

CHAPTER-IV

CHIEF CONTROLLING OFFICER BASED AUDIT OF A GOVERNMENT DEPARTMENT

4.1 FUNCTIONING OF BUILDING CONSTRUCTION DEPARTMENT

Highlights

The Building Construction Department of the Government of Jharkhand is responsible for construction and maintenance of all State Government buildings. A Chief Controlling Officer (CCO) based audit of the department disclosed non-preparation of plans, weak financial management, non-adherence to the provisions of the Jharkhand Public Works Department Code and Account Code, poor implementation of schemes, shortage of manpower, absence of training and lack of monitoring and internal control. The major findings of the review are as under:

The planning process of the department was not in accordance with the codal provisions.

(Paragraph 4.1.6)

Financial management was deficient as there were persistent savings and unnecessary supplementary grants during 2008-11.

(Paragraph 4.1.7.2)

Works were executed without according technical sanctions.

(Paragraph 4.1.8.1)

There were abnormal delays of up to 13 and 34 months respectively in finalisation of tenders and execution of agreements. Under the Plan head, an amount of ₹ 5.15 crore spent on incomplete works proved unfruitful.

(Paragraphs 4.1.8.2 and 4.1.8.4)

There were cases of irregular grant of time extension and execution of works without inviting tenders in newspapers.

(Paragraphs 4.1.8.9 and 4.1.8.10)

Establishment charges totalling ₹ 4.88 crore were not levied on other departments against the execution of deposit works.

(Paragraph 4.1.9.1)

There was shortage of technical and non-technical manpower in the department.

(Paragraph 4.1.10.1)

Periodic inspections of the divisions and sub-divisions were not conducted by the Superintending Engineers.

(Paragraph 4.1.12.1)

4.1.1 Introduction

The Building Construction Department (BCD) of the Government of Jharkhand is responsible for the preparation of designs and estimates, execution, supervision and monitoring of construction of Government buildings. The BCD is also

responsible for repairs, maintenance and restoration of Government residential and non-residential buildings under its control. Some of the major buildings which are being maintained by the BCD are the Vidhan Sabha, the Secretariat, the Raj Bhawan, the High Court and other court buildings, the residences of the Chief Minister and other Ministers, the District Collectorate buildings and other administrative buildings of the State. The department also undertakes deposit works of other departments/bodies of the State Government.

4.1.2 Organisational set-up

The department functions under the overall supervision of the Principal Secretary/Secretary, who is the Chief Controlling Officer (CCO), responsible for implementation of the programmes and schemes. For administrative functions, he is assisted by Deputy Secretaries and Under Secretaries while for technical functions, he is assisted by the Engineer-in-Chief (E-in-C), the Chief Engineer (CE), Superintending Engineers (SEs), Executive Engineers (EEs), Assistant Engineers (AEs) and Junior Engineers (JEs). There are four Circles under the department, comprising 26 divisions in addition to one Design Circle and a Directorate of Monitoring, Purchase and Evaluation. The organogram of the department is given in *Appendix-4.1*.

4.1.3 Audit objectives

The audit objectives were to assess whether:

- the planning process of the department was efficient and effective;
- the funds provided were adequate and the financial management was efficient;
- the implementation and execution of projects were efficient, effective and economical;
- the human resource management was efficient; and
- an effective monitoring system was in place and internal controls were adequate.

4.1.4 Audit criteria

The main criteria of the CCO based audit were as follows:

- Jharkhand Public Works Department (JPWD) Code;
- Jharkhand Budget Manual;
- Jharkhand Financial Rules;
- Jharkhand Public Works Account (JPWA) Code;
- Jharkhand Treasury Code;
- policies, Action Plan etc. of BCD; and
- relevant circulars, instructions, notifications etc. issued from time to time by the Government of Jharkhand.

4.1.5 Scope and methodology of audit

A CCO based audit to assess the effectiveness and efficiency of the functioning of the BCD covering the period from 2008-09 to 2010-11, was conducted between

April and July 2011. Out of 26 divisions, eight¹ were selected for test check through simple random sampling without replacement method. Besides this, records of the Secretariat, the offices of the CE and the Circles were examined.

An entry conference was held on 22 June 2011 with the Secretary, BCD, Jharkhand, Ranchi where the audit objectives, scope and methodology were discussed. An exit conference was held on 13 October 2011 with the Chief Engineer, BCD, wherein the audit findings, conclusions and recommendations were discussed. The CE accepted the audit observations and assured that appropriate corrective measures would be taken, wherever necessary, in accordance with the rules and procedures.

Audit findings

4.1.6 Planning

There were no fixed norms for planning in the department

As per Rule 18 of the JPWD Code, the CE has to prepare, annually, the portion of the budget estimates relating to the works under his control, and as soon as possible after the close of each year, prepare a report of the progress made during that period on the public works under his charge.

Scrutiny of the records revealed that 11 years after creation of the State, neither had the department asked for the annual budget estimates nor had the CE prepared the same for the works under his control.

The Secretary, BCD stated (October 2011) that the annual plans were prepared by the EEs as per their requirements and were sent to the department through the CE. However, it was found that no such annual budget estimates/plans were prepared by the divisions and sent to the department through the CE. Instead, individual works were proposed by the divisions for approval of the department as detailed in **Table-1**:

Table-1

Details of annual work programme of the test-checked divisions

Divisions	Plan/ Non-Plan	2008-09		2009-10		2010-11	
		No. of works proposed	No. of works approved	No. of works proposed	No. of works approved	No. of works proposed	No. of works approved
Bokaro	Plan	24	0	1	3	0	0
	Non-Plan	0	0	0	0	0	0
Godda	Plan	0	0	0	0	11	0
	Non-Plan	122	102	152	82	70	16
Jamshedpur	Plan	3	0	17	0	5	1
	Non-Plan	0	0	0	0	0	0
Ramgarh	Plan	0	0	9	7	1	1
	Non-Plan	0	0	0	0	0	0
Ranchi-1	Plan	16	16	17	17	15	10
	Non-Plan	448	330	564	335	530	356

(Source: Test-checked divisions)

It is evident from the table that the proposals for the works were submitted by five²

¹ Bokaro, Dumka, Godda, Jamshedpur, Ramgarh, Ranchi 1, Ranchi 2 and Simdega.

² Bokaro, Godda, Jamshedpur, Ramgarh and Ranchi 1.

of the test-checked divisions, while the remaining three test-checked divisions³ had not prepared their proposals during 2008-11. Further, in Godda division, no work under the Plan head was approved during 2008-11 even though 11 works were proposed by the division. In Ranchi-1 division, most of the plans were approved by the department. In Jamshepur division, only one work under the Plan head was approved by the department though 25 works were proposed by the division during 2008-11. Scrutiny of relevant files of the BCD revealed that the department had not fixed any target dates and no dates of receipt of inputs were found on record.

The Secretary stated (September 2011) that the inputs of the proposed works were sometimes received from the field offices, occasionally submitted in review meetings and sometimes included on the request/requirement of designated/senior officers of the Government. However, no information regarding fixation of target dates/date of receipt of inputs were furnished to Audit.

Thus, the actual planning process was seen to be a deviation from the codal provisions. The plans were not realistic which resulted in persistent savings and lapses of budget grants as detailed in the subsequent paragraphs.

4.1.7 Financial management

4.1.7.1 Delay in submission of budget estimates (BEs) to the Finance Department

As per Rule 72 (Chapter III) of the Jharkhand Budget Manual, the Controlling Officer was to submit the budget estimates for the next year to the Finance Department by 14 October every year or as on the date notified by the Finance Department.

It was, however, noticed that the Secretary of the department persistently delayed the submission of BEs to the Finance Department by five to 104 days during 2008-11 for which no reason was found on record. The details of delays can be seen in **Table-2**:

Table-2

Delayed submission of Budget Estimates to the Finance Department

Year	Due date of submission		Actual date of submission		Delays in days	
	Plan	Non-Plan	Plan	Non-Plan	Plan	Non-Plan
2008-09	22.02.2008	14.01.2008	27.02.2008	10.02.2008	5	27
2009-10	25.11.2008	31.10.2008	25.01.2009	31.12.2008	61	61
2010-11	25.11.2009	02.12.2009	09.03.2010	11.12.2009	104	09

(Source: Finance Department/BCD)

4.1.7.2 Deficiency in Budgeting

For preparation of the annual budget, there were no fixed norms of receiving inputs from the field offices. As such, the budget was prepared on an ad hoc basis which resulted in persistent savings.

The budget provisions were, thus, unrealistic and lacked credibility as evident from **Table-3**:

³ Dumka, Ranchi-2 and Simdega.

Table-3
Details of Budget and Expenditure of the department

(₹ in crore)

Year	Original Grant	Supplementary Grant	Total	Expenditure	Surrendered on 31 st March	Lapse	Total Saving (per cent)
1	2	3	4	5	6	7 (4-5-6)	8 (4-5)
2008-09	297.55	12.61	310.16	148.34	158.27	3.55	161.82 (52)
2009-10	166.05	8.06	174.11	132.02	39.64	2.45	42.09 (24)
2010-11	135.06	13.29	148.35	117.42	29.70	1.23	30.93 (21)

(Source: Appropriation Accounts)

The above table indicates the following:

The department had persistent savings during the last three years ranging between ₹30.93 crore and ₹161.82 crore

- The department had persistent savings during the last three years, ranging between ₹ 30.93 crore and ₹ 161.82 crore, which was between 21 and 52 per cent of the total grants. This was indicative of improper budgetary control.
- Supplementary provisions during the period proved unnecessary as the expenditure in each year did not come up to the level of the original provisions. It was noticed that even the original grants were not exhausted and huge savings occurred at the end of each financial year.
- All the surrenders were made on the last day of the financial year leaving no scope for appropriation of the funds to other departments for their use.
- The funds of the department also lapsed during the financial years 2008-11 for which no responsibility was fixed although the CE was to see that the budget allotments for the year were fully expended, prompt surrenders were made if necessary and lapses of the budget did not occur.

This showed poor planning and inefficiency on the part of the department to utilise the funds received as well as improper assessment of the actual requirements of funds for completion of the schemes.

The Government accepted the audit observation and assured (October 2011) that the Regional Offices would be asked to submit plans from the next financial year and efforts would be made for sending the same to the Finance Department on time.

4.1.7.3 Trends of expenditure

Trends of capital and revenue expenditure by the department can be seen in **Table-4**:

Table-4
Details of total budget with capital and revenue expenditure

(₹ in crore)

Year	Capital		Revenue		Total	
	Budget	Expenditure (per cent)	Budget	Expenditure (per cent)	Budget	Expenditure (per cent)
2008-09	201.40	56.05 (28)	108.76	92.29 (85)	310.16	148.34 (48)
2009-10	83.39	49.91 (60)	90.72	82.11 (91)	174.11	132.02 (76)
2010-11	75.70	49.29 (65)	72.65	68.13 (94)	148.35	117.42 (79)

(Source: Appropriation Accounts)

Table 4 indicates that:

- The overall budget provision declined during 2008-11 due to reduction in the capital and revenue expenditure. The capital expenditure declined from ₹ 56.05 crore in 2008-09 to ₹ 49.29 crore in 2010-11.
- The revenue budget/expenditure⁴ also showed a decreasing trend. Since pay and allowances increased every year, any decline in revenue expenditure would impact on the expenditure on repairs and maintenance which would have an adverse impact on the life of the existing Government buildings.
- Under the capital head, only 28 to 65 *per cent* of the available funds were utilised during 2008-11, which indicated the inefficiency of the department in completing the projects.

The Government accepted the audit observation and stated (October 2011) that the savings and the declining trend of expenditure were due to delays in availability of sites, shortage of manpower etc.

4.1.7.4 Financial performance of the test-checked divisions

The financial performance of the test-checked divisions is given in **Table-5**:

Table-5
Details of allotment and expenditure under the Plan heads of divisions

(₹ in lakh)

Division	2008-09		2009-10		2010-11	
	Allotment	Expenditure	Allotment	Expenditure	Allotment	Expenditure
Bokaro	151.44	86.44	155.29	149.09	692.80	558.68
Dumka	467.69	403.82	13.84	13.78	0.35	0.35
Godda	50.50	50.47	324.73	291.54	94.78	93.98
Jamshedpur	512.76	291.02	106.97	98.37	121.48	113.00
Ramgarh	492.96	492.95	229.00	229.00	614.57	614.57
Ranchi-I	1465.14	944.57	1199.82	1139.16	755.74	512.66
Ranchi-II	144.74	83.24	153.60	134.31	292.63	180.87
Simdega	684.32	62.44	509.54	388.93	669.69	447.72
Total	3969.55	2414.95 (61)	2692.79	2444.18(91)	3242.04	2521.83(78)

(Source: Test-checked divisions) (Figures in brackets show percentage of expenditure)

Table 5 shows that the test-checked divisions could spend only 61 *per cent* of the allotment in 2008-09, 91 *per cent* in 2009-10 and 78 *per cent* in 2010-11 under the Plan head. Further, Ranchi-1, Simdega and Ranchi-2 divisions did not utilise 32, 33 and 38 *per cent* of the allotments respectively during 2010-11. The shortfall in utilisation was due to delays in finalisation of tenders and acquisition of land, lack of monitoring, non-completion/slow progress of works etc.

The Government accepted the audit observation and stated (October 2011) that henceforth, no scheme would be sanctioned without availability of sites.

4.1.7.5 Rush of expenditure in March

According to Rule 113 of the Jharkhand Budget Manual, rush of expenditure, particularly in the closing months of the financial year is considered as a breach of financial regularity and is to be avoided. The details of expenditure during the

⁴ Repairs and maintenance of buildings and pay and allowances of the staff.

end of the financial years in the test-checked divisions are given in **Table-6**:

Table-6
Details of expenditure during the end of the financial years
(₹ in crore)

Year	Total expenditure	Expenditure in March (per cent)
2008-09	66.12	18.17 (27)
2009-10	54.74	17.17 (31)
2010-11	50.47	8.45 (17)
Total	171.33	43.79 (26)

(Source: Test-checked divisions)

Table 6 indicates that in the test-checked divisions, 17 to 31 *per cent* of the total expenditure was incurred in the fag end of the financial years during 2008-11. Disproportionate expenditure during the last month of the financial year i.e. March is fraught with the risk of improper monitoring of works and wrong recording of measurements in the Measurement Books (MBs) etc., which may result in execution of sub-standard work and irregular payments.

4.1.7.6 *Misappropriation of Government money*

Rule 100 of the JPWA Code provides that when an EE grants temporary advances to subordinate officers for execution of departmental works, adjustment accounts should be rendered within one month. Subsequent advances should be granted only after assessing the progress of work done and adjustment of the previous advances.

In Ranchi-1 Division, the EE advanced (between November 2001 and February 2003) ₹ 2.31 crore to the AE for different departmental works like construction of the Birsa Munda School Complex, Ranchi; modification and furnishing of the Tourist Information Centre, Dumardagga etc. The second and subsequent advances were also granted by the EE without assessing the progress of works and adjustment of the previous advances, thus ignoring the codal provision. The position of the works executed by the AE could not be ascertained as vouchers and MBs were not submitted to Audit in spite of requests. The AE was transferred (31 December 2003) to another division⁵ without ensuring the adjustment of the advances. The EE neither issued the last pay certificate (LPC) indicating the recoverable amount nor effected recovery before relieving him. Non-adherence to the codal provision regarding grant of advances and their adjustments, exposed the department to the risk of misappropriation of ₹ 2.31 crore of Government money.

The Government accepted the audit observation and stated (October 2011) that efforts would be made to adjust/recover the unadjusted amount of advances from the AE.

The reply is not acceptable because responsibility should have been fixed on the then EE who granted subsequent advances, ignoring the codal provision. Although the matter was regularly brought to the notice of the division through Inspection Reports, no remedial measures had been taken till date (October 2011).

⁵ Building Construction Division, Chatra.

4.1.8 Programme Management

4.1.8.1 Execution of works without technical sanction

According to Rule 126 of the JPWD Code, according of technical sanction (TS) for every work excepting works of petty nature, proposed to be carried out, is essential prior to the commencement of the work. This guarantees that the work which is being proposed is technically feasible, structurally sound and the estimate of the work is accurately calculated and based on adequate data. Further, as per Rule 121 of JPWD Code, technical feasibility approval of a work is a token of acceptance by the competent authority and it should be taken as technical approval (TA) for the purpose of the scheme to be considered for Administrative Approval (AA). After getting AA, the TS of the detailed estimates would be required before actual commencement of the works.

Scrutiny of 58 works in the eight test-checked divisions revealed that no TS was obtained before commencement of the works. As detailed estimates were not sanctioned, it could not be ensured whether the works, though completed, were structurally sound, as the possibility of sub-standard works could not be ruled out. It also resulted in variations in the different components of works as compared to the components of the original estimates, revisions in the estimates, increase in cost and finally, delays in completion of the works. Due to the absence of TS, a case of wasteful expenditure occurred as discussed in paragraph 4.1.8.6 of this Report.

The Government accepted the facts and directed (October 2011) all field offices not to commence any work without obtaining technical sanctions. The reply is not convincing as no responsibility was fixed on the erring officials.

4.1.8.2 Delay in tender process and execution of agreement

As per the JPWD Code⁶, tender for any work has to be finalised within 15 days from the date of its opening. Further, as per the directions of the BCD⁷, an agreement should be executed within 20 days of finalisation of the tender.

Scrutiny by Audit revealed that in all the eight test-checked divisions, there were delays in finalisation of tenders of up to 13 months in 14 out of 58 works, due to delays in the preparation of comparative statements, in forwarding comparative statements to higher authorities, conducting negotiations etc. (*Appendix-4.2*).

Further, in the case of six works of three divisions⁸, there were delays of up to 34 months in execution of agreements after finalisation of tenders. Thus, due to inordinate delays in finalisation of tenders and execution of agreements, the works could not be completed on time (*Appendix-4.3*).

The Government accepted the audit observation and stated (October 2011) that remedial measures would be taken for timely finalisation of tenders and execution of agreements.

⁶ Chief Secretary's Circular No 462, Annexure A dated 30 March 1982.

⁷ BCD's letter no. 1655 dated 10 June 2003.

⁸ Jamshedpur, Ranchi-2 and Simdega.

4.1.8.3 Non-imposition of penalty

According to clause 2 of the terms and conditions of contracts, if a contractor fails to complete the work within the stipulated period, penalty at the rate of 0.5 *per cent* of the estimated cost of the unexecuted work per day subject to maximum of 10 *per cent* of the total estimated cost is leviable. The EE was responsible for imposition of penalty which was not discretionary but mandatory.

Penalty of ₹ 1.49 crore was not imposed on contractors

Scrutiny revealed that in 15 works of a total estimated cost of ₹ 14.94 crore in six⁹ of the eight test-checked divisions, neither were the allotted works completed within the scheduled time nor did the contractors apply for extension of time. However, the EEs of these divisions did not impose any penalty on these contractors for the delayed execution of works. Non-imposition of penalty on contractors resulted in a total loss of ₹ 1.49 crore to the Government (*Appendix-4.4*). No action was found to be taken to fix responsibility on EEs for the above loss to the Government.

The Government accepted the audit observation and stated (October 2011) that the CE/SEs/EEs had been directed to clarify as to why penalty had not been imposed.

4.1.8.4 Unfruitful expenditure

Construction of eight buildings in two¹⁰ out of the eight test-checked divisions was administratively approved (between July 2007 and December 2008) by the Secretary, BCD and the agreements were executed (between April 2008 and February 2010) by the EEs to complete the buildings between March 2009 and August 2010.

Expenditure of ₹ 5.15 crore incurred on incomplete works proved unfruitful

Scrutiny revealed that the buildings were not completed on time due to delays in availability of land, lack of funds, slow progress of work by the contractors, lack of follow-up action by the department etc. Besides, the works remained incomplete after payment of ₹ 5.15 crore between September 2008 and March 2011. Thus, the very purpose behind construction of the buildings could not be achieved even after incurring an expenditure of ₹ 5.15 crore as detailed in *Appendix-4.5*.

The Government accepted (October 2011) the audit observation.

4.1.8.5 Undue aid to contractors

As per clause 8 of Annexure 'A' of the JPWD Code, Volume I, a successful tenderer was required to deposit five *per cent* of the estimated cost as security deposit before execution of the agreement. Besides, five *per cent* of the bill value was also to be deducted from each bill. Further, as per clause 16 of condition of the contract, the security deposit could be returned to the contractor after three months of successful completion of the work.

Scrutiny in audit revealed the following:

In two works of two divisions¹¹, despite non-completion of the works, security deposit of ₹ 10.88 lakh was irregularly refunded to the concerned contractors.

⁹ Bokaro, Jamshedpur, Ramgarh, Ranchi-1, Ranchi-2 and Simdega.

¹⁰ Godda and Simdega.

¹¹ Godda-Construction of 16 Presiding Officers quarters at Godda and Ranchi 2- Construction of Vidhan Sabha Gate no-2.

Further, though the construction of the ‘Eight Court Building’¹² at Simdega was in progress, two bank guarantees of ₹ 10.02 lakh had lapsed (between 28 March 2010 and 21 April 2011). In the case of construction of a ‘State Homoeopathic College and Hospital’ at Godda, three bank guarantees of ₹ 18.30 lakh also lapsed (between 10 December 2009 and 29 April 2010) though the final bills were still to be drawn. No prior action was taken to revalidate the same.

Further, mobilisation advance can be granted to the contractors as per the conditions of the Standard Bidding Document (SBD) to facilitate the early commencement as well as timely completion of the work.

Scrutiny revealed the following:

In Ramgarh division, mobilisation advance of ₹ 1.01 crore was granted (January 2010) to a contractor for the construction of the Collectorate Building at Ramgarh although a clear site was not available at that time. The work, therefore, started late and the first running account bill could be presented and passed only in February 2011. This defeated the very purpose i.e. speeding up of the work, of granting mobilisation advance to the contractor.

The Government accepted (October 2011) the audit observation.

4.1.8.6 Wasteful expenditure

As per Rules 126 to 128 of the JPWD code, TS by the officers (Chief Engineer) of the Public Works Department is mandatory before commencement of works. TS is no more than a guarantee that the proposals are structurally sound and the estimates are accurately calculated and based on adequate data. In the case of a new work, the counter-signature of the local head of the department on behalf of which its execution is proposed or of such other officer as may have been empowered to accord administrative approval should be obtained to the plans and estimates in token of their acceptance before the TS is accorded.

Scrutiny of records of the EE, Ramgarh revealed that the construction of a marketing complex at Rajrappa, Ramgarh was administratively approved (January 2003) for ₹ 1.46 crore by the Tourism Department, Government of Jharkhand based on a design prepared by a private agency engaged by the Tourism Department. TS, however, was not accorded by the BCD, the executing agency. An agreement¹³ for ₹ 1.53 crore was executed (November 2007) between the contractor and the EE, Hazaribag (now Ramgarh) to complete the work by October 2008. After completion of work worth ₹ 39.10 lakh, the contractor expressed (March 2008) his inability to do further work and asked for an additional amount of ₹ 1.29 crore for removal of extra soil from the construction site. In a review meeting by the Secretary, Tourism Department (April 2008), it was found that the design of the complex was prepared by the consultant without inspecting the site and the proposed site of the project was changed by the consultant. After incurring an expenditure of ₹ 39.10 lakh, the work was abandoned and it was decided to construct the marketing complex at a site adjacent to the previous site. It was also decided to

Expenditure of ₹ 39.10 lakh incurred on the construction of a marketing complex at Ramgarh proved wasteful

¹² A kind of court building.

¹³ Agreement No. 59F2/2007-08 dated 24 November 2007.

engage another consultant and get the work executed by the Tourism Department after floating a fresh tender.

The photographs of the demolished structures/site are shown below:



Photographs showing the remaining parts of demolished structure and demolished column of marketing complex

Had there been a TS accorded to the detailed estimates by proper inspection of the site by a competent engineer of the BCD before commencement of work, the error of the consultant could have been detected before commencement of the work and the wasteful expenditure could have been avoided. No responsibility had been fixed up by the BCD/Department of Tourism for the wasteful expenditure of ₹ 39.10 lakh.

4.1.8.7 Non-conducting of quality test of materials

As per Rule 243 of the JPWA Code, the rates as per agreements, catalogues, indents or other orders were to be allowed to contractors only if the quality of work done or supplies made was in accordance with the stipulated quality and specifications. Further, as per the conditions quoted in the Notice Inviting Tender (NIT), the contractors were required to submit quality test certificates from a Government approved laboratory, whenever construction materials were brought to site. Moreover, specimens of cement mortar/concrete were also to be tested in the Government/ Government approved laboratories.

Scrutiny in three¹⁴ of the eight test-checked divisions revealed that in the case of five works (*Appendix-4.6*), no such quality test certificates were produced by the contractors nor did the department send the specimens of construction materials for testing to the laboratories. Thus, the works were allowed to be completed and payment of ₹ 5.51 crore was made to the contractors without observing the prescribed procedures of quality test. In the absence of quality test reports, the possibility of sub-standard work being carried out could not be ruled out.

The Government accepted the audit observation and stated (October 2011) that instructions would be issued to EEs to ensure quality tests before payment of bills.

4.1.8.8 Irregular allowance of premium rate

Resolution no.1680 (S) dated 26 March 2002 of the Public Works Department, Government of Jharkhand, clearly prohibits the allowance of premium rates¹⁵

¹⁴ Dumka, Godda and Ranchi-2.

¹⁵ Premium rate is a rate above the Schedule of Rates.

There was loss of ₹ 92.56 lakh to the Government due to irregular allowance of premium rate

to contractors on materials like cement, tor steel, stone chips, sand, bricks etc including carriage and contractors' profit.

Scrutiny of 16 works in six¹⁶ out of the eight test-checked divisions revealed that in all the works, the tenders were finalised irregularly on the rate above (3.4 to 10 *per cent*) the rate of the SoR, in violation of the above-mentioned resolution. The EEs, while executing the agreements with the contractors, also provided for payment of premium rates on construction materials, freight and contractors profit. This resulted in excess payment of ₹ 92.56 lakh by way of payment of premium rates on materials including carriage and contractors' profit (*Appendix-4.7*).

The Government accepted the fact and stated (October 2011) that clarification had been sought for from the E-in-C/CE, SEs and EEs regarding allowance of premium rates.

4.1.8.9 Irregular grant of time extension

According to clause 5 of the terms and conditions of agreements, if a contractor needs any extension of time for completion of a work on the ground of unavoidable hindrance in its execution beyond his control or on any other ground, he should apply in writing to the EE within 40 days of the start of the hindrance on account of which he desires such extension of time.

Test check of records of the CE, BCD, Ranchi revealed that in 12 cases, the contractors did not apply for extension of time within the prescribed time limit but time extensions were granted by the CE (*Appendix-4.8*).

Thus, due to irregular grant of time extensions to the contractors, penalty of ₹ 1.95 crore (10 *per cent* of the estimated cost of ₹ 19.49 crore) as per clause 2 of the contract relating to penalty could not be imposed on them, which resulted in losses to the Government.

The Government accepted the audit observation and stated (October 2011) that instructions were being issued for no granting of time extensions.

4.1.8.10 Execution of works without inviting tenders in newspapers

As per Government order¹⁷ (March 1982), tender notices were to be published in newspapers for all works costing more than ₹ 50,000.

It was noticed in Audit that in Jamshedpur, Simdega, Godda and Bokaro, 147 works (total estimated cost-₹ 1.96 crore) of repairs and maintenance each of which was estimated to cost more than ₹ 50,000, were irregularly executed during 2008-11 by EEs without inviting tenders through newspapers (*Appendix-4.9*).

Execution of work without inviting tenders was fraught with the risk of the contracts being awarded at non-competitive rates.

The Government accepted the audit observation and stated (October 2011) that no works would be executed in future in any circumstances without inviting tenders through newspapers.

¹⁶ Bokaro, Dumka, Ramgarh, Ranchi-1, Ranchi-2 and Simdega.

¹⁷ Circular no.1/Estab-108/81-462 dated 30 March 1982.

4.1.8.11 Unauthorised payments to contractors for execution of excess items of works

As per clause 6 of the Technical Examiner Cell, Cabinet (Vigilance) Department, letter no. 2347 dated 31 December 1983, the EE, SE, CE and the Secretary, BCD are respectively empowered to sanction 10, 15, 25 and above 25 *per cent* excess quantity of items as provided in the agreement. These powers are mandatory and not discretionary.

Scrutiny of seven works in three¹⁸ out of the eight test-checked divisions revealed that the EEs paid ₹ 2.76 crore (**Appendix-4.10**) for items executed in excess (excess ranging between 11 and 1475 *per cent*) of the quantities provided for in the agreements for which sanctions of the competent authorities were not taken. Since EEs are not empowered to sanction excess quantities beyond 10 *per cent*, the payment made for ₹ 2.76 crore was unauthorised. However, neither were enquiries set up nor was any responsibility fixed on the erring EEs for violation of the standing orders.

The Government accepted the audit observation and stated (October 2011) that necessary instructions would be issued for payment of items executed in excess only with the sanction of the competent authority.

4.1.8.12 Irregular award of multiple works to contractors

Rule 16 of the Bihar Enlistment of Contractor Rules, 1992, adopted by the Government of Jharkhand, provides that contractors would generally be allotted one work at a time. Even if their tenders were valid and they were the lowest tenderers in other bids, until and unless they completed the work allotted to them or the progress of the work was at least up to 75 *per cent*, no other work could be allotted to them.

Scrutiny of records of three¹⁹ out of the eight test-checked divisions revealed that more than one work was irregularly awarded to the same contractors at short intervals without assessing the completion of 75 *per cent* of work already allotted, details of which are given in **Appendix-4.11**. This resulted in a large number of works remaining incomplete beyond their stipulated date of completion and consequent non-achievement of the desired benefits of the projects. The work awarding authorities (EE/SE/CE/Tender Evaluation Committee) were responsible for award of subsequent works to the contractors without considering the progress of the works allotted to them earlier and as such, undue favour was granted to the contractors. Such awarding of works in violation of rules, was fraught with the risk of financial irregularities.

The Government accepted the audit observation and stated (October 2011) that clarifications had been sought from the field offices regarding the matter.

4.1.9 Execution of Deposit Works

4.1.9.1 Non-levy of establishment charges

According to Rule 212 of the JPWD Code, read with Rule 6 of Appendix 4 of the JPWA Code, the cost of establishment charges at the rate of 10 *per cent* of the estimated value of works is to be levied on all other departments of the

¹⁸ Dumka, Jamshedpur and Simdega.

¹⁹ Bokaro, Ramgarh and Simdega.

Establishment charges of ₹ 4.88 crore were not levied on other departments against execution of deposit works

Government when the expenditure is made from grants other than the grants under which the divisions of BCD are classified.

Scrutiny of records of deposit works taken up by the divisions revealed that 10 per cent establishment charges were not levied while preparing the estimates of deposit works of other departments and the BCD remained deprived of the establishment charges of ₹ 4.88 crore as detailed in *Appendix-4.12*. The estimates were prepared in the divisions and were finalised at the level of SE/CE but inclusion of 10 per cent establishment charges as per the norms of the JPWD Code was not considered at any level till finalisation of the estimates. Non-levy of establishment charges was in violation of codal provisions for which responsibility should have been fixed.

The Government replied (October 2011) that the BCD did deposit work for other Government departments only and as such, establishment charges had not been levied. The reply is not acceptable, as the department used funds from grants other than its own.

4.1.9.2 Works stopped due to lack of funds

In order to facilitate smooth execution and timely completion of works, regular flow of funds to the divisions under the proper head should be ensured prior to commencement of the works.

It was seen that in three²⁰ of the eight test-checked divisions, eight works were lying incomplete after incurring a total expenditure of ₹ 14.73 crore against the total estimated cost of ₹ 28.16 crore, due to paucity of funds for these works. Details are given in **Table-7**:

Table-7
Details of works stopped due to lack of funds

(₹ in lakh)				
Division	Name of works	Estimated cost	Expenditure	Funds required
Ramgarh	Construction of Sub-Jail at Ramgarh	1108.18	607.78	500.40
Jamshedpur	C Type quarters at 40 Court campus	36.86	32.99	0.55
	Police barrack, Jamshedpur	15.34	7.45	5.38
	Industrial school for Women at Ghatshila	81.65	62.36	19.30
	100 bedded hostel for girls at Jamshedpur	247.00	50	197.00
	Udyog Shed at Jamshedpur	5.79	4.50	1.29
Dumka	Campus of RTC Home Guard, Dumka	1187.36	647.27	1435.21
	'A' type quarters for Jail at Dumka	134.21	60.37	73.84
Total		2816.39	1472.72	2232.97

(Source: Test-checked divisions)

Thus, it was evident from **Table 7** that the benefits of welfare projects like an Industrial School for women, a hostel for girls etc, could not be enjoyed by the proposed beneficiaries even after incurring an expenditure of ₹ 14.73 crore. This could have been avoided if the BCD had taken an assurance for release of sufficient funds prior to commencement of the works. As the BCD did not take assurance of availability of land and funds from the user departments, the projects remained incomplete.

The department accepted the audit observation and stated (September 2011) that the concerned departments had been requested to submit copies of AA alongwith the detailed information of the land while assigning future deposit works. The

²⁰ Dumka, Jamshedpur and Ramgarh.

department further stated that the work would only be commenced after approval of DPR and technical sanction now onwards.

4.1.9.3 *Blocking of funds*

According to Rule 13 of the Jharkhand Financial Rules, read with Rule 107 of the Jharkhand Budget Manual, drawing of money from the treasury and placing it in deposit to avoid lapse of allotment is not permissible.

In three test-checked divisions a total of ₹ 15.79 crore had been blocked for periods ranging between 14 and 79 months

In three²¹ out of the eight test-checked divisions, ₹ 15.79 crore was withdrawn from the treasuries by other departments²² and provided (between October 2004 and March 2010) to the divisions of BCD for construction of 13 works like a girls' hostel, a women's industrial school, upgradation of a library, indoor games buildings, a modern training hall etc as deposit works.

Scrutiny, however, revealed that construction of the buildings had not been started as of June 2011. The entire amount was kept under the suspense head, "8782 Public Works Deposit" for a long period, in contravention of the Financial Rules. The funds remained unutilised and their retention resulted in keeping of Government money outside the budgetary process and consequent blocking of funds (*Appendix-4.13*). Thus, benefits of the welfare projects could not be extended to the beneficiaries in spite of availability of funds.

The Government accepted the audit observation and stated (October 2011) that necessary instructions incorporating the audit observations had been issued (September 2011) for strict compliance.

4.1.9.4 *Unfruitful expenditure*

Expenditure of ₹ 81.24 lakh incurred on incomplete works proved unfruitful

Construction of five buildings in five²³ out of the eight test-checked divisions was administratively approved (between October 2002 and January 2009) by the Principal Secretaries/Secretaries of the various departments, and agreements were executed between October 2002 and October 2009 by the EEs to complete the buildings between August 2008 and July 2010.

Scrutiny revealed that the buildings were not completed on time due to delays in availability of land, lack of funds, slow progress of work by the contractors, non-availability of approved drawings and designs, lack of follow-up action by the department etc. Besides, the works remained incomplete after payment of ₹ 81.24 lakh between September 2008 and March 2011. Thus, the entire expenditure of ₹ 81.24 lakh incurred on these incomplete works would remain unfruitful till the time of completion of the works (*Appendix-4.14*).

The Government accepted (October 2011) the audit observation.

4.1.10 Manpower management

The overall performance of the department and efficient implementation of its schemes depend on the availability of adequate manpower. However, it was observed that there was acute shortage of manpower as detailed in the subsequent paragraphs.

²¹ Bokaro, Jamshedpur and Ranchi-1.

²² Home, Science & Technology, Personnel and Training Department, Health Department etc.

²³ Bokaro, Dumka, Jamshedpur, Ranchi 2 and Simdega.

4.1.10.1 Shortage of manpower in the department

The position of technical and non-technical manpower in the department is given in **Table-8**:

Table-8

Details of sanctioned strength and persons-in-position in the department

Sl.	Name of post	Sanctioned strength	Persons-in-position
Technical			
1	Engineer-in-Chief	01	01
2	Chief Engineer	01	01
3	Superintending Engineer	08	06
4	Executive Engineer	37	32
5	Assistant Engineer	141	55
6	Assistant Engineer (Electrical)	28	01
7	Junior Engineer	216	125
8	Junior Engineer (Electrical)	54	00
Total		486	221
Non-Technical²⁴		898	492

(Source: Building Construction Department)

- The above table shows that there were 55 and 45 *per cent* vacancies in the technical and non-technical wings of the department respectively. Against 486 sanctioned posts of engineers and 898 non-technical staff, there were only 221 engineers and 492 non-technical staff in position. Scarcity of technical/non-technical persons in the department badly affected the progress and quality of the works taken up by the department.
- Further, as per Rule 229 of the JPWD Code, all works and repairs in connection with electrical installation should be carried out by the electrical branches of the Public Works Department.

Scrutiny revealed that there was only one AE (Electrical) against 28 sanctioned posts, whereas no JE (Electrical) was posted against 54 sanctioned posts in the department. Since electrical works were essential components of all buildings, the only AE (Electrical) of the department was overloaded with too many works and it was almost impossible for him to provide effective supervision to the electrical works of all Governments' buildings. As such, the possibility of sub-standard work being carried out could not be ruled out.

The Government accepted the audit observation and stated (October 2011) that the parent department (Road Construction Department) had been requested for making manpower available as per the requirement.

4.1.10.2 Irregular grant of Assured Career Progression (ACP) to Junior Engineers

As per the ACP scheme of the Government of Jharkhand, employees who have completed 12 years and 24 years of bonafide service, are eligible for first and second financial upgradations respectively, if they cannot be promoted in the normal course.

Further, as per the norms of the ACP scheme, the criteria of promotion were the same as in the case of normal promotion, i. e. if any qualification was needed for normal promotion, in order to get ACP, one should acquire the requisite

²⁴ Assistant, Clerks, Peons etc.

qualification. In PWD, a JE on being promoted gets the post of AE and on further promotion, he becomes an EE. As per Rule 55 of the JPWD Code, read with Appendix-IV, the AEs of the PWD must pass the prescribed examinations in language and law within two years of promotion and a professional examination within three years of joining. In case of their failure to pass the examination within the prescribed period of two years, no further increment was to be released until they passed the examination. This penalty for delay in passing would ordinarily cease to operate when an officer passed the examination. On having passed, he would be placed in the same position as if he had passed in the normal course but he would receive no financial benefits in respect of the increment withheld before the passing of the examination.

Scrutiny, however, revealed that the first ACP was granted to six²⁵ JEs in the scale of AEs and they were allowed to get their increments beyond two years without passing the requisite language and law examinations. Further, out of these six JEs, four JEs, who got the scale of EE though they did not pass the required language and law examination and professional examination meant for AE to get promoted to EE, were granted the second ACP. Granting of increment after two years of the first ACP and again granting the second ACP was thus, irregular and was in violation of the codal provision as well as the norms of the ACP scheme. Till date (April 2011), ₹ 18.26 lakh had been paid in excess to these six JEs due to grant of increment/second ACP as detailed in *Appendix-4.15*.

The Government accepted the audit observation and stated (October 2011) that the parent department (Road Construction Department) had been requested for a clarification in this regard.

4.1.10.3 Training

Training is essential in every department for upgrading the skills of personnel and building capacity to address the changing needs of the department and to introduce modern technological applications in their work.

Scrutiny of information furnished by BCD revealed that there was no policy/provision for training in the department and as such, none of the staff was trained departmentally. Further, no system was in place to get them trained through any outside agencies. In the absence of training, the departmental staff, particularly engineers, remained deprived of up to date knowledge, skills, modern technology to cope with the emerging challenges.

The Government accepted the audit observation and stated (October 2011) that preparation of a continuous training programme was in process, for increasing efficiency in the engineering cadre.

²⁵ Five of Jamshedpur division and one of Chhotanagpur Circle, Ranchi.

4.1.11 Internal Control and Vigilance mechanism

4.1.11.1 Non-maintenance of records

As per codal provisions²⁶, various important records must be maintained and regularly updated in the divisions to establish an effective internal control mechanism in the department.

Scrutiny of records of the test-checked divisions revealed that important records like registers of works, contractors' ledgers, subsidiary cash books, money receipts, interest bearing security registers etc, were not maintained (**Appendix 4.16**).

4.1.11.2 Vigilance Mechanism

According to a Resolution of July 2002 of the Cabinet (Vigilance) Department, the main function of the Technical Examiner Cell (TEC) under the Cabinet (Vigilance) Department was to conduct technical examination of schemes which had been executed and those which were ongoing in different departments to ensure that works were executed according to the terms and conditions of the agreements and materials and labour were utilised judiciously.

Scrutiny of records revealed that during 2008-11, not a single work executed by the BCD was ever inspected by the TEC on their own and no work was ever referred by the BCD to TEC for inspection. As a result, cases of fraud and embezzlement were likely to go unnoticed.

Further, as per the reorganisation order dated 26 February 1981, of the Cabinet (Vigilance) Department, one officer of the rank of the Joint Secretary was required to be posted in each administrative department as Chief Vigilance Officer (CVO), under the administrative control of the Cabinet (Vigilance) Department. He was to be the link between the Vigilance Commissioner and the Principal Secretary/ Secretary of the administrative department regarding vigilance matters and was to be responsible for taking preventive measures in respect of corruption and other malpractices prevalent in the department. However, the BCD did not have a CVO.

4.1.11.3 Response to Inspection Reports issued by the Principal Accountant General (Audit), Jharkhand

As per Rules 30 and 32 of JPWA Code read with Rule 218 of Jharkhand Treasury Code Vol-I, the results of audit are communicated to the divisional officers in the form of audit notes, objection statements, Inspection Reports (IRs) etc. These should be given prompt attention and due action should be taken as soon as possible. The objective is that timely action should be taken by the department to avoid further losses or possible loss in future and prevent corruption, irregularities etc in the department.

As of March 2011, 658 (Section-A:129 and Section-B:529) paragraphs involving ₹ 1,087.13 crore (Section-A: ₹ 774.57 crore and Section-B: ₹ 312.56 crore) relating to 101 IRs of the BCD containing major observations relating to amounts recoverable from contractors, undue benefits to contractors, avoidable/unfruitful/infructuous expenditure etc remained unsettled for want of replies as detailed

²⁶ Register of works-Rule 308 of JPWA, Contractors ledger-Rule 321, IBS Register-Rule 431 and MB must be returned to the division vide circular no. 27/83-2347 issued by TEC dated 31 December 1983.

in **Table-9**. Even the first replies of the 30 IRs of the BCD were not received in office of the Principal Accountant General (Audit).

Table-9
Details showing pending Inspection Reports and Paragraphs

(₹ in lakh)

Year	No. of IRs	Section-A		Section-B	
		No. of paras	Amount	No. of paras	Amount
2004-05	15	13	1497.82	56	1028.64
2005-06	14	11	2618.80	61	5356.31
2006-07	13	15	1691.96	67	3595.76
2007-08	16	20	3886.41	112	4959.02
2008-09	12	16	1184.44	71	1996.72
2009-10	10	18	2103.82	50	2573.43
2010-11	21	36	64474.14	112	11746.57
Total	101	129	77457.39	529	31256.45

(Source: Records of office of the Principal Accountant General (Audit), Jharkhand, Ranchi)

Non-response to audit observations could lead to persistent and serious irregularities and adversely affect the accountability mechanism of the department.

4.1.12 Monitoring

4.1.12.1 Periodic inspections of divisions not conducted

According to Rule 20 of the JPWD Code, the Chief Engineer was required to inspect each Circle office under his charge once in every two years and each divisional office once in every three years and submit a report to the Government soon after the inspections had been conducted. Whenever inspections, as prescribed above, could not be conducted, a report stating the reasons thereof should be submitted to the Government by the 7th January of the year following the year in which the inspection was due.

Periodic inspections of the divisions and sub-divisions were not conducted by the Superintending Engineers

Further, as per Rule 24 (iii) of the JPWD Code, SEs are required to inspect the divisions under them at least once in every year, each sub-division once in every two years and each sectional office once in every five years. Moreover, whenever the required number of inspections cannot be done, a report stating the reasons thereof should be submitted to the CE by 25th December of the year following the year in which the inspection was due.

Scrutiny of information furnished by the CE revealed that the CE neither inspected his subordinate offices during the last three years nor submitted any report stating the reasons thereof to the Government.

Further scrutiny of records revealed that out of the eight test-checked divisions, though only one division was inspected by the SE once in the last three years, no report had been sent to the CE as prescribed.

The CE stated (September 2011) that due to shortage of manpower in his office, the subordinate offices could not be inspected. He also stated that he had no information regarding inspection of divisions/sub-divisions by the SEs under his charge. This clearly indicated the lack of monitoring in the department as the CE should have sought the submission of inspection reports from the SEs.

4.1.12.2 Inadequate inspections of works

There was no systematic schedule of inspections of ongoing works to monitor their progress. The progress of works was monitored mainly by the Secretary, BCD during monthly meetings. Except for monthly progress reports, no other mechanism was found on record in the department to monitor the progress of the works.

Scrutiny of records of the test-checked divisions revealed that in three divisions, no work was inspected by any higher authority other than the EE during 2008-11 whereas only 14 works of five divisions²⁷ were inspected by higher authorities other than the EEs. This could be one of the reasons for delayed completion and non-completion of works as discussed in the previous paragraphs.

The Government accepted the audit observation and stated (October 2011) that necessary instructions had been issued to the CE and SEs.

4.1.12.3 Non-functional monitoring wing

The Directorate, Purchase, Evaluation and Monitoring is a separate wing in the department for purchase of construction materials, evaluation and monitoring of the progress of works.

Scrutiny of information collected from this wing and inputs received from the CE revealed that the above wing did not function for the purpose for which it was established, although five engineers (including two EEs) remained posted during the period 2008-11 and ₹ 1.52 crore was incurred on their pay and allowances.

The Government accepted the audit observation and stated (October 2011) that necessary instructions had been issued to the CE and SEs for directing the officials in monitoring wings for proper monitoring of all ongoing works of the department.

4.1.13 Conclusion

There were no fixed norms for planning in the department. Budgets were not prepared accurately, resulting in persistent savings/surrenders. There were unnecessary demands for supplementary grants even though the original grants could not be utilised during 2008-11. There was rush of expenditure in the last month of the financial year. Works/schemes were executed without obtaining technical sanctions and inordinate delays were observed in the finalisation of tenders and execution of agreements. Establishment charges were not levied for deposit works. Cases of blockage of funds due to non-availability of clear site and incomplete projects due to paucity of funds were noticed. There was an acute shortage of manpower in the divisions. The department did not respond timely to the Inspection Reports of the Principal Accountant General (Audit), Jharkhand. Monitoring and inspection was almost absent as regular inspections of ongoing works as well as divisions were not being carried out by the higher authorities.

²⁷ Bokaro, Dumka, Godda, Jamshedpur and Ramgarh.

4.1.14 Recommendations

The Government may consider the following recommendations:

- A survey should be conducted to prepare a database regarding requirement of buildings, on the basis of which perspective/annual plans should be drawn up;
- Technical sanctions should invariably be accorded prior to the execution of any work/scheme. For deposit works, assurances from the respective departments for sufficient provision of funds in cases of variations in quantities of works and availability of clear sites should be taken prior to taking them up; and
- Systematic schedules of inspections of SE/CE/E-in-C should be prepared to monitor the progress of works.