

OVERVIEW

This Report includes two chapters containing observations on Finance and Appropriation Accounts of the Government of Bihar for the year 2006-07 and three other chapters comprising six reviews and 35 paragraphs dealing with the results of performance audit of selected programmes, internal control system in Government departments 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 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 Agriculture Department are given below:

Finances of the State Government

There was improvement in fiscal position during 2006-07 in terms of key parameters- revenue, fiscal and primary deficits relative to their values in 2005-06. A turnaround in fiscal position in 2006-07 was primarily due to steep increase in central tax transfers (27.6 *per cent*) and grants-in-aid (57.4 *per cent*) from GOI over the previous year. The revenue expenditure as a *percentage* to total expenditure, however, hovered around 80 *per cent* during the period 2002-07 leaving inadequate resources for expansion of services and creation of assets. Moreover, within the revenue expenditure, non-plan revenue expenditure in 2006-07 was significantly higher than the normative assessment of TFC for the State for the year and the salary expenditure, pension liabilities, interest payments and subsidies constituted about 69 *per cent* of the non-plan revenue expenditure.

The continued prevalence of fiscal deficit indicates the increasing reliance on the borrowed funds. The increasing fiscal liabilities accompanied with negligible rate of return on government investments and inadequate interest cost recovery on loans and advances might lead to a situation of unsustainable debt in medium to long run unless a suitable measures are initiated to compress the non plan revenue expenditure and to mobilize the additional resources both through the tax and non tax sources in ensuing years.

Allocative priorities and Appropriation

Against the total budget provision of Rs 34,047.33 crore, expenditure of Rs 27,143.57 crore was incurred during 2006-07. The overall saving of Rs 6,903.76 crore was the net result of saving of Rs 6,903.98 crore and excess of Rs 0.22 crore against total provision of Rs 34,047.33 crore. The excess

expenditure of Rs 7,024.71 crore for the years 1977-78 to 2005-06 would require regularisation by the State Legislature under Article 205 of the Constitution of India.

Tubewell Project in Bihar

The objective of the State Tubewell Project was to raise the income of farmers through increased agricultural production by providing irrigation facilities. The expenditure on implementation of different phases of the project was initially met by the State which was to be reimbursed by loan from NABARD. The Tubewell project failed to provide the intended benefit of irrigation as utilisation of the irrigation potential was very low. The expenditure on establishment was very high over the norms compared to works expenditure. Excessive purchase of materials, delayed execution and low realisation of water rent adversely affected implementation of phase VIII. Planning was inadequate and lesson learnt from previous phases were not considered while finalising DPRs for new projects. Unplanned procurement led to excess purchase of DG sets and submersible motor pumps. The implementation of project was also delayed due to irregular grant of time extension. Institutionalised delivery mechanism was weak as users' associations for running the tubewell were created for 59 per cent of tube wells. The functional users' associations were not maintaining any account of irrigation and water rent. Only six per cent of targeted irrigation could be achieved and thus the objective of providing irrigation to farmers was completely defeated. The monitoring cell failed to co-ordinate the planning, purchase and accounting process of the project.

(Paragraph 3.1)

Integrated Child Development Services (ICDS) Scheme

The Integrated Child Development Services (ICDS) Scheme was meant to deliver nutrition, education and health services to children in the age group upto six years and enhance the capability of mothers through proper nutrition and health education. The implementation of the scheme suffered from several deficiencies such as lack of planning, poor implementation of Supplementary Nutrition Programme, lack of infrastructure in Anganwadi centres (AWCs), failure to provide health check up and referral services. Planning was deficient and the Directorate did not have basic statistical information required for planning. Coverage of target population was much below the norms in AWCs. The infrastructure in terms of AWCs buildings was inadequate and large number of AWCs were functioning in huts as well as in open space. Seventy three *per cent* of AWCs jointly inspected were found closed. Distribution of nutrients under SNP was insufficient and there were no authenticated records of distribution of take home ration. Nutri candies supplied to AWCs were of substandard quality. Coordination between Social Welfare Department and Health and Family Welfare was lacking as ANMs were not visiting AWCs on every Wednesday. Medicine kits as well as health services were not being provided in most of the AWCs.

(Paragraph 3.2)

Construction and maintenance of roads in flood affected districts

An efficient road network maximizes economic and social benefits by enabling mobility of people and facilitating transportation of goods and services. Absence of planning and ineffective execution of works characterised construction and maintenance of roads in flood-affected districts. Only 11 per cent of works were completed during 2002-07. Quality control was non-existent in respect of stone metals and bitumen used in works. Unrealistic and inflated estimates were prepared leading to additional cost and doubtful execution. Contract management was weak as reflected in award of work to bidders not satisfying required pre-qualifications and wasteful expenditure on incomplete works. There was complete failure of internal control mechanism, which is evident from doubtful execution of works and fraudulent payments on account of unlifted bitumen, payment without invoices, recording of work twice.

(Paragraph 3.3)

Wage Employment Programmes

Wage employment programmes were centrally sponsored schemes to provide additional wage employment, food security and creation of durable assets. National Rural Employment Guarantee Scheme (NREGS) introduced in 2006 guaranteed employment of 100 days in a year for every household willing to do manual work. Implementation of wage employment programmes during 2002-07 neither generated adequate employment nor resulted in creation of durable community assets. Planning was not carried out with a view to all round development of the rural areas. Programme management was weak and compliance failures persisted as reflected in suspected fraudulent payments on muster rolls and distribution of foodgrains. The internal controls envisaged in NREGS were yet to be established.

(Paragraph 3.4)

Accelerated Rural Water Supply Programme

Accelerated Rural Water Supply Programme (ARWSP) intended to cover all rural habitations with access to safe drinking water and to ensure sustainability of drinking water systems and sources. Weak contract management led to delay in completion of schemes and low achievement against targets set for installation of handpumps. Swajaldhara started to institutionalise the reform initiative in rural sector failed to provide access to water even in Hajipur which was the sector reform district of the State as all the schemes taken up remained incomplete. The quality control mechanism for testing of water was also deficient as no steps were taken to address bacteriological and chemical contamination. ARWSP failed to provide potable water in the State due to large number of incomplete works under pipe water supply, handpumps and Swajaldhara during 2002-07. Low priority on completion of existing works over taking up of new schemes resulted in increase in number of incomplete schemes. There was no planning for ground water recharge despite the existence of over exploited blocks in the State. Special repairs resulted in

wasteful expenditure as pipes were not lowered upto the required depth. Quality control mechanism was deficient as field testing kits were yet to be distributed. Monitoring system was not in place as evidenced from the fact that the department did not have updated status of works being implemented in the State.

(Paragraph 3.5)

Internal Control System in Agriculture Department

The Internal Control system in the Agriculture Department was found to be deficient. Budgetary and expenditure controls were weak as evidenced by persistent savings against budget provisions, unreconciled differences between bank balance statement and cashbook balances, pending DC bills and unadjusted advances. The department did not update its manual for last 50 years. Ineffective operational control resulted in stagnant gross cropped area along with decline in agricultural production during 2002-07 as well as non-establishing the soil and water testing laboratories. Inefficient manpower management was reflected in payment of salary to idle staff. Internal audit coverage was inadequate and there was lack of response to statutory audit conducted by the Principal Accountant General (Audit), Bihar.

(Paragraph 5.1)

Audit of Transaction

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed instances of fraudulent payment, misappropriation, loss, doubtful, unfruitful, excess, idle, irregular, wasteful, infructuous, avoidable expenditure and misutilisation of Rs 175.67 crore as mentioned below:

The cases of misappropriation, fraudulent payment, doubtful purchases, doubtful execution of work and loss to the government amounting to Rs 10.50 crore were noticed in Rural Development Department (Rs 94.86 lakh), Revenue and Land Reform Department (Rs 2.10 crore), Road Construction Department (Rs 1.17 crore), Rural Engineering Organisation (Rs 1.15 crore), Building Construction Department (Rs 1.11 crore), Public Health Engineering Department (Rs 20.98 lakh), Forest and Environment Department (Rs 1.43 crore) and Water Resources Department (Rs 2.38 crore).

The cases of wasteful, infructuous and excess expenditure of Rs 49.26 crore were noticed in Water Resources Department (Rs 7.09 crore), Human Resources Development (Higher Education) Department (Rs 41.37 crore) and Human Resources Development Department (Rs 80.27 lakh).

The cases of avoidable and unfruitful expenditure of Rs 84.22 crore were noticed in Rural Development Department (Rs 73.39 crore), Human Resources Development Department (Rs 38.46 lakh), Building Construction Department (Rs 58.66 lakh), Water Resources Department (Rs 2.99 crore), Home (Police) Department (Rs 2.61 crore), Minor Irrigation Department (Rs 2.95 crore), Animal Husbandry and Fisheries Department (Rs 33.69 lakh) and Health and Family Welfare Department (Rs 96.97 lakh).

The cases of idle expenditure, blockage/misutilisation of funds of Rs 2.41 crore were noticed in Human Resources Development Department (Rs 1.09 crore), Labour, Employment and Training Department (Rs 97.66 lakh) and Animal Husbandry and Fisheries Department (Rs 34.10 lakh).

The cases of irregular expenditure/ purchase of funds of Rs 29.28 crore were noticed in Public Health Engineering Department (Rs 1.22 crore), Vidhan Sabha (Rs 26.42 crore) and Energy Department (Rs 1.64 crore).

Some of the major findings are as shown below:

Two cases of misappropriation on account of shortage of cash balances (Rs 9.32 lakh) and unadjusted advances (Rs 41.12 lakh) and unadmitted vouchers (Rs 1.69 crore) were noticed in Rural Development Department and Revenue and Land Reform Department.

(Paragraph 4.1.1 and 4.1.2)

Five cases of fraudulent payment on account of short utilisation of material (Rs 63.90 lakh), doubtful compaction (Rs 98.46 lakh), excess consumption and carriage of material (Rs 96.59 lakh), doubtful afforestation (Rs 1.08 crore) and payment of IAY funds to ineligible persons (Rs 57.91 lakh) were noticed in Road Construction Department, Rural Engineering Organisation, Building Construction Department, Forest and Environment Department and Rural Development Department.

(Paragraph 4.1.3, 4.1.4, 4.1.5, 4.1.9 and 4.1.10)

Two cases of doubtful boulder pitching (Rs 1.05 crore) and execution of canal work (Rs 1.33 crore) were noticed in Water Resources Department.

(Paragraph 4.1.11 and 4.1.12)

In Water Resources Department due to repeated incomplete execution of work, infructuous expenditure of Rs 6.67 crore was incurred as embankment was eroded every year during 2004-06 between 26.50 mile to 32 mile near Patjirwa of Champaran embankment.

(Paragraph 4.2.2)

In Bhim Rao Ambedkar Bihar University excess and irregular payment of salary amounting to Rs 41.37 crore was made to teaching and non-teaching staff due to irregular regularisation of service, operation of the post in excess of the sanctioned strength and irregular fixation of pay.

(Paragraph 4.2.3)

Injudicious purchase of Kerosene Oil Gen Sets by IG (Provision) resulted in unfruitful expenditure of Rs 2.61 crore.

(Paragraph 4.3.5)

In Rural Development Department unfruitful expenditure of Rs 3.86 crore and irregular subsidy payment of Rs 69.04 crore was made in eight districts under SGSY scheme.

(Paragraph 4.3.7)

In Human Resources Development Department drawal of funds without any project reports and plan for implementation of the scheme resulted in blockage of funds amounting to Rs 22 crore and loss of interest for Rs 71 lakh.

(Paragraph 4.4.1)

In Public Health Engineering Department spare parts valued Rs 76.49 lakh was irregularly purchased by splitting up of purchase orders to avoid competitive bidding. Besides, utilisation of material was doubtful as material account and location of hand pumps were not on record.

(Paragraph 4.5.1)