

Chapter-1

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments and autonomous bodies.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with. On the other hand, performance audit examines whether the objectives of a programme/activity/department have been achieved economically, efficiently and effectively.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-2 of this report contains findings arising out of performance audit of selected programmes/activities/departments. Chapter-3 contains our observations on District Centric Audit of Palamu. Chapter-4 presents the findings of Chief Controlling Officer-based audit of the working of Animal Husbandry and Fisheries Department. Chapter-5 contains observations on compliance audit in Government departments.

1.2 Audited entity profile

There are 43 departments in the State at the Secretariat level, headed by Secretaries/Principal Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them which are audited by the Principal Accountant General (Audit), Jharkhand. There are 112 Autonomous Bodies under the control of various Government Departments. Moreover, there are 4,706 Panchayati Raj Institutions (PRIs) and 39 Urban Local Bodies (ULBs) in the State.

The expenditure incurred by the Government during the year 2011-12 vis-à-vis the previous year is given in Table-1.

Table-1: Summary of Current Year's Fiscal Transactions

(₹ in crore)

2010-11	Receipts	2011-12	2010-11	Disbursements	2011-12		
Section-A: Revenue					Non-plan	Plan	Total
18781.12	Revenue Receipts	22419.45	17944.74	Revenue Expenditure	13345.30	7646.28	20991.58
5716.63	Tax revenue	6953.89	6990.80	General Services	7399.49	446.07	7845.56
2802.89	Non-Tax revenue	3038.22	6707.30	Social Services	3728.14	3558.89	7287.03
6154.35	Share of Union Taxes/ Duties	7169.93	4246.47	Economic Services	2217.67	3641.32	5858.99
4107.25	Grants from Government of India	5257.41	0.17	Grants-in-aid and Contributions	--	--	--
Section-B: Capital							
-	Misc. Capital Receipts	-	2664.30	Capital Outlay	47.88	3111.49	3159.37
24.12	Recoveries of Loans and Advances	23.42	307.56	Loans and Advances disbursed	31.21	185.89	217.11
1.39	Inter State Settlement						
2446.51	Public Debt Receipts *	2671.23	1299.43	Repayment of Public Debt	-	-	1639.01
-	Transfers to Contingency Fund	-	-	Expenditure from Contingency Fund	-	-	-
7721.42	Public Account Receipts	10813.40	7399.85	Public Account Disbursements			9727.77
640.91*	Opening Cash Balance	(-)0.41	-	Inter State Settlement			75.40
			(-)0.41	Closing Cash Balance			116.85
29615.47	Total	35927.09	29615.47	Total	13424.40	10943.66	35927.09

Source: Finance Accounts for the years 2010-11 and 2011-12.

*Excluding net transactions under Ways and Means advances and overdraft.

1.3 Authority for audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, C&AG conducts audit of expenditure of the Departments of Government of Jharkhand under Section 13¹ of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of 23 autonomous bodies which are audited under sections 19(2)² and 20(1)³ of the C&AG's (DPC) Act. In addition, C&AG also conducts audit of 89 other autonomous bodies, under Section 14⁴ of C&AG's (DPC) Act, which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and Regulations on Audit and Accounts, 2007 issued by the C&AG.

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts.

² Audit of the accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

³ Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government.

⁴ Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ 1 crore.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments of Government based on expenditure incurred, criticality/complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments. The departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Significant audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report, which are forwarded to the concerned administrative departments/Government for their replies/comments within six weeks. In case of non-receipt of the reply or if the reply furnished by the departments/Government is not satisfactory, the draft paragraphs are included in the Audit Report and finally submitted to the Governor of the State under Article 151 of the Constitution of India for causing them to be laid on the Table of the State Legislature.

During 2011-12, in the General, Social and Economic (non-PSU) Sectors 5,053 party-days were utilised to carry out audit of 527 units and to conduct six performance audit reviews and audit of various departments. The audit plan covered those units⁵/entities which were vulnerable to significant risk as per our assessment.

1.5 Significant audit observations

Audit has reported on several significant deficiencies in implementation of various programmes/activities through performance audits, district centric audit and Chief Controlling Officer based audit, which impact the success of programmes and functioning of the departments. Similarly, the deficiencies noticed during compliance audit of the Government departments/organisations were also reported upon.

1.5.1 Performance audit

1.5.1.1 Tribal Welfare Programmes in Meso Areas

For socio-economic upliftment and protection of tribals in the State, the Central scheme, "Special Central Assistance (SCA) to Tribal Sub-Plan (TSP)" was grouped into 15 Integrated Tribal Development Projects (ITDPs) covering 13 districts fully and two districts partially which are locally known as Meso areas. During performance audit, the following was observed:

- In February 2009, the State Government decided to strengthen and re-organise the ITDPs into Integrated Tribal Development Agencies (ITDAs) for comprehensive planning and integration of TSP at district level. The ITDAs were registered only in February 2011 and the proposed

⁵ Economic (Non-PSU) and General Sectors:87, Social Sector:440.

reorganisation had not been completed as of December 2012. As a result, Perspective Plans for the Meso Areas were not prepared.

- GoI provides 100 *per cent* financial assistance for SCA to TSP and grants under Article 275 (1) of the Constitution. During the period 2007-12, GoI released ₹ 559 crore, against which ₹ 557 crore was disbursed to the Tribal Welfare Commissioner (TWC). Utilisation certificates (UCs) were submitted to GoI without ascertaining the end-use of funds in the ITDAs and implementing agencies, as reflected from large amount of unspent balances lying with the TWC, Sampled ITDAs and implementing agencies.
- While Central funds of ₹ 19.47 crore could not be drawn during 2011-12 due to non-submission of DC bills against funds already drawn on abstract contingent bills, the TWC had drawn (March 2012) Central funds of ₹ 91.81 crore for depositing in Personal Ledger account.
- In the sampled ITDAs, 167 schemes (92 *per cent*) were incomplete out of 181 schemes sanctioned under Prototype schemes.
- Against 90 sanctioned posts of various categories, persons in position (as on 1st July 2012) were 45 i.e. 50 *per cent*. The posts of Additional Project Director and Assistant Project Manager were vacant since creation of ITDAs in February 2009.
- Monitoring and Evaluation Cell at the State Level in the Department was not functional though it was reconstituted in February 2011.

(Paragraph 2.1)

1.5.1.2 Implementation of Jawaharlal Nehru National Urban Renewal Mission

Government of India (GoI) launched the Jawaharlal Nehru National Urban Renewal Mission (JNNURM) on 3 December 2005, to be implemented over a period of seven years (2005-12) with the aim to provide an enabling environment for the growth of the cities.

A performance audit on JNNURM was conducted and the following was observed:

- Out of the total 31 reforms committed in the Memorandum of Agreement (MoA) executed with the GoI by the State Government/ULBs only 22 were implemented fully, seven were partly implemented while two were yet to be implemented. Due to non-implementation/part implementation of reforms, *inter alia*, the second installment of Additional Central Assistance (ACA) to the tune of ₹ 39.39 crore was not released by the GoI.
- Against the available funds of ₹ 589.20 crore, only ₹ 326.51 crore (55.42 *per cent*) could be utilised under JNNURM projects.
- Procurement /supply of 900 mm dia pipes in excess of the requirement as per Bill of Quantity (BoQ), entailed excess/unauthorised payment to the

tune of ₹ 8.21 crore to the contractor in case of Ranchi Water Supply project.

- Rupees 22.48 lakh was defalcated in Gumla under IHSDP on account of purchase of street lighting material against fake invoices.

(Paragraph 2.2)

1.5.1.3 Creation of Irrigation potential in Jharkhand under Accelerated Irrigation Benefit Programme (AIBP)

The audit on Creation of Irrigation potential under Accelerated Irrigation Benefit Programme (AIBP) revealed the following:

- The programme had failed to achieve its targeted objective of accelerating completion of ongoing irrigation projects and delivery of the benefits of irrigation water to the farmers even after lapse of more than five to twelve years since its inception.
- Against the target of creating irrigation potential of 1.20 lakh ha, irrigation potential of only 0.45 lakh ha could be created by the State as of March 2012.
- Major and medium irrigation projects suffered heavily due to slow pace of implementation due to delay in land acquisition and the required survey. Progress of minor irrigation projects were also disrupted due to delay in tendering process and slow pace of work.
- The test-checked divisions could not utilise 33 *per cent* of the allotted funds. Even the irrigation potential created under AIBP projects was not being fully utilised due to non-maintenance of completed medium irrigation projects and non-installation of micro lifts in minor irrigation projects.
- Monitoring of the projects was not effective.

(Paragraph 2.3)

1.5.1.4 Construction of Panchayat Bhawans

The audit on Construction of Panchayat Bhawans (PBs) revealed the following deficiencies:

As against 4,423 PBs, 2,694 PBs were not yet completed/taken up as on June 2012. Instances of ineffective planning, financial mismanagement and absence of regular supervision and monitoring of the schemes at various levels were observed. Moreover, some PBs, though already constructed, were either not handed over or were not being used for the purposes for which they were constructed. Thus, the objective to provide PBs in all the Gram Panchayats of the State as facilitation centres to aid local governance remained unfulfilled.

(Paragraph 2.4)

1.5.2 District centric audit of Palamu

The District-Centric Audit of Palamu aimed to focus on devolution of finances and implementation of significant socio-economic development programmes in the district. The Audit covered implementation of *Sampurna Gram Swarojgar Yojana* (SGSY), *Indira Awaas Yojana* (IAY), *Sarva Shiksha Abhiyan* (SSA), Mid-day Meal (MDM) Programme, National Rural Health Mission (NRHM), Integrated Child Development Services (ICDS), Disaster Management, Drinking Water & Sanitation, State Roads and Modernisation of Police Force (MoPF). Significant audit findings are narrated below:

- There is no mechanism in vogue to capture the entire sector-wise funds flow in the district in an aggregated manner at any given point of time. The District Planning Committee met only once and its functioning remained perfunctory and incomplete. Five year Perspective Plans as well as the Annual Action Plans for the district were not prepared. Transfer of funds, functions and functionaries to Panchayati Raj Institutions (PRIs), as envisaged in the Act, was also not done (December 2012).
- Despite intervention of SSA, a large number of children remained out of school and Pupil-Teacher Ratio (PTR) was below the prescribed norm.
- In implementation of MDM, 1,974.79 MT of rice valuing ₹ 4.12 crore was not taken into stock of schools, though shown issued by SFC godowns. Diversion of MDM rice to other schemes and misutilisation of cooking funds were also noticed.
- Even after implementation of National Rural Health Mission (NRHM) there were shortages of health care centres at district, block and village levels compared to the norms of NRHM. Infrastructural facilities for health care services in the health care centres were inadequate. Institutional delivery was only 40 *per cent* of the total number of women registered during 2009-12.
- In implementation of Supplementary Nutrition Programme (SNP) under Integrated Child Development Services (ICDS), most of Anganwadi Centres (AWCs), had no basic facilities like toilets, drinking water etc.
- In Drinking Water & Sanitation Division two piped water supply schemes for a population of 75,000 were stopped midway after incurring an expenditure of ₹ 19.17 crore on procurement of pipes was rendered unfruitful. There was infructuous expenditure of ₹ 7.01 crore due to defunct fluoride removal attachment units.
- Under RGGVY, only 668 villages out of 1,457 villages were electrified.
- Phasing out of old and outdated weapons of the police force in Palamu district was not done.

(Paragraph 3.1)

1.5.3 Working of Animal Husbandry and Fisheries Department

Animal Husbandry and Fisheries Department of the Government of Jharkhand is responsible for treatment, vaccination, castration, artificial insemination of animals as well as to ensure increase in production of milk, meat, eggs and wool in the State. Chief Controlling Officer based audit of Animal Husbandry and Dairy Development Directorates revealed the following:

- There were only 451 Veterinary Hospitals in the State against 1,756 hospitals required as per norms of the National Commission on Agriculture. Infrastructure in veterinary hospitals/dispensaries was not adequate. Besides, there were shortages (32 per cent) of veterinary doctors.
- There were large savings of Plan funds and rush of expenditure in the month of March, mainly due to delays in allotment of funds.
- Government did not synchronise the distribution of goats and creation of goat sheds for goat rearing by the proposed beneficiaries. Funds meant for procurement of goats were diverted.
- Under milch cattle induction programme, against the target of 3,670 units, only 2,611 units (71 per cent) were established during 2007-11 in the test-checked districts.
- Jharkhand Dairy Project (JDP) managed (under MoU) by National Dairy Development Board (NDDDB) could cover only three out of targeted 12 districts for procurement and processing of milk after incurring expenditure of ₹ 11.10 crore during the period 2008-12.

(Paragraph 4.1)

1.5.4 Compliance Audit

1.5.4.1 Non-compliance with Rules, Orders, etc.

For sound financial administration and control, it is essential that expenditure conforms to financial rules, regulations and orders issued by the competent authority. This not only prevents irregularities, misappropriation and frauds, but helps in maintaining good financial discipline. This report contains instances of non-compliance with rules involving ₹ 55.20 crore. Some audit findings are as under:

- Allowance of excess time for completion of road work in violation of Government orders resulted in inclusion of price adjustment clause in the agreement and consequential avoidable expenditure of ₹ 6.25 crore.

(Paragraph 5.1.1)

- The Department allowed execution of a work valued at ₹ 47.53 crore with provision for escalation and mobilisation advances to a contractor who had quoted the price against an NIT with conditions for non-payment of price

escalation and mobilisation advances. This was in violation of the Government orders to ensure right to equal opportunity to the tenderers.

(Paragraph 5.1.2)

- Non-adherence to the codal provisions by the departments regarding grant of temporary advances and their adjustments led to non-recovery of Government money worth ₹ 48.34 lakh.

(Paragraph 5.1.3)

- Sanction of House Rent Allowance higher than the entitled limit resulted in inadmissible payment of ₹ 70.87 lakh and Transport Allowance amounting to ₹ 23.18 lakh.

(Paragraph 5.1.4)

1.5.4.2 *Audit against propriety/expenditure without justification*

Authorisation of expenditure from public funds has to be guided by the principles of propriety and efficiency of public expenditure. Authorities empowered to incur expenditure are expected to enforce the same vigilance as a person of ordinary prudence would exercise in respect of his own money and should enforce financial order and strict economy at every step. Audit has detected instances of impropriety and extra expenditure involving ₹ 10.47 crore as detailed under:

- Non-adherence to the Government directives in the terms and conditions of the contract led to undue financial benefit to a contractor due to payment of inadmissible amount of ₹ 6.77 crore.

(Paragraph 5.2.1)

- Non-adherence to the condition of the agreements and orders of the higher authority led to undue financial aid of ₹ 1.08 crore to the contractor by payment for drawings and designs of Bhairwa and Kesho Reservoir schemes for residual works.

(Paragraph 5.2.2)

- Unfruitful expenditure of ₹ 1.02 crore was incurred on a high level bridge due to taking up the work without acquisition of land for approach road.

(Paragraph 5.2.3)

- Failure of the Executive Engineer (EE) to take timely action resulted in unfruitful expenditure of ₹ 1.34 crore besides non-recovery of liquidated damages of ₹ 25.50 lakh.

(Paragraph 5.2.4)

1.5.4.3 Failure of oversight/governance

The Government has an obligation to improve the quality of life of the people for which it works towards fulfillment of certain goals in the area of health, education, development and upgradation of infrastructure and public services etc. However, Audit noticed instances where the funds released by the Government for creating public assets for the benefit of the community remained unutilised/blocked and/or proved unfruitful/unproductive due to indecisiveness, lack of administrative oversight and concerted action at various levels involving ₹ 15.76 crore. Such cases are mentioned below:

- Advance made to South Eastern Railway in contravention to the codal provision/Government order, without approval/acceptance of estimate of a Road Over-Bridge proposed to be constructed on cost sharing basis resulted in blocking of government money amounting to ₹ 7.37 crore besides loss of interest of ₹ 2.30 crore.

(Paragraph 5.3.1)

- Due to lack of preparedness and planning of erection and assembly of bailey bridges in the event of a disaster, the Department failed to provide connectivity through bailey bridges even after spending a sum of ₹ 6.09 crore.

(Paragraph 5.3.2)

1.5.4.4 Persistent and pervasive irregularities

An irregularity is considered persistent if it occurs year after year. It becomes pervasive when it is prevailing in the entire system. Recurrence of irregularities, despite being pointed out in earlier audits, is not only indicative of non-seriousness on the part of the Executive, but is also an indication of lack of effective monitoring. This, in turn, encourages willful deviations from observance of rules/regulation and results in weakening of the administrative structure. Audit observed the following:

- Short raising of demand for Penal Compensatory Afforestation and Net Present Value led to short realisation cost of Penal Compensatory Afforestation of ₹ 65.34 lakh and Net Present Value of ₹ 80 lakh.

(Paragraph 5.4.1)

1.6 Recoveries at the instance of audit

During 2011-12, at the instance of audit, ₹ 20.64 lakh was recovered in 26 cases. In addition, DFO, Saranda Forest Division, West Singhbhum had realised (September 2012) the amount of NPV for ₹ 17.20 crore at the instance of audit.

1.7 Lack of responsiveness of Government to Audit***Outstanding Inspection Reports***

The Principal Accountant General (Audit) arranges to conduct periodical audit inspections of Government departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). Half-yearly reports of pending IRs are sent to the Secretaries of the departments concerned to facilitate monitoring of the audit observations and their disposals. The Heads of offices and the next higher authorities are required to comply with the observations contained in the IRs and rectify the defects promptly and report their compliance to the Principal Accountant General (Audit).

As of 30 June 2012, 2,819 IRs containing 17,857 paragraphs pertaining to the period 2002-12 were pending. The year-wise break-up of these IRs and paragraphs is indicated in *Appendix-1.1*. Of these, first replies had not been received in respect of 6,682 paragraphs in 921 IRs.

The status of pendency of IRs/paragraphs at the end of June 2010, June 2011 and June 2012 is shown in **Table -2**:

Table-2: Position of outstanding IRs/Paragraphs

Items	Pending as at the end of		
	June 2010	June 2011	June 2012
Number of IRs	3658⁶	3286	2819
Number of paragraphs	20047	18962	17857

Lack of action on audit IRs and paragraphs is fraught with the risk of perpetuating serious financial irregularities pointed out in these reports, dilution of internal controls in the process of governance, inefficient and ineffective delivery of public goods, fraud, corruption and loss to public exchequer.

The Secretaries, who were informed of the position through half yearly reports, could not ensure prompt and timely action by the concerned officers.

1.8 Response of the Departments to Draft Audit Paragraphs

During 2012-13, 11 draft paragraphs and six draft performance audits/District Centric audit/CCO based audit/long draft paragraphs were forwarded to the Principal Secretaries/Secretaries of the Departments concerned, drawing their attention to the audit findings and requesting them to send their response within six weeks. It was brought to their personal attention that in view of the likely inclusion of these paragraphs in the Audit Report of the Comptroller and Auditor General of India, which would be placed before the State Legislature, it would be desirable to include their comments/responses to the audit findings. Despite this, Government replies in respect of five draft paragraphs and three reviews/ long draft paragraphs have not been received. The responses of the departments, where received, have been appropriately incorporated in the Report.

⁶ The number of pending IRs and paragraphs decreased.

1.9 Follow-up on Audit Reports

Non-submission of Explanatory (Action taken) Notes

The Manual of Instructions (1998) of the Finance Department, Government of Bihar (as adopted by Government of Jharkhand) envisaged that the Secretaries to Government of the concerned departments were required to submit explanatory notes to the Assembly Secretariat on paras and reviews included in the Audit Report (AR) duly vetted by Audit, within two months from the date of presentation of the ARs before the Legislature without waiting for any notice or call from the Public Accounts Committee (PAC) and indicate therein, the circumstances and reasons for occurrence of such irregularities and deviations from the prescribed norms and the action proposed to be taken or taken thereagainst.

Further, Regulation 213 of the Regulations on Audit and Accounts (November 2007) envisaged that in the Union, the States and the Union Territories having legislative assemblies where Legislative Committees were functioning or where the Government desired the Comptroller and Auditor General to vet the Action Taken Notes (ATN), the Secretaries to the Government of the concerned departments should send two copies of draft self-explanatory Action Taken Notes to the Principal Accountant General (Audit) for vetting along with the relevant files and documents for which the explanatory notes have been formulated, properly referenced and linked. This was to be done within such a period of time as may be decided for submission of self-explanatory Action Taken Notes prescribed by the PAC.

It was noticed that as of December 2012, 13 departments⁷ did not submit any compliance or explanatory/Action Taken notes in respect of 128 out of 271 paragraphs/ reviews included in the Audit Reports for the years 2000-01 to 2010-11 and presented to the Legislature up to December 2012.

Action not taken on recommendations of the Public Accounts Committee

As per the Manual of Instructions for settlement of paragraphs featured in the Audit Reports of the Comptroller and Auditor General of India, departments are required to furnish the Action Taken Notes (ATNs) to the PAC within two months from the date of recommendations made by the PAC in their report.

It was noticed that as of December 2012, 201 paragraphs were discussed by the PAC and recommendations were made against 31 paragraphs between November 2000 and February 2013. Of these, ATNs were received only in 11 cases, as of December 2012.

1.10 Status of placement of Separate Audit Reports of Autonomous Bodies in the State Legislature

No Separate Audit Reports of Autonomous Bodies were placed in the State Assembly during 2011-12.

⁷ Animal Husbandry & Fisheries; Art, Culture, Sports & Youth Affairs; Cabinet Secretariat Co-ordination (Election); Cabinet (Vigilance); Disaster Management; Energy; Food, Civil Supply & Consumer Affairs; Housing; Home (Jail); Labour Employment & Training; Public Health Engineering; Raj Bhasha and Tourism Departments.