

OVERVIEW

The Report includes two Chapters containing observations on the Finance and Appropriation Accounts of the Government of Jharkhand for the year 2005-06 and four other Chapters comprising of seven reviews and 24 paragraphs (including two general paragraphs) dealing with the results of performance audit of selected programmes, internal control system as well as audit of the financial transactions of the Government and statutory corporations.

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 the basis of judgment. 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 Departments as well as statutory corporations in implementation of certain programmes and schemes as well as internal control mechanism in Fisheries Department are given below:

1. Financial Position of the State Government

During 2005-06, the revenue deficit reduced significantly to Rs 27 crore from Rs 315 crore in 2004-05. Revenue receipts increased by 27 *per cent* over the previous year while the revenue expenditure grew by 22 *per cent*.

Overall expenditure of the State increased from Rs 8886 crore in 2004-05 to Rs 14077 crore in 2005-06. Revenue expenditure (Rs 8491 crore) constituted 60 *per cent* on the total expenditure. Salaries, interest payments and pension, consumed nearly 55 *per cent* of the revenue receipts during the year. The fiscal liabilities (Rs 17360 crore) increased during 2005-06 with a growth of about 29 *per cent* over previous year and stood at nearly two times the revenue receipts. The fiscal deficit increased by 153 *per cent* from Rs 2217 crore in 2004-05 to Rs 5603 crore in 2005-06. Besides, the State had to suffer a loss of revenue receipts amounting to Rs 1248 crore due to failure in paying the dues to CPSUs in time by JSEB (Rs 840 crore), not holding of elections for local bodies (Rs 304.62 crore) and not enacting the Fiscal Responsibility and Budgetary Management Act (Rs 103.09 crore).

The overall excess of Rs 242.51 crore was the net result of excess of Rs 3121.47 crore in three grants and appropriation offset by saving of Rs 2878.96 crore in 50 cases of grants and appropriations.

2. Functioning of Sadar/Sub-divisional hospitals

Health care services are provided in the state through 12 Sadar and 15 Sub-divisional hospitals in urban areas. The Government prepared its health policy in 2004. A review on functioning of these hospitals for the period from 2001-02 to 2005-06, however, disclosed that the objectives could not be achieved due to inadequate budgeting, financial mismanagement, shortage of hospitals and shortage of medical/para-medical staff. Inadequate physical infrastructure like beds, machinery and equipment essential for proper functioning of the

hospitals, poor availability of medicines, supply of sub-standard medicines, non-availability of essential drugs and poor monitoring of the functioning of these hospitals were also noticed in audit.

[Paragraph 3.1]

3. Food Security and Distribution

The Government's food management strategy involves the implementation of a well targeted and properly functioning Public Distribution System as an instrument for providing food security for the poor by making available food grains at affordable prices. A performance review of "Food Security and Distribution" disclosed that the basic objective of ensuring food security amongst the poorest section of the population remained largely unfulfilled due to shortfall in identification of beneficiaries under Targeted Public Distribution System (TPDS), Antyodaya Anna Yojana (AAY) and non-categorization of Primitive Tribal Groups as AAY. The scheme was plagued by short allotments, surrendering of allotted fund and non-lifting of the allotted quantity of food grains from Food Corporation of India (FCI). Of the total allotment by GOI, only 42 to 77 *per cent* of wheat and 10 to 33 *per cent* of rice were lifted under BPL, while 35 to 92 *per cent* of wheat and 35 to 88 *per cent* of rice were lifted under AAY during 2001-06. Undue benefit of Rs 2.46 crore was extended to Bihar State Food & Civil Supplies Corporation due to excess transportation and handling charges by Rs 1.85 per quintal on wheat during 2001-06. Excess subsidy of Rs 2.20 crore was paid to FCI due to non-verification of actual lifting of rice by the Government. Quality of food grains was not tested before distribution to see if it met the standards of Fair Average Quality.

[Paragraph 3.2]

4. Educational Development of SCs & STs

In order to enable the SC & ST students studying in middle schools, high schools, college and universities to pursue their education and learn skills to generate self confidence and self reliance, the Government implemented various schemes. A review of the educational development of SCs & STs during the period 2001-06 disclosed that survey to assess the actual number of eligible beneficiaries was not conducted. As a result actual number of eligible beneficiaries was not known. No effort was made to make people aware of the scheme. There was a sharp decline in the number of beneficiaries under Pre Matric Scholarship Scheme for children of those engaged in unclean occupations. 175 beneficiaries were not provided scholarship during 2002-06. Scholarship under Post Matric Scholarship Scheme was not paid during the same academic session. Benefits of Book Bank Scheme could not reach the beneficiaries as neither the need of books was assessed nor were these distributed to SC and ST students. The department spent only 40 *per cent* and 28 *per cent* of total allotment of fund for SC and ST hostels respectively. Materials supplied for vacant and incomplete SC and ST hostels were lying unutilized resulting in unfruitful expenditure of Rs 2.27 crore. Thus, the department's endeavour to implement the schemes during 2001-06 left much to be desired.

[Paragraph 3.3]

5. Implementation of Sarva Shiksha Abhiyan (SSA)

The Sarva Shiksha Abhiyan (SSA) programme was launched in 2001-02 to provide useful and relevant education to all children in the age group of 6 to 14 years by 2010. A review of SSA in the State revealed that the implementation of SSA in the State suffered due to under utilisation of funds received; particularly in the first two years, poor infrastructure facilities in schools and inadequate monitoring of activities. The shortage of teachers was 7.82 *per cent*. The Pupil Teacher Ratio was 51:1 in 2004-05 against the norms of 40:1. The 'drop out rate' in the State was as high as 68.39 *per cent* reflecting unsatisfactory implementation of the scheme. There were huge shortfall in the training of teachers and community leaders. The objective of having all children in a school or in an alternative schooling facility by 2005 was, thus, not achieved. At the present pace of implementation, the objective of ensuring universal retention by 2010 is a distant possibility.

[Paragraph 3.4]

6. Conservation of Tiger and Eco-Development

Project Tiger, a wildlife conservation project, was launched in 1973 as a Centrally Sponsored Scheme to ensure maintenance of a viable population of tigers. A review of Conservation of Tiger and Eco-Development showed that there was little evidence of protection measures having been undertaken in the state. The tiger census conducted every year is not very scientific and, therefore, unreliable. No action has been taken for checking encroachment or for the relocation of people from the Tiger Reserve. This defeated the objective of conservation of endangered flora and fauna in Palamu Tiger Reserve (PTR). Measures to protect tigers and other wildlife from poaching in the PTR were inadequate. Though PTR had a great potential for tourism, tourism management plan was not formulated and number of tourists declined drastically. The implementation of the project was hampered by shortage/overaged frontline staff at PTR. The communication network was also weak.

[Paragraph 3.5]

7. Internal Control Mechanism in Fisheries Department

Internal Control is a process, designed to provide reasonable assurance so as to achieve the objectives of the organisation, safeguarding of assets against loss, reliable financial and operational data and reports and compliance with rules and regulations. An evaluation of the internal control system in the Fisheries Department disclosed that budgetary control was deficient as Budget estimates were unrealistic. Savings were not surrendered in time and allowed to lapse. The Controlling Officer did not monitor the expenditure incurred by the DDOs, whereas three DFOs did not write cash book regularly. Under Machhua Awas Yojana, Rs 14 lakh for 35 Machhua Awas was granted in lump sum against the norms and the beneficiaries did not complete the construction of houses even after receiving the grants. Group Accident Insurance coverage to fishermen was not provided despite of advance of Rs 9.88 lakh made to National Federation of Fishermen Co-operative Limited. Internal Audit was absent. Finance Department also did not conduct any internal audit of the units of the Department. There was no vigilance

mechanism in the department. In the absence of such mechanism, the Government cannot ensure that all the operations and transactions of the Department are transparent and in public interest.

[Paragraph 5.1]

8. Transaction Audit Findings

Audit of financial transactions, test-checked in various departments of the Government and their field units revealed instances of loss, defalcation, wasteful expenditure, unfruitful expenditure, avoidable expenditure, idle expenditure, nugatory expenditure and diversion of fund of over Rs 41 crore as mentioned below:

- Defalcation of Rs 8.62 lakh was noticed in Home Department (Rs 2.37 lakh); Health, Medical Education and Family Welfare Department (Rs 0.26 lakh) and Rural Development Department (Rs 5.99 lakh).
- Unfruitful expenditure/wasteful expenditure/avoidable expenditure/excess expenditure/extra expenditure amounting to Rs 37.02 crore was noticed in Road Construction Department (Rs 18.70 crore); Drinking Water and Sanitation Department (Rs 9.20 crore); Personnel and Administrative Reforms Department (Rs 30.03 lakh); Rural Development Department (Rs 4.24 crore); Human Resources Development Department (Rs 51.34 lakh); Minor Irrigation Department (Rs 27.76 lakh); Information and Technology Department (Rs 1.98 crore); Social Welfare, Women and Child Development Department (Rs 58.59 lakh) and Water Resources Department (Rs 1.23 crore).
- Nugatory expenditure/idle expenditure amounting to Rs 1.21 crore was noticed in Health, Medical Education and Family Welfare Department (Rs 34 lakh); Human Resources Development Department (Rs 28.24 lakh) and Social Welfare, Women and Child Development Department (Rs 58.89 lakh).
- Allotment and drawal of fund of Rs 1.97 crore without assessing requirement was noticed in Health, Medical Education and Family Welfare Department.
- Diversion of fund of Rs 73.74 lakh was noticed in Rural Development Department.

Some of the important findings are as shown below:

- Non-adherence to codal provision resulted in defalcation/misappropriation of Rs 8.62 lakh of which Rs 2.78 lakh was recovered.
[Paragraph 4.1.1]
- Unfruitful expenditure of Rs 6.54 crore due to injudicious sanction of interstate bridge work without prior consultation with the Government of West Bengal and without ensuring acquisition of private land in Jharkhand.

[Paragraph 4.2.2]

- The construction work in Barlanga Medium Irrigation Scheme, Gola, Hazaribagh was taken up on deficient design and the design was not rectified in time which resulted in wasteful expenditure of Rs 27.76 lakh. [Paragraph 4.2.4]
- Inordinate delay in sanction and payment for land acquired by Government between November 1985 and March 1989 led to extra payment of Rs 1.23 crore. [Paragraph 4.3.5]
- Non-functioning of the Ayurvedic College at Chaibasa since inception resulted in nugatory expenditure of Rs 34 lakh towards pay and allowances of idle staff. [Paragraph 4.4.1]

9. Government Commercial and Trading Activities

As on 31 March 2006, there were five Government companies, one Statutory Corporation and one Autonomous Body (all working) under the control of the State Government. The total investment in working PSUs increased from Rs 815.69 crore as on 31 March 2005 to Rs 2,473.87 crore as on 31 March 2006. The budgetary support in the form of capital, loans and grants/subsidy disbursed to working PSUs decreased from Rs 645.35 crore in 2004-05 to Rs 322.61 crore. None of the companies submitted their account for the year 2005-06 within the stipulated period. The accounts of all the Government companies were in arrears for periods ranging from one year to four years. The accounts of the Statutory Corporation and Autonomous Body were in arrears for four years and three years respectively.

Procurement, Maintenance, Repair and Performance of Transformers in Jharkhand State Electricity Board

Transformer is a static equipment used for stepping up and stepping down voltage in transmission and distribution of electricity. A review on Procurement, Maintenance, Repair and Performance of Transformers in Jharkhand State Electricity Board showed non-availability of details of 4,633 distribution transformers at stores valued at Rs 5.22 crore. High failure rate of distribution transformers resulted in avoidable procurement of transformers worth Rs 12.77 crore. Failure to fix norms for retrieval of aluminium wire and transformer oil resulted in loss of Rs 55 lakh to the Board. Mismatching of capacity of Power Sub Station with distribution transformation capacity and distribution capacity with connected load resulted in overloading of transformers causing T&D losses of over 200 *per cent* of the norms fixed by the Central Electricity Authority. The Board lost Rs 3,798.08 crore of potential revenue due to excessive T&D losses.

[Paragraph 6.2]

Transaction Audit Findings

- Pay and allowances of surplus staff in JHALCO resulted in wasteful expenditure of Rs 3.63 crore. [Paragraph 6.3.1]
- JSEB suffered loss of Rs 8.03 crore as the dues became time barred and unrecoverable. [Paragraph 6.3.2]
- Incorrect billing resulted in loss of Rs 1.20 crore to JSEB. [Paragraph 6.3.3]