

OVERVIEW

This Report includes two chapters containing observations on Finances and Appropriation Accounts of the Government of Bihar for the year 2005-06 and three other chapters comprising four performance reviews, three long paras, 22 paragraphs and Internal Control System in Health Department as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on judgment basis. The specific audit methodology adopted for programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government in implementation of certain programmes and schemes as well as Internal Control System in Health Department is given below:

1 Finances of the State Government

During 2005-06, revenue receipts (Rs 17837 crore) showed an increase of 14 *per cent* as against 21 *per cent* growth in revenue expenditure (Rs 17756 crore) over the previous year leading to revenue surplus of Rs 81 crore. Capital expenditure (Rs 2084 crore) was below the estimates projected in the Fiscal Correction Path. Reduced revenue surplus along with increase in capital expenditure (Rs 2084 crore) in the current year resulted in increase of fiscal deficit. The areas of concern in State finances are that State's own resources as a percentage of revenue receipts have declined from 27 *per cent* in 2001-02 to 23 *per cent* in 2005-06. Fiscal liabilities was 77 *per cent* of GSDP which was alarmingly high.

2 Allocative Priorities and Appropriation

During 2005-06, the overall saving of Rs 6407.93 crore was the net result of savings of Rs 6757.49 crore and excess of Rs 349.56 crore against total provision of Rs 28976.40 crore. The excess expenditure would require regularisation under Article 205 of the Constitution of India. Supplementary provision of Rs 1572.02 crore obtained in 40 cases proved wholly unnecessary.

3 Modernisation of State Police Force in Bihar

The scheme of Modernisation of State Police Force was introduced to improve the functional efficiency and striking capacity of the State Police Force. A Performance review disclosed that the scheme had a marginal

impact in bridging the gap in infrastructure relating to mobility, arms, communication and training. BPR&D norms were not considered while assessing the requirement. Only six *per cent* buildings of total requirement were included in the plan. The striking capacity of Police Force was not augmented as vehicles procured for left wing extremist districts were deployed elsewhere. The skill enhancement of police personnel could not be achieved as there was no officer training academy in the state.

(Paragraph 3.1)

4 Sarva Shiksha Abhiyan

Sarva Shiksha Abhiyan, a Centrally Sponsored Scheme aimed at universal elementary education, was launched to provide primary education for all children in the age group of six to 14, by the year 2010. Implementation of the scheme in the State suffered due to under utilisation of funds received from Government of India. Infrastructure facilities in the schools viz. additional class rooms, toilet for girls, drinking water facilities etc. were inadequate as most of the civil works remained incomplete. Only half of the targeted primary schools were upgraded and vacant posts of teachers were not filled. As a result, pupil teacher ratio far exceeded the prescribed norms of 40:1 and drop out rate was as high as 63 *per cent*. Against the targets of universal enrolment to be achieved by 2003, there were 33.15 lakh out of school children in the State in 2004. Thus, achievement of the objectives of the scheme was far from satisfactory.

(Paragraph 3.2)

5 Targeted Public Distribution System

Targeted Public Distribution System was introduced in June 1997 to provide subsidised foodgrains to population living below the poverty line. Review of the scheme disclosed dilution of criteria for identification of BPL / AAY families combined with absence of authenticated records of distribution of ration cards in the blocks shows poor programme management. Unauthenticated records of distribution at the level of fair price shops, inadequate inspections by district officials, non functional vigilance committees along with low per capita availability of foodgrains for BPL category provided low assurance regarding distribution of foodgrains to intended families.

(Paragraph 3.3)

6 Valmiki Tiger Project

Review of Valmiki Tiger Project, a Centrally Sponsored Scheme implemented in Bihar to ensure a reasonable population of tigers, disclosed that the conservation and protection measures initiated by the department in the reserve, however, remained by and large ineffective due to deficiencies in planning, inadequate release of funds and non-observance of scheme guidelines. Biotic pressure on the reserve could not

be reduced due to failure to relocate 149 villages in the vicinity of core and buffer zone. No action was taken to restore the 2152 hectare of land under encroachment by the Nepalese. The declining tiger population together with reversal of male-female ratio within a short time indicated unrealistic estimation. Vehicles were not provided to patrolling camps as a result effective patrolling was not possible.

(Paragraph 3.4)

7 Election Expenses

A review of the election expenses incurred on Lok Sabha election 2004 and Vidhan Sabha election 2005 disclosed that financial management was deficient as reflected in booking of advances as expenditure, advances remained unadjusted, non-preparation of DC bills and payments to suppliers without any BST/CST and Service tax number. Digital cameras were not used for the purpose for which they were purchased. There was no uniformity in rates for preparation of photo identity cards and photocopying of electoral rolls. Monitoring of election expenses by the CEO office was weak and deficient.

(Paragraph 3.5)

8 Working of the Building Construction Department

A test check of the activities of Building Construction Department (BCD) disclosed that financial control was non-existent as reflected in huge savings and unrealistic assessment of expenditure. Against completion target of 1599 works, only 808 works were completed leaving 471 works incomplete and 320 works were not taken up. Works valuing Rs 64.80 crore were executed without technical sanction resulting in cost escalation. Design wing of the department was almost non-existent due to shortage of technical manpower. Certificates of quality issued by quality control sub divisions were doubtful as the equipment and infrastructure required for quality testing were not available in the laboratories.

(Paragraph 3.6)

9 Educational Development of SC/ST

The objective of Educational Development of SCs/STs schemes is to increase enrolment and retention of SCs/STs in educational institutions, increase their representation in higher educational and professional institutions and in jobs. Review of the scheme revealed that the state government had not implemented the welfare schemes effectively in regard to payment of scholarship to students, supply of uniform to SC/ST girls and utilisation of hostels.

(Paragraph 3.7)

10 Internal Control System in Health Department

Evaluation of Internal Control System in Health Department disclosed that budgetary and operational controls were not effective to ensure compliance with established procedures/practices and thus prevent deviations. The public health programmes failed to deliver the intended benefit to the target population due to deficient implementation. Internal audit mechanism was deficient as indicated by poor compliance to audit observations of internal audit wing and statutory audit. Monitoring and evaluation mechanism was non-existent in the department.

(Paragraph 5.1)

11 Transaction audit findings

Audit of financial transactions, subjected to test check, in various departments of the Government and their field functionaries disclosed instances of fraudulent payment, misappropriation/non-accountal, misutilisation, losses and infructuous expenditure of over Rs 95.23 crore as mentioned below:

- The cases of fraudulent payment, defalcation, loss to the government, doubtful payment and non-accountal of Rs 15.08 crore were noticed in Water Resources Department (Rs 4.19 crore), Rural Development Department (Rs 10.01 crore) and Human Resources Department (Rs 0.88 crore).
- The cases of infructuous/wasteful expenditure of Rs 13.56 crore were noticed in Human Resources Department (Rs 6.13 crore), Rural Development Department (Rs 1.08 crore), Water Resources Department (Rs 0.73 crore), Public Health Engineering Department (Rs 4.65 crore) and Road Construction Department (Rs 0.97 crore).
- The cases of avoidable payment, unfruitful/excess expenditure of Rs 43.24 crore were noticed in Minor Irrigation Department (Rs 0.75 crore), Rural Development Department (Rs 2.67 crore) and Water Resources Department (Rs 39.82 crore).
- One case of low realisation of revenue was noticed in Industries Department (Rs 23.35 crore).

Some of the important findings are shown below:

Four cases of fraudulent/unauthorised payment of Rs 4.57 crore on account of carriage of stone chips (Rs 0.18 crore), defalcation (Rs 0.10 crore), doubtful carriage of earth (Rs 2.86 crore) and payment of IAY funds to ineligible persons (Rs 1.43 crore) were noticed in Water Resources Department and Rural Development Department.

(Paragraph 4.1.1, 4.1.2, 4.1.3 & 4.1.6)

In Public Health Engineering Department 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.

(Paragraph 4.2.1)

Salary payment of Rs 88.21 lakh to the ineligible employees in Bhim Rao Ambedkar Bihar University, Muzaffarpur and Rs 1.92 crore to idle primary school teachers was made in DSE Ara and Madhubani.

(Paragraph 4.1.7 & 4.2.2)

Failure to protect the financial interest of the State in signing of MOU with IRCON for construction of 17 ROBs led commitment of minimum additional liability of Rs 86.28 crore.

(Paragraph 4.2.7)

Doubtful payment of Rs 1.62 crore was made in Public Health Engineering Department on hand receipts without purchase vouchers of materials, muster roll for labour employed and estimates of works.

(Paragraph 4.2.8)

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

(Paragraph 4.3.1)

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.

(Paragraph 4.3.6)