

CHAPTER-III

PERFORMANCE REVIEWS

WATER RESOURCES DEPARTMENT

3.1 FLOOD CONTROL MEASURES

Highlights

Department has not paid adequate attention on expanding the flood protection infrastructure viz. construction of new embankments, construction of all weather roads on embankments and raising/strengthening of existing embankments. The Department has primarily relied on anti-erosion works to protect existing embankments. During the last five years, there has been no increase in flood protected areas and only a fraction of the Tenth Five Year (2002-2007) plan targets have been achieved. Meanwhile the loss due to floods has increased from Rs 1559 crore in 2000-2001 to Rs 2216 crore in 2004-05.*

Curtailment of plan allocations in the State budget on construction of new embankments, raising/strengthening of existing embankments and construction of all weather roads on embankments have resulted in poor achievements against the targets set for 2000-05.

Establishment expenditure in Flood Control Divisions was 60 per cent as against the stipulated 12 per cent.

(Paragraph 3.1.7)

There were instances of avoidable expenditure and infructuous expenditure (Rs 2.52 crore) in three out of 12 divisions test-checked due to delayed execution and works remaining incomplete.

(Paragraph 3.1.11 & 3.1.12)

Introduction

Bihar is one of the worst flood affected States in the country, 73 per cent (68.80 lakh hectares) of the geographical area covering 30 out of 38 districts is flood prone and 10 per cent (9.41 lakh hectare) is perpetually water logged. Destruction of forests for reclaiming areas for occupation in the catchments and upper reaches of the perennial rivers¹ of the State, heavy intensity of rainfall during monsoon and rise in river-bed-levels due to deposition of silt are some of the main reasons of floods. The Water Resources Department (WRD) of the State Government is implementing long and short term schemes for mitigating flood hazards which affect over two crore population of the State.

* Anti-erosion works include construction of spurs, studs, boulder pitching etc.
¹ Ganga, Ghaghra, Gandak, Kosi, Bagmati, Kamla-Balan etc.

3.1.2 Organizational set up

The Commissioner-cum-Secretary, WRD has overall responsibility for flood control measures in the State. He is assisted by Engineer-in-Chief (North), Superintending Engineer for Flood Control Planning and Monitoring Circle (FCPM) at the Secretariat level and eight Zonal Chief Engineers, 19 Superintending Engineers and 48 Executive Engineers in the field formations.

Besides, the Department has three² Technical Advisory Committees (TAC) all headed by Engineer-in-Chief (Flood zone) and Scheme Review Committee (SRC) to provide assistance regarding technical and financial aspects for finalisation of anti-erosion works to be executed every year. Bihar State Flood Control Board (BSFCB) headed by the Chief Minister is responsible for formulating policy, overseeing and monitoring of the planning and implementation of flood control measures. Ganga Flood Control Commission (GFCC), a Government of India (GOI) organisation is entrusted with monitoring of the Centrally Sponsored Schemes in the State.

3.1.3 Audit objectives

The specific audit objectives were to assess:

- planning and physical progress of implementation of flood protection schemes, both State and Centrally Sponsored, with reference to budgetary allocation and the Tenth Five Year Plan;
- whether flood protection works have been executed efficiently and effectively and
- the impact of flood protection works in minimising the damage to life and property.

3.1.4 Audit Criteria

- Departmental norms for execution of works, quality assurance and creation of Divisions.
- Budget estimates and expenditure reports.
- Examination of measurement books and works related records.
- Comparative analysis of Tenth Five Year plan and departmental targets with achievements.

3.1.5 Audit coverage and methodology

Records of Engineer-in-Chief (North) and Superintending Engineer, Flood Control Cell Planning and Monitoring in Secretariat, five Chief Engineers³ (out of eight), five Superintending Engineers⁴ (out of 19) and 12 Divisional

² *Gandak High Level Committee (GHLC) for recommending Flood Control Measures (FCM) to be executed on Gandak river, Kosi High Level Committee (KHLC) for the same in Kosi river and for remaining rivers Technical Advisory Committee*

³ *Muzaffarpur, Patna, Purnea, Samastipur and Siwan.*

⁴ *Birpur, Katihar, Muzaffarpur, (D & I) Padrauna and Patna.*

Offices⁵ (out of 48) along with their Circle Offices in districts for the period 2000-2005 were test-checked between August 2003 and March 2004 and April 2005 to June 2005.

The selection of auditee units for test check were made after taking into account expenditure incurred and incidence of flood in the areas covered by them.

Exit conference was held with Secretary, WRD in September 2005 and the views of the Department have been considered while finalising the review.

Audit findings

3.1.6 Under State plan for combating floods on a long term basis, the WRD had three dam projects⁶ for construction of reservoirs in the upper reaches of these rivers and their tributaries. But the Department did not take up any project during 2000-05. Primarily, anti-erosion works to protect existing embankments from floods were taken up. During the period 2000-05, 1439 anti-erosion works valuing Rs 321.26 crore were executed whereas only Rs 31.73 crore was spent on raising/strengthening of existing embankments, construction of all weather roads on embankments and Rs 8.73 crore on drainage works.

3.1.7 Financial management

The Budget provision and expenditure under plan and non plan head on the establishment and schemes of the Department during 2000-2005 were as under:

(Rupees in crore)

Year	Budget Provision			Expenditure		
	Works	Establishment	Grand Total	Works	Establishment	Grand Total
2000-01	78.46	60.53	138.99	73.89	57.75	131.64
2001-02	79.98	57.83	137.81	77.87	55.70	133.57
2002-03	97.92	58.22	156.14	96.1	56.24	152.34
2003-04	77.15	59.83	136.98	76.09	57.13	133.22
2004-05	110.2	59.65	169.85	110.16	49.07	159.23
Total	443.71#	296.06	739.77	434.11*	275.89	710.00

(Source :- Information furnished by the Water Resources Department)

Out of which Central grant was Rs 88.23 crore

* Out of which Central grant was Rs 86.69 crore

Excess expenditure on establishment

As per norms (Bihar Public Works Department Code), expenditure on establishment should be 12 per cent of works expenditure (Rs 52.09 crore) whereas it was about five times above the norms (Rs 275.89 crore). Department in their reply (May 2005) stated that establishment cost is proposed to be reduced by an amount of one third in the near future.

⁵ Begusarai, H.W. Division Birpur, Dalsinghsarai, Katihar, Karhagola, Western Enbankment Division Kunauli camp at Birpur, Padrauna FCD-1, Padrauna FCD-3, Lalganj (F &D Division), Motihari (Champaran Division), Digha and Ara.

⁶ Sapt Kosi High Dam Multipurpose Project, Barahshetra (Nepal), Bagmati Multipurpose Project, Noonshore and Kamla Multipurpose Project, Tetaria, Chisaperai.

During 2000-2005, plan outlay and budget provision on different short term measures were as under:

(Rupees in crore)

Sl. No.	Scheme	2000-2005				Percentage allotment to outlay
		Plan outlay 2000-05	Budget provision	Expenditure	Saving	
1	On going embankment	14.76	1.50	1.50	NIL	10
2	Raising/strengthening of embankments	83.63	20.51	20.51	NIL	25
3	Anti-erosion works	245.53	326.75	321.26	5.49	133
4	Drainage works	77.25	10.13	8.73	1.40	13
5	All weather road on embankments	83.02	9.86	9.72	0.14	14
	Total	504.19	368.75	361.72	7.03	

Allocative priorities to anti-erosion works

The funds provided for anti-erosion works was 133 per cent of the proposed plan outlay. Thus, curtailment of plan outlay in the budget of the Department in respect of flood protection measures other than anti-erosion works resulted in marginal achievement of target fixed by the Department and the Tenth Five Year Plan, as shown below:

Embankments schemes	Status as on March 2000	2000-01 to 2004-05		Target as proposed under 10th Five Year Plan (2002-07) (In km)
		Target for addition	Status as on March 2005	
Completed scheme	2873.37 km	Nil	2873.37 Km	
On-Going scheme	557.10 km	36.00	557.10 Km	
Total length of embankments	3430.47 km	36.00	3430.47 Km	1880
Raising/Strengthening of embankments	Nil	580 Km	123 Km	3082
Drainage works	1.50 lakh hectare	0.61 lakh hectare	0.15 lakh hectare	4.591 lakh hectare
All weather roads on embankments	Nil	590.85	64.15	3300

The Department replied (May 2005) that due to financial constraints, available funds were mainly utilised for the protection of existing embankments and flood fighting⁷ works. The Department again stated (October 2005) that anti-erosion works have their own importance in a flood ravaged State of Bihar. It saves the lives and properties of the affected areas and due to its emergent nature; it is given priority over other schemes. The fact remains that during the last decade there has been no increase in flood protected area of 29.16 lakh hectares. The flood protected area covers only 42 per cent of the flood prone area (68.80 lakh hectare). Keeping in view the fact that 30 districts of Bihar are flood prone, the flood protected area needs to be increased by making investment in construction of embankments, drainage works and roads on embankments.

Centrally Sponsored Schemes (CSS)

Four Centrally Sponsored Schemes (CSS) were implemented at a cost of Rs 86.69 crore out of which three CSS (Flood Protection Works: Rs 3.88 crore; Maintenance of Flood Protection Works of Kosi: Rs 26.38 crore; and Flood Proofing Scheme: Rs 5.02 crore) valuing Rs 35.28 crore were examined.

⁷ Dumping of sand bags on vulnerable points of embankments during flood.

3.1.8 Flood Protection Works

Inadequate utilisation of Central funds

Under Centrally sponsored schemes, raising/strengthening of the existing embankment on four rivers (Lalbakeya, Bagmati, Kamla and Khando) were taken up during 1998-99. However, State Government proposed the scheme on only three rivers . The GOI sanctioned grant of Rs 8.68 crore (October 1999) only for two schemes (Lalbekya and Bagmati) and released Rs 6.30 crore during 2001-03. Against this, only Rs 3.88 crore was utilised and the scheme remained incomplete as of March 2005. The Department replied (May 2005) that the remaining work of Lalbekya embankment will be taken up this year and the proposal for Bagmati embankment was under consideration of GFCC.

Due to lack of initiative, schemes were not sanctioned

Flood protection schemes on Kamla river was not sanctioned by the GOI as of March 2005 though GFCC had submitted its proposal in December 2001. The Department in its reply said (May 2005) that for Kamla embankment, the scheme has been submitted to the GFCC while viability/ necessity of the Khando scheme will be decided after investigation.

Under the scheme of maintenance of flood protection works on Kosi, expenditure initially incurred by the State Government was fully reimbursed by Central Government as grant. Rupees 26.38 crore were spent on completion of 231 anti-erosion works under the scheme taken up during 2000-2005. Against this, only Rs 22.84 crore were reimbursed by GOI which led to extra burden of Rs 3.54 crore on State exchequer. The Department replied (May 2005) that the State Government is pursuing (May 2005) the matter with the Central Government to reimburse the balance amount.

3.1.9 Flood proofing schemes

Platforms constructed in flood prone areas were not as per GOI guidelines

The scheme aims to save lives of people from heavy floods by constructing earthen brick soled platforms 0.6 meter above the flood level. Audit noticed that the platforms constructed were not as per the GOI guidelines and also lacked civic amenities. Besides, out of one hundred flood proofing schemes sanctioned at a cost of Rs. 11.31 crore, due to non-availability of land only 69 schemes were taken up at an estimated cost of Rs 8.82 crore against which expenditure of Rs 5.02 crore was incurred by the State Government during March 1992 to March 2002. No further funds after 2002 were released by the GOI due to non-submission of utilisation certificate.

State Plan Schemes

3.1.10 Anti-erosion works

Every year (after floods, from October) a high level committee headed by Zonal Chief Engineers (CE) has to submit the proposals of anti-erosion works to the Technical Advisory Committee which submits its report to the Scheme Review Committee and finally to State Flood Control Board for approval.

However it was found that only 1542 (45 per cent) of anti-erosion works valued Rs 319.75 crore (12 per cent) of the estimated value during 2002-05

were approved by the SFCB out of the proposals originally submitted by the Zonal Chief Engineers (*Refer Appendix-XXX*).

Anti-erosion works were not arranged in order of priority

There was nothing on record to show that proposals submitted by CE were arranged in order of priority based on survey of vulnerable points.

In their reply the Department stated (October 2005) that anti-erosion works were executed on the basis of techno-economic viability in view of the resources available at the State level. However, no specific prioritisation of anti-erosion works which were to be executed before every flood was found on the records of the Department.

Deficiencies in execution of works

During 2000-05 against provision of Rs 110.50 crore to 12 test checked Divisions for execution of 324 anti-erosion works expenditure of Rs 98.54 crore was incurred out of which 129 anti-erosion works (expenditure Rs 57.74 crore) were test checked. The deficiencies noticed are discussed below:

3.1.11 There was avoidable expenditure of Rs 6.26 crore in three Divisions⁸ due to delay in execution of works. In Champaran Embankment Division (Motihari) failure to execute anti erosion works on the embankment resulted in expenditure of Rs 3.79 crore instead of the original estimate of Rs 74.15 lakh. In Padrauna Division, due to non-approval of raising the height of spur before 2003 floods by SRC the estimated cost of work went up from Rs 31.14 lakh to Rs 2.10 crore. In Lalganj Division during the flood season of 2001 the Bihar State Construction Corporation failed to supply boulders in time and complete the work as per specifications for which it received Rs 1.97 crore. As a result anti-erosion works had to be redone at a cost of Rs 1.35 crore.

3.1.12 Incomplete works

In three Divisions, there was infructuous expenditure of Rs 2.52 crore on four works executed by these Divisions due to works remaining incomplete.

Incomplete scheme

Sl. No.	Name of Division	Name of work and year	Infructuous/wasteful/doubtful expenditure (Rupees in lakh)	Remarks
1	Western Flood Embankment Division, Kunauli	Restoration work of nose apron of spur at 2.25 km of WFE (2001-02)	97.00	The work was left incomplete after spending Rs 40.00 lakh and flood fighting works of Rs 57 lakh was also carried out at the same point during 2001-05.

⁸ Champaran Embankment Division, Motihari, Flood Control Division-I, Padrauna, Flood and Drainage Division, Lalganj

Sl. No.	Name of Division	Name of work and year	Infructuous/wasteful/doubtful expenditure (Rupees in lakh)	Remarks
2	Flood Control Division, Dalsingsarai	Anti-erosion work between 1255 and 2025 metre of left bank of river Ganga (February 2004)	55.51	The work was left incomplete after spending Rs 2.11 crore and flood fighting works of Rs 55.51 lakh were carried out by the Division. Further the incomplete work was included in the next year AE work at a cost of Rs 3.27 crore.
3	Champan Embankment Division, Motihari	Anti-erosion works between 54 miles and 56 miles at Nagdaha of Champan Embankment (April 2001)	29.77	The work was left incomplete.
		Anti-erosion works between 54 miles and 56 miles at Nagdaha of Champan Embankment (April 2004)	56.96	The work was left incomplete because non-acquisition of required land.

In their reply regarding Champan Embankment Division, Motihari the Department stated (October 2005) that the executed anti-erosion work (in 2000-01) was damaged during flood and the payment beyond Rs 29.77 lakh for work done was held up. The Department also clarified that land acquisition involves cumbersome and lengthy procedure. Keeping these factors in view the Department should not have initiated flood protection works in area where formalities for acquisition of land had not been completed.

The Department also stated that due to changes in river courses and unpredictable behavior regarding the intensity and angle of attack on critical points make it necessary to supplement the executed AE works with flood fighting works. The Department failed to reply to the point raised by audit that even after spending substantial amount on AE, the works were left incomplete.

3.1.13 Improper execution of work

Restoration of service road valuing Rs 50 lakh on West Kosi Main Canal (WKMC) embankment from 0 to 4.23 km was allotted by the Head Works Division, Birpur on March 2003, to a contractor who had no valid labour license on the date of finalisation of tender. Further the contractor used sub-standard bricks (compressive strength 70 kg/cm²) worth Rs 15 lakh instead of 100A graded bricks (having compressive strength 100 kg/cm²) and delayed the work for almost one and half years. However, payment of Rs 50 lakh was made (September 2004) to the contractor.

Execution of work without adequate quality assurance

3.1.14 Execution of work without model testing

Fifteen Spurs⁹ costing Rs 16 crore were constructed during 2000-2004 without conducting any investigation and model testing though it was required as per the recommendations of the KHLC (every year) and its project report (November 2001). It was further noticed by audit that two spurs valuing Rs 2.25 crore (constructed by FCD, Karhagola during 2001-02) were damaged during flood 2002 and in restoration work of these two spurs, the Division incurred Rs 2.48 crore before the flood of 2003.

Department replied (May 2005) that in emergencies, model test of spur in span of two months was not possible. The reply is not tenable because as per the working calendar of WRD, the work for next year's flood protection should commence from 16th October and should be completed by 14th June of the following year. Therefore adequate time is available to plan and execute flood protection works.

3.1.15 Stores management

Deficiencies like misappropriation, extra cost in procurement of materials and non-maintenance of records regarding stock noticed in 12 test-checked Divisions were as under:

Non-maintenance of stock records and shortage of materials

Western Flood Embankment (WFE) Division, Kunauli had paid Rs 22 lakh (through proforma bill) to suppliers against the supply of 107 MT Black Annealed Wire during 2001-05. But the Division had no records relating to the receipt and use of these materials in the works executed by the Division.

The Division purchased 19371 m³ boulders (valuing Rs 1.24 crore) between July 2002 and April 2003. However only 17199 M³ boulders were used in 26 anti-erosion and flood fighting works (out of 52 AE/ FF works) executed by the Division during July 2002 to March 2005. As per the records of the Division only 574 m³ boulders was balance in the stock instead of 2172 m³. The shortage of 1598 m³ boulders valuing Rs 10.27 lakh could not be explained by the Division.

3.1.16 Impact analysis

During 2000-2005 expenditure on flood relief was Rs 178.58 crore (ranging from Rs 21.18 crore to Rs 62.71 crore each year) and the extent of total damages caused by flood during 2000-2005 were as under :

<i>(Rupees in crore)</i>			
Year	Affected population (in lakh)	Total damage	Relief paid to public
2000-01	82.41	1558.92	21.44
2001-02	90.91	1005.80	42.26
2002-03	160.18	2813.44	62.71
2003-04	81.61	143.93	21.18
2004-05	212.51	2215.68	30.99
Total	627.62	7737.77	178.58

(Source: Relief and Rehabilitation Department, Government of Bihar)

⁹ Under Flood Control Division, Karhagola: 11, Head Works Division, Birpur: 3 and Eastern Embankment Division, Birpur; 1

Damages from floods increased

The WRD failed to increase the length of its existing embankments and there was marginal achievement on raising/strengthening of embankments (only 123 km) and construction of all weather roads on embankments (only 64.15 km) during 2000-05. Though Rs 710 crore (including establishment) were spent (2000-2005) on maintenance of embankments and anti-erosion works, incidence of floods increased considerably and loss due to floods had been increasing progressively from Rs 1559 crore in 2000-2001 to Rs 2216 crore in 2004-05.

3.1.17 Manpower management

Deployment of excess manpower

As per the norms of the Government (1987) one works Division required six Engineers and 67 others staff (including Junior Engineers) for maintenance of 720 Km of embankment and five Divisions was to be supervised by one circle office.

In the State total length of embankments is only 3430 Km (up to 2004-2005). For maintenance of these embankments only five Divisions and one circle office was required as per norms. Against this 48 Divisions and 19 circle offices were being operated. This resulted in excess deployment of 330 Engineers and 342 subordinate staff involving payment of Rs 223.80 crore on their pay and allowances during 2000-05.

The Department replied (May 2005), that a proposal to abolish three Divisions and reducing the total number of staff including Engineers to 46 in each Division has been sent for the consent of the Finance Department.

3.1.18 Monitoring

The monitoring circle headed by a Superintending Engineer under Engineer-in-Chief was responsible for co-ordination and monitoring of schemes with the assistance of four Executive Engineers and five Assistant Engineers. BSFCB and GFCC were also entrusted to monitor implementation of Centrally sponsored schemes. Though the Department has an established mechanism for monitoring, execution of work without model testing, delay in execution of work and use of substandard material could not be avoided indicating lack of monitoring control.

3.1.19 Conclusions

The WRD mainly executed anti-erosion works and the plan allocations in the State budget on construction of new embankments, raising/strengthening of existing embankments and construction of all weather roads on embankments were curtailed which resulted in only marginal achievement of targets set for 2000-05 in respect of Raising and strengthening of embankments, Drainage works and embankments. The physical progress in the implementation of short term measures like strengthening of embankments and drainage has been far below the target fixed by the Department and Tenth Five Year plan. The impact of flood protection works on containing the damage to life and property was not felt as a sizable population continued to be affected by floods

and the incidence of damage to the property was also on the rise during the period 2000-05.

Recommendations

- Due to heavy reliance on anti-erosion schemes to protect the existing embankments, the flood control infrastructure viz. construction of embankments and platforms, drainage schemes have not been adequately funded during 2000-2005.
- The Department needs to prioritise anti-erosion works to ensure that critical works required to protect embankments do not get left out.
- Execution of works should be completed within the working season (October to June).
- The Department should rationalise its manpower as per norms.

The matter was referred to Government (July 2005); their reply (October 2005) has been suitably incorporated.

FOOD, CIVIL SUPPLY AND COMMERCE DEPARTMENT

3.2 IMPLEMENTATION OF THE ACTS AND RULES RELATING TO CONSUMER PROTECTION

Highlights

The Consumer Protection Act, 1986 provides for establishment of separate three-tier quasi-judicial consumer dispute redressal machinery at the National, State and district level with a fixed monetary limit for disposing cases. Vacancies in the posts of Members, absence of adequate infrastructure, insufficient funding and shortage of staff hampered the functioning of the State Commission as well as the District Forums. Computers, fax machines, library books were not provided to all the forums. Weak enforcement mechanism due to dependence on district officials for execution of warrants contributed to non-realisation of intended objectives.

District Forums were set up after delays ranging from 10 months to six years. District Forum at Arwal was not set up as of August 2005. Additional circuit benches have not been created.

(Paragraph 3.2.8)

There were shortage of equipment viz. fax machine, photocopiers, type writer etc. in the consumer courts. There was shortage of staff and lack of library facilities.

(Paragraph 3.2.9 and 3.2.10)

As of June 2005, 3036 complaint cases in the State Commission and 12563 cases in the District Forums were pending for disposal. The enforcement machinery was weak as the SC and the DFs were dependent on the district authorities for implementing their orders.

(Paragraph 3.2.11)

Consumer awareness programme was not implemented adequately. District Information Centres were not set up and no NGO was involved in awareness and empowerment of consumers.

(Paragraph 3.2.13)

Introduction

The Consumer Protection Act, 1986 (Act) came into force with effect from 01 July 1987 throughout the country except the State of Jammu and Kashmir, and is intended to provide simple, speedy and inexpensive redressal to the consumers' grievances (in relation to goods purchased and services availed). It gives the consumer an additional remedy besides those that may be available under other existing laws. The Act provides for establishment of separate three-tier quasi-judicial consumer dispute redressal machinery at the National, State and District levels. Unlike the existing laws, which are punitive or preventive in nature, the provisions of this Act are compensatory. The Act was amended in 2002 to facilitate quicker disposal of the complaints.

In Bihar, the Consumer Affairs, Food and Civil Supplies Department is responsible for promoting consumer awareness and empowerment of consumers and the consumer organizations.

3.2.2 Objectives of the Consumer Protection Act

The objectives are:

- to protect interests of the consumers in all respects;
- to secure speedy and inexpensive redressal of consumer grievances;
- to ensure protection of consumer rights against marketing of goods and services injurious to life and property to the consumers, providing information about the quality, quantity, potency, purity, standards and price of goods and services;
- to enhance the powers of the redressal machinery;
- to spread awareness among the consumers about their rights;
- to empower consumers and consumer organizations to file complaints in the consumer courts and
- to strengthen voluntary consumer movement, particularly in rural areas.

3.2.3 Organisational set-up

The Act is implemented through the Department of Consumer Affairs under the Ministry of Consumer Affairs, Food and Public Distribution at GOI level by establishing National Consumer Disputes Redressal Commission (National Commission) at New Delhi.

The Secretary, Bihar State Food, Civil Supply and Commerce Department assisted by the Director are responsible for administration of the Act in the State. The State Government has established the State Commission at Patna and 37 district forums at district level.

The State Commission is under the control of National Commission, New Delhi, for implementation of the Act and Rules. The State Commission and the district forums consist of President & two members each besides ministerial staff.

3.2.4 Scope of Audit

The implementation of the Act during 2000-05 was reviewed through test check of records in the Directorate office of Bihar State Food Civil Supply and Commerce Department, the State Commission and nine district consumer forums¹ out of 37 between June 2005 and August 2005.

M/s ORG- MARG was commissioned to survey and assess the awareness of the consumers and other stake holders like manufacturers / service providers, non government organisation (NGOs), appropriate laboratories and also to assess the impact of implementation of the Consumer Protection Act. The survey was conducted between July and September 2005. The nine test-checked districts selected for audit were also covered in the survey. In the

¹ *Aurangabad, Banka, Madhubani, Katihar, Patna, Rohtas, Saharsa, Saran, and Sitamarhi*

survey 2582 consumers, 234 complainants, 10 manufacturers/ service providers, two NGOs and one laboratory were interviewed. The State Government was informed (August 2005) of the engagement of the ORG-MARG for the survey. The executive summary of the survey is annexed to the review (*Refer : Appendix-XXXI*). An entry conference was held on June 2005 with the Director, Consumer Protection and the Secretary, Food and Civil Supply and Commerce Department. Exit conference was held with the Secretary, Food, Civil Supply and Commerce Department in October, 2005. The views of the Department have been considered while finalising the review.

3.2.5 Audit objectives

The main objectives of the review of implementation of the Acts relating to Consumer Protection were to examine whether:

- there was any delay in setting up of DFs;
- policy had been formulated and rules notified;
- adequate infrastructure had been provided;
- enforcement mechanism for administering the allied Acts for consumer protection were effective;
- the Consumer Protection Councils (CPC) at district and State level were operational;
- there was uniform plan for staffing and funding;
- appropriate laboratory had been notified and was being utilised for the purpose of testing of products ;
- awareness programmes through setting up of Consumer Protection Council, State Consumer Welfare Fund, District Consumer Information Centre and Consumer Voluntary Organisation were carried out in the State.

3.2.6 Audit criteria

The audit criteria to arrive at the audit findings and conclusions with reference to audit objective were:

- Assessing the functioning of State Commission, District forums, Department of Consumer Affairs and the Consumer Protection Councils with reference to adherence to the provisions of the Acts and Rules relating to consumer protection;
- Examining the availability of infrastructure, adequacy of staffing and funded with reference to the relevant Rules, norms and orders issued by the Government and the State commission.

Audit findings

3.2.7 Budget and expenditure

Budget provided by the State Government and expenditure incurred therefrom during last five years (2000-05) for the State Commission and all the district forums was as under:

Year	Budget Provision	Expenditure	(Rupees in crore)	
			Saving	Percent
2000-01	3.37	2.51	0.86	26
2001-02	2.64	2.24	0.40	15
2002-03	2.91	2.65	0.26	9
2003-04	2.94	2.75	0.19	6
2004-05	3.86	3.38	0.48	12
Total	15.72	13.53	2.19	14

Budget had been prepared on the basis of demands received from SC and DFs. No funds were made available for construction of building during the last five years (2000-05). The provision was mainly for meeting expenditure on salary, rent and minor office expenses etc.

3.2.8 Implementation of the Act

Creation of adjudication mechanism

The Secretary, Bihar State Food, Civil Supply and Commerce Department is responsible for administration of the Act. The State Government has established the SC at Patna and 37 DFs. Though the Act was notified by the State Government in September 1987, DFs were set up after delay ranging from ten months to six years. DF has not been established in Arwal (August 2005) though the district was created in August 2001.

The Director, stated (September 2005) that before obtaining the approval of the Government for setting of DFs, concurrence of different departments is required which causes delay.

Additional benches of the State Commission not set up

The Act provides for creation of additional benches and appointment of additional members in the SC and holding of circuit courts. Circuit benches have not been set up (July 2005).

The Director stated (September 2005) that no proposal to set up additional benches has been received from the State Commission.

Formulation of policy and notification of rules

The State Government had notified Bihar Consumer Protection Rules, 1987 in September 1987 to implement the Act. These rules contained various provisions governing the service conditions of the President/Members of the SC and DFs but rules governing the staff, including their recruitment rules were not framed. As per rule 7(9) of Bihar Consumer Protection Rules, uniform procedure for processing of complaints was drawn up by the SCs in which the disposal of cases was to be effected within 90 days from the date of receipt of notice by opposite party. Cases requiring quality analysis of goods were to be disposed off within 150 days.

3.2.9 Adequacy of Infrastructure

Expenditure of Rs 30.24 lakh on rent in respect of office building at Patna

Infrastructure grant of Rs 4.20 crore (Centre Rs 3.2 crore; State Rs one crore) was provided (1995-97) for construction of 38 buildings and for procurement of office infrastructure respectively. The funds for construction of buildings were provided to Building Construction Department (BCD) and for office infrastructure to the District Magistrates. The combined building of the SC and the DF at Patna, was still under construction (September 2005). The SC and the DF Patna were housed in a rented building. The expenditure in respect of rent of combined office of the SC and DF at Patna during 2000-05 was Rs 30.24 lakh which was nearly the estimated cost Rs 34.44 lakh for construction of own combined office building.

Buildings constructed were sub-standard and incomplete

The Secretary, SC, informed (July 2005) that the buildings constructed were incomplete and also sub-standard.

The SC requested (June 2005) the State Government to send the utilisation certificate of the funds to the Government of India (GOI) so that further grants may be made available as impressed by the National Commission. The Director informed (September 2005) that against grant of Rs 3.20 crore the utilisation certificate for Rs 2.90 crore had already been sent to GOI (August 2005).

Inadequate office infrastructure

Office equipment

For smooth functioning of the SC and DFs, availability of office equipment viz., fax machine, photocopiers, typewriters etc. are necessary and these have to be in proper working order.

- It was seen that SC and DFs lacked furniture including almirah etc. and stationery/articles including essential forms, papers, judgment papers, carbon etc.
- DFs of Katihar, Saharsa and Sitamarhi did not have photostat machine. Therefore, they are facing difficulty in supplying copies of judgments.
- The State Government had not provided funds to the SC or the DFs to purchase books, journals etc. Therefore, there is no library facility in the SC or DFs. Most of the DFs do not have funds to purchase even one monthly magazine relating to the cases of consumer disputes. Thus, the DFs were unaware of the latest judgment of the SC, NC and also of the Apex Court. The SC was also unable to purchase any journal or books for want of funds and the SC was having only those journals which were sent by the publishers as a specimen copy.

3.2.10 Staff

Additional staff not provided

There was shortage of Presidents in four district forums during the year 2003-04. The following table shows the shortage in the category of Members of DFs during 2000-05:

Year	2000-01	2001-02	2002-03	2003-04	2004-05
	In numbers				
Sanctioned Post	76	76	76	76	76
Men-in-position	46	47	56	57	66
Shortage	30	29	20	19	10
Percentage of shortage	39	38	26	25	14

Shortage of staff hampered the functioning of the DFs

The Director stated that as of September 2005 post of one member each was vacant in only two DFs. No follow up action has been taken by the State Government in pursuance of recommendations of Bagla committee (constituted in October 1999).

The table below shows the sanctioned strength and men-in-position in the various cadres in DFs.

Sanctioned Post	<i>District Forums</i>							Total
	Superintendent	P.A	Bench Clerk	Clerk	LDC	Group D	Watch-man	
Sanctioned strength	37	74	37	37	37	111	37	370
Men in Position	Nil	24	20	29	24	89	22	208
Shortage	37	50	17	8	13	22	15	162

Audit noticed that the vital post of office superintendent was vacant in all the District Forums. Against the requirement of 370 officials in the above cadres in DFs, the shortfall was to the extent of 162 officials in district forums. The post of Registrar and Librarian had not been sanctioned by the Government.

The Secretary, SC accepted (July 2005) that there is an acute shortage of manpower both in Class III and Class IV level. This is one of the prime reasons for inadequate functioning of the DFs.

In almost all the DFs, the President and Members are writing orders by their own hand due to lack of stenographer, typist or typewriter and computer. Under these conditions, it was not possible to provide promptly the copy of the orders to the concerned parties. This delayed the process of filing appeals within the mandatory period and ultimately resulted in delay in the disposal of cases.

No rules were framed for appointment/recruitment/training for non judicial staff. The staff both in Class III and IV category was deployed by the local District Magistrate to the DF on request and at any time they were withdrawn without assigning any reason leaving the DF without any manpower.

3.2.11 Functioning of consumer courts

The Act provides for speedy and inexpensive redressal to consumer disputes within a fixed time frame. The consumer disputes cases generally related to Railway, Telecommunication, Insurance, Electricity and Household goods etc. The details of cases filed in the DFs and SC and their disposal during the year 2000-05 were as under:-

State Commission

Year	Opening Balance	Filed	Total	Disposed	Balance	Percentage of disposal
Number of cases						
2000-01 (Jan 01)	2218	1572	3790	527	3263	14
2001-02 (April 02)	3263	848	4111	276	3835	7
2002-03 (March 03)	3835	206	4041	292	3749	7
2003-04 (March 04)	3749	127	3876	1269	2607	33
2004-05 (upto 6/2005)	2607	2547	5154	2118	3036	41

District forums

Year	Opening Balance	Filed	Total	Disposed	Balance	Percentage of disposal
Number of cases						
2000-01 (Jan 01)	13644	3639	17283	3746	13537	22
2001-02 (April 02)	13537	5366	18903	5184	13719	27
2002-03 (March 03)	13719	3170	16889	2886	14003	17
2003-04 (March 04)	14003	4388	18391	5481	12910	30
2004-05 (upto 6/2005)	12910	6509	19419	6856	12563	35

147 cases were transferred to Jharkhand State.

The disposal of cases had improved between 2000-01 and 2004-05 from 14 per cent to 41 per cent in the SC and 22 per cent to 35 per cent in DFs.

In nine test-checked DFs opening balance of cases on April 2000 was 5129 and the number of cases filed during 2000-05 were 8083, out of which only 1042 cases (eight per cent) were disposed off within 90 days, 7139 cases (fifty four per cent) were disposed off after 90 days and the balance 5031 cases (thirty eight per cent) were pending. The number of cases filed and their disposal in the nine test-checked districts during 2000-05 is given in **Appendix-XXXII**.

In the ORG-MARG survey an analysis of time taken at various stages of the cases showed that on an average 1.6 days were spent for registering a case, 19.6 days were taken for serving the notice and first hearing was held after 25.8 days of serving the notice. On an average 12.2 hearings were required to resolve the case. Around 34 per cent of cases were still unresolved even after 18.1 hearings. To resolve a case on an average 20.1 months were spent. In case of unresolved cases the same were pending on an average for the past 26 months.

Results of the ORG-MARG survey further revealed that about 89 per cent of complainants resided in urban areas and 97 per cent were the educated lot and earned a monthly household income of Rs10718. This implied that facilities provided by redressal agencies were availed mostly by residents of urban areas and that too by the middle /upper middle economic strata of the community.

Nearly 65 per cent of the complaints were against services such as communication services (31 per cent), insurance services (18 per cent), banking services (12 per cent) and transportation services (10 per cent).

Executive petitions under the CPA

Consumer Courts have powers of First Class Judicial Magistrate to punish those for not obeying the orders of the court. The District Magistrate (DM) and the Magistrate should proceed to recover the amount through certificate cases as arrears of land revenue. Audit examined the effectiveness of enforcement of judgments in SC. The table below shows the number of cases filed for execution of judgment.

Period	Filed	Disposed	(Cases in number) Pending
2002	4	4	-
2003	51	34	17
2004	56	25	31
2005	18	11	7
Total	129	74	55

The Secretary, SC stated (July 2005) that letters were written to the DMs and the Superintendents of Police (SPs) to take steps for the execution of warrants but no reply was received from these officials. The State Government has not constituted any task force at the State and the district level for execution of non-bailable warrants issued under the provisions of the Act. The Secretary, SC further stated that the attachment orders were sent to the DM for execution but no report with regard to the execution of the order was received. The Director stated (September 2005) that no complaint regarding execution of cases has been received from SC and DFs. Action will be taken after receiving complaints from them.

Results of ORG-MARG survey showed that there were 75 cases where the decree order was passed and compensation was yet to be received. On an average the compensation was due for 4.2 months. For those who received compensation the same was received within an average period of 15.1 months.

Testing of quality

No sample has been sent to Bureau of India standards either by the SC or the DFs

Goods whose quality was disputed was to be sent to the notified laboratory for testing by the SC and DFs. Bureau of Indian Standards, Patna Branch office, Patna is the only laboratory that has been notified by the Government for testing the quality of samples but no sample has been sent to it either by the SC or DFs between 2000 and 2005.

3.2.12 Other Acts relating to protection of consumer interest

Prevention of Food Adulteration Act 1954 (PFA)

Prevention of Food Adulteration Act 1954 (PFA) is administered by the Health Department. The main aim of the Act is to ensure quality of food to the consumers, to protect them from fraud and to encourage fair trade practices in food items and also ensure good manufacturing and hygienic practices in the food industry. Inspection of food articles was not carried out properly due to shortage of staff. Against the sanctioned strength of 66, men-in-position were only 39.

Food samples received from sources like State Food Inspectors/Railways/ Supply Department were examined by concerned District Civil Surgeon offices during the year 2000-01 to 2004-05 as detailed below:

Year	Number of samples examined and reported	Number of sub-standard samples detected
2000	4742	795
2001	4282	645
2002	4189	745
2003	2915	555
2004	2927	437
2005	1185	168
Total	20240	3345

Out of 20240 samples, 3345 samples were found to be sub-standard. The reports of sub-standard samples were sent to be concerned Civil Surgeons for filing prosecution cases. However, the final action taken was not available on the records of the Health Department.

Awareness and empowerment of consumers

3.2.13 Performance of the consumer protection councils

Consumer Protection Councils (CPCs) function in the State to promote and protect the rights of the consumers. CPC was established (2000-01) at the State level but only two meetings had taken place during the last four years (May 2000 to December 2003). A provision was made in the Consumer Protection (Amendment) Act, 2002 which mandates the State to establish District Consumer Redressal Councils at the district level to strengthen consumer movement at the grass root level. However they have not been set up at the district level. Absence of CPCs has led to low level of awareness about the Act.

- Results of the ORG-MARG survey revealed that only 10 per cent of the rural population has heard of the Act. In response to, whether the Government was making any effort in safeguarding the consumer rights, only eight per cent replied positively and the remaining have no idea of it according to the ORG-MARG survey.
- Nearly 44 per cent of the aware consumers at large have come to know about the Act only in the last four years whereas the Act has been in existence for the past 19 years. Overall 66 per cent of the consumers at large gave importance to knowing the CPA but 91 per cent were not aware of consumer rights and 80 per cent still unaware of CPA.
- Majority of complainants came to know about the redressal agencies through electronic media (24 per cent) and print media (45 per cent) and others i.e., friends/ relatives. Overall, only about four per cent were aware of the rights and CPA. Around 25 per cent though aware of any redressal agency did not know the location of the district forum in their respective districts.

State Consumer Welfare Fund

No funds were made available by the State Government for State Consumer Welfare Funds/voluntary organisation/institution/agencies for the purpose of consumer awareness programmes.

District Consumer information centre

District Consumer Information Centre has not been set up by the State Government. No funds were made available by the State Government during 2000-05.

Functioning of consumer voluntary organisation(NGO's)

Funds were not provided to NGO for awareness and empowerment of consumers

No scheme was formulated for involvement of NGOs in awareness and empowerment of consumers. No funds were provided to the NGOs by the State Government. However survey of ORG-MARG revealed that the NGOs are involved in spite of activities such as consumer education and helping complainants in filing of complaints at the consumer forum.

Awareness through print media

For awareness and empowerment of consumers, 24 December and 15 March of every year is celebrated as National Consumer's day and World's Consumer Rights day respectively. A wall paper "Upbhokta Prahari" is published and distributed on National/World Consumers Right Day. GOI has not released any funds to the State under the scheme "JAGRIK SHIVIR YOJNA". Results of ORG-MARG survey revealed that formal source of awareness among the consumers was electronic and print media which stood at 66 and 35 per cent respectively.

The Director stated (September 2005) that funds for awareness of consumers were very meagre and efforts are being made to provide more funds for this purpose.

3.2.14 Monitoring mechanism

According to Sub-Section (2) of Section 24 B of the Act, the State Commission was to exercise administrative control over all District Forums of the State. It was noticed that the district forums were not monitored and supervised by the State Commission. However no such monitoring was being done to promote and protect the rights of the consumers due to shortage of staff and inadequate infrastructure facilities. The Secretary, SC stated (July 2005) that occasionally some inspections were carried out but due to paucity of funds, it was difficult to have periodical inspection of the DFs. During 2002-05 only four inspection of district forums² were carried out.

Thus, implementation of the Act in the State lacked in monitoring and supervision mechanism.

² Nalanda, Nawada, Samastipur, Sitamarhi

3.2.15 Conclusions

The basic tenet of the Consumer Protection Act to protect the interest of consumers through speedy and inexpensive redressal of their grievances remained largely unachieved mainly due to failure of the Government in generation of awareness among people and motivating them to avail other services of the redressal mechanism through fruitful utilisation of the media about consumer rights and various features of the Act. Ineffective enforcement of Prevention of Food Adulteration Act also affected the consumers' interest adversely. There were inordinate delays in settlement of cases and actual payment of decretal amounts. Moreover, there were deficiencies in providing adequate infrastructural facilities and sufficient manpower. District Consumer Information Centres were not opened in the State. There was one notified laboratory in the State but no samples had been sent to it either by SC or DFs between 2000 and 2005. Overall implementation of the Act in the State suffered due to shortage of staff and inadequate enforcement machinery.

Recommendations

- For effective implementation of the Consumer Protection Act, 1986 sufficient funds should be made available for office infrastructure.
- Circuit benches and additional forum should be established where pending cases exceed the norms.
- Consumer Protection Councils should be established within a stipulate time frame in the districts.
- Government need to take serious initiatives to create awareness amongst the populace about consumer rights, provisions of the Act, and consumer redressal machinery.
- Proper mechanism needs to be put in place to ensure that the complainants actually receive the compensation as decided by the adjudication machinery.

The points were referred to Government (September 2005), the reply received (September 2005) has been incorporated in the review at appropriate places.

DISASTER MANAGEMENT DEPARTMENT

3.3 FLOOD RELIEF OPERATIONS IN BIHAR

In 2004, 20 districts³ were affected by floods affecting a population of 2.13 crore in these districts.

The flood relief expenditure is funded by Calamity Relief Fund (CRF). The State Calamity Relief Fund Committee (SCRFC) was constituted (March 1997) for administration of the CRF. Chief Secretary is the ex-officio Chairperson and Development Commissioner, Finance Commissioner and Relief Commissioner are members of the Committee. The Committee is responsible for ensuring that the money drawn from CRF is applied for the intended purposes and as per norms contained in the guidelines issued by Ministry of Agriculture.

The District Magistrate (DM) is overall incharge of flood relief operations. He is assisted by Additional District Magistrate (ADM) (Relief) and Deputy Collector (Relief). The Disaster Management Department (DMD) allots funds to the concerned DMs on their requisition and on the basis of affected area/people.

3.3.2 Audit objectives

The audit objectives were to ascertain whether:

- funds were utilised optimally as per prescribed norms;
- any irregular/ unauthorised expenditure was incurred;
- purchase process was efficient and transparent;
- any monitoring mechanism was in place and working effectively for ensuring utilisation of funds.

3.3.3 Audit coverage

On the basis of number of people affected by flood of 2004 and allotments made, eight districts⁴ out of 20 districts were selected for test check. Records of flood relief operations of eight DMs, 52 circles working under the eight DMs, eight district units of State Food and Civil Supplies Corporation and the DMD at Secretariat level for the year 2004-05 were test-checked during June 2005. Out of the nine components foodgrain supply, cash dole, evacuation of population, boat repair, human medicine, veterinary medicine, ex-gratia grant, drinking water supply and fodder supply of flood relief

³ Araria, Begusarai, Bhagalpur, Darbhanga, East Champaran, Gopalganj, Katihar, Kishanganj, Khagaria, Madhepura, Madhubani, Muzaffarpur, Purnea, Saharsa, Sheohar, Sitamarhi, Samastipur, Supaul, Vaishali and West Champaran

⁴ Begusarai, Darbhanga, East Champaran, Khagaria, Madhubani, Muzaffarpur, Samastipur and Sitamarhi.

operations, two major components viz. supply of foodgrain and payment of cash dole for daily needs were test-checked in eight districts.

Audit findings

3.3.4 Financial management

Funds under different sub-heads of flood relief were allotted by the DMD on the requisitions based on norms fixed by Government of India (GOI) to the concerned DMs. The utilisation certificates of previous allotment were also to be annexed with the current requisition.

In test-checked districts, against provision of Rs 132.40 crore during 2004-05 under nine components of flood relief, amount drawn by DMs was Rs 117.68 crore and expenditure was Rs 96.81 crore (73 per cent) (*Refer : Appendix-XXXIII and XXXIV*). The provision (Rs 109.08 crore) under foodgrains (Rs 60.13 crore) and cash dole (Rs 48.95 crore) was 82 per cent of the total allotment under nine components. DMs drew money on abstract contingent (AC) bills and gave it as advance to circles. The unspent amount of Rs 10.59³ crore lying in banks in seven districts was not refunded as of June 2005.

Scrutiny revealed that:

Against drawal of Rs 117.68 crore on AC bills, DC bills of Rs 112.02 crore were not submitted by the DMs to Accountant General (A&E) as of July 2005 though required to be submitted by 25 of next month in which AC bills were drawn.

**UCs for Rs 81.94
core accepted in
absence of DC bills**

DMs furnished utilization certificates for Rs 87.60 crore⁴ which were accepted by the State Calamity Relief Fund Committee (SCRFC). While DC bills for only Rs 5.66 crore were received from Madhubani district, the utilisation certificates for Rs 81.94 crore were given and accepted by SCRFC. This issue was brought (September 2005) to the notice of the Chief Secretary who is the Chairperson of SCRFC. At the instance of audit, DMD has taken up (September 2005) the issue of non-submission of DC bills with the concerned District Magistrate.

**Advance of Rs 10.77
core was booked as
expenditure without
receipt of vouchers**

In four districts⁵ advanced amount of Rs 10.77 crore was shown as expenditure without vouchers. Rupees 1.69 crore advanced between July 2004 and October 2004 to panchayat sevaks/staff of two districts (Sitamarhi and Begusarai) remained unadjusted (July 2005) due to non-submission of vouchers.

3.3.5 Procurement and distribution of foodgrain

As per the guidelines (August 1999) of DMD, each flood affected family (comprising five members) was to be provided with one quintal foodgrain as

³ Begusarai:Rs 6.02 lakh; Darbhanga :Rs 75.73 lakh; East Champaran:Rs 183.64 lakh; Madhubani: Rs 106.70 lakh; Muzaffarpur: Rs 77.52 lakh;Samastipur: Rs 493.54 lakh and Sitamarhi: Rs 115.51 lakh.

⁴ Begusarai: Rs 0.01crore; Darbhanga: Rs 20.39 crore; East Champaran: Rs 11.93 crore; Madhubani: Rs 15.88 crore; Muzaffarpur: Rs 9.30 crore; Samastipur: Rs 12.52 crore and Sitamarhi : Rs 17.57 crore.

⁵ Begusarai (Rs 1.11 crore); East. Champaran (Rs 7.98 crore); Muzaffarpur (Rs 1.60 crore) and Samastipur (Rs 0.08 crore)

relief in four equal instalments in entire flood period. The foodgrain were to be distributed in the presence of local representatives (Mukhia/ Pramukh/MLA/MLC) as per list of beneficiaries approved by the circle officers.

Against provisions of Rs 60.13 crore⁶ for supply of foodgrain during 2004-05 Rs 51.45 crore was drawn and out of which Rs 45.18 crore was advanced for supply of foodgrain between July 2004 and September 2004 to the State Food and Civil Supplies Corporation (SFC). The balance Rs 6.27 crore was retained by the concerned DMs.

Against this, SFC supplied (July 2004 to October 2004) foodgrain valuing Rs 37.40 crore, returned amount of Rs 4.83 crore (March 2005 to May 2005) to the concerned DMs and retained Rs 2.95 crore (June 2005) with them.

Distribution of 757475 quintal foodgrain valuing Rs 36.96 crore could not be vouched in the absence of records.

- Scrutiny of reports of SFC units and that of district/circles further revealed that district reported short receipt of 16714 quintals wheat and 1521 quintal rice valuing Rs 0.88 crore (**Refer : Appendix-XXXV**). Foodgrain valuing Rs 0.90 crore (wheat 10,983 quintals and rice 6,216 quintals) were shown distributed by the circles (**Refer :Appendix-XXXVI**) in excess of their receipt. The discrepancy between receipt and distribution of foodgrain in districts and circles could not be verified by audit due to non-maintenance of stock and distribution registers in districts/circle offices. Therefore, Audit was not in a position to verify and authenticate the distribution of 88200 quintals of rice and 669275 quintals of wheat valued at Rs 36.96 crore in the test-checked districts.
- The irregularities noticed on the basis of reports on procurement of foodgrain by districts and its distributions by Districts/Circle as shown in Form IX (Form IX is the report submitted by Circle Officers/District Magistrates to the DMD regarding utilisation of relief materials. It includes details of affected population, livestock, area, house damaged, life lost (human & animal), families given shelter, boats operated, relief centres opened, foodgrains/ready food, cash, polythene, fodder distributed etc.) in test-checked districts in the distribution of foodgrain were as under :

Undistributed foodgrain of Rs 1.39 crore (wheat 21,232 quintals and rice 6379 quintals) lying with the circles (**Refer: Appendix-XXXVII**) was neither refunded to the SFC nor its cost remitted in treasury as required (March 2005). Foodgrain valuing Rs 4.85 crore were distributed by the circles/panchayats after flood period thereby reducing effective distribution during flood.

In 11 circles under five districts⁷ distribution of 9996 quintal wheat and 62 quintal rice valuing Rs 47.44 lakh was doubtful as the signatures or thumb impressions of beneficiaries and authentication by the public representatives were missing.

⁶ Begusarai: Rs 1.55 crore; Darbhanga: Rs 12.50 crore; East Champaran: Rs 7.85 crore; Khagaria: Rs 5.65 crore; Madhubani: Rs 8.80 crore; Muzaffarpur: Rs 6.35 crore; Samastipur: Rs 8.50 crore and Sitamarhi: Rs 8.93 crore.

⁷ Khagaria, East Champaran, Begusarai, Samastipur and Muzaffarpur

15.15 lakh empty gunny bags valuing about Rs 91 lakh were neither returned to the concerned circles nor its cost remitted by Circle Officers despite instructions issued (November 2004) by DMD in this regard.

3.3.6 Contract management

Government of India (GOI) in October 2003 directed Relief Commissioners of all States to enter into pre-contract or pre-agreement with various suppliers of identified items to be provided during various relief operations. The purpose was to check ad-hoc purchases during the time of flood and to have standard schedule of rates for services and goods at competitive market rates. The DMD directed all the DMs in February 2004 to comply with the directions of GOI with further instruction to initiate advance preparatory action by 25 May under intimation to the DMD.

Ignoring the GOI guidelines and instruction of the DMD, Notice Inviting Tenders (NIT) for supply of flood relief materials were invited as late as during June 2004 by seven districts⁸ and the rates of relief materials were finalised through District Purchase Committee by concerned DMs during the month of July. In Khagaria district, relief materials valuing Rs 34 lakh were purchased from a local dealer without inviting tenders.

There was irregular purchase (July 2004) of 1067 quintals of polythene valued Rs 69.19 lakh in Samastipur and East Champaran districts as purchases were made from the suppliers who had not submitted the tenders. In Samastipur district, quality of 850 quintals polythene valuing Rs 58 lakh was found sub-standard. The Department did not take any action against the suppliers/DMs.

3.3.7 Doubtful/Irregular purchase of materials

Materials⁹ valuing Rs 71.77 lakh¹⁰ were purchased by districts/circle authorities on plain paper without BST/CST number of suppliers. Scrutiny further revealed that entries of materials received and distributed were not made in the stock and distribution registers. Thus, these were doubtful purchases. On being pointed out (August 2005), Secretary, DMD during discussion (August 2005) stated that comments of concerned DMs would be obtained wherever purchases were made on plain paper and stock registers not maintained.

Purchase of 1022 MT polythene at a cost of Rs 5.91 crore in eight districts was made at rates ranging between Rs 50 per Kg (Muzaffarpur and Madhubani) to Rs 88.33 per Kg (Sitamarhi). DMD needs to work out a mechanism to avoid such variations in purchase of standard items of relief material.

⁸ *Begusarai, Darbhanga, East Champaran, Madhubani, Muzaffarpur, Samastipur and Sitamarhi.*

⁹ *Chura: 2096 quintal; Chana: 456 quintal; Gur:251 quintal; Salai: 1500 piece
Candle: 26,019 piece and Polythene sheet:751 quintal.*

¹⁰ *Khagaria(Rs 33.81lakh); Muzaffarpur (Rs 30.67 lakh) and Samastipur (Rs 7.29 lakh)*

3.3.8 Payment of cash dole

Payment of Rs 44.59 crore as cash dole could not be verified in the absence of records

CRF guidelines provided for immediate disbursement of cash dole during flood. Rupees 200 was to be provided to each flood affected family during period of flood. It was to be disbursed in the presence of local representative (Mukhia/Pramukh/MLA/MLC) on the basis of Panchayat-wise list of flood affected family duly approved by Circle Officers. It was noticed that against sanctioned amount of Rs 48.95 crore, expenditure incurred was Rs 44.59 crore on this account. The detailed vouchers for payment of cash dole at the rate of Rs 200 per family were not made available to audit. As a result, audit could not ascertain the authenticity of payment to flood affected families.

Rupees 9.84 crore of cash dole distributed after flood period

Rupees 9.84 crore were distributed by seven DMs¹¹ after flood period (16 October 2004 to 31 March 2005). Reasons for delay in distribution were not on record. In 14 circles under seven districts¹² payment of cash dole of Rs 36.99 lakh was doubtful as signature or thumb impressions of beneficiaries were missing.

3.3.9 Misutilisation of aircraft

Twenty five helicopters of Indian Air force were hired by Government of Bihar for air dropping the dry food packets to flood affected area and rescuing the affected persons between 10 July 2004 and 09 August 2004. Bills for hiring of eight helicopters (286 flights) amounting to Rs 5.78 crore (flying charges: Rs 2.84 crore and detention charges: Rs 2.94 crore) have been received by DMD for payment which has not been made (July 2005).

Out of Rs 5.78 crore spent for hiring aircrafts only 10 per cent related to dropping of relief material

- Scrutiny of bills revealed that out of 286 flights, only 66 flights costing Rs 55.89 lakh were used for dropping flood relief materials (110.98 MT).
- 143 flights costing Rs 1.28 crore were used for ferrying persons not affected by flood.
- 16 flights costing Rs 17.54 lakh were undertaken to locations not affected by flood.

3.3.10 Detention charges of aircraft

Creation of avoidable liability of Rs 2.94 crore

In case of MI-17, helicopter rate per flying hour was Rs 1.15 lakh whereas detention charge was Rs 57500 per hour. For MI-8 helicopter, rate per flying hour was Rs 75000 whereas detention charge was Rs 37500 per hour. After performing relief duty, flying back to Gorakhpur (nearest-IAF base) and taking position back at Patna would have cost Rs 2.87 lakh and Rs 1.87 lakh respectively. Therefore, detention period beyond five hours was uneconomical. It was observed that detention period of MI-17 helicopter and MI-8 helicopter was ranging from 11 to 37 hours and 10 to 17 hours respectively.

¹¹ Darbhanga: Rs 191 lakh; East Champaran: Rs 250 lakh; Khagaria: Rs 149.87 lakh; Madhubani: Rs 50 lakh; Muzaffarpur: Rs 143.16 lakh; Samastipur: Rs 150 lakh and Sitamarhi: Rs 50 lakh.

¹² Khagaria, East Champaran, Samastipur, Begusarai, Darbhanga, Muzaffarpur and Sitamarhi

It was also noticed that in 2001-02, State Government had always returned the helicopter to Gorakhpur and the detention charges were paid only for three hours. However, a liability of Rs 2.94 crore was incurred in 2004-05 for detention period of 574 hours.

Secretary, DMD during discussion said (August 2005) that guidelines would be formulated to prevent misuse and unnecessary detention of aircrafts.

3.3.11 Monitoring

Since the relief expenditure was being funded by CRF, DMs should have ensured proper accounting, failing which the expenditure would have been disallowed by GOI. However, DMs failed to monitor proper maintenance of records and accounts of relief expenditure resulting in non-submission of DC bills.

3.3.12 Conclusions

Out of AC bills for Rs 117.68 crore DC bills for Rs 112.02 crore have not been submitted to AG office by drawing and disbursing officers. DMs submitted utilisation certificates of Rs 81.94 crores to DMD without submitting the vouchers to the Accountant General. Rupees 10.77 crore advanced to staff under four districts for relief work was booked as expenditure by the concerned circles without receipt of adjustment vouchers. Adjustment of advance amount of Rupees 1.69 crore for relief work in two districts was still awaited (July 2005). Cash dole of Rs 44.59 crore was distributed to flood affected families, but the DMs failed to submit detailed contingent bills for the entire amount. Foodgrain worth Rs 4.85 crore and cash dole Rs 9.84 crore were distributed after flood period thereby defeating the objective of providing immediate relief. Stock and distribution registers of foodgrain and relief materials were not maintained at districts and circle level. Thus, the distribution of 757475 quintal of foodgrain valued at Rs 36.96 crore reflected in form IX could not be authenticated. There was doubtful purchase of relief materials of Rs 71.77 lakh in Samastipur, Muzaffarpur and Khagaria due to purchase on plain paper without BST/CST number and without recording receipt of material in the stock register.

Recommendations

- Advance preparatory action for flood relief should be taken as per the GOI instructions and DMD guidelines.
- Flood relief should be immediately given with priority during the flood to the affected people.
- The monitoring mechanism should be strengthened to ensure proper delivery of flood relief to the affected people in time.
- Stock and distribution registers relating to flood relief materials should be properly maintained in circle offices.
- DC bills in respect of expenditure approved by Controlling officers should be submitted to the Accountant General in time.

The matter was referred to Disaster Management Department in August 2005. The Department is in the process of initiating action on the points raised in the Report. The issue of non-submission of detailed contingent bills has also been taken up by the department with the District Magistrates of flood affected districts in September 2005.

DISASTER MANAGEMENT DEPARTMENT

3.4 FLOOD RELIEF OPERATIONS BY DISTRICT MAGISTRATE, PATNA

Bihar is one of the worst flood affected States of the country. About 2.13 crore persons of 204 talukas under 20 districts during the year 2004 were affected by flood. Flood relief operations consist of three major components: evacuation of flood affected population to safer locations, supply of food grain and other essential commodities and payment of cash dole for daily needs as per norms prescribed by Government.

3.4.2 Audit Coverage

Audit of expenditure of funds allotted to DM Patna by the Disaster Management Department (DMD) between May 2004 and August 2004 (flood period) for flood relief operations was conducted during April-May 2005 through test check of records of the Office of the District Magistrate, Patna, DMD and Bihar State Small Industries Corporation (BSSIC). Records of DM Patna was seized by the Vigilance Department and audit was conducted on the basis of records seized by them.

The matter was reported to the Vigilance Department by Government on 26 April 2005 for investigation. Audit report has been annexed with the FIR lodged by Vigilance department. The main findings of the Vigilance Department as recorded in the FIR was that the firm to which payment of Rs 17.80 crore had been made by DM Patna for supply of relief materials was a “fake” firm. The Vigilance Department had also pointed out that the quantities of relief materials distributed could not be ascertained as there were no facilities for weighing the relief materials in the districts. The scope of Audit was to examine whether any irregularities existed in the transactions made by DM Patna and to ascertain the effectiveness of internal control mechanism.

3.4.3 Audit Objectives

The audit objectives were to ascertain whether:

- any advance preparatory action for flood relief was taken by DMD and DM Patna;
- budget provision and its allotment to DM Patna was based on factual data and need assessment;
- funds were utilised optimally by DM Patna as per prescribed norms;
- internal control mechanism was effective.

3.4.4 Budget allotment for Flood Relief work

Audit scrutiny of records revealed (May 2004-August 2004) that though Patna was not a flood-affected district, the DM Patna was allotted Rs 13.54 crore from Calamity Relief Fund by the DMD for evacuation of population (Rs.3.16 crore), supply of food grain (Rs 5.05 crore) and for distribution of cash dole (Rs 5.33 crore). There was nothing on record to show that the DM Patna was notified as nodal officer by the Government and was authorised to spend the

Patna was not a flood affected district

amount allotted to Patna district for procurement of relief materials for distribution to flood affected districts of north Bihar.

Lack of clarity regarding the status of DM Patna as nodal officer

Secretary, DMD noted on file (August 2004) that the Chief Secretary had directed the DM Patna to act as a nodal officer. But in October 2004, Secretary, DMD directed the DM Patna to furnish a copy of letter which authorised him to act as a nodal officer. While DMD is now taking a stand that funds were allotted to DM Patna on the basis of a note written by Chief Secretary (19 July 2004), the fact remains that even before receipt of the said note, Rs.7.89 crore had been allotted to DM Patna without designating him as nodal officer. Further, the note written by Chief Secretary was not followed by any Government notification. Thus, there was no clarity in the Department regarding appointment of DM Patna as nodal officer. DM Patna was only authorised by the Secretary, DMD to certify the flights of helicopters which were used for relief work. Thus, Rs 13.54 crore was allotted by DMD without any basis and there was no mechanism of demand appraisal of districts by DMD though the scale for relief work was defined and number of persons affected by previous flood was known.

GOI instructions to check adhoc purchases

Ministry of Home Affairs, Government of India (GOI) in October 2003 directed Relief Commissioners of all States to enter into pre contract or pre agreement with various suppliers of identified items to be provided during various relief operations. The purpose was to check adhoc purchases during the time of flood and to have standard schedule of rates for services and goods at competitive market rates. Secretary, DMD directed all District Magistrates in February 2004 to comply with the directions of GOI.

3.4.5 Award of work

Ignoring the GOI guidelines, Notice Inviting Tender (NIT) for supply of flood relief materials¹ for Patna District was published by the DM Patna, on 19 June 2004, in two Hindi dailies. The due date of receipt of tender was fixed as 28 June 2004. Against this NIT, four suppliers² submitted tenders. The tenders were opened on 28 June 2004 by the District Purchase Committee in which only nine out of 16 members were present. The DM Patna, who headed the purchase committee, was not present at the time of opening of tenders.

Award of contract without formal agreement with BSSIC

The work was awarded (July 2004) to BSSIC Patna on their quoted rates which were higher as compared to other tenderers on the ground that it was a Government undertaking. The supply order (July 2004) was issued to Managing Director (MD), BSSIC Patna for supply of flood relief material. However, no formal agreement was executed by DM Patna with BSSIC. The supply order was silent on the rates, quantity and quality of materials. However, BSSIC made no supply against this order and later on officially denied (April 2005) that it had entered into any agreement with DM Patna.

Infact, Bihar State Small Industries Corporation (BSSIC) does not supply the materials directly but through firms registered with the corporation under the Marketing Assistance Scheme (MAS). The rates quoted by BSSIC were based

¹ Atta, Sattu, Chura, Gur, Salt, Safety Matches, Candle, Cloath bag, Plastic bag, Jute bag, Polythene Sheet, Dhoti, Sari

² Kalyani, Prakash Enterprises, K.P. Traders, and Bihar State Small Industries Corporation (BSSIC) Ltd. Patna,

on the rate submitted by Santosh Printing Press. Reliance of BSSIC on the quotations of Santosh Printing Press, whose job is 'Printing' according to the certificate issued by District Industries Centre, is questionable.

Audit scrutiny revealed that B.K.Singh, who was neither an employee of BSSIC, Patna nor carrying any authority letter from BSSIC was present in the purchase committee meeting held on 28 June 2004 and had signed in the attendance register of meeting of District Purchase Committee on behalf of BSSIC, Patna.

Audit also noticed a discrepancy in the tender documents. The second page of the tender document available in the DM's office authorised B.K.Singh and Sanjiv Kumar to receive payment on behalf of BSSIC. The Office copy of BSSIC had no such authorisation.

The telephone number, name and address of the company as well as monogram of the second page of the office copy were not matching with the copy available in DM's Office. Had the members of the purchase committee signed on each page of the tender document, it could have been discovered at what stage the second page was changed.

Audit scrutiny of documents revealed that an agreement of two pages typed document between DM Patna and Shri B.K.Singh on behalf of BSSI was signed but the signature of DM Patna was not recorded on the document.

3.4.6 Payments for supplies of Relief materials

**Unauthorised
payment to BSSI**

An amount of Rs 17.80 crore was paid as an advance between 09 July 2004 to 08 August 2004 by the DM Patna through 22 cheques ranging from Rs 10 lakh to Rs one crore to BSSI (not BSSIC) though there was no formal agreement with BSSI. Payment was made to BSSI on the basis of requisitions made by Shri B. K. Singh on behalf of BSSI on the letter head of BSSIC (not BSSI). The requisitions were not supported by the rates and quantity of relief material supplied by him. The cheques were handed over to Shri B.K. Singh without verifying the quantity and quality of materials received and without verifying the fact that he was authorised by BSSIC to accept payments on behalf of the corporation. The entire amount was deposited in the account of Baba Satya Sai Interprises (BSSI) with IDBI Bank. BSSIC later confirmed to Audit that BSSI had not registered as a supplier with the corporation.

**Payment to BSSIC
without formal
contract**

It was also observed that although BSSIC had not entered into any agreement with the DM Patna for supply of relief material, it accepted payment of Rs 13.52 lakh through cheques issued by DM's office on 15 October 2004. In reply to audit query, BSSIC did not give any valid reason for accepting these cheques.

An amount of Rs 61.70 lakh³ was unauthorisedly advanced (July – August 2004) for the purposes not directly related to relief operations. Rupees 51.30 lakh was advanced (July-August 2004) to three hotels and two restaurants for stay and refreshment to Air Force pilots and staff engaged in relief operations. Except two bills of Hotel Maurya amounting to Rs 15.41 lakh, no bill was received (May 2005) against the balance amount.

³ *Hotels/Restaurants : Rs 51.30 lakh; Petrol/Fuel : Rs 7.50 lakh; Office contingency : Rs 1.50 lakh; Liveries : Rs 0.40 lakh and Boat Repair : Rs 1.00 lakh*

Scrutiny further revealed that 75 persons stayed in Hotel Maurya during 13 July 2004 to 06 August 2004 but from the bill it was not clear whether they were Air Force pilots. Thus, the genuineness of payments could not be verified by Audit.

Heavy diversion of funds for procurement of dry food rations

Against allotment of Rs 13.54 crore (July 2004 to August 2004) DM Patna drew Rs 13.34 crore (July 2004 and August 2004) through ten AC bills for evacuation of population (Rs 3.15 crore), supply of foodgrain (Rs 4.90 crore) and cash dole (Rs 5.29 crore) and balance of Rs 0.20 crore was allowed to lapse. Further, a sum of Rs 5.10 crore was unauthorisedly diverted by DM Patna from the funds available with DM Patna under other heads of accounts i.e. Election (Rs 0.10 crore), Welfare (Rs 2.00 crore) and Land acquisition head (Rs 3.00 crore) for flood relief operations. Thus, the funds earmarked for supply of food grain, population evacuation as well as of other heads were diverted by the DM Patna for procurement of only dry food items (Chura, Sattu, Gur etc.).

As per Rules 322 of Bihar Treasury Code the DC bills should be submitted to the Accountant General by 25th of the following month. However, it was noticed that DC bills were not submitted by March 2005. Thus, non-submission of detailed contingent bills against Rs.13.34 crore received from DMD and diversion of Rs.5.10 crore from other heads without any approval of competent authority shows poor financial control. Also no form IX⁴ for relief work was ever submitted by DM Patna to DMD.

The award of contract suffered from further following deficiencies :

NIT did not specify the quantities and grade of items to be procured

➤ The NIT did not specify the quantities and quality/grade of items to be supplied. Under the circumstances, it was not clear on what basis the rates were quoted by the suppliers. Though the NIT was published in the newspapers, this obvious flaw was not pointed out by the DMD. DMD replied (July 2005) that the NITs were not sent by districts to the Department for vetting. In view of the audit observation, necessary instructions regarding quality/grade/ specifications have been issued (June 2005) by the DMD.

Financial viability of tenderers not ascertained

➤ The NIT did not specify the sales turnover, financial viability and experience in handling/supplying relief materials by the suppliers.

➤ Since the quantities and the rates at which different items to be procured were not worked out, the total financial implication of the purchase was not calculated at any stage.

➤ Scrutiny of comparative statement (CS) revealed that the rates of sattu and salai quoted by BSSIC in the tender @ Rs 45.90 per kg and Rs.45 per packet was entered in the CS as @ Rs 43.50 per kg and @ Rs 45.40 per packet respectively. Similarly, the rates of sattu quoted by KP traders in his tender @ Rs 3,100 per quintal was entered in the CS as @ Rs.1900 per quintal. The approval of rates quoted by BSSIC Patna was accorded and signed by concerned officers on different dates varying from 28 June 2004 to 8 July 2004. However, the signatures of the persons who had prepared and checked the CS were missing.

⁴ Form-IX is the weekly report submitted by District Magistrate to DMD regarding utilisation of relief materials

Non-maintenance of stock register

3.4.7 Maintenance of stock register

The entries of receipt and distribution of relief materials were not recorded in the stock register as no stock register was maintained. A material dispatch register showing only distribution/transfer of materials to flood affected districts was available in the DM's Office. Even this register was not checked and signed by the competent authority. Therefore, in the absence of invoices/challan of materials received, gate passes of material dispatch to flood affected districts audit, could not check the stock account.

To sum up, quantities and quality/grade of items to be supplied, sales turn over, financial viability and experience in handling/supplying relief material of suppliers were not specified in NIT. Award of contract was without formal agreement with BSSIC and unauthorised payments to BSSI though there was no agreement with the firm. DM Patna did not enter into any pre-contract for supply of relief materials. Thus, the Government lost the advantage of competitive rates. All these deficiencies were pointers of poor contract management.

3.4.8 Conclusions

Audit of relief operations conducted by DM Patna reflected failure of internal control mechanism at Secretariat as well as district level. Rupees 13.54 crore was provided by DMD without any need assessment as Patna was not a flood affected district and DM Patna was not notified as a nodal officer. DM Patna failed to submit detailed contingent bills of Rs 13.34 crore and diverted Rs 5.10 crore without any approval of competent authority. DM, Patna did not enter into pre contract or pre agreement with various suppliers of identified items to be provided during various relief operations as required under GOI guidelines. Contract was awarded to Bihar State Small Industries Corporation without formal agreement. DM Patna unauthorisedly paid Rs 17.80 crore to Baba Satya Sai Interprises without verifying the quantity and quality of materials received.

Recommendations

To make the flood relief operation effective the following measures are suggested:

- The DMD should release funds on the basis of need assessment and ensure that the districts have taken advance action as required in instructions of GOI.
- Proper scrutiny of bidding process is required and financial position of suppliers needs to be verified before signing agreements.
- The DMD needs to standardize the quality and grade of materials to be procured.
- Advances should be given strictly as per codal provisions and only after adjustment of earlier advances.
- Stock registers should be properly maintained.

DMD has replied (July 2005) that the recommendations will be implemented as far as possible. It has also circulated a copy of recommendations to all the District Magistrates for compliance.

RURAL DEVELOPMENT DEPARTMENT

3.5 EXECUTION OF WORKS BY ZILA PARISHADS

Introduction

The three-tier Panchayat Raj Institutions (PRIs) were established in the State in June 2001 following 73rd amendment of the Constitution. The Bihar Panchayat Raj Act 1993 was enacted to endow the PRI with functions and powers so as to enable them to function as vibrant institutions of Local Self Government. There were 38 Zila Parishads (ZPs) in the State.

Financial management in Zila Parishad is monitored by the Secretary, Rural Development Department. Zila Parishad is under overall control of DDC-cum-CEO who is assisted by District Engineer of Zila Parishad, Block Development Officer (BDO) of Panchayat Samiti (PS) and Mukhiya of Gram Panchayat (GP) for implementation of the works. The Commissioner, DM and DDC are required to physically inspect the execution of SGRY works.

Records of seven¹ Zila Parishads involving 9879 works pertaining to 2001-05 were test-checked in audit between May 2005 and July 2005. Results of the text-check are brought out in succeeding paragraphs.

3.5.2 Receipt and utilisation of funds

The position of receipts and expenditure in seven test-checked Zila Parishads during 2001-05 was as under: (*Refer : Appendix-XXXVIII*)

Sl No	Zila Parishad	Amount Received	Expenditure	Balance
		(Rs in crore)		
1	Muzaffarpur	64.31	60.85	3.46
2	East Champaran	48.39	43.32	5.07
3.	Patna	43.84	39.25	4.59
4.	Vaishali	56.95	52.01	4.94
5.	Samastipur	58.18	48.06	10.12
6.	Bugusarai	28.71	24.89	3.82
7.	Gaya	42.06	38.38	3.68
	Total	342.44	306.76	35.68

Grant of Tenth Finance Commission (TFC) Rs 26.74 crore (Central Share only) was received in 2002-03 and grant of Eleventh Finance Commission (EFC) Rs 132.54 crore was received between 2001-02 and 2004-05

Non-release of State Government and PRI share against central share of TFC

As per the norms against share of TFC hundred per cent matching share was to be borne by the PRIs or by the State Government but it was seen that neither the State Government nor the PRIs released any amount against Central share of Rs 26.74 crore during 2001-05. The works were incompleting due to non-release of matching share by PRIs or State Government.

ZPs furnished incomplete utilisation certificates

Against utilisation of Rs 147.67 crore (Rs 146.59 crore by PS & GPs and Rs 1.08 crore by ZPs) under Tenth and Eleventh Finance Commission, utilisation certificates were submitted by ZPs between October 2002 to

¹ Begusarai, East Champaran, Gaya, Muzaffarpur, Patna, Samastipur and Vaishali

December 2004 to the State Government for Rs 88.59 crore without obtaining details of expenditure from PS/GPs.

The balance amount of Rs 59.08 crore was shown spent on works executed by PS and GPs and ZPs but financial and physical progress reports were not shown to Audit. As a result Audit could not verify utilisation of Rs 147.67 crore by ZPs, PS and GPs. Thus the DDC cum CEOs rendered incorrect utilisation certificates without obtaining expenditure details of GPs and PSs.

3.5.3 Non-maintenance of records

The Bihar Panchayat Samities and Zila Parishads (Budget and Accounts) Rules 1964 which provided for maintenance of various accounts records by Zila Parishads were deleted in 1993 and the Government adopted (October 2004), the formats suggested by the Comptroller and Auditor General of India (C&AG) for preparation of budget and maintenance of ZP accounts. But new accounts rules had not been framed by Government (November 2005). The Eleventh Finance Commission (EFC) also recommended creation of a data base on finances of local bodies in the formats prescribed by the C&AG. It was however, observed (July 2005) in Audit that basic accounting records such as government grant register, monthly and annual statements of expenditure, loans and advances registers, register of advances outstanding, register of works and property register were not maintained by the Zila Parishads. Consequently, audit could not ascertain the actual transactions and position of accounts.

3.5.4 Advances outstanding

In the case of works executed departmentally, to enable subordinate executives to make payments of wages to labourers temporary advances are granted subject to a condition that a second advance for any work should not be granted in any case without ensuring immediate adjustment/recovery of first advance. Further, such advances are to be made by the Divisional Officer on satisfying himself that the works were executed and the bills have been submitted by the Section Officers.

Heavy outstanding advances against executing agents

In the seven Zila Parishads test-checked, it was observed that out of Rs 114.26 crore² paid as advance during 2001-05 to the executive officers viz District Engineers (DEs), Assistant Engineers (AEs) and Junior Engineers (JEs), only Rs 12.46 crore (11 per cent) was adjusted as of March 2005. The balance of Rs 101.80 crore remained outstanding against 18 AEs (Rs 44.45 crore), 53 JEs (Rs 51.79 crore) and with 12 others (Rs 5.56 crore) for execution of 9226 works during 2001-05 due to non-submission of bills for adjustment by the executive officers. (*Refer :Appendix-XXXIX*)

Top three advance holders

Out of outstanding advance of Rs 101.80 crore, Rs 40.10 crore was lying with three AEs (Rs 24.90 crore with two AEs of ZP, Muzaffarpur and Rs 15.20 crore with one AE of Zila Parishad, Vaishali) for execution of 2701 works of SGRY, MP/MLA/MLC etc for a period ranging between one to four

² Rs 16.53 crore in 2001-02, Rs 26.19 crore in 2002-03, Rs 33.51 crore in 2003-04 & Rs 38.03 crore in 2004-05.

years (**Refer : Appendix-XXXIX**). In ZP, Muzaffarpur, the advance of Rs 24.90 crore was lumpsum advance instead of work wise advance. Age-wise analysis of advances outstanding were as under :

(Rs in Crore)

Sl.No.	Name of the Zila Parishad	2001-02	2002-03	2003-04	2004-05	Total amount of advance as of 31 March 2005
1	Muzaffarpur	0.91	3.78	8.62	11.59	24.90
2	East Champaran	2.06	3.08	3.77	2.62	11.53
3	Patna	NIL	1.79	2.95	2.29	7.03
4	Vaishali	6.08	6.55	9.08	7.53	29.24
5	Samastipur	1.74	5.22	6.03	4.80	17.79
6	Begusarai	0.04	0.40	0.88	2.07	3.39
7	Gaya	0.02	0.24	0.72	6.94	7.92
Total		10.85	21.06	32.05	37.84	101.80

Advance ledger, which is an important record to exhibit outstanding advance at the beginning of the year, advance made, adjusted and advance outstanding at the end of the year was not maintained by any ZPs in the absence of which actual figure of outstanding advance which was given prior to 2001-02 and after 2001-02 could not be ascertained.

DDC-cum-CEOs of seven ZPs paid advances continuously to the executing agents without ensuring immediate recovery/adjustment of previous advances which led to growth of outstanding advances from Rs 10.85 crore in 2001-02 to Rs 101.80 crore in 2004-05. (**Refer: Appendix-XXXIX**) Prospects of recovery/adjustment of the advances outstanding in respect to 2001-02 and 2002-03 aggregating to Rs 31.91 crore were remote in view of changes in incumbency and non-susceptibility regarding verification of the execution of the works. This indicated that DDC-cum-CEOs completely disregarded the norms for sanctioning advances and undertook no action to ensure adjustment/recovery of outstanding advances.

3.5.5 Physical progress of works

Poor physical progress as only seven per cent works were completed during 2001-05

Scrutiny revealed that out of 9879 works taken during 2001-05 by seven ZPs, only 653 works³ (291 in 2001-02, 209 in 2002-03, 147 in 2003-04 and six in 2004-05) were completed as of March 2005 at an expenditure of Rs 12.46 crore as detailed below:

Particulars of grants	No. of works taken up for execution	No. of works completed	Expenditure (Rupees in crore)	No. of incomplete works
SGRY	7260	647	12.30	6613
MP/MLA/MLC	1490	5	0.15	1485
Tenth and Eleventh Finance Commission (ZP share)	329	1	0.01	328
Self Financing and Personal Ledger Account	800	Nil		800
Total	9879	653	12.46	9226

³ Begusarai(203);Gaya(145); Muzaffarpur(305)

The balance 9226 works remained incomplete as of March 2005 for which advances of Rs 101.80 crore were outstanding against different executing agents (*Refer : Appendix-XL*). ZPs showed 2940 works as completed till March 2005. However, in respect of 2287 works, it was observed in audit that there was no evidence to the completion of works for the following reasons :

- Bills relating to 629 works⁴ involving an advance of Rs 11.69 crore pertaining to three ZPs⁵ were only passed by the DEs between 2001-02 and 2004-05 but not submitted to the DDC-cum-CEOs for final approval. No reasons were given by the DEs for non-submission of bills to CEOs.
- Vouchers/MBs in respect of 795 works (651 works of MP/MLA fund 140 works of SGRY for SC/ST and four of T&EFC grants) involving advance of Rs 14.51 crore were not produced to Audit.
- In the remaining 863 works of SGRY, 85 works were test-checked which disclosed that in case of 17 works for which Rs 71 lakh was advanced, the works register did not reflect whether the works were completed, though the DE had recorded his pay order in the MB. In balance 68 works for which Rs 0.89 crore was advanced, MBs were passed only by the AEs which only recorded measurements. The final measurements had not been taken.
- The reasons for pending bills were due to incomplete posting in the works register, final measurements wanting in MBs and vouchers for purchase of materials and labour payment were not enclosed with the work bills.

Thus it was difficult to ascertain the position of completed works as final bills of 653 works only were passed by the DDC-cum-CEO in three ZPs while no bills were passed in the remaining four ZPs. Even the passed bills did not have copies of work order, completion certificate or any mention in MBs about the period in which the works was completed and the MBs of the test-checked works did not contain final measurement of the works. Further it was also noticed that no evaluation of projects was done by any outside technical agency.

3.5.6 Non-accountal of material

Materials purchased on hand written vouchers and not entered in Material-at-site account

Purchases were being made separately for each work. The materials purchased were not entered in Material-at-site account as required, which was not maintained. Test check of vouchers of 287⁶ works in test-checked ZPs disclosed that against purchase of construction materials worth Rs 4.68 crore⁷, there were hand written vouchers for materials costing Rs 2.10 crore in four ZPs (Muzaffarpur Rs 1.21 crore, Patna Rs 0.48 crore, Gaya Rs 0.26 crore and Begusarai Rs 0.15 crore). Purchase of materials were not supported by

⁴ 96 in 2001-02, 249 in 2002-03, 140 in 2003-04 and 144 in 2004-05

⁵ East Champaran (274); Patna (237); Samastipur (118)

⁶ Begusarai 31, East Champaran 17, Gaya 28, Muzaffarpur 81, Patna 37, Samastipur 8, and Vaishali 85.

⁷ Begusarai: Rs 0.44 crore, East Champaran: Rs 0.39 crore, Gaya: Rs 0.26 crore, Muzaffarpur: Rs 1.57 crore, Patna: Rs 0.52 crore, Samastipur: Rs 0.24 crore and Vaishali: Rs 1.26 crore.

bills/cash memos of the suppliers. Thus, there was doubtful purchase of materials valued Rs 2.10 crore by ZPs. However the entire purchase was also doubtful as Material-at-site accounts were not maintained and analysis of consumption of materials purchased were not enclosed with the work bills.

3.5.7 Irregularities in execution of SGRY works

SGRY guidelines (5.16.3) require that each District, Block and Village Panchayat should maintain complete inventory of the assets created under the programme giving details of the date of the start and completion of the works, cost involved, benefits obtained, employment generated and other relevant particulars. Signboards were to be displayed near the works giving these details. Photographic record of the work was also to be kept of the various stages of implementation.

SGRY guidelines in execution of works not followed

During test-check it was noticed that asset register and employment register were not maintained, completion certificates, work order were not issued by ZP, photographs of work at various stages were not taken, sign board was not displayed by ZPs in the test-checked 287 SGRY works involving Rs 6.76 crore which included Rs 1.92 crore as wages. Muster rolls were certified by the JEs who themselves were executing the work and these were not certified by Mukhiya/Sarpanch or any member of Gram Panchayat.

Denial of benefits to SC/ST community

As per the guidelines of SGRY, 22.50 per cent of the fund received under it was required to be spent on the works for the benefit of SC /ST community. It was noticed that out of Rs 15.98 crore grant received by five⁸ ZPs during 2001-05, Rs 12.66 crore (Muzaffarpur: Rs: 1.90 crore, East Champaran: Rs 0.91 crore, Patna: Rs 4.23 crore, Vaishali: Rs 1.53 crore and Gaya: Rs 4.09 crore) was diverted during 2001-05 towards other works not for the benefit of SC/ST community. This resulted in denial of intended benefits to the SC/ST beneficiaries under SGRY works.

3.5.8 Monitoring

As per SGRY guidelines the Commissioner, DM and DDC were required to physically inspect five, ten and fifteen works under SGRY respectively in a month and a monthly progress report was to be furnished to the Government. However there was no record to show that these officers carried out inspection of any SGRY works. Further the ZPs, Panchayats Samitis and Gram Panchayats all executed works in Gram Panchayats but neither the ZPs nor the PS intimated the works being executed by them to the Gram Panchayats nor the GPs intimated ZPs and PS about the works being executed by the GPs. This showed lack of coordination between the three tiers of PRIs as possibility of executing similar works by the different tiers of PRIs cannot be ruled out.

3.5.9 Conclusions

The standard budget and accounting formats prepared by CAG were not operationalised by the ZPs. The new accounts rules based on Bihar Panchayat Raj Act 1993 were not framed. DDC-cum-CEOs failed to prepare accounts of

⁸ East Champaran: Rs 1.08 crore, Gaya: Rs 4.09 crore, Muzaffarpur: Rs 4.14 crore, Patna: Rs 4.23 crore and Vaishali: Rs 2.44 crore.

the ZPs, rendered incorrect utilisation certificates relating to funds allotted to the Gram Panchayats and Panchayat Samitis. There was poor performance in respect of completion of schemes and denial of intended benefit to the beneficiaries. Besides, advances of Rs 101.80 crore outstanding against different executing agents for a period ranging from one year to four years was also indicative of weak internal control mechanism and poor monitoring.

Recommendations

- New Accounts Rules based on Bihar Panchayat Raj Act 1993 should be immediately framed.
- Data base on finances of local bodies should be created as per the recommendation of the EFC.
- Maintenance of the basic records such as one main cash book, grant register, loan register, advance register, employment register and asset register etc. should be ensured by the DDC-cum-CEOs.
- DDC-cum-CEOs should ensure submission of utilisation certificates after obtaining detail of expenditure from Panchayat Samitis/Gram Panchayats.
- The execution of work should be done as per the guidelines and in the time prescribed. The position of completion of works should be depicted in the Works Register and the bills of executing agents should invariably be passed by the DDC-cum-CEO and this should not be kept blocked at the level of either District Engineer or Assistant Engineer.
- Timely adjustment of advances should be ensured and a time schedule should be provided for submission of adjustment bills including invoking a penal clause for delayed submission of adjustment bills.

The matter was referred to the Government (September 2004); their reply has not been received (December 2005).