

CHAPTER-I

INTRODUCTION

1.1 About this Report

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

Compliance audit refers to the examination of transactions relating to expenditure of the audited entities, to ascertain whether the applicable laws, rules, regulations, orders and instructions issued by the competent authorities were being complied with. Performance audit on the other hand, in addition to compliance issues, also examines whether the objectives of the programme/activity/department were achieved economically and efficiently.

The primary purpose of this Report is to bring to the notice of the State Legislature, the important results of audit. The findings of audit are expected to enable the Executive to take corrective actions leading to improved financial management and better governance.

This Chapter, in addition to explaining the issues of planning and extent of audit, provides a synopsis of the significant achievements and deficiencies in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-II of this Report contains findings arising out of performance audit of selected programmes/activities/departments, while Chapter-III presents observations on compliance audit in Government departments and autonomous bodies.

1.2 Audited entity profiles

There are 44 departments in the State at the Secretariat level, headed by Principal Secretaries/Secretaries with the overall control and guidance being provided by the Chief Secretary. In the performance of their duties, the Principal Secretaries/Secretaries are assisted by Special Secretaries/Additional Secretaries/Directors and other subordinate officers. In addition, there are 9166 local bodies and 27 autonomous bodies substantially funded by the Government, which are audited by the Office of the Accountant General (Audit), Bihar on behalf of the CAG.

The comparative position of expenditure incurred by the Government during the year 2012-13 and in the preceding year is given in **Table-1.1** below:

**Table 1.1:
Summary of Fiscal Operations in 2012-13**

(₹ in crore)

Receipts	2011-12	2012-13	Disbursements	2011-12	2012-13		
Section-A: Revenue					Non-Plan	Plan	Total
Revenue Receipts	51320.17	59566.66	Revenue Expenditure	46499.49	37573.69	16892.46	54466.15
Tax revenue	12612.10	16253.08	General Services	17729.72	18570.99	74.12	18645.11
Non-tax revenue	889.86	1135.27	Social Services	18728.78	11078.22	12029.15	23107.37
Share of Union Taxes/Duties	27935.23	31900.39	Economic Services	10037.82	7920.77	4789.19	12709.96
Grants from Government of India	9882.98	10277.92	Grants-in-aid and Contributions	3.17	3.71	00	3.71
Section-B: Capital							
Misc. Capital Receipts	0.00	0.00	Capital Expenditure	8852.01	93.15	9491.37	9584.52
Recoveries of Loans and Advances	22.51	24.70	Loans and Advances disbursed	1906.08	104.07	1981.88	2085.95
Public debt receipts	6627.96	9553.96	Repayment of Public Debt	2922.46	-	-	3069.96
Inter State Settlement Receipts	75.41	0.00	Inter State Settlement payments	1.39	-	-	0.00
Contingency Fund	800.00	2250.00	Contingency Fund	800.00	-	-	2250.00
Public Account receipts	22302.61	27066.21	Public Account disbursements	21393.22			24798.82
Opening Cash Balance	2735.44	1509.45	Closing Cash Balance	1509.45	-	-	3715.58
Total	83884.10	99970.98	Total	83884.10			99970.98

(Source: Finance Accounts of the State for the year 2012-13)

1.3 Authority for audit

The authority for audit by the CAG 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. CAG conducts audit of expenditure of the departments of the Government of Bihar under Section 13¹ of the CAG's (DPC) Act 1971 and is the sole auditor in respect of 10 autonomous bodies which are audited under Sections 19(3)² and 20(1)³ of the CAG's (DPC) Act. In addition, the CAG also conducts audit of other autonomous bodies, which are substantially funded by the Government, under Section 14⁴ of the CAG's (DPC) Act. The principles and methodologies for

- 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 accounts of such corporation, established by law made by the Legislature, on the request of the Governor for which the Governor is of opinion that it is necessary in public interest so to do.*
- 3 *Save as otherwise provided in section 19, where the audit of accounts of any body or authority has not been entrusted to the CAG, he shall, if requested so to do, by the President or the Governor, undertake the audit of accounts of such body or authority on such terms and conditions as may be agreed upon between the CAG 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 ₹ one crore.*

conducting various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts issued by the CAG in 2007.

1.4 Planning and conduct of audit

The audit process starts with the assessment of risks faced by various departments of the Government. This risk analysis is based on the expenditure incurred, criticality or complexity of its activities, the level of delegated financial powers, assessment of overall internal controls and concerns of the stakeholders. The 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 offices audited with copies to the next higher authorities. They are requested to furnish their replies to the audit findings within six weeks of receipt of the Inspection Reports. Based on replies received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of the State of Bihar under Article 151 of the Constitution of India.

During 2012-13, 6330⁵ party-days were used to carry out transaction audit of 690 units and to conduct three performance audit reviews, two long paragraphs and audit of Co-operative Department. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

1.5 Significant audit observations

In the last few years, audit has reported on several significant deficiencies in the implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in the selected departments. Similarly, the deficiencies noticed during compliance audits of the Government departments/organisations have also been reported upon.

1.5.1 Performance audits of programmes/activities/departments

The present Report contains three performance audits of the Implementation of Sarva Shiksha Abhiyan in Bihar, Rashtriya Krishi Vikas Yojana and Information Technology Audit of National e-Governance Plan, besides, review of functioning of Co-operative Department and long paragraphs on Execution of 3000 tube wells under RIDF Phase-XI and Rehabilitation of Degraded Forest (RDF). The highlights of these audits are given in the following paragraphs:

1.5.1.1 Implementation of Sarva Shiksha Abhiyan in Bihar

Government of India (GoI) launched Sarva Shiksha Abhiyan (SSA) in the year 2000-2001 to attain Universal Elementary Education (UEE) in the country in a mission mode with partnership of the State Governments and Local Self

⁵ General Sector: 70 units (682 party days), Social Sector-I: 82 units (885 party days), Social Sector II: 411 units (3547 party days) and Economic Sector: 127 units (1216 party days).

Governments. Further, GoI also enacted, the Right of Children to Free and Compulsory Education (RTE) Act, 2009 in April 2010 which provided that every child in the age group of 6-14 years should have a right to free and compulsory education in neighborhood school till completion of elementary education by March 2013.

However, the objective of universalisation of elementary education was yet to be achieved due to non-preparation of perspective plan or preparation of annual plans based on unreliable data, deficient financial management, under utilisation of fund and resultant non-receipt of GoI share amounting to ₹ 12231.60 crore. The pupil teacher ratio of 53:1 during 2008-09 further worsened to 59:1 during 2012-13. Inadequate infrastructure and basic facilities like school building, drinking water, toilets etc. apart from delayed supply of books to the children and negligence of children with special needs were also the significant deficiencies. The scheme of Kasturba Gandhi Balika Vidyalaya suffered due to shortage of manpower and lack of infrastructure. Forty three *per cent* of the post of teacher in the State was vacant, besides, manpower management as well as internal control mechanism of SSA was deficient and required to be strengthened.

(Paragraph 2.1)

1.5.1.2 Rashtriya Krishi Vikas Yojana

With a view to ensuring holistic development of agriculture and allied sectors in the States, the National Development Council (NDC) launched a special Additional Central Assistance Scheme namely *Rashtriya Krishi Vikas Yojana* (RKVY). The Agriculture department is the nodal department for implementation of RKVY schemes through allied departments such as Co-operative and Animal Husbandry which also includes Fisheries and Dairy Development. However deficient planning, inability to utilise the earmarked funds, slow progress of construction of e-Kisan Bhawan for providing intended facilities to the farmers through information technology, non-promotion of organic farming, distribution of micronutrients without preparing soil Health Card and fertility mapping, non-adherence of guidelines in implementation of Bihar *Shatabdi* tube well scheme, lack of internal control mechanism and monitoring at each stage etc. were the significant deficiencies observed during review of the scheme.

(Paragraph 2.2)

1.5.1.3 Information Technology Audit of National e-Governance Plan

The National e-Governance Plan (NeGP), approved by the Government of India in 2003, aimed to make all Government services accessible to the common man in his locality through common service delivery outlets and ensure efficiency, transparency and reliability of such services at affordable costs to realize the basic needs of the common man.

The performance audit of Bihar State Wide Area Network (BSWAN) and Common Service Centres (CSCs) under NeGP revealed that objective of SWAN for making all Government services accessible to the common man in his locality through CSCs was not achieved. The service provider agency (M/s TCS) had neither configured Network Monitoring System/ Integrated Services Digital Network etc. nor integrated BSWAN to other networks like NICNET

to provide wide access network to BSWAN. Further, payment was made to M/s TCS without prescribed network availability. Above all, neither Government had identified the personnel for training nor M/s TCS had made the training roll-out plan/training calendar for training to the government personnel to take over the network operation from TCS. There was inordinate delay in rolling out of CSCs. In majority of CSCs internet/WiMAX was not installed by BSNL. Contrary to the guidelines of DIT, Government of India, MoU was not signed with concerned departments to enable a timely delivery of Government Services.

(Paragraph 2.3)

1.5.1.4 Functioning of Co-operative Department

The Co-operative Department (Department) provides agriculture credit by making arrangement of short term credit through Co-operative credit structure, storage and support price of agriculture produces, through Primary Agriculture Credit Societies (PACS) and insurance coverage of crops through various insurance companies as well as commercial banks to safeguard the rural economy of the State. Though Co-operative Department had promised a lot for the betterment of rural infrastructure in the State, deficient planning and weak financial management had marred the outcomes. Non-adherence of conditions of MoU deprived the State from GoI share of revival package. The achievement percentage in procurement of wheat decreased from 98 *per cent* in 2008-09 to 35 *per cent* in 2012-13 whereas in respect of paddy the achievement ranged between 100 and 267 *per cent* during 2008-12 which was a commendable achievement. However, inadequate man power management in the Department, inadequate monitoring and failure of the Department to conduct the audit of Co-operative Societies during 2008-13 were the other deficiencies observed in the review.

(Paragraph 2.4)

1.5.1.5 Long Paragraphs on Execution of 3000 tube wells under RIDF Phase-XI

The Rural Infrastructure Development Fund (RIDF) was set up by the Government of India in 1995-96 for financing the ongoing rural infrastructure projects in irrigation sector through NABARD. The main objective of the Minor Water Resources Department (MWRD) Government of Bihar (GoB) was to create irrigation potential in a short span of time with lesser cost by using the available water sources and to properly utilise the created irrigation potential. The implementation of RIDF Phase-XI scheme was badly affected due to lackadaisical approach of Department and absence of agreement for energisation of completed tube wells between Bihar State Electricity Board and the Department. The agreements of execution did not contain defect liability clause, though required as per the conditions of NABARD which resulted in infructuous expenditure. Further, the intended objective to increase the rural infrastructure by creating additional irrigation potential in the State could not be achieved.

(Paragraph 2.5)

1.5.1.6 Long Paragraphs on Rehabilitation of Degraded Forest (RDF)

The State of Bihar has total 6473 Sq Km of forest land out of which 231 sq Km is dense forest and 6242 Sq Km is degraded forest land. With a view to regenerating degraded forests, protecting and conserving natural resources, checking loss of biodiversity and developing water resources, Government of India and Government of Bihar have been providing funds for Rehabilitation of Degraded Forests (RDF). The Environment and Forest Department (Department), Government of Bihar (GoB) is responsible for implementation of RDF scheme and management of forests in the State. The implementation of RDF in State was marred by persistent surrenders in overall funds meant for plantations in the State as well as funds in test checked divisions for RDF. The department did not have planning (from village level to apex level) for preparation and implementation of Rehabilitation of Degraded Forest schemes. No working plan was prepared either at the Joint Forest Management Committees level or at divisional level. The RDF plantation was affected due to delay in receipt of funds, low survival of plantation and non-execution of compensatory afforestation. The records of more than five years old plantations were not being maintained. The monitoring of plantations was deficient resulting in inadequate rehabilitation of degraded forests.

(Paragraph 2.6)

1.5.2 Compliance audit

The Report highlights several significant deficiencies in critical areas which impacted the effective functioning of Government departments and organisations. These can be broadly categorised as:

- Non-compliance with rules.
- Audit against propriety/excess/wasteful/infructuous expenditure.
- Irregular/avoidable/unjustified expenditure.

1.5.2.1 Non-compliance with rules

For the sound financial administration and financial 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 also helps in maintaining good financial discipline. This Report contains instances of non-compliance with rules involving ₹ 442.79 crore. Some of the significant audit findings are given below:

Imprudent and invigilant financial mismanagement in Bihar Intermediate Education Council while investing its funds led to loss of interest amounting to ₹ 52.13 lakh.

(Paragraph 3.1.1)

Procurement of paddy amounting to ₹ 2.37 crore against tampered documents and irregular land rent receipts defeated the very objective of providing minimum support price to bonafide farmers. Further due to non-delivery of 25.58 lakh quintal of Customed Milled Rice against 2.14 crore quintal of paddy released to the millers in advance resulted in loss of ₹ 433.94 crore to the Government.

(Paragraph 3.1.2)

Due to non-preparation of *Khatian*, non-raising of demand and resultantly non-recovery of water rates from the beneficiaries by the five divisions, the State Exchequer suffered revenue loss of ₹ 1.32 crore during 2009-12.

(Paragraph 3.1.3)

Due to non-adherence of the guidelines in vogue prior to revised direction regarding operation of funds, the department suffered loss of interest to the tune of ₹ 4.64 crore due to keeping of land-bank fund in non-interest bearing account by the concerned District Land Acquisition Officers.

(Paragraph 3.1.4)

1.5.4.2 Audit against propriety/Excess/Wasteful/Infructuous expenditure

Audit detected instances of impropriety and excess/wasteful/infructuous expenditure involving ₹ 10.24 crore, which are highlighted below:

Due to execution of agreement without specifying the area to be cleaned, inadequate monitoring and making payment to the agency without proper verification resulted in excess payment of ₹ 70.78 lakh to the agency leading to loss to the Government.

(Paragraph 3.2.1)

Non-adherence of provision of Bihar Financial Rules 2005, violation of Operational Guidelines of Financial Management and non-enforcement of strict economy while incurring expenditure led to avoidable and excess expenditure of ₹ 1.20 crore.

(Paragraph 3.2.2)

Initiation of work without finalisation of alignment and prior land acquisition by the department resulted in abandoning of work mid-way by the contractor leading to unfruitful expenditure on incomplete works amounting to ₹ 2.54 crore.

(Paragraph 3.2.3)

Due to non-adherence to the approved specification of GFCC and lackadaisical attitude towards the timely initiation of execution, the Department had to incur wasteful expenditure of ₹ 5.79 crore on washed away bed bars. Besides the intended objective of curbing/restricting the damage owing to recurring flood could not be achieved.

(Paragraph 3.2.4)

1.5.4.3 Irregular/avoidable/unjustified expenditure

An expenditure is deemed as irregular if there is a deviation, willful or otherwise, from the rules and norms prescribed by the competent authority while incurring the same. This indicates lack of effective monitoring which may encourage willful deviations from observance of rules/regulations leading to avoidable/unjustified expenditure. A few cases of such irregularities involving ₹ 41.63 crore are highlighted below:

Violation of Government order and approval of higher rate by District Magistrate led to irregularities in purchase of equipment worth ₹ 98.76 lakh and excess payment of ₹ 15.36 lakh.

(Paragraph 3.3.1)

Due to imprudent decision taken by the department in getting the residual bituminous work executed in 2012 on lower specification based on traffic census of 2007, led to substandard execution of work worth ₹ 2.51 crore.

(Paragraph 3.3.2)

The irregular allowance of price neutralisation in execution of the works under Centrally Sponsored Scheme, though prescribed only for State funded works, resulted in extra burden on the State exchequer amounting to ₹ 62.27 lakh.

(Paragraph 3.3.3)

Failure of the department to ascertain the actual liabilities through joint physical verification of STWs before making the payment of outstanding electricity bills to BSEB resulted in avoidable payment of ₹ 37.51 crore against 548 non-functional STWs.

(Paragraph 3.3.4)

1.6 Recoveries at the instance of Audit

During 2012-13 a total amount of ₹ 17.11 lakh⁶ was recovered from five units at the instance of audit.

1.7 Lack of responsiveness of the Government to Audit

1.7.1 Insufficient response of the Government to Audit

The Accountant General (AG) (Audit), Bihar conducts periodical inspections of Government departments to check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed by the issuance of Inspection Reports (IRs). The heads of offices and the next higher authorities are required to comply with the observations contained in the IRs, rectify the defects promptly and report their compliance to the Audit Department.

However, a review of IRs issued during the period 2006-07 to 2012-13 relating to 38 departments revealed that 29442 paragraphs relating to 5270 IRs remained outstanding at the end of March 2013 as shown in the **Table no. 1.1**.

Table no. 1.1

Outstanding IRs/Paragraphs

Outstanding IRs/Paragraphs for the year								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	Total
IRs	843	757	986	1027	863	191	603	5270
Paragraphs	4956	3822	5558	5446	4357	1242	4063	29442

The year-wise and department-wise break up of outstanding IRs and paragraphs is mentioned in **Appendix 1.1**

The pendency of such a large numbers of IRs/paragraphs indicates lack of responsiveness of the Government departments towards audit observations.

⁶ PHC, Gwal Para: ₹ 0.15 lakh; ITI, Sitamarhi: ₹ 0.22 lakh; Finance Department, Bihar: ₹ 0.10 lakh; Vidhan Sabha Secretariat: ₹ 5.81 lakh; and Bihar School Examination Board: ₹ 10.83 lakh.

1.7.2 Non-submission of Explanatory (Action Taken) Notes

The Manual of Instructions (1998) of the Finance Department, Government of Bihar envisaged that the Secretaries to Government of the concerned departments submit explanatory notes to the Assembly Secretariat on audit paras and reviews included in Audit Reports (AR). Such notes were required to be submitted after vetting in audit within two months from the date of presentation of the ARs to the State legislature without waiting for any notice or call from the Public Account Committee (PAC). They were also required to indicate therein, the circumstances and reasons for occurrence of such irregularities and deviations from the prescribed norms and the action proposed to be taken to make good the losses and to prevent recurrence of such instances.

Further, Regulation 213 of the Regulations on Audit and Accounts (November 2007) envisaged that the Union, the States and the Union Territories having legislative assemblies, where legislative committees were functioning or where the Government desires the Comptroller and Auditor General to vet the Action Taken Notes (ATN), the concerned Secretaries to Government should send two copies of the draft self-explanatory ATN to the AG (Audit) for vetting along with the relevant files and documents, properly referenced and linked. This was to be done within such period of time as might be decided for submission of the self-explanatory ATNs prescribed by the PAC.

It was noticed that as of March 2013, 15 departments had not submitted the ATNs in respect of five reviews and 33 paragraphs pertaining to the years 2003-2011 (*Appendix 1.2*).

1.7.3 Follow-up action on earlier Audit Reports

Regulation 212 and 213 of the Regulations on Audit and Accounts envisage the settlement of paragraphs featured in the Audit Reports of the Comptroller and Auditor General of India. Departments were required to furnish ATNs to the PAC within two months from the date of the recommendations made by the PAC in their reports.

Review of the outstanding ATNs on the paragraphs included in the earlier Reports of the Comptroller and Auditor General of India for the Government of Bihar revealed that the ATNs in respect of the PAC Reports pertaining to the period from November 2002 to March 2013, in respect of 408 paragraphs involving 30 departments remained outstanding as of March 2013 (*Appendix 1.3*).