OVERVIEW

The Report includes four chapters containing four performance audit reviews, two long paragraphs, 24 transaction audit paragraphs and a report on integrated audit of the Disaster Management Department.

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

Audit comments on the performance of some Government departments and programmes as well as the working of the Disaster Management Department are given below:

1. Performance audit of Afforestation and Compensatory Afforestation Fund Management and Planning Authority

The Department of Forest and Environment (DoF&E), Government of Jharkhand is responsible for implementation of the National Forest Policy, 1988 through various schemes. Schemes for maintenance and development of natural forests were undertaken by the department, but these resulted only in limited success in the State due to irregularities in their implementation such as improper selection of sites, plantation of banned species, high mortality rate in the plantations etc. Working Plans of some divisions were not prepared. The budget estimates were not realistic and the funds available were not fully utilised. While sizeable areas of forest land were transferred for non-forest purposes, there was no concerted effort to compensate the losses through compensatory afforestation schemes, for which funds were available. The Net Present Value of transferred forest land and the cost of compensatory afforestation were neither demanded from user agencies nor realised. Adequate land for compensatory afforestation was not made available to the department by the user agencies. The internal control system and the monitoring mechanism were ineffective.

[Paragraph 1.1]

2. National Rural Health Mission

The National Rural Health Mission (NRHM) was launched by the Government of India in April 2005. It aimed at strengthening rural health care institutions by provision of infrastructure facilities and funds. A review of the implementation of the National Rural Health Mission in the State revealed improvement in flow of funds to rural health institutions and better health awareness among the rural population. However, the objectives of NRHM were not achieved due to lack of surveys, effective community participation, basic infrastructure, sufficient medicines and other equipment and adequate human resources. The programmes of various societies at the State and district levels were not integrated. Reproductive health care services were at a nascent stage. Targets under the different National Disease Control Programmes were partially achieved due to incomplete coverage. The department did not have an internal audit wing or a vigilance wing. There was no mechanism for redressal of grievances and evaluation of deficiencies.

[Paragraph 1.2]

3. Modernisation of Police Force

The scheme of Modernisation of Police Force was launched by the Ministry of Home Affairs, Government of India to augment the operational efficiency of the State police force to effectively face the emerging challenges to internal security. Implementation of the scheme in the State suffered mainly due to deficient planning and inadequate monitoring. The Perspective Plan was not prepared and there were delays in preparation of Annual Action Plans. Construction of non-residential and residential buildings was not given due priority and funds were blocked with the Jharkhand Police Housing Corporation Limited. Inadequate infrastructure and requisite facilities in the police stations adversely affected the field policing. There were large scale deficiencies in all sectors *viz.*, housing, mobility, training, weaponry, communication, manpower management etc. Monitoring of the implementation of the scheme was weak.

[Paragraph 1.3]

4. Jharkhand Renewable Energy Development Agency

The Jharkhand Renewable Energy Development Agency was set up in February 2001 under the Energy Department, Government of Jharkhand to explore, exploit, promote and popularise new and renewable energy sources through planning, investigation, research and development, field testing, demonstration and by offering incentives to users in the form of subsidy.

The Agency failed to achieve its main objective of exploring and exploiting new and renewable energy sources available in the State. It did not prepare any long term Plan. Annual Plans were prepared on ad hoc basis. There were serious deficiencies in programme implementation, including major shortfalls in achievement of targets. Non-adherence to financial rules led to financial mismanagement and irregularities. The Agency failed to undertake research and development work in the field of renewable technology. The monitoring mechanism for programme implementation was deficient.

[Paragraph 1.4]

5. Din Dayal Awas Yojana

The Government of Jharkhand launched (June 2004) the Din Dayal Awas Yojana (DDAY) which aimed at construction of five lakh houses for the rural populace below the poverty line. The scheme was mainly financed by a loan of Rs 500 crore from the Housing and Urban Development Corporation. . The execution of the scheme was tardy as the houses which were to be completed within 2004-05 were still not complete. Some beneficiaries got benefits under both the Indira Awas Yojana and DDAY, which was not permissible. Release of funds amounting to Rs 134.01 crore to implementing agencies was delayed, by the Jharkhand State Housing Board, resulting in avoidable payment of interest of Rs 3.32 crore.

[Paragraph 1.5]

6. Transaction Audit Findings

The audit of financial transactions, subject to test check, in various departments of the Government and their field units, revealed instances of losses, suspected misappropriation, wasteful expenditure, avoidable payment, unfruitful expenditure *etc.* as mentioned below:

- Misappropriation and loss of Government money of Rs 63.06 crore was noticed in the Rural Development Department (Rs 30.44 crore), Health, Medical Education and Family Welfare Department (Rs 29.42 crore), Welfare Department (Rs 3.13 crore), Water Resources Department (Rs five lakh) and Agriculture and Sugarcane Development Department (Rs 2.10 lakh).

[Paragraph 2.1]

- Excess/infructuous expenditure amounting to Rs 24.60 crore was noticed in the Water Resources Department (Rs 13.57 crore), Agriculture and Sugarcane Development Department (Rs 6.30 crore) and Road Construction Department (Rs 4.73 crore).

[Paragraph 2.2]

- Cases of unfruitful expenditure amounting to Rs 18.32 crore were noticed in the Urban Development Department (Rs 10.97 crore), Rural Works Department (Rs 3.99 crore), Agriculture and Sugarcane Development Department (Rs 1.60 crore), Health, Medical Education and Family Welfare Department (Rs 1.15 crore) and Drinking Water and Sanitation Department (Rs 61.03 lakh).

[Paragraph 2.3]

- Cases of blocking of funds amounting to Rs 17.40 crore, were noticed in the Water Resources Department (Rs 10.48 crore) Welfare Department (Rs four crore) and Health, Medical Education and Family Welfare Department (Rs 2.92 crore).

[Paragraph 2.4]

- Unauthorised expenditure were noticed in the Civil Aviation Department (Rs 28.53 crore) and Health, Medical Education and Family Welfare Department (Rs 5.47 crore).

[Paragraph 2.5]

7. Integrated Audit of Disaster Management Department

The Disaster Management Department was created with the responsibility of planning, mitigation, preparedness, response, relief and rehabilitation, to deal with any disaster. Provision of a Calamity Relief Fund was made by the Government of India for financial assistance to the State. An integrated audit of the department disclosed weak financial management, failure to adhere to the provisions of the Disaster Management Act, failure to establish the mandatory authorities and funds, poor implementation of programmes, shortage of staff, absence of training for capacity building and lack of monitoring and evaluation. A Disaster Management Plan was not prepared and the Disaster Management Authority was not created. Financial management was deficient and the Disaster Response Fund and the Disaster Mitigation Fund were not established. A total amount of Rs 7.96 crore from the Calamity Relief Fund was irregularly retained by subordinate officers.

[Paragraph 3.1]

8. Government Companies and Statutory Corporation

Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. The accounts of the State Government Companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2009, the State of Jharkhand had 10 working PSUs including a Statutory Corporation, which employed 9,010 employees. These PSUs registered a turnover of Rs 1,552.32 crore for 2008-09 as per the latest finalised accounts. This turnover was equal to 2.05 *per cent* of State GDP indicating insignificant place in the State economy. The PSUs incurred a loss of Rs 122.03 crore and had accumulated losses of Rs 269.30 crore as per their latest finalised accounts.

Investment in PSUs

As on 31 March 2009, the investment (capital and long term loans) in 10 PSUs was Rs 3,910.70 crore. It grew by 680.36 *per cent* from Rs 501.14 crore in 2003-04 to Rs 3,910.70 crore in 2008-09. The thrust of PSU investment was mainly in the power sector which accounted for 99.08 *per cent* of total investment in 2008-09. The Government contributed Rs 315.31 crore towards equity, loans and grants during 2008-09.

Performance of PSUs

As per latest finalised accounts, four PSUs incurred loss of Rs 122.78 crore and three PSUs earned profit of Rs 0.76 crore. The major loss making Corporation/Company were Jharkhand State Electricity Board (Rs 49.45 crore) and Tenughat Vidyut Nigam Limited (Rs 70.94 crore).

The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of three latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs 1,894.39 crore which were controllable. There is tremendous scope to improve the functioning of PSUs and reduce losses. The PSUs can discharge their role efficiently if they are financially self reliant. There is a need for professionalism and accountability in functioning of PSUs.

Arrears in accounts

All the 10 PSUs had arrear of 47 accounts as of September 2009. The extent of arrears was one to 15 years. The major arrears of accounts were in respect of

TVNL (15 years) and JSEB (seven years). Arrears need to be cleared by setting targets for PSUs. The Government may consider setting up a separate cell to monitor the process of clearance of arrears of accounts. The work may be completed by outsourcing, if necessary.

Discussion of Audit Report by COPU

The paragraphs and reviews, which appeared in Audit Report (Civil and Commercial) are pending discussion by COPU since 2005-06.

[Paragraph 4.1]

9. Performance Audit on Implementation of Rajiv Gandhi Grameen Vidyutikaran Yojana by Jharkhand State Electricity Board

The Government of India (GOI) introduced Rajiv Gandhi Grameen Vidyutikaran Yojana (RGGVY) in March 2005. It aimed at providing access to electricity to all rural households and improving the rural electricity infrastructure by March 2009. In that direction GOI notified (August 2006) Rural Electrification Policy (REP) incorporating goal of quality and reliable power supply at reasonable rates, access to electricity for all households by the year 2009 and a minimum lifeline consumption of one unit per household per day by the year 2012.

Project Overview

Jharkhand State Electricity Board (Board) was amongst one of the three implementing agencies and was assigned the task of implementation of the scheme in six districts. The target for electrification was 6,878 villages comprising of 5,71,697 BPL connections. The work was divided into seven packages and sanctioned at a total cost of Rs 740.48 crore revised to Rs 1,101.04 crore. The work was awarded to four contractors on turnkey basis at a total contract price of Rs 999.94 crore and was scheduled for completion by June 2008. The work is yet to be completed and targets for the scheme were not achieved as the electrification of 71 *per cent* villages were achieved while for BPL connections the achievement was a dismal 30 *per cent*.

Planning

The Board assessed the power demand as 1250 MW in 2007-08 rising to 6,000 MW by 2011-12 after planned electrification of all the villages was complete. It planned to meet the demand by setting up new thermal power projects but even DPRs for the proposed projects were not prepared and funding arrangements for the proposed projects were never indicated.

Project Implementation

The scheme required deployment of franchisees for the management of rural distribution infrastructure and ensure the revenue sustainability. The Board had not appointed any franchisee though electrification of about 64 *per cent* of the villages was already completed.

Contract Management

The project suffered from poor contract management on the part of Board. The Board awarded the work of providing BPL connections at the cost of Rs 112.25 crore against the REC sanctioned amount of Rs 84.94 crore rendering the difference amount of Rs 27.31 crore non-reimbursable. Also only 1,69,106 BPL household were given service connections though 80 *per cent* of the sanctioned cost for BPL connections had already been paid to the contractors.

Monitoring and Reporting

The Board did not prepare the Quality Assurance Programme and the quality control mechanism of the MoP was not implemented.

Achievement of Objectives

A total of 6,878 villages were targeted to be electrified by the Board under the scheme but only 4,426 Villages were reported as electrified by the Board (June 2009) i.e., 64 *per cent* of the target of village electrification was claimed to be achieved. Out of 4,426 electrified villages only 2,913 villages were charged and remaining 1,513 villages were not charged for a period of one and 17 months and no connections were released for 1,311 villages which were reported to be electrified. Against the target of electrification of 4,047 public places, no electricity connection barring a few in one district was given. Against the target of providing access to electricity to the total 8,65,815 RHHs (including BPL) in the six districts only 1,69,106 RHHs (20 *per cent*) were electrified (June 2009) who were all BPL RHHs, against the target of 5,71,697 BPL households.

Conclusion

The objective of RGGVY was to provide access to electricity to all rural households and improving the rural electricity infrastructure by March 2009. The Board failed to deliver and the achievements were short of targets. Poor contract management and inadequate monitoring mechanism led to inadequacies in delivery. These inadequacies may lead the state to lose the capital subsidy for implementation of the scheme made available by GoI which could be converted into loans and burden the state with the huge loans and interest.

[Paragraph 4.2]

10. Transaction audit observations

Transaction audit observations included in this Report highlight deficiencies in the management of PSUs which have financial implications. The important irregularities pointed out are broadly of the following nature:

- Unplanned procurement and non installation of meters resulted in blocking of funds of Rs 5.41 crore with loss of interest of Rs 2.11 crore.

[Paragraph 4.4]

- Loss of interest of Rs 0.19 crore due to delay in realisation of security money and irregular grant of facility in payment of security money in installments.

[Paragraph 4.5]