as rent during 2015-18.

(Paragraph 2.1.4.1)

The core objective of the Company was to promote, develop and carry on projects and activities by accelerating forest production and productivity besides developing industries based on forest products. The Company was to also promote and manage the sale and process of minor forest produce (MFP) commercially. The Company did not expand its activities as of March 2020 and had forgone the opportunity to generate employment for forest dwellers besides enhance its own earnings.

(Paragraph 2.1.5.2)

The Company did not remit cess of ₹ 1.25 crore and sale proceeds of timber worth ₹ 42.14 crore into Government accounts.

(Paragraphs 2.1.5.3 and 2.1.5.4)