

CHAPTER-IV AUDIT OF TRANSACTIONS

4.1 Suspected Fraudulent drawal/misappropriation/ embezzlement/ losses

WATER RESOURCES DEPARTMENT

4.1.1 *Fraudulent payment*

Fraudulent payment of Rs 17.84 lakh on account of carriage of stone chips besides recovery of royalty of Rs 3.51 lakh on material not made.

Chief Engineer, Water Resources Department, Patna allotted construction of WBM service road on Patna main canal between 53 Km and 57.90 Km and restoration works of structures between zero Km and 17.457 Km of Mali Rajwaha to two contractors at the cost of Rs 80.54 lakh and 56.40 lakh respectively. Executive Engineer (EE), Irrigation Division, Daudnagar (Aurangabad) accordingly executed the agreements in September 2003 and November 2003 respectively.

As per agreement stone metal and chips were to be obtained from Karbandia mines, Rohtas and lead plan of carriage (105 km from work site) was also derived accordingly. As per Bill of Quantity, 6190 cu.m stone metal and chips were to be used in both the works against which, 6076 cu.m stone chips were consumed.

Audit scrutiny revealed (June 2005) that the challans submitted by contractors for carriage of 3511 cu.m stone chips by 496 trucks were not issued by the District Mining officer (DMO), Sasaram as certified (November 2005) by him on being requested by the audit and stated that these appear to be fake. Thus, without ascertaining the actual receipt of stone chips fraudulent payment of Rs 17.84 lakhs¹, on the carriage of 3511 cu.m stone chips was made to the contractor. Besides, royalty of Rs 3.51 lakh was also recoverable from the contractor. The matter needs detailed investigation.

The matter was reported to Government (March 2006); their reply has not been received (October 2006).

¹ Total Fake challan for 3511cu. m stone chips was calculated on proportionate basis with reference to payments made for utilisation and carriage of stone chips for both the works separately.

RURAL DEVELOPMENT DEPARTMENT

4.1.2 Misappropriation/ defalcation of government money

Non-adherence to codal provisions in block offices facilitated defalcation of government money to tune of Rs 10.32 lakh.

Rule 86 of Bihar Treasury Code Vol.1 provides that every Government servant receiving money on behalf of Government is required to maintain a cash book to record all money transaction as soon as they occur and every entry in the cash book should be attested by the head of the office. The cash book should be closed and balanced each day. The head of the office should verify the totaling of cash book. At the end of each month he should physically verify the cash balance and record a certificate to that effect. During test check it was noticed that the Block Development Officers (BDOs) did not adhere to these codal provisions resulting in non-accounting, misappropriation and defalcation of government money to the tune of Rs 10.32 lakh as detailed below:-

Modus operandi of defalcation	Period during which defalcated	Amount of defalcation (Rupees in lakh)
1. BDO, Tekari (Gaya) (Test-checked in May and December 2005).		
<p>1. Five cheques valued Rs 15.59 lakh received by the cashier of Tekari Block from DRDA, Gaya between June 2001 and March 2002 were deposited (June 01 to April 02) into banks. Rupees 15.59 lakh was drawn by cashier/BDO through self cheques and misappropriated.</p> <p>Test check of records (May 2005) of BDO, Tekari (Gaya) disclosed that the department had detected defalcation of Rs 11.83 lakh out of total Rs 15.59 lakh and lodged FIR (June 2004) against the then Nazir. Meanwhile, Nazir deposited Rs 3.95 lakh (September 2002 to February 2003). However, the defalcation of Rs 3.76 lakh could not be detected by the department and no action was taken to book/recover the amount detected at the instance of audit (May 05).</p>	2001-02	3.76
<p>2. Against total receipt of Rs 31.50 lakh (OB Rs 5.81 lakh + Rs 25.69 lakh), Rs 27.90 lakh only was shown as grand total on the receipt side of the cash book on 18 April 2002. This resulted in cash shortage of Rs 3.60 lakh which was defalcated by the cashier.</p>	2002-03	3.60

3. Out of Rs 56 lakh shown as part of closing balance of cash in shape of unadjusted/ unadmitted vouchers, vouchers for Rs 2.96 lakh was not passed by the BDO for payment but was shown as part of closing balance of cash on 31 March 2005. This resulted in cash shortage/defalcation of Rs 2.96 lakh.	2004-05	2.96
Total		10.32

The above points were reported to the Government (July 2006); their reply has not been received (October 2006).

WATER RESOURCES DEPARTMENT

4.1.3 *Payment for doubtful carriage of earth*

In the absence of revised lead plan, non-acquisition of temporary land, payment of crop compensation and certification of actual lift of earth by CE, payment of Rs 2.86 crore to the contractor was for doubtful carriage of earth.

For execution of earth work (6.18 lakh cu.m.) in Jamania main pump canal (0 km to 18.20 km), the Chief Engineer, Water Resources Department (WRD), accorded administrative approval during 1992-1998 and technical sanction for Rs 2.43 crore during 1998 to 2002 with due date of completion of work between March 2003 to December 2005. As per original estimate, lead for carriage of earth was given up to 1.5 Km (approx). A test check of four agreements² of the said work disclosed that WRD revised the lead between December 2000 to July 2005 on the ground that earth was not available near worksite and subject to condition that the lead provided for carriage of earth by mechanical means would be verified by the Chief Engineer (CE) and necessary certificate would be recorded in the Measurement Book (MB) before release of payment. Accordingly, supplementary agreements of additional lead up to 5 Km (approx) for lifting of earth by mechanical means were executed by the division with the contractors which resulted in enhancement of estimated cost from Rs 2.39 crore to Rs 5.07 crore. The division paid Rs 2.86 crore in excess for carriage of 6.40 lakh cu.m of earth to the contractors between September 2004 and January 2006.

It was noticed that revised approved lead plan for carriage of earth i.e. details of plot from where earth was to be obtained and carried in original as well as in supplementary agreements was not available on record. The certificate by the CE in MB was also not recorded though it was required before making payments. Further, the quantity of earth lifted for the above work was for 6.40 lakh cu.m but the source from where the earth was brought could not be ascertained as the division had neither acquired

² (a) 5 F2/98-99: Rs 98.18 lakh (b) 29 F2/2000-01: Rs 57.40 lakh (c) 5 F2/2002-03: Rs 57.31 lakh (d) 40 F2/2004-05: Rs 22.71 lakh

temporary land nor paid any crop compensation though, it was provided in the estimates.

Thus, in the absence of revised lead plan duly approved by the CE, non-acquisition of temporary land, non-payment of crop compensation and non-certification of actual quantity of lifted earth in the concerned MB by the Chief Engineer, the payment of Rs 2.86 crore was for doubtful carriage of earth.

The matter was referred to the Government (July 2006), their reply has not been received (October 2006).

4.1.4 Loss due to supply of sub standard cement

Payment against substandard cement, excess payment and non-imposition of penalty besides execution of sub standard work entailed a loss of Rs 1.12 crore.

The Director, Purchase and Transport, Water Resources Department placed orders between December 2002 and January 2003 for supply of 19464 MT cement conforming to I.S. 269/1989, 33 grade. The terms and conditions of the purchase order stipulated that in case the supply was found to be of sub standard quality, it was to be replaced by the supplier at their own cost and in addition penalty at the rate of two per cent of the value of cement supplied was also to be imposed. Payment was to be made to supplier by the consignee divisions through bank draft to be kept ready against proforma bill. On receipt of full quantity at consignee godown and on receipt of OK test report from the Irrigation Research Institute (IRI) Khagaul, Patna the above bank draft was to be handed over to the supplier.

A test check (January 2006) of records disclosed that 4712 MT of 33 grade cement valued at Rs 1.19 crore supplied by the company A to ten³ divisions between May 2003 and March 2004 were found below the specification as per test report of IRI (15-03-2003 to 19-08-2003). The compressive strength (*Appendix-XXXIII*) of supplied cement when mixed with three part of sand was found nine Mega Pascal (Mpa) to 20 Mpa as against required 16 Mpa to 33 Mpa for 33 grade cement. The Director, Purchase and Transport issued instruction (March 2003) to Chief Engineers to stop payment of firm till review of test report and subsequently directed the supplier (June 2003) to replace the sub standard cement. But supplier did not replace the sub standard cement

³ 1. Irrigation division no 3, Jamui, (12/02 to 6/03) 2. Western Koshi Canal division, Khutauna (1/03 to 6/03) 3. Tirhut Canal Division, Motihari, (NA) 4. Irrigation division, Murliganj, (1/03 to 9/03) 5. Western Koshi Canal division, Darbhanga, (01/03 to 6/03) 6. Saran Canal Division, Marhaura, (02/03 to 6/03) 7. Triveni Canal Division, Narkatiyaanj, (05/03 to 03/04) 8. Flood Control Division, Begusarai, 9. Drainage Division, Samastipur 10. Ganga Pump Nahar division, Bateshwarsthan, (03/03 to 04/03).

and contrary to the instructions of the Government, eight divisions⁴ released payment of Rs 1.10 crore between January 2003 and March 2003 even without imposing the penalty of Rs 2.25 lakh as envisaged in the purchase order.

It was also observed that sub standard cement was utilised in works worth Rs 8.11 crore under six divisions⁵ during the years 2003-06 and in one division (T.C Division, Narkatiaganj) 30.75 MT Cement was lying in stock (March 2006) and in another division (FCD, Begusarai) 57.5 MT cement was returned. As such, the quality of work in which cement was used, was not up to the desired standard.

Thus, Government suffered loss of Rs 1.12 crore due to payment against substandard cement and non-imposition of penalty besides use of substandard cement in execution of work worth Rs 8.11 crore.

The Director, Purchase and Transport, in his reply (February 2006) stated that concerned officers would be held responsible for payment without quality test report but no action was taken against the erring officials as of July 2006.

The matter was reported to Government (July 2006); reply received was silent on the issues raised by audit.

RURAL DEVELOPMENT DEPARTMENT

4.1.5 Non-accountal of foodgrains

6186 MT foodgrains valued at Rs 8.48 crore was not accounted.

Sampoorna Grameen Rozagar Yojana (SGRY) a centrally sponsored scheme is aimed at to provide additional wage employment and food security in rural areas. In order to achieve this objective, the Govt. of India (GOI) provides rice to the District Rural Development Agencies (DRDAs) free of cost for payment of wages at the rate of 5 kg / man-days to wage earner. The rice allotted under SGRY by GOI is lifted by district level depot of State Food and Civil Supply Corporation (SFC) from the nearest depot of Food Corporation of India (FCI) on release authorization issued by FCI based on allocation made by DRDA. The SFC further distributes rice to Public Distribution System (PDS) dealers as per allotment made by DRDA to the scheme implementing agencies.

⁴ 1. Irrigation Division no. 3, Jamui, 2. Western Koshi Canal Division, khutauna, 3. Tirhut Canal Division, Motihari, 4. Irrigation Division, Murliganj, 5. Western Koshi Canal Division, Darbhanga, 6. Saran Canal Division, Marhaura, 7. Triveni Canal Division, Narkatiaganj, 8. Ganga Pump Nahar Division, Bateshwarsthan.

⁵ Irrigation Division No.3, Jamui, Western Kosi Canal Division, Khutauna, Western Kosi Canal Division, Darbhanga, Saran Canal Division, Marhaura, Triveni Canal Division, Narkatiaganj, Flood Control Division, Begusarai

Scrutiny of records of DRDA, Darbhanga, FCI, SFC, seven test-checked blocks⁶ and 85 panchayats alongwith 129 PDS dealers of Darbhanga district and two blocks of Nalanda district disclosed non-accountal of 5561 MT rice in Darbhanga and 625 MT rice in two blocks of Nalanda as discussed in the succeeding paragraphs.

- Based on allotment made by DRDA, SFC Darbhanga lifted 21849 MT rice from FCI godown during the years 2001-04. Of this 18429 MT were supplied to PDS dealers. Against balance of 3420 MT in the records of SFC it was shown as 787 MT only. Thus there was non-accountal of 2633 MT in SFC, Darbhanga.
- SFC Darbhanga supplied 3909 MT rice to five⁷ blocks, of which, utilisation was only for 2062 MT. The balance with the PDS dealers should have been 1847 MT whereas it was shown as 637 MT. Thus, there was shortage of 1210 MT. Further test check of PDS dealers of 85 panchayats of seven blocks⁸ disclosed that against the 5133 MT rice supplied by SFC to panchayats, the utilisation certificate of only 3415 MT was furnished by Panchayat Sevaks/PDS dealers but could not furnished the accounts for balance quantities resulting into short accountal of 1718 MT.
- Test check of records of PDS dealers of two blocks⁹ of Nalanda district disclosed that against the 1720 MT rice lifted from SFC, the distribution was of 705 MT but the balance in stock was 390 MT which should have been 1015 MT resulting in short accountal of 625 MT.

Thus, 6186 MT rice valued at Rs 8.48 crore (at the rate of Rs 13705 per MT) was short accounted and needs detailed investigation.

The matter was reported to Government (May 2006); their reply has not been received (October 2006).

RURAL DEVELOPMENT DEPARTMENT

4.1.6 Unauthorised payment

Unauthorised payment amounting to Rs 1.37 crore of IAY funds to non-BPL families besides doubtful payment of Rs 6.29 lakh.

Indira Awas Yojana (IAY), a centrally sponsored scheme is aimed to provide dwelling houses to below poverty line (BPL) rural households. During the year 2004-05, IAY funds amounting to Rs 58.37 crore was made available to Madhubani district in order to provide assistance to all such families whose houses were completely damaged due to flood in 2004

⁶ Darbhanga, Bahadurpur, Manigachhi, Singhwara, Keoti, Hayaghat and Baheri

⁷ Keoti, Manigachhi, Singhwara, Hayaghat and Baheri.

⁸ Bahadurpur, Baheri, Darbhanga, Hayaghat, Keoti, Manigachhi, and Singhwara

⁹ Biharsharif and Hilsa.

subject to fulfillment of all the conditions laid down under IAY guidelines and deviation of funds was not admissible.

Test check of records of Pandaul, Madhepur and Rahika blocks of Madhubani district (June-August 2005) showed following irregularities in distribution of IAY funds.

(i) Cross checking of BPL list of 1998-2003 in vogue, with that of 243¹⁰ IAY beneficiaries under Pandaul block and Madhepur block revealed that 170 such beneficiaries (Pandaul : 110; Madhepur : 60) whose names did not figure in BPL list, were paid Rs 30.78 lakh¹¹ during the year 2001-05. Further, as per report of DM submitted to the Disaster Management Department, Government of Bihar only 11 panchayats out of 26 were declared as flood affected. But Rs 1.01 crore was irregularly distributed to 422 persons of non-flood affected panchayats during the year 2004-05.

(ii) Payment to more than one member of a family was not permissible under IAY guidelines. In Madhepur block payment of Rs 5.70 lakh was made in 2004-05 to 91 members of 40 families and in none of the cases BPL number was mentioned in the records.

(iii) Payments of IAY funds (flood) amounting to Rs 6.29 lakh were made to 61 beneficiaries in Rahika block during 2004-06 without their proper identification by Panchayat Sevak, Jan Sevak or Karamchari as instructed by DM and without obtaining the signatures of the recipients and payment vouchers were not signed by the concerned BDOs. Thus, payment of Rs 6.29 lakh was doubtful.

Thus unauthorised payment of Rs 1.43 crore of IAY funds was made for which no responsibility was fixed and matter needs investigation.

On being enquired the BDO and circle officer of Pandaul and Madhepur block stated that the beneficiaries were selected on the basis of BPL list of the year 2004 available in the District office and the BPL numbers were not recorded due to want of requisite information. The reply was not tenable as BPL list of 1998-03 was enforced in the state during the aforesaid period as well as both the officers failed to discharge their duty with respect to adherence of IAY guidelines.

The matter was referred to the Government (May 2006); their reply has not been received (October 2006).

¹⁰ Number of beneficiaries: (a) Pandaul block (Belahi, Meghaul and Bhagwatipur panchayats): 143 (b) Madhepur Block (Darah panchayat):100. Total: 143 + 100 = 243 beneficiaries.

¹¹ Rs 2.48 lakh in 2001-02, Rs 2.40 lakh in 2002-03, Rs 2.40 lakh in 2003-04 and Rs 23.50 lakh in 2004-05.

HUMAN RESOURCES DEVELOPMENT DEPARTMENT (HIGHER EDUCATION)

4.1.7 *Loss on account of payment of salary to irregularly appointed staff*

In violation of Supreme Court orders, the University continued services of employees which led to irregular payment of Rs 88.21 lakh on account of payment of salary.

Hon'ble Supreme Court in its judgment (October 2004 on CA no. 6098/1997) laid down guidelines for absorption of teaching and non teaching staff of affiliated colleges converted as constituent colleges in August 1986. The judgment while accepting the findings of one man enquiry commission set up by the Court, directed to absorb employees who were either appointees against sanctioned posts or were working against additional posts for which recommendations were sent by the universities to the State government before the cut off date (30 April 1986). The judgement prohibited absorption of those employees whose recommendations were sent by the universities after the cut off date or were working on the unsanctioned posts.

The scrutiny of records of four constituent colleges (converted from affiliated colleges) of Bhim Rao Ambedkar Bihar University Muzaffarpur (May 2006) disclosed that 23¹² teachers and 38¹³ non-teaching staff (Class-III : 24 and Class IV : 14) were being continued in service in contravention of Hon'ble Supreme Court's judgement as their services were neither against the already sanctioned post nor figured in the list of employees whose services were recommended for absorption by the enquiry commission and Rs 88.21 lakh approximately (Rs 54.67 lakh to teachers and Rs 33.54 lakh to non-teaching staff) in pre revised pay scale was paid to them on account of salary for the period November 2004 to February 2006 from Grants-in-aid for the year 2005-06. Also, a wrong certificate was issued in November 2005 on the preface of the budget 2006-07 by the University to the State Government stating that the calculation of emoluments of teaching and non-teaching staff had been done in the light of Hon'ble Supreme Court's judgement (on CA no. 6098/1997).

Further, the university instead of terminating their services issued notifications (August 2005, December 2005) regarding absorption/regularisation of 17 teachers of RLSY College Bettiah and one teacher of Samta College, Jandaha. However, no notification was issued for remaining five teachers and 38 non-teaching staff. The scrutiny of notification orders also disclosed that 17 teachers of RLSY College

¹² RLSY College Bettiah (20), Samta College Jandaha(3)

¹³ RLSY College Bettiah (27), Samta College Jandaha (7), Mahila College, Hazipur (2) K.C.T.C.College Raxaul(2)

Bettiah, notified for absorption/regularisation, were not found working on the date the college became a constituent college and thus they were ineligible as per the enquiry commission's report.

Thus, unauthorised continuance of services of ineligible employees by the university led to irregular payment of Rs 88.21 lakh.

The department replied (November 2006) that the matter raised by audit is under active consideration of the State Government.

4.2 Infertuous/ wasteful expenditure and overpayment

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2.1 Loss due to flawed evaluation of bids

Flawed evaluation of bids led to irregular award of purchase order causing loss of Rs 2.45 crore besides non-imposition of penalty for Rs 58 lakh.

The Public Health Engineering Department floated (September 2004) an NIT for procurement of 84126 metres ductile iron pipes (DI pipes) of different sizes. Two Kolkata based firms 'A', 'B' participated in the bid. Another firm 'C' a Delhi based firm, claiming better product and more competitive rates requested the department (October 2004) for extension of due date of tender (03.11.2004) by one month in order to enable them to participate in the bid. However, the request of the firm was not entertained and the purchase committee considered offers of only two Kolkata based firms.

Accordingly, ten purchase orders (POs) valued at Rs 8.46 crore for 83212 metres pipes were placed (March & July 2005) with both the firms on item wise lowest rate offered by them. The materials were to be supplied within 60 days from the date of issue of POs failing which a maximum penalty of 10 per cent of the ordered value was to be imposed. However, delivery of materials against seven POs of March 2005 was affected during July-August 2005. The payment of Rs 5.79 crore was made against the delivered quantities without imposing any penalty as delivery period was extended up to 04.08.2005 retrospectively on 02.12.2005 which was not justified.

Examination by Audit of the Annual Report and the Accounts of company 'A' for the year 2003-04, disclosed that the company 'B' was an associate company of 'A'. This was also substantiated from the letter of 'A' (July 2005) in which the firm had made claim for receiving payment on behalf of the company 'B'. It was observed that the department while finalising the first tender, failed to consider the evidence available on record which was a part of the tender documents. By not examining the records the process of competitive bidding got vitiated and entire tendering procedure was reduced to single tender enquiry.

Another NIT was floated (August 2005) by the department for procurement of 171167 metres pipes of different sizes conforming to the specifications as in the earlier tender. This time the company 'A' of Kolkata and 'C' of Delhi took part in the bid, the price part of which was opened on 08.09.2005.

During the course of audit (April 2006), it was noticed that there was drastic reduction in rates offered by the company 'A' in the second tender ranging from 24 to 38 per cent. On comparison of rates quoted by the firms in the second tender with that of rates approved in earlier tender, the differential amount worked out to Rs 2.45 crore (*Appendix-XXXIV*).

The department in its reply stated (October 2006) that 'B' had a separate identity and was also a separate DGS & D rate contract holder. Regarding reduction in rates in second tender the department stated that technology of manufacturing and price variation of raw materials and other related items were responsible for reduction in rates.

As regard status of the company 'B', the argument of the department is not tenable as the company was an associate of company 'A' since March 2004 and it was not a separate DGS & D rate contract holder as document furnished in support of DGS&D rate contract was issued to another company, not to 'B' and that too was valid up to 7.1.2003. This company had not even participated in the bidding process. The higher rates received against the first tender were clearly on account of absence of competitive bidding where as against the second tender the department benefited by its presence.

Thus, due to injudicious decision of purchase committee, the department was put to a loss of Rs 2.45 crore besides non-imposition of penalty for Rs 58 lakh (*Appendix-XXXV*).

The matter was reported to the Government (May 2006); their reply has not been received (October 2006).

HUMAN RESOURCES DEVELOPMENT DEPARTMENT

4.2.2 Loss due to payment of salary to newly recruited idle teachers

Loss of Rs 1.92 crore on salary of idle primary school teachers due to incorrect decision taken by the DSE, Ara and DSE Madhubani

Bihar Public Service Commission (BPSC) Patna recommended (August 1999) the names of 366 successful candidates to District Magistrate (DM) Ara for their appointment as primary school teachers. As per order of the department, (December 1999) the DM was to arrange training of untrained candidates (315) before their posting in schools. Meanwhile, DM directed (December 1999) the District Superintendent of Education (DSE) Ara, to accept the joining of 315 candidates.

The training programme was organised in May 2000. During the period from December 1999 to April 2000 the candidates remained idle and arrear of salary amounting to Rs 39.25 lakh was paid to them in March 2004.

DM Ara confirmed the audit finding and stated that DSE was responsible for infructuous expenditure of Rs 39.25 lakh.

Further, in case of compassionate appointees training was to be imparted to the candidates within three years of their appointment and during training period they would be entitled for stipend, equal to basic pay, of matric untrained teacher.

During test check (September 2005) of records it was observed that 109 teachers were appointed on compassionate ground by the District Superintendent of Education (DSE), Madhubani between February 2001 and December 2003. Out of 109, only 44 teachers were deputed for training during November 2002 to September 2003. Meanwhile, Rs 37 lakh was spent on their pay and allowances during February 2001 to September 2003. Further, remaining 65 teachers were waiting at DSE office in anticipation of their training till October 2005. However, they were paid salary amounting to Rs. 1.16 crore irregularly for the idle period (February 2001 to October 2005). The training of these teachers was started in November 2005.

Thus, due to delay in imparting training and keeping them idle resulted in loss of Rs 1.53 crore on payment of their salaries.

The matter was referred to Government (April 2006). In reply (June 2006) Government accepted the audit's contention and stated that the DSE, Madhubani has been ordered to recover excess payments from the salaries of the concerned teachers at the rate of Rs 2000 per month. He has also initiated departmental proceedings against the said DSE.

HUMAN RESOURCES DEVELOPMENT DEPARTMENT (HIGHER EDUCATION)

4.2.3 *Unauthorised grant of incentive increment*

Despite restriction of the State Government, the BRABU granted incentive increment to teachers which resulted in unauthorised payment of Rs 4.21 crore.

The State Government implemented (July 2001) University Grants Commission (UGC) package in revised pay scales with effect from 1 January, 1996. Clause 6 (iv) of the package provides incentive of two advance increments for Ph.D/M Phil degree holder teachers in her/his service career.

The Bhimrao Ambedkar Bihar University (BRABU), Muzaffarpur, sought clarification (October 2003) from the Education Department on the point whether the teachers, appointed and acquired Ph.D degree prior to 1 January 1996, were eligible for two advance increments as the State Government's order (August 1989) for implementing UGC pay scale from 01 January 1986, clearly envisaged that the existing lecturers or those recruited in future without research degree were not eligible for advance increment. The Education Department informed (August and September 2004) the Vice Chancellor (VC) of all the universities of the State that clarification in this regard had been

sought from the UGC and payment of advance increments should not be made until clarification is received from the UGC. In the meantime, the VC granted (February 2004) two advance increments with effect from 27 July 1998 to the teachers who acquired Ph.D degree after 1 January 1986 and prior to 1 January 1996 without getting the clarification sought from the State Government.

Audit scrutiny of records of the BRABU (May 2006) disclosed that 674 teachers, having Ph.D degree before 01 January 1996 were granted two advance increments in violation of provision of Section 35 (ii) of the Bihar State Universities Act, 1976 which prohibits the creation of additional financial liabilities on account of pay and allowances attached to any post without prior approval of State Government. Thus, the irregular payment of Rs 4.21 crore (approx) was made to 569 teachers (Professors: 118, Readers: 351 and Lecturers: 100) for the period July 2001 to January 2006 and March 2006 inclusive of allowances consequent upon the grant of two advance increments. The balance payment for the period 27 July 1998 to June 2001 is still to be made (July 2006).

The department accepted (November 2006) the audit findings that the BRABU had paid the advance increment before any decision of State Government.

RURAL DEVELOPMENT DEPARTMENT

(RURAL ENGINEERING ORGANISATION)

4.2.4 Infructuous expenditure

Due to improper execution and incomplete road works by the Executive Engineers Rural Engineering Organisation (REO) Divisions, Supaul and Saharsha) after lapse of two to three years resulted in infructuous expenditure of Rs 1.08 crore.

Bihar Public Works Departmental Code¹⁴ states that to achieve intended objective of the expenditure and to provide smooth traffic, the construction of road works must be completed with all items in limited length rather than earth works and metal works in full length of the road.

Pradhan Mantri Gram Sadak Yojana (PMGSY) was launched (December 2000) by the GOI with a view to provide connectivity to all rural inhabitations with a population of more than 500 through good all-weather road. A test check of records of REO Division, Supaul and Saharsha showed the following:

(a) REO, Division, Supaul entered into an agreement (valuing Rs 1.01 crore) in August 2002 for construction of two roads¹⁵ (length 4.8 Km) by December 2002. But, after completing the work upto Grade I metal level in only 4.4 Km the work was abandoned (March 03) by the contractor without assigning any reasons on record. No bituminous work was carried out and the work was lying incomplete as of December 2005 open to the vagaries of

¹⁴ Annexure A-Chief Secretary circular no. L/Estt-108/81-462 dated March 1982.
¹⁵ package No. Br-35-03 (Bhura to Bharao Pattis, Chunni World Bank to Charney)

nature. However, payment of Rs 27.71 lakh was made in September 2003 to the contractor.

(b) REO, Division, Saharsa executed agreements (valuing Rs 1.45 crore and Rs 2.29 crore respectively and total length 11.83 Km) in June 2002 and June 2003 for construction of nine roads¹⁶ to be completed by December 2002 and December 2003. Against that, four roads (4.98 km) were constructed only upto earth work level and four roads (6.2 km) were constructed only upto soling level by October 2004. No bituminous work was carried out in any of these roads. However, payment of Rs 80.62 lakh was made in October 2004 to the contractor.

Though the non-execution of bituminous work on incomplete roads caused their early damage and intended connectivity through them also could not be achieved, payment of Rs 1.08 crore on incomplete works was rendered unfruitful.

The matter was reported to Government (April 2006); their reply has not been received (October 2006).

WATER RESOURCES DEPARTMENT

4.2.5 *Undue aid to supplier leading to loss of Rs 72.57 lakhs*

Award of tender in violation of Bihar Financial Rules, failure to lift the material in time, issue of purchase order slowly and awarding the fresh supply order at higher rates resulted in extra expenditure of Rs 72.57 lakh.

Director, Purchase and Transport, Water Resources Department (WRD) invited tender (May 2003) for supply of Mild Steel (tor) rod of different specifications. As per term of the NIT, the validity of the rate offered by the bidder was effective up to 31.03.2004. The purchase order was given to sole bidder company 'A' located in Patna in violation of Rule 30 of Bihar Financial Rules, which stipulated calling for fresh bid in the event of receiving single bid. Five purchase orders were placed between August 2003 and January 2004 for 5278 MT rod valuing Rs 10.58 crore. The quantity of purchase was later revised (October 2003) to 3862 MT. The Secretary, WRD also, in view of the steep hike in price of steel, instructed the Chief Engineers (August 2003) to lift the iron rods immediately to avoid price escalation, failing which, the concerned Chief Engineer would be held responsible for the loss to the Department.

Scrutiny of records (February 2006) disclosed that despite instruction of the Government to procure the materials immediately to avoid price escalation, the department acted slowly and placed purchase orders in piecemeal between August 2003 and January 2004. Even, the ordered quantities (3455 MT)

¹⁶ For package No. BR-29-01 and BR-29-03-04 (Sakkhua to Sonbarsa, Mali to Bhudhma and Murichak to Khursan, Fatehpur to Kash nagar, Amrita to Mangwan, Khajuchak to Kosibandh, Salkhua to Kosibandh, Salkhua to Hereba, Savito to Kosibandh./

against four POs issued during August 2003 to November 2003 were not lifted by the division in full within stipulated period of the purchase orders. As a result, only 2182 MT rods could be lifted. The agency refused to supply (January 2004) the balance unlifted quantities despite the validity of the rate till March 2004. The agency also did not honour the fifth purchase order issued in January 2004 for 407 MT due to increase in price of steel.

Subsequently, the department cancelled (February 2004) the purchase order issued in January 2004 for supply of 407 MT rod and invited fresh tender (May 2004) for supply of rod. Three purchase orders worth Rs 5.80 crore were placed (June 2004 and February 2005) with two agencies including the defaulter agency (Rs 2.32 crore), for supply of 2039 MT of rods at increased rates ranging from Rs 28100 per MT to Rs 29550 per MT. As a result, Government incurred extra expenditure of Rs 72.57 lakh on purchase of 906.027 MT steel rods (February 2006) valuing Rs. 2.56 crore.

However, neither the concerned Chief Engineers were held responsible for delay in issuing purchase orders and non-lifting the full ordered quantity nor the department black listed the agency. The agency was also not asked to make good the deficiency. Instead, the department cancelled (February 2004) the purchase order issued in January 2004 for supply of 407 MT rod and invited fresh tender (May 2004) for supply of rod.

Thus, the award of tender by the Department (August 2003), in violation of Bihar Financial Rules, failure of the department in lifting the material in time, delayed issue of purchase order and awarding the fresh supply order (June 2004 and February 2005) at higher rates resulted in extra expenditure of Rs 72.57 lakh.

In reply (February 2006), the Director, Purchase, Store and Material Management, WRD while accepting certain consignee divisions' inability to lift their consignments, contended that the agency's denial to supply the requisite quantity was due to increase in cost of iron. The reply of the department is not tenable as SAIL in January 2004 did not accept the purchase order in view of non-payment of advance by the department against the proforma invoice. Further, the firm was under contractual obligation to supply material up to March 2004 without claiming any increase in cost of iron and the department reserved the right to impose penalty and blacklist the defaulting agency.

The matter was reported to the Government (July 2006); their reply has not been received (October 2006).

ROAD CONSTRUCTION DEPARTMENT

4.2.6 *Loss to Government*

Loss of Rs. 97.10 lakh due to inviting of tenders by the EE without provision of funds and delay in filing appeal before Court.

As per Rule 130 of the Bihar Public Works Department code, no work shall be commenced or liability incurred until administrative approval has been obtained, a properly detailed design and estimate have been approved, sanction of expenditure has been accorded, appropriation of funds made and order for the commencement issued by the competent authority.

Scrutiny of records (January 2006) of Road Construction Division, Hajipur disclosed that for widening and strengthening of Hazipur- Bhairaoipur-Mahnar road (30 Km), administrative approval for Rs 4.57 crore was accorded (March 1993) and technical sanction of Rs 4.22 crore was given in September 1993. Further, technical sanction of Rs 0.87 crore was also given (September 1993) for widening and strengthening of Mahnar-Mohiuddin Nagar road (5 Km). Both the works were divided into 16 groups and two tenders were invited in November 1993 and December 1993. A private company 'A' participated in bids for work on three groups having total estimated cost of Rs 1.89 crore. Both the works were to be completed within two years. The tender documents of the agency along with comparative statement were submitted to Superintending Engineer (March 1994) to get them approved by Chief Engineer (CE). But, the said documents were neither returned to division nor action taken at CE level was communicated to division and as such, the work could not be started.

The company 'A' filed (July 1997) a suit in the court of sub-judge, Hajipur for compensation of loss incurred on mobilisation of resources in anticipation of conferment/completion of the said works. The then Executive Engineer stated in the Hon'ble Court that work order could not be issued for want of allotment of funds and consequently, the Court ordered (May 2000) the department to pay decretal amount of Rs 52.49 lakh to company 'A' within 60 days failing which the pendente lite and future interest would accrue further.

The department, however, filed an appeal in the High Court (October 2001) after 14 months i.e. beyond permissible period of 90 days which was turned down by the Court in the absence of valid reasons for delay. The delay was caused due to non-submission of requisite papers to Government's pleader by the Divisional Office for drafting the appeal. Consequently, the department made payment of Rs 97.10 lakh¹⁷ to the company 'A' between October 2004 and March 2005. Thus the department suffered loss of Rs 97.10 lakh by inviting tenders without allotment of fund and also delay in filing appeal before the Hon'ble High court.

¹⁷ *Compensation:Rs 37.18 lakh;Pendente lite Interest:Rs 14.81 lakh (28-01-95 to 25-07-97);Court's Expenditure:Rs 0.50 lakh ;further interest : Rs 44.61 lakh (26-07-97 to 30-09-04);Total Rs 97.10 lakh*

The matter was reported to the Government (March 2006); their reply has not been received (October 2006).

ROAD CONSTRUCTION DEPARTMENT

4.2.7 Memorandum of Understanding for construction of ROBs

Failure to protect the financial interest of the State in signing of MOU with IRCON led commitment of minimum additional liability of Rs 86.28 crore.

Government of Bihar decided to construct 32 Road Over Bridges (ROBs) on State owned roads on cost sharing basis with Railways and its agency (June 2004). Resolution to this effect was issued in October 2004 and administrative approval was accorded in March 2005. Accordingly, Memorandum of Understanding (MOU) was signed for construction of 17 ROBs¹⁸ at the estimated cost of Rs 669.48 crore by Road Construction Department (RCD), Ministry of Railways and M/s IRCON Ltd. (May 2005). As per MOU, encroachment free land was to be provided by the State Government and its share for 11 ROBs (Rs 258.85 crore) was to be deposited with Railways. State Government provided (October 2005) interest free loan of Rs 50 crore to M/s IRCON through M/s Bihar Rajya Pul Nirman Nigam (BRPNN).

Audit compared the MOU signed by State Government with IRCON in May 2005 for construction of ROBs with that of MOU signed by NHAI with IRCON for construction of ROBs. Audit scrutiny disclosed that:

- Cost estimate in NHAI's agreement was based on current data book of MORT&H taking into account basic rates based on updated Public Works Department Schedule of Rates (SOR) of relevant State where ROB was proposed to be constructed but in MOU of the State Government it was simply stated that cost offer estimate would be based on General Arrangement Drawings (GADs) agreed by the State Government and Zonal Railways. Estimate of ROB of 52/1 was examined in the Office of the Chief Engineer, Central Design Organisation, Bihar, Patna where it was found that cost submitted by IRCON was 31 percent higher than the norms based on Departmental SOR. Further the cost of 11 ROBs communicated (July 2004 and September 2004) was later enhanced from Rs 192.14 crore to Rs 431.42 crore at the time of according administrative approval (March 2005) without any reasons on record. In reply the Department stated (October 2006) that it was on the basis of approved GAD which was not acceptable as GADs were approved during May to September 2005 with certain modifications as per the details given in **Appendix-XXXVI**.
- In MOU of NHAI, total charges (management fee) payable to M/s IRCON was only seven per cent of the estimated cost where as in MOU of State Government, it was 13.5 percent. The charges include seven per cent and 6.5 per cent of estimated cost towards management

¹⁸ 11 ROBs on cost sharing basis and six ROBs under Rashtriya Sam Vikas Yojana.

fee and establishment and general charges respectively though department had taken a view in the meeting (November 2004) that management fee should have been included in the cost of preparing Detailed Project Report (DPR) including designing and planning, implementation, supervision and monitoring, quality assurance, etc. This was ignored without giving reasons on record. In addition, as per MOU, State Government would have to pay actual cost for the personnel, equipment, training of officers and staff, offices and residences in Bihar State, mandatory taxes, all taxes paid directly by the IRCON against the project, lessees, arbitration costs, any plant or machinery required for the project and all office equipment including furniture and soft furnishing of field units whereas in MOU of NHAI there was no such provision.

- In MOU of NHAI, cost towards survey investigation and design at the rate of 0.75 per cent of the estimated cost where DPR was provided by NHAI and 1.5 per cent of estimated cost where DPR was not provided by NHAI whereas in MOU of State Government payment for preparation of detailed estimate was five percent of the estimated cost.
- Some essential provisions though included in MOU of NHAI were not incorporated in MOU of the State Government such as price variation, submission of work programme, monthly progress report/ projected monthly plan to Government of Bihar, right of access/inspection, monitor/review of progress by Government of Bihar, penalty/liquidated damages for delay, validity of MOU, submission of vouchers/ proof of payment for shifting/ relocation of utilities, time schedule for completion. Department's reply (October 2006) stated that it was examining the same and will incorporate in future.

Other infirmities noticed were:

- As per para 1816 of Railway Engineering Code apportionment of the cost of replacement of existing level crossing (LC), originally provided at Railway's costs, was to be 50:50 but Government of Bihar agreed to pay 60 per cent.
- Six ROBs of Rastriya Sam Vikas Yojana (RSVY) were included without administrative approval.
- Tenders were invited by IRCON (December 2004 and April 2005) before the approval of GADs by State Government (May 2005 and onward). Department's reply (October 2006) stated that tenders were invited before administrative approval in the interest of work was untenable because it was in violation of codal provision.
- State Government provided interest free advance of Rs 50 crore (October 2005) to IRCON without acquiring land which was clear from IRCON letter (May 2006). District Land Acquisition Officer, Patna (May 2006) also confirmed that land had not been acquired for construction of ROBs.

To sum up, State Government committed itself to additional minimum liability of Rs 86.28 crore¹⁹ on account of cost sharing, establishment charges and the cost estimates which were inflated as the departmental SOR were not considered in preparation of estimates. The liability is likely to go up as the cost estimates are open ended and the cost of six ROBs are yet to be worked out. Thus, RCD signed a MOU which did not protect the financial interests of the State Government.

The department's reply (October 2006) was silent on the issue of overcharging by M/s IRCON. The Department also mentioned that it is examining the MOU of NHAI and would incorporate accordingly in future.

PUBLIC HEALTH ENGINEERING DEPARTMENT

4.2.8 Doubtful payment

Payment of Rs 1.62 crore made on hand receipts for repair and maintenance works without supporting vouchers and muster roll.

Bihar Public Works Department Code provides that detailed estimate of work must be prepared and got sanctioned by competent authority in case where expenditure exceeds Rs one thousand and no departmental work is to be executed or supply order (valuing above Rs 2000) be made without inviting tender or as per market rate. Superintending Engineer reiterated the instructions in October 2005 that the measurement for repair and maintenance (R&M) works must be recorded in standard measurement book (MB) kept in the office of the Executive Engineer (EE). Muster rolls must be written up daily as initial record of the labour employed, advances should be paid only through cheques or drafts and all payments must be supported by vouchers with labour and material components duly bifurcated.

Scrutiny of records relating to annual maintenance and repair works (departmentally executed) of PHED Divisions²⁰ disclosed that Rs 1.62 crore was paid (2003-05) through 5770 hand receipts to labourmates²¹ for works without bifurcating the payment on labour and material components. Neither purchase vouchers for materials used nor muster rolls for labour payments were available on record. Estimates of work of value ranging from Rs 2000 to Rs 10000 were also not available in the divisions. The measurements were found recorded on hand receipts (HRs) instead of MBs. Moreover, the completion certificates of the said works were also not on record. Though the divisions had 420²² work-charged and 171²³ muster roll staff, their services were not utilised despite the fact that the division incurred expenditure of

¹⁹ Rs 86.28 crore [Enhanced share : Rs 43.14 (258.85 -215.71) crore + 6.5 per cent of extra agency charges of Rs 431.42 crore (Rs 28.04 crore)+3.50 per cent excess towards preparation of detailed estimate of Rs 431.42 crore (Rs 15.10 crore)

²⁰ Patna East and Patna West Division.

²¹ The identity of these labourmates is unknown as they were not registered contractors/labours and their addresses were not on record.

²² Patna East - 167 and Patna West - 253

²³ Patna East - 72 and Patna West - 99

Rs 86 lakh²⁴ during 2004-05 on their salaries. Thus the division made payment of Rs 1.62 crore on repair and maintenance works, but it could not be vouched in audit as purchase vouchers of materials, muster roll for labour employed and estimates of works were not available on record.

On being pointed out, the EE stated (March 2006) that the works executed by the Divisions were mostly of emergent nature, needing immediate redressal, hence could not be kept pending for tendering of work and related paraphernalia. Both the Divisions accepted that there was no muster roll, voucher and occupancy report in support of the amount spent. The reply is not tenable as it contravened the prescribed codal provisions itself. Moreover, lack of supporting documents and completion certificate makes these works doubtful.

The matter was reported to Government (April 2006); their reply has not been received (October 2006).

4.3 Avoidable/excess/unfruitful expenditure

CIVIL AVIATION DEPARTMENT

4.3.1 Purchase of aircraft

Government failed to realize value for money as it purchased a phased out model of aircraft at a cost of Rs 13.23 crore without inviting competitive bids when a substantially upgraded model of the same company was available at a marginally higher cost.

The State Government decided (1998) to purchase a new aircraft as against the existing King Air C-90B aircraft. The Special Purchase Committee (October 2003) desired the details on 12 points including the technical and financial evaluation of competing brands, prices at which other State Government and Government agencies had procured the aircraft and the winning curve of aircrafts in global bids. The Committee however decided to purchase the existing model of King Air C-90B aircraft on the grounds of its landing ability and high cost of training of pilots and spares for another models of aircraft without going into the points raised earlier.-

An examination of records showed the following:

- No tenders were called, though Rule 30 of the Bihar Financial Rules clearly stipulates that Cabinet approval is required for waiver of tender procedure, which in this case was not obtained.
- There was nothing on record to show that technical and financial evaluation of competing brands were carried out and the price at which other State Government and other government agencies had procured the aircraft.

²⁴ Patna East - Rs 45 lakh & Patna West - Rs 41 lakh

- The Department decided to purchase the aircraft as a proprietary item. However, a separate note giving justification for such purchase after consultation with the Finance Department as required under Rule 30 of Bihar Financial Rules was not available on record. Government of Uttaranchal and Indira Gandhi Rashtriya Udan Academy (IGRUA), Rai Bareli did not declare it as proprietary item and had invited tenders for King Air C90B aircraft.
- Records of DGCA show that between 2001 and 2006, King Air C90B was purchased by only five agencies. Only Government of Bihar purchased a new aircraft, while other private parties had purchased second hand aircraft.
- The proforma invoice sent by the manufacturer was addressed to the Indian agent and not to the State Government.
- Aircraft was purchased on the basis of a quotation submitted by Indian agent of M/s Raytheon and records do not show that Civil Aviation Department ever tried to assure itself about the reasonability of rates through direct price negotiations with the company.
- The justification of payment of Rs 33 lakh (in US dollars) as commission of the Indian agent of the manufacturer, which was included in the price of the aircraft, was not available on record. The registration of the Indian agent with Directorate General of Supplies and Disposal though required under Rule 143 of General Financial Rule of GOI was not available on record. The agent's Income tax Permanent Account Number and the undertaking that commission would be received in Indian Rupees were also not available on record.
- Last registered owner of the aircraft, purchased by Bihar Government, was Range Fliers Inc of USA and the aircraft had flown 44 hours at the time of registration. However it was registered with DGCA as a new aircraft.
- M/s Raytheon had replaced King Air C90B with King Air C90GT in July 2005 which was available at a marginally higher price since August 2005. The comparison (*Appendix-XXXVII*) based on the information available on the website of Raytheon makes it clear that King Air C90 GT was superior in all aspects of performance with respect to King Air C90B.

In the absence of competitive bids Government failed to derive price advantage that would have been available. Government also did not get value for money (Rs 13.23 crore) from the purchase as it had acquired a phased out model at a cost which was only marginally lower (6.27 per cent) than the cost of a substantially upgraded model and paid Rs 33 lakh as commission to the company's agent.

The matter was referred to the Chief Secretary in March 2006 who justified the purchase on grounds of technical suitability of the King Air C90B aircraft in view of its landing ability on shorter runways, high cost of training the pilots on the new model aircraft and availability of spares.

The reply of the Chief Secretary was untenable in view of the following:

- Based on the information available on the Website King Air C90GT is technically superior to the existing King Air C90B that it replaces at all field elevations. The rugged, performance-orientated C90GT also provides operators with the versatility to land on short runways or unimproved strips, where most jets are unable to land.
- Neither inventory of spares was available on record nor agreement was signed with the company for supply of spares.
- Raytheon Aircraft Company provides free training for two pilots for a five day course and one maintenance technician for a ten day course. While according to information provided to audit by IGRUA, the cost of training of pilots equipped to fly King Air C90B for flying similar type of aircraft would have ranged from Rs 1.75 lakh to Rs 3.5 lakh per pilot depending upon their previous experiences.

Thus, the contention of State Government to purchase the aforementioned aircraft in view of its landing ability, availability of spares and high training cost for another model of aircraft is not tenable.

The matter was reported to Government (July 2006); the reply of the Department has not addressed the issues raised by audit (October 2006).

MINOR IRRIGATION DEPARTMENT

4.3.2 Unfruitful expenditure on construction of weir

Due to improper execution, the schemes failed to create the required irrigation potential and resulted in unfruitful expenditure of Rs 75 lakh.

Under Surface Water Scheme of NABARD-Phase IX, construction of weir on Gerua river was administratively approved (December 2004) for Rs 79.85 lakh and technically sanctioned (March 2005) for Rs 79.09 lakh with the objective to create irrigation potential of 800 hectares of land. Loan of Rs 75 lakh was sanctioned in phases by NABARD between 2003-06 at the interest rate of seven *per cent* per annum.

Scrutiny of records (August 2005) of Executive Engineer, Minor Irrigation (MI) Division, Bhagalpur disclosed that the construction work was allotted (March 2005) to a contractor for Rs 81.67 lakh (4.5 per cent higher than the estimated cost) on finished rate for completion by June 2005. Though more than 90 per cent of the work was completed and payment of Rs 75.48 lakh (through second running account bill) was made (August 2005) to the contractor, the irrigation potential for 200 hectares of land could only be created as per the physical report of the scheme (August 2005). Moreover, the actual status of irrigated land could not be verified in audit since relevant records (like plot number, name of the beneficiaries committee etc.) were not being maintained at division level.

As per the tender clauses, qualities of all construction material to be used in the work were to be tested, as per ISI specification as well as the specifications mentioned in the tender. But no such quality test of materials worth Rs 51.50 lakhs²⁵ was carried out by the Division. As no test report was made available to audit, the use of sub-standard materials could not be ruled out.

Thus, despite the completion of more than 90 per cent of work and expenditure of Rs 75.48 lakh only 200 hectares (25 per cent) of irrigation potential could only be created.

The matter was reported to the Government (March 2006); their reply has not been received (October 2006).

RURAL DEVELOPMENT DEPARTMENT

4.3.3 Misutilisation of State share of SGRY funds for payment of sales tax and marketing fee

Misutilisation of Rs 2.67 crore of SGRY funds by DRDA Darbhanga on payment of sales tax and marketing fees resulted in less employment generation by 9.72 lakh mandays.

Sampoorna Gramin Rojgar Yojana (SGRY) is a centrally sponsored scheme on cost sharing basis between the Centre and the States in the ratio of 75:25. As per clause 2.7 of the SGRY guidelines, expenditure on sales tax and octroi payable to Food Corporation of India (FCI) against supply of foodgrains was to be borne by the State Government. Cash component of the scheme was not to be utilised for payment of sales taxes, fees etc.

A test check of records of District Rural Development Agency (DRDA), Darbhanga (December 2005), disclosed that during year 2001-05 a sum of Rs 2.67 crore was paid as sales tax and marketing fees from the funds provided by the State Government against its share of SGRY on the instruction of the State Government (March 2002 and July 2005).

Thus, the State Government utilised its SGRY shares for payment of sales tax and marketing fees and failed to fulfill its commitment to contribute its share under SGRY which resulted in less employment generation by 9.72 lakh man days²⁶.

Description	Rate(per M ³)	Quantity	Amount(Rs in lakh)
PCC work (1:3:6)	1799.75	2035.85 M ³	36.63
PCC/RCC(1:2:4)	1807.70	556.96 M ³	10.06
B/W of 100 A brick	1414.45	236.06 M ³	3.34
Superstructure	1415.00	76.41 M ³	1.11
Gravel filter	377.45	3.37 M ³	0.01
Stone metal	390.60	8775 M ³	0.34
Total			51.50

²⁶ Rs 26677230/Rs 27.45 (@ Daily wage of Rs 58.65 minus 5 Kg. Food grains valued Rs 31.20 = Rs 27.45).

On being pointed out the DRDA sought reimbursement of the said amount from the State Government (March 2006) which could not be recouped as of July 2006.

The matter was reported to Government (April 2006); their reply has not been received (October 2006).

WATER RESOURCES DEPARTMENT

4.3.4 Unfruitful expenditure

Improper planning and execution of the construction of Anti Flood Sluice Gate (AFSG) by the Executive Engineer, Flood Control Division(FCD) Samastipur resulted in unfruitful expenditure of Rs 75 lakh.

Water Resources Department (WRD), Government of Bihar accorded (January 2002) administrative approval of Rs 80.04 lakh for construction of Anti Flood Sluice Gate (AFSG) between Km 134 and Km 135 of Left Burhi Gandak Embankment under Flood Control Division (FCD), Samastipur. Technical Sanction (TS) was given (January 2002) by the Chief Engineer, WRD, Samastipur for Rs 85.89 lakh with the objective to provide drainage (1000 cusec per second) to a large water logged country side area near the embankment.

The construction work of the AFSG was allotted (February 2002) to a contractor on agreed value of Rs 70.85 lakh for completion by June 2002, later extended by the department upto April 2003. The construction materials (bricks and cement) were to be utilised in work only after proper quality testing.

Scrutiny of records disclosed that despite making payment of Rs 75 lakh (April 2003) to the contractor through 10th running account bill (11th final account bill of Rs 2.72 lakh pending with the department as of October 2006), the AFSG remained non-functional. The work was completed without complying with the original TS and the SE, WRD, Samastipur closed the MB in June 2003. Further it was noticed that irrational deviation from the TS and agreement, 46536 cu.m (46 per cent) of earth excavation from trenches was done against earth excavation quantity of 102126 cu.m required to achieve the drainage flow of 1000 cusecs per second. The Division neither submitted any reasons for the deviation from approved TS and agreement nor any fresh TS was obtained from the competent authority, though required.

Thus, the payment of Rs 75 lakh made to the contractor (96 per cent of the estimated cost) was rendered unfruitful as the intended objective of achieving the draining capacity of 1000 cusec per second due to AFSG remaining non-operational was not attained.

On being pointed out by the audit, the Executive Engineer stated (February 2006) that AFSG could not be made functional as there was danger of submergence of countryside PWD road in the absence of bridge in it to allow

flow of water. The reply was not acceptable as this aspect should have been considered at the planning stage and prospective hindrance, if any, should have been visualised earlier and a solution for that could have been found.

The matter was reported to the Government (March 2006); their reply has not been received (October 2006).

4.3.5 Excess expenditure on extra item of work

Inclusion of an extra item in the work of raising and strengthening of 29 Zamindari Bandh resulted in excess expenditure of Rs 1.56 crore.

With a view to providing better agricultural facilities (two crops production annually) in Mokama Tal area (18000 hectare) Central Water Commission (CWC) sanctioned (July 2003) "Mokama Tal Drainage Scheme Phase I" at a cost of Rs 28.16 crore for the Water Resources Department (WRD). Under the scheme, work of raising and strengthening of 74 Zamindari Bandhs²⁷ (ZBs) were to be executed by the Flood Control Division (FCD), Bakhtiyarpur. The Division started work on 29 ZBs after executing (January 2005) 29 agreements valued at Rs 12.63 crore. These works were to be completed by June 2005.

Audit scrutiny (February 2006) of records of the Flood control Division, Bakhtiyarpur disclosed that an extra item of watering and consolidation (at the rate of Rs 8 per cu. m), was added in the technical sanction by the Chief Engineer, WRD, Patna (October 2004) which was not included in the Detailed Project Report (DPR) as well as in the proposal sent by the Executive Engineer. The DPR had already included the work of "Watering all complete" and therefore there was no need for this extra item. Accordingly all 29 agreements were executed (January 2005) by the division for the extra item which resulted in excess expenditure of Rs 1.56 crore (2397380 cu.m)²⁸ on account of watering and consolidation.

Further, the WRD had issued instructions to the Chief Engineer (August 2005) that no extra item apart from the items mentioned in the DPR can be included at any stage for execution. In case of violation, the person concerned would be held responsible. Executive Engineer replied (February 2006) that the ZBs were not as major flood embankments hence the department decided not to include the item. The reply was untenable because even in flood affected zone like Samastipur, the similar type of work executed without including the above mentioned item.

The matter was reported to Government (March 2006); their reply has not been received (October 2006).

²⁷ *Zamindari Bandh: There are a number of high patches in the Mokama Tal area, in these parts, the Zamindars had constructed 'Bandh' to enable double cropping in these areas.*

²⁸ *the works were executed through 29 agreements, below the scheduled rate (i.e. Rs eight per cu.m) ranging from 14 to 15 per cent and in one agreement 4.75 per cent above the scheduled rate. Hence, total payments were made Rs 1.56 crore for 23,97,380 cu.m upto December 2005.*

4.3.6 Unfruitful expenditure

Due to non-construction of open channel and tunnel, the intended objective of creating irrigation potential in drought prone districts could not be achieved and expenditure of Rs 37.51 crore was rendered unfruitful and an extra interest liability of Rs 1.86 crore was unavoidably created.

The Tilaiya Dhadhar Diversion Project envisaged to create irrigation potential of 31700 hectare of land in drought prone Gaya and Nawada district by diverting 247 metric cubic meter (MCM) water from existing Tilaiya Reservoir of Damoder Valley Corporation (DVC) now in Jharkhand to river Dhadhar. The project consisted of construction of Water Conductor System (Comprising 5.16 Km long open channel to accommodate discharge of 56.6 cusecs), a tunnel (horse shoe shaped, length: 9.4 Km, diameter: 4.88 m), a link canal (one Km long to divert water from Tilaiya reservoir to Dhadhar river), head works and barrage (2.43 m high and 138 m long) and distribution system to facilitate irrigation in the intended area. The project was located near Sohjana village, 30 Km from Gaya.

The Project was administratively approved for Rs 301.79 crore (October 1998) and technically sanctioned for Rs 223.11 crore (June 2000). Work of construction of barrage and Head Regulator (HR) gates was entrusted to different contractors (December 1998 and May 2003) for completion (March 2001 and August 2004) at an estimated cost of Rs 17.06 crore and Rs 4.12 crore respectively. The project was also being financed by National Bank for Agriculture and Rural Development (NABARD) at an interest rate of seven *per cent* under Rural Infrastructure Fund.

A test check of records (December 2005) disclosed that the construction of barrage and HR gates were completed and payments of Rs 14.97 crore and Rs 4.22 crore respectively were made to the agency (February 2003 and February 2005). The works for construction of water conductor system comprising open channel and tunnel could not be taken up as of date (March 2006). Also Rs 6.81 crore and Rs 11.51 crore were spent on construction of Guide Bandh and distribution system respectively, the ninety *per cent* work was complete as of March 2006. Moreover, a liability of Rs 1.86 crore (March 2006) was also incurred in the form of interest against the loan of Rs 11.08 crore sanctioned by NABARD during March 2003 to December 2005.

On being pointed out, the Executive Engineer replied (December 2005) that project coverage had been reduced to 6916 hectare of land based on the water available in Dhadhar River consequent upon the bifurcation of Bihar state. The reply was not tenable as Department had spent Rs 18.26 crore after bifurcation of the State without initiating discussion with Jharkhand Government and intimated that feasibility report is being prepared by the Jharkhand Government for utilisation of two lakh acre feet water from Tilaya dam in Jharkhand itself. Further, due to non-construction of open channel and tunnel, the water from Tilaiya Reservoir could not be diverted to Sohjana barrage and the intended objective of creating irrigation potential in drought prone districts

could not be achieved. Also expenditure of Rs 37.51 crore²⁹ on construction of Sohjana barrage, HR gates, Guide Bandh and distribution system was rendered unfruitful and avoidable liability of Rs 1.86 crore as interest to NABARD was created.

The matter was reported to the Government (April 2006); their reply has not been received (October 2006).

4.4 Idle investment/ idle establishment/ blockage of funds

DEPARTMENT OF INDUSTRIES

4.4.1 Low realisation of revenue

Due to poor revenue realisation from entrepreneurs BIADA failed to recover even the expenditure on its establishment cost.

The Industrial Area Development Authorities (IADA) at Darbhanga, Muzaffarpur and Patna were constituted (1974-76) under Bihar Industrial Area Development Authority Act, 1974 to provide infrastructure facilities to entrepreneurs for establishing, promoting and assisting the rapid development of industries in selected areas of the State. Above IADAs, however, merged (June 2003) and became regional offices of Bihar Industrial Area Development Authority (BIADA), Patna. The Bihar Government provided 2870 acres (1974-76) of land to respective IADAs for 38 industrial areas/ estates (Darbhanga 13, Muzaffarpur 8 and Patna 17). Against 2870 acres of available land, 682 acres were used on infrastructure development, 1352 acres were allotted to 1475 entrepreneurs and remaining 836 acres valued at Rs 28.27 crore remained un-allotted (May 2006).

It was noticed that out of 1475 entrepreneurs as on 31.03.2005, 663 entrepreneurs had closed their units and 277 entrepreneurs were yet to start their units (May 2006). Audit scrutiny disclosed that 20 applicants for allotment of land at Patna Industrial Estate/Area were pending, though there were 54 closed/sick/inactive units in that industrial estates/area. Thus BIADA neither took effective steps to cancel the leases of closed units and re-allot them to needy entrepreneurs nor were units under construction provided with adequate help to expedite their completion and start production.

Scrutiny of ledgers relating to collection of revenue from the entrepreneurs disclosed that demand notices for realisation of outstanding dues on account of instalments of leased land, rent of buildings, maintenance charges as required under rules were not served regularly since 1999-2000. Action as required under Bihar and Orissa Public Demand and Recovery Act, 1914 vide section 4.1 of Chapter IV of BIADA Act, 1974 was also not taken. However, at the

²⁹ Rs 37.51 crore (Construction of Sohjana barrage: Rs 14.97 crore; HR Gates: Rs 4.22 crore; Guide Bandh: Rs 6.81 Crore; Distribution System : Rs 11.51 crore).

instance of audit, a cumulative demand of Rs 23.35 crore along with interest against 1617 entrepreneurs³⁰ was worked out as of 31 March 2005.

Further, it was observed that during the years 2000-05 BIADA had incurred expenditure of Rs 12.04 crore on its establishment while it collected revenue of Rs 6.91 crore (57.39 per cent) only on account of instalments of land and rent of building. This indicates that BIADA due to low revenue realisation is not financially viable.

The matter was reported to Government (June 2006); their reply has not been received (October 2006).

³⁰ Working units: 382, Closed/Sick/Inactive units:1043 including 307 such closed units whose lease were cancelled but did not clear their dues, under construction units:192.