CHAPTER VIII
COMPLIANCE AUDIT OBSERVATIONS

CHAPTER VIII: COMPLIANCE AUDIT OBSERVATIONS

This Chapter includes important audit findings emerging from test-check of transactions of the State Government companies.

Government Companies

Patna Smart City Limited

8.1 Implementation of Smart Cities Mission in Patna

Unfeasible projects were included in the list of 44 initially approved projects, indicating poor planning on the part of Patna Smart City Limited (PSCL) and the Urban Development and Housing Department (UD&HD). This ultimately resulted in delayed/ incomplete execution of projects. Contract management for the mission was also poor, as the completed schemes did not fulfil the desired objectives. Mobilisation advance was given to the vendor, without finalization of the scope of work. The financial management of PSCL was also deficient, as funds had been diverted for unapproved projects and incorrect utilization certificates had been submitted.

8.1.1 Introduction

The Smart Cities Mission (SCM), a Centrally Sponsored Scheme (CSS), is an initiative launched (June 2015) by the Ministry of Housing & Urban Affairs (MoHUA), Government of India (GoI), with the objective of promoting cities that provide core infrastructure, a clean and sustainable environment, application of 'Smart' Solutions (including various online government services, through Jan Seva Kendras) and a decent quality of life to their citizens. The Mission was to cover 100 cities and was to be executed during financial years (FYs) 2015-16 to 2019-20.

At the national level, an Apex Committee (AC), headed by the Secretary, Ministry of Urban Development (MoUD), GoI, comprising of representatives of the related Ministries and organisations, was to be constituted, to approve proposals for the Smart Cities Mission, monitor their progress, release funds and recommend mid-course corrections. At the State level, a High Powered Steering Committee (HPSC), chaired by the Chief Secretary, was to steer the Mission Programme, in its entirety.

The Central Government, on an average, was to provide a financial support (June 2015) of ₹ 100 crore per city per year. An equal amount, on a matching basis, was to be contributed by the concerned State/ Urban Local Body (ULB).

In the state of Bihar, four cities[1] were selected, for development as Smart Cities, out of which, Patna was one of the cities nominated by MoUD,

[1] *Bhagalpur, Bihar Sharif, Muzaffarpur and Patna.*

GoI, for this mission, in June 2017. The Urban Development and Housing Department (UD&HD), Government of Bihar (GoB), formulated a plan to execute 44 different projects in Patna, for which an administrative approval of ₹ 2,776.16 crore was accorded (October 2017), as detailed in **Appendix 8.1**. The timeline for completion of the projects, in the State, selected under SCM, was initially up to FY 2019-20, but was extended up to June 2023.

8.1.2 Organisational structure

With a view to appraising, approving, releasing funds for implementing, managing, operating, monitoring and evaluating projects under the mission, the UD&HD, GoB, established the Patna Smart City Limited (PSCL), a Special Purpose Vehicle[2] (SPV), in November 2017.

The Board of Directors of PSCL consisted of seven directors (including Principal Secretary, UD&HD, GoB, as Chairman) representing the State Government and Central Government. The Municipal Commissioner of the Patna Municipal Corporation, acted as the Managing Director (MD) of the PSCL. The MD, who was assisted by the Chief Executive Officer (CEO), was responsible for all executive affairs, while the CEO was responsible for the day-to-day planning, execution and management functions, of PSCL.

8.1.3 Audit Objectives

The Compliance Audit (CA) was conducted with a view to assessing whether:

- Schemes/ works, taken up under the mission, had been planned and executed in an efficient, economic and effective manner
- Funds under the schemes had been managed and utilized, in adherence to the Smart Cities Mission guidelines and
- There had been adequate inter-departmental coordination, for ensuring timeliness in regard to the execution of projects, and an effective monitoring and control mechanism was in place.

8.1.4 Audit Criteria

The audit criteria, considered for the CA, were the:

- Smart Cities Mission guidelines, issued by GoI
- Administrative orders/ circulars, issued by the Urban Development & Housing Department, GoB and

8.1.5 Audit Scope and Methodology

The audit, for this CA, was conducted from January 2022 to February 2022, and the findings of the audit were further updated in September 2022. The main

[2] *Legally created entity, to fulfil specific or temporary objectives.*

objective was to assess the implementation of the mission, particularly in regard to its conceptualization, planning and implementation, keeping in view the objectives set for the mission. The CA covered the period from the FY 2017-18 to the FY 2021-22.

The audit methodology comprised of scrutiny of the documents/ information related to planning of the smart city proposals and project execution thereagainst, maintained at the UD&HD, GoB and PSCL's headquarters; responses to audit queries; collection of information through questionnaires, proformas *etc*.

8.1.6 Audit findings

The audit findings, relating to the above-mentioned audit objectives, are discussed in the succeeding paragraphs.

8.1.7 Planning

The objectives of Smart Cities Mission were to promote cities that provide core infrastructure, applications of smart solutions and a decent quality life to their citizens. To fulfill these objectives, effective planning was required. Discrepancies, related to the planning of the projects to be executed, are discussed in the succeeding paragraphs.

8.1.7.1 Unrealistic and non-feasible Smart City Proposal

As per Clause 6.1 of the Smart Cities Mission Statement and Guidelines, each city was to formulate its own concept, vision, mission and plan, for a Smart City, as per its local context, resources and level of ambition. Clause 6.3.1 of the Statement and Guidelines stipulates that the States may select a consulting firm for preparation of City-wide concept Plan and Smart City Proposal (SCP) from the panel of firms, prepared by MoUD, GoI. Further, Clause 10.6 of these guildelines stipulates that the SPV may appoint Project Management Consultants for designing, developing, managing and implementing area-based projects.

Scrutiny of records revealed that:

- An agreement was made (26 July 2016) between the Municipal Commissioner, PMC and M/s ARKITECHNO Consultant (India) Pvt. Ltd., for ₹ 28.47 lakh (including service tax), for preparation of a City-wide concept plan, which was to include a City Sanitation Plan, City Mobility Plan and Master Plan, with the overall strategy being focused on Smart City criteria/ objectives/ targets. Further, the concept plan was to be based on consultations with the citizens. The agreement was made for a period of 100 days. As per payment schedule, the PMC was to pay 10 *per cent* of the contract price on acceptance of the City-Wide Concept Plan (first deliverable); 50 *per cent* of the contract price on acceptance of the Draft Smart City Proposal (second deliverable) and 40 *per cent* of the contract price on acceptance of Final Smart City Proposal (third deliverable) by it.

Audit noticed that the consultant had submitted the first and second deliverables in September and October 2016, respectively. The PMC had accepted the first deliverable and made payment of ₹ 2.84 lakh (January 2017) to the consultant. However, it found (January 2017) several shortfalls[3] in the second deliverable and therefore, neither did it make payment for the second deliverable, nor did it extend the period of the contract.

- The PMC submitted (March 2017) the SCP to UD&HD, GoB for approval, wherein it was claimed (March 2017) that SCP had been prepared on the basis of extensive citizen consultations, through the online and offline modes, with an approximate outreach of 1.98 crore persons. However, documentary evidence, in regard to outreach of 1.98 crore persons, was not available, either with UD&HD, or with PSCL.
- The UD&HD, GoB, submitted (March 2017) the SCP for Patna Smart City comprising 44 projects, to the High-Power Steering Committee (HPSC). On the recommendation (March 2017) of the HPSC, it was approved (June 2017) by the GoI.
- PSCL, through an open tendering process, appointed (December 2017) Eptisa Servicious De Ingenieria, S. L. (Eptisa), as the Project Management Consultant, as per mission guidelines. The scope of works *inter alia* stipulated Project Design and Development work, which included preparation of a Situation Analysis Report (SAR), Feasibility Report (FR) and Preliminary/ Detailed Project Report (PDR/ DPR). For execution of these works, an agreement was entered into with the firm, for ₹ 21.85 crore for 36 months, commencing from January 2018.

  Audit observed that:

  (i) Eptisa had prepared and submitted (February 2018 to November 2018) SAR/ FR of 44 projects/ 31 projects of SCP, approved by GoI. The firm, however, claimed (February 2019 and March 2019) ₹ 2.53 crore for 11 projects only and was paid (April 2019) accordingly. Later on, three[4], out of 11 projects were dropped by PSCL.

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[3] *The documents did not include details of various components of the Area Based Development (ABD) plan, PAN City plan and details of financial plans & convergence details.*

[4] ***Smart Road Network** (dropped, due to the project being outside the scope of the Smart City Mission guidelines), **Railway Station Re-development** (dropped in August 2019, due to* attracting a huge number of public in already crowded areas*) and **E-rickshaw** (dropped in January 2021, due to growing population of the city).*

(ii) Subsequently, PSCL observed several deficiencies, *viz.* incomplete Bills of Quantity (BOQ); non-submission of detailed design, and drawings, and estimates; and non-conduct of the beneficiary survey, in the SAR/ FR/ DPR prepared by Eptisa. Therefore, it re-vetted and accepted (June 2020) payments of ₹ 0.64 crore only. The difference amount of ₹ 1.89 crore[5], however, had not been recovered (September 2022) from the firm, resulting in loss of interest of ₹ 42 lakh[6]. Therefore, the payment had been made without considering the defects in the SAR/ FR/ DPR and without proper vetting.

Therefore, due to the lackadaisical approach of PSCL, excess payment of ₹ 1.89 crore had been made to Eptisa.

Further, as per Clause 13 and 18 of the Request for Proposal (RFP), the bidder should not have been blacklisted/ debarred/ terminated by any Government/ Government Board/ Corporations/ Company/ PSU, on the date of submission of the bid. The firm, however, concealed the fact of termination of a contract with Ajmer Smart City Limited in June 2017, at the time of submission (October 2017) of its bid. PSCL noticed this fact in July 2020 and terminated (July 2020) the contract with the firm. The Performance Bank Guarantee of ₹ 4.58 crore, furnished by the firm, was got encashed (July 2020). However, by that time, PSCL had already made payments of ₹ 9.37 crore to Eptisa, for the works carried out by it.

- The MoHUA, GoI, while reviewing the ongoing projects under the Smart Cities Mission, stated (August 2022) that projects, which could not be completed by June 2023, would not receive funds from the Centre and after June 2023, all the liabilities on their account would have to be borne by GoB. Till October 2022, 29 **(Appendix 8.2)**, out of 44 approved projects could not be started, as they were found non-feasible, for reasons like the projects already being executed by other agencies, non-availability of land, non-requirement of rooftop farming, likelihood that the projects may attract huge crowds in already crowded areas *etc*. PSCL, therefore, with the approval of HPSC, dropped (November 2022) these 29 projects, amounting to ₹ 1,816.82 crore, revised the total cost of 15 projects to ₹ 381.06 crore[7], and, as per the necessity of the city and feasibility, added 14 new projects worth ₹ 548.94 crore **(Appendix 8.3)** under the mission.

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5 *Includes ₹ 1.28 crore of three dropped projects, viz. Smart Road Network (₹ 38.84 lakh) and Railway Station Re-development (₹ 84.27 lakh) and E-Rickshaw (₹ 4.41 lakh).*

6 *Interest has been calculated at the rate of 6.50 per cent per annum from May 2019 to September 2022.*

7 *Including two projects, viz. E-buses (₹ 10.00 crore) and Jan Seva Kendras (₹ 17.50 crore), costs of which were not revised.*

The Management stated (March 2023) that proposals of SCP had been amended, with the view to making the SCP more effective and fruitful, as per the requirement of the city and the people. Further, some suggestions were received from the stakeholders during the HPSC meetings and the board meetings also. Accordingly, as per the needs, for betterment of the city and with a view to optimizing the utilisation of SCM funds, the projects were added or deleted from the original SCP.

The reply of the Management is not acceptable as the requirements of the city/ people had to be assessed and suggestions had to be obtained from the concerned stakeholders/departments, before preparation of the SCP.

Thus, it is evident that the preparation of unrealistic and non-feasible SCP led to withdrawal/ addition of projects and subsequent delay.

8.1.7.2 Poor planning, leading to delayed/incomplete execution of projects

Proper and adequate planning is necessary for timely execution of projects and achievement of project objectives without delays. To avoid delays, proper surveys, checking the availability of land, consultations with the concerned stakeholders *etc.*, should be ensured, before award of work.

During audit, it was noticed that four projects, under execution, were lagging behind their scheduled dates of completion, as detailed in **Table 8.1.1**.

Table 8.1.1
Status of delayed projects (as of August 2022)

(₹ in crore)

Sl. No.	Name of the Project	Cost of the project	Expenditure incurred	Scheduled date of completion	Status of Project
1	Smart Road Network[8]	Original cost: 302.00 / Revised cost:1.66	0.00	February 2021	HPSC stated (May 2020) that roads under this project were well maintained by the Road Construction Department (RCD). Hence, the utility of this project required reconsideration. Further, RCD did not issue No-Objection Certificate for executing the project and it was terminated. Therefore, approval of ₹ 1.66 crore was accorded (November 2022) only for beautification and upgradation work of the road flank.
2	Jan Seva Kendras[9] (JSKs) (10-PSCL & 18-BSBCCL[10])	17.50	7.10	December 2021	Out of 28 JSKs, PSCL had constructed 10 JSKs and BSBCCL had constructed nine JSKs. Further, work was in progress at two locations and, at seven locations, work had not been started, due to non-availability of land.

[8] *Included public utilities, streetscaping, landscaping and installation of street furniture, with area lighting and allied works.*

[9] *Promoting e-governance and providing one-stop solution for all Government to Consumer services, in transparent, quick, fair and economical manner.*

[10] *Bihar State Building Construction Corporation Limited.*

Sl. No.	Name of the Project	Cost of the project	Expenditure incurred	Scheduled date of completion	Status of Project
3	Innovative 3D wall Paintings[11]	4.94	0.54	August 2021	Innovative 3D wall paintings were to be made on the walls and floors of 12 selected Govt. locations/ spots. 3D wall painting works had been completed at six locations and the work was in progress at the remaining six locations.
4	E-toilets[12]	4.34	0.66	December 2021	Out of 42 e-toilets, 21 had been commissioned. While the work was in progress, at the remaining 21 locations.
Total		**28.44**	**8.30**		

(Source: Information furnished by PSCL)

From **Table 8.1.1**, it can be seen that, even after the expiry of their scheduled dates of completion, all these four projects were incomplete, even after 15 to 25 months of their scheduled date of completion. Reasons for this included awarding of works to contractors without proper surveys and without consultations with the concerned stakeholders (leading to non-obtaining of NOCs from the concerned departments/authorities); non-availability of land; lack of co-ordination amongst various departments of the State Government *etc*. Further, the financial progress was also minimal, as only 29.18 *per cent* of the available funds had been expended.

The Management, while accepting the fact, replied (March 2023) that delays were due to differences in the policy and decision-making procedure among the line departments and PSCL and due to non-availability of NOCs, from the respective Departments.

The reply of the Management corroborated the audit finding.

8.1.8 Project execution

Against the 44 administratively approved projects, 29 projects, amounting to ₹ 1,816.82 crore, were dropped and 14 new projects, amounting to ₹ 548.94 crore, were included in the Mission. As of November 2022, 29 projects, amounting to ₹ 980 crore, including Administrative and Office Expenses (A&OE), were being executed by the PSCL.

The deficiencies, observed during execution of projects, under the Smart Cities Mission, are discussed in the succeeding paragraphs.

8.1.8.1 Non-achievement of the desired objectives of the Jan Seva Kendras (JSKs), due to poor planning

Under the good governance component of the Mission, Jan Seva Kendras (JSKs) were to be constructed and run on a revenue-sharing model, wherein

[11] *Theme-based sculptures and wall paintings, made using art technique which will produce an illusion of three-dimensional object or scene.*

[12] *E-toilet system is a modular pre-fabricated public toilet made of steel and it is integrated with user friendly electronic interfaces.*

transaction-based services[13] were to be charged and paid to the concerned service providers, by PSCL, on a monthly basis. Therefore, PSCL planned (September 2018) to deliver different types of 214 services, related to 17 boards/corporations/departments of GoI[14] and GoB[15], through these JSKs. To provide these services, PSCL was to sign Memorandum of Understanding (MoUs)[16], with these departments. Accordingly, PSCL planned to construct 28 JSKs, out of which 19 JSKs were constructed and nine were under progress (as of September 2022).

In this regard, Audit observed that:

- as envisaged in the DPR, the services of various government departments, to citizens, such as collection of electricity charges, renewal of driving licenses, collection of arms license fee, issuance of hotel/lodge licenses, collection of property tax *etc*., were to be delivered through JSKs. The work of JSKs was awarded during April 2019 to July 2021, with the scheduled dates of completion of JSKs ranging from April 2020 to April 2022. However, till September 2022, only 19 JSKs, costing ₹ 7.10 crore, had been completed, while construction work of the remaining nine JSKs was under progress.
- in order to deliver the envisaged services through JSKs, MoUs, with the concerned departments, were required to be signed, and an agreement was to be entered into with an agency. PSCL had, however, not signed (March 2023) any MoU, with any of the 17 boards/corporations/departments. Further, an agreement to provide services had been entered into, with an agency[17], for nine JSKs only. Therefore, only nine, out of 19 completed JSKs, were delivering online services to the public, through an outsourced agency and, in the absence of any MoU with the concerned departments, these JSKs could not deliver all the envisaged 214 services to the public. The remaining ten JSKs were not providing such services, despite lapse of six months from completion (as on April 2023). This indicated poor planning on the part of PSCL towards timely delivery of services through JSKs.
- for the operation of only nine completed JSKs, PSCL entered into an agreement (September 2021), with an agency, to deliver services. The

[13] *Collection of electricity charges, property tax, arms license fee, birth certificates, vehicle tax etc.*

[14] *Bharat Sanchar Nigam Limited (BSNL), Indian Railway Catering and Tourism Corporation (IRCTC) and Regional Passport Office.*

[15] *Bihar Water Board, Patna Municipal Corporation, South Bihar Power Distribution Company Limited, Road Transport Authority, Labour Department, Bihar Fire and Emergency Services, Revenue Services, Bihar State Road Transport Corporation, Bihar Dairy Development Co-operative Federation, Bihar State Electronics Development Corporation Limited (Beltron), Bihar Public Service Commission, Bihar Police Department, Bihar State Food and Civil Supplies Corporation Limited and Departmental Miscellaneous.*

[16] *For computerizing the services of the respective departments, by developing suitable applications and maintaining the databases on a real-time basis.*

[17] *Mahaboudh Jan Swasthya Evem Sarvangin Vikas Kendra.*

agency had to pay a fixed rent of ₹ 5,000 and 1/3rd of the total gross revenue generated against the service charges collected, per month, per JSK. The agency had to provide government services to citizens, at these JSKs, by charging fees on the transactions of the services provided. However, due to lack of MoUs with the concerned departments, these services were not being provided to the citizens and the agency was paying neither the rent, nor PSCL's share of revenue.

Thus, the desired objective of construction of JSKs was not achieved due to poor planning on the part of PSCL, despite incurring an expenditure of ₹ 7.10 crore on construction of 19 JSKs. Further, PSCL had also failed to recover rent/ share of its revenue from Agency.

The Management stated (March 2023) that, construction of 19 JSKs had been completed and work was in progress at two locations and at seven locations, work had not yet been started, due to non-availability of land and other issues. It further stated that, for the initial period, the demand had not been raised, considering the difficulties of initialisation faced by the operator. However, PSCL was making efforts to become self-sustainable, by introducing the revenue model in all the running projects. The invoices, amounting to ₹ 7.14 lakh, for rental income and revenue share had been generated and booked under accrued income from JSKs.

From the reply of PSCL, it is clear that there had been undue delay in construction of the JSKs and providing of the desired services of the JSKs, to the citizens. Further, amount against the invoices so generated, were yet to be recovered.

8.1.8.2 Blockage of funds of ₹ 11.19 crore, on release of Mobilisation Advance, for construction of the Integrated Command and Control Centre

The Integrated Command and Control Centre (ICCC) had been envisaged as an epicentre for all the technology initiatives for the city. All technology interventions, such as surveillance camera feeds, solid waste collection data, city utility maps, traffic statistics, parking availability, *etc*. were to be integrated at ICCC.

In order to monitor the movement of people and vehicles and ensure safety of the people in the city, PSCL invited (June 2018) a tender for 'Supply and Implementation of ICCC-Data Centre and other Integrated Smart Solutions'. M/s Tata Projects Limited (TPL) quoted the lowest bid of ₹ 458.18 crore, which was ₹ 242.28 crore more than the available funds (₹ 215.90 crore). After negotiations, the contract was awarded (February 2019), to M/s TPL. An agreement was entered into (April 2019), with M/s TPL, at a cost of ₹ 313.44 crore, and mobilisation advance (MA), amounting to ₹ 11.19 crore, was given (April 2019) to it.

In this regard, Audit observed that:

(i) PSCL had not finalised, at the time of releasing MA, the scope of work, *viz*., detailed site survey report, hardware deployment plan, detailed project plan, information security and operations management plan. Further, after issuing MA, PSCL added certain works, like preponement of the roll out birth and death certificates applications and CCTV camera installation work at riverfront, to the scope of the project. This, however, could not materialize, as M/s TPL requested (July 2019) change in the Original Equipment Manufacturer (OEM)[18], quantity reduction and scope optimisation.

(ii) PSCL did not agree to M/s TPL's request and stayed (September 2019) the execution of the project. On the staying of the project by PSCL, M/s TPL demanded/ claimed (October 2019) ₹ 23.07 crore, on account of idling charges and other fixed charges. It served (February 2020) notice of termination of the contract, after non-receipt of the claim amount and filed (February 2020) a petition, before the Hon'ble High Court, Patna, in regard to no coercive action being taken by PSCL, until the matter had been decided by the arbitrator. PSCL, on the recommendation (March 2020) of the High-Power Steering Committee, terminated (March 2020) the contract.

(iii) The matter was taken to the arbitrator and was settled (June 2021) between PSCL and M/s TPL, through mutual conciliation. In the settlement, it was decided that the PSCL would return the Mobilisation Bank Guarantee and M/s TPL would return the MA. Accordingly, M/s TPL returned (July 2021) the MA, amounting to ₹ 11.19 crore, to the PSCL.

Release of mobilisation advance, without finalisation of the scope of work, led to non-commencement of work, resulting in blocking of MA of ₹ 11.19 crore, for 26 months, with consequent loss of interest, amounting to ₹ 1.55 crore[19], thereon.

The Management stated (March 2023) that the advance given to M/s TPL, amounting to ₹ 11.19 crore, had been recovered and no litigation existed. However, the fact remains that the MA had been given without finalisation of the scope of work, which had resulted in blockage of MA, amounting to ₹ 11.19 crore, for 26 months, and loss of interest of ₹ 1.55 crore, to PSCL.

8.1.8.3 Partial achievement of the intended objective of rooftop solar power plants

An MoU was signed (June 2019), between PSCL and the Bihar Renewable Energy Development Agency (BREDA), for setting up of Grid Connected

[18] *'Original equipment manufacturer' is a company whose goods are used as components in the products of another company.*

[19] *The interest has been calculated at the rate of 6.25 per cent per annum, compounded on quarterly basis.*

Rooftop Solar Power Plants (GCRTSPPs), at various Government buildings, in the Patna Municipal Area. For execution of this work, a tripartite agreement was executed (August 2019), among BREDA, PSCL and other Agencies[20]. A list of 42 buildings was given to BREDA, for installation of GCRTSPPs.

In this regard, Audit observed that: (i) based on site survey, only 20 buildings had been finalised for installation (ii) installation of GCRTSPPs had been completed (August 2022) on 19 buildings only (iii) as per the scope of the work, all the GCRTSPPs were to be connected with the grid and to be equipped with net metering[21]. However, the installed plants had not been connected to the grid and, therefore, net meters had also not been installed.

Not connecting GCRTSPPs with the grid and non-installation of net metering, resulted in partial fulfilment of the intended objective.

The Management stated (March 2023) that, since the project had been executed for government buildings, net metering had not been provided. However, as suggested by Audit, Project Design Management Consultant (PDMC) had been instructed to explore the revenue model in this project.

The reply of the Management was not in consonance with facts, as net metering was included in the scope of work of the tripartite agreement, made among PSCL, BREDA and concerned Agencies.

8.1.9 Financial Management

As per the Resolution (October 2017) of GoB, the resourcing plan, for inflow of funds of ₹ 2,776.16 crore, for the Patna Smart City Mission, was as shown in **Table 8.1.2**. However, in view of the inability of PSCL, to mobilize resources through convergence and Public Private Partnership (PPPs), the SCPs were amended (November 2022) and limited to 29 projects of ₹ 980 crore (including A&OE of ₹ 50 crore), which was to be shared equally by GoI and GoB.

Table 8.1.2

Plan for funds inflow for the Patna Smart City Mission

(₹ in crore)

Source of Funds	Original Allotment	Revised Allotment	Actual Receipt
Smart City Project Funds (to be equally shared between Central and State Government)	930.00	930.00 **(Excluding A&OE amount)**	382.50
Funds from Convergence	982.31	0.00	-
Funds from CSR & other resources	63.48	-	-
Funds from PPP	800.37	-	-
Total Mission funds	**2,776.16**	**930.00**	**382.50**

[20] *M/s VRG Energy experts Pvt Ltd, M/s Greensol Renewable Power Pvt Ltd, M/s Solex Energy Ltd, M/s Mittal Machines Ltd, M/s Larsen & Toubro Ltd and M/s Expression Buildtech Pvt Ltd.*

[21] *A mechanism, which allows users who generate their own electricity, using solar panels to export their surplus energy back to the grid.*

Source of Funds	Original Allotment	Revised Allotment	Actual Receipt
Home Department, GoB	-	-	**49.36**
Interest earned on unutilised mission funds	-	-	**24.02**
Total available funds			**455.88**

(Source: Information furnished by PSCL)

Against the available funds of ₹ 455.88 crore[22], PSCL had spent only ₹ 132.51 crore (29 *per cent*) till August 2022, as detailed in **Appendix 8.4**. The poor financial progress was attributable to frequent changes in SCPs; changes in the scope of works, after award of works and during execution; award of works without availability of land; and failure of PSCL to obtain NOCs from the concerned Departments.

8.1.9.1 Inflated utilization of funds

Para 12.3 of the Smart Cities Mission guidelines stated that yearly installments of funds would be released to the SPVs, after satisfactory physical and financial progress, as shown in the Utilisation Certificates (UCs). It was observed that PSCL had submitted UCs to UD&HD (up to August 2022), showing expenditure of ₹ 272.30 crore, whereas the total expenditure, incurred by PSCL, on various projects, for the same period, was only ₹ 158.35 crore (₹ 132.51 crore on projects and ₹ 25.84 crore on A&OE). Thus, there was a difference of ₹ 113.95 crore, between the actual expenditure and the UCs submitted to the Department. Since the UCs submitted by PSCL did not have details of the project-wise utilisation of funds, Audit could not analyse the reasons for submission of UCs that showed excess utilisation of funds, well in excess of the expenditure actually incurred.

The Management, while accepting the observation, stated (March 2023) that the unutilized funds would be utilized, as and when the pending invoices for the running projects got approved and would be reflected in the coming UCs.

8.1.9.2 Diversion of funds on project relating to Madhubani paintings

PSCL invited (December 2018) a tender, for the project relating to Madhubani Paintings, in Patna city. The scope of work under the project was a cleanliness drive under which the major garbage vulnerable points consisting of main corners and crossings of the city were to be targeted and redeveloped to give aesthetic facelift. The work was awarded to different agencies for its execution. PSCL, in its 10th Board of Directors (BoD) meeting (August 2019), reviewed the project and noted that it was outside the scope of the Smart Cities Mission's Guidelines and had been taken up without taking approval of the Ministry of Housing and Urban Affairs (MOHUA), GoI/ Urban Development and Housing

[22] *₹ 382.50 crore + ₹ 49.36 crore + ₹ 24.02 crore.*

Department, GoB and therefore, stayed the execution of the project. PSCL made (up to March 2020) a total payment of ₹ 12.36 crore, to the executing agencies, for the works executed by them.

Images of paintings, at the boundary walls of Patna Old Museum and office of the Patna Municipal Corporation, Patna, taken during this JPV, are shown in ***Images 1 and 2***.

Image 1: Madhubani painting work carried out at the boundary wall of the Patna Old Museum, Patna (November 2023).

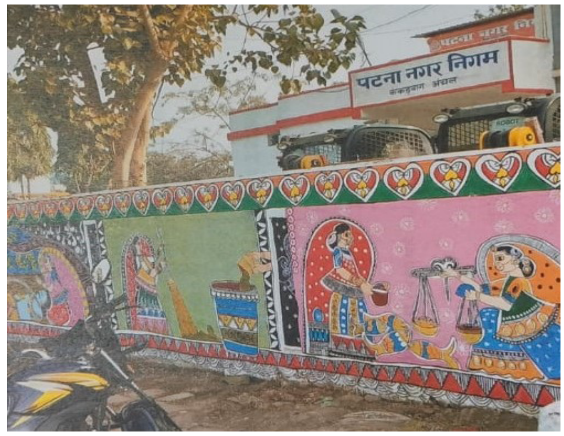

Image 2: Madhubani painting work carried out at the boundary wall of office of the Municipal Corporation, Patna (November 2023).

Executing a project, which was beyond the scope of the Smart Cities Mission's Guidelines, had resulted in irregular expenditure, as well as diversion of Mission funds, amounting to ₹ 12.36 crore.

The Management stated (March 2023) that Madhubani paintings had been completed by the respective agencies/painters. The BoD, in its 10th meeting, had stayed the proposal regarding the operation and maintenance of Madhubani paintings.

The reply of the Management was incorrect, as BoD, in their meeting had stayed the execution of the project, on it been found to be beyond the scope of the Scheme guidelines.

8.1.10 Monitoring

As per the Smart Cities Mission guidelines, each Smart City's SPV was to be headed by a full-time Chief Executive Officer (CEO). The CEO was to be appointed with the approval of the UD&HD, for a fixed term of three years. For monitoring of progress, a review meeting was to be held on every Monday, Wednesday and Friday, under the chairmanship of the Managing Director of the SPV.

Further, PSCL appointed (February 2021) M/s Rodic Consultants Private Limited, as the PDMC, to design, develop, manage and implement its smart city projects, for a period of 15 months. As per the agreement, PDMC was to deploy five key professionals, for consultancy works. The agreement further specified that, except as the "employer" may otherwise agree, no change would be made in the personnel. Replacement of the personnel was to be made only in cases of retirement, death and medical incapacity, and the consultant was required to provide the replacements, with persons of equivalent or better qualification.

Audit observed that:

- a full-time CEO had been appointed only in February 2021.
- though the review meetings had been conducted, minutes of these meetings had not been maintained by PSCL.
- the post of Contract Manager-cum-procurement expert had remained vacant, since appointment of the PDMC (March 2021).The Posts of Architect-cum-Urban planner, Construction manager and Information and Communication Technology (ICT) expert, had remained vacant since April 2021, June 2021 and January 2022, respectively, as of September 2022.
- the qualifications of the replacement, proposed by the PDMC, in case of the ICT expert, were lesser than the qualifications specified in the RFP. The qualifications of the ICT expert, proposed by the PDMC, from time to time, did not match with the qualifications laid down in the RFP and persons with lesser qualifications had been employed.

Thus, in violation of the scheme guidelines, the CEO had been appointed after a delay of more than three years. Further, in the absence of any minutes of the review meetings, proper monitoring of project could not be ensured. Besides, the key post of PDMC remained vacant for a long period of time and less qualified persons were employed against the posts of ICT expert.

The Management stated (March 2023) that PSCL had served (February 2022) notice of suspension to M/s Rodic Consultants, who had subsequently deployed additional staff and had smoothened out many projects and considering the improvement in performance, PSCL had revoked (May 2022) the suspension.

The Management did not, however, furnish any reply regarding the delayed appointment of the CEO. Further, absence of proper monitoring, on the part of PSCL, and non-deployment of personnel, for a long period, by the firm, would have affected the pace of execution of the projects. From the reply of the Management, it is evident that the PDMC had failed to discharge its duties, which had resulted in its suspension by PSCL.

South Bihar Power Distribution Company Limited and North Bihar Power Distribution Company Limited

8.2 Payment of additional charge for deviation

Due to failure to forecast and limit the drawl of electricity as prescribed under CERC Regulations 2014, the Distribution Companies incurred additional charge of ₹ 181.13 crore, for deviation.

The Central Electricity Regulatory Commission (Deviation Settlement Mechanism and Related Matters) Regulations, 2014, were issued (January 2014) with the objective of maintaining grid discipline and grid security, through a commercial mechanism.

Regulation 7(1) *inter alia* stipulates that over-drawals/under-drawals of electricity, by any buyer, during a time block[23], should not exceed 12 *per cent* of its scheduled drawal or 150 MW, whichever is lower, when the grid frequency is 49.85 Hz and above and below 50.05 Hz[24]. Further, Regulation 7 (3) stipulates that additional charges, for deviation from the prescribed limit, are to be applicable for over-drawal of electricity, for each time block, in excess of the volume limit specified, at the rates specified.

Further, CERC amended[25] Clause (10) of Regulation 7 of the Principal Regulation, which *inter alia* stipulates that "In the event of sustained deviation from schedule in one direction (positive[26] or negative[27]) for 12 time blocks, by any regional entity (buyer or seller), would attract an additional charge of 10 *per cent* of the time block up to March 2020, Deviation Settlement Mechanism (DSM) charge[28] payable or receivable as the case may be". From April 2020 onwards, the Clause stated that, sustained deviation from the schedule, in one direction (positive or negative), for six time blocks, by any regional entity (buyer or seller), would attract an additional charge, ranging from three *per cent* to 10 *per cent* of the time block, as specified in Clause 4.5(b) of the said amendment.

The Bihar Electricity Regulatory Commission (BERC) had issued (August 2018) BERC-Multi Year Distribution Tariff Regulations, 2018, which specified {Regulation 20.2(4)} that the incremental cost of power purchase, due to deviation in respect of power purchase, at a higher rate, would be allowed, only if it was justified, to the satisfaction of the Commission. Further, Regulation

23 *A time block is equal to 15 minutes.*
24 *As per CERC (DSM & RM) (Fourth Amendment) Regulations, 2018 (with effect from 01 January 2019).*
25 *Fifth amendment dated 28 May 2019, with effect from 03 June 2019.*
26 *Over-drawal of electricity against the schedule drawal.*
27 *Under-drawal of electricity against the schedule drawal.*
28 *DSM charge is a charge imposed on both buyer/seller or generator/distribution licensee, to maintain the grid balance/mechanism.*

20.2(5) specifies that any cost increase in power procurement, by the licensee, by way of penalty, would not be allowed.

Scrutiny of records (December 2022) of DISCOMs[29] revealed that:

- The State Load Despatch Centre, in consultation with the DISCOMs and the Eastern Region Load Despatch Centre, prepares a drawal schedule, on day ahead management basis, incorporating all the sources of power, *viz*. Central Sector allocations, long-term, mid-term and short-term Power Purchase Agreements, bilateral and collective transactions *etc*., for drawal of energy. Therefore, to avoid payment of any penal charges, drawal of power was to be regulated in a manner that would ensure that the deviation between the scheduled and actual drawal of energy remained within the permissible limit. However, the DISCOMs failed to forecast the drawal of energy and deviated from the scheduled drawal of electricity, beyond the permissible limits, continuously, during the period from April 2019 to March 2022, resulting in payment of Additional Deviation Charges (Volume)[30] of ₹ 105.22 crore (₹ 32.08[31] crore in FY 2019-20, ₹ 33.56 crore[32] in FY 2020-21 and ₹ 39.58 crore[33] in FY 2021-22), by DISCOMs.

  Besides, the DISCOMs frequently failed to change the sign of drawal[34] from positive to negative or *vice versa*, as per the limits prescribed under the regulation, during the period from April 2019 to March 2022, thereby incurring Additional Deviation Charges (Sign)[35] of ₹ 75.91 crore (₹ 5.23 crore[36] in FY 2019-20, ₹ 21.63 crore[37] in FY 2020-21 and ₹ 49.05 crore[38] in FY 2021-22).

- BERC had disallowed Additional Deviation Charges (Volume) and Additional Deviation Charges (Sign), amounting to ₹ 92.50 crore, for the

[29] *North Bihar Power Distribution Company Limited and South Bihar Power Distribution Company Limited.*

[30] *Additional Deviation Charge (Volume) is a charge imposed on buyer for under-drawal/ over-drawal of electricity beyond the permissible limits.*

[31] *SBPDCL: 55.50 per cent of ₹ 32.08 crore i.e. ₹ 17.80 crore; NBPDCL: 44.50 per cent of ₹ 32.08 crore i.e. ₹ 14.28 crore.*

[32] *SBPDCL: 54.99 per cent of ₹ 33.56 crore i.e. ₹ 18.45 crore; NBPDCL: 45.01 per cent of ₹ 33.56 crore i.e. ₹ 15.11 crore.*

[33] *SBPDCL: 54.00 per cent of ₹ 39.58 crore i.e. ₹ 21.37 crore; NBPDCL: 46.00 per cent of ₹ 39.58 crore i.e. ₹ 18.21 crore.*

[34] *The term "sign of drawal" signifies the direction of drawal of electricity i.e. over-drawal (positive) or under-drawal (negative).*

[35] *Additional Deviation Charge (Sign) is a charge imposed on buyer for not changing the direction of drawal of electricity from positive to negative or vice versa, in the specified time block, as mentioned in the regulation.*

[36] *SBPDCL: 55.50 per cent of ₹ 5.23 crore i.e. ₹ 2.90 crore; NBPDCL: 44.50 per cent of ₹ 5.23 crore i.e. ₹ 2.33 crore.*

[37] *SBPDCL: 54.99 per cent of ₹ 21.63 crore i.e. ₹ 11.89 crore; NBPDCL: 45.01 per cent of ₹ 21.63 crore i.e. ₹ 9.74 crore.*

[38] *SBPDCL: 54.00 per cent of ₹ 49.05 crore i.e. ₹ 26.49 crore; NBPDCL: 46.00 per cent of ₹ 49.05 crore i.e. ₹ 22.56 crore.*

financial years 2019-20 and 2020-21, as these charges had been levied due to over-drawal of power beyond the specified limit and sign change violation, as per CERC (Deviation Settlement Mechanism and Related Matters) Regulations.

- Additional Deviation Charges (volume and sign), amounting to ₹ 88.63 crore, incurred by the DISCOMs, for the financial year 2021-22, were yet to be considered by BERC.

Thus, due to the failure of the DISCOMs to forecast the electricity demand and limit the drawal of electricity within the limits prescribed under the CERC Regulations, 2014 (fifth amendment), they incurred additional charges for deviation of ₹ 181.13 crore (Volume: ₹ 105.22 crore and Sign: ₹ 75.91 crore).

The Energy Department stated (July 2022) that, while assessing the forecasted demand, the expected behaviour of all the consumers, power availability, system/ network availability, forecasted weather for entire state, expected drawal by Nepal *etc*., had been taken into consideration. However, the input parameters were liable to change, due to various reasons like different consumer behaviour, change in power/system/network availability, mismatch in forecasted weather conditions and its subsequent impact *etc*.

The reply of the Department was not acceptable, as the DISCOMs had incurred additional deviation charges, even after taking into consideration all the above mentioned factors, while forecasting the demand. Further, BERC had stated (tariff orders for FYs 2019-20 to 2020-21) that under-drawal/ over-drawal should be strictly within the specified limits, to avoid any additional deviation charges.

Bihar State Power Transmission Company Limited

8.3 Loss of Grant

The Company suffered loss of grant of ₹ 97.54 crore, due to non-adherence to the Power System Development Fund guidelines.

The Ministry of Power (MoP), Government of India, asked (03 October 2016), the Energy Departments of all States/UTs, to set up Reliable Communication Systems[39], for sub-stations, in line with the scheme prepared by the Power Grid Corporation of India Limited (PGCIL). The Detailed Project Reports (DPRs) for Reliable Communication System were to be prepared and processed, as per the Power System Development Fund (PSDF) guidelines, issue (September 2014) by MoP and submitted to the Nodal Agency (National Load Despatch Centre).

[39] *Reliable Communication System is a wideband communication system, for catering to the data & voice requirements for Grid Management, Natural Disaster Management, and new technological requirements.*

The scheme was to be taken up by States, with PSDF support of 30 *per cent* and the balance 70 *per cent* being contributed by the States, from their own resources, for their respective regions. However, Reliable Communication System falls under category 5.1 (c) of the PSDF guidelines, in which the funding pattern {Para 6.3(ii)} stipulates that the quantum of grant towards the project cost estimate was to be 90 *per cent* of the project cost, subject to the availability of funds in the PSDF. Guidelines for the submission of DPRs stipulated that placement of Letters of Award (LoA) should be made only after approval of the scheme.

The scheme was communicated (25 October 2016) to the Bihar State Power Transmission Company Limited (Company), by the Energy Department, Government of Bihar (GoB).

Scrutiny of records (August 2021 and December 2022) revealed that the Company had prepared (May 2018) a DPR, estimating ₹ 195.07 crore for the Reliable Communication and Data acquisition system, for sub-stations up to 132 KV. The proposal was sent (May 2018) to the Energy Department, GoB, suggesting 20 *per cent* funding by the GoB, in the form of equity, and 80 *per cent* funding through loans from financial institutions, on the guarantee of the State Government. The proposal was approved (11 July 2018) by GoB.

After approval of the above proposal, the Company initiated (13 July 2018) a fresh proposal, for availing 50 *per cent*[40] grant, i.e. ₹ 97.54 crore, from PSDF. The Company sent (September 2018) this proposal to the Nodal Agency, for its approval and grant of funds.

Meanwhile, the Company invited (August 2018) tender and awarded (January 2019) the work, at a cost of ₹ 124.75 crore (₹ 85.06 crore for supplies and ₹ 39.69 crore for services) as per the project approved by the State Government. As on 31 March 2023, the Company had incurred total expenditure of ₹ 103.09 crore[41]. Further, the Company had also suffered loss of interest, amounting to ₹ 16.56 crore[42], on the availed loan of ₹ 82.47 crore (during June 2019 to March 2023).

In this regard, Audit observed that:

- as per the PSDF guidelines, the coverage and funding of the scheme was available under PSDF support. However, based on the proposal of the Company, the scheme was approved by GoB, with a funding pattern of 20 *per cent* in the form of equity and 80 *per cent* through loans from financial

[40] *This quantum of grant had been approved (May 2018) by the PSDF Monitoring Committee, to the Madhya Pradesh Power Transmission Company Limited, Himachal Pradesh State Electricity Board Limited etc.*

[41] *It consists of 20 per cent equity i.e. ₹ 20.62 crore and 80 per cent loan i.e. ₹ 82.47 crore.*

[42] *Rate of interest: 7.40 per cent per annum.*

institutions, in violation of the PSDF guidelines, i.e. without considering the availability of grant for the scheme, under PSDF.

- as per the PSDF guidelines, the PSDF grant could not be given for works that had already been awarded, before approval of the scheme. Though the Company had sent (September 2018) a proposal to the Nodal Agency, for sanction of the scheme and grant of funds, it placed the work order, without awaiting final approval, in violation of the scheme guidelines. Due to this, the Nodal Agency did not find (March 2020) the proposal eligible for grant of funds.

Thus, violation of the PSDF guidelines resulted in loss of grant of ₹ 97.54 crore. Further, non-availing of the grant from PSDF, also resulted in undue burden of interest, amounting to ₹ 16.56 crore, on the loan of ₹ 82.47 crore.

The Management, in its reply, stated (February 2023) that, in the absence of matching 70 *per cent* funding, it relied on the only available financing facility of GoB and sent the DPR for approval. After receiving approval from GoB, the Company requested (October 2018) the PSDF committee for sanctioning the grant and, in anticipation of approval of the grant, the tender for the work was floated. It again requested (January 2019) the PSDF committee for approval of grant, as the tender was in the advanced stage of award. As the status of funding from PSDF was not clear till that time and starting of work was urgently required for smooth functioning of the grids, the matter of award of work was placed before the Board of Directors (BoD) and was approved (January 2019) by the BoD.

The reply of the Management was not acceptable, as only 70 *per cent* of the project cost was required to be borne by GoB initially and the remaining 30 *per cent* was to be made available under PSDF support (October 2016), and this fact had not been brought to the notice of GoB, at any stage, which had led to unnecessary financial burden on the state exchequer. Further, the Company, in violation of the PSDF guidelines, had issued the letter of award before approval of the scheme, which had resulted in denial of grant by the Nodal Agency of PDSF. Moreover, neither the fact that the PSDF grant could not be given for already awarded work, before approval of the scheme[43], nor the circumstances necessitating urgent requirement of the work for the smooth functioning of Grids, were brought to the notice of the BoD, during approval for the placement of order.

[43] *Guidelines for submission of DPRs.*

Bihar State Electronics Development Corporation Limited

8.4 Avoidable expenditure

Irregular finalisation of tender by the Company resulted in avoidable expenditure of ₹ 1.81 crore.

The Bihar State Electronics Development Corporation Limited (Company), a Government of Bihar (GoB) undertaking, is engaged in businesses related to electronics, computer goods and Information Technology (IT) services. The Company caters to the technological needs of the government and carries out IT project conceptualization and implementation for State Government Departments and agencies.

Scrutiny of records (February 2022) of the Company revealed that it had invited (November 2017) tender for selection of System Integrator, for an Integrated Enterprise Resource Planning (ERP) solution for the Company. As per Request for Proposal (RFP), the bidder was to be selected on the basis of Quality and Cost Based Selection (QCBS) Method[44]. After applying the QCBS method, the Company awarded (March 2018), the contract to M/s 3i Infotech Limited, at a cost of ₹ 7.96 crore.

In this connection, Audit observed that:

- As per Clause 7.2.2 (Technical Qualification Criteria for relevant strength) of the RFP, bidders were required to submit a maximum of five work orders issued to them, within last five years from the last date of submission of bid. As the last date of submission of bid was 24 January 2018, work orders issued to the firms up to 25 January 2013, were to be considered for this contract. Audit noticed that M/s 3i Infotech had submitted a work order (Integrated Treasury Management System), pertaining to the United Bank of India, issued on 28 March 2012 (more than five years from the last date of submission of bid). As per the provisions of the RFP, this work order was not to be considered while awarding marks. However, 30 marks (six marks for each project, for a maximum of five projects), instead of 24 marks, were awarded to M/s 3i Infotech.

- As per the QCBS method adopted in the RFP, technical marks awarded to a firm were not to be converted into a technical score of 100. However, in violation of RFP, during technical evaluation, marks (97) awarded to M/s 3i Infotech, were considered as a technical score of 100.

[44] *The technical proposal was to be allotted a weightage of 70 per cent and the financial proposal was to be allotted a weightage of 30 per cent. The proposal with the lowest bid was to be given a financial score of 100 and the other proposals were to be given financial scores that were inversely proportionate to their bid. The total score, both technical and financial, was to be obtained by weighing the quality and cost score and adding them up.*

As a result, 93.18[45] marks and 92.06[46] marks, in total, were awarded to M/s 3i Infotech and M/s CSM Technologies (2nd highest bidder), instead of 86.88 marks and 90.2 marks **(Appendix 8.5)**, which should have been awarded, as per the provisions of the RFP. Had the technical bid of the tender been evaluated properly, the L-2 composite bidder, with a score of 90.2 marks, would have become the L-1 composite bidder, in the composite evaluation of bids. However, violation of the provisions of the RFP resulted in award of contract to M/s 3i Infotech, in place of M/s CSM Technologies[47], at a higher cost of ₹ 1.81 crore (₹ 7.96 crore - ₹ 6.15 crore), besides vitiating the tendering process.

As such, the Company had finalised the tender irregularly, resulting in avoidable expenditure of ₹ 1.81 crore.

The matter was reported to the Company (December 2022); the reply was awaited (as of March 2023).

Bihar State Food and Civil Supplies Corporation Limited

8.5 Blockage of funds due to failure in claiming refund of TDS

The Company's failure in claiming refund of TDS resulted in blockage of funds, amounting to ₹ 6.33 crore.

As per Section 194A of the Income Tax Act, 1961 (Act), interest earned on fixed deposits is subject to deduction of Income tax at source (TDS) by the payee Bank. The payee bank deposits the applicable TDS to the Income Tax Department and furnishes a certificate in this regard, to the assessee organisation, under Section 203 of the Act. The assessee organisation can claim refund of TDS, by filing its Income Tax Return[48].

The Bihar State Food & Civil Supplies Corporation Limited (Company) undertakes the business of purchasing, transporting, storing, stocking and distributing food grains, as an agent of the Government. Scrutiny of records of Company revealed (July 2021 and October 2022) that the Company had not filed its Income Tax Returns (ITRs), from the financial year (FY) 2015-16 onwards. It received notices from the Income Tax Department, under Section 148 of Income Tax Act, 1961, and filed (February 2022-June 2022) ITRs for FYs 2015-16 to 2017-18 (Assessment Years 2016-17 to 2018-19), in response to the notices received, claiming refund of TDS. ITRs for FYs 2018-19 and

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45 *L-1 composite bidder.*

46 *L-2 composite bidder.*

47 *Financial bid value: ₹ 6.15 crore.*

48 *Section 139 (1) of Income Tax Act, 1961, envisages furnishing of return of income during the previous year, in the prescribed form.*

2019-20 were yet to be filed. Further, the ITR for FY 2020-21 was filed on time (March 2022).

The Income Tax Department processed (March 2022) the returns filed for FYs 2015-16 and 2016-17 and issued assessment orders, wherein it stated that the genuineness of the income offered for taxation and expenses claimed, cannot be verified. Thereafter, the Company filed (April 2022) an appeal against the above assessment orders.

Audit noticed that, as per the annual accounts approved by the Board, the Company had registered net loss[49], during the FYs from 2016-17 to 2019-20. The Company's reserves and surplus had also decreased from (-) ₹ 752.75 crore in FY 2016-17 to (-) ₹ 946.70 crore in FY 2019-20, due to losses incurred during this period. Audit further noticed that an amount of ₹ 6.33 crore[50] had been deducted by the concerned banks, on the interest of Fixed Deposits/ other funds and bills, for the period from FY 2015-16 to FY 2019-20, as TDS, and had been deposited with the Income Tax Department.

Audit observed that the Company had been continuously incurring losses, for the period from FY 2016-17 to FY 2019-20, therefore, had 'nil' tax liability. In case of 'nil' tax liability, the Income Tax Department could have refunded the amount of TDS, on submission of claim for refund, through filing of ITR. However, the Company had not filed/ filed (October 2022) its ITRs with delay, for the aforementioned years, although this was required under Section 139(1) of the Act.

The Management, in its reply, stated (May 2022) that: (i) the ITRs could not be filed due to delayed finalisation of accounts (ii) the Company had received notice, under Section 148, by the Income Tax Department and ITRs for FYs 2015-16 to 2017-18 (AYs 2016-17 to 2018-19), had been filed, in response to the notice, wherein refund of TDS had been claimed (iii) ITRs for FYs 2018-19 and 2019-20 (AYs 2019-20 and 2020-21) would be filed once notice under Section 148 of the Act was received (iv) the amount of TDS, in question, was subject to refund and (v) the Company had been pursuing the matter for early settlement and refund of TDS, for the above years in question.

The reply of the Management was not acceptable, as it was the responsibility of the Management to strengthen its internal control system; to finalise the annual accounts, within the stipulated time; and to ensure timely filing of

[49] *2016-17: ₹ 249.10 crore, 2017-18: ₹ 106.26 crore, 2018-19: ₹ 33.63 crore and 2019-20: ₹ 54.05 crore.*

[50] *Financial Year 2015-16: ₹ 1.14 crore, 2016-17: ₹ 1.80 crore, 2017-18: ₹ 1.04 crore, 2018-19: ₹ 1.37 crore and 2019-20: ₹ 0.98 crore.*

ITRs. However, the Company had failed to ensure timely filing of ITRs, which indicated lack of attention to the financial interests of the Company. The ITRs filed for FYs 2015-16 to 2017-18 (AYs 2016-17 to 2018-19) were yet to be finalised by the Income Tax Department. Further, ITRs for remaining periods were yet to be filed (as of October 2022).

Thus, the Company's failure in claiming refund of TDS, in a timely manner, resulted in blockage of funds, amounting to ₹ 6.33 crore.

राज कुमार

Patna — **(RAJ KUMAR)**
The 07 June 2024 — **Principal Accountant General (Audit), Bihar**

Countersigned

New Delhi — **(GIRISH CHANDRA MURMU)**
The 21 June 2024 — **Comptroller and Auditor General of India**