

CHAPTER-III

PERFORMANCE AUDIT

This chapter contains Performance Audit on Ajay Barrage Project (3.1), Working of Birsa Agricultural University (3.2), National Programme for Nutritional Support to Primary Education (3.3), IT Audit of Treasury Information System (3.4) and Procurement of Bitumen for Road Works (3.5).

WATER RESOURCES DEPARTMENT

3.1 *Ajay Barrage Project*

Highlights

Jharkhand being a plateau, harnessing underground water for various purposes is not economical. A project on river Ajay was conceived in 1961 to provide irrigation facilities in Deoghar, Dumka and Jamtara districts of Jharkhand state. It was planned to be completed in five years by 1965-66 at an estimated cost of Rs 4.11 crore but was rescheduled for 2008-09 at estimated cost of Rs 351.85 crore. A Performance Audit of the Project disclosed several bottlenecks in the way of its successful completion.

Failure to adhere to the original project by shelving the plan for construction of six dams resulted in deprivation of irrigation facilities to 1.37 lakh hectares of land.

[Paragraph 3.1.6.1]

Failure to plan for required funds and synchronizing land acquisition, forest clearance and rehabilitation and resettlement resulted in non-completion of the Project even after 30 years of its scheduled date of completion and escalation in Project cost by 86 times of its original cost and consequent loss of potential revenue of Rs 62.33 crore. Further, the time overrun caused the decline of BC Ratio from 1.92 in 1973 to 1.64 in 2003.

[Paragraphs 3.1.3, 3.1.6.2 and 3.1.7.6]

WRD failed to ensure financial closure of the Project. Budgetary support to the Project was inadequate and erratic. Allotments were short of requirements. Even the short allotment could not be spent during 2000-2008. Loan assistance for Tranche-II, Rs 64.25 crore, could not be obtained due to non-fulfillment of conditions laid down by NABARD.

[Paragraphs 3.1.7.1 to 3.1.7.3]

Failure to obtain forest clearance from GOI deprived the State of Rs 16.31 crore as matching grant under AIBP and creation of avoidable liability of Rs 1.05 crore due to new higher rate of NPV of the land.

[Paragraphs 3.1.7.4 and 3.1.10.9]

Establishment charges, under the Project, was 30 per cent against prescribed 8 to 12 per cent resulting in excess expenditure of Rs 41.05 crore. As no work was executed between 1992 and 1998, there was

complete idling of staff resulting in nugatory expenditure of Rs 3.41 crore in two out of seven divisions as other five did not furnish the details.

[Paragraph 3.1.7.5]

Stores and government money valuing Rs 22.15 lakh were either defalcated or were suspected to have been defalcated. Temporary and other advances (under suspense accounts) of Rs 8.89 crore were outstanding for 1 to 312 months.

[Paragraphs 3.1.7.7, 3.1.7.8, 3.1.7.9 and 3.1.7.10]

Earthwork of 12.47 lakh M³ valued at Rs 3.26 crore was executed in excess of actual quantity.

[Paragraph 3.1.9.1]

In 49 cases, subsequent tenders, were unauthorisedly awarded to the same contractors on same date and 184 works were awarded to 41 contractors even before completion of the 75 per cent of the previously allotted works, resulting in unauthorized allotment of work for Rs 21.11 crore and 53 per cent of works remaining incomplete.

[Paragraph 3.1.9.5]

Award of work to loss-making companies resulted in unfruitful expenditure of Rs 17.76 crore and delay in completion of barrage by more than seven years.

[Paragraph 3.1.9.6]

In 98 works, liquidated damages for Rs 2.10 crore were not levied for delay in completion of work. Further, 272 works could not be completed after spending Rs 19.32 crore. Delays were up to nine years.

[Paragraph 3.1.9.10]

Tardy, delayed land acquisition and failure to assess the requirement of land hampered completion of the Project. The Project had to incur excess/avoidable expenditure of Rs 1.31 crore due to lapsed/delayed acquisitions and irregular applicability of rate.

[Paragraphs 3.1.10.1 to 3.1.10.5]

There was delay of nearly 30 years in initiating rehabilitation process. Out of 18 affected villages only one village was identified and partially rehabilitated. Due to delay, there was avoidable/unauthorised expenditure of Rs 44.52 lakh. Vikas Pustika, a vital record to keep watch over undue or inadmissible multiple payments, were not issued to the beneficiaries.

[Paragraphs 3.1.10.10 to 3.1.10.12]

3.1.1 Introduction

The river Ajay originates from the jungles and hills of North Chotanagpur in Munger district and flows towards south-easterly direction through Deoghar and Jamtara districts into Hooghly. Government of Bihar (GOB) conceived (April 1961) Ajay Barrage Project (the Project) with the objective to utilise the Ajay river system¹ to irrigate 36,460 hectares of *Kharif* and 4,050 hectares of *Rabi* land, out of 51,822 hectares of Gross Command Area (GCA) of the main canal, spread over Sarath, Jamtara, Nala and Kundahit blocks.

¹ Includes its two major tributaries, Pathro and Jainti.

3.1.2 Organisational set-up

Overall responsibility of the Project is with Secretary, Water Resources Department (WRD) who is assisted by one Engineer-in-Chief, one Chief Engineer (CE), two Superintending Engineers (SEs), eight Executive Engineers (EEs) including one of Quality Control Division, two Special Land Acquisition Officers (SLAOs), one Rehabilitation Officer (RO) for the Project. The SLAOs and RO report directly to the CE.

3.1.3 Audit objectives

The main objective of the performance audit was to examine the reasons for non-completion of the Project even after 30 years of its scheduled date of completion² (1978) and escalation in Project cost by 86 times of its original cost. Further, the sub-objectives were to examine whether:

- proper planning was in place for implementation of the Project within the scheduled time and cost;
- funds arranged were sufficient, released in time and used economically, efficiently and effectively and the pace of expenditure was in tune with the schedule for completion;
- contract management was economical, efficient and effective and the benefits derived were commensurate to the expenditure incurred;
- required land was acquired, rehabilitation of affected families was effected economically and effectively and the statutory measures to mitigate the ecological damage were undertaken effectively; and
- internal control mechanism was in place and required mid-course corrections were effected.

3.1.4 Audit criteria

Criteria adopted for the performance audit were:

- Detailed Project Report, Estimates, Feasibility Report and Status Reports.
- Budgetary support by State Government; assistance from National Bank for Agriculture and Rural Development (NABARD); disbursements and expenditure thereagainst; Administrative/Technical approvals of GOB/GOJ and progress reports thereon.
- Bihar Public Works Accounts/Department (BPWA/BPWD) Code, Bihar Financial Rules (BFR), Bihar Treasury Code (BTC), Bihar Irrigation Manual and Bihar Budget Manual (as adopted by the Government of Jharkhand).
- Land Acquisition Act, 1894; Indian Forest Act, 1927; Forest (Conservation) Act, 1980; and Rehabilitation & Resettlement (R&R) Policy, 1981, 1990 and 2003.

² Original schedule of commencement of the Project was 1972-73.

3.1.5 Scope and Methodology of audit

A performance audit of the Project was conducted during March to June 2008. In view of the availability of records, the thrust was on the post 1998 period. Proformas/questionnaires were issued to Secretary, WRD; two SLAOs; one RO and all the divisions of the Project. Records of the CE, seven EEs³, two SLAOs (Deoghar and Dumka), RO, Deoghar were selected for detailed examination. Interviews were conducted with local people and daily wage labourers deployed for maintenance of barrage and physical evidence was collected by taking photographs and joint physical verification.

The audit objectives, criteria and methodology were discussed in the entry conference with Secretary, WRD in March 2008. The audit findings were discussed with Secretary, WRD in October 2008. The Government accepted most of the recommendations. However, response of the Government to the audit observations was yet to be received (December 2008). Audit findings are discussed in the succeeding paragraphs.

Audit findings

3.1.6 Planning

WRD did not prepare a proper plan for implementation of the Project which resulted in huge time and cost overruns

WRD did not plan properly to arrange the required funds; ensure technical sufficiency; synchronize acquisition of required land, statutory forest and environmental clearance, rehabilitation & resettlement; and for personnel management. These resulted in huge time and cost overruns.

Non-adherence to the original project plan led to non-creation of irrigation facility for 1.37 lakh hectares with shortage of water during lean period

3.1.6.1 Non-adherence to the Project plan

Originally, in addition to the Ajay Barrage Project (ABP), construction of six dams⁴ was proposed (1961) covering a catchment area of 1,404.95 Sq. Km, to irrigate 1,25,235.03 and 12,223.00 hectares of net *Kharif* and *Rabi* land respectively by drawing water from Punasi and Burhai reservoirs during lean period. But due to stated reasons of paucity of fund, the original project was shelved in 1961 and ABP was planned as a stand-alone project, independent of the dams. Non-adherence to the original project plan resulted in non-creation of intended irrigation facility for 1.37 lakh hectares.

3.1.6.2 Non-adherence to the schedule

Although the Project was originally scheduled for completion within five years from 1961, the Project actually commenced in 1972-73 at an estimated cost of Rs 10.35 crore with schedule of completion by 1977-78. The Project management failed to achieve even this and had to revise the scheduled date of completion to 2008-09.

After six years of stoppage of work between 1992 and 1998, GOB approached NABARD, which agreed (July 1999) to provide loan on reimbursement basis under Rural Infrastructure Development Fund for completion of the Project in two tranches (*Appendix-3.1*). WRD's failure to adhere to the schedule of

³ Irrigation divisions: Jamtara, Kundahit, Nala, Sikatia; Minor Distributory division: Kuldangal; and Irrigation divisions-II: Jamtara and Sikatia.

⁴ Two each on river Ajay, Patharo and Jainti on upstream of the barrage.

Tranche-I, to be completed by March 2001, led to its extension to June 2006, well beyond schedule of Tranche-II, March 2002. Instead of completing the components in phased manner, all the works were taken up simultaneously except water courses, which resulted in non-completion of all the components as well as non-accrual of intermediate benefits. Time overrun (already 30 years) resulted in cost overrun (Rs 341.50 crore at the schedule of rate of 2003) and loss of potential revenue of Rs 62.33 crore as of March 2008 apart from the deprivation of the intended economic benefits to the people.

3.1.6.3 Absence of planning for funds

After spending Rs 73 crore, the Project was stopped for six years in 1992 due to lack of budgetary support. Extra-budgetary resources, sought subsequently and obtained, proved insufficient.

3.1.6.4 Deficient planning in synchronizing works, land acquisition and rehabilitation and resettlement

The execution of works, acquisition of land and rehabilitation & resettlement were not synchronized with the Project completion schedule. Some instances are discussed:

- The target for release of water in the canal was fixed (August 1999) as March 2002. However, construction of 16 structures, between chains 0.00 and 840 of Main Canal, was sanctioned in December 2001 at Rs 1.39 crore⁵. Necessity for construction of these structures, not provided in the original Project plan, was not on records. As of March 2008, construction of only 11 structures was taken up and was incomplete (March 2008) after spending Rs 1.31 crore.
- According to the estimate of 1961, construction of falls was not provided in main canal, it being a contour canal. However, 33 falls, included in the estimate of 1987-88, were approved by CWC on the presumption of correctness of data. In 2001, it was reduced from 33 to 29. The reduction indicated that the data furnished to CWC was inaccurate and unreliable.
- The assessment of required land for the Project varied from time to time. As a result, required land could not be fully acquired even as of March 2008. GOJ could not obtain GOI's clearance for use of forest land for the Project. In the absence of forest clearance, the construction of canals, distributaries etc. were adversely affected.
- Although rehabilitation of the affected people was to be completed before actual displacement, no target was fixed by the State Government. The Government did not ascertain the actual number of displaced families and fund required to rehabilitate and resettle them.

Non-assessment of land to be acquired, number of displaced families, fund for rehabilitation and non-obtaining of forest clearance badly affected the progress of the Project

3.1.7 Financial Management

The Project, estimated at Rs 4.11 crore in 1961, was modified on CWC's recommendations to Rs 5.65 crore in 1966. But work started in 1972-73 at

⁵ Estimated cost of 11 structures only, as estimates for five structures were yet to be prepared.

revised cost of Rs 10.35 crore with completion schedule as 1977-78. The Project estimates and schedules for completion underwent four revisions (**Appendix-3.2**). According to the Report submitted by WRD to Standing Committee of Lok Sabha on Water Resources on study tour to Jharkhand (January 2008), the scheduled date of completion now is 2008-09 at Rs 351.85 crore.

The Project cost and completion period were already 86 and 6 times respectively of the original estimate. As per the last estimate (2003-04), Rs 58.66 crore⁶ was required to complete the Project by 31 March 2009. The allotment, however, was only Rs 15 crore for 2008-09 with no other source of funding. The average expenditure under the Project was Rs 4.83 crore and Rs 19.74 crore in last 28 and 8 years respectively. The last estimate, requiring an expenditure of Rs 58.66 crore in 2008-09, based on SOR of 2003, was likely to increase as the works to be carried out would have to be revised on the basis of subsequent relevant SORs. In the backdrop of above, the likelihood of completion of the Project by 31 March 2009 was remote.

Funding

The expenditure of Rs 293.19 crore, incurred during 1972-73 to 2007-08, was met out of budgetary resources (Rs 220.31 crore) and from NABARD's fund (Rs 72.88 crore).

3.1.7.1 Inadequate budgetary support

The budget of GOJ, budget of WRD and provision for the Project for last seven years were as shown in **Table-1**.

Table-1: Budget of GOJ and allocation to the Project

(Rupees in crore)

Year	Total budget of GOJ	Budget allocation to WRD	Budget allocation to the Project	Savings in WRD (per cent)	Percentage of budget allocation to WRD (2 to 3)	Percentage of budget allocation to the Project (2 to 4)	Percentage of allocation to the Project by WRD (3 to 4)
1	2	3	4	5	6	7	8
2002-03	9925.70	355.59	12.47	133.78 (38)	3.58	0.13	3.51
2003-04	9827.21	323.20	15.47	23.90 (07)	3.29	0.16	4.79
2004-05	12279.93	389.64	27.00	144.34 (37)	3.17	0.22	6.93
2005-06	14115.27	491.38	7.30	103.09 (21)	3.48	0.05	1.49
2006-07	16277.32	515.33	12.00	162.40 (32)	3.16	0.07	2.33
2007-08	18896.93	900.09	23.00	164.84 (18)	4.76	0.12	2.56
2008-09	19426.72 ⁷	694.51 ⁸	15.00	NA	3.58	0.08	2.16
Total	100312.12	3664.74	112.24	732.35 (25)			

(Source: Appropriation Accounts)

The above table indicated that:

- During 2002-08, the percentage of allocation from GOJ to WRD ranged between 3.16 and 4.76 whereas the allocation to the Project ranged merely between 0.05 and 0.22 *per cent* of the total budget of GOJ.

⁶ Estimated cost: Rs 351.85 crore minus expenditure up to March 2008: Rs 293.19 crore.

⁷ Original: Rs 18989.72 crore + Supplementary: Rs 437 crore.

⁸ Original: Rs 689.51 crore + Supplementary: Rs 5 crore.

- The allocation to the Project, between 1.49 and 6.93 *per cent* of WRD's budget, was way less than the savings in WRD during 2002-08; the said percentage was lower in the last three years compared to first three years during 2002-08.
- Though, during 2002-09, there was significant increases in State's budget and allocation to WRD, 95.72 and 95.31 *per cent* respectively, the allocation to the Project increased from 0.13 in 2002-03 to 0.22 in 2004-05 but it declined in last four years (2005-09), 0.05, 0.07, 0.12 and 0.08 *per cent*.

3.1.7.2 *Inadequate allotments and expenditure not in consonance with completion schedule*

During 2000-08, work programme valuing Rs 289.49 crore were sanctioned. However, only Rs 141.78 crore was allotted against the sanctioned work programmes as shown in **Table-2**.

Table-2: Short allotment and savings

(Rupees in crore)

Name of division	Value of work programme	Allotment	Short allotment	percentage of short allotment	Expenditure	Savings	Percentage of savings
			(2-3)	(2 to 4)		(3-6)	(3 to 7)
1	2	3	4	5	6	7	8
Irrigation Division-II, Sikatia	20.77	14.08	6.69	32	7.76	6.32	45
Irrigation Division, Nala	36.82	19.65	17.17	47	17.37	2.28	12
Irrigation Division, Kundahit	69.01	24.19	44.82	65	23.54	0.65	3
Irrigation Division-II, Jamtara	25.58	10.60	14.98	59	6.01	4.59	43
Minor Distributory Division, Kuldangal	25.38	9.04	16.34	64	8.48	0.56	6
Irrigation Division, Jamtara	70.92	41.35	29.57	42	31.43	9.92	24
Irrigation Division, Sikatia	41.01	22.87	18.14	44	21.60	1.27	6
Total	289.49	141.78	147.71	51	116.19	25.59	18

The short allotments for works ranged between 32 and 65 *per cent* of sanctioned works whereas there were savings of Rs 732.35 crore in WRD during 2002-08. Even the allotted amount could not be spent as savings ranged between 3 and 45 *per cent* during 2000-08 in the divisions. This reflected inability of the Project management to spend even the inadequate allotments. Few cases of excess expenditure over allotment and lapse of funds were also noticed as discussed below:

There were savings of Rs 732.35 crore with WRD but the Project suffered from shortage of funds. Further, divisions failed to spend 3 to 45 *per cent* of the allotted fund during 2000-08

- During 2005-06, WRD's allotment of Rs 4.50 crore to Irrigation Division, Jamtara was reduced to Rs 3.50 crore but it spent Rs 3.75 crore. Reasons for excess expenditure were attributed to delay in communication. However, no step for its regularization was taken.
- During 2007-08, against sanctioned work programme of Rs 2.25 crore, Irrigation Division, Jamtara was allotted Rs three crore but it spent only Rs 12 lakh, surrendering Rs 88 lakh and letting Rs two crore to lapse.

Further, the short allotments made against the sanctioned works did not specify work-wise allotments, thereby giving irregular discretion to the divisional officers. On receipt of the allotments, the work programmes should

have been revised and got approved in view of the short allotments.

3.1.7.3 Funding from NABARD

Failure to comply with the conditions laid down for Tranche-I resulted in denial of assistance of Rs 64.25 crore from NABARD for Tranche-II

After 1998, NABARD at the request of GOB agreed to provide Rs 116.63 crore⁹ (July 1999) as loan on reimbursement basis under Rural Infrastructure Development Fund for completing the Project by March 2002. Against the admissible claim for Rs 75 crore, Rs 72.88 crore was reimbursed but the balance Rs 2.12 crore was not reimbursed as claims were not submitted. Further, a proposal for Rs 64.25 crore for Tranche-II, submitted in April 2006, was not agreed to, as the conditions¹⁰ for NABARD's funding for Tranche-II were not complied with.

3.1.7.4 Loss due to non-inclusion under AIBP

GOJ was deprived of central grant of Rs 16.31 crore under AIBP due to failure in obtaining forest clearance from MoEF

According to guidelines for Accelerated Irrigation Benefit Programme (AIBP) of GOI, on inclusion of an irrigation project of a State under AIBP, GOI extends financial assistance to the State, in the ratio of 2:1 (Centre : State) from 2005-06 to 2006-07 (upto November 2006) and it was 25 *per cent* from 2006-07 (from December 2006) and 2007-08 of the Project cost incurred by the State. Due to non-clearance of MoEF, the Project was not taken under AIBP, thereby depriving GOJ the matching grant of Rs 16.31 crore¹¹ from GOI on expenditure of Rs 33.54 crore incurred during 2005-08.

3.1.7.5 Excess and nugatory expenditure on establishment

Against CWC's guidelines of 8 to 12 *per cent* of cost of the work, 30 *per cent* was incurred on establishment

According to the guidelines of CWC of 1997, the establishment charges in irrigation projects should range between 8 and 12 *per cent*. Till March 2008, against expenditure of Rs 225.12 crore on works, Rs 68.06 crore (30 *per cent*) was spent on establishment, resulting in excess expenditure of Rs 41.05 crore¹². Further, due to complete idling of the entire staff during 1992-98, when no work was executed, Rs 3.41 crore was spent on establishment in two divisions. The other five divisions did not furnish expenditure on establishment for 1992-98.

3.1.7.6 Declining Benefit Cost (BC) Ratio

According to the extant provisions (1986), increment at the rate of 10 *per cent* per year on account of price escalation was admissible for irrigation projects whose execution was spread over more than three years. Against admissible estimate of Rs 180.61 crore, the estimate stood at Rs 351.85 crore which was in excess of Rs 171.24 crore (95 *per cent*). This led to decline in BC ratio of 1.92 in 1973 to 1.64 in 2003 (at 10 *per cent* interest on capital cost).

⁹ Rs 75 crore for Tranche-I and Rs 41.63 crore for Tranche-II.

¹⁰ Completion report for Tranche-I and trial irrigation up to chain 1315.

¹¹ Monthly average expenditure of 2006-07- Rs 95.67 lakh (as month wise expenditure figure was not available).

From April 2005 to November 2006- Rs 19.32 crore (66 *per cent*) - Rs 12.75 crore.

From December 2006 to March 2008- Rs 14.22 crore (25 *per cent*)- Rs 3.56 crore.

¹² Rs 68.06 crore minus Rs 27.01 crore (12 *per cent* of Rs 225.12 crore).

Financial Irregularities

3.1.7.7 Defalcation of Government money

Scrutiny (May and July 2008) revealed that Rs 1.35 lakh was withdrawn through two bills from Jamtara Treasury by EE, Minor Distributory Division, Kuldangal in March and September 2007 on account of personal claims of Divisional Accounts Officer (DAO). Again, in March and October 2007, Rs 1.35 lakh was withdrawn on identical bills (with same bill numbers). The bills were not routed through bill book, treasury messenger book and allotment registers as required. The EE did not enter the subsequent transactions in the cash book of the division. The Treasury Officer (TO) also failed to exercise the mandatory checks. Thus, Rs 1.35 lakh was defalcated by fraudulent withdrawals from the treasury by the EE in connivance with DAO and TO. EE accepted the audit observation and deposited Rs 1.35 lakh in May 2008. TO also accepted (July 2008) the audit observation and assured action against the erring officials.

3.1.7.8 Loss/Embezzlement of government stores

Loss/embezzlement of stores worth Rs 20.80 lakh

Loss/embezzlement of Government stores valued at Rs 20.80 lakh were noticed (between May and June 2008) in two divisions as shown in Table-3.

Table-3: Loss/Embezzlement of Government stores

(Rupees in lakh)

Sl. No.	Division	Stores	Quantity	Value	Remarks
1	Irrigation Division, Jamtara	Cement	25 MT	0.76	A JE was relieved (February 2003) without handing over the charge of cement worth Rs 0.76 lakh. No action was, however, taken for its recovery as of June 2008.
		Iron Rods	9.581 MT	2.80	A JE, without being relieved and handing over the charge of iron rod and cement worth Rs 3.35 lakh, joined (September 2004) another division. No action was, however, taken as of June 2008.
		Cement	24.65 MT	0.75	
		Hard rock/ boulder	2338.54 M ³	2.83	Hard rock found in excavation, was kept out of Government account. No action was taken for its recovery as of June 2008.
2	Irrigation Division –II, Sikatia	Set cement	360.15 MT	9.94	360.15 MT of cement was rendered useless (as it set) due to purchase made without immediate necessity. No responsibility was fixed for such loss (May 2008).
3	Irrigation Division, Jamtara	Set cement	107.25 MT	3.26	107.25 MT of cement was rendered useless (as it set) due to purchase (October 1998 to October 2004) without immediate necessity. No responsibility was fixed for such loss as of June 2008.
		Cement	15 MT	0.46	15 MT of cement was found short in store for which no action was taken as of June 2008.
Total				20.80	

Outstanding advances

3.1.7.9 Temporary advances

Temporary advance of Rs 4.58 lakh granted between 1982 and 2005 remained outstanding

As per provisions of BPWD Code-Vol.-I, temporary/miscellaneous public work advances are to be recovered within three months, failing which it is

to be recovered from the pay and allowances of the officials who have drawn such advances. Temporary advances of Rs 4.58 lakh, granted to 12 EEs/AEs/JEs between January 1982 and March 2005, remained unadjusted/unrecovered as of March 2008 (*Appendix-3.3*). Of these, eight officials were transferred but copies of LPC were not produced to audit to ascertain whether advances were recorded therein. Recovery of these advances, outstanding for 3 to 26 years, was doubtful and indicative of suspected misappropriation.

3.1.7.10 Unadjusted suspense accounts

Rupees 8.84 crore booked under suspense accounts (MPWA-Purchase and Store) during 1982-2008 remained unadjusted

As per Rule 382 and 387 of BPWA Code, items in the Miscellaneous Public Works Advance (MPWA) account should be cleared by the EEs either by actual recovery or by transfer, under proper sanction/authority, to other heads of account to which they pertain. Further, MPWA head is of temporary nature and all transactions recorded therein are removed either by payment or recovery or by adjustment. Irregularities noticed in audit were as below:

- Progress Report/MPWA records of six divisions¹³ showed that a sum of Rs 3.69 crore was outstanding (1982-2008) against different SLAOs/AEs and suppliers as of March 2008. Large amounts lying unadjusted for long periods, up to 26 years, was fraught with the risk of misappropriation.
- EE Irrigation Division No.2, Jamtara irregularly booked (between March 2005 and September 2007) advances of Rs 47.07 lakh for purchase of cement by a private agency and advances granted to SLAOs as final expenditure, thus not watching the recovery/adjustment of advances.
- In contravention of provisions, advances of Rs 4.68 crore remained unadjusted as of March 2008. The period of pendency, purpose, name of suppliers/ divisions against whom adjustments were due etc. could not be ascertained in audit due to non-availability of basic records, relevant registers etc.

3.1.8 Physical status of the components

Originally, the Project had five components viz. Dams, Barrage, Main & Branch canals, Distribution system and Water courses. Present physical status of the components as of October 2007 was as shown in **Table-4**.

Table-4: Components of the Project and their physical status

Sl. No.	Component	Envisaged	Physical status of completion as of (%)		Remarks
			1972-73 to 1999	2007	
1	Dams	06	Nil	Nil	Shelved (1961) due to stated reasons of paucity of fund.
2	Barrage	01	63	98	Testing of gates, installation of DG sets and transformers were pending.
3	Main and Branch canals	175.80 Km	48	95	-

¹³ Irrigation Divisions: Jamtara, Kundhit, Nala, Sikatia; Minor Distributory Division: Kuldangal and Irrigation Division -II, Sikatia.

Sl. No.	Component	Envisaged	Physical status of completion as of (%)		Remarks
			1972-73 to 1999	2007	
4	Distribution system	143.84 Km	13	68	-
5	Water courses	2595 Km	Nil	Nil	To be completed by March 2002. Work was yet to start (March 2008).

3.1.9 Contract Management

Contract management under the Project was governed by Bihar Public Works Accounts/Department Codes, Bihar Financial Rules and executive instructions issued from time to time.

The execution work on components of the Project was taken up in 1972. Details and status of work undertaken between 1972 and 1992 were not furnished, except by one division¹⁴. For the post 1998-99 period, information and data on 696 (six divisions) out of 1,017 contracts were obtained, compiled and analysed in audit. Of the above, 203 contracts for Rs 54.16 crore were subjected to detailed scrutiny.

Residual and Restoration works

3.1.9.1 Commencing residual works without assessing its status

The department instructed (1999) to start residual works, after assessing the deteriorated and balance quantity of work by taking final measurements and closing of all previous agreements. Scrutiny of the records of six divisions¹⁵ revealed that no such exercise was undertaken instead residual work at Rs 39.32 crore was taken up after taking cross sectional measurement of the canals and distributaries. CE, WRD, Deoghar accorded (December 1999 and March 2001) conditional technical sanction for residual works at Rs 18.62 crore in two divisions¹⁶, stipulating that the sanction accorded would stand cancelled if the departmental instructions were not followed within 15 days. In contravention of the instructions, works valuing Rs 18.62 crore were taken up resulting in execution against lapsed technical sanction. Further, audit noticed two instances of works being taken up in excess of the actual quantity as discussed below:

- Against the estimated (1987-88) earthwork of 150.01 lakh cubic meters (LM³) for main and branch canals, 107.80 LM³ of earthwork was completed by 1992, leaving a balance of 42.21 LM³. In 1997-98, the earthwork was re-estimated to 162.48 LM³ in place of 150.01 LM³. Thus, undertaking earthwork, valuing Rs 3.26 crore¹⁷, was in excess (12.47 LM³) of actual quantity of earthwork.
- SE, Irrigation Circle, Jamtara accorded technical sanction (November 2007) for construction of six new structures at different chains of Eklavyapur distribution system at Rs 9.23 lakh. The work was allotted in

¹⁴ Irrigation Division, Nala furnished sketchy and incomplete information.

¹⁵ (1) Irrigation Division, Nala, (2) M.D. Division, Kuldangal, (3) Irrigation Division, Jamtara, (4) Irrigation Division-2, Jamtara, (5) Irrigation Division-2, Sikatia, and (6) Irrigation Division, Kundahit.

¹⁶ Irrigation Division, Nala and Irrigation Division, Jamtara.

¹⁷ Calculated at the rate of Rs 26.16 per M³ on the basis of estimated cost of 1997-98.

Departmental instructions were not adhered to and works valuing Rs 18.62 crore were executed without technical sanction

December 2007 but could not be taken up as one of the unsuccessful bidders moved the High Court, challenging the award of work. A joint physical verification of the sites by Audit team and the Project officials (May 2008) revealed that the proposed structures were already in existence.



Photographs taken during joint verification on 20.5.2008 showing existence of already built structures at Ch 20 to 120 of Eklavyapur distributory

Thus, it was evident that estimates of Rs 9.23 lakh were fictitiously approved by the department for structures which already existed.

3.1.9.2 Loss of government money

There was loss of Rs 6.09 lakh and avoidable committed expenditure of Rs 53.28 lakh due to sub-standard execution and non-completion of work on schedule

Test check revealed that construction of four structures was taken up at Rs 26.05 lakh before 1992 and an expenditure of Rs 4.71 lakh was incurred. In 1999, these partially constructed structures were reported to be of sub-standard quality and were ordered to be dismantled at Rs 1.38 lakh. WRD accorded (December 2001) sanction for reconstruction of the structures at Rs 79.33 lakh. Thus, non-completion of work as per schedule led to committed expenditure of Rs 53.28 lakh. Further, due to execution of sub-standard work, Government had to incur loss of Rs 6.09 lakh (Rs 4.71 lakh: structures, Rs 1.38 lakh: dismantling).

3.1.9.3 Avoidable payments on restoration works

There was avoidable expenditure of Rs 76.34 lakh on restoration of works

Due to stoppage of Project work for six years, the work of restoration of structures of main canal, constructed before 1992, were taken up for Rs 76.34 lakh which was avoidable.

Award of works

3.1.9.4 Splitting of works after inviting tenders

Irregular splitting of works for Rs 12.05 crore after floating of NIT

NITs were invited for 73 works, at an estimated cost of Rs 13.86 crore, between October 1999 and January 2008 which were split into 166 smaller works and awarded to 163 different contractors (**Appendix-3.4**) in violation of codal provisions. Further, due to splitting of works after floating of NIT, the categorization of work in terms of their financial limits underwent changes which resulted in unauthorized award of works amounting to Rs 12.05 crore besides time & cost overruns and execution of sub-standard works as detailed in **paragraphs 3.1.9.7 and 3.1.9.12**.

3.1.9.5 Award of works to ineligible contractors

Disregard to codal provisions, there was unauthorized award of work for Rs 21.11 crore

As per BPWA/D Code, no contractor was to be awarded more than one work at a time even if their bids were valid in another tender, unless the previously awarded work of the contractor was 75 *per cent* complete. However, 49 works were awarded to 18 contractors on the same date and 184 works were awarded to 41 contractors before completion of 75 *per cent* of previously awarded work. This resulted in irregular award of works of Rs 21.11 crore and consequent non-completion of 125 out of 233 works (53 *per cent*) as of March 2008 (*Appendix-3.5*).

3.1.9.6 Award of works to two loss making companies

Works could not be completed for more than seven years after the schedule due to awarding the works to loss making companies and expenditure of Rs 17.76 crore proved unfruitful

- In May 1999, remaining works of Barrage including installation and commissioning of gates were awarded to M/s Tungbhadra Steel Product limited (TSPL) at Rs 13.96 crore for completion by November 2000. As of March 2008, more than seven years after the completion schedule, the work was incomplete after incurring Rs 16.10 crore, i.e. Rs 2.14 crore more than the agreed value. Thus, expenditure of Rs 16.10 crore was rendered unfruitful. Audit noticed other irregularities as discussed below:

- WRD awarded the work of Barrage to TSPL in 1999, though it suffered losses of Rs 14.94 crore between 1993 and 1998. It was referred to Board for Industrial and Financial Reconstruction (BIFR) in 2004.
- As TSPL completed only 3.69 *per cent* of the work in November 2000, the period of completion as per schedule, EOT was granted in and up to March 2006. As of March 2008 also, two *per cent* of the work was incomplete. Although a penalty at the rate of 10 *per cent* of the agreed value and termination of the contract were to be ordered, neither the penalty of Rs 1.40 crore was imposed nor the contract terminated.
- WRD paid mobilization and material advance of Rs 6.19 crore to TSPL (June 1999 and November 2005) at annual rate of interest of 13 *per cent* to be recovered before completion of 80 *per cent* of work. As of March 2008, Rs 82.68 lakh remained unrealized, although more than 80 *per cent* of the work was complete.
- TSPL was paid Rs 2.49 crore as price escalation for material, labour and oil & lubricants since January 2000 against the departmental orders.
- TSPL was required to conduct test of materials, work done etc. in presence of authorized Inspector of WRD and furnish copies of reports thereof to avoid execution of sub-standard work. But no reports or evidence of having conducted tests were on record.

Price escalation of Rs 2.49 crore was paid against the departmental orders

- In another case, M/s GRD Co. Pvt. Ltd, Banka, a loss making company, was awarded (September 2001) residual earthwork of main canal at Rs 1.78 crore. In February 2006, final payment of Rs 1.66 crore was made for the quantity of work executed by it. The earthwork to be completed by March 2003 was still incomplete besides sub-standard execution of filling work (less than specified compaction). This rendered the expenditure of Rs 1.66 crore unfruitful including execution of sub-standard work worth Rs 38.65 lakh.

Incorrect estimation and execution of residual works on higher rates resulted in non-completion of the work and loss of Rs 26.64 lakh

3.1.9.7 Loss of government money

CE, WRD, Deoghar sanctioned (December 1999) two estimates for residual earthwork of main canal from chain 0.00 to 460 for Rs 4.30 crore. The earthwork was tendered in 104 groups and awarded (between 2000 and 2002) to 262 contractors for completion by July 2002. In November 2002, all the agreements were closed for stated reason of work being sub-standard after incurring expenditure of Rs 3.39 crore on physical progress of 72 *per cent*. The residual work was retendered in October 2003 at Rs 88.56 lakh for completion by 2003, without preparation of fresh estimates and awarded to two contractors. As the quantity of earthwork was under estimated, the two contractors stopped the work after completing the execution of agreed quantity. The work was again awarded to a contractor at Rs 1.67 crore for completion by October 2006 without framing fresh and correct estimate. The contractor stopped the work after executing the agreed quantity but the work remained incomplete as of May 2008.

Thus, incorrect estimation led to work not getting completed even after six years of its scheduled completion. Further, loss of Rs 26.64 lakh had already been incurred due to execution of residual work at higher rates.

3.1.9.8 Excess payment

Payments at higher rates led to excess payment of Rs 17.32 lakh

In case of execution of work by using machines instead of manual labour, 15 *per cent* of the specified rate was to be deducted. In Irrigation Division, Kundahit, execution of earthwork from chain 3115.50 to chain 3229.50 was executed using machines but Rs 1.03 crore was paid at the rate prescribed for manual execution without deducting 15 *per cent* resulted in excess payment of Rs 17.32 lakh.

Execution of works

3.1.9.9 Commencing work without forest clearance and land acquisition

- Under Forest Conservation Act, 1980, no work was to be taken up on forest land without GOI's clearance. In violation of the Act *ibid*, civil works relating to excavation of canals, construction of structures etc. were executed on forest land. Forest Department filed complaints against the concerned officials and the contractors. Thus, expenditure of Rs 3.38 crore incurred on 23 works during 2001-2007 was rendered unfruitful.



Photograph taken on 20.5.2008 during joint verification showing incomplete work due to non-completion of land acquisition process.

- Under the provisions of BPWD Code, no work was to be taken up on private land without its acquisition. Test check of records of three divisions revealed that 17 works were taken up during 2001-07 without acquisition of land. These works could not be completed as the landowners objected. This resulted in wasteful expenditure of Rs 1.81 crore on incomplete works on non-government land.

Liquidated damages for Rs 5.49 crore not levied for delay in completion of works

3.1.9.10 Non-levy of liquidated damages and unfruitful expenditure

In six divisions, between January 1999 and March 2008, only 395 out of 696 works could be completed. Of these, 98 works with estimated cost of Rs 20.99 crore were completed at Rs 19.99 crore. There were delays up to 2,102 days (excluding grant of EOT) in completion of these works. Failure to invoke the contract provisions for liquidated damages¹⁸ (LD) resulted in loss of Rs 2.10 crore (10 per cent of Rs 20.99 crore).

Further, 272 works¹⁹ estimated at Rs 33.94 crore could not be completed, within their schedule (up to May 2008) after spending Rs 19.32 crore though only in 29 cases EOT was granted. Delays were up to 9 years but in none of the cases LD was levied. The undue advantage to the defaulting contractors resulted in loss of Rs 3.39 crore (10 per cent of the estimated cost) besides unfruitful expenditure of Rs 19.32 crore. Age-wise analysis of incomplete works is given in **Table-5**.

Table-5: Age analysis of incomplete works

	Number of works
Works delayed up to one year	58
Works delayed between one and two year	42
Works delayed between two and three years	33
Works delayed for more than three years	125
Total	258²⁰

3.1.9.11 Incorrect grant of EOT

A contractor can seek extension of time (EOT) on grounds beyond his control or as specified in the agreement. The EE shall, if in his opinion the grounds were reasonable, recommend extension to the CE for sanction. In five divisions, in 51 works (**Appendix-3.6**), EOT was granted by CEs not on grounds beyond the control of the contractor. Further, in 137 cases of two divisions, CE irregularly authorized SE to grant EOT. This resulted in undue advantage to the contractors. Ironically, CE, WRD, Deoghar ordered (2005) that requests for EOT would be considered only after completion of work.

3.1.9.12 Execution of sub-standard work

The contractors were to execute works in accordance with the approved design, drawing and specifications, failing which they were liable to pay penalty at the rate of one per cent, on the amount of the estimate for every day not exceeding ten per cent of estimated cost. Test check of records of seven divisions revealed that in 63 cases (**Appendix-3.7**), works were not as per the specifications. But neither remedial action was taken by the contractors nor any penalty imposed on them, which resulted in execution of sub-standard work valuing Rs 9.04 crore and consequent non-levy of penalty of Rs 1.21 crore (10 per cent of estimated cost of Rs 12.12 crore).

¹⁸ Clause-2 of Conditions of the Contract provided for levy of liquidated damages, at the rate of ½ per cent per day subject to maximum of 10 per cent of the estimated cost, for delay in completion of the work beyond schedule.

¹⁹ Out of 301 incomplete works, 29 works were scheduled to be completed beyond May 2008.

²⁰ In 14 cases, delay in completion could not be worked out due to non-furnishing of details (scheduled date of completion) by concerned divisions.

Non-adherence to
codal provisions led to
unauthorized payment
of Rs 57.14 lakh and
excess payment of
Rs 6.75 lakh

3.1.9.13 Unauthorised payment

As per codal provisions, the item of work not included in Bill of Quantity (BOQ) would be termed as extra item. The rate of BOQ for extra items shall be sanctioned by the authority, competent to sanction the BOQ of original agreement. If the amount of extra items exceeds the original BOQ by 10 *per cent*, then one level higher shall be the competent authority. If it is more than 20 *per cent* then departmental approval shall be required. Further, as per Clause 11 of Conditions of Contract (F2 agreement), Engineer-in-charge was empowered to make alteration, if any, to the original specifications and drawings and issue instructions which may be deemed necessary. The contractor was bound to carry out the work in accordance with such instructions (on the original condition) if it did not invalidate the original contract. Audit noticed:

- In three divisions²¹, in seven agreements, Rs 55.58 lakh were sanctioned as extra items. In six cases, the increase in amount of extra items ranged between 0.83 and 21.16 *per cent*. All the cases were sanctioned by SEs/CE though required to be sanctioned by CE/Department. Further, in Irrigation division Sikatia, five agreements were executed at 10 to 15 *per cent* below SOR. However, extra items for Rs 51.09 lakh were paid at SOR, though the work was part of original agreement resulting in excess payment of Rs 6.75 lakh.
- In case of mechanical work of Barrage gate, Rs 1.56 lakh was paid for extra item to the contractor without any sanction.

3.1.9.14 Excess/fraudulent payment due to incorrect/inflated measurement

In Irrigation Division, Nala, three works, estimated at Rs 64.82 lakh, were awarded (between June and October 2001) to two contractors at agreed cost of Rs 55.10 lakh. The contractors stopped (2002) the work after receiving payment of Rs 34.44 lakh. The contractors refused to resume work and take the final measurement despite reminders and notices. WRD terminated (December 2003 and September 2005) the agreements and took ex-parte final measurement between August 2004 and May 2006 and the final bills prepared on the basis of measurements resulted in minus figures. Further scrutiny of running account bills and MBs (item wise) revealed that several item of works shown to have been executed earlier were either short executed or not executed. Thus, payment of Rs 5.21 lakh on work not executed was irregular.

3.1.9.15 Breach of canal due to departmental lapses

Due to heavy rains in catchment area of river Ajay, water entered the main canal on 25 September 2007. It severely damaged the approach road to barrage and breached the main canal at six places between chain 0.00 to chain 164.10. Heavy discharge of water also resulted in accumulation of sand in the nearby agricultural plots. On the basis of interviews conducted by audit at the site (May 2008) with the local people and daily wagers employed at barrage site and examination of records, audit found that the: (i) Barrage

²¹ Irrigation Division, Kundhit, Irrigation Division, Jamtara and Irrigation Division, Sikatia.

gates were closed on 25 September, which was both unnecessary and unwise as the canals were yet to be commissioned, (ii) WRD failed to supply generator sets for operation of gates though indented for by the division in 2002 and (iii) No departmental authorities were present at site at the time of breach except few daily wagers since the residential colony and office



Photographs taken on 29.5.2008 showing damaged main canal and approach road to barrage in Sikatia premises near the barrage had been abandoned by the officials.

Thus, departmental negligence resulted in creation of avoidable liability of Rs 46.35 lakh, being the tendered cost of repair of canal. The repair work for road was yet to be taken up for tender. Further, the farmers were claiming damages for losses incurred by them and hindering execution of any repair and other ongoing works.

3.1.10 Land Acquisition, Forest Clearance and Rehabilitation & Resettlement

Acquisition of required land, obtaining statutory forest and environmental clearance and rehabilitation & resettlement of displaced people are some of the basic prerequisites for successful implementation of a river valley project. Scrutiny revealed several deficiencies in the related processes.

Land Acquisition

Land Acquisition Act, 1894 (Revised 1984) and BPWA Code allow construction work only after acquisition of land. Collector was to make award within a period of two years from the date of publication of the declaration, failing which the entire proceeding for the acquisition was to lapse. The compensation for the acquired land comprised of cost of land & structures, *solatium* at the rate of 30 *per cent* and additional compensation at the rate of 12 *per cent* per annum from the date of publication of notification to the date of declaration of award.

3.1.10.1 Tardy acquisition

According to the original estimate of the Project (1961) 5,713 acres of land was assessed to be acquired. Till March 2008, only 2,474 acres (43 *per cent*) could be acquired. Balance, 3,239 acres of land was yet to be acquired (March 2008).

There were varying assessment of requirement of land for acquisition which led to wasteful expenditure of Rs 20.75 lakh

3.1.10.2 Varying assessment of requirement

Between 1961 and 2003-04 the assessed requirement of land decreased from 5,713 acres to 5,230 acres. Further, a departmental survey (2007) revealed acquisition of 49.05 acres of land which was not required for the Project, rendering the expenditure of Rs 20.75 lakh on its acquisition wasteful.

Lapsed acquisition resulted in excess payment of Rs 64.05 lakh

3.1.10.3 Lapsed acquisitions resulting in avoidable expenditure

Records of SLAO, Deoghar revealed that in four villages, acquisition cases for 160.64 acres of land lapsed during 1988 to 1999. The acquisition process was initiated again during 1998-2003 and 124.92 acres were acquired at Rs 1.14 crore against the estimated cost of Rs 49.95 lakh in 1988-99. Thus, lapse of acquisition resulted in avoidable expenditure of Rs 64.05 lakh.

Delay in award resulted in avoidable expenditure of Rs 17.81 lakh

3.1.10.4 Avoidable expenditure due to delayed acquisitions

Commissioner-cum-Secretary, Department of Land Reforms (DLR) directed (July 1991) Collectors to complete land acquisition proceedings in 630 days. Of this, the maximum period stipulated for the proceedings, from the date of publication of the notification to the date of award, worked out to 540 days. SLAOs, Deoghar and Dumka took up acquisition of 489.18 acres of land in 43 villages for Rs 3.52 crore. The notifications for these acquisitions were published between February 1982 and January 2005. However, the awards were declared between September 1986 and August 2006 after delay of 1 to 37.5 months from the date of notifications. This resulted in avoidable expenditure of Rs 17.81 lakh as extra additional compensation (*Appendix-3.8*).

Awards for Rs 28.40 lakh was declared in excess ignoring the departmental criteria

3.1.10.5 Excess award due to irregular applicability of rate

DLR fixed (June 1981) the productivity of land based on one crop a year. The Circle Officer (CO), Nala and Kundahit also certified (April 2005) that the acquired land in Nala and Kundahit, Jamtara were fit for only one crop a year. But, Collector, Jamtara fixed the productivity on two crops a year and declared (between June 2005 and August 2006) awards for Rs 56.80 lakh for 104.40 acres of land. Thus, awards of Rs 28.40 lakh were declared in excess of the admissibility, ignoring the departmental criterion and certificate of CO.

In disregard of codal provisions Rs 5.25 crore was unauthorisedly kept outside government account

3.1.10.6 Retention of Government money outside Government account

According to provisions of BTC-Vol.-I, fund received by LAOs for making payment of compensation were to be deposited into the treasury and the compensation was to be paid through a current account in a nationalized bank or State Bank of India after withdrawal of required amount from the treasury. Unspent balance in the current account should be returned to the treasury in the name of beneficiary to whom the money has not been paid after sixty days from date fixed for payment of compensation or by 31 March every year. SLAOs, Deoghar and Dumka kept (March 2008) the amount of compensation, Rs 5.25²² crore, received as well as unspent balance, outside Government account in current accounts of various nationalized banks. This resulted in unnecessary blocking of money.

²² Deoghar-Rs 1 crore, Dumka- Rs 4.25 crore

Forest clearance

Under the Forest (Conservation) Act, 1980, no forest land can be transferred for non-forest purposes without prior approval of GOI. In the event of forest land being diverted for non-forest purposes, NPV of land and cost of CA was to be realised from the user agency. Further, unauthorized use of forest land attracted penal cost of CA.

3.1.10.7 Forest clearance not obtained

Although 28 years had elapsed since the promulgation of the Act, GOJ had not sent the mandatory proposal to GOI for clearance of forest land to be used under the Project. Initially, a requirement of 19.543 hectare of forest land was assessed and WRD deposited Rs 2.98 lakh between May 1981 and March 1986 against the demand raised by Forest Department (FD). In 1999, FD, while asking WRD for some rectifications to be effected, revised the demand to Rs 98.46 lakh (NPV and cost of CA). However, WRD deposited only Rs 29.03 lakh (March 2000) towards partial cost of CA.

3.1.10.8 Incorrect assessment of required forest land

The requirement of forest land underwent revision (2005) from 19.543 hectares to 39.025 hectares for NPV and 23.627 hectares to 42.979 hectares for CA. Reasons for revision were not on record. Further, the land identified by WRD for transfer to FD was not found appropriate by FD as that land fell in the submergence area.

3.1.10.9 Creation of avoidable liability

Ineffective pursuance to obtain forest clearance resulted in creation of additional liability of Rs 1.05 crore

As per GOI's order of 2002, the rate of NPV was to be determined between Rs 5.80 lakh and Rs 9.20 lakh per hectare depending upon the quality of forest, density of vegetation and type of species in areas under diversion. Of the demand of Rs 98.46 lakh raised in 1999, Rs 60.74 lakh pertained to NPV (calculated at the rate of Rs 3.11 lakh per hectare). In January 2005, the requirement underwent revision from 19.543 to 39.025 hectares. The failure to obtain forest clearance before 2002, resulted in creation of additional liability of Rs 1.05 crore as WRD would have to pay Rs 2.26 crore (calculated at the minimum rate of Rs 5.80 lakh per hectare for 39.025 hectares) instead of Rs 1.21 crore (for 39.025 hectares at the rate of Rs 3.11 lakh per hectare). Further, the liability would increase due to increase in the cost of CA and also penalty thereon, if levied.

Rehabilitation and Resettlement (R&R)

Although, the Project was started in 1972, the process of R&R was initiated only in 2002. Land of 18 villages was required for R&R. No record/data based on any survey were furnished by WRD to ascertain the exact number of affected families identified for rehabilitation.

3.1.10.10 Incomplete and delayed rehabilitations

As per R&R Policy, 1981 and 2003, rehabilitation facilities were to be provided within six months from the completion of land acquisition process or before actual displacement. Scrutiny of records revealed that out of 18 affected

villages, only 33 families of only one village (Mishradih) were identified and partially rehabilitated. Subsistence and Self Employment Grants were still to be provided to the 33 families.

3.1.10.11 Avoidable/unauthorised expenditure

Delay in payment/
rehabilitation resulted
in avoidable/
unauthorised
expenditure of
Rs 44.52 lakh

- As per records of SLAO, Deoghar, actual displacement in Mishradih village took place in April 2000. Rehabilitation was required to be completed before April 2000. Consequent to revision (September 2003) of the Rehabilitation Policy, the rates got revised with addition of some new facilities. Consequently, payment of Rs 33.64 lakh was made to the beneficiaries in 2004-05 at the revised rates. Thus, due to delay of 4 to 5 years in payment, an avoidable expenditure of Rs 28.22 lakh was incurred.
- Scrutiny of records revealed that during 2004-05 payment of Rs 33.64 lakh was made to 33 persons (head of the family) of Mishradih. Of these 33, Rs 16.30 lakh was paid to 16 ineligible persons (*Appendix-3.9*). Among these, 12 belonged to another village, two were minors and two persons were declared (October 2002) ineligible by SLAO and RO.

3.1.10.12 Non distribution of Vikas Pustika among beneficiaries

According to the revised R&R Policy, 2003, WRD was required to issue Vikas Pustika to the head of each displaced family and maintain a record containing the details of lands, property affected, benefits provided, to keep a watch over undue or inadmissible multiple benefits. However, Vikas Pustikas were not being issued and an important check to ensure that only the eligible get their due was not in place.

3.1.11 Internal Control Mechanism

3.1.11.1 Absence of project manual

Despite frequent and large slippages in time, cost schedules, land acquisition, rehabilitation, resettlement and contractual management, a manual for the Project to arrest the slippages was not prepared.

3.1.11.2 Lack of documentation and non-production of records

The maintenance and upkeep of records by the Project officials was unsatisfactory. Important documents like DPR, the first and second revised estimates of the Project etc. were not available. Records like original estimates, measurement books, works abstract, running account bills etc. of works undertaken prior to 1998 were not furnished to audit though called for. Documentation pertaining to requisition & acquisition of land and rehabilitation was poor and as a result information regarding land already acquired/to be acquired, rehabilitation facilities already provided/to be provided were not available.

3.1.12 Monitoring and Evaluation

No evaluation was
carried out since
inception of the Project

Under the Codal provisions, a system for monitoring of works by higher authorities was prescribed. Further, according to departmental instructions (2002), CE and SE were required to inspect minimum one and four work sites

of a division respectively during a month. Scrutiny disclosed that no regular inspections were carried out. Neither inspection reports nor follow up action thereon were produced to audit.

WRD did not develop any system of periodical evaluation of the performance, effectiveness and impact of the Project in the context of its stated objectives. No evaluation was carried out by WRD or the Project authorities since inception of the Project.

3.1.13 Internal audit and Vigilance

3.1.13.1 Internal Audit

Internal audit of the Project never undertaken by Finance Department

The Project did not have an internal audit wing of its own. The internal audit wing of the Finance Department was responsible for internal audit of WRD. No internal audit of the Project or any of its divisions was ever conducted.

3.1.13.2 Vigilance Wing

No vigilance wing ever constituted for the Project

No vigilance wing was constituted for the Project. In the absence of the vigilance wing, GOJ could not ensure that all the operations and transactions were transparent and in public interest. Cases of fraud and embezzlement may go unnoticed, which would be against the interest of Government.

3.1.13.3 Sensitivity to error signals

Every organisation needs to have an effective mechanism to respond to error signals. Such a system was found largely absent in the Project. Despite being pointed out in Inspection Reports and Reports of Comptroller and Auditor General of India, instances of nugatory expenditure on pay and allowances, avoidable payment on interest on cost of acquisition of land, excess payment of land compensation due to delay in finalisation of award, lapsed acquisition, non-recovery/adjustment of amounts booked under MPWA etc. continued to persist.

3.1.14 Conclusion

The Project suffered from deficient planning and execution. Work of the Project was not taken up in a phased manner which resulted in non-completion of any component of the Project as well as non-accrual of intermediate benefits as envisaged. Faulty planning, tardy land acquisition including forest land and award of work without fresh survey & investigation hampered the progress of the Project. WRD never ensured financial closure of the Project which resulted in non-taking up execution of the Project up to 1972-73 and stoppage of work for six years between 1992 and 1998. The Project depended mainly on budgetary support which was inadequate. The allotments and pace of expenditure were not in tune with the completion schedule. It is unlikely to arrange and spend the remaining required amount of Rs 59 crore by scheduled target date. There was a huge amount pending for recovery/adjustment under advances, purchase and stock heads of suspense account. Works were split up after issue of NIT. The criteria for selection of contractors were not very fair, which resulted in cost and time overruns. Works were awarded in violation of the orders of not awarding

more than one work to the contractor till 75 per cent completion of the earlier allotted work. There were cases of non-levy of penalty due to grant of time extensions on irregular grounds and unauthorized execution of works as extra items. Requirements for land to be acquired and funds thereon were incorrectly assessed. There were instances of delayed payments, lapsed acquisitions and avoidable expenditure in the process of land acquisition and delayed & partial delivery of Rehabilitation package. Internal control system, Monitoring and evaluation within the Project were almost absent and documentation was poor. There was neither internal audit wing nor vigilance wing in the Project. All these serious weaknesses of the Project management strengthened due to insensitivity to error signals generated through periodical audit, electronic and print media etc. As a result errors persisted.

3.1.15 Recommendations

- Prioritisation and synchronization for completion of the components should be planned so as to derive intermediate benefits from each completed component;
- Planning wing of the Project may be strengthened to avoid bottlenecks causing delays and consequent cost overrun;
- A realistic target for arranging required funds both from internal and external sources should be prepared and full utilization of available funds ensured;
- Strict adherence to all codes, rules, notifications, Acts etc. should be ensured;
- Codal provisions and executive orders in respect of contract provisions should be strictly adhered to and prompt action taken against violations of such provisions;
- Requirement of land and funds needed for acquisitions should be accurately assessed for timely and economical acquisitions;
- Statutory forest clearance should be obtained expeditiously;
- Number of displaced families should be assessed correctly and their early rehabilitation be arranged; and
- A manual should be prepared immediately to institute internal control mechanism and internal audit for effective implementation of the Project.

The above points were reported to the Government (August 2008); their reply had not been received (December 2008).

AGRICULTURE AND SUGARCANE DEVELOPMENT DEPARTMENT

3.2 Working of Birsa Agricultural University

Highlights

Birsa Agricultural University (BAU) was established in 1981 in Ranchi to impart education in agriculture and its allied branches to make advances in learning; to conduct research in agriculture and allied sciences; and to undertake extension programme of such sciences among rural people of the State. A performance audit on working of the University disclosed that the objectives were not fulfilled to the mandated extent. Further, there were several instances of deficient & defective accounting, financial irregularities, mal-administration and irregular execution of civil works.

The governing bodies (Senate, Board and Councils) failed to hold prescribed meetings to monitor the activities of BAU.

[Paragraph 3.2.7]

Huge shortage of professors/scientists in feeder cadres adversely affected the quality of education imparted and research activities taken up by BAU. It failed to enroll students up to its intake capacity. The shortfall ranged between 27 and 86 per cent during 2003-08.

[Paragraphs 3.2.8.1 and 3.2.8.2]

Out of 62 research projects conducted during 2003-08, 48 were incomplete for more than 5 to 30 years. Achievements of nine projects, though completed, were not ascertainable in the absence of project reports.

[Paragraph 3.2.9.1]

Though, hybrid seeds of nine crops were developed, its breeder and foundation seeds were not produced in required quantities to benefit the farmers. Further, BAU did not develop any variety of seeds or new technology for dry-land agriculture, suitable for Jharkhand, even after 37 years of the project.

[Paragraphs 3.2.9.3 and 3.2.9.4]

KVKs failed to achieve their target of trainings and field demonstrations. The shortfall was up to 94 per cent.

[Paragraph 3.2.10.1]

BAU sent inflated utilization certificates to the funding authorities without incurring expenditure

[Paragraph 3.2.12.1]

The annual accounts did not reflect the true and fair picture of the finances as balance sheets were never prepared.

[Paragraph 3.2.12.2]

In the absence of any system of internal control and maintenance of mandatory accounts records, budgetary and expenditure control of BAU was ineffective which led to several financial/administrative irregularities.

[Paragraphs 3.2.12.3 and 3.2.13]

Rupees 6.01 crore was paid as inadmissible advance increments, irregular pension and arrears in pay and allowances.

[Paragraphs 3.2.13.6, 3.2.13.7 and 3.2.13.8]

3.2.1 Introduction

BAU, established under the Birsa Agricultural University Act, 1981, is now governed by Jharkhand Agricultural University Act (The Act), 2000. It was to develop academically qualified human resources through different academic courses; to conduct fundamental, need-based and area specific research in agriculture and allied sciences; and to develop and promote modern agricultural technology among rural people (laboratory to land) through extension programmes and need-based trainings.

3.2.2 Significance of BAU to Jharkhand

Jharkhand is predominantly an agrarian State. About 80 *per cent* of its population lives off agriculture and allied sectors *viz.* animal husbandry, fisheries, forestry etc. but only 23 *per cent* of its total area is arable and 9 *per cent* of it is irrigable. The average annual rainfall in the State is 1200 mm, of which 90 to 95 *per cent* is untapped and as such utilisation of surface water for irrigation is minimal. More than three-fourth of its population cultivate rain-fed agriculture. Due to low levels of productivity in food grains, fish, forestry and livestock the State's self-sufficiency with regards to food, milk & milk products, meat, fish, vegetables, fruits etc. was poor. In 2004-06, production of foodgrains and fish was 1,077 and 900 Kg /hectare against national average of 1,716 and 2,150 Kg/hectare respectively. Production of forestry & logging and fishing also reduced by 37 and 59 *per cent* respectively in 2005-06 from 2001-02. Compared to 1997, the cattle population declined by 20 *per cent* in 2006.

Thus, the significance of BAU to the people of Jharkhand by developing agriculture, animal husbandry, fisheries and forestry cannot be overstated.

3.2.3 Organizational set up

The Governor, Jharkhand is the Chancellor of BAU. The Department of Agriculture, Government of Jharkhand is BAU's administrative department. The Vice-Chancellor is overall in-charge of BAU. The Registrar is in-charge of academic activities and the Comptroller is responsible for Finance and Accounts. Besides, three Directors look after Administration, Research and Extension activities. BAU had 22 institutions²³ under its control.

3.2.4 Audit objective

The objectives of the performance audit were to assess whether:

- The academic functions and research activities were carried out efficiently and effectively;

²³ (A) Four colleges: Agriculture, Veterinary Science & Animal Husbandry, Forestry and Biotechnology (B) Three Zonal Research Stations-Chianki, Darisai and Dumka (C) 15 Krishi Vigyan Kendras at Bokaro, Chatra, Chianki, Darisai, Dhanbad, Dumka, Garhwa, Giridih, Jagannathpur, Jamtara, Latehar, Lohardaga, Pakur, Sahebganj and Simdega.

- The extension programmes realised its objectives – laboratory to land; and
- The resources were utilized economically, efficiently and effectively.

3.2.5 Audit criteria

Performance audit was conducted using the following audit criteria:

- Provisions of the Act and the Statutes of BAU;
- Norms fixed for academic activities;
- Terms and conditions of sanctions/approval of research projects;
- Targets/Norms for extension/training activities; and
- Plan and budget documents and Government's orders/sanctions.

3.2.6 Scope and methodology of audit

The performance audit of working of BAU during 2003-08 was conducted (February to August 2008) by test check of records of Department of Agriculture, BAU, three²⁴ out of four colleges, two²⁵ out of three Zonal Research Stations (ZRSs) and five²⁶ out of fifteen Krishi Vigyan Kendras (KVKs) selected through random sampling method.

The audit objectives, criteria, scope and methodology were discussed with the Vice Chancellor in April 2008. Audit findings, conclusions and recommendations, discussed at an exit conference with Principal Secretary, Department of Agriculture in October 2008, are brought out in the succeeding paragraphs.

3.2.7 Management of BAU

The governing bodies failed to meet regularly as prescribed to monitor the working of BAU. The representation of the State Government was inadequate even in the meetings held

According to the Act, read with the Statutes, the Senate, the Board of Management and the Academic, Research and Extension Councils constitute governing bodies of BAU. Their functioning is discussed below:

3.2.7.1 Senate

The Senate, comprising Chancellor as the Chairman, 15 ex-officio and 29 elected/nominated members was to meet twice every year to review the broad policies and to approve annual reports, annual accounts and audit reports thereon. The Senate, however, held only 3 meetings against required 10 during 2003-08.

3.2.7.2 Board of Management

The Board of Management, including Vice Chancellor as Chairman and 17 members²⁷, was to meet once every quarter to frame and approve programmes

²⁴ Agriculture, Veterinary & Animal Husbandry and Forestry

²⁵ Chianki and Darisai.

²⁶ Chianki, Darisai, Dhanbad, Jagannathpur and Sahebganj.

²⁷ Secretary, Agriculture Department, Director(s)-Agriculture and Animal Husbandry, Chief Conservator of Forest, One Dean of the Faculty, One Director of the University, Head of a University Department, Woman specialist in Home Science, representative of ICAR, two progressive farmers, one eminent agriculture scientist and four members of the State Legislature.

relating to academic, research, extension, financial and administrative activities. However, against required 20 meetings only 13 could be held during 2003-08. Secretary, Department of Agriculture attended only one meeting while other Government officials participated only in five meetings.

3.2.7.3 Councils

The Academic, Research and Extension Councils were to develop academic, research and extension programmes. Though the frequency of meetings was not stipulated, the Councils met 13, 10 and 5 times respectively during 2003-08, less than meetings of the Board.

Failure to hold the prescribed meetings of Senate, Board and Councils as well as lack of co-ordination with the Government and its departments had adverse impact on academic, research and extension activities, affecting the achievement of BAU's objectives.

3.2.8 Academic activities

3.2.8.1 Shortage of Faculty

Large scale vacancies in faculties adversely affected the academic and research activities of BAU

The sanctioned strength and men in position of BAU, excluding ZRSs and KVKs, engaged in academics and research as on 31 March 2008 were as given in **Appendix-3.10**. Audit observed that there was excess of 152 *per cent* in the highest cadre whereas there was shortage of 60 *per cent* in the lower two feeder cadres. The shortage had adverse impact on quality of education imparted and research undertaken.

3.2.8.2 Under enrolment, drop outs and poor placements

BAU failed to enroll students as per its intake capacity. The shortfall ranged between 27 and 86 *per cent*

BAU offered three under-graduate (UG), four postgraduate (PG) and two doctoral degree (Ph.D) courses in agriculture, veterinary science & animal husbandry, forestry and biotechnology. The number of students enrolled in the courses and mid-term drop outs were as given in **Appendix-3.11**. Audit observed that the shortfall in net enrolment ranged between 27 and 86 *per cent* during 2003-08 due to less enrolment than intake capacity and mid-term drop outs. The dropouts were attributed to admission of UG student to Medical/Engineering colleges and PG students getting jobs.

On this being pointed out, the Registrar stated (May 2008) that BAU had no control over enrolment in UG courses as 85 *per cent* of seats were filled by selection through Jharkhand Combined Competitive Entrance Examination Board (JCCEEB) and 15 *per cent* by Indian Council of Agricultural Research (ICAR) and Veterinary Council of India (VCI). The reply was not acceptable as BAU never took up the issue of shortfalls in admissions with JCCEEB, ICAR and VCI. Further, it failed to enroll the required number in PG and Ph.D courses also where admissions were fully under its control.

This dented BAU's mandate to develop academically qualified human resources and reflected poorly on its academic quality as it failed to attract/retain required number of students. This was supported by the fact that only 33 (2003 & 2004: Nil, 2005: 27, 2006: 3 and 2007: 3) out of 435 successful students got placements through campus selection during 2003-08. Further, this resulted in under utilization of academic infrastructure in place

and costs thereon.

3.2.8.3 Under utilisation of library books

BAU was to maintain a network of libraries, one Central, one at each college and each ZRS. Against the requirement of eight, there were five libraries (one Central and one in each college) with 77,550 books. However, no books were issued from Central library and no rules for issue of books were framed for other libraries. Thus, the library books were not put to intended use. Further, physical verification of the books was never conducted, though required annually.

3.2.9 Research

BAU undertook research projects sponsored by ICAR, State Government and other agencies. These projects, mainly for development of high yielding variety/hybrid seeds, plant protection, dry land and rain-fed technologies; introduction of new technologies for improved agricultural practices etc., were conducted with the help of three ZRSs.

3.2.9.1 Research Projects

During 2003-08, BAU was conducting 62 research projects, of which 50 projects (ICAR: 26²⁸ and State Government: 24²⁹) were taken up between 1970³⁰ and 2001 and only 12 new projects (ICAR: 8 and other agencies: 4) were taken up during 2003-08, as shown in the table below:

Authority	On going projects on 1.4.2003	New projects (2003-08)	Total	Completed (2003-08)	On going projects as on 31.3.2008
State Government	24	Nil	24	Nil	24
ICAR	24	2	26	Nil	26
Adhoc	2	6	8	7	01
Others	Nil	4	4	2	2
Total	50	12	62	9	53

Out of 62 research projects, 48 were incomplete for more than 5 to 30 years after spending Rs 22.53 crore (2003-07). Nine projects though completed their achievements were not ascertainable in the absence of project reports

Scrutiny of records revealed the following:

- Nine projects were completed but their outcomes were not furnished. BAU informed that the completion reports were submitted directly by the scientists to the funding agencies and if required, Director, Research and the concerned scientist reviewed the reports. No documents in support of reports submitted and reviewed by ICAR or reviews in BAU were, however, furnished.
- Of 53 ongoing projects, 15 were incomplete for more than 30 years, 28 for more than 20 years, one for more than 10 years and 4 for more than 5 years, although Rs 22.53 crore was spent on these projects (48) during 2003-07.

²⁸ ICAR co-ordinated projects (24)- 75 per cent funding by ICAR and 25 by State Government and two ad-hoc projects fully funded by ICAR.

²⁹ State Government projects- Fully funded by State Government.

³⁰ Transferred from Rajendra Agriculture University, Pusa, Bihar in 1981.

Only two projects were taken on animal husbandry, forestry and fisheries

The State Government did not sanction any research project and released Rs 18.45 crore without any review/assessment of the ongoing projects

- Of 62 projects, 60 pertained to agriculture and only one each to animal husbandry and forestry despite dependence of fairly large number of people in the state on animal husbandry, fishery, horticulture and forestry.
- Of 27 projects completed prior to 2003-04, there were savings of Rs 42.73 lakh under 10 and excess expenditure of Rs 1.54 crore under 17 projects. Although required, neither the savings were refunded to nor excess demanded from ICAR. There were no completion reports, records of achievement of objectives, project-wise sanctioned cost, expenditure incurred thereon, schedule of completion etc.
- The State Government sanctioned (1989) only one project in last 27 years. All 24 State Government sponsored projects, out of 53 ongoing projects, were continuing for more than 27 years except one, sanctioned in 1989. No details about the project objectives, sanctioned cost, duration/schedule, expenditure incurred, progress made etc. were furnished. The State Government of Jharkhand had released (2001-08) Rs 18.45 crore of non-plan grants without reviewing these projects. Further, seven of these projects were similar to those sanctioned by ICAR, resulting in avoidable duplicity.

3.2.9.2 Non-development of hybrid seeds

All India coordinated research projects were taken up between 1971 and 2001 to develop hybrid seeds for 16 crops³¹. However, seeds of only seven crops³² could be developed prior to 1996. Since 1996, seeds for five crops (Paddy-2003, Maize- 2003, Wheat- 2007, Mustard- 2003 and Niger- 2003), including two new crops, were developed. Two varieties of wheat which were claimed to have been developed were actually received (2002-03) from Mexico. These were only evaluated and released by BAU.

Thus, no hybrid seeds could be developed for seven crops at all even after 7 to 37 years of the projects and for four crops after 1996 despite spending Rs 5.24 crore during 2003-07.

3.2.9.3 Short production of breeder and certified/foundation seeds

High yielding varieties of 9 crops though developed and released, its breeder and foundation seeds were not produced in adequate quantities denying the farmers of its benefits

Breeder seeds of developed hybrid seeds were to be used to propagate foundation/certified seeds in BAU's farms for use by farmers. During 2003-08 the production of breeder seeds was as in *Appendix-3.12*.

Out of five hybrid paddy seeds, four were produced in two and one in one out of five years; of two hybrid wheat seeds, one was produced in one out of five years; of three hybrid pulse seeds one was produced in one out of five years; and of two hybrid niger seeds one was produced in two out of five years. Only one hybrid seed each of maize, mustard, soyabean and groundnut were produced in one, three, none and one respectively out of five years. Further, the quantity of seeds produced was measly.

Further, failure in achievement of target of production of foundation/certified

³¹ Chickpea, Dry land agriculture, Floriculture, Forage crops, Groundnut, Maize, Niger, Oilseed-linseed, Pulses, Rap-seed mustard, Rice, Soyabean, Small millets, Wheat, Tuber crops and Under-utilised crops.

³² Groundnut, Maize, Niger, Paddy, Pulses, Soyabean and Small millets.

seeds from breeder seeds in BAU's farms in Ranchi and Hazaribag ranged between 23 and 100 per cent (*Appendix-3.13*).

Additionally, 795 quintals of foundation/certified seeds of paddy, wheat, etc. produced during 2003-08, went bad due to improper storage and failure to distribute in time and therefore, had to be sold as non-seeds resulting in loss of Rs 9.41 lakh.

Thus, the farmers of the State were denied of the intended benefits of hybrid seeds. BAU did not furnish the reasons for failure to develop hybrid seeds of seven crops, non-production of breeder seeds in all the years and non-achievement of targets of production of foundation/certified seeds.

3.2.9.4 Research project on Dry Land Agriculture

BAU did not develop any variety of crops or new technology for dry land agriculture suitable for Jharkhand, even after 37 years of starting of project and expenditure of Rs 2.47 crore

All India coordinated research project on Dry Land Agriculture (Phase-I) was taken up in 1971 to develop early maturing crops and technologies suitable for rain-fed ecology and dry-land farming. It was to be followed (1976) up by Operational Research Project (Phase-II) to test and validate the technologies/varieties released under Phase-I for adoption by farmers. As of March 2008, even after 37 years, BAU had not developed/tested any new seed/technology after spending Rs 2.47 crore during 2003-08. Vacant posts of scientists (three and four during 2003-04 and 2004-06 respectively against required five), non setting up of soil testing laboratory and idle equipment (Rs 2.55 lakh) were the tangible reasons among others for the failure.

3.2.9.5 Non approval of projects

BAU did not approach the State Government or other funding agencies to sponsor 41 area specific and need based projects after denial from ICAR

During 2002-08, BAU proposed 41 need based and area-specific ad-hoc projects³³ for development of hybrid seeds and early maturing varieties, pest and disease resistant varieties, varieties for rainfed lowland ecosystem of the State etc. to ICAR. However, ICAR did not approve (March 2008) any of these due to discontinuation of financing ad-hoc projects from AP Cess Fund. BAU, however, did not approach the State Government or external agencies to sponsor these projects needed in the interest of the State.

3.2.9.6 National Agricultural Technology Project (NATP)

BAU completed 33 sub-projects taken up under NATP after spending Rs 5.72 crore but achievements of objectives of these projects could not be ascertained in absence of project reports

BAU undertook 33 sub-projects under NATP in 1999-2000 for developing improved technology for rain-fed agro-eco systems like rainwater conservation, improved tillage, measures to increase cropping intensity, adopting improved fruit and vegetable cultivation, integrating crops with livestock etc. All sub-projects were stated to be completed on schedule (April 2003 to June 2005) for Rs 5.72 crore. Audit observed that:

- Although, all the sub-projects were stated to be completed, completion/project reports were neither sent to ICAR nor reviewed in BAU. Further, no records were furnished to establish either dissemination of the outcomes in the form of technology or agricultural practices, if any, among the farmers or any assessment of accrual of intended benefits.

³³ Ad-hoc projects- fully funded by ICAR.

- Five Tractors and its accessories, Generators, TV set, VCD player, Air-conditioner etc. worth Rs 28.20 lakh were procured although there was no provision for these items under NATP. On the other hand, equipment required in four sub-projects worth Rs 17.67 lakh was not procured.
- Against the sanction of Rs 6.48 crore, these sub-projects were stated to be completed at Rs 5.72 crore. BAU refunded Rs 68 lakh and it was still left with a balance of Rs eight lakh. Thus, the expenditure actually incurred on these sub-projects was Rs 1.04 crore less than what was sanctioned.

Given the above the stated completion of these sub-projects was doubtful.

3.2.9.7 Zonal Research Stations

Based on rain fall, temperature, terrain and soil characteristics, the State was divided into three main agro climatic zones viz. central & north-eastern plateau, western plateau and south-eastern plateau. Three ZRSs, located in three zones, were required to undertake need based and area specific research.

ZRSs failed to develop any area specific and need based hybrid seed/ technology despite spending Rs 6.14 crore during 2003-08

ZRS, Chianki (1981) was to develop hybrid seeds of *Kharif* crops suitable for dry farming, rainfed *Rabi* crops and vegetables; economically viable technologies for high yielding short-duration varieties, moisture conservation techniques; plant protection etc. It failed to develop any area specific and need-based variety of seed for crops and technologies though it spent Rs 3.69 crore during 2003-08. Further, its Soil Test Laboratory was non-functional due to old and defunct equipment and shortage of scientists.

ZRS, Darisai (1986), which was to develop appropriate technologies for farming, livestock, fisheries, etc., could not develop and release any technology during 2003-08, except the stated technology for “lime boron application in chickpea in acidic soil of Jharkhand” in 2003, though it spent Rs 2.45 crore during 2003-08. Even this technology was not released/ extended to farmers. The Associate Director, ZRS, Darisai replied (August 2008) that action would be taken to extend this technology among farmers.

Further, vacancies in ZRSs was 59, 57 and 61 *per cent* in the overall, scientists and supporting staff cadres respectively, adversely affecting research (*Appendix-3.14*).

Thus, the objectives of developing new varieties and technologies suitable for particular zones through these two ZRSs were not achieved although Rs 6.14 crore was spent during 2003-08.

3.2.9.8 Non-utilization of research resources

Equipment worth Rs 2.35 crore were lying idle due to non-installation or non-utilisation

Equipment worth Rs 2.35 crore in BAU were lying idle, hampering academic and research activities besides blocking funds (*Appendix-3.15*). Further, either log books were not in place or entries were not being made therein for working equipment, making assessment of extent of their utilisation non-ascertainable and also whether the purchases were justified.

3.2.9.9 Mis-utilisation/diversion of research grants

Three instances of mis-utilisation/diversion of grants given by the State Government for specific purposes were as brought out below:

Rupees 21.69 lakh was irregularly spent on purchase of vehicles out of grants meant for research institutes and programmes

- Plan grants of Rs 25 lakh were released (September 2004) for farm implements and development of a field laboratory with sophisticated field equipment for strengthening research in Forest Science. Dean, Forestry, however, unauthorizedly spent (March & September 2006) Rs 11.85 lakh (47 *per cent*) on purchase of two vehicles.
- The Government released (March 2007) Rs two crore (Rs one crore each) for establishment of Live-stock & Fisheries Research Institute and Dairy Technology College at Hazaribag with the condition that the grants would be utilized only after the approval of detailed project reports (DPRs). BAU failed to submit DPRs (March 2008) but spent Rs 9.84 lakh on purchase of two vehicles (Bolero and Sumo).
- The State Government released (March 2006) grants of Rs 3.12 crore to establish infrastructure, mother plant nursery and laboratories for development and production of horticulture crops under State Horticulture Mission. Of this, Rs 85.96 lakh was spent (March 2007) on purchase of Seed Processing Plant for paddy and wheat and Rs 12.44 lakh on 96,450 plastic paper bags used for packaging paddy seeds. Thus, Rs 98.40 lakh was diverted for purposes than those of the grant.

3.2.10 Extension activities

Extension activities were to transfer modern technologies and hybrid seeds from laboratory to land for their adoption by farmers to improve productivity and profits in agriculture and allied sectors. Need based training programmes for officials, extension functionaries of the Government and other organizations and farmers were to be organized by Director, Extension Education (DEE) with the help of KVKs.

Working of Krishi Vigyan Kendras

3.2.10.1 Targets and achievement

KVKs failed to achieve their targets of imparting training/field demonstration. The short fall was upto 94 *per cent*

KVKs were to conduct ICAR sponsored extension programmes: on-farm testing; training to the extension personnel with advances in agricultural research; vocational training courses for farmers/rural youths and frontline demonstrations (FLDs). Targets for programmes approved by ICAR and achievement thereagainst in five KVKs were as in **Appendix-3.16**.

The shortfalls in achievements of targets ranged between 66 and 94 *per cent*, 11 and 51 *per cent* and 47 and 62 *per cent* in training extension functionaries (2004-08), FLDs (2003-08) and in-house training for farmers (2004-08) respectively. Further, out of 12 blocks in Palamu, KVK, Chianki organized programmes for farmers etc. in only three blocks (Medininagar, Bishrampur and Lesliganj) which were close to district headquarters. BAU replied that remaining blocks would be covered in future.

3.2.10.2 Deficient manpower management

There were 54 *per cent* vacancies in KVKs (111 men in position against sanctioned strength of 240) in the posts of scientists and supporting staff. There were no training organizers, head of KVKs, in 11 out of 15 KVKs. Further, two supporting staff of KVK, Darisai were working at BAU

Headquarters but drew salary of Rs 4.80 lakh from KVK during April 2006 to March 2008. The shortages adversely affected achievement of targets.

3.2.10.3 Unreliable data and non-evaluation of Training Programmes

The number of people who attended training programmes organized by the DEE and KVKs during 2003-08 was as given in **Appendix-3.17**. During 2003-08, 82,848 farmers were trained by DEE and KVKs. Test-check of records of KVKs Chianki, Sahebganj and Darisai revealed that there was no formal system of organizing training programmes. There were no records to show as to how the venue, the timings, the dates, the topics of the programmes, selection of farmers/youths and number of persons to attend the programmes were intimated. Thus, the data was unreliable, as evident from two cases discussed below:

Rupees 0.81 lakh was fraudulently paid to trainers without imparting training

- Farmers were also included in the training programmes organized for extension functionaries.
- Five programmes on “Empowerment of Farm Women” were stated to have been organized between November 2003 and March 2004 for which Rs 1.02 lakh was paid to trainers. No tour programmes of trainers for these programmes were furnished. During field visit to the concerned villages and cross verification in audit, the participants, shown to have been trained, stated (May 2008) that only one programme was organized in January 2004. Thus, Rs 0.81 lakh was fraudulently paid to six trainers.

Further, there was no feed-back mechanism to assess the impact of training. BAU accepted (July 2008) absence of feedback mechanism.

3.2.10.4 Infertuous expenditure

Expenditure of Rs 41.94 lakh incurred on incomplete and damaged pond and check dam proved infertuous

To provide irrigation, a pond and a check dam were constructed in KVK, Dhanbad for Rs 41.94 lakh during 2007-08. Physical verification (June 2008) by audit revealed that the pond and check-dam were incomplete and damaged with no water in the pond. Apart from denial of intended benefit of irrigation, the expenditure of Rs 41.94 lakh was rendered infertuous.



Photographs taken on 11 June 2008 showing incomplete and damaged pond and check dam.

3.2.11 Integrated Development of Horticulture

GOI selected Ranchi and Hazaribag for implementation and designated BAU as the State Agency for the central sector scheme on Integrated Development

of Horticulture (IDH). During 2001-05, GOI released Rs 5.81 crore (Ranchi: Rs 4.56 crore and Hazaribag: Rs 1.25 crore) for implementation of approved schemes specifying component wise physical targets and financial outlays. The fund was spent by Horticulture Department up to March 2006. The detailed accounts showing component and district wise expenditure were not furnished to Audit. Scrutiny of cash books, advance ledger, vouchers etc. disclosed the following:

Expenditure of Rs 1.31 crore on incomplete works was rendered wasteful as the works could not be completed due to shortage of fund

- Though, Utilization Certificates (UCs) for the entire amount of Rs 5.81 crore were sent to GOI, Rs 1.17 crore, paid as advance (between May 2001 and March 2005) to NGOs/officers/staff, was outstanding as of March 2008.
- During 2003-04, projects worth Rs 2.62 crore were sanctioned (Ranchi: Rs 1.29 crore and Hazaribag: Rs 1.33 crore), but only Rs 1.31 crore (50 *per cent*) was released by GOI. Though requisitioned by BAU, GOI did not release the balance 50 *per cent*. In absence of component wise details, Audit could not ascertain physical and financial progress of incomplete projects. The possibility of expenditure of Rs 1.31 crore having been rendered wasteful/infructuous could not be ruled out.
- During 2001-02, Rs 17.50 lakh, allotted for purchase of three vehicles (Rs 13.50 lakh) and creation of revolving fund (Rs 4 lakh) for transportation, maintenance and operation of marketing system, was irregularly spent on 'Transfer of Technology' (Rs 15.50 lakh) and Area Expansion (Rs 2 lakh) resulting in non-fulfillment of the avowed objectives.

In absence of details, purchase and distribution of pump sets to beneficiaries worth Rs 40.32 lakh was doubtful

- GOI sanctioned (2002-05) pump sets for distribution to farmers at 50 *per cent* subsidy limited to Rs 8,000 each. BAU spent Rs 40.32 lakh on purchase and distribution of 592 pump sets. However, list of beneficiaries, details and criteria of selection, stock and issue register, receipt by the beneficiaries etc. were not produced to Audit. Further, except in 2003-04, though tenders/quotations were not invited, supply orders were issued to different agencies at different rates for different makes. Thus, not only the avowed objectives were not achieved, the opacity of transactions indicated financial irregularities.

In absence of mandatory records, construction of wells, for Rs 49.32 lakh, through NGOs were doubtful

- GOI released Rs 64.90 lakh (2002-05) for construction of 185 wells for irrigation at subsidy of 50 *per cent*. BAU paid Rs 49.32 lakh to NGOs up to March 2006. However, the relevant records i.e. estimates, list of beneficiaries, physical and financial progress of works etc. were not produced to Audit. The genuineness of construction and actual expenditure were, thus, doubtful.

3.2.12 Financial Management

3.2.12.1 Funding

Financial resources of BAU comprised of grant-in-aid from the State Government, funds from ICAR and other agencies and its internal receipts like fees from students, sale proceeds from seeds, saplings etc. Financial resources and its utilisation during 2003-08 were as in **Appendix-3.18**. Audit observed

financial irregularities as discussed below:

Inflated UCs were sent to the State Government to secure release of subsequent grants without adjusting unspent balances of grants of previous years

- BAU incurred excess expenditure of Rs 2.31 crore under plan whereas there was saving of Rs 8.24 crore under non-plan during 2003-04. Position on this count for the period 2004-08 could not be ascertained in audit due to non-finalisation of accounts by BAU.

There were huge closing balances at the end of financial years

- In respect of grants received from the State, BAU sent UCs showing utilization of entire grants by 31 March of the respective years. However, BAU did not spend the entire annual grants in respective years during 2003-08. For instance, BAU sent (April 2005) UCs for Rs 3.50 crore, received (September 2004) under Additional Central Assistance (Plan), although it had not spent Rs 1.19 crore. Thus, BAU was sending incorrect UCs to secure release of subsequent grants without adjusting unspent grants of previous years.
- There were huge closing balances³⁴ in shape of cash at bank at the end of financial years with BAU. Un-encashed cheques, issued to different units of BAU for previous financial years, were also found in subsequent months of the following financial years.
- During 2003-08, BAU received Rs 9.50 crore from other agencies but UCs did not indicate the schemes and year wise opening balance, receipt, expenditure and closing balance. Allotment Register was also not maintained. Thus, utilization of grants for purposes for which it was provided and its diversion or misutilisation, if any, were not ascertainable.
- BAU's own receipts declined from Rs 1.32 crore in 2003-04 to Rs 0.65 crore in 2004-05 and then to 0.61 crore in 2005-06. The receipt increased to 0.91 crore in 2006-07 and 1.10 crore in 2007-08. Receipts in 2007-08 were 16 *per cent*, less than in 2003-04. This indicated failure to augment receipts through fee from students, sale of certified/foundation seeds, saplings, patents etc.

Though required, balance sheets were not prepared, as a result accounts did not reflect true and fair picture of finances

3.2.12.2 Non-preparation of Balance Sheet

BAU was required to prepare Annual Accounts and Balance Sheet. But it prepared only Receipt and Payment and Annual Accounts on cash basis. No balance sheet was prepared. Non-preparation of balance sheets had been regularly commented upon in the Reports of the Comptroller and Auditor General of India up to 31 March 2003. No action had, however, been taken by BAU. Thus, the accounts did not reflect the true and fair picture of its finances.

Budgetary and expenditure control could not be ensured in absence of maintenance of mandatory records leading to serious financial irregularities

3.2.12.3 Poor internal control and maintenance of records led to deficient budgetary controls and financial irregularities

BAU maintained two bank accounts, one (Headquarters' main account) for all grants and funds received from the State Government, ICAR and other agencies and another (internal receipts account) for its internal receipts. The Comptroller, with the approval of the Vice Chancellor, allotted funds to the

³⁴ 2003-04: Rs 6.50 crore, 2004-05: Rs 4.63 crore, 2005-06: Rs 16.50 crore and 2006-07: Rs 10.26 crore.

units having own bank accounts, based on demands sent by them. Allotment registers showing scheme and head wise allocation were not maintained either by the University or by its units. Expenditure reports to watch the allotment and expenditure were also not prepared by units. In absence of these records, budgetary controls could not be exercised, leading to financial mismanagement as discussed below:

BAU had to pay interest of Rs 76 lakh on overdraft although there were huge unspent balances in some units

- It was noticed that excess administrative approval of Rs 8 crore (Rs 24.01 crore against the budget provision of Rs 16.01 crore) was accorded for civil works (**Appendix-3.19**). Government release of Rs 16.01 crore did not specify work-wise allocations. The work programmes should have been revised by BAU and got approved, given the allotments/grants. This resulted in failure of budgetary control and as allotment registers were not maintained, expenditure control also could not be exercised. No reasons for excess administrative approvals were furnished. This made the expenditure fraught with risk of irregularities.
- Test check of cash books of colleges disclosed huge amounts lying unspent without scheme/head wise analysis of closing balance. The average monthly cash balance during 2004-07 ranged between Rs 21.53 lakh and Rs 1.65 crore (**Appendix-3.20**) as funds were provided to colleges without immediate requirement. Inexplicably, BAU resorted to overdraft, although there were unspent balances in some units and paid avoidable interest of Rs 76 lakh, during 2002-08. As the Government did not give grant to pay the interest, BAU paid it by diverting funds from other heads.
- During 2002-08, the Directorate of Research deposited only Rs 55.29 lakh out of Rs 99.85 lakh of internal receipts in the University and irregularly retained Rs 44.56 lakh in its unit's bank account.
- The Farm Manager of Plant Breeding and Genetics (Wheat) retained Rs 0.25 lakh of sale proceeds of 2005-07 in his personal custody.
- Sales tax of Rs 0.37 lakh, collected as sale proceeds of non-seeds and other agricultural produce by different units during 2002-08, was not deposited into Government account.

GPF and GLI deduction of Rs 26.08 lakh were retained by the units instead of remitting it to the headquarters account

- Twelve KVKs deducted Rs 26.08 lakh {General Provident Fund (GPF): Rs 24.63 lakh and Group Life Insurance (GLI): Rs 1.45 lakh} from the salary of employees (between April 2006 and March 2008) but did not remit the same to the headquarters, where employees' GPF and GLI accounts were being maintained.

Rupees 2.63 crore was spent on horticulture work by diverting the grants meant for other purposes

- During 2005-08, BAU spent Rs 2.63 crore, for horticulture works and its maintenance at different places, directly through contractors, without consulting Horticulture Department, a well developed department with 11 Professors/Scientists under it. Further, neither there was any provision for these works in budget nor the State Government had released grants for these works. Payments were made by diverting grants (Plan: central assistance and strengthening of KVKs and Non-plan: civil works).
- To strengthen the Faculty of Forestry, the Government released (August 2004) Rs 24 lakh, for construction of a teacher's common room and a conference hall at Rs 12 lakh each. But an estimate of Rs 62.64 lakh was

Bills for Rs 21.68 lakh were splitted up to avoid sanction of higher authorities

Pension grants of Rs 6.96 crore were irregularly diverted for other purposes

Internal Audit Wing was non-functional. Annual audit plans were never prepared nor was audit conducted

Official were appointed on unsanctioned post without approval of the Government and Rs 3.53 crore was paid to these officials during 2003-08

prepared by adding construction of museum and examination hall. Administrative approval for Rs 60 lakh was accorded (January 2005) subject to execution of work up to Rs 24 lakh during 2004-05 and availability of fund for remaining works. BAU, however, took up all the works simultaneously and spent Rs 57.52 lakh by diverting Rs 33.52 lakh from State grants without obtaining Government's approval.

- Directors were competent to sanction bills of up to Rs 50,000 per transaction. However, Directors, Farm & Seeds and Works & Plants sanctioned Rs 21.68 lakh for eight works by splitting the amount in 2 to 11 bills to avoid the sanction of higher authorities (**Appendix-3.21**). As estimates, administrative approvals and technical sanctions were not furnished, further irregularities could not be ruled out.
- For payment of pension out of the grants released by the Government, BAU was maintaining separate bank account and cash book of Pension Fund. Scrutiny revealed that out of the pensionary grants of Rs 34.52 crore received during 2003-08, Rs 6.96 crore was diverted for other purposes.

3.2.13 Administration

3.2.13.1 Non-functional internal audit wing

Internal Audit wing, headed by an Audit Officer and assisted by one Section Officer with two Auditors, was established in March 2003. Audit observed that internal audit wing never prepared annual audit plans and did not conduct audit except of the cases and pre-audit of payment bills assigned to them by BAU. Further, the posts of Auditors remained vacant as of March 2008. In the absence of internal audit, the management had no means of knowing the areas of malfunctioning of systems and therefore, could not take remedial action at appropriate time. BAU replied (August 2008) that necessary instructions had been issued for conducting audit.

3.2.13.2 Non-Preparation of register of assets

BAU neither prepared register of assets created nor did it conduct physical verification of the asset. As such, BAU was unaware of its assets and possibility of loss of assets could go unnoticed. Further, in the absence of the inventory of assets, maintenance would suffer adversely.

3.2.13.3 Unauthorised Appointments

BAU was not to create any teaching or non-teaching post without prior approval of the Government. But BAU created 38³⁵ new and 81³⁶ additional non-teaching posts and made appointments thereagainst between March 2003 and July 2004. This resulted in irregular expenditure of Rs 3.53 crore³⁷ on pay and allowances during 2003-08. BAU stated that new posts were created in place of some existing posts and sanctioned strength of existing posts were also increased. The reply was not acceptable as creation of new posts required

³⁵ Computer Assistant (35) and Audio Visual Assistant (03).

³⁶ Correspondence Clerk (56 in excess as 65 appointed against sanctioned strength of 9) and Jawan (25 in excess as 45 appointed against sanctioned strength of 20).

³⁷ Payment to 107 employees only. Information regarding rest not furnished.

prior approval of the Government, which was not obtained.

3.2.13.4 Unauthorised grant of Time Bound Promotion and Assured Career Progression

Time Bound Promotion (TBP) Scheme, introduced (December 1981) by the State Government, was applicable to BAU up to 31 December 1995. The State Government subsequently introduced (August 2002) Assured Career Progression (ACP) Scheme in order to provide at least two financial upgradations to Government employees i.e. first at the end of 12 and second at the end of 24 years of service, to those who, though fit for promotion, did not get two promotions in their service period. The benefit was to be given effect from 9 August 1999 or the date of completion of the prescribed period, whichever was later. But, arrears were payable only from 15 November 2000.

Irregular grant of TBP and ACP to non-teaching staff resulted in excess payment of Rs 41.79 lakh

Board of Management approved (March 2005) the implementation of ACP scheme for non-teaching employees of BAU on the same line as applicable to the State Government employees. However, in contravention to the provisions, BAU unauthorisedly allowed (during December 1993 to March 2008) undue benefits under both the schemes (TBP and ACP) to 16 non-teaching staff who had already availed two financial upgradations in their service period. This resulted in excess payment of Rs 41.79 lakh (*Appendix-3.22*) during December 1993 to March 2008.

3.2.13.5 Outstanding temporary advances

Temporary advances of Rs 5.96 crore were outstanding against officials and outside agencies since long

Temporary advances of Rs 5.96 crore, granted between March 1983 and March 2008 to 458 officials and outside agencies by 14 units, remained unadjusted/unrecovered as of July 2008 as detailed in *Appendix-3.23*. The units, though maintained the advance register, reported these advances as final expenditure to the Headquarters resulting in these being exhibited as expenditure in the annual accounts of BAU. Age wise analysis of outstanding advances was as in *Appendix-3.24*. Audit further observed the following:

- Seventeen officials were granted Rs 19.38 lakh between May 1992 and March 2008. The number of advances to these officials ranged between 5 and 22, indicating that subsequent advances were made without recovery/adjustment of the previous advances (*Appendix-3.25*).
- Advances of Rs 12.21 lakh were outstanding against 20 retired/transferred/deceased persons. BAU failed to recover the outstanding advances from their final claims, rendering its recovery remote (*Appendix-3.26*).

Non-recovery/non-adjustment of advances for long period amounted to (temporary) misappropriation.

3.2.13.6 Ineligible advance increment to Ph.D holders

Advance increment of Rs 28.25 lakh was paid though inadmissible

Incentive of advance increment to Ph.D holders was admissible with effect from 27 July 1998, except where Ph.D was a required criterion for appointment. For promotion to the post of Associate Professors/Professors, Ph.D was a criterion. In two colleges, 26 Associate Professors/Professors (Agriculture: 23 and Forestry: 3) were granted, between July 1998 and July 2000, advance increments for holding Ph.D degree and were paid Rs 28.25

lakh as of March 2008, as arrears. Thus, there was excess payment of Rs 28.25 lakh. Other two colleges and Directorates did not furnish the required records/information.

3.2.13.7 Unauthorised payment of pension to ICAR Staff

Teachers/officers/staff, appointed under the ICAR schemes, were not entitled to pension out of grants given by the State Government. Five scientists appointed under ICAR schemes and retired during 2004-05 were, however, paid pension of Rs 37.15 lakh as of March 2008 out of these grants.

3.2.13.8 Unauthorised payment of arrears

The State Government introduced (September/December 2002) revised pay scales for teaching staff *w.e.f.* 01 January 1996 and non-teaching staff *w.e.f.* 01 April 1997, but arrears were payable from 15 November 2000. BAU, however, paid Rs 5.36 crore (Rs 4.65 crore: teaching staff in four units and Rs 71 lakh: non-teaching staff in three units) as arrears of salary for pre-15 November 2000 period also. Other units did not furnish the required records/information.

3.2.13.9 Civil works executed in excess of estimated/agreed cost

Rupees 1.80 crore was spent on works without getting required sanction

As per Rule 252 of Jharkhand Financial Rules, if a sanctioned estimate is likely to exceed by more than five *per cent*, a revised estimate must be submitted for approval. Scrutiny of records revealed that during 2002-08, BAU spent Rs 1.80 crore on 44 civil works where executed quantities were in excess of 5 to 900 *per cent* of the original estimated/agreed cost. However, revised estimates were not prepared and sanctioned, rendering such expenditures fraught with risks of financial irregularities.

3.2.13.10 Deficient control over BAU's vehicles

BAU purchased vehicles out of grants received from the State Government and ICAR under different Projects/Schemes. All vehicles were allotted to officers/teachers/scientists. BAU, however, did not maintain centralized stock register and general pool of vehicles. The details *viz.* list of vehicles, date of purchase, name of project/scheme/custodian, log books, expenditure on POL, head of accounts to which expenditure was charged etc. were not produced to audit. In absence of proper monitoring, their misuse could not be ruled out.

3.2.14 Conclusion

BAU failed to live up to its mandate. Academic activities fared poorly on both counts, quantity and quality. Failure to hold the prescribed meetings of Senate, Board and Councils had an adverse impact on academic, research and extension activities. Sufficient need based and area specific research projects were neither undertaken nor completed. Wherever completed, they suffered on account of evaluation of outcomes and their spread among farmers. BAU also failed to develop/produce hybrid seeds for 7 out of 16 crops for benefit of the farmers. Research projects were heavily loaded in favour of agriculture at the expense of other sectors. ZRSs were marked by non-performance. KVKs failed to achieve their targets and in absence of any feedback mechanism and

evaluation of impact of extension activities, the extent of benefits of training programmes could not be ascertained. Financial and Administrative controls were weak leading to serious irregularities. Government's control/supervision over BAU was also weak and there was absence of an effective co-ordination of BAU with various departments of the Government, particularly Department of Agriculture.

3.2.15 Recommendations

- The accountability mechanism may be strengthened by holding regular meetings of Senate, Board and Councils with representatives from other departments.
- Quality of academics should be improved to attract more students.
- Research activities should be monitored to ensure timely, economical and beneficial outcomes. More need based and area specific projects should be undertaken.
- The aim of laboratory to farm should be meaningfully achieved.
- Robust administrative and financial management systems be put in place to preclude administrative and financial irregularities. Balance sheets should be prepared every year and internal audit wing be made functional.

Matter was referred to the Government (September 2008); their reply had not been received (December 2008).

HUMAN RESOURCE DEVELOPMENT DEPARTMENT

3.3 National Programme for Nutritional Support to Primary Education

Highlights

The scheme, commonly known as mid-day meals (MDM) Scheme, was launched by Government of India (GOI) with the intention to boost the universalisation of primary education by increasing enrolment, attendance and retention in schools and simultaneously improving the nutritional level of the students in primary classes. Performance Audit of the scheme revealed that the enrolment figures were inflated by the State Government. Utilisation of Fair Average Quality (FAQ) foodgrain in preparing MDM for the children was not monitored. Many of the test checked schools had no water facility and other infrastructure like kitchen sheds, cooking devices. There was no assurance that the stipulated nutritional requirements were being met. No mechanism was evolved to monitor the impact of the scheme on health of the children.

As against the total budget allocation (including Central assistance) of Rs 756.73 crore for implementation of MDM scheme during 2003-08, Rs 551.34 crore (72.86 per cent) was spent. In four districts, cooking fund of Rs 21.92 crore meant for serving cooked meals for about 4.38 lakh children were surrendered/ allowed to lapse or remitted in Civil Deposit.

[Paragraphs 3.3.7.2 & 3.3.7.3]

Lifting of foodgrain against allotment was short by 17 to 32.33 per cent during 2004-08. Foodgrain was not lifted for four consecutive months in two districts and Rs 3.18 crore was shown as utilized on cooking cost without availability of rice.

[Paragraphs 3.3.8 & 3.3.8.1]

Basic infrastructure facilities like kitchen sheds, clean drinking water, cooking and serving utensils and gas stoves were lacking in schools which adversely affected the MDM scheme.

[Paragraph 3.3.9]

During 2004-08, 12 to 34 per cent children were not covered under MDM scheme. This was despite inflated reporting of enrolment of 1.91 lakh children. There were 627 non-existent EGS/AIE centres and the expenditure on cooking cost (Rs 3.01 crore) in these schools was doubtful.

[Paragraph 3.3.13.1]

There was no marked improvement in attendance rate of students after implementation of MDM scheme. Number of students present was inflated in the Attendance Register, as revealed during physical verification (11.09.2007) of 10 schools.

[Paragraph 3.3.13.2]

State Government did not establish any indicators for measuring the impact of nutrition and health. There was no assurance that the stipulated nutritional requirements were being provided. Periodical health check-ups were also not being organized by the district authorities.

[Paragraph 3.3.13.3]

Monitoring and Supervision of the scheme was deficient and impact of the implementation remained unevaluated.

[Paragraph 3.3.14]

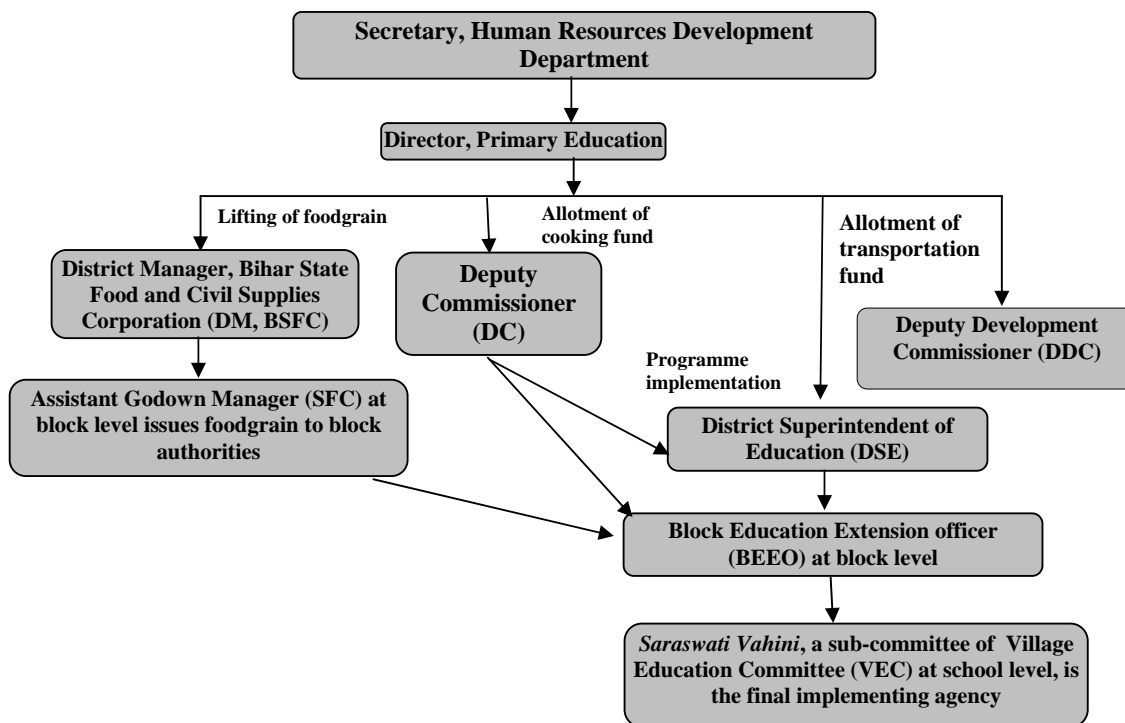
3.3.1 Introduction

National Programme for Nutritional Support to Primary Education, popularly known as Mid Day Meals (MDM) scheme, a Centrally Sponsored Scheme, was launched all over India in August 1995. It was intended to boost universalisation of primary education by increasing enrolment, retention and attendance and simultaneously improving the nutritional status of students in primary classes (Class I to V) in a phased manner by 1997-98. The guidelines of the scheme were revised in September 2004 and June 2006. Under MDM, Central support is provided by way of supply of free foodgrain through FCI at the rate of 100 gram per child per school day in respect of Primary Schools, Alternative and Innovative Education (AIE) and Education Guarantee Scheme (EGS) centres. GOI also provides assistance for ancillary expenses like cooking cost, transportation, management, monitoring and evaluation (MME). The coverage of MDM scheme in Jharkhand in different phases for various types of schools/centres was as detailed in **Table 1**.

Table 1: Coverage of schools and mode of distribution of meals

Period of implementation	Coverage	Mode of distribution of rice
1997-98 (prior to creation of State) to October 2003	Government Primary Schools	3 Kg rice per child per month to be distributed.
November 2003 to March 2004	Cooked meal was started on pilot basis in 4400 Government schools.	Serving hot cooked meals at the rate of 100 gm of rice per child per school day with 300 calories and 8 to 12 gm of proteins.
April 2004 to March 2005	Cooked meal scheme was extended to all 21,426 Government schools, Government aided schools including minority schools.	
April 2005 to September 2007	Scheme was further extended to cover all 13,368 EGS/AIE centres.	From September 2006 the meal was to contain 100 gm. of rice having 450 calories and 12 gm of proteins.
October 2007 to March 2008	Extended to cover students of Class VI to VIII of educationally backward blocks.	150 gm of rice per child per school day with 750 calories and 20 gm of proteins.

3.3.2 Implementation network of MDM Scheme



3.3.3 Audit objectives

The objectives of the performance audit were to assess the following:

- budgetary and expenditure control system;
- requisition, allocation, transportation and utilization of foodgrain etc.;
- infrastructural facilities like kitchen sheds, water supply etc.;
- impact on enrolment, attendance and retention of children;
- increase in calorific value of cooked meals;
- impact on nutritional status and learning level of the children; and
- reporting, inspection, monitoring and evaluation.

3.3.4 Audit criteria

The audit criteria for the performance audit were:

- Annual work plans, budget and release orders of State Government, Sanction orders of GOI;
- Norms prescribed for requisition, allotment, transportation and utilization of rice;
- Norms prescribed for development of infrastructure for MDM scheme;
- Quality assurance norms of food for serving mid-day meals;
- Statistics on enrolment, retention, attendance in schools and performance indicators/programme parameters for assurance of nutritional status; and
- Prescribed monitoring mechanism.

3.3.5 Scope of audit and methodology

A performance audit of the implementation of the scheme during 2003-08 was conducted by test-check of records of Directorate of Primary Education, DSEs, DCs, DDCs and DM, BSFC of eight selected districts, 112 Government/Government aided/minority schools and 48 EGS/AIE centres. Audit evidences were also gathered by taking photographs and conducting joint physical verifications.

The selection of the samples was done through circular systematic sampling method. All districts (22) were divided into four strata. Capital district (Ranchi) was selected in Stratum-I and Palamu under Stratum II from the drought affected districts. Four districts (West Singhbhum, Godda, Gumla and Pakur) were selected under Stratum III, where literacy levels were less than State average literacy level; and under stratum-IV, where literacy levels were higher than the State average literacy level, two districts (Bokaro and East Singhbhum) were selected. In each selected district, six EGS/AIE centres and 14 primary schools (total 20 schools/EGS/AIE centres) were selected adopting simple random sampling without replacement.

An entry conference was held in June 2007 and audit objectives were explained to the Secretary, HRD. An exit conference was held in October 2008 with Secretary, HRD wherein audit findings, conclusions and recommendations were discussed. Government replies (October 2008) have been suitably incorporated in appropriate places.

3.3.6 Implementation arrangement

The State Government designated HRD as nodal department for implementation of MDM. HRD is required to furnish to the Ministry of Human Resource Development, GOI, the district-wise requirement of foodgrain for allocation, based on enrolment data of eligible schools on 30 September of preceding year and anticipated enrolment in the next financial year. Based on this, the Ministry conveys district-wise allocation of foodgrain for the next financial year. Thereafter, DCs are to re-allocate the foodgrain to each school/agency³⁸ identified for cooking/supplying mid-day meal as per its entitlement on a monthly basis and intimate it to Food Corporation of India (FCI) and Bihar State Food and Civil Supply Corporation (BSFC) (the State nodal transport agency). DM, BSFC is to lift the foodgrain as per allocation made and distribute it to the schools through its godowns located at block levels. BEEOs are to monitor school wise delivery of required quantity of foodgrain, its utilization and future deliveries by taking into account unconsumed balances, if any. The district authorities are required to ensure Fair Average Quality (FAQ) of supplied foodgrain. At the school level *Saraswati Vahini*, a sub-committee of Village Education Committee (VEC), is responsible for implementation and supervision of the scheme.

³⁸ Saraswati Vahini

Audit Findings

3.3.7 Financial Management

3.3.7.1 Funding pattern

The components of the scheme are foodgrain and its transportation; conversion cost (cost of cooking); infrastructure namely kitchen sheds, kitchen devices for cooking, preparation and distribution of cooked meal etc. and management, monitoring & evaluation (MME). The funding pattern of various components of the scheme is given in **Appendix-3.27**.

3.3.7.2 Allotment and expenditure

Allotments and expenditure under different components of MDM during 2003-08 were as in **Table- 2**.

Table -2: Allotment and Expenditure

(Rupees in crore)

Year	Name of component	Allotment			Expenditure			Excess (+) Saving (-)	Percentage of saving
		Central	State	Total	Central	State	Total		
2003-04	Cooking cost	NA	20.05	20.05	NA	13.20	13.20	(-) 6.85	34.16
2004-05	Cooking cost	28.22	53.44	81.66	26.41	26.41	52.82	(-) 28.84	35.31
2005-06	Cooking cost	49.16	88.66	137.82	49.16	78.65	127.81	(-) 10.01	7.26
	Cost of transportation	4.55	NA	4.55	1.83	NA	1.83	(-) 2.72	48.35
	Total of the year	53.71	88.66	142.37	50.99	78.65	129.64	(-) 12.73	8.94
2006-07	Cooking cost	105.71	105.71	211.42	72.98	72.98	145.96	(-) 65.46	30.96
	Cost of infrastructure	17.45	NA	17.45	0.07	NA	0.07	(-) 17.38	100
	Cost of MME	2.28	NA	2.28	1.07	NA	1.07	(-) 1.21	55
	Total of the year	125.44	105.71	231.15	74.12	72.98	147.10	(-) 84.05	36.36
2007-08	Cooking cost	108.87	110.20	219.07	87.02	65.04	152.06	(-) 66.96	30.57
	Cost of transportation	4.01	NA	4.01	NA	NA	NA	(-) 4.01	100
	Cost of infrastructure	54.92	NA	54.92	53.47	Nil	53.47	(-) 1.45	2.64
	Cost of MME	3.50	NA	3.50	3.05	Nil	3.05	(-) 0.45	12.95
	Total of the year	171.30	110.20	281.50	143.54	65.04	208.58	(-) 72.92	25.90
Sub total	Cooking cost	291.96	378.06	670.02	235.57	256.28	491.85	(-) 178.17	26.59
	Cost of transportation	8.56	NA	8.56	1.83	Nil	1.83	(-) 6.73	78.62
	Cost of infrastructure	72.37	NA	72.37	53.54	Nil	53.54	(-) 18.83	26.02
	Cost of MME	5.78	NA	5.78	4.12	Nil	4.12	(-) 1.66	28.72
Grand total		378.67	378.06	756.73	295.06	256.28	551.34	(-) 205.39	27.14

(Source – Directorate, Primary Education), NA: Not applicable

It would be seen from the above that out of Rs 756.73 crore allotted for the scheme during 2003-08, Rs 551.34 crore (72.86 per cent) was spent. The overall savings ranged between 8.94 and 36.36 per cent and there were savings under all the components of the programme during 2003-08. Further, there were no allotments for infrastructure and MME during 2003-06.

The Government stated (October 2008) that under utilisation was because requirement of funds was based on enrolment whereas shortfall in expenditure was due to short attendance.

3.3.7.3 Utilisation of cooking fund

Cooking fund, at the rate of Rs 500 per child per year, was provided for serving cooked food during 2003-07 and at Rs 625 from 2007-08 respectively. There were savings of Rs 178.17 crore (26.59 per cent of total allotment) of

cooking fund during 2003-08. This was because meals were not served on all the school days and there were short attendance and retention of children as discussed in succeeding paragraphs. Further scrutiny revealed the following:

- In four³⁹ districts, cooking fund of Rs 21.92 crore for 2003-08 was either surrendered/ allowed to lapse or was remitted into treasury as in **Table-3**.

Table -3: Non-utilisation of cooking fund

(Rupees in crore)			
Nature of non-utilisation	Districts	Period	Amount
Lapse/ surrender	Godda, East Singhbhum, Bokaro and Pakur	2003-08	13.97
Treasury remittance	Bokaro and Pakur	2003-05	1.79
Remittance under 8443-Civil deposit	Godda	2006-07	6.16
Total			21.92

MDM scheme funds were remitted under civil deposit

Cooking fund of Rs 21.92 crore could have provided cooked meals to 4.38 lakh children for the whole year. The practice of parking fund under a suspense head, 8443 Civil Deposit should be discouraged as this gets reflected as expenditure in Government account and consequent misreporting to GOI. Government stated that short attendance of children (20 to 47 per cent) resulted in lapse/surrender/remittance in treasury.

Deposit of cooking cost of Rs 2.48 crore in non-banking finance societies was fraught with the risk of misappropriation

- Further, in four districts⁴⁰, *Saraswati Vahini* deposited (2003-08) cooking fund of Rs 2.48 crore in 838 accounts, opened in branches of Large Area Multi Purpose Society (LAMPS), instead of nationalised/Gramin banks. LAMPS are non-banking finance societies registered to provide agricultural loans to its members. The deposit of scheme fund in LAMPS was irregular and fraught with the risk of loss. While accepting the audit finding, the Government stated that instructions had been issued for deposit of cooking fund in Nationalised banks.

Suspected defalcation of Rs 2.88 crore due to drawal of cooking cost without having demand of schools, bank advice and receipt of BEEOs

- Bills for cooking cost were to be drawn by DSE on the basis of demands made by the school. Disbursement was to be made through banker's cheque supported with the bank advice⁴¹ indicating the names of the schools and the same were to be received by the *saraswati vahinis* through BEEOs. In Bokaro, two bills of Rs 2.88 crore each against single demand were drawn by DSE in March 2007 at an interval of 16 days. The second drawal, booked as expenditure in April 2007, was not supported by demand made by the schools, bank advice and the receipt of the BEEOs/Vahinis. Hence possibility of Rs 2.88 crore being defalcated could not be ruled out.

3.3.7.4 Diversion of MDM Scheme's rice to Targeted Public Distribution System (TPDS)

Rice under MDM scheme (2723.11 MT) valued at Rs 1.67 crore was diverted to TPDS

In six districts⁴², 2723.11 MT of rice, valuing Rs 1.67 crore, meant for MDM Scheme was diverted to TPDS by book transfer by BSFC during 2004-08.

³⁹ Bokaro, East Singhbhum, Godda and Pakur.

⁴⁰ Bokaro, Gumla, East and West Singhbhum.

⁴¹ Advices are sent to the banks with which the schools and *Saraswati Vahinis* opened joint account.

⁴² Bokaro, East Singhbhum, Gumla, Palamu, Ranchi and West Singhbhum.

The said rice was not recouped to MDM Scheme as of March 2008. This quantity of rice was sufficient for one lakh children for one year. The Government stated that instructions had been issued for no diversion of foodgrain to other schemes.

3.3.8 Allotment, lifting and utilization of foodgrain

Requirement of rice was to be assessed by the Department on the basis of children enrolled as on 30th September of the preceding year and anticipated enrollment in next financial year. This was however, not being done and the basis for the allotment of foodgrains was not made available to Audit. The allotment by GOI and lifting of food grain by BSFC were as in **Table-4**.

Table-4: Allotment and lifting of foodgrain

(In thousand MT)

Year	Allotment	Lifting	Excess(+) Short (-)	Shortfall in percentage
2004-05	83.49	56.50	(-) 26.99	32.33
2005-06	83.10	60.68	(-) 22.42	26.98
2006-07	82.69	68.59	(-) 14.10	17.00
2007-08	90.67	72.91	(-) 17.76	19.58
Total	339.95	258.68	(-) 81.27	23.90

During 2004-08, the lifting against allotment was short by 24 per cent

As evident, the lifting was short of allotment by 32.33, 26.98, 17.00 and 19.58 per cent respectively during 2004-08. The extent of short lifting cast doubts over the Government's reports to GOI on enrolment and retention. Government stated that short lifting was due to low attendance. The reply was not sustainable as there were instances of spells of non-lifting of rice continuously for 3-4 months.

3.3.8.1 Non-lifting of foodgrains

Foodgrain was not lifted for four consecutive months. Rs 3.18 crore was shown as cooking cost without availability of rice

As per the monthly progress reports of DSEs, rice was not lifted in Godda from April to July 2005 for providing mid day meals to children of Class I to V. No opening stock of rice was available as on 01 April 2005. Similarly, rice was not lifted for children of class VI to VIII from December 2007 to March 2008 in Ranchi. Further, there was no opening stock of rice as on 01 December 2007 in Ranchi. However, in these districts cooking cost of Rs 3.18 crore was shown to have been utilized during the said period. The utilization of cooking fund without availability of rice was indicative of misappropriation of Rs 3.18 crore. Non-lifting of rice has also resulted in non-serving of meals to the children during the period.

Government stated that foodgrain was lifted from December 2007 to March 2008 in Ranchi and balance as on 1 April 2005 was utilized in Godda. The reply was factually incorrect. Foodgrain stated to have been lifted in Ranchi was for students of class I to V and not for VI to VIII. Further, there was no opening stock as on 1 April 2005 in Godda.

3.3.8.2 Mechanism to assess actual utilization of foodgrain

According to GOI guidelines (2004), District Nodal Authority (DSE) was to send periodical reports on the quantity of foodgrain lifted, transported to the schools, utilized and the balances available, if any, and the number of beneficiaries and schools covered by HRD. The HRD was to furnish

consolidated reports to GOI so as to ensure actual consumption of food grain supplied and regulate subsequent allocations. Test check of 160 schools/centres revealed the following deficiencies:

2197.3 MT dry ration valued at Rs 1.97 crore was not traceable

- There was no mechanism at district level to obtain monthly reports on opening balance/subsequent receipts, utilization and closing balance of rice from the *Saraswati Vahinis*/blocks. It was, therefore, not possible for the DSEs to verify the actual utilization of foodgrain and balances available. The DSE assumed that foodgrains lifted by *Saraswati Vahinis* were utilized. During 2002-04, dry ration was distributed under MDM Scheme. FCI issued 2197.3 MT of rice valuing Rs 1.97 crore during 2002-04 to DSEs at Palamu and Gumla. However, there was no record with the DSEs about the receipt and distribution of rice. Thus, the possibility of defalcation of Rs 1.97 crore could not be ruled out. Government stated that concerned DSEs had been instructed to examine the case.
- No periodical reconciliation of foodgrain supplied to *Saraswati Vahinis* was being done at *Vahinis*, BSFC godowns etc. by DSE/ BEEOs.
- Periodical physical verification of rice stocks with *Saraswati Vahinis* was not conducted by DSEs.

3.3.8.3 Transportation charges

DDC is responsible for management of transportation fund received from GOI through State Government. Transportation of foodgrain from the nearest FCI depot to *Saraswati Vahinis* is carried out by BSFC. DDC reimburses the transportation charges to BSFC at a maximum rate of Rs 50 per quintal (Rs 75 with effect from October 2004) on submission of claim by the later duly verified by DSE. Audit observed the following:

Transportation cost of Rs 47.97 lakh was paid in excess due to payment at higher rate

- Against GOI allotment of Rs 4.55 crore in 2005-06, only Rs 1.83 crore was utilized. The balance was neither refunded nor reported to GOI for adjustment against subsequent allotment. No allotment was made by GOI for 2006-07 and GOI allotment of Rs 4.01 crore for 2007-08 was allowed to lapse. Audit scrutiny revealed that no payment for transportation of foodgrain was made by the DDC after 2005-06 and the claims of transportation charges preferred by BSFC were pending with the DDC.
- The State Government had not notified rate per kilometer for transportation of foodgrain. BSFC was paid at the rate of Rs 37 per quintal for transporting MDM rice from FCI depot to BSFC godown. However, in another Centrally Sponsored Scheme, Antyodaya Anna Yojana, BSFC was paid at the rate of Rs 27.30 per quintal to same destinations. This resulted in excess payment of Rs 47.97 lakh during 2005-06. The Government stated (October 2008) that all the DCs had been instructed to follow uniform rate of transportation in all schemes.

3.3.8.4 Quality of foodgrain

According to the guidelines, FCI was to issue foodgrain of best quality available, which would be at least of Fair Average Quality (FAQ). DCs were to ensure that foodgrain of at least FAQ was issued by the FCI, after joint inspection by a team consisting of its nominees and FCI. DSEs were required

to submit monthly reports to the Director, Primary Education certifying that foodgrain received and disbursed to the schools were of FAQ.

In the test-checked districts (except Bokaro), no reports on quality of foodgrain were available (2003-08) with DSEs. In Bokaro, the quality of foodgrain supplied in March 2006 was got tested (March 2006) through Public Analyst, Dhanbad and was found to be adulterated. Further, the mechanism for lodging complaints against poor quality of foodgrain was not being put to use. In the absence of proper system to ensure quality, there was no assurance that fair quality of foodgrain was utilized in preparing the meals.

3.3.9 Infrastructural facilities for providing mid-day meals

Provision of essential infrastructure was one of the key components of MDM Scheme. It included kitchen-cum-store, kitchen utensils, storage containers of foodgrain and adequate water supply for cooking/drinking/washing etc. The provision of kitchen sheds, utensils, gas stoves etc. was the State Government's responsibility. The position of infrastructural facilities in the eight test-checked districts was as in **Table-5**.

Table-5: Infrastructural facilities for providing mid-day meals

Year	Number of schools	Percentage of schools where infrastructure available			
		Kitchen-cum-storage sheds	Drinking water facility	Utensils	Gas stoves
2004-05	10920	8	68	60	2
2005-06	15690	19	58	86	11
2006-07	16200	21	62	99	12
2007-08	16227	29	64	100	13

- It would be seen that only 8 to 29 *per cent* schools had kitchen-cum-storage sheds. Against GOI's release of Rs 95.34 crore for kitchen sheds during 2004-08, only Rs 48.22 crore (51 *per cent*) was spent during 2006-08. In the test-checked districts, Rs 5.53 crore allotted during 2006-07, for construction of 1,121 kitchen sheds were either allowed to lapse or were lying idle in bank (Ranchi- Rs 1.20 crore). In 11,533 (71 *per cent*) schools of test checked



Preparation of meals in unhygienic conditions at Utkramit Primary School, 19.08.2008.



Photographs in a news paper showing serving of meals to children as envisaged by GOI (Left) and position in Utkramit Primary School, Bandhgari, Ranchi, Jharkhand (Right).

districts, food was prepared in the open which compromised hygiene and consequently the health of children. During joint physical verification of

Utkramit Primary School, Bandhgari, Ranchi it was noticed that meals were served in open near a water logged area which was unhygienic for the children.

- As per GOI's instructions, use of firewood as fuel is to be discouraged in the interest of environmental protection. It was observed that only 13 *per cent* of schools had gas connections upto 2007-08 and the remaining schools were using firewood for cooking mid-day meals.
- During 2006-08, Rs 10.22 crore was allotted for purchase of utensils (storage, cooking and distribution) to 22 districts for 20,435 schools. Out of this, only Rs 6.70 crore was spent for 13,542 schools. In eight test-checked districts, Rs 1.51 crore allotted during 2006-07 remained unutilized as of March 2008. Further, the utensils meant for cooking and serving were purchased by diverting funds from conversion cost. But no utensils (plates/dishes) were purchased for eating and the meals were being served in utensils brought by the students. In 32 to 42 *per cent* of the test checked schools, there was no water for drinking and cleaning purposes.
- The teachers were engaged in various MDM related works such as to weigh and issue rice, maintain records and supervise cooking and serving of meals. This resulted in loss of teaching hours. Besides, in the schools with no kitchen sheds (71 *per cent*) class rooms were being used for storage purposes. Losses of teaching hours and teaching space adversely affected the quality of teaching.



Photograph taken on 19.08.2008 during joint physical verification of Utkramit Primary School, Bandhgari, Ranchi showing children bringing their own utensils.

Teachers devoted teaching time for job related to MDM scheme and teaching space was utilized for storage purpose, which adversely affected the teaching in schools

Government stated (October 2008) that efforts were being made to provide kitchen sheds and drinking water within two years.

3.3.10 Implementation of scheme in summer holidays in drought prone districts

The scheme guidelines provided for supply of MDM in drought prone districts during summer vacations also. However, no arrangements were made to serve cooked food during summer vacation in Palamu, Garhwa and Latehar, declared as drought affected districts during 2004-07, denying the benefits of MDM scheme to 17.81 lakh students enrolled during the period.

Government stated (October 2008) that the scheme was implemented in Palamu during 2005-06. Reply was not acceptable as audit scrutiny of the diet registers did not show serving of MDM during summer vacation.

3.3.11 Implementation of scheme in Educationally Backward Blocks

GOI extended MDM scheme to Upper Primary classes (Class VI to VIII) in Educationally Backward Blocks (EBB) from 1 October 2007 and provided subsidy of cooking cost of Rs 2.50 and 150 gm of foodgrains per child per school day for an academic year not exceeding 125 working days.

Although, allotment of foodgrains was made for this purpose, no foodgrains had been lifted for 203 such blocks.

3.3.12 Display of critical information about the scheme

Scheme guidelines stipulated that information such as number of children to be covered under MDM scheme, the entitlement of rice, quality of rice, ingredients, stock details, roster of community members involved on a weekly/monthly basis were to be displayed in schools for creating awareness among parents/children about the scheme. It was, however, observed that no such information was displayed in any of the test checked schools serving the meals leading to children/community remaining unaware of the entitlements and other critical information.

3.3.13 Impact of the scheme

The primary objective of the scheme is to improve enrolment, attendance and retention up to upper primary stage to boost the national objective of universalisation of primary education. Further, the scheme aims at improving the nutritional and learning levels of students and bringing children of disadvantaged sections to schools regularly. Neither the State Government nor DSEs, however, had any mechanism for internal evaluation of the overall impact of the scheme. The status to enrolment, attendance, retention, nutritional level and learning level are discussed in the following paragraphs.

3.3.13.1 Enrolment

State Government compiled the data of district-wise children and their enrolment without segregation of male/female and disadvantaged sections. Data on total population of children and corresponding enrolment were only available with the Department. Details of total number of children, enrolment and benefitted students for 2004-08 in the State were as shown in Table-6.

Table- 6: Enrolment, out of school and benefitted children

(Number in lakh)

Year	Total number (Focus group)	Enrolment	Out of school	No of benefitted students	No of students not benefitted under MDM
2004-05	43.31	32.29	11.02 (26)	28.29	4.00 (12)
2005-06	44.86	42.53	2.33 (5)	31.30	11.23 (26)
2006-07	48.39	50.30	---	33.17	17.13 (34)
2007-08	68.85	53.67	15.18 (22)	40.12	13.55 (25)

(Source: Jharkhand Education Project Council under HRD for SSA (Figures under bracket indicate percentage)

12 to 34 per cent children were not covered under MDM during 2004-08. This was despite inflated reporting of enrolment

Doubtful expenditure of Rs 3.01 crore by showing expenditure on 627 non-existent EGS/AIE centres during 2006-07

During 2004-08, 12 to 34 per cent children were not covered under MDM scheme. The number was highest in 2006-07, the year in which enrolments shown were shown as 50.30 lakh i.e. 1.91 lakh (which included 1.16 lakh in five test checked districts) more than the population of target group children in the State. This indicated inflated reporting of enrolment.

Further, records of DSEs of test checked districts revealed that the students enrolled during 2006-07 included 41,504 students in 627 EGS/AIE centres. The names of these centres were not in the list of JEPC, which is responsible for maintaining the data of EGS/AIE centres. As no inspection of these centres

was conducted (as discussed in *paragraph 3.2.14*), existence of these centres, reported enrolment and the related cooking cost amounting to Rs 3.01 crore were doubtful.

The Government stated (October 2008) that enrolment of children under/above age group 6 to 11 resulted in enrolment in excess of population of focus group. The reply was not acceptable as data furnished by the department reflected enrolment of students of 6 to 11 years age group only in class I to V.

3.3.13.2 Attendance and retention

Average attendance of children of primary classes was expected to increase with the introduction of MDM scheme. HRD did not compile the data on attendance and retention either at State or district level.

Average attendance was worked out in audit from the records of 20 schools each (14 Government/Government aided schools and six EGS) in eight test checked districts. As records only for 2004-07 were available in these schools, the trend analysis for three years in 160 selected schools are as in **Table 7**.

Table- 7: Percentage attendance rate in selected schools

Sl. No.	Name of district	2004-05	2005-06	2006-07
1	Bokaro	0.71	0.65	0.70
2	West Singhbhum	0.55	0.62	0.60
3	Palamu	0.65	0.67	0.76
4	Godda	0.64	0.64	0.55
5	Gumla	0.71	0.56	0.59
6	East Singhbhum	0.70	0.73	0.60
7	Pakur	0.71	0.74	0.75
8	Ranchi	0.50	0.55	0.58

Audit observed the following:

- During 2004-07, average attendance increased in four while decreased in other four districts. Therefore, the linkage between MDM and attendance could not be established.
- In eleven schools in Palamu District, joint physical verification (on 11 and 12 September 2007) by Audit team with the officials of HRD revealed that students present were less by 21 to 73 *per cent* against those shown present in Attendance Registers on these dates. This resulted in misreporting of enrolment, which would also lead to misutilisation of foodgrains and cooking cost.

Government accepted (October 2008) that the attendance ranged between 60 and 80 *per cent* and there was no increase due to MDM Scheme.

The retention rate in test-checked districts during 2004-08 calculated on the basis of drop out rate data- made available by the JEPC was as in **Table -8**.

Table-8: Retention rates in eight test checked districts

Sl. No.	Name of district	Retention rate in <i>per cent</i>				
		2004-05	2005-06	2006-07	2007-08	
					Class I to V	Class I to VIII
1	Bokaro	41.07	49.05	88.77	88.77	42.52
2	West Singhbhum	46.72	69.11	96.68	97.92	43.20
3	Palamu	57.36	75.10	87.43	87.43	47.22
4	Gumla	37.66	56.74	69.89	69.89	39.00

Retention rate did not reflect any definite trend. Further, there was no mechanism in place for cross verification of data of enrolment, attendance and retention

Sl. No.	Name of district	Retention rate in per cent				
		2004-05	2005-06	2006-07	2007-08	
					Class I to V	Class I to VIII
5	East Singhbhum	65.83	61.21	97.59	98.51	63.18
6	Godda	72.75	90.00	100.00	100.00	37.36
7	Pakur	56.62	58.82	63.53	63.53	23.68
8	Ranchi	68.09	68.94	90.62	90.62	43.91

Audit observed that the retention rate did not reflect any definite trend during 2004-08. It increased in 2006-07 mainly due to implementation of SSA (as per the evaluation report of Dr. R. Saran), while the rates pertaining to the classes I to V remained stagnant during 2007-08. As the programme for class VI to VIII was not implemented the retention rate (I to VIII) declined during 2007-08. Hence the extent of achievement of objectives of MDM could not be assessed. Government stated (October 2008) that retention rate in Ranchi was 84.80 in 2007-08. The reply was not correct as the retention of students during 2007-08 up to primary level was 90.62 *per cent* while it was 43.91 *per cent* upto class VIII.

3.3.13.3 Nutritional level

The scheme prescribed serving of cooked meals with nutritional contents (revised from time to time) on each school day as in **Table-9**.

Table-9: Nutritional content to be administered

Nutritional content	Norms as per GOI guidelines (2004)	Revised norms as per GOI revised guidelines (2006)
Calories	300	450
Proteins	8-12 grams	12 grams
Micronutrient supplementation	Not prescribed	<ul style="list-style-type: none"> • Six monthly dose for deworming and Vitamin-A • Weekly Iron and Folic Acid and • Other appropriate supplementation depending on common deficiencies

Special attention was to be given to students of weaker and disadvantaged sections. State Government was also responsible for identifying area specific nutritional deficiencies. In August 2006, calorific value of meals to be served was raised from 300 to 450 calories and protein contents from 8-12 grams to 12 grams. To achieve this, cereal-pulse ratio of 10:3 and supplements of one egg or two bananas, in addition to the meals, was prescribed by the State Government. In conjunction with operation of MDM scheme, to improve school attendance, the guidelines provided for periodical health check-up of children, distribution of tablets for deworming and micro-nutrient supplementation for which funds were to be provided by the State Government. Deficiencies noticed in audit were as below:

- Scrutiny of records of 2006-07 of eight test-checked districts revealed that the prescribed 100 grams of rice per child were not being given under MDM scheme as shown in **Table-10**.

Table-10: Quantity of rice served

Sl. No.	Name of district	Quantity of rice consumed (in Quintals)	No. of benefited students	Average intake of rice per day (in gram)
1	Bokaro	38,174.26	1,82,604	84
2	West Singhbhum	34,070.49	1,83,663	74
3	Palamu	38,427.86	3,14,611	49

Sl. No.	Name of district	Quantity of rice consumed (in Quintals)	No. of benefited students	Average intake of rice per day (in gram)
4	Godda	22,149.15	1,33,508	66
5	Gumla	34,623.26	1,57,014	88
6	East Singhbhum	33,980.01	1,63,720	83
7	Pakur	14,382.39	92,860	62
8	Ranchi	75,522.05	3,49,272	92

The quantity of rice served was as low as 49 gram in Palamu District. During joint inspection, by Audit with officials of HRD, it was seen that in 11 schools in Palamu, students were served either the meal or the supplements (two bananas or one egg).

The Government stated that efforts were being made to ensure serving of MDM of prescribed quantity and calorific value.

No system for periodical check-ups was established in the test-checked schools in the eight districts

- No action was taken for periodical health check-up of children, distribution of tablets for de-worming and micro-nutrient supplementation. The department also did not identify the disadvantaged sections and area specific nutritional deficiencies for taking necessary remedial measures.

3.3.13.4 Learning level of student

No qualitative change in learning level of children was recorded after implementation of MDM scheme

Through administration of nutritional support by providing cooked meal it was expected that learning level of children would be enhanced. Data on learning level was not maintained at State/district levels. Learning levels at district level was worked out in audit for 160 schools in the test-checked districts under three categories of marks obtained by children viz. A (60 per cent and above), B (50 to 59 per cent) and C (33 to 49 per cent) as shown in **Table-11**.

Table-11: Learning level of students

Percentage of children in categories			
Year	A	B	C
2004-05	19	31	50
2005-06	23	32	45
2006-07	25	32	43

There was marginal improvement in learning levels of children with the implementation of MDM scheme. However, no direct linkages could be established as in respect of enrolment, attendance and retention, as already discussed.

Government stated that different steps like teacher's training, basic programme etc. were being taken up to achieve the target of MDM scheme.

3.3.14 Monitoring and Evaluation

Monitoring of the implementation of the scheme was poor. The envisaged inspections of quality of cooked food being served to children were not conducted

The scheme provided for grant of Central assistance for Management, Monitoring and Evaluation (MME) at the rate of 0.9 per cent of the total assistance for supply of free foodgrains including transportation and cooking cost from September 2004 and at the rate of 1.8 per cent from July 2006. The assistance was to be used for (a) school level expenses, (b) management, supervision, training and internal monitoring and (c) external monitoring and evaluation. Audit observed deficiencies as discussed below:

- Against annual allotments, GOI allotted Rs 5.78 crore during 2006-08 (2006-07: Rs 2.28 crore and 2007-08: Rs 3.50 crore). Against this, Rs 4.12 crore (71 *per cent*) was spent.
- The steering-cum-monitoring committees at State, district and block levels, constituted in February 2006 under the Chairmanship of Chief Secretary, DC and BDO respectively, were to meet twice a year, quarterly and monthly. However, since February 2006, State Committee had met once while the district and block committees never met
- Norms for inspection by officers were fixed as in **Table 12**.

Table-12: Inspection schedule

Sl. No.	Name of inspecting officers	No. of inspection of schools prescribed in a month	
		Surprise Inspection	Extensive Inspection
1	Block Education Extension Officer	40	20
2	Area Education Officer	30	20
3	District Superintendent of Education	20	20
4	District Education Officer	20	10
5	Regional Deputy Director of Education	30	20

There was no record in the office of DSEs to show that any inspection was ever carried out in the test checked districts. Further, VECs, required to undertake daily inspections, never inspected any of the selected 160 schools. In the absence of any inspection at various level the lapses, negligence and instances of possible pilferage of foodgrain remained undetected and no corrective action could be taken. Government stated that efforts were being made to develop a strong mechanism for management and monitoring.

Further, no impact evaluation of MDM scheme was undertaken by Jharkhand Council of Educational Research and Training (JCERT). However, performance evaluation of MDM programme in Jharkhand was carried out during 2006 by Dr. R. Sharan, Head of the Department of Economics, Ranchi University on initiation of the Director, Primary Education, GOJ and State Project Director, JEPC. Dr. Sharan, in his study report, pointed out the following:

- In 72 *per cent* of schools attendance after lunch break was very low.
- In 2.5 *per cent* of schools quality of foodgrain supplied was bad.
- In 7 *per cent* cases bad quality of food was supplied.
- In 28 *per cent* cases meals served was inadequate.
- In some schools washing of hands and *thalis* was not possible due to lack of water.

3.3.15 Management Information System (MIS)

The scheme provided for development of a Computerized Management Information System for proper monitoring of the programme by the Department of School Education in consultation with the National Informatics Centre. It was noticed that the system was not in operation/existence in any of the eight test-checked districts.

3.3.16 Conclusion

The Mid Day Meal Scheme suffered due to underutilization and mismanagement of funds. Cooking fund of Rs 21.92 crore were surrendered/allowed to lapse or remitted in Civil Deposit. Lifting of foodgrain against allotment was short by 24 *per cent* during 2004-08. Foodgrain was not lifted for four consecutive months in two districts. No mechanism was in place to assess actual utilization of foodgrains and there was no periodical verification of foodgrains by BSFC and Government authorities. Basic infrastructure facilities like kitchen sheds, clean drinking water, cooking and serving utensils and gas stoves were lacking in schools. During 2004-08, 12 to 34 *per cent* children were not covered under MDM. This was despite inflated reporting of enrolment and expenditure reported on non-existent EGS/AIE centres. There was no marked improvement in attendance and retention rate of students after implementation of MDM scheme. State Government did not establish any indicators for measuring the impact of nutrition and health. There was no assurance that the stipulated nutritional requirements were being provided. Periodical health check-ups were also not being organized by the district authorities. Monitoring and Supervision of the scheme was deficient. An external evaluation report (April 2006) indicated supply of inadequate meal and bad quality food.

3.3.17 Recommendations

The Human Resource Development Department should ensure that:

- funds provided by GOI for cooking cost is invariably utilized for cooking purposes only and is not diverted or parked under suspense head;
- the periodical inspections as envisaged in the guidelines are carried out so that the standard Fair Average Quality (FAQ) is met;
- a measure is prescribed to serve the cooked food of 100/150 gram to avoid pilferage/misuse of rice/cooked food;
- basic infrastructure facilities such as kitchen-cum-stores, kitchen devices and drinking water are provided to all schools for facilitating effective implementation of the scheme;
- a reliable system is in place to ascertain that the meals served are of prescribed nutritional content and calorific value and health check-ups in all the schools to monitor the health status of the children are undertaken;
- the internal controls as well as the inspections and monitoring mechanisms are strengthened and records are properly maintained at all levels; and
- system of internal evaluation is in place to assess the impact of the programme.

The matter was reported to the Government (August 2008); their reply had been received (October 2008) and incorporated.

FINANCE DEPARTMENT

3.4 IT Audit of Treasury Information System

Highlights

Treasury Information System (TIS) was implemented to monitor the financial transactions, budgetary control and flow of data to the Finance Department (FD) for better fiscal management and planning apart from timely submission of accounts to the Accountant General. However, the system was functioning with design/system deficiencies such as lack of documentation, inadequate access control mechanism, absence of audit trail, lack of validation and duplicate checks, misclassification of expenditure and completeness of data etc.

Weak monitoring by FD delayed the implementation of TIS up to 22 months and development of software without ensuring users requirements.

[Paragraph 3.4.7]

Unauthorised access and manipulation of data could not be ruled out as users IDs allotted to officials were not deleted even after their transfer or retirement.

[Paragraph 3.4.8]

Allotment of Rs 79.83 crore was entered twice in database which was fraught with the risk of excess drawal.

[Paragraph 3.4.9.2]

GPF payments of Rs 21.57 crore was made without entering authorities and other details in the computerised system as required.

[Paragraph 3.4.9.5]

In 93 cases, bill categories were mis-classified pertaining to payments of Rs 56.29 lakh.

[Paragraph 3.4.9.8]

Non-categorisation of Abstract Contingent (AC) bills in the category of “AC Bills” prevented in-built checking designed in TIS not to pass subsequent AC bills without submission of Detailed Contingent (DC) bills against previous ones.

[Paragraph 3.4.9.9]

3.4.1 Introduction

In Jharkhand, 24 treasuries at the district level and seven sub-treasuries at sub divisional level are responsible for handling day-to-day transactions of receipt and payment of money on behalf of Government and also for maintenance of records thereon as per the Treasury Codes and Financial Rules. They compile and submit monthly accounts and returns to the Accountant General (AG).

The computerisation of treasuries was taken up before the creation of Jharkhand (15 November 2000). A system with FoxBASE Plus database and

UNIX based Servers with Dumb Terminals was being used in a few treasuries of undivided Bihar. After creation of Jharkhand, the software was re-engineered by National Informatics Centre (NIC) in November 2004 to have a better user interface, improved functionalities and a secured database. The first version of Treasury Information System (TIS) was released in April 2005 using Client Server (2-tier) architecture with Oracle 9i Database Server on Linux and Visual Basic 6.0 as frontend. In 2006, the system was converted to web-based (3-tier architecture) using Windows Server 2003 Enterprise Edition, ASP.Net (VB.Net) and Oracle 10g clustered on Linux OS as Database Server.

3.4.2 IT Vision and IT Plan

“Project Report and Action Plan for Computerisation of Treasuries in Jharkhand” was prepared by Department of Information Technology (DoIT) in September 2003. A time table was framed for various activities in order to complete the project by December 2003. However, the project was approved (February 2004) and an Inter Departmental Committee for Implementation and Monitoring (IDCIM) consisting of members from DoIT, FD and NIC headed by Secretary, DoIT as Chairman and Secretary, FD as Co-chairman was constituted (March 2004) by the Government. Further, the target date for completion of the project was revised (November 2004) to December 2004.

The major components of the project were site preparation, provision of hardware, establishment of wide area network (WAN) for connecting all the treasuries with State Headquarters, upgradation of the existing software, connectivity with banks and training of employees.

The original cost of project, Rs 3.87 crore (2003-04), was revised to Rs 3.89 crore (2004-05) and again to Rs 4.86 crore (2006-07). In all, Rs 4.37 crore had been spent up to March 2008.

3.4.3 Objectives of Computerisation

The computerisation of treasuries was taken up with the following stated objectives:

- to enable FD to monitor the expenditure and receipts in real-time to ensure better financial management;
- to minimise the delay in payment of bills presented to the treasury;
- to retrieve details of bills withdrawn earlier, on an immediate basis;
- to eliminate possibility of any over-drawals and fraudulent withdrawals from the treasury;
- to eliminate delay in submission of monthly payment schedules and summary of accounts to AG and the State Government.

3.4.4 Organisational set-up

The Secretary, FD exercises overall administrative control over the treasuries and sub-treasuries. The treasuries function under the direct control of the Deputy Commissioners (DCs) of Districts. The Treasury Officers (TOs) and

Sub-treasury Officers (STOs) are heads of treasuries and sub-treasuries at district and sub-divisional levels respectively. They are assisted by Accountants and Assistants in performing their duties.

3.4.5 Audit objectives

Audit of the treasuries' computerisation was carried out to assess whether:

- objectives of computerisation of treasuries in the State were achieved;
- IT controls in place were adequate and effective thereby ensuring data completeness, accuracy and reliability; and
- the design of the computerised system was such that the business rules and procedures, as stipulated by various treasury code, statutes and departmental manuals, were correctly mapped on to the computerised system.

3.4.6 Scope and methodology of audit

Nine⁴³ out of 24 treasuries (38 *per cent*) and two⁴⁴ out of seven sub-treasuries (29 *per cent*) were covered in audit. The data for the period ranging from October 2004 to May 2008 was analysed using Interactive Data Extraction and Analysis (IDEA), a Computer Assisted Audit Tool (CAAT). The relevant records in FD, DoIT and treasuries/sub-treasuries were also test checked between April 2008 and July 2008.

The audit objectives, criteria and methodology were discussed in the entry conference with Secretaries, Department of IT and Finance in April 2008. The audit findings were discussed with Secretary, Department of Finance in December 2008. The Government accepted most of the recommendations. However, response of the Government to the audit observations was yet to be received (December 2008). Audit findings are discussed in the succeeding paragraphs.

Audit findings

3.4.7 Project Implementation

IDCIM in its meetings (February 2004 and July 2004) decided that FD would monitor site preparation and installation of hardware and software. In September 2004, it requested FD to appoint a Nodal Officer to ensure completion of the project.

Although three officers⁴⁵ were notified one by one (December 2005, February 2006 and April 2006) as Nodal Officers by FD, but no officer worked as Nodal Officer which adversely affected the project implementation as discussed below:

Weak monitoring by the Finance Department delayed implementation of the Project up to 22 months

⁴³ Bokaro, Deoghar, Dhanbad, Doranda, Dumka, Hazaribag, Jamshedpur, Project Building and Ranchi treasuries.

⁴⁴ Ghatshila and Madhupur sub-treasuries.

⁴⁵ (i) Assistant Director, Provident Fund Directorate, Jharkhand, Ranchi, (ii) Assistant Commercial Tax Officer, West Commercial Taxes Circle, Ranchi & (iii) Officer on Special Duty (OSD), Finance Department, Government of Jharkhand, Ranchi.

Delay in site preparation

DoIT provided (March 2004) Rs 1.14 crore to the DCs concerned for site preparation by 30 November 2004 according to the revised schedule. The work, however, could be finally completed in September 2006 with delays up to 22 months.

Delay in installation of TIS software

The software of TIS was to be installed at all treasuries and sub-treasuries by 31 December 2004 according to the revised schedule. TIS (Client-server architecture) was installed in Dhanbad treasury in place of Ranchi treasury in November 2004 on pilot basis. The architecture was extended to 30 treasuries/sub-treasuries in a phased manner up to October 2006. This resulted in delay up to 22 months.

Non-adoption of a structured approach in software development

It was necessary to adopt a structured approach for acquiring, developing, implementing, maintaining and evaluating computerised information systems and related technology with documentation at all stages.

Audit scrutiny revealed that the project was undertaken without User Requirement Specifications (URS) and Software Design Document (SDD). In absence of documentation, neither DoIT nor FD could monitor the project development and implementation, rendering total dependence on NIC. Further, the participation of users (treasuries and sub-treasuries) was not ensured, which resulted in manual maintenance of records and sub-optimal benefits of computerisation achieved at a cost of Rs 4.37 crore (March 2008).

Optimum benefit of computerisation was not achieved because the project was undertaken without ensuring users requirement and users continued to maintain the records manually

3.4.8 General controls

General controls create the environment in which IT applications and related controls operate.

Logical access control

There was no documented password policy. Normal password control procedures like restriction on unsuccessful login attempts by the users or automatic lapse of password after a predefined period or system enforced periodical change of passwords were non-existent. Further, the system did not generate any logs to record the number of failed login attempts.

There was no documentation of active user. Audit scrutiny revealed that against 104 authorised users, there were 217 users in the user lists of the treasuries/sub-treasuries. The excess was due to the reason that user IDs were not deleted even after transfer/retirement of the treasury personnels.

Given the above, unauthorised access could not be ruled out, which may lead to manipulation of data and fraudulent withdrawals.

Access control mechanism was not full-proof which may cause manipulation of data

Unauthorised access and manipulation of data could not be ruled out as users IDs allotted to officials were not deleted even after their transfer or retirement

Implementation of TIS without testing

Only authorised and fully tested software is to be placed in operation. Audit observed that there was no mechanism in place to ensure the testing of software before its implementation. NIC replicated the software in all

NIC replicated the software in all treasuries without its proper testing and documentation

treasuries (except Doranda) in a phased manner after successful run at Dhanbad treasury as certified by Deputy Commissioner, Dhanbad (May 2005). NIC admitted that there was no documentation regarding testing of data and reports. Thus, IDCIM failed to ensure proper testing of software and its documentation before its implementation.

Change Management

No reasons for carrying out changes in the software were on record. Not even for the change from 2-tier to 3-tier. There was also no record of testing and acceptance of the amendments carried out in the software. DoIT intimated that feedback of the users and FD assessment were being discussed and approved by IDCIM and modifications were done by NIC. However, minutes of the meetings of IDCIM did not bear testimony to the assertion.

Thus, there was a risk of accidental or malicious changes to system and data due to inadequate change management control.

Absence of Audit Trail

Audit trail is incorporated into an IT System for tracing the flow of transaction at every point of processing from input to the output stage. Scrutiny disclosed that there was no activation of audit trail to capture activities of users.

3.4.9 Application controls

Application controls ensure that the transactions are processed according to the rules and regulations governing them and the confidentiality, integrity and availability of data is ensured.

3.4.9.1 Incomplete data

Data from central database found to be deleted after generating hard copies of accounts and thus rendering the data as incomplete

According to Rule 71 of Jharkhand Treasury Code (JTC) Vol.-I, vouchers pertaining to each schedule relating to cash account or the list of payments shall be numbered consecutively in a separate monthly series. The serial number of any entry in the monthly schedule of vouchers to be sent to AG for any head is termed as TV number. While preparing monthly accounts through TIS, TV numbers are generated by the system automatically.

Analysis of data revealed that in three⁴⁶ tests checked treasuries data of monthly accounts ranging from one to four months were not in the central database of TIS as given below:

Sl. No.	Name of test checked treasury	Months for which data not available
1.	Dumka	September 2007, November 2007, January 2008 & February 2008.
2.	Doranda	June 2007, July 2007 & September 2007.
3.	Dhanbad	July 2007.

TOs replied that monthly accounts were prepared through TIS and TV numbers were also generated, which appeared in the hard copy of the monthly payment schedules. Thus, deletion of data after preparation of Monthly Accounts from the database resulted in incomplete database defeating the objective of monitoring of expenditure and receipts on real-time basis for

⁴⁶ Dumka, Doranda and Dhanbad.

better financial management.

3.4.9.2 Fund allotments were entered twice

Allotment of Rs 79.83 crore was entered twice in database due to inadequate controls against duplicate entry and was fraught with the risk of excess drawals

According to Rule 8 of Jharkhand Financial Rules (JFR), no expenditure can be made without allotment of funds. Data analysis of eight⁴⁷ test checked treasuries/sub-treasuries disclosed that in 403 cases involving Rs 79.83 crore, funds allotted to DDOs were entered twice in the database. Inadequate control against duplicate entry of allotments was fraught with the risk of overdrawal. TOs/STOs stated (between June and July 2008) that since they watched the allotment and expenditure through manual registers, there was no case of overdrawal. Thus, the very purpose of computerisation of treasury could not be achieved.

3.4.9.3 Identical bill numbers found in database

Two or more bills in same financial year and of same DDOs bearing identical numbers were found in database

DDO has to maintain a single bill register in terms of Rule 289(5) of JTC Vol.-I and submit bills to the treasury/sub-treasury with a unique bill number. Data analysis of three test checked treasuries disclosed a large number of bills with identical bill numbers under the same DDO in same financial year. Repetition of same bill numbers noticed in the database for the period 2004-2008 were as below:

Name of Treasury	Number of DDOs	Number of Bills	Number of repetition of the same bill no.
Doranda	9	22	2 to 4
Ranchi	99	286	2 to 4
Project Building	12	29	2 to 3

Absence of appropriate controls may result in passing the same bill more than once and fraudulent withdrawals.

3.4.9.4 Incomplete authority details

As per TIS, details of authority viz. type of authority, name and designation of the issuing authority, authority number and date are required to be entered while generating advices for payment. Analysis of data of nine⁴⁸ test checked treasuries/sub-treasuries revealed that in 12,797 cases advices for payments of Rs 133.10 crore were generated without entering complete details of the Authorities on which bills were passed for payment.

3.4.9.5 Incomplete GPF details

As per TIS, while generating advices for payment of GPF advance, GPF withdrawal or final payment of GPF, the account number, payee, sanctioning authority, date of sanction, bill number etc. were required to be entered. Analysis of data of nine⁴⁹ test checked treasuries/sub-treasuries disclosed that in 1,430 cases, advices for payments for Rs 21.57 crore were generated without entering complete details of sanction on which bills were passed for payment.

⁴⁷ Bokaro, Dumka, Deoghar, Dhanbad, Doranda, Ghatshila, Hazaribag and Jamshedpur.

⁴⁸ Bokaro, Dhanbad, Doranda, Deoghar, Dumka, Ghatshila, Hazaribag, Jamshedpur and Project Building.

⁴⁹ Bokaro, Dhanbad, Doranda, Deoghar, Dumka, Ghatshila, Hazaribag, Jamshedpur and Ranchi.

Withdrawals from and final payment of GPF were made either without entering GPF account number or payments made to two persons against same account number

3.4.9.6 Inadequate control on GPF Account Number

In Hazaribag treasury, payments of withdrawal from GPF and final payments of GPF were made without entering GPF account numbers in 95 cases (between April 2007 and August 2007). Inadequate control on GPF Account number may lead to irregular/fraudulent withdrawal.

Final payments of GPF amounting to Rs 2.51 lakh (June 2007) and Rs 4.61 lakh (January 2008) respectively were made to two different contributors against the same GPF Account No. 'DUM-EDN-7080' in Dumka treasury. TO stated (July 2008) that the payments were made on the authorities issued by the District Provident Fund Officer, Dumka.

3.4.9.7 Incomplete pensioners' details

As per TIS, the details of the pensioners viz. pension payment order (PPO) number, name of the pensioner, basic pension etc. are required to be fed into the system. Analysis of data of six⁵⁰ test checked treasuries/sub-treasuries disclosed that in 1,125 cases basic pension was not entered in the Master database of pensioners as detailed below:

Sl. No.	Name of test checked treasury / sub-treasury	Number of cases in which basic pension shown as zero in the TIS	Number of cases in which payments were made	Total amount paid (Rupees in lakh)
1.	Dumka	37	17	15.91
2.	Hazaribag	25	7	1.45
3.	Deoghar	835	581	337.66
4.	Jamshedpur	116	6	9.53
6.	Ghatshila	02	0	0.00
7.	Ranchi	110	58	72.57
Total		1125	669	437.12

In a few instances in Bokaro and Dumka, duplicate entries of pensioners existed in the database of the pensioners with more than one PPO number allotted to the same pensioner. TOs stated that duplicity was due to incorrect entry, which would be rectified in future.

Thus, accuracy and completeness of data could not be achieved due to incomplete/duplicate information available in database and chance of irregular/fraudulent withdrawals could not be ruled out.

3.4.9.8 Misclassification of payments

Analysis of data pertaining to Bokaro, Deoghar and Dumka treasuries disclosed that in 93 cases advices for payments for Rs 56.29 lakh were generated without selecting the appropriate bill category resulting in misclassification of payments. Of these, Rs 54.65 lakh was paid without checking for the allotment of funds though required, as discussed in the following table:

⁵⁰ Deoghar, Dumka, Ghatshila, Hazaribag, Jamshedpur and Ranchi.

Sl. No.	Name of test checked treasury / sub-treasury	Number of cases in TIS	Major Head	Bill Category	Amount (Rupees in lakh)
1	Dumka	01	2	Pension	0.03
		49	2071	Salary	35.80
		04	8009	Other	4.00
		02	8011	Pension	1.61
		06	8011	Salary	5.20
2	Deoghar	25	2071	Salary	6.87
		01	2071	LTC	0.08
3	Bokaro	01	2071	LTC	0.80
		04	2071	Salary	1.90
Total		93			56.29

3.4.9.9 Abstract Contingent (AC) and Detailed Contingent (DC) bills

In-built check developed under TIS was not exercised in passing subsequent AC bills without submission of DC bills against the previous ones by mis-classifying the category of AC bills

As per Rule 319 of JTC Vol.-I, no Abstract Contingent (AC) bill was to be cashed after the 10th of the month without a certificate that monthly Detailed Contingent (DC) bills for AC bills drawn in the previous month had been submitted to the Controlling Officer for countersignature and transmission to AG. However, in the test checked treasuries/sub-treasuries it was noticed that only 369 bills amounting to Rs 287.93 crore were entered as AC bills in the TIS during the period 2007-08. Out of 369 AC bills, compliance of only 69 AC bills was shown in the database. As per records available in the office of AG (A&E), a total of 3342 AC bills amounting to Rs 1200.81 crore were drawn in the test checked treasuries/sub-treasuries during the period 2007-08 and a total of 415 DC bills amounting to Rs 66.40 crore were submitted as shown in the following table. In absence of entering such bills as “AC bills” in TIS, in-built check was not imposed by the system to restrict passing of subsequent AC bills of the concerned DDOs without submission of DC bills.

Further, the total amount of DC bills received pertaining to the period 1999-2008 was only Rs 1227.59 crore against the amount of AC bills of Rs 7237.46 crore leading to an outstanding balance of DC bills of Rs 6009.87 crore as on 31 March 2008.

(Rupees in lakh)

Sl. No.	Name of test checked treasury / sub-treasury	As per Treasury Information System (2007-2008)			As per report of O/o the A.G. (A&E) Jharkhand, Ranchi (2007-2008)			
		Number of Bills entered in AC Bill category in TIS	Amount of AC Bills in TIS	Number of AC Bills for which DC Bills were submitted	Number of Bills entered in AC Bill category	Amount of AC Bills	Number of DC Bills submitted	Amount of DC Bills
1.	Dumka	13	143.01	0	413	7754.24	75	1119.47
2.	Hazaribag	40	2214.50	1	314	5369.16	19	2050.03
3.	Deoghar	1	0.01	0	345	5507.49	44	48.59
4.	Jamshedpur	6	443.14	0	348	5720.07	96	158.26
5.	Bokaro	100	4456.39	4	291	5165.03	4	1255.76
6.	Ghatshila	14	141.18	6	97	81.04	32	7.41
7.	Ranchi	6	9.14	0	565	20067.97	13	940.14
8.	Madhupur	0	0.00	0	21	24.22	4	0.40
9.	Dhanbad	1	0.09	0	310	4946.33	59	49.61
10.	Project Bldg.	188	21385.11	58	289	36752.37	29	514.42
11.	Doranda	0	0.00	0	349	28692.84	40	496.05
Total		369	28792.57	69	3,342	120080.76	415	6640.14

3.4.10 Conclusion

Implementation of untested software, lack of proper mechanism for change management and poor documentation resulted in unsynchronised operations. Lack of input controls led to inaccurate and incomplete data and hence, unreliable. The Department could not derive full benefits from the application as it did not utilise all the available features in the application and continued with parallel manual operation.

3.4.11 Recommendations

- Compliance to various financial rules and regulations and other manual provisions should be ensured.
- Policies regarding security, password, retention of data, change management and documentation of system should be prepared, documented and implemented. The users should be made aware of them.
- Internal controls should be in place to ensure optimum utilisation of system and integrity, accuracy and completeness of data.

The matter was reported to the Government (September 2008); their reply had not been received (December 2008).

ROAD CONSTRUCTION AND RURAL WORKS DEPARTMENTS

3.5 PROCUREMENT OF BITUMEN FOR ROAD WORKS

3.5.1 Introduction

The Government of Jharkhand passed a resolution in March 2002 whereby contractors engaged in road-works can procure bitumen from the Government Oil Companies directly. On award of work, the Executive Engineer (EE) of the concerned division will issue an authority letter to the oil company specifying the name of the contractor, name of the work, the required quantity and quality/specification of the bitumen.

The oil company sells bitumen to the contractor against the authority letter under intimation to the concerned division. The contractor is required to intimate the EE about receipt of bitumen within 48 hours and to submit documentary proof of carriage of bitumen from the oil company to the work site. According to Bihar Public Works Department code (Works Code) adopted by the Government of Jharkhand, bituminous work is to be executed by the Contractor under supervision of officers of the Division viz. Junior Engineer (JE), Assistant Engineer (AE) and Executive Engineer (EE). As soon as bitumen is brought to the work site, the EE or his authorized representative Junior Engineer/Assistant Engineer is to conduct physical verification of the bitumen to verify the quantity, quality and specification *vis a vis* the invoice submitted by the contractor as proof of purchase of bitumen and submit a report to the Executive Engineer.

The report of the JE/AE is placed in the works file of the concerned work alongwith the invoices. As per Works Code, the Divisional Accountants (DAs)/Divisional Accounts Officers (DAOs) function as primary auditor charged with the responsibility of applying certain preliminary checks, *inter-alia* (i) that the accounts have been received in complete state, (ii) that the charges are covered with the sanctions and appropriations and are supported by vouchers setting forth the claims and the acknowledgements of the payees legally entitled to receive the sum paid, (iii) that all vouchers and accounts are arithmetically correct and (iv) that they are prepared in accordance with the rules. DAs/DAOs forward this with their comments to the Executive Engineer. The Executive Engineer is responsible for checking the report with the invoices and other related documents to ascertain the quality, quantity and specification of the bitumen for making payments after the bitumen is consumed in the work.

3.5.2 Scope and methodology of audit

In order to assess the integrity of the system of procurement of bitumen required for road-works (Road Construction and Rural Works Departments), authority letters, copies of invoices and other records

relating to procurement and checks exercised by divisions in 15⁵¹ out of 52⁵² divisions for the period 2002-08 were test checked between July 2007 and March 2008. Out of 490⁵³ works in the test checked divisions, 125 works were selected for detailed analysis on the basis of their materiality and sensitivity. Some invoices, were also cross verified with the records of two oil companies⁵⁴.

3.5.3 System for issue invoices

Indian Oil Corporation Ltd. (IOCL) uses TDM/SAP⁵⁵ for raising invoices which do not allow generation of more than one invoice bearing a particular alphanumeric code of 15 characters⁵⁶. HPCL uses Enterprise Resource Planning (ERP) software package whereby two or more invoices cannot be generated bearing identical code.

Audit findings

The concerned EEs did not get physical verification of bitumen brought at site conducted. The genuineness of the invoices was not verified and payment of cost of bitumen against fake/inadmissible invoices was allowed

In the selected 125 road-works, 31,858.04 MT bitumen was required to be procured. EEs issued 127 authority letters for procurement of 29,358.04 MT⁵⁷ bitumen from IOCL, HPCL, BPCL and Bisco Lawarie. Cross verification of invoices from oil companies revealed instances of submission of duplicate (transporter's copy)/copies of invoices bearing identical invoice code, invoices not as per prescribed formats, use of invoices issued in the name of other contractors/contractors of other State, use of spare/photo copies of original invoices etc. The concerned divisions failed to verify the genuineness of the invoices submitted by the contractors and to conduct physical verification of the quantity and quality of the bitumen. Payments for bituminous works were made by recording entries in the measurement books (MBs) without ensuring procurement of bitumen. This resulted in payment of Rs 40.94 crore on account of cost of 21,620.935 MT bitumen against 1,912 fake/inadmissible invoices, as discussed in succeeding paragraphs.

3.5.4 Fake/inadmissible invoices

In 15 divisions, Rs 6.69 crore was paid as cost of bitumen against 305 invoices bearing identical invoice codes in support of purchase of 3,790.346 MT bitumen

3.5.4.1 Payments against invoices bearing identical invoice code

- In 15 divisions, 53 contractors submitted 305 invoices bearing identical invoice code shown to have been issued on different dates (between April 2002 and March 2007) and for different quantities in support of purchase of 3,790.346 MT of bitumen resulting in payment

⁵¹ Road Construction Divisions (RCD): Chatra, Chaibasa, Daltonganj, Giridih, Hazaribag, Jamshedpur and Jamtara; Rural Works Divisions (RWD): Chatra, Chakradharpur, Giridih, Hazaribag, Jamshedpur, Jamtara, Koderma and Lohardaga.

⁵² RCD: 23 divisions and RWD: 29 divisions.

⁵³ Data as furnished by the selected divisions.

⁵⁴ Indian Oil Corporation Limited (IOCL) and Hindustan Petroleum Corporation Limited (HPCL)

⁵⁵ TDM-Time Division Multiplexing/SAP-Systems, Applications and Products in data processing.

⁵⁶ First four digits denote financial year, the next four digits denote location code, alphabet 'B' stands for sales invoice and the last six digits denote the specific number.

⁵⁷ Authority letter for balance 2500 MT bitumen was not issued by the EE concerned.

Rupees 36.86 lakh was paid to a contractor against 22 invoices bearing identical invoice code in support of purchase of 199.694 MT bitumen for utilisation in two works executed under two divisions

A contractor was paid Rs 29.60 lakh against 17 fake invoices issued to another contractor. Further, the invoice code appearing on five copies were stated to be issued for sale of kerosene oil

Two contractors under the same division, engaged in two works, were paid Rs 26.16 lakh on submission of 16 invoices bearing identical invoice code. However, concerned oil company confirmed non-issue of invoice bearing that particular code

of Rs 6.69 crore against fake invoices (*Appendix-3.28*).

- In RWD, Koderma, a contractor submitted (between April 2006 and March 2007) 16 invoices bearing same code, 20052121B034342, for Rs 26.81 lakh, by showing it as issued on different dates in February 2006 by IOCL, Haldia, against procurement of 145.232 MT bitumen for utilization in roads of Pradhan Mantri Gram Sadak Yojana under agreement number 9 and 10 F2/04-05. The contractor again submitted (April 2006 and March 2007) six copies of the same invoice for Rs 10.05 lakh against purchase of 54.462 MT bitumen for utilisation in Juhu-Itkhor road in RCD, Chatra. Both the divisions failed to verify the authenticity of the invoices and allowed (upto March 2007) payment of Rs 36.86 lakh against these fake invoices.
- In RCD, Pakur, a contractor (Agreement number 3F2/05-06) submitted 16 invoices, bearing two invoice codes (11 of 20062121B019146 and 5 of 20062121B023565), shown to have been issued on different dates (between 17 December 2005 and 22 February 2006), to claim purchase of 141.946 MT of bitumen valued at Rs 27.83 lakh. IOCL, Haldia confirmed that the invoice bearing code 20062121B019146 was issued (17 December 2005) in the name of another contractor while invoice bearing code 20062121B023565 was issued to M/s Keshiary Oil Company for sale of 12 Kilo litres of Kerosene oil. Further, for the same work, invoice with code 20062121B024247, issued by IOCL, Haldia on 11 February 2006 for sale of 9.077 MT bitumen was used twice (shown to have been issued on 10 February 2006 and 11 February 2006) for 18.154 MT of bitumen valued at Rs 3.54 lakh by the contractor rendering invoice for Rs 1.77 lakh of 10 February 2006 fake.
- A contractor of RWD, Simdega, under agreement number 13F2/04-05, submitted 12 invoices bearing same code, 20052345B001717, for Rs 19.20 lakh in support of purchase of 108.924 MT bitumen in December 2005. Further, another contractor of the same division, under agreement number 9 and 10 F2/04-05, submitted four invoices bearing the above code for Rs 6.96 lakh against purchase of 36.308 MT bitumen in March 2006. However, cross verification from IOCL, Namkum disclosed that the particular invoice was not issued by the company.

Thus, payment of Rs 7.61 crore was made for reported procurement and utilization of 4,286.295 MT bitumen against 360 fake invoices.

3.5.4.2 *Payment against invoices bearing alpha-numeric characters different from those used by IOCL*

- In RCD, Jamtara, 10 contractors submitted (between March 2004 and March 2005) 26 invoices bearing three codes, shown to have been issued on different dates (between 7 and 22 March 2004) by IOCL, Haldia for different quantities, in 11 works against procurement of 206.577 MT of bitumen valued at Rs 33.90 lakh. Further, IOCL, Haldia confirmed (April 2008) that an invoice issued by it bears only 15 alphanumeric characters. However, all the 26 invoices bore 16

In nine divisions, Rs 2.18 crore was paid as cost of 1,043.219 MT bitumen against 115 invoices bearing different alpha-numeric codes not consistent with coding system prevalent in IOCL

characters code and were thus, fake (*Appendix-3.29*).

- In eight divisions⁵⁸, 24 contractors, involved in 26 works, submitted (between April 2002 and March 2007) 89 invoices for Rs 1.84 crore in support of procurement of 836.642 MT bitumen from IOCL. However, the copies of sale invoices furnished by the contractors bore V, D, 8, 3 and Q instead of alphabet 'B' and incorrect location code (*Appendix-3.30*).

Thus, 115 invoices submitted by the contractors were inconsistent with the coding system prevalent in IOCL. The divisions admitted all the fake invoices without conducting physical verification of reported procurement of 1,043.219 MT bitumen and allowed payment of Rs 2.18 crore by showing the bitumen as utilized in the works.

3.5.4.3 *Invoices with customer code and format other than those used by HPCL*

Rupees 6.15 crore was paid against reported procurement of 3,296.94 MT bitumen against 352 invoices bearing customer and product codes different from those used by HPCL

A contractor submitted 352 invoices against procurement of 3,296.94 MT bitumen valued at Rs 6.15 crore shown to have been issued from HPCL, Ramnagar on different dates (between December 2002 and March 2008) for utilization in nine works in three divisions, i.e. RCD Hazaribagh (2,739.379 MT), RCD Jamshedpur (411 MT) and RWD Hazaribagh (146.561 MT). Scrutiny revealed that:

- Invoices issued by HPCL invariably contain the customer number allotted to a particular customer. All the invoices furnished by the contractor contained 421240 as customer number on them. However, HPCL confirmed that the particular contractor became customer of the company only in May 2007 and was allotted customer number as 13273900.
- HPCL used 'Asphalt 60/70' as the product code for sale of Bitumen (60/70) in invoices, whereas, invoices furnished by the contractor contained 'HP BITMIN (60/70)' as the product code on them.
- Out of 352 invoices, 41 invoices, shown to have been issued between March 2007 and February 2008, were submitted against procurement of 392.695 MT bitumen of grade 60/70 for Rs 1.07 crore. However, HPCL confirmed that, during the said period the particular grade of bitumen was not available in the depot.

Thus, all the 352 invoices submitted by the contractor were fake and forged as these were not issued by HPCL. The concerned divisions failed to verify the genuineness of the invoices and allowed (upto June 2008) payment of Rs 6.15 crore against these invoices.

3.5.4.4 *Payment against invoices depicting nomenclature different from that used by HPCL*

In pre-VAT regime (prior to 31 March 2006) HPCL used nomenclature 'Invoice', whereas, in post VAT regime, the nomenclature was changed to

⁵⁸ RCD, Giridih, Jamshedpur and Jamtara, RWD, Giridih, Hazaribagh, Jamshedpur, Koderma and Lohardaga.

‘Tax Invoice’. In RCD, Daltonganj and RWD, Jamshedpur, 12 invoices, shown to have been issued by HPCL, in support of procurement of 208.398 MT bitumen valued at Rs 42.87 lakh, were submitted (between April 2002 and March 2007) by two contractors. Of these, eight invoices valued at Rs 33.94 lakh were marked as “Tax Invoice” although they pertained to pre-VAT regime. Similarly, four invoices valued at Rs 8.95 lakh were marked as “Invoice” though these pertained to post-VAT regime. The divisions failed to verify the genuineness of the invoices and allowed payment (October 2007) of Rs 42.87 lakh to the contractor against fake invoices.

3.5.4.5 *Payment against invoices not issued by HPCL*

In RCD, Daltonganj, 10 invoices, shown to have been issued on different dates in March 2007, for procurement of 203.868 MT bitumen valued at Rs 50.40 lakh were submitted by a contractor for utilization in construction of Balumath-Herganj-Panki Road. Cross verification with the list of invoices issued by HPCL, confirmed that the above invoices were not issued by HPCL. Further, the invoices submitted by the contractor were not printed on a DOT Matrix printer though HPCL issued invoices printed only on DOT Matrix printer as the format of invoices being used by HPCL could not be printed on any other printer. The division failed to verify the genuineness of the invoices and allowed payment (October 2007) of Rs 50.40 lakh to the contractor against these fake invoices.

3.5.4.6 *Payment against invoices not issued to the contractor*

A contractor was paid Rs 8.42 crore for procurement of 4,898.08 MT bitumen against invoices issued in the name of another contractor. Further, payment was also made against re-print and original copies of same invoices

In RCD, Jamshedpur, two works (widening and strengthening of Kandra-Saraikela road from 0.00 to 23.107 km and ‘four laning’ of Adityapur-Kandra road from 0.00 to 15.50 km) were allotted (2004-05) to a contractor ‘X’ of Kolkata. Against estimated requirement of 5,000 MT bitumen, the contractor was issued authorisation (March 2005) for procurement of only 2,500 MT bitumen. Scrutiny revealed that the contractor submitted (December 2004 to March 2008) 327 invoices valued at Rs 8.62 crore for procurement of 4,898.08 MT bitumen. However, utilization of 5,183.514 MT bitumen was recorded in the measurement books. Scrutiny further revealed that all the 327 invoices were issued in the name of another contractor ‘Y’ of Ranchi and were, therefore, not admissible for payment. Re-printed copies of 27 invoices for procurement of 403.421 MT bitumen for Rs 73.28 lakh were used in the second work though original copies were used in first work. Thus, the procurement of 4,898.08 MT bitumen and excess utilisation shown were doubtful which resulted in payment of Rs 8.62 crore to a contractor against invoices not issued to him.

3.5.4.7 *Invoices meant for Orissa reimbursed in Jharkhand*

In RWD, Chakradharpur, a contractor submitted 11 invoices, issued (between December 2005 and November 2006) by Orissa Small Industries Corporation Ltd., Cuttak, in support of purchase of 129.889 MT bitumen worth Rs 31.17 lakh for utilisation in construction of road from Ankua to

Chiriyā Bazar and construction of PWD road to Sagjori road. Cross verification (June 2008) of the invoices with the records of sales tax authorities of Orissa revealed that the particular sale was an intra-State sale which could not be made on authorization letter issued by EE, RWD, Chakradharpur. However, the division allowed payment (December 2006) of Rs 31.17 lakh against invoices issued by a company not authorized by the Government of Jharkhand.

3.5.4.8 Payment on spare/photocopy of invoices

Transporters', assesses', crossed, reprint and photo copies of invoices, though not admissible, were admitted by EEs for payment of Rs 15.02 crore

As per Sub-Rule 3 under Rule 11 of Central Excise Rule 2002, the invoices are prepared in triplicate *i.e.* (i) Original for buyer, (ii) Duplicate for transporter and (iii) Triplicate for assessee. As stated by IOCL (April 2008), the "crossed/reprint"⁵⁹ copies of invoices were extra copies and not meant for customers for claiming payment.

In 13 divisions⁶⁰, Rs 12.59 crore was paid (between 2002-03 and 2006-07) against procurement of 6,211.185 MT bitumen for 110 bituminous works. Of the 601 invoices submitted, 311 were crossed, 104 reprint and 186 duplicate, against which claims for payment can not be entertained. The divisions failed to exercise the mandatory checks and allowed payment of Rs 12.59 crore against such invoices. In RCD Jamshedpur and Chaibasa three contractors were paid (between August 2006 and November 2007) Rs 2.43 crore for widening and strengthening of Saraikella-Chaibasa road in Km 38 to 58 against 120 invoices exhibiting procurement of 1,292.418 MT bitumen. Scrutiny revealed that all these invoices were photocopies of the original or/and duplicate or/and triplicate or/and crossed or/and reprint. Further, original copies of six out of 120 invoices for 134.294 MT bitumen worth Rs 21.46 lakh were also used in construction of Hata-Musabani road under RCD, Chaibasa.

3.5.5 Other points of interest

- In RWD Hazaribag and Koderma, test check of MBs in respect of two works disclosed that 50.643 MT bitumen worth Rs 11.89 lakh were shown to have been utilized prior to its procurement from HPCL (*Appendix- 3.31*).
- In RCD, Sahebganj, 166.057 MT bitumen was shown utilized in three works and Rs 1.03 crore was paid (March 2006) to the contractor. However, neither the invoice(s) in support of procurement of bitumen nor the required physical verification report of EE/AE were on record raising serious doubt about procurement of the bitumen.
- Under RCD, Gumla 315.19 MT bitumen was required for "Special repair work" of Koderma-Bero Road (1 to 23 Km). First authority letter was issued (29 December 2006) by the division for procurement of 100 MT bitumen and the second for 200 MT in February 2007.

⁵⁹ Spare copy shown as crossed/reprint, if issued on the request of the contractor, cannot be used for claiming payment.

⁶⁰ RWD: Chatra, Giridih, Hazaribag, Jamshedpur, Jamtara and Koderma;
RCD: Chatra, Chaibasa, Daltonganj, Giridih, Hazaribag, Jamshedpur and Jamtara.

Further scrutiny revealed that the contractor procured 301.92 MT bitumen, of which, 98.508 MT valued Rs 24.54 lakh was actually procured between 17 and 29 December 2006 *i.e.* prior to issue of the first authority letter. The procurement of bitumen worth Rs 24.54 lakh prior to issue of authority letter was doubtful and needed investigation.

3.5.6 Absence of internal control

The divisions were required to verify the invoices and to ensure cross verification of the quantity of required bitumen procured with quantity of bitumen utilised in work as recorded in the measurement books. Though, the system was in place to monitor the mandatory checks exercised by the divisions, the division failed to follow the system. The controlling authorities of the Departments failed to detect the deficiencies and failures in adherence to the rules by the divisions resulting in payment against fraudulent claims. Although, large scale misappropriation/loss/shortage of bitumen was reported in Comptroller and Auditor General's Audit Reports (Civil)-Government of Bihar for the years ended 31 March 1996 and 1997, audit found recurrence of serious failures.

3.5.7 Conclusion

The failure of the divisions to undertake the required checks and verifications of invoices in support of procurement of bitumen, its quantity, quality and specification resulted in payment of Rs 40.94 crore against fake/inadmissible invoices. Further, in other cases payment of Rs 1.28 crore was made against works without mandatory submission of invoices. The designated officials failed to detect subversion of the procedures and system by the divisional officers.

3.5.8 Recommendations

The Government may institute a mechanism to:

- identify lacunae in the existing system and identify the gaps which facilitated fraud in the procurement system and fix responsibility on the persons involved;
- investigate the fraud by thorough review of all divisions which issued authority letters to oil companies for procurement of bitumen; and
- establish the linkages between the authorities issued for procurement of bitumen, quantity received at work site and consumption of bitumen in road works and quality of roads constructed and its present state.

The matter was referred to the Government (August 2008) and discussed with Secretaries RCD and RWD in October 2008 in exit conference, their reply had not been received (December 2008).