CHAPTER-3

COMPLIANCE AUDIT

CHAPTER-2

FOOD, PUBLIC DISTRIBUTION AND CONSUMER AFFAIRS DEPARTMENT

3.1 Audit on Construction and Functioning of Godowns

Executive summary

Government of Jharkhand provides subsidised food grains, sugar and refined iodised salt under various schemes. Audit was conducted for the period 2011-16 to assess construction, completion and handing over of godowns. The State government in its resolution (August 2009) decided to construct godowns to achieve storage capacity that is double of the monthly allotment of food grains. Some of the major audit findings are discussed below:

Although 2.47 lakh MT storage space was required to be created during 2009-16, the department planned only 1.90 lakh MT and created 0.96 lakh MT storage space. Thus, 0.57 lakh MT storage space was less planned while actual storage space against requirement lagged by 1.51 lakh MT. Further, the availability of storage space was skewed as in 55 blocks there was no space for storage of food grains and in 156 blocks storage capacity was less than the monthly allotment of food grains. Contrarily, in 17 blocks storage capacity was more than double the allotment while in 31 blocks, it was greater than monthly allotment but less than the norm. However, no plans were put in place either to gainfully utilise the excess storage space created or to make alternative arrangements to address the overall shortage of storage space of 1.51 lakh MT.

(Paragraph 3.1.2)

Forty-six constructed godowns were not handed over to the department and 36 godowns were not operational due to lack of approach road, damaged roof/ wall etc. Construction of 33 godowns with sanctioned capacity of 20,500 MT was not taken up as land for their construction could not be procured.

(Paragraph 3.1.3)

Food grains in godowns were being stored in unhygienic conditions without adherence to standard prescribed in the Warehouse Manual.

(Paragraph 3.1.4.2)

There was short lifting of 21.23 lakh MT food grains against the allotment from Food Corporation of India (FCI) by the State during 2011-16. Of this, 1.44 lakh MT food grains were lifted short during October 2015 to March 2016 under National Food Security Act (NFSA). This has resulted in disruption of mandate in providing food grains to the intended beneficiaries. Food security allowance, as admissible, under NFSA, was not paid to those beneficiaries who were not provided food grains due to short lifting.

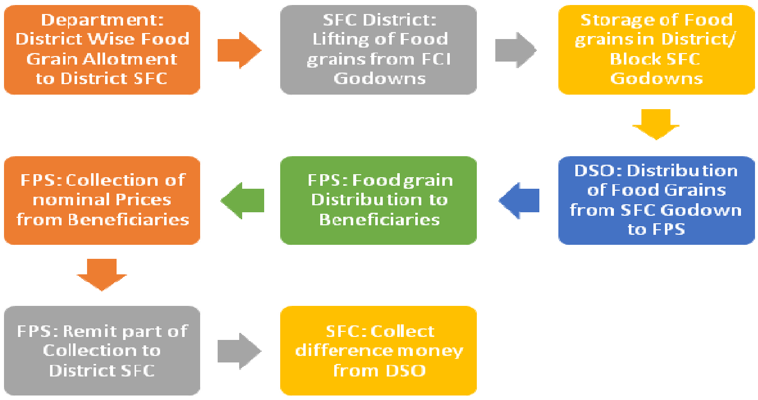
(Paragraph 3.1.5.1)

There was discrepancy of 65,711.819 MT food grains valued at a minimum of ₹ 155.59 crore between the reported lifting of food grains by Jharkhand State Food and Civil Supplies Corporation (JSFCSC) in its books and as provided by FCI. This discrepancy needs reconciliation and investigation by the State.

(Paragraph 3.1.6.1)

3.1.1 Introduction

Government of Jharkhand provides subsidised food grains, sugar and refined iodised salt under various schemes[1] to ensure food security for the needy. From October 2015, the subsidised food grains were provided under two schemes namely National Food Security Act (NFSA) and Annapurna. State government agencies procure food grains from Food Corporation of India (FCI) godowns as per allocation of food grains from Central Government, stores it in its own godowns and distribute these to the targeted beneficiaries which involves activities of planning, storage and transportation as per the following broad schema:



(SFC: Jharkhand State Food & Civil Supplies Corporation, FCI: Food Corporation of India, FPS: Fair Price Shop, DSO: District Supply Officer)

Secretary, Food, Public Distribution and Consumer Affairs Department (department), GoJ is overall responsible for creation of storage capacity and for procurement, storage and distribution of food grains to FPSs through Managing Director (MD), Jharkhand State Food & Civil Supplies Corporation (JSFCSC) in the state.

Audit was conducted between March 2016 and July 2016 covering the period 2011-16[2] in six[3] (25 *per cent*) out of 24 districts of the state to assess whether the requirement for construction of godowns for storage of food grains was properly assessed and planned, godowns were managed efficiently and put to optimum use, scientific storage of food grains ensured and monitoring and internal control systems were in place and were effective. Audit examined the records at the offices of the Secretary of the Department, Managing Director, JSFCSC, District Supply Officers (DSO) and District Managers (DM) of JSFCSC. In addition, 20 blocks[4] (25 *per cent*) in the sampled districts were also checked and 28 godowns **(Appendix-3.1.1)** were physically verified.

---

1 Antyodaya Anna Yojana (AAY), Annapurna, Below Poverty Line (BPL), Additional BPL, Above Poverty line (APL) families

2 The Government resolved to double its storage capacity in 2009 and allotted substantial funds for construction of godowns from 2009 onwards. Therefore the paras on construction, completion and handing over were examined from 2009 to 2016

3 Deoghar, Dhanbad, East Singhbhum, Garhwa, Hazaribagh and Lohardaga

4 Deoghar, Devipur and Sarwan blocks in Deoghar; Dhanbad, Govindpur and Jharia in Dhanbad district; Ghatshila, Golmuri cum Jugsalai and Potka in East Singhbhum district; Bhawnathpur, Garhwa, Meral, Ramna and Ranka blocks in Gharwa district; Barhi, Daru, Hazaribag and Ichak in Hazaribag district; Kuru and Lohardaga blocks in Lohardaga district

An entry conference was held on 26 April 2016 with Secretary to the Government in which the audit objectives, audit scope, audit criteria and methodology were discussed. An exit conference was held on 20 October 2016 with the Secretary to the Government in which audit findings were discussed. Replies of the Government have been suitably incorporated in the Report.

Audit findings

3.1.2 Planning for construction of godowns

3.1.2.1 Storage capacity in Jharkhand: Status

Justice D. P. Wadhwa Committee was constituted as per the directions (2006) of the Supreme Court of India to suggest remedial measures to maladies affecting the functioning of 'Public Distribution System' in India. The Wadhwa Committee in its report on Jharkhand submitted in February 2009 inter-alia stated "There is an acute shortage of storage capacity of PDS food grains with the FCI and with the state. Ideally the State should have a storage capacity of 2.5 times of the monthly allocation. The shortage of storage space results in delays and backlog and also damage to the food grains." The Committee found large quantity of insect infested grain in a godown in Ranchi.

3.1.2.2 Resolution to solve shortage of storage capacity

In order to ensure achievement of the planned storage capacity, monthly allotment of food grains to the blocks is the basis for deciding the storage requirements of the block. The State government in its resolution (August 2009) decided to construct godowns to achieve storage capacity that is double of the monthly allotment of food grains. The basic objective was to facilitate the storing of additional food grains in the event of delayed lifting of food grains from the godowns.

The present status of storage capacity vis-à-vis monthly allotment of food grains in the state (on 31 March 2016) is shown in the **Table-3.1.1:**

Table-3.1.1: Statement of shortage of storage capacity

(in MT)

Monthly allotment	Reported Storage Capacity	Actual Created Capacity	Requirement*	Shortage	Shortage (*per cent*)
146202.929	145100	141250	292405.86	151155.86	51.69

as per state government resolution

Storage space worth 0.57 lakh MT was planned short as compared to required

From the table, it could be seen that the storage requirement of the department was 2.92 lakh MT as of March 2016. Against this, the department had (2009-10) storage capacity of 0.45 lakh MT. To meet this gap, the department was required to create storage space of 2.47 lakh MT during 2010-16. However, the department sanctioned (2010-16) creation of only 1.90 lakh MT storage space during the same period. Thus, storage space of 0.57 lakh MT was planned short of requirement. Further, the planned increase in storage capacity was to be achieved by constructing 420 godowns. However, only 235 godowns could only be put to operation till March 2016 which created only 96,250 MT storage space as discussed in paragraph 3.1.3.1. As a result, the department could create only 1.41 lakh MT storage space which trailed behind the requirement by 1.51 lakh MT (51.69 *per cent*) as of March 2016. Thus, the resolution to achieve the desired storage capacity was not ensured.

However, it was noticed in audit that the department did not take any measures to compensate the deficit storage of 1.51 lakh MT by making alternative arrangements like hiring of private godowns or godowns of FCI or construction of prefabricated godowns in limited time etc. This lack of initiative by the department affected its mandate in lifting food grains from the FCI, store and manage it in the departmental godowns and distributing it to the targeted beneficiaries as discussed in the succeeding paragraphs.

3.1.2.3 Storage capacity in the selected districts

Audit compared the block-wise position of allotment of food grains with storage capacity available in the six test checked districts and noticed significant shortages **(Appendix-3.1.2)** to the extent that storage capacity was less than the monthly allotment to 46 blocks in test-checked districts. The deficit further increased after enhancement in allotment due to implementation of National Food Security Act (NFSA) in October 2015. The district wise storage shortages are shown in the **Chart-3.1.1** and **Table-3.1.2** below:

Chart-3.1.1: Storage Capacity Status

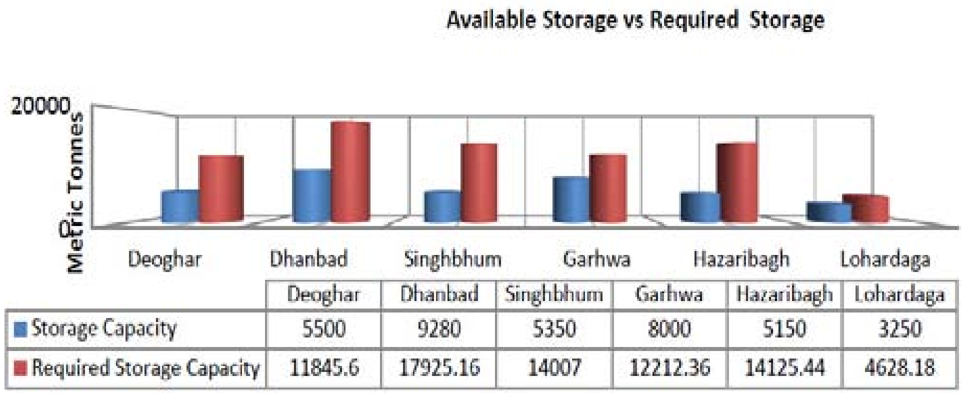


Table-3.1.2: Statement of district wise storage shortages

(In MT)

Sl. No.	District	Nos. of functional godowns	Storage Capacity	Monthly allotment	Required Capacity*	Shortage	Shortage *per cent*
1.	Deoghar	13	5500	5922.80	11845.60	6345.60	53.57
2.	Dhanbad	21	9280	8962.58	17925.16	8645.16	48.23
3.	East Singhbhum	19	5350	7003.50	14007.00	8657.00	61.80
4.	Garhwa	16	8000	6106.18	12212.36	4212.36	34.49
5.	Hazaribagh	15	5150	7062.72	14125.44	8975.44	63.54
6.	Lohardaga	07	3250	2314.09	4628.18	1378.18	29.78
	Total	**91**	**36530**	**37371.87**	**74743.74**	**38213.74**	

Source: data provided by District offices
***double of the monthly allotment**

It can be seen from **Table-3.1.2** that in the sampled districts, the storage facility was 36,530 MT against the requirement of 74,743.74 MT which was 38,213.74 MT short of the planned storage capacity for the six districts.

Of this, in three districts (Dhanbad, Garhwa and Lohardaga) the available storage capacities (20530 MT) were more than the monthly allotment (17383 MT) of food grains although less than the required capacities (34766 MT).

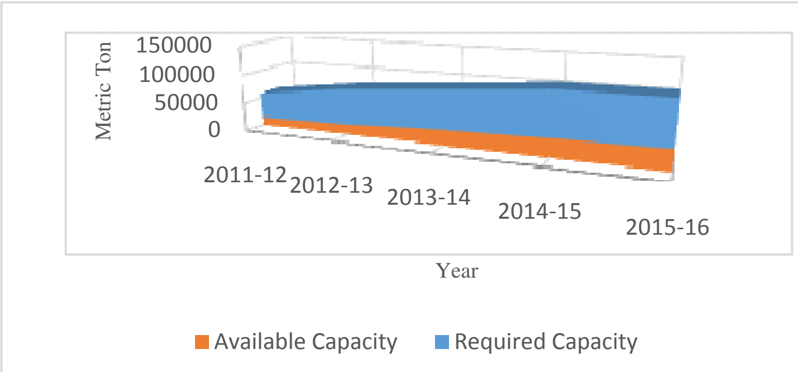
The variance in storage deficits was between 30 *per cent* and 63.54 *per cent* against the average shortage of 51.69 *per cent* across the state. The adverse effect of the shortage on the distribution of allotted food grains to the targeted beneficiaries is discussed in the succeeding paragraphs.

The year-wise availability of storage capacities were not available with the department/ MD, JSFCSC. The year-wise allotment and shortages calculated on the basis of godowns handed over in test checked districts is shown in **Table-3.1.3** below:

Table-3.1.3: Statement of year wise shortage of storage capacity in test checked districts

In MT

Year	Required Capacity (Double of Monthly allotment)	Available Capacity	Shortage
2011-12	44811.50	13780	31031.5
2012-13	61968.76	18030	43938.76
2013-14	67178.74	26030	41148.74
2014-15	76838.44	31030	45808.44
2015-16	74743.74	36530	38213.74



Source: data provided by District offices

Department sanctioned ₹ 14.82 crore (during 2009-16) to boost storage capacity from 5,030 MT to 58,030 MT in the sampled districts but at the end of March 2016, the storage capacity was augmented from 5,030 MT to only 36,530 MT.

3.1.2.4 Skewed availability of storage space due to deficient planning

Available storage capacity was skewed as monthly allotment was not linked to available storage space to work out the construction needs

Audit observed that the department did not link the available storage capacity of godowns in the blocks with the monthly allotment of food grains for the beneficiaries in the blocks to work out the storage requirement and the construction needs. As a result of this failure, the available storage capacity became skewed as reflected in **Table-3.1.4**:

Table-3.1.4: Status of food grains allotment vis-à-vis storage capacity

(in MT)

Sl. No.	Nos. of Blocks	Remarks	Allotment of food grains	Storage Capacity	Required Storage Capacity	Shortage(-)/ Excess(+) capacity
1.	55	Godown tagged with godowns in other blocks	12216.43	Nil*	24432.86	(-) 24432.86
2.	156	Total Storage capacity less than monthly allotment	109622.28	55200	219244.56	(-) 164044.56
3.	17	Total Storage capacity more than double the allotment	10692.57	35550	21385.14	(+) 14164.86
4	31	Storage Capacity greater than monthly allotment but less than the requirement i.e. double	19682.47	30654	39364.94	(-) 8710.94

**** Godowns having capacity of 13950 MT were not functional***

- In 55 of 259 blocks (21 *per* cent) in the state, godowns were not functional in 52 blocks and for storage of their food grains, these blocks depended on the storage facility of other blocks. In the remaining three blocks[5], there was no godown for storage of food grains.

- In 17 blocks under 13 districts, the storage capacity (35,550 MT) exceeded the required capacity (21385.14 MT) by more than 50 *per cent* (14,164.86 MT) while across the state the shortage was 1,51,155.86 MT. Thus, excess storage capacity co-exists with an overall shortage in storage resulting from poor planning. However, the use of excess storage capacities over requirement have not been planned.

- On the other hand, 156 blocks in 24 districts had storage capacity (55,200 MT) which was less than monthly allotment (1,09,622.28 MT) of food grains by 54,422.28 MT while in 31 blocks storage capacity (30,654.00 MT) was more than monthly allotment (19,682.47 MT) of food grains by 10,971.53 MT but this was less than the required capacity by 8710.94 MT.

The Secretary of the department accepted the audit findings and stated (October 2016) that instructions have been issued to make all the constructed godowns functional. The reply was not convincing as the department did not plan either to gainfully utilise the excess storage space created or to make alternative arrangements to address the shortage of storage capacity by hiring of private godowns or godowns of FCI etc.

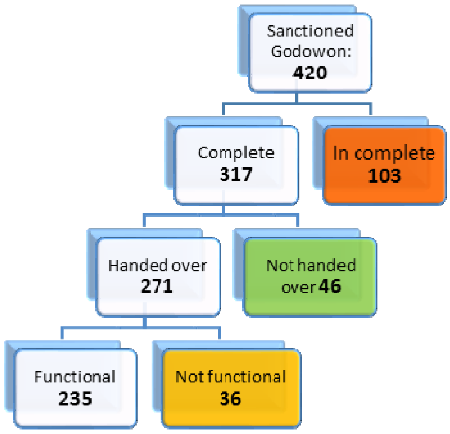
3.1.3 Construction and commissioning of godowns

3.1.3.1 Construction of godowns

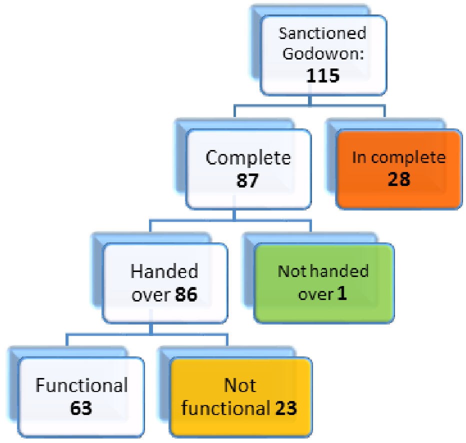
The department released ₹ 77.00 crore for construction of 420 godowns to enhance storage capacity of food grains in the state by 1,90,000 MT during 2009-16. Out of the above, construction of 317 (75 *per cent*) godowns with 1,23,000 MT capacity was completed at block/ district levels, details of which are given in the Flow Diagram and **Table-3.1.5** below:

5 Kukru in Seraikella Kharsawan district, Chandrapura and Jaridih in Bokaro district

Flow diagram indicating godowns sanctioned, completed, functional in the State and selected districts



State



Selected districts

Table-3.1.5: Statement on construction of godowns for the period 2009-16

Year	Sanctioned Godowns	Total Capacity (MT)	Construction Completed*	Godowns handed over*	Godowns functional*	No. of incomplete godown
2009-10	123	42750	119	108	106	4
2010-11	153	38250	134	107	75	19
2011-12	41	41000	27	26	24	14
2012-13	55	29500	34	29	29	21
2013-14	24	18500	03	1	1	21
2014-15	3	2500	0	0	0	3
2015-16	21	17500	0	0	0	21
Total	**420**	**190000**	**317**	**271**	**235**	**103**

Source: Food, Public Distribution and Consumer Affairs Department
****as of April 2016***

Table-3.1.5 and flow diagram revealed the following:

Out of constructed 317 godowns, 82 godowns (26,750 MT capacity) were not functional

- Out of 420 godowns taken up for construction to create storage space of 1.90 lakh MT, only 317 godowns were completed. Of this, 271 godowns were handed over and 235 godowns were functional. As a result, only 96250 MT MT storage space could be created by the 235 functional godowns during 2010-16 against the target of creating 1.90 lakh storage space.

- Of the 317 completed godowns, 46 godowns completed at cost of ₹ 5.14 crore created storage space of 16,250 MT (**Appendix-3.1.3**). However, the godowns were not handed over to the department for operation due to various reasons like damage to roof/wall, lack of approach road. Thus, the objective of creating additional storage space was defeated.

- Of the 271 handed over godowns, 36 godowns[6] with storage space of 10,500 MT were not functional due to absence of approach road, damaged roofs/ walls etc. Thus, the desired storage capacity could not be achieved.

- Out of 420 sanctioned godowns, 103 godowns targeted to create 67,000 MT storage space could not be completed as of October 2016. Of this, 33 godowns targeted to create storage capacity of 20,500 MT were not taken up

[6] Expenditure details not available separately with the department

as land was not available. Resultantly, funds worth ₹ 8.72 crore released for construction of these 33 godowns were blocked in bank accounts of DSOs or in Deposit head (8782) of Building Construction Department (BCD). This defeated the objective of activing the desired storage capacity.

3.1.3.2 Construction of godowns in selected districts

The findings in the test-checked districts with respect to construction of godowns are shown in **Table-3.1.6 below**:

Table-3.1.6: Statement on construction of godowns in the test checked districts for the period 2009-16

Year	Sanctioned Godowns	Total Capacity (MT)	Construction Completed*	Godowns handed over*	Godowns functional*	No. of incomplete godown
2009-10	32	12000	29	29	24	3
2010-11	45	11250	37	37	24	8
2011-12	12	12000	10	10	7	2
2012-13	15	10000	10	10	8	5
2013-14	6	4500	1	0	0	5
2014-15	0	0	0	0	0	0
2015-16	5	4000	0	0	0	5
Total	**115**	**53750**	**87**	**86**	**63**	**28**

Source: DSO of test checked districts **** As of April 2016***

It can be seen from **Table-3.1.6** that out of 115 godowns taken up for construction in test checked districts, only 87 godowns were completed and of this 63 godowns (54.78 *per cent*) were functional. Thus, storage space of only 27,250 MT could be created against the target of 0.54 lakh MT. Further, of the 28 incomplete godowns, 17 were not taken up as land for construction could not be acquired for periods ranging from 10 months to 66 months as detailed in the **Table-3.1.7**. Audit noticed that for these 17 godowns targeted to create 12,000 MT storage capacity, ₹ 7.69 crore provided to the Executive Engineers, BCD of the respective districts remained blocked. The balance 11 godowns targeted to create 6000 MT storage space could not be completed due to local hindrances and poor monitoring on which expenditure of ₹ 1.44 crore proved unfruitful besides frustrating the objective of creating storage space.

Table-3.1.7: Godowns for which construction not started

(₹ in crore)

Sl. No.	District	Godowns not constructed	Amount Released	Date of sanction of godown	Reasons for Construction not taken up
1	Deoghar	3	2.99	12.02.2014(1), 24.04.2015(1), 24.04.2015(1)	Land was not made available
2	Dhanbad	2	1.26	04.03.2014(1), 04.11.2015(1)	Land was not made available
3	East Singhbhum	4	1.98	22.02.2013(2), 24.04.2015(2)	Land was not made available
4	Garhwa	2	0.76	12.02.2014(1), 24.04.2015(1)	Land was not made available
5	Hazaribagh	6	0.70	18.03.2011(4), 13.10.2011(1), 26.03.2013(1)	Land was not made available
	Total	**17**	**7.69**		

Source: DSO of concerned districts

- **Newly constructed godowns lying unutilised**

In the sample districts, department provided ₹ 14.82 crore during 2009-10 to 2015-16 for construction of 115 godowns of 53,750 MT storage capacity. Audit noticed that 23 godowns constructed at a cost of ₹ 2.50 crore were not being utilised (**Appendix-3.1.4)** by the department for various reasons like damage to roof/wall, lack of approach road or were simply lying idle because of not being handed over to the department by the EE, BCD of respective districts as can be seen in the **Table-3.1.8**:

Table-3.1.8: Statement of godowns constructed but not being utilised

₹in lakh

District	Reason for godowns not being utilised	Number of Godowns	Total Cost of Construction
Deoghar	Damaged Roof/ Wall and lack of approach road	4	40.37
Dhanbad	Lack of Approach Road	3	60.48
East Singhbhum	Lack of Approach Road	4	54.27
Garhwa	Damaged Roof	8	58.88
Hazaribagh	Lack of Approach Road	3	29.61
Lohardaga	Damaged Roof	1	6.33
Total		**23**	**249.94**

Source: DSO of concerned districts

Audit further revealed that the department did not make provision for construction of approach road in the estimate. Besides, in all such cases the DSOs also failed to request the department for funds for construction of approach roads.

The Secretary to Government replied (October 2016) that instructions would be issued to districts to take over the completed godowns and operate them. The Secretary also replied that instructions were issued to JSFCSC to repair the damaged godowns. Instructions have also been issued to district administration to construct approach roads from other funds.

(i) The damage to newly constructed (September 2010 to August 2014) but unutilised godowns also indicated failure on the part of EE, BCD to ensure adequate quality in the construction of godowns.

(ii) In joint physical verification, Audit found out that:

- The floor, walls, roof, drainage system and platform were in a damaged condition in newly constructed godowns at Deoghar Sadar (2), Devipur (1) and Sarwan (1). Godowns of varying capacities and completed on different dates at Deoghar Sadar (1,000 MT: 23 September 2010; 250 MT: 17 November 2011) and at Devipur (250 MT: 24 March 2011) blocks were not in use, while at Sarwan (250 MT: 21 September 2010) block it was in use.

- The newly constructed (completed in June 2014) godown in Tatijharia block did not have an access way for a truck. Moreover, the godown was constructed in the lowest area of the block campus resulting in the risk of it being flooded in the rainy season. The godown was not in use.

The Secretary stated (October 2016) that fund was given to JSFCSC recently for repairs of old godowns and if newly constructed godowns required repairs, those would be got repaired through BCD.

Audit recommends that responsibility for poor quality construction should be fixed by the department and repairs, where ever required, should be done by the respective contractors at no extra cost to Government.

These godowns were not functional due to damage to roof.

Baniya Hill, Jharia block, Dhanbad (13.05.2016)

Kairo block, Lohardaga (03.06.2016)

- **Cost escalation due to delays in construction**

Failure to commence work in time for 20 godowns resulted in cost escalation of ₹ 2.77 crore

In the test-checked districts, audit noticed that failure to commence construction works of 20 godowns (13,000 MT) in 19 blocks in time resulted in cost escalation of ₹ 2.77 crore (**Appendix-3.1.5**) due to revision of schedule of rates. Of these, in five godowns[7] (three in Hazaribagh and two in Deoghar), the respective EEs of the BCD failed to begin construction even after sanction of revised estimates for eight months to three years.

Penalty of ₹ 45.12 lakh was not imposed on contractors for delays in completion of godowns

- As per Clause 2 of F2 agreement, if the agency fails to complete the work on time, it is liable to pay penalty at the rate of 10 *per cent* of estimated cost. In Deoghar, Garhwa and East Singhbhum districts, 40 works executed during 2009-16 were not completed on schedule dates resulting in delay between 11 days and five years and six months; however, penalty of ₹ 45.12 lakh[8] (**Appendix-3.1.6**) was not imposed on contractors for the delays.

- In Hazaribag, the EE, BCD, Hazaribag constructed a godown at Barhi block at a cost of ₹ 8.26 lakh against the estimated cost of ₹ 7.32 lakh, but without prior approval of the competent authority. This resulted in creation of liability of ₹ 0.94 lakh which was unpaid as of March 2016.

- In Hazaribag, construction of godown work at Churchu block was stopped midway after incurring an expenditure of ₹ 3.19 lakh (March 2013). No action was taken by the department to complete the work, despite availability of funds.

Thus, storage capacities in blocks could not be augmented because of delays in construction, completed godowns not handed over or not made functional etc.

The Secretary to the Government accepted (October 2016) the audit findings and said that instructions have been issued to all districts to complete pending work of godowns and to utilise completed godowns for storage of food grains.

---

7 Included in **Table-3.1.8** above, Katkamdag, Daru & Dadi blocks in Hazaribagh district; Deoghar and Mohanpur blocks in Deoghar district

8 Deoghar ₹ 10.08 lakh, East Singhbhum ₹ 17.05 lakh and Garhwa ₹ 17.99 lakh

The Secretary also stated that responsibilities for cost escalation would be fixed and orders for recovery of penalties would be issued.

3.1.4 Operation and maintenance of godowns

Examination of operation and maintenance of godowns in the sampled districts revealed the following observations:

3.1.4.1 Food Grain Storage

Physical verification of Food Grain storage conducted by audit team along with Assistant Godown Manager of concerned godowns revealed that:

- In Garhwa block, two godowns (1250 MT) where food grains were stored had damaged roof, walls and floor while in another godown (1,000 MT), there were badminton poles installed in the floor which indicated possible use of the godown for other purposes. Condition of godowns and food grains can be assessed from the following photographs:

Photographs depicting crack in roof. Pipes on which asbestos sheet lay were away from wall in Garhwa block godown in Garhwa district (20 August 2016)

Photograph depicting green grasses/plants on bags of food grains in Garhwa block godown in Garhwa district (20 August 2016)

Photograph depicting damaged blacked bags of food grains in Garhwa block godown (1000 MT) in Garhwa district (20 August 2016)

Above photograph depicting food grains godown was used to play badminton in Garhwa block godown (1000 MT)in Garhwa district (20 August 2016)

Photograph depicting cracks on wall of 250 MT Garhwa block godown in Garhwa district (20 August 2016)

Photograph depicting damaged food grains in bag in Garhwa block godown (1000 MT) in Garhwa district (20 August 2016)

The Secretary to the Government stated (October 2016) that DM, JSFCSC, Palamau who was in charge of Garhwa block was asked for verification report in this regard. The Secretary also sought verification reports from DMs of Hazaribag, Jamshedpur and Dhanbad.

- **Spoiling of Refined Iodised Salt**: Indian Journal of Community Medicines concluded in a study (July 2008) that attempts should be made to ensure that consumption of adequately iodised salt increase from 64.2 *per cent* at present to more than 90 *per cent*. For this, sustained efforts are required in Jharkhand to consolidate the current coverage of adequately iodised salt and increase it to greater than 90 *per cent*. Iodised salt was being distributed to the beneficiaries through Public Distribution System at subsidised rate in Jharkhand. During physical verification of godown at JSFCSC Ghatsila, audit noticed stacks of inconsumable refined iodised salt as they were spoilt. The details on amounts and value of the salt was not quantified by the department. The condition of the salt can be assessed from photographs below:

Damaged salt stored in a Ghatsila godown, East Singhbhum (Jamshedpur) district (21 July 2016)

Secretary to the government stated that reasons would be called for from the concerned officials. However, the fact remains that no action has been taken for the disposal of inconsumable salt bags.

- In Vishnugarh block under Hazaribag district, trucks were found lined up waiting to unload food grains due to shortage in storage space as the monthly allotment (659 MT) of food grain in the block was more than the available storage capacity (350 MT) by 309 MT. This is shown in the photographs below:

Vishnugarh Godown, H'bagh, full up to the entrance (17 March 2016)

Trucks waiting to be unloaded in the Godown at Vishnugarh block campus, H'bagh (17 March 2016)

3.1.4.2 Compliance to Warehouse Manual Provisions

Storage of foodgrains in godowns was done in unscientific manner without adherence to standard prescribed norms

Warehouse Manual For Operationalising of Warehousing (Development & Regulation) Act, 2007, prepared by the Warehousing Development and Regulatory Authority (WDRA) recommends[9] specifications of warehouses, warehouse management system, equipment required for warehouses, physical analysis, laboratory, insect/pest management, inspection of warehouses by inspection agency and other operations carried out in the warehouses. Audit compared operation and management of 28 godowns in the test-checked blocks inspected by the audit team with the provisions of the manual and found the following deficiencies as mentioned in **Table-3.1.9**:

Table-3.1.9: Statement of unscientific storage of food grains in godowns without adherence to prescribed norms

Sl. No.	Issue	Provision of Warehouse Manual	Audit observation on Operations
1.	Unscientific Storage	Scientific stacking and storage required to avoid damage to the stocks including stacking of commodities on suitable dunnage material viz., bamboo mats, polythene sheet, etc., manner of stacking, spacing between stacks, labelling of stocks, maintenance of ventilation, provision of adequate lighting etc.	Food grains were dumped in the godowns ignoring provisions of the manual for stacking, dunnage, marking or fumigation coverage etc. As food grains were not stored in stacks, *First In First Out* distribution method of food grains was not being followed.
2.	Contamination of Food grains	Losses in food grains can be broadly classified as loss in weight, loss in quality, nutritive value and loss in hygienic quality due to contamination with excreta.	Physical verification of godowns found presence of rodents/ birds and their excreta was contaminating the godowns.
3.	Absence of Fire-fighting equipment	To protect stocks from losses due to hazards as per "National Building Code 2005' which recommends that Godowns up	Fire-fighting arrangement were not made in any of the physically verified godowns.

9 Page 86, Chapter 13, Warehouse management System

Sl. No.	Issue	Provision of Warehouse Manual	Audit observation on Operations
		to 1500 MT capacity should be provided with three fire extinguishers and 15 fire (sand) buckets.	
4.	No trainings on fire-fighting	AGMs and other staff of godowns should get training on the basic principles and general procedure of fire fighting in a warehouse.	Trainings related to basic principles and general procedure of fire fighting were not provided even to a single staff engaged in management of godowns.
5.	No Quality testing	A small physical analysis laboratory should be set up in each godown for testing the quality of the commodities stored.	Audit noticed that neither there was any laboratory in JSFCSC godowns for testing of quality of food grains nor the quality of food grains was being tested in any external laboratory.
6.	Absence of Security arrangements	Fool proof security arrangements of godowns with round the clock security guards was required.	No security arrangement in any of inspected godowns was noticed.
7.	No Insurance for food grains	Insuring all stocks in godowns against fire, flood, theft, frauds/ misappropriation, strikes and terrorism was required.	No insurance coverage for food grains stored in JSFCSC godowns in blocks of six districts was made.

Dunnages lying idle and foodgrains dumped on floor in Barmasia godown (Dhanbad) (Top) (13 May 2016)

Food grains contaminated with rats excreta, Barhi Block Godown (Hazaribag district) (16 March 2016)

The Secretary to the Government stated (October 2016) that provisions of Warehouse Manuals (WDRA) are applicable in such godowns like FCI and Central Warehousing Corporation (CWC) where storage of food grains are done at large scale. It is, however, worthwhile to mention here that Audit in the entry conference had informed the government about using the 'Warehouse Manual for operationalising of Warehouse' as an audit criteria to examine functioning of the JSFCSC godowns in the absence of godowns manual of the department and this was accepted by the government.

Further, in the exit conference the Secretary stated that Government was in the process of hiring of private agencies for management of godowns and the provisions of manuals for scientific storage, as suggested in the report, would be examined for implementation in the state.

3.1.4.3 Food Grain quantity not verified

After receipt of release orders, FCI weighs and releases food grains to transporters nominated by JSFCSC for transporting the grains to JSFCSC godowns. Audit noticed that there was no arrangement in JSFCSC godowns to verify received quantity of food grains as none of the inspected godowns had functional electronic weigh bridges.

AGMs of JSFCSC godowns stated that food grains were weighed at FCI godowns at the time of receipt of food grains by lifting-in-charge of JSFCSC and handed over in truck/ vehicle to transporter of JSFCSC. There was no weigh bridge in godowns to weigh food grains at the time of receipt and unloading of food grains from trucks at godowns of JSFCSC. The digital weigh machines supplied by the department to JSFCSC godowns were not suitable to weigh huge quantity of food grains at the time of receipt and unloading of trucks.

The Secretary accepted Audit findings and stated that all DMs of JSFCSC were being instructed to ensure weighing of food grains from FCI before taking receipt of food grains in godowns. Further, it was stated (October 2016) that Digital Weighing Machines were provided to all AGMs of JSFCSC godowns. However, during physical verification of godowns Audit noticed that digital weighing machines were not being utilised to verify receipt of requisitioned food grains.

3.1.5 Implications of inadequacies in food grain storage

3.1.5.1 Short lifting and resultant short distribution

Food grains were provided to Targeted Public Distribution System (TPDS) beneficiaries under AAY, BPL, Additional BPL, APL up to September 2015. Under TPDS, GoI allocated 73.40 lakh MT food grains during 2011-16 (up to September 2015). Against this, SFC lifted only 53.61 lakh MT (73 *per* cent) food grains resulting in short lifting of 19.79 lakh MT food grains.

21.23 lakh MT food grains were short lifted against the allotment from FCI by JSFCSC during 2011-16

Further, NFSA got implemented in the state from October 2015. Under NFSA 7.81 lakh MT food grains was allotted by GoI. Against this, 6.37 lakh MT could only be lifted by the SFC resulting in short lifting of 1.44 lakh MT food grains. Thus, there was total short lifting of 21.23 lakh MT food grains as depicted in **Table-3.1.10**:

Table-3.1.10: Short lifting and short distribution of food grains

In MT

Year	GoI Allotment	Lifting of Food Grains by JSFCSC	Short Lifting	Short lifting (*Per cent*)
April 2011 to September 2015	7340023.62	5361142.000	1978881.620	26.96
October 2015 to March 2016	780824.424	636901.536	143922.888	18.43

The Secretary of the department stated that the short lifting of food grains against allotment as pointed out by audit was near to actual. The Secretary further stated that to lift the food grains, requests have been made to GoI for extension of time and revalidation of lapsed allocation but the same had not been granted.

Audit further observed that the short lifting of food grains have resulted in disruption of mandate in providing food grains to PHH and AAY beneficiaries. This was also confirmed during beneficiary survey (November 2016) with 23 beneficiaries in Lohardaga district in which all the 23 out of 23 beneficiaries reported to audit that they did not get their entitled food grains for the month of March 2016. Likewise, three Fair Price Shops which audit visited and were responsible to distribute food grains to 821 PHH and 108 AAY families under NFSA also reported to audit that they had not distributed food grains to the beneficiaries for the month of March 2016. However, neither food security allowance, though admissible under section 13 of the NFSA, was paid to these beneficiaries nor the department identified all those beneficiaries (both TPDS and NFSA) who could not be provided their required quantities of food grains during 2011-16 as a result of the short lifting.

The Secretary stated (October 2016) that food grains could not be lifted due to festivals and elections in the state and requests for revalidation of lapsed allocation were under consideration of Government of India. The Secretary also stated that no food security allowance would be given in any case, as no claims for the same have been received pertaining to 2015-16. However, the food grains would be allocated to beneficiaries if the revalidation is approved and received.

The reply is not acceptable as festivals and elections are known to Government well in advance and adequate measures to avoid disruption were to be ensured. Hence, these excuses cannot be accepted as valid grounds for failing to lift the entire quantities of the food grains. Further, the beneficiaries were not made aware of their right to get the food security allowance under the Act which was evident from absence of a single claim under NFSA, in one year of its operation in the test checked districts.

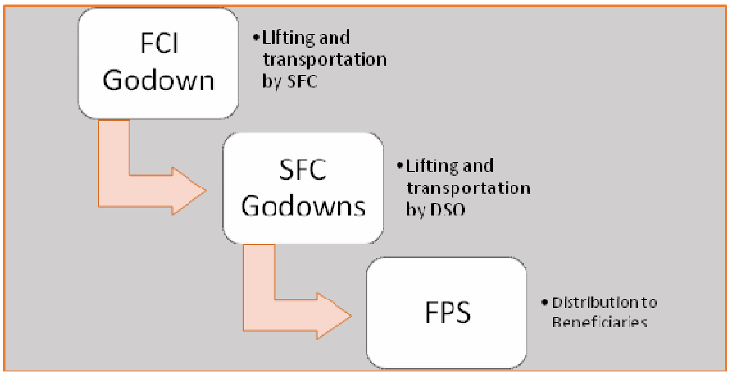
3.1.5.2 Unscientific storage and deterioration in quality

Audit noticed that quality of food grains stored in JSFCSC godowns, which were issued to FPSs for distribution to beneficiaries, was not tested as no test facility was available in the godowns. Also no agency was accredited for quality test of food grains. It was also noticed during physical verification that the condition of godowns was not up to mark as discussed in paragraph 3.1.4.1. Further, in the absence of any quality check, Government was not in a position to certify that the food grains reaching the beneficiaries have not deteriorated in the process of storage and transportation of food grains. Audit noticed deterioration of food grains and salt as discussed in paragraph 3.1.4.1 and 3.1.4.2 during physical verification.

The Secretary to the Government stated (October 2016) that food grains of Fair Average Quality were being supplied from FCI godowns which were in turn being distributed to beneficiaries. Reply was not acceptable as during physical verification audit observed that neither was the FIFO (first in first out) method of distribution of food grains from SFC godowns being followed nor was quality test being done at any stage of storage/ transportation of food grains.

3.1.6 Irregularities in Food Grain transportation

Food Grains are allotted to the state by GoI on the basis of the scheme guidelines and identified number of beneficiaries. The department allocates the food grains to districts which is again sub-allocated by DSOs to blocks in proportion to the number of beneficiaries. To lift the food grains, JSFCSC deposits the cost of allotted grains (district wise) with FCI which subsequently issues a 'Releasing Order' for the food grains. The JSFCSC lifts food grains from FCI godowns and transports these at its own cost to JSFCSC godowns in the blocks. Thereafter, DSOs transports these grains to FPS at its own cost under Door Step Delivery System after the FPS dealers deposit the prescribed cost of grains with JSFCSC. The scheme shows the distribution of food grains from FCI to FPS.



3.1.6.1 Discrepancies in quantities of Food Grains

FCI provided data on food grains lifted by JSFCSC from its godowns under various schemes. Audit compared the yearly figures of FCI for the state with the JSFCSC figures maintained by them in their head office. The comparison indicates that lifting accounted for by FCI is greater than that recorded by JSFCSC during 2012-15 while it was less for the years 2011-12 and 2015-16, as detailed in **Table-3.1.11** below:

Table-3.1.11: Difference in Food grain lifting figures of FCI and SFC

(in MT)

Year	Food grain Qty as per Release Order of FCI	Food grains# lifted as per FCI (A)	Food Grains lifted as per JSFCSC (B)	Difference	Minimum Loss* (₹ in crore)
2011-12		1240534.756	1259063.465	(-)18528.709	**Nil**
2012-13		1290348.563	1245837.202	44511.361	78.01
2013-14		1142715.302	1115376.237	27339.065	52.17
2014-15		1202024.268	1174817.109	27207.159	25.41$
2015-16		1188132.466	1202949.523	(-)14817.057	
Total		**6063755.355**	**5998043.536**	**65711.819**	**155.59**

*#Rice and Wheat; *as per FCI Economic cost for purchase of wheat;*
$assuming food grains of 2014-15 were lifted in 2015-16

There was discrepancy in lifting of food grains from FCI valued ₹ 155.59 crore in the records of FCI and JSFCSC requiring reconciliation

As per **Table-3.1.11**, the reported lifting of food grains by JSFCSC in its books in the five years period (2011-16) when cross checked with the quantities lifted as provided by FCI was found lower by 65,711.819 MT. This discrepancy in lifting of food grains valued at least at ₹ 155.59 crore in the records of these two agencies need to be reconciled as it may lead to misappropriation or diversion of the food grains for other purposes. The matter needs investigation.

3.1.6.2 Discrepancies in food grains in selected district

- **Grain transportation from FCI to SFC in East Singhbhum**

Audit compared the statement prepared by the District Managers (SFC) for food grains transported from FCI godowns to SFC godowns with the weight of food grains recorded in the paid vouchers on account of such grain transportation, in the case of East Singhbhum district.

As per the comparison, weight of food grains for which transportation charges were paid by SFC were lower than the food grains lifted from the FCI by 12148.32 MT. Details are in **Table-3.1.12:**

Table-3.1.12: Statement of food grains transported from FCI to SFC godowns (in MT): in East Singhbhum

Year	FG lifted from FCI to SFC godowns as per records of DM (A)	FG as per transportation vouchers of DM (B)	Discrepancy in Food Grains (A – B)
2011-12	69248.37	56666.57	12581.80
2012-13	77677.32	80030.87	(-) 2353.55
2013-14	70028.62	69713.74	314.88
2014-15	75237.00	76280.96	(-) 1043.96
2015-16	73264.41	70615.26	2649.15
Total	**365455.72**	**353307.4**	

It was observed that in the years 2012-13 and 2014-15, quantity of food grains entered in the transportation vouchers were more than the food grains lifted as recorded by FCI. The DM, East Singhbhum could not explain the difference/ shortage in transportation of food grains and location or disposal, if any, of the remaining food grains. There is a need to reconcile this discrepancy and the matter needs investigation.

- **Grains transportation from SFC to FPSs in East Singhbhum**

Audit further compared quantity of food grains transported to the FPSs by the DSO and with the quantity recorded in the vouchers on account of grain transportation from SFC to FPSs maintained in the office of the DSO. The results of the comparison are indicated in **Table-3.1.13:**

Table-3.1.13: Statement of transportation of Food Grains from SFC to FPS in E. Singhbhum district

Year	FG transported from SFC to FPS as per DSO (A)	FG for which transport costs paid by DSO (B)	Missing Food Grains (A-B)
2011-12	57716.72	55883.50	1833.22
2012-13	77096.15	NA*	-NA-
2013-14	70408.01	51177.05	19230.96
2014-15	74792.26	58102.46	16689.80
2015-16	73424.48	55885.88	17538.60
Total	**353437.62**	**-**	**55292.58^**

Transportation for 2012-13 was done at block level for which vouchers were not produced. ^ Excluding 2012-13

It is evident from **Table-3.1.13** that:

- The discrepancy of food grains calculated by comparing quantity of food grains as per transportation vouchers with food grains shown transported to FPS as per the DSO records was 55,292.58 MT during 2011-16 (except 2012-13 as the vouchers for the period were not made available to audit). Bills for transportation cost of food grains under DSO for the year 2012-13 were not produced to audit in DSO office, East Singhbhum. So, audit could not ascertain quantity of food grains transported from JSFCSC godowns to FPS on the basis of DSO vouchers.

- Transportation of food grains was done by Marketing Officer (MO)/ Block Supply Officers (BSOs) themselves by arranging private transporters for the seven Blocks as no quotations were received against the tender floated by the DSOs.

- Audit noticed that ₹ 39.74 lakh (**Appendix-3.1.7**) were paid by DSOs for transportation of 14,193 MT food grains to BSOs/ MOs without supporting vouchers (indicating vehicle no., date/ quantity of transportation, receipt of FPS dealers etc.) in the year 2011-12 and 2013-14. On being questioned about the authenticity of the vehicles used for transportation no reply was furnished by DSO, East Singhbhum.

- **Suspicious and apparently fraudulent bills for food grain transportation:** Audit examined the bills produced by BSOs/ MOs for transportation of food grains and verified the vehicle numbers purportedly used to transport food grains and found out that 126.45 MT food grains were shown to be transported by cars/ motor cycles (**Appendix-3.1.8**). Further, the diversion of such food grains to open market also could not be ruled out. The matter needs investigation.

The Secretary to the Government stated (October 2016) that the matter of discrepancy in figures of DM, DSO and Transportation Voucher for transportation of food grains under Door Step Delivery would be examined. Regarding apparently fraudulent bills for food grains transportation, the Secretary stated (October 2016) that matter will be looked into and suitable action would be taken.

3.1.7 Financial Management

3.1.7.1 Financial performance relating to construction of godowns

The department planned to augment storage capacity of godowns in the state in 2009-10. The department released funds for construction of godowns to DSOs who after drawing the money from the treasuries, transferred the funds to Executive Engineers (EEs), Building Construction Division (BCD) of respective districts for execution of construction as deposit work. Allotment for construction of godowns during 2011-16 is shown in **Table-3.1.14:**

Table-3.1.14: Statement of Allotment and expenditure

(₹ in lakh)

Year	Allotment	Expenditure	Savings
2011-12	898.67	834.10	64.57
2012-13	1101.01	1100.91	0.10
2013-14	278.46	183.30	95.16
2014-15	2030.74	1239.62	791.12
2015-16	970.69	970.69	0.00
Total	**5279.57**	**4328.62**	**950.95**

Source: Appropriation Accounts

Audit noticed that

- The department did not maintain expenditure reports for funds transferred by it to the Building Construction department as the expenditure figures were never called for by the department from the DSOs. So proper monitoring of the expenditure was not done by the department.

- Out of allotment of ₹ 52.80 crore, ₹ 43.29 crore (82 *per cent*) was spent for construction of godowns during the years 2011-16. Thus, 9.51 crore could not be spent for reasons as discussed in paragraph 3.1.3.

- As per the allotment orders for construction of godowns, the expenditure statements were to be submitted to the department after verification of the expenditure by the Accountant General (Accounts & Entitlements), Jharkhand. The orders also mandated that the Utilisation Certificate for the expenditure shall be submitted to the department by 10th of every month. Audit scrutiny revealed that the expenditure statement were never submitted to government while against an allotment of ₹ 15.17 crore, Utilisation Certificates of ₹ 12.56 crore were not submitted.

- No budget provision was made by the department for repair and maintenance of godowns during financial years 2011-16. As a result, repairs of cracks or damages to floor, walls, damaged roofs etc. in its godowns were not carried out. Audit noticed that three godowns in the test checked blocks were either not functional or operating with damaged[10] floors, walls etc.

[10] Barhi, Bishnugarh block godown in Hazaribag district, Lohardaga block godown in Lohardaga district, Govindpur block godown in Dhanbad

Photograph depicting outside view of damaged wall and roof of Meral block godown in Garhwa district. Roof was covered with plastic sheet to protect from rain water (20 August 2016)

Photograph depicting inside view of Meral block godown in Garhwa district whose roof was damaged depicting plastic sheet to cover roof to protect food grains from rain water (20 August 2016)

- DSOs of the test checked districts transferred ₹ 870.73 lakh to the EEs, BCD of concerned districts to construct 59 godowns during 2009-15. Audit noticed that savings of ₹ 65.78 lakh[11] in the construction of these godowns were retained irregularly by the EEs, BCD.

- Refunds of ₹ 9.89 lakh made (June 2014) by EE, BCD Lohardaga to DSO, Lohardaga and ₹ 69.96 lakh made by EE, BCD, Hazaribag to DSO Hazaribag (July 2015) were parked by the DSOs in bank accounts (November 2015), in contravention of instructions of the department. This resulted in idling of government money. The DSOs should have remitted the funds in treasury as per rule.

Such examples of inadequacies in financial management arising during test check by Audit were a result of deficient monitoring of funds for construction and commissioning of godowns.

The department when requested failed to produce records on the basis of which the storage capacity for a block/ district was planned and funds allocated.

Regarding idling of funds with the Executive Engineer in districts, the Secretary to the Government stated (October 2016) that information regarding fund availability in Deposit heads would be collected from Building Construction Department and instructions would be issued to deposit unspent funds in appropriate Head in treasury.

3.1.8 Human Resource Management

The department under NFSA caters to the requirements of the marginalised sections of the society. Any deficiency in staff would result in compromising the efficient implementation of NFSA.

At the cutting edge, Block Supply Officers (BSO)/ Marketing Officers (MO) and Assistant Godown Managers (AGM) are responsible for monitoring and lifting/ distribution of food grains to the FPSs respectively.

[11] Deoghar ₹ 5.31 lakh, Dhanbad ₹ 30.14 lakh, East Singhbhum ₹ 8.81 lakh, Garhwa ₹ 4.88 lakh, Hazaribagh ₹ 14.52 lakh and Lohardaga ₹ 2.12 lakh

Audit scrutiny revealed significant shortages of manpower (March 2016) ranging from 53 to 92 *per cent* at all levels in the state as detailed in the **Table-3.1.15**:

Table-3.1.15: Manpower Position (March 2016)

Name of post	Responsibility under PDS	Sanctioned Strength	Person-in-position	Shortage	Shortage (*per cent*)
MO	Block level Supervision/Monitoring	129	12	117	91
BSO		260	122	138	53
DM	District: Godown/ Food grain management	24	02	22	92
AGM	Receipt, Storage and Issue of Food grains	179	46	133	74
DSO	District In-charge of PDS scheme	24	11	13	54

(Source: Data provided by the department)

There was shortage of manpower ranging from 53 *per cent* to 92 *per cent*

The district officials in response to various audit enquiries also quoted shortage of manpower as reasons for the deficiencies in their functioning. That shortages were ranging from 53 *per cent* to 92 *per cent* were affecting the functioning of the department cannot be denied.

Audit noticed that due to shortages in man power, charge of godowns was given to other officers and even Block Development Officers and Circle Officers were in-charge of godowns who were untrained and unskilled in the area of food grains/ godown management. This might have resulted in unscientific storage of food grains (without stack direct on floor, without fire fighting system, without insurance coverage, without pest management) and short lifting of food grains.

The Secretary to the Government stated (October 2016) that services would be taken from an outsourced agency for JSFCSC manpower shortages and if outsourcing cannot be done then possibility of recruitment through JSFCSC will be considered.

Audit recommends that department reassess its manpower requirement on the basis of NFSA and accordingly deploy sufficient staff so as to function effectively.

3.1.9 Monitoring and internal control

3.1.9.1 Vigilance Committees not constituted/functional

Vigilance committees were either not formed or were not discharging their mandate

As per PDS Control Order 2001 and as per Notification (April 2013) of Food, Public distribution and Consumer Affairs Department, Government of Jharkhand, Distribution-cum-Vigilance Committees[12] were to be constituted at State, District, Block, Urban/ Rural, Nagar Panchayat, Fair Price Shop level to monitor stock of essential commodities at various levels. Jharkhand Panchayati Raj Act, 2001 also mandated vigilance and supervision of

[12] At state level under chairmanship of Minister, FPDCA, GoJ/ Departmental advisor (during President rule), at district level under chairmanship of Adhyaksha, Zila Parishad,at block level under chairmanship of Pramukh of block, at Panchyat level under Chairmanship of Mukhiya of Panchayat, at Nagar Panchayat/ Nagar Nigam/Nagar Parshad level under Chairmanship of Adhyaksha of the institution, at Fair Price shop level under Chairmanship of Ward member

distribution of food grains under Public Distribution System through Panchayati Raj Institutions.

Audit noticed that Vigilance Committees were either not constituted or were defunct. The DSOs, Dhanbad and Lohardaga stated that Vigilance committee have been constituted at district level and efforts were being undertaken to constitute such committees at lower levels.

As per the instructions (February 2011) of the department, certificate of transportation of food grains under Door Step Delivery was to be taken by Vigilance Committees at Panchayat level and Ward Councillors etc. Audit observed that certificate of transportation of food grains under Door Step Delivery were not taken in the sampled districts from Vigilance Committees at Panchayat level and Ward Councillors etc. as vigilance committees were either not constituted or were not functional.

The Secretary to the Government stated (October 2016) that vigilance committees will be constituted at district levels, instructions will be issued to make district level vigilance committees functional and to constitute vigilance committees at other levels (Blocks, Panchayats, Fair Price shops, Urban).

3.1.9.2 Periodic inspection of Stocks/ Godowns

As per the Warehouse Manual for Operationalising of Warehousing (Development & Regulation) Act, 2007, AGMs of godowns should assess quality of food grains of entire stock during storage, physical conditions of the godowns at least once in 15 days or earlier. Prophylactic or curative treatments if required should be immediately carried out by the technical staff of the godowns.

During audit and physical verification of godowns it was observed that periodic inspection of stock/godowns in JSFCSC godowns in sampled districts was not conducted and this was probably responsible for quality deterioration of stock as discussed in paragraph 3.1.5.2 and lack of initiation of steps to repair damaged godowns as discussed in paragraph 3.1.7.1. The Secretary accepted the finding and stated (October 2016) that instructions had been issued to all District Managers in this regard.

3.1.9.3 Independent Inspection of godowns not conducted

Audit further noticed that neither inspection of the Stock or godowns by any independent agency was carried out in any of the test checked districts as is recommended in the Warehouse manual nor was there any order by the department to get inspection conducted by an independent agency.

The Secretary accepted and stated (October 2016) that instructions had been issued to all District Managers regarding the same.

3.1.9.4 Defalcation/ Wastage of food grains

In Dhanbad, 2,733.26 quintal food grains valued at ₹ 1.09 crore was reportedly defalcated by AGM of the godown in Tundi block in May 2014. Likewise 133.60 quintal rice was found rotten during physical verification by district administration.

Although responsibility for the above incident was fixed by the judiciary, it cannot be denied that the above incidents happened in the absence of an established monitoring/ vigilance mechanism.

The Audit findings indicate that internal control and monitoring of food stock was inadequate and there were no instructions by the government for independent verification of the food stock. The Secretary accepted the audit contention and stated (October 2016) that instruction to all District managers were issued to conduct surprise inspection of godowns from time to time.

3.1.10 Conclusion

Even after seven years of its own resolution, the department was behind its target of storage capacity by 1.51 lakh MT due to inadequate and faulty planning and execution. There were delays of more than six years in construction and commissioning of 103 godowns due to deficiencies in planning and implementation as well as ineffective monitoring resulting in insufficient godown storage capacity being created in the state. The effect of this was that 21.23 lakh MT food grains could not be lifted from FCI and this has resulted in disruption of mandate in providing food grains to the intended beneficiaries. In 28 godowns physically visited by Audit, provisions of Warehouse Manual were not adhered to in ensuring scientific storage and insurance of food grains putting the quality and quantity of food grains at risk. Manpower to manage the godowns and distribution of food grains was short to the extent of 92 *per cent* of requirement. Monitoring Committees were either not formed or were not discharging their mandate in cases when they were formed.

3.1.11 Recommendations

- The state government should immediately complete construction of godowns by prioritising those blocks where existing storage capacity is less than monthly allotment of food grains followed by blocks having storage capacity more than monthly allotment but less than planned storage capacity.

- Godowns which were not functional, handed over or complete should be reviewed and completed in a time bound manner.

- Scientific storage and distribution of food grains in compliance with the provisions of Warehouse Manual should be ensured.

- Sufficient and trained manpower should be engaged to manage food grains and Monitoring and Vigilance mechanism should be strengthened to prevent pilferage/ damage to food grains.

FOOD, PUBLIC DISTRIBUTION & CONSUMER AFFAIRS DEPARTMENT

3.2 Audit on Paddy procurement and conversion into Custom Milled Rice

Executive summary

Government of Jharkhand introduced (2011) a programme to directly procure paddy from farmers and upon conversion, deliver Custom Milled Rice (CMR) to the Food Corporation of India (FCI) with effect from the *Kharif* Marketing Season (KMS) 2011-12. The objectives were to ensure that farmers benefit from receiving the Minimum Support Prices (MSP) for their paddy and do not have to resort to distress sales, in addition to increasing the quantity of CMR. The programme was implemented in all the 24 districts of the State for KMS 2011-12 and 2012-13 through state agencies. However, in KMS 2013-15 it was implemented in one/two districts only, but in 2015-16 again implemented in all the 24 districts - through FCI in 11 districts and through state agencies in 13 districts. Some of the major findings are as discussed below:

The Department failed to implement the paddy procurement programme during 2013-15 throughout the state as the fund worth ₹ 524 crore was not ensured by the Department to meet the procurement target of four lakh MT paddy resulting from failure to take the cash credit loan like in 2011-13 and effecting pending recovery of ₹ 178.96 crore from its debtors.

(Paragraph 3.2.3.2)

Government failed to counter the prevalence of middlemen in the programme during KMS 2011-13, as 4.58 lakh quintal paddy valued ₹ 52.17 crore were procured without obtaining valid land receipts from farmers in one district and 0.60 lakh quintal paddy worth ₹ 7.49 crore was reportedly procured in excess production in four districts.

(Paragraphs 3.2.3.3 and 3.2.3.4)

Delayed payment of ₹ 11.37 crore to 2445 farmers in KMS 2011-13 and failure to pay ₹ 99.41 crore during 2014-16, defeated the objective to prevent distress sale of paddy by farmers.

(Paragraphs 3.2.2.2 and 3.2.2.10)

Milling policy was not framed and no Management Information System was established to generate and disseminate reliable and consolidated information of its activities by the Department.

(Paragraphs 3.2.4 and 3.2.5)

3.2.1 Introduction

Government of Jharkhand (GoJ) introduced (2011) a programme to directly procure paddy from farmers and upon conversion, deliver Custom Milled Rice (CMR) to the Food Corporation of India (FCI) with effect from the *Kharif* Marketing Season (KMS)[1] 2011-12. The objectives were to ensure that

[1] The KMS specifies the period of paddy procurement and delivery of CMR to FCI

farmers benefit from receiving the Minimum Support Prices (MSP) for their paddy and do not have to resort to distress sales, in addition to increasing the quantity of CMR.

The Food, Public Distribution and Consumer Affairs Department (the Department), and the Agriculture, Animal Husbandry & Co-operative Department (*Co-operative Department)* are jointly tasked to execute this scheme. The Co-operative Department is responsible for ensuring procurement of paddy through the paddy procurement centres (PPCs)[2] under its control directly from farmers at MSP and its conversion into Custom Mill Rice (CMR) at tagged rice milling units. The Department executes the programme through Jharkhand State Food and Civil Supply Corporation Ltd (JSFC) which is appointed as the nodal agency.

A Flow chart of paddy procurement, milling and delivery of CMR is elaborated in **Appendix-3.2.1**.

The programme was implemented in all the 24 districts of the State for KMS 2011-12 and 2012-13 through state agencies. However, in KMS 2013-14 it was implemented in two districts only (Hazaribag and Ramgarh) while in KMS 2014-15 in one district (Hazaribag). Further, in 2015-16 it was implemented in all the 24 districts - through FCI in 11 districts[3] (Palamu, South Chotanagpur and Kolhan divisions) and through state agencies in 13 districts[4] (North Chotanagpur and Santhal Paragana divisions).

Audit was conducted between February and June 2016 to ascertain the adequacy, efficiency and transparency of the programme; efficiency in the financial management of the Department/nodal agency; efficiency of paddy procurement and conversion of paddy into Custom Milled Rice (CMR) under MSP; efficiency of the internal Control System, monitoring, supervision and quality control mechanism.

Audit selected eight[5] out of 24 districts through Simple Random Sampling without Replacement Method (SRSWR)**.** Further, in each district, eight PPCs were selected for scrutiny on the basis of quantity of paddy procured. Beneficiary surveys were also conducted.

An entry conference was held on 26 April 2016 with the Secretary of Food, Public Distribution and Consumer Affairs Department, GoJ to discuss the objectives, scope and methodology of the audit. An exit conference was held on 31 August 2016 to discuss the audit findings and recommendations with the Secretary of the Department. The Secretary accepted the findings in general and assured that all the stated provisions were being ensured. The replies given were suitably incorporated in the Report.

---

2 Primary Agriculture Credit Co-operative Societies (PACCS), Large Area Multipurpose Co-operative Societies (LAMPS) are PPCs for the paddy procurement during KMS 2011-15, situated at *panchayat* levels. Further, Food Corporation of India (FCI) and LAMPS/PACCS as state agencies during KMS 2015-16

3 East Singhbhum, Garhwa, Gumla, Khunti, Latehar, Lohardaga, Medninagar, Ranchi, Saraikela-Kharshawa, Simdega and West singhbhum

4 Bokaro, Chatra, Deoghar, Dhanbad, Dumka, Giridih, Godda, Hazaribag, Jamtara, Koderma, Pakur, Ramgarh and Sahibganj

5 Bokaro, Deoghar, Dhanbad, Dumka,Garhwa, Hazaribag, Jamshedpur and Ranchi

Audit findings

3.2.2 Financial Management

The Department created and provided (between February 2012 and July 2012) a revolving fund of ₹ 318.96 crore to JSFC for procurement of paddy. Further, JSFC also took a cash credit loan of ₹ 135 crore and ₹ 255 crore for KMS 2011-12 and 2012-13 at an interest rate of 13 *per cent* and 12 *per cent* respectively, from Central Co-operative Banks. For procurement of paddy and its transportation, JSFC made advances to PPCs through District Managers.

Audit noticed that the procurement advances for paddy was made in each KMS, except in KMS 2014-15. In addition, transport advance was also given in each KMS except during KMS 2013-14 and 2014-15. Flow of funds and reimbursement of the cost of CMR by FCI is shown in the **Charts-3.2.1 and 3.2.2.**

Chart-3.2.1-Flow of fund for Paddy Procurement

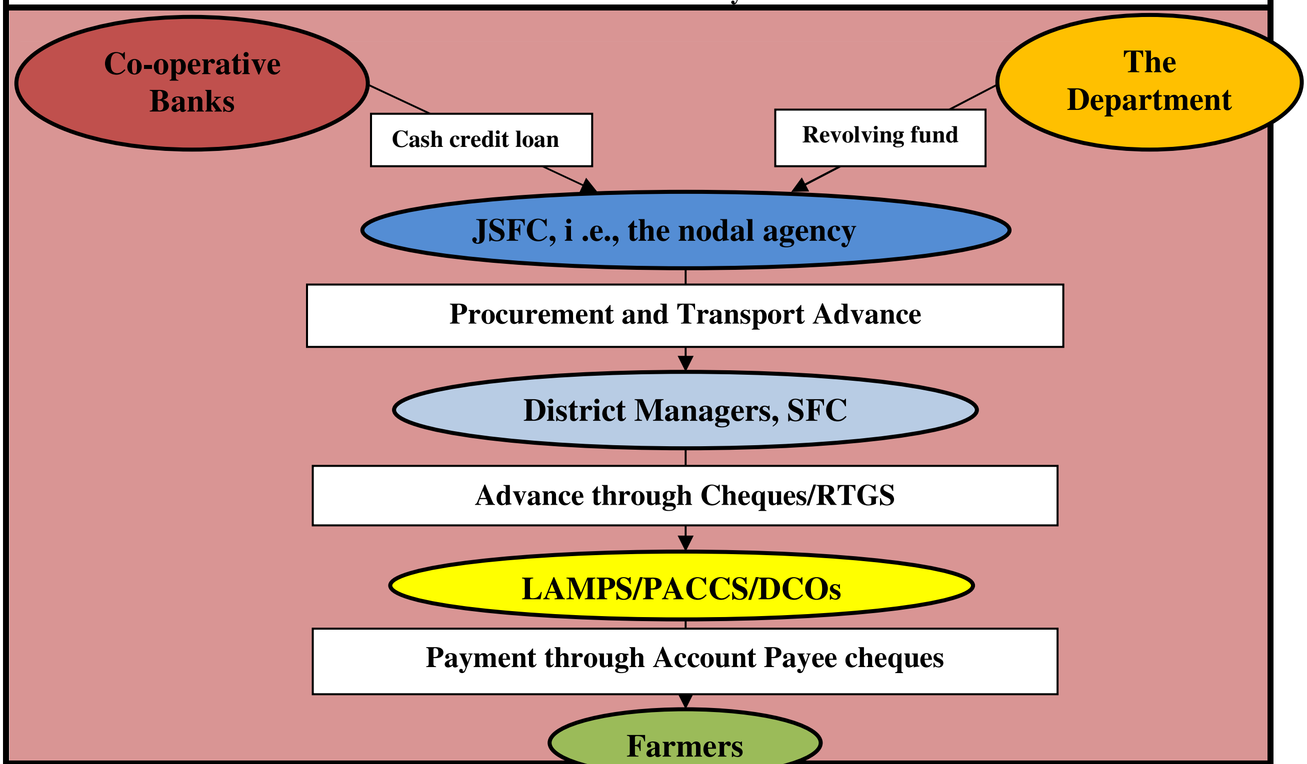
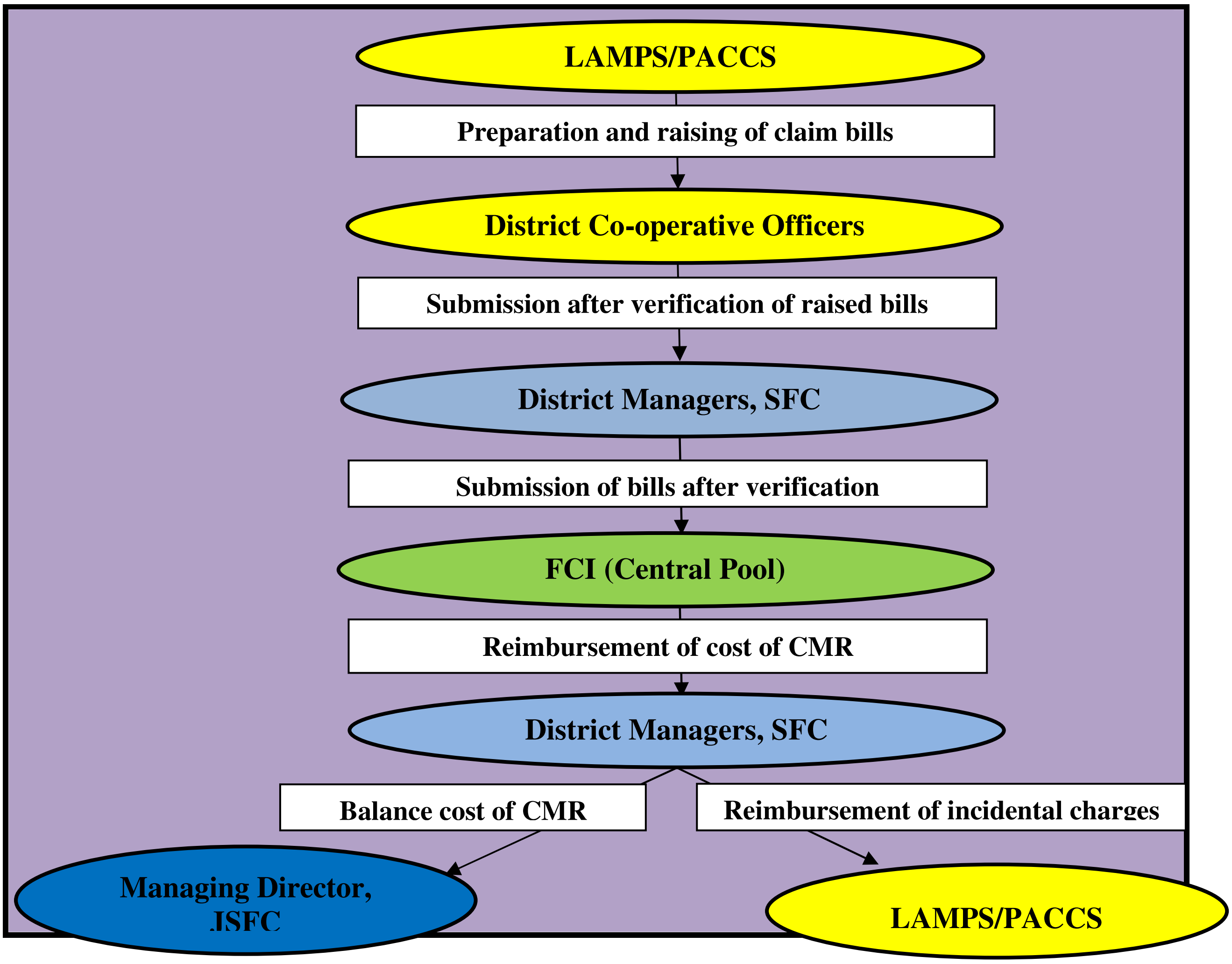


Chart-3.2.2-Flow of reimbursement of the cost of CMR by FCI



3.2.2.1 Loss of ₹ 1.19 crore for taking cash credit loan at higher rate

Cash credit loan obtained at higher rates due to not furnishing the audited annual account

Audit observed in JSFC that letter/proposals were received (January 2013) from three[6] nationalised banks and Central Co-operative Bank (CCB) in January 2013 for short term loan/credit facilities for paddy procurement in KMS 2012-13. The loan was taken from the Central Co-operative Banks (CCBs) at an interest rate of 12 *per cent*. However, State Bank of India (SBI) offered an interest rate of 10.2 *per cent* for providing cash credit facility on the conditions of furnishing audited balance sheet and profit and loss account of JSFC for the last three years and details of security and government guarantee etc. The Department failed to fulfill the conditions of the SBI and issued (February 2013) resolution for obtaining loan of ₹ 200 crore from the Central Co-operative Bank. This resulted in loss to the Government exchequer worth ₹ 1.19 crore[7] on account of extra interest payment.

In the exit conference, the Secretary accepted the fact and stated (August 2016) that as the audited annual account of JSFC was not finalised, loan was taken from the CCBs at higher rates. However, no action was taken or

[6] Allahabad Bank, Oriental Bank of Commerce and State Bank Of India

[7] Payment already made at the rate of 12 *per cent* interest = ₹ 7.92 crore. For 10.2 *per cent* interest= 7.92 x 10.2/12= ₹ 6.73 crore. As such excess payment of interest was ₹ 1.19 crore (₹ 7.92 crore - ₹ 6.73 crore)

contemplated for failing to finalise the accounts since 2011-12 which resulted in loss to government worth ₹ 1.19 crore.

3.2.2.2 Creation of liability of ₹ 96.32 crore

Paddy procured on credit from farmers

As per instruction (November 2011) issued for each KMS by the Department, monitoring committees headed by Deputy Commissioners (DCs) at the district level are to assess timely payments to farmers and the procurement as per availability of fund. The DM, SFC is to ensure that sufficient fund is available in advance. The procurement of paddy during KMS 2011-16, advances given and outstanding are shown in **Table-3.2.1**.

Table-3.2.1. Status of advance provided to PPCs for procurement of paddy

(Quantity in MT and Amount in ₹)

KMS	Quantity of Paddy procured (in MT)	MSP (₹ per MT)	Amount required for payment of procured paddy	Advance provided for paddy procurement	Difference (+) (-)
1	*2*	*3*	*4*	*5*	*6 (5-4)*
2011-12	3,93,819.16	10,800.00	4,25,32,46,928.00	4,24,27,66,786.80	-1,04,80,141.20
2012-13	3,15,990.19	12,500.00	3,94,98,77,375.00	3,98,65,80,834.60	3,67,03,459.60
2013-14	485.16	13,100.00	63,55,596.00	1,10,27,993.00	46,72,397.00
2014-15	6,153.99	13,600.00	8,36,94,264.00	0.00	-8,36,94,264.00
2015-16	1,29,920.04	14,100.00	1,83,18,72,564.00	92,15,00,000.00	-91,03,72,564.00
Total	**8,46,368.54**		**10,12,50,46,727.00**	**9,16,18,75,614.40**	**-96,31,71,112.60**

Source: Jharkhand State Food and Civil Supplies Corporation Limited, Ranchi
(+)- Procurement less than advance
(-)- Procurement more than advance

It could be seen from **Table-3.2.1** that against advance payments of ₹ 916.18 crore during KMS 2011-16, paddy worth ₹ 1012.50 crore were shown procured. This resulted in procurement of paddy worth ₹ 96.32 crore without payment to the farmers which created a liability on the government. It was further noticed that 6,153.99 MT paddy valued at ₹ 8.37 crore was procured without availability of advance in KMS 2014-15 while in KMS 2015-16, PPCs procured (upto April 2016) 1.30 lakh MT paddy worth ₹ 183.19 crore with advance funds of only ₹ 92.15 crore.

In KMS 2012-13 and 2013-14, post procurement, balance funds of ₹ 3.67 crore and ₹ 46.72 lakh respectively remained with the concerned DMs. However, no evidence of refund of the balance fund was furnished to audit either by the District Managers or by the Nodal Agency.

In the exit conference (August 2016) the Secretary stated that the payments were being made for KMS 2014-15 and the reasons for delayed payments were because of bank details not having been furnished by the concerned farmers. It was also stated that verification of actual procurement for KMS 2015-16 was under process as the procured quantity by the District Cooperative Officer (DCO), Deoghar was found unrealistic and payments were being made accordingly. The reply of the Secretary was not tenable as prior to procurement activities, the farmers wise details of bank accounts were to be obtained and physical verification of the actual quantity of procurement was also to be conducted by the concerned District Level Monitoring Committee (DLMC). The DLMCs thus failed to adhere to the conditions of notifications issued by the Department, which resulted in creation of liability of ₹ 96.32 crore.

3.2.2.3 Irregular retention of fund of ₹ 18.78 crore besides interest of ₹ 4.50 crore

Audit observed in JSFC that as per order (June 2014) of the Department, JSFC advanced (June 2014) ₹ 20.50 crore from its Revolving Fund to 24 DCOs for procurement of paddy seeds through PPCs. It was directed (August 2014) by the JSFC that the DCOs should refund the unutilised amount failing which interest at the rate of 12 *per cent* would be charged.

Fund of ₹ 18.78 crore for purchase of paddy seeds irregularly retained by the DCOs

However, it was observed that the DCOs did not utilise the advances but refunded only ₹ 1.72 crore (₹ 20.50 crore- ₹ 18.78 crore) to the nodal agency while the remaining ₹ 18.78 crore besides interest of ₹ 4.50 crore[8] was not refunded and lying with concerned DCOs as of August 2016. The concerned DCOs did not take any steps to refund the unutilised amount retained by them while JSFC did not follow up the recovery.

In the exit conference the Secretary accepted (August 2016) the fact and stated that Principal Secretary, Agriculture, Animal Husbandry & Co-operative Department has been requested for ensuring recovery of the said amount. However, recovery, if any made, has not been intimated (November 2016) to audit.

3.2.2.4 Failure to receive reimbursement of interest-₹ 14.58 crore

According to the Departmental resolution (February 2013), JSFC and PPCs concerned are to finalise their accounts and get audited the amount for each KMS. On the basis of audited accounts, claim of interest would be placed before GoI for reimbursement of interest paid, excluding interest on incidental charges for two months, which is reimbursable by the FCI. Interest amount received from the GoI is to be deposited in the government treasury in the receipt Head (1456-Civil Supply) of the Department.

Audit noticed that JSFC did not have audited annual accounts for any of the KMS. However, for the cash credit loans of ₹ 135 crore (March 2012) and ₹ 255 crore (February and April 2013) JSFC paid (between December 2012 and October 2013) interest of ₹ 9.27 crore and ₹ 7.92 crore against these loans. Interest amount of ₹ 9.27 crore included interest charges of ₹ 2.61 crore as incidental charges for two months. Thus, claim for remaining interest of ₹ 6.66 crore (₹ 9.27 crore-₹ 2.61 crore) was required to be made to GoI for reimbursement. Further, interest on incidental charges for two months on the interest of ₹ 7.92 crore was not worked out by the JSFC. Hence, claim of interest for ₹ 14.58 crore could not be sought by JSFC from GoI in the absence of audited annual accounts and failure to work out the incidental charges.

In the absence of audited accounts, claim for reimbursement could not be sought from GoI

In the exit conference (August 2016) the Secretary accepted the audit observation and stated that because of the failure to furnish the details of actual expenditure incurred on incidental charges by the concerned DCOs for finalisation of the audited annual accounts, claim could not be made by the nodal agency for reimbursement from GoI. However, Secretary did not give any reasons for not coordinating with the Secretary, Co-operative Department

[8] ₹ 18.78 X 12 *per cent* X 2 = ₹ 4.50 crore

to get the required expenditure on incidental charges and to prepare the annual audited accounts by JSFC which prevented submission of claim to GoI.

3.2.2.5 Failure to raise claim bill of ₹ 44.34 crore besides pending reimbursement of ₹ 6.69 crore

According to the notification issued by the Department, FCI has to reimburse, the cost of CMR as per cost sheet fixed by the GoI, against bills claimed by the concerned PPCs along with the required documents as per FCI norms immediately after the delivery of CMR into the Central Pool. However, no specific time limit is provided for submission of claim bills.

Bills for ₹ 44.34 crore were not claimed by PPCs and bills of ₹ 6.69 crore were pending for reimbursement by the FCI

Audit observed in JSFC that during 2011-15, out of ₹ 730.08 crore of CMR delivered to the FCI, the concerned PPCs claimed bills for only ₹ 685.74 crore as of October 2016. Thus, bills for ₹ 44.34 crore were not claimed by the PPCs even after completion of four KMS. Further, it was noticed that out of bills claimed for ₹ 685.74 crore, FCI reimbursed ₹ 679.05 crore only and bills of ₹ 6.69 crore were pending for reimbursement as of October 2016 for want of required documents (**Appendix-3.2.2**).

Thus, the DLMC failed to pursue the PPCs to raise the bills with all the mandatory documents required for settlement of claim as per FCI norms. Consequently, FCI had not reimbursed the claims (November 2016).

In the exit conference, the Secretary accepted (August 2016) the audit observation and agreed to frame specific time limit for raising of claim bills by the PPCs. However, further action taken in this regard was not intimated (November 2016) to audit.

3.2.2.6 Failure to recover ₹ 30.69 crore from PPCs for short dispatch of paddy

₹ 30.69 crore was not recovered from PPCs against short dispatch of paddy

Audit noticed in JSFC that 886 PPCs procured 31.59 lakh quintal paddy in 24 districts in KMS 2012-13. Of these, 28.81 lakh quintal paddy were delivered to the 84 tagged Rice Millers for milling. The remaining 2.78 lakh quintal paddy valued ₹ 34.77 crore (at the rate of ₹ 1250 per quintal) had been lying with the concerned PPCs for more than three years. Of this, ₹ 4.09 crore was reported as recovered as of August 2016, while ₹ 30.69 crore was not recovered as of August 2016. However, the reported recovery of ₹ 4.09 crore could not be verified in audit as records in support of recovery were not available in the concerned DCO offices. Further, the DCOs also failed to monitor the entire dispatch of procured paddy to the millers.

The Secretary accepted (October 2016) the audit observation and stated that short dispatch of paddy was actually misappropriated by the PPCs and the Secretary, Co-operative Department was also requested to expedite the recovery from the PPCs. Further action was awaited (November 2016).

3.2.2.7 Failure to recover ₹ 83.43 crore from rice millers

Scrutiny of records of JSFC revealed that 8.30 lakh quintal CMR for KMS 2012-13 amounting to ₹ 152.69 crore was not delivered by 82 tagged rice millers to the FCI. Of this, ₹ 83.16 crore was later (June 2014) recovered while ₹ 69.53 crore had not been recovered from the concerned rice millers as of August 2016 due to monitoring deficits by concerned DCOs. This was despite directions (September 2014) of Honourable High Court of Jharkhand to the Department to recover the outstanding amount in installments by 31 December 2014 by reconverting the quantity of CMR into quantity of paddy.

₹ 83.43 crore remained to be recovered from the rice millers

As a result, interest of ₹ 13.90 crore[9] at the rate of 12 *per cent*[10] on the outstanding amount of ₹ 69.53 crore was not imposed from January 2015. Thus, ₹ 83.43 crore (₹ 69.53 crore plus ₹ 13.90 crore as interest) remained to be recovered from the millers (November 2016).

The Secretary accepted the audit observation and stated (September 2016) that as per directive of Honourable High Court of Jharkhand the cost of undelivered CMR at the rate of equivalent quantity of paddy was to be recovered. However, reasons for not effecting recovery was not furnished to audit.

3.2.2.8 Blockage of Government money of ₹ 8.93 crore

JSFC is to ensure supply of gunny bags (94 x 57 cm of weight: 665 grams, capacity: 50 kg) to PPCs and rice millers for use in procurement of paddy and delivery of CMR through the concerned DM/DSO for each KMS. These gunny bags are required for filling of paddy purchased from the farmers or CMR delivery by the rice millers.

₹ 8.93 crore is outstanding against DGS&D for more than three years and six months

Audit observed that the JSFC placed orders (between January 2012 and February 2013) with the Directorate General of Supplies and Disposals (DGS&D), Kolkata for supply of 26,600 bales[11] of gunny bags and paid an advance of ₹ 49.42 crore[12] between November 2011 and February 2013. However, DGS&D supplied only 22,716 bales of gunny bags worth ₹ 40.48 crore as of March 2016 while gunny bags worth ₹ 8.93 crore (3,884 bales) were not supplied by DGS&D as of October 2016. Thus, ₹ 8.93 crore remained blocked with DGS&D for more than three years and six months.

In the exit conference, the Secretary accepted (August 2016) the audit observation and stated that action had been initiated to recover the amount of ₹ 8.93 crore from the DGS&D, Kolkata after reconciliation of accounts. Further action is awaited (November 2016).

3.2.2.9 Unutilised and damaged gunny bags - ₹ 12.30 crore

Audit observed that JSFC received 103.83 lakh pieces of gunny bags from the DGS&D for onward supply to rice mills through DM, SFC for filling of paddy/CMR during KMS 2011-13. Of this, 103.33 lakh pieces were distributed to 10 DMs[13] of concerned districts.

29.54 lakh pieces of gunny bags amounting to ₹ 11.35 crore remain unutilised with the rice millers

It was noticed that 74.29 lakh pieces of gunny bags were utilised for delivery of 37.15 lakh quintal CMR to FCI upto KMS 2014-15 and remaining 29.54 lakh pieces of gunny bags (around 29 *per cent*) valued ₹ 11.35 crore[14] remained unutilised with the rice millers as of August 2016. This included 7.40

---

9 Interest for 20 months=₹ 69.53 x 12 x 20/1200= ₹ 13.90 crore
10 As per direction (March 2013) of the Department
11 A bale consists of 500 bags: KMS 2011-12: 11600 bales and KMS 2012-13: 15,000 bales
12 KMS 2011-12: ₹ 20.59 crore (between November 2011 and June 2012) and KMS 2012-13: ₹ 28.83 crore (between November 2012 and February 2013)
13 Chaibasa, Dhanbad, Dumka, Giridih, Gumla, Hazaribag, Jamshedpur, Palamau, Ranchi and Sahebganj
14 At the rate of ₹ 38.43per piece

lakh pieces of unutilised gunny bags worth ₹ 2.85 crore with rice millers in three[15] out of eight test-checked districts as shown in **Table-3.3.2**:

Table-3.3.2: Status of unutilised gunny bags

KMS	District	No. of gunny bags issued to rice millers	Quantity of CMR delivered to FCI	No. of gunny bags utilised for delivery of CMR	Balance gunny bags	Cost of balance gunny bags @ ₹ 38.43/bag
2011-12 to 2014-15	Hazaribag	1409000	466864.82	933730	475270	18264626
2011-12 to 2012-13	Dhanbad	683000	297638.14	595277	87723	3371195
2011-12 to 2012-13	Ranchi	635000	229220.81	458442	176558	6785124
Total		**2727000**	**993723.77**	**1987449**	**739551**	**28420945**

Source: DCOs and DMs of concerned districts

Further, audit observed in JSFC that in five districts, 2.47 lakh pieces of gunny bags valued at ₹ 94.92 lakh[16] were reported as damaged with the PPCs/Rice Mills due to rain, moisture, termite and improper storage of bags etc. during KMS 2011-13 as detailed in **Appendix-3.2.3**.

This resulted in outstanding recovery of ₹ 11.35 crore on account of unutilised gunny bags besides loss of ₹ 94.92 lakh on account of damaged gunny bags.

In the exit conference (August 2016) the Secretary stated that gunny bags worth ₹ 11.35 crore remaining unutilised with rice millers as worked out by audit did not appear to be based on facts. The reply was not acceptable as the audit worked out amount based on data/information/records furnished by the nodal agency. Further, the Department did not furnish any reply on the loss due to damaged gunny bags worth ₹ 94.92 lakh.

3.2.2.10 (a) Delay in payment to the farmers: ₹ 11.37 crore

Department instructed (November 2011) all Deputy Commissioners to ensure payments to the farmers within three days of purchase of paddy during KMS 2011-13 and similarly, within 14 days during KMS 2015-16.

Delay in payment to the farmers ranged between 10 and 210 days

Audit observed that 12 PPCs in three test check districts[17] made delayed payment of ₹ 11.37 crore to 2,445 farmers ranging between 10 and 210 days during KMS 2011-13 (**Appendix-3.2.4**). Such delays in payment could result in distress sale by the farmers to other buyers below the MSP, thereby frustrating the very objective of the procurement programme directly from farmers.

In the exit conference, the Secretary (August 2016) stated that the fact would be confirmed from the District Managers, SFC and District Co-operative Officers concerned. Further, action was awaited (November 2016).

(b) Payment on unauthorised negotiable instruments - ₹ 1.04 crore

According to the resolution/notification issued for each KMS by the GoJ, payments are to be made to the farmers only through Account Payee cheques. District Co-operative Officers and the Block Co-operative Officers are

[15] Dhanbad, Hazaribag and Ranchi
[16] at the rate of ₹ 38.43 per piece
[17] Dhanbad (5), Hazaribag (4) and Jamshedpur (3)

responsible to verify relevant records at the time of inspection of PPCs in order to detect any irregularities.

In Chilgadda PACCS, Bokaro payments of ₹ 1.04 crore were made to the farmers against unauthorised negotiable instruments instead of account payee cheques

Audit observed (May 2016) that Chilgadda PACCS under Bokaro district made payment of ₹ 1.04 crore to 509 farmers against 9606.00 quintal paddy procured during KMS 2011-12. But payments were made using unauthorised negotiable instruments by treating these as 'cheque'. The instrument had printed on it "Chilgadda Primary Agriculture Co-operative Bank Ltd, Fixed deposit Division, Chilgadda, Jaridih, Bokaro". The modus operandi of such payments was that the instrument was first handed over to farmers by the PPC but the farmers could not present it in any nationalised/scheduled banks for encashment as these were not valid instruments. The PACCS after drawing cash from its own bankers (Bank of India) distributed it to concerned farmers and entered the transaction in its ledger. Thus, the payments were ultimately made in cash to the farmers in violation of the instruction issued by the Department. This showed the negligence of the Monitoring Committee constituted at district/block levels comprising of District and Block Co-operative Officers to prevent such practice.

In the exit conference, the Secretary accepted (August 2016) the audit observation and assured that action would be initiated against the erring officials. Further action was awaited (November 2016).

3.2.3 Procurement and Storage of Paddy

The nodal agency provides advances to its DMs, who transfer the funds as advance to the PPCs under the control of DCO for procurement of paddy from the farmers.

3.2.3.1 Target and achievement of paddy procurement

The Department fixed the target for procurement of paddy at MSP for each KMS on the basis of sown area reported by the Agriculture Department. Every year GoJ issues notifications/orders based on GoI guidelines under MSP for procurement of paddy, storage, lifting, payment to the farmers and milling of paddy. These instructions fix time lines for procurement of paddy and delivery of CMR (**Appendix-3.2.5**). The irregularities noticed during audit are discussed in successive paragraphs.

The target and achievement of the PPCs for procurement of paddy during KMS 2011-16 are shown in **Table-3.2.3**.

Table-3.2.3: Statement showing shortfall in achievement

KMS	Target (MT)	Achievement (MT)	Shortfall in achievement (MT)	Percentage of shortfall in achievement	Implementation in no. of districts
2011-12	5,00,000.00	3,93,819.16	1,06,180.84	21.24	24
2012-13	4,00,000.00	3,15,990.19	84,009.81	21.00	24
2013-14	4,00,000.00	485.16	3,99,514.84	99.88	02
2014-15	-	6,153.99	-	-	01
2015-16	2,20,000.00[18]	1,29,920.04	90,079.96	40.95	13
Total	**15,20,000.00**	**8,46,368.54**	**6,79,785.45**		

Source: Jharkhand State Food and Civil Supplies Corporation Limited, Ranchi

[18] The Department fixed the target of six lakh MT for the entire State. Of which 2.20 lakh MT was fixed for procurement of paddy through JSFC in 13 districts and rest through FCI

Shortfall in procurement of paddy against target ranged between 21 and 99.88 *per cent* during 2011-16

It could be seen from **Table-3.2.3** that against the targeted quantity of procurement of 15.20 lakh MT paddy during KMS 2011-16, the Government procured only 8.46 lakh MT[19] paddy. The year-wise shortfall in procurement of paddy against target ranged between 21 and 99.88 *per cent* defeating the very objective of increasing quantity of CMR to FCI. Further, the Department did not fix any target for procurement for KMS in 2014-15.

3.2.3.2 Failure in implementation of the programme during KMS 2013-15

The paddy procurement programme was not implemented during 2013-15 through out the State

The programme of paddy procurement was implemented by creating a revolving fund by the Department and taking cash credit loan by the nodal agency from the Co-operative banks. Audit observed that the audited annual accounts of the paddy procurement activities were not prepared/ finalised by the nodal agency for any of the KMS. However, on the basis of data/ information furnished by the nodal agency, audit worked out the fund position for KMS 2011-15 considering only the paddy procurement advances and reimbursements made by FCI. Based on this, the target set for procurement of paddy, fund required and fund available are shown in **Table-3.2.4**:

Table-3.2.4: Statement showing target set, fund requirement and fund available

(₹in crore)

KMS	Target set in MT (in lakh)	MSP per MT	Fund required	Fund availability			Fund available at the end of KMS
				Revolving fund	Cash Credit Loan	Total	
2011-12	5.00	10800	540.00	318.96	135.00	453.96	21.74
2012-13	4.00	12500	500.00	21.74	255.00	276.74	(-)50.60
2013-14	4.00	13100	524.00	(-)50.60	0	(-)50.60	(-)38.70
2014-15	-	-	-	(-)38.70	0	(-)38.70	37.03

It could be seen from the **Table-3.2.4**, that to procure nine lakh MT paddy during KMS 2011-13, ₹ 1,040 crore was required. However, only ₹ 730.70 crore was available. Further during KMS 2013-14, against the requirement of ₹ 524 crore to procure four lakh MT paddy, no fund was available because the nodal agency did not take the cash credit loan in KMS 2013-14, while the entire advances granted out of the revolving fund during KMS 2011-13 could not be reimbursed.

Thus, provision of adequate funds was not ensured to meet the procurement target. Consequently, the programme failed to take off in KMS 2013-14 and 2014-15 while in KMS 2015-16, the Department revised the procurement norms.

In the exit conference the Secretary *inter-alia* stated (August 2016) that due to failure to recover the outstanding amount of recoveries pending from Rice Mills/PPCs for KMS 2012-13, besides failure to raise claims and reimbursement from FCI etc., paddy procurement programme could not be implemented throughout the State during KMS 2013-15.

[19] 8,46,368.54 MT minus 6,153.99 MT

The reply was not tenable as the pending amount of ₹ 178.96 crore[20] was not sufficient to meet the funds required for procuring the targeted quantity of paddy. The Department did not ensure availability of required fund or availed cash credit loan to continue the programme throughout the state; besides it also did not effect recovery of amounts pending.

3.2.3.3 Paddy procured for ₹ 52.17 crore without obtaining land rent receipt

As per the resolution issued by the Department in each KMS, the data base of farmers were to be prepared and the PPCs were to procure paddy from farmers on the basis of this data base alongwith updated land rent receipts which includes details of land such as *Khata*, plot number, area of land etc. In all test checked districts, audit observed that no data base of the farmers were prepared.

4.58 lakh quintal of paddy were procured without obtaining the land receipts in Dhanbad during 2011-13

Audit observed in Dhanbad district that in contravention of the above instruction, DLMC headed by DC Dhanbad ordered (February 2012 and March 2013) procurement of 4.58 lakh quintal[21] paddy for KMS 2011-13 by 62 PPCs[22] without obtaining the land receipts. For this, the farmers were paid ₹ 52.17 crore (₹ 32.29 crore in 2011-12 and ₹ 19.88 crore in 2012-13) under MSP. Although DLMC intimated the Department about this, no action was taken to ensure adherence to the resolution. Thus, in the absence of land records, the possibility of procurement of paddy through middlemen could not be ruled out.

In exit conference, the Secretary stated (August 2016) that the information in this regard was being called for from the concerned DLMC. The reply was not acceptable as DLMC had already informed the Department about procurement without obtaining land receipt on which no action was taken by the Department. However, the Secretary later acknowledged the recommendation for preparation of data base of the farmers along with the details of their land.

3.2.3.4 Excess procurement of 0.60 lakh quintal paddy worth ₹ 7.49 crore over production

(a) Audit observed in offices of DCOs Dhanbad and Deoghar that 4.73 lakh quintal paddy were reportedly procured by 78 PPCs during KMS 2012-13 although production of paddy was 4.24 lakh quintal as per the data furnished by the Statistical Department. Thus, procurement of 0.49 lakh quintal paddy valued ₹ 6.13 crore (at the rate of 1,250 per quintal) was reportedly made in excess of the production of paddy in those two districts. This indicated the possible involvement of middlemen in the procurement network as detailed in **Table-3.2.5**.

[20] Recovery from Rice Millers for KMS 2012-13- ₹ 69.53 crore, Bills not raised by PPCs- ₹ 44.34 crore, Short dispatch of paddy by the PPCs during KMS 2012-13- ₹ 30.69 crore, Retention of fund for purchase of seeds-₹ 18.78 crore, Blockage of money with DGS&D- ₹ 8.93 crore and pending reimbursement from FCI- ₹ 6.69 crore

[21] In KMS 2011-12: 2.99 lakh quintal and in KMS 2012-13: 1.59 lakh quintal

[22] KMS 2011-12: 35 and KMS 2012-13:27

Table-3.2.5: Statement showing excess procurement of paddy over production

(Quantity in quintal)

District	No. of PPCs	KMS	Production as per Statistics Department	Procurement as per Department	Excess procurement over production
Dhanbad	27	2012-13	149540	159412.54	9872.54
Deoghar	51	2012-13	274260	313939.68	39679.78
Total	**78**		**423800**	**473352.22**	**49552.32**

Source: Statistical Department and DCO offices concerned.

In four districts 0.60 lakh quintal paddy valued ₹ 7.49 crore was made in excess over production during KMS 2011-14

(b) Likewise, cross examination of paddy production statements block-wise as furnished by District Agriculture Officers (Hazaribag and Ranchi) with purchase registers/land receipts revealed that in Hazaribag and Ranchi districts 0.23 lakh quintal paddy valued ₹ 2.78 crore was procured by 11 PPCs in seven blocks of Hazaribag[23] and one block (Namkum) of Ranchi districts during 2011-14 whereas the production of paddy during the same period was only 0.12 lakh quintal **(Appendix-3.2.6)** calculated as per yield rate based on data furnished by District Agriculture officers (Hazaribag and Ranchi). Thus, 0.11 lakh quintal paddy valued ₹ 1.36 crore was reportedly procured in excess of the production of paddy based on yield rate.

Thus, possibility of excess procurement of 0.60 lakh (0.49 lakh+0.11 lakh) quintal paddy from outside the districts/blocks through middlemen cannot be ruled out which defeated the purpose of the scheme to support genuine farmers with MSP.

In the exit conference, the Secretary stated (August 2016) that the matter would be looked into with the District Agriculture Officers and concerned DLMCs. Facts remains that no action had been taken against the DMs/DCOs who failed to ensure procurement based on authentic data. No further action was intimated (November 2016).

3.2.3.5 Excess lifting of paddy against advance CMR during KMS 2015-16

Advance CMR System was introduced for procurement of paddy under clause 15 of guidelines issued (November 2015) by the Department for KMS 2015-16. This stipulates that the Rice Millers first have to deliver CMR as guaranteed and thereafter proportionate quantity of paddy based on the out turn ratio of 68 *per cent* will be lifted by them from the tagged PACCS, as per agreement. The DCOs and DMs at district level and Block Co-operative Officers of the respective PPCs at block levels were to monitor lifting of paddy proportionate to the delivery of advance quantity of CMR by the tagged Rice Mills to the FCI keeping a constant watch over it.

1.28 lakh quintal paddy valued ₹ 18.05 crore were lifted in excess of admissible quantity during KMS 2015-16

Audit observed in three[24] out of eight test checked offices of DCOs that 24 tagged Rice Millers delivered 0.53 lakh quintal CMR valued ₹ 12.74 crore to FCI and lifted 2.06 lakh quintal paddy instead of 0.78 lakh quintal[25] paddy in violation of the provision of Advance CMR System. Thus, 1.28 lakh quintal

---

23 Hazaribag Block: Ichak, Chouparan, Churchu, Barkagaon, Keredari, Katkamdag and Sadar

24 Bokaro, Deoghar and Dumka

25 100 x 0.53/68=0.78 Now 2.06-0.78=1.28

paddy valued ₹ 18.05 crore were lifted in excess of admissible quantity by the rice millers which defeated the very objective of the modified programme to prevent malpractices in the lifting of paddy. The DCOs/DMs and the BCOs thereby ignoring the objective of the advance CMR system, failed to monitor the lifting of paddy by the rice millers for which no accountability was fixed.

In the exit conference, the Secretary stated (August 2016) that the fact was being verified with the concerned DLMCs. The fact, however, remains that no action had been taken against the DMs/DCOs who failed to prevent lifting of excess paddy over what was admissible.

3.2.3.6 Lack of Infrastructure at PPCs

According to the notification issued for each KMS by the Department, PPCs having adequate storage were to be selected for procurement of paddy. Further to ensure the quality of paddy to be procured, quality control measures such as power cleaners, moisture meters and analysis kits etc were to be provided to all PPCs to get the paddy, free from impurities, dust, damaged and moisture contents etc.

Audit observed in offices of DCOs of test checked districts that:

- Seventeen of the 70 PPCs did not have their godowns and the procured paddy was kept in *Samudayik/Panchayat Bhawans* or hired spaces at the cost of PPCs. The concerned DCOs, therefore, irregularly selected these 17 PPCs for procurement of paddy.

- All test checked 70 PPCs were not equipped with the required moisture meter, analysis kits and power cleaners during the KMS 2011-13. In absence of quality control equipments, PPCs failed to procure specified quality of paddy which resulted in deduction in weight by the rice millers at the time of receipt for milling. In KMS 2015-16, 35 PPCs were equipped with moisture meter only.

In the exit conference, the Secretary accepted (August 2016) the fact and assured that the concerned DLMCs were being directed for proper selection of PPCs in future. The Secretary also stated that the PPCs would be well equipped with the quality control equipments for procurement of specified quality of paddy in future. However, the timeline within which this would be done was not stated to audit.

3.2.3.7 Procedural failures in internal control

As per the notification, PPCs are to maintain a purchase register for recording details such as farmers name, father's name, address of farmers, proof of identification, date of purchase of paddy and its quantity, updated land rent receipt of the farmers, cheque numbers with date, signature of the concerned farmers and the purchasing officials of the PPCs. Entries are required to be verified by the BCOs concerned. The DCOs are to ensure proper maintenance of the purchase and stock register of paddy, payment registers, records regarding updated land receipts etc at the PPCs.

During test check of paddy purchase registers along with land receipts obtained from the farmers by the PPCs, audit noticed failure of internal control as under:

- In the entire eight test checked districts, complete details were either not entered in the purchase register or cutting/erasing/overwriting in the figures of quantity of paddy were not authenticated/verified by the DCOs/BCOs concerned. Further, entries made in cash books maintained by the PPCs on account of paddy procurement were not authenticated and verified by the DCOs/BCOs.

- In 10 PPCs (out of 32) of four[26] test checked districts, scrutiny of land receipts submitted by the 200 farmers revealed that the names of the farmers that appeared in the land receipts (LRs) were found different from the names entered in the purchase registers in 112 out of 191 LRs. As such, the genuineness or bonafide of persons as 'farmers' who own the land could not be verified.

In the exit conference, the Secretary stated (August 2016) that DLMCs were being directed to follow *cent per cent* parameters of paddy procurement regulations to avoid any procedural lapses.

3.2.4 Delivery of Custom Milled Rice

As per instruction (October 2011) of the Department, the concerned DLMC was responsible for tagging of Rice Mills with PPCs for milling of paddy after proper inspection and capacity of the Mills. Audit observed that no milling policy was framed in the State. In the absence of milling policy, the milling activities suffered from following shortcomings:

3.2.4.1 Selection of unauthorised rice millers

As per order (October 2014) of the Department, such rice millers are not to be tagged for milling against whom recovery is pending from earlier KMS.

Audit noticed in Hazaribag district that six rice mills were tagged by DLMC Hazaribag for milling of paddy in KMS 2013-14 against which ₹ 35.59 crore[27] were outstanding for recovery for non/short delivery of CMR to the FCI during KMS 2012-13. This indicated extension of undue favour to these defaulter Rice Mills by the DLMC.

In the exit conference, the Secretary accepted (August 2016) the fact and stated that the DLMC of Hazaribag were being show caused for reselection of unauthorised five Rice mills situated at Hazaribag district for milling of paddy in violation of directive of the Department. Further action was awaited (November 2016).

3.2.4.2 Improper selection of Rice Mills

In four[28] out of eight test checked districts, audit noticed that 13 rice mills were tagged/selected without proper inspection as these were not registered with Department of Industries, GoJ, found closed and did not have essential certificates of Consent to Operate (CTO) and Consent to Establish (CTE) issued by the Jharkhand Pollution Control Board to run as Rice Mills etc.

---

[26] Bokaro, Garhwa, Hazaribag and Ranchi

[27] 1. Aditya Rice Mills: ₹ 10.49 crore, 2. Ganpati Rice Mills: ₹ 7.87 crore inclusive Chatra (₹ 63.31 lakh), 3. Hazaribag Rice Mills: ₹ 3.72 crore, 4. Hemkunth Rice Mills: ₹ 0.65 crore, 5. Sankat Mochan Rice mills: ₹ 12.83 crore and 6. Rashmi Rice Mills-₹ 0.03 crore

[28] Deoghar, Dumka, Hazaribag and Jamshedpur

Further, information furnished by the Inspector of Boilers, Bokaro and Dhanbad circle, Jharkhand regarding status of rice mills having boilers revealed that three[29] Rice Mills did not have boilers, which were essential components for any rice mill to produce par-boiled rice. However, such rice mills were tagged for milling paddy during KMS 2011-13. Details of irregularities are shown in **Appendix-3.2.7**. Thus, the selections of the millers by the concerned DLMCs were irregular.

In the exit conference, the Secretary stated (August 2016) that the DLMCs of the concerned districts were being show caused to explain the reasons for tagging/selection of rice mills without proper verification of the required documents. Further action was awaited (November 2016).

3.2.4.3 Delay in delivery of CMR to FCI

According to the notification issued for each KMS by the Department, every PPC is required to enter into agreements with Rice Mills for milling of paddy. The Mills are required to deliver the CMR at the pre-determined quantity of 68 *per cent* of paddy milled within a specified period as notified by the Department.

CMR delivered into FCI with delays ranged between 11 and 61 days

Audit of claim bills submitted by the concerned 42 PPCs through seven DCOs revealed that 17 tagged Rice Mills delivered 0.49 lakh quintals CMR to FCI with delays ranging between 11 and 61 days from the specified date **(Appendix-3.2.8)**.

In the exit conference, the Secretary accepted (August 2016) the audit observation and assured to develop procedural reforms and create proper infrastructure to avoid negligence/slackness at any level during paddy procurement. Fact, however, remains that no action was taken or contemplated for delayed delivery of CMR to FCI.

3.2.4.4 Doubtful means of transportation of paddy/CMR-₹ 3.28crore

In all the eight test checked districts, audit verified the vehicles used in transportation of paddy/CMR from PPCs to Rice mills and Rice mills to FCI godown in respect of 59 PPCs with online data base of Transport Department.

Paddy/CMR were transported through doubtful means of transportation

It was observed that in 229 cases, 24015.18 quintals paddy/CMR (Paddy: 18479.84 quintal and CMR: 5535.34 quintal) valued at ₹ 3.28 crore **(Appendix-3.2.9 (A&B))** were transported through vehicles like Bus, Car, Motor Cycle and three wheelers and not by regular heavy vehicles like trucks. Thus, the transportation of paddy through these vehicles seems doubtful and needed investigation.

Audit further noticed in test checked DCOs that neither weighment slip was raised by the PPCs or by the millers of actual quantities of paddy dispatched/received. Stock Register of paddy duly authenticated by the officials of block /district level was not maintained at PPCs. As a result, suspicion had been raised regarding payment for procurement of paddy or CMR. Besides, submission of false claim bills by PPCs cannot be ruled out. These cases need to be investigated to rule out the possibility of any

[29] M/s Deoghar Rice Mills, Deoghar, M/s Nadia Rice Mills, Lohardaga and M/s Maa Janki Japla Rice Mills, Daltonganj

misappropriation of Government money and/or payment on false claims towards transportation of paddy/CMR. The DCOs/BCOs of DLMCs failed to ensure the transportation of paddy/CMR through vehicles authorised for transportation.

In the exit conference, the Secretary stated (August 2016) that matter has been taken up with the concerned DLMCs. Further action was awaited (November 2016).

3.2.4.5 Deficiencies in agreement with Rice Millers

As per resolution issued during each KMS by the Department for KMS 2011-15 agreements are to be executed to safeguard the breach of trust between the concerned PPCs and the tagged Rice Mills for milling of paddy and delivery of CMR. Audit noticed the following:

- The terms of milling agreement, executed during 2011-13 between the tagged Rice Millers and PPCs in eight test-checked districts it was noticed that they were not uniform. Clauses like those concerned with security deposit, penalty for delay in delivery of CMR and other clauses safeguarding the government interests were not included in the agreement.

- Different formats of agreement having different clauses were found executed even during the same KMS in Jamshedpur district.

- Six[30] Rice Mills were selected/tagged for milling of 3.30 lakh quintal[31] paddy worth ₹ 37.69 crore[32] in Dumka district during KMS 2011-13 without execution of agreement in violation of the orders issued in this regard. It clearly indicated the failure of the DCO of the concerned DLMC.

- Clause regarding security deposit was not incorporated/enforced in many agreements thereby failing to protect government interest in case of any breach of agreement by miller thus leading to loss to government. However, in four test checked districts (Ranchi, Deoghar, Dhanbad and Jamshedpur) the clause of security deposit of ₹ 50,000 though incorporated was not enforced, whereas in four[33] test checked districts, clause for deposit of security were not incorporated. Details of not obtaining the security deposits from the rice mills are shown in **Table-3.2.6**:

Table-3.2.6: Statement showing non-deposit of security

Districts	No. of PPCs		Amount of security deposit as per agreement (₹)	Amount required for security deposit (₹)	Amount deposited
	2011-12	2012-13			
Ranchi	44	52	50,000	4800000	NIL
Deoghar	42	51	50,000	4650000	NIL
Dhanbad	35	27	50,000	3100000	NIL
Jamshedpur	33	35	50,000	3400000	NIL
Total	**154**	**165**		**15950000**	**NIL**

30 1. Adhunik Rice Mills, 2. Baba Rice Mills, 3. Shri Ganesh Udyog, 4. Sharda Maa Food Pvt. Ltd. 5. Annapurna Rice Mills and 6. Sri Ganesh Akshat Udyog

31 KMS 2011-12: (213035.41 qtl), KMS 2012-13 (117414.44 qtl)

32 KMS 2011-12: ₹ 23.01 crore and KMS 2012-13: ₹ 14.68 crore

33 Bokaro, Dumka, Garhwa and Hazaribag

Thus, failure to obtain security deposit of ₹ 1.60 crore by the PPCs from rice millers was an act of undue favour to the millers and a violation of the rules.

- Condition of penalty of 40 paisa per quintal per day for delay in delivery of CMR to the FCI was incorporated in the agreement. However it was noticed in three test checked districts[34] that penalty of ₹ 1.96 lakh was not imposed on rice millers for delay in delivery of CMR **(Appendix-3.2.10)** whereas in five[35] test checked districts, condition of penalty were not incorporated. The concerned DCOs failed to impose and recover the penal amount from the Rice Mills.

In the exit conference, the Secretary accepted (August 2016) the audit observation regarding the use of multiform format of agreement executed during the KMS 2011-15. It was, however, stated that the standard format of agreement was issued by the Department for KMS 2015-16. However, the Secretary did not give any specific reply for not obtaining security deposit and not imposing penalty for delay in delivery of CMR from the Rice Mills.

3.2.5 Monitoring and Supervision

State Level Monitoring committee (SLMC) comprising the Secretaries of Co-operative Department and Food, Public Distribution and Consumer Affairs Department, Managing Director, JSFC (Nodal Agency) and General Manager, FCI etc. are responsible for overall monitoring and supervision of the paddy procurement programme.

At district level, DLMC comprising of District Co-operative Officers, District Supply Officers/District Managers, SFC and District Agriculture Officers etc headed by the Deputy Commissioners are to monitor and supervise the availability of fund, timely payment to the farmers, payment through account payee cheques to the farmers, proper selection of PPCs and tagging of rice mills, execution of agreements with the rice mills, milling and delivery of CMR within stipulated period to the FCI, raising of bill to the FCI for re-imbursement of cost of CMR, inspection of PPCs records and overall supervision of the procurement activities.

Block Development Officers, Co-operative Officers and Agriculture Officers along with the Chairmen/Secretaries of the PPCs are responsible to ensure the preparation of data base/register of farmers, ensure the payment through account payee cheques to the farmers, maintenance of purchase registers, stock registers, payment registers, proper storage of paddy and arrangement of transportation of paddy/CMR to the Rice Mills/FCI.

In this connection, audit observed the following:

- The SLMC failed to monitor the preparation of data base of farmers. The DLMCs also failed to monitor the procurement of paddy without land receipt from the farmers as discussed in ***paragraph 3.2.3.3.***

- The SLMC failed to circulate standard format of agreement for milling of paddy between PPCs and rice millers to safeguard government interest in case of any breach of trust by the millers. Further, the DLMCs concerned failed to

[34] Deoghar, Dhanbad and Ranchi
[35] Bokaro, Dumka, Garhwa, Hazaribag and Jamshedpur

monitor the execution of agreements, obtain the security deposit and realise the penalty for delay in delivery of CMR as discussed in ***paragraph 3.2.4.5***.

- The nodal agency or the Department did not establish a Management Information System to generate and disseminate reliable and consolidated information of its activities which would have strengthened the monitoring mechanism.
- The DLMCs failed to monitor the excess procurement of paddy over production as discussed in ***paragraph 3.2.3.4.***
- The DLMCs failed to monitor the lifting of paddy by the rice millers as per advance CMR system during KMS 2015-16 as discussed in ***paragraph 3.2.3.5***.
- The DLMC failed to monitor the status of unutilised/ damaged gunny bags and the maintenance of stock and issue registers of gunny bags as discussed in ***paragraph 3.2.2.9***.
- DLMC failed to monitor timely payment and ensure that the payments were made only through account payee cheques to the farmers as discussed in ***paragraphs 3.2.2.10 (a) and (b).***
- The DLMC failed to pursue the PPCs to raise the bills with all the mandatory documents as discussed in ***paragraph 3.2.2.5***.
- The Block Co-operative Officers failed to monitor/supervise the maintenance of records by the PPCs with complete details as laid down in the notification issued for each KMS as discussed in ***paragraph 3.2.3.7***

In the exit conference, the Secretary accepted (August 2016) the facts and stated that concerned DLMCs have been directed to strictly adhere to the orders laid down in the resolution of the Department and discharge their duties with responsibility. However, the Secretary did not reply on the failure of the SLMC.

3.2.6 Conclusions

- The Department failed to implement the paddy procurement programme during 2013-15 throughout the state as the provision of fund amounting to ₹ 524 crore was not ensured by the Department to meet the procurement target of four lakh MT paddy. This resulted from failure to take the cash credit loan like in 2011-13 and effecting pending recovery of ₹ 178.96 crore from its debtors.
- During KMS 2011-13 the Department failed to counter the prevalence of middlemen in the programme, as paddy worth ₹ 59.66 crore were procured without obtaining valid land receipts from farmers in one district and in excess of production in four districts.
- Delayed payment of ₹ 11.37 crore to 2,445 farmers in KMS 2011-13 and failure to pay ₹ 99.41 crore during 2014-16, defeated the objective to prevent the distress sale of paddy by the farmers to middlemen.

- Milling policy was not framed and no Management Information System to generate and disseminate reliable and consolidated information of its activities was devised by the Department.

3.2.7 Recommendations

Audit recommends that the government should

- frame the milling policy and devise a Management Information System to generate and disseminate reliable and consolidated information of its activities;
- obtain the bank details of the farmers before the period of procurement of paddy for direct transfer of cost of paddy in the farmers' bank accounts through electronic transfer;
- ensure preparation of the data base of farmers along with their land details having authenticated family trees and
- strengthen the quality control measures for procurement of paddy as per guideline.

HOME DEPARTMENT

3.3 Audit on Security Related Expenditure

Executive summary

Government of India (GoI) launched (April 1996) Security Related Expenditure (SRE) scheme with the objective to supplement the efforts of the States in dealing with Left Wing Extremism (LWE). The scheme aims to reduce the burden on state finances in tackling the security situation caused by the outbreak of LWE. Some of the major audit findings are discussed below:

The SRE scheme was not properly implemented in the State as the department did not prepare need based Annual Work Plans which resulted in intra component diversion of SRE fund to the tune of ₹ 247.55 crore as compared to the approved Plan. Further, the Plan only included half *per cent* of the total outlay under SRE for involving local youth in abating naxal menace against the permissible ceiling of 20 *per cent* under this component. Thus, the Plan to implement the SRE scheme in the State was deficient.

(Paragraphs 3.3.4.1 and 3.3.4.2)

While the department did not get reimbursement of ₹ 154.92 crore of claimed amount due to breach of SRE guidelines, it did not claim ₹ 5.55 crore incurred on specialised training to its police personnel and pursue claim/submitted vouchers of ₹ 5.98 crore on purchase of ammunitions with Ministry of Home Affairs (MHA) for reimbursement though admissible under SRE. Thus, the State failed to gainfully utilise the SRE fund.

(Paragraphs 3.3.5.1, 3.3.8.1 and 3.3.9.1)

Although ₹ 80.39 crore incurred by the department on hiring of vehicles (₹ 52.68 crore) and payment of honorarium to Special Police Officers (₹ 27.71 crore) had been allowed by MHA for reimbursement, audit noticed that these expenses were incurred in violation of the SRE guidelines.

(Paragraphs 3.3.7.1, 3.3.7.2 and 3.3.10.1)

Internal control and monitoring of SRE scheme was weak. SRE accounts were not audited though required under SRE guidelines leading to delay in submission of claims after verification of accounts by MHA team. Absence of monitoring mechanism led to continuous expenditure on inadmissible items thereby defeating the scheme objectives.

(Paragraph 3.3.16)

3.3.1 Introduction

Government of India (GoI) launched (April 1996) Security Related Expenditure (SRE) scheme with the objective to supplement the efforts of the States in dealing with Left Wing Extremism (LWE). The scheme aims to reduce the burden on state finances in tackling the security situation caused by the outbreak of LWE. Ministry of Home Affairs (MHA), GoI reimburses the expenditure incurred by the State on identified 12 components.[1] The components mainly comprised of ex-gratia payments, logistic support, training, community policing, insurance, ammunition and strengthening of police infrastructure. The under lying principle behind the SRE scheme is to meet the emerging requirements of forces deployed in LWE districts.

The Home, Jail and Disaster Management Department (the department) is the nodal department for the scheme. The scheme covered 21 LWE districts out of total 24 districts in Jharkhand. The scheme is being implemented by the Director General and Inspectors General of Police (DG&IGP), Jharkhand with the assistance of Inspector Generals of Police (IGPs, Operations and Budget & Provision) at the state level, Special Intelligence Wings at the state and District level, the Superintendents of Police (SPs) at district level. IGP (Budget & Provision) is the nodal officer for control of the expenditure under the scheme and for preferring claims for reimbursement to MHA, GoI.

The audit of SRE was conducted between March 2016 and September 2016 covering the period 2010-16 in selected 10[2] out of 21 districts with a view to ascertain that the implementation of the scheme was effective, expenditure incurred under SRE met the norms as prescribed in the SRE guidelines and that claims submitted to MHA, GoI for reimbursement were correct. Audit examined the records at the office of DG&IGP, IGs and SPs of selected districts. Two Police Stations (PSs) in each selected district were also selected to examine the implementation of the scheme at the operational level.

An entry conference was held on 16 March 2016 with the Additional Chief Secretary of the Department where the objective, scope, methodology and audit criteria was discussed. The exit conference was held on 17 November 2016 with the Additional Chief Secretary of the Department in which the audit findings were discussed in detail. The Department assured audit that replies to audit observations would be submitted but they were still awaited as of November 2016. However, comments of the Department as given in the exit conference have been suitably incorporated in the report.

3.3.2 Naxal profile of Jharkhand

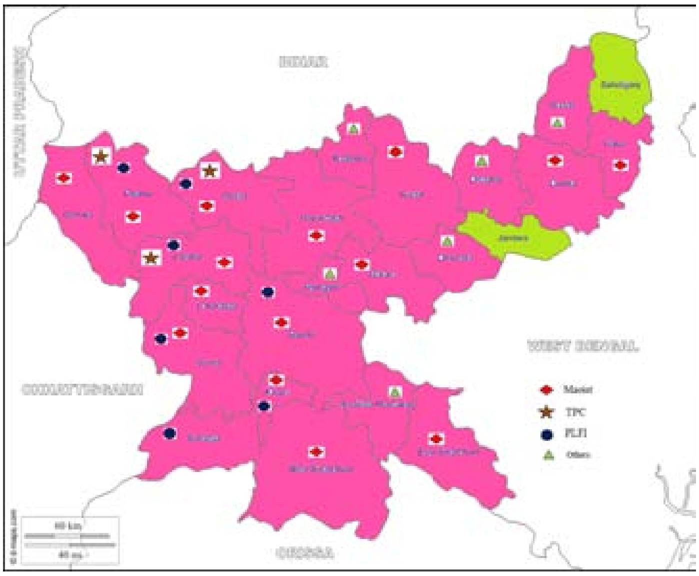
After creation of the separate State of Jharkhand in November 2000, there has been an upsurge in Naxalite activities contrary to the expectation that creation of a new state would improve the security situation in the state. Successive

---

[1] (i) Ex-gratia payment to security personnel/civilians killed in naxal violence; (ii) provision for transportation/communication and other logistic support for Central Armed Police Forces (CAPFs) deployed in the State for anti-naxal operations; (iii) ammunition used by State police personnel for anti-naxal activities; (iv) training to State Police Forces; (v) community policing; (vi) expenditure incurred by Village Defense Committee/*Nagrik Suraksha Samittee* (VDC/NSS); (vii) honorarium to Special Police Officers; (viii) rehabilitation of hardcore and under-ground naxalite cadres; (ix) premium for insurance of police personnel engaged in anti-naxalite operations; (x) expenditure on need based hiring of weapons/vehicles including helicopters and communication equipment in emergent situations subject to prior approval of the SRE Standing Committee of MHA; (xi) miscellaneous expenditure of recurring nature for strengthening of police station/check post/police out post and (xii) publicity material for disseminating information about various welfare and development scheme of the Government

[2] Chaibasa, Chatra, Deoghar, Dhanbad, Garhwa, Hazaribag, Jamshedpur, Latehar, Palamu and Ranchi

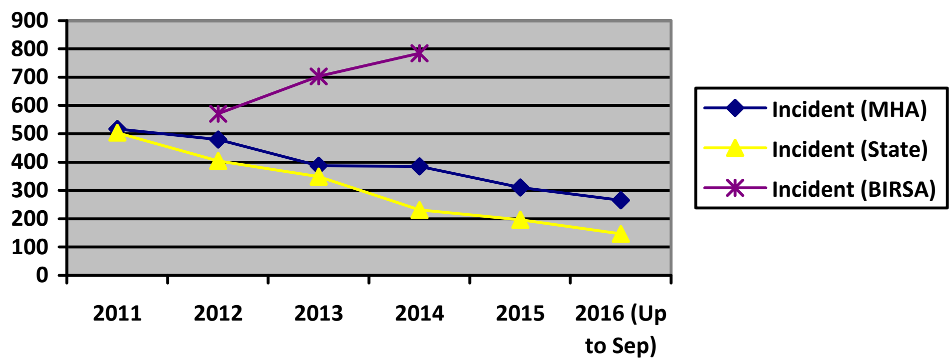
Governments have failed to contain the expansion of naxalism in the state. The number of LWE affected districts in Jharkhand increased from 18 to 21 out of total 24 districts. As per information furnished (October 2016) by the Special Branch, Jharkhand, there were nine extremist groups in Jharkhand. However, a study (August 2015) conducted by an independent Agency "Bindrai Institute for Research Study & Action Mines Monitoring Centre (BIRSA MMC)" disclosed existence of 28 extremist groups in all 24 districts. A district map of Jharkhand showing LWE districts and active naxal groups is depicted below:

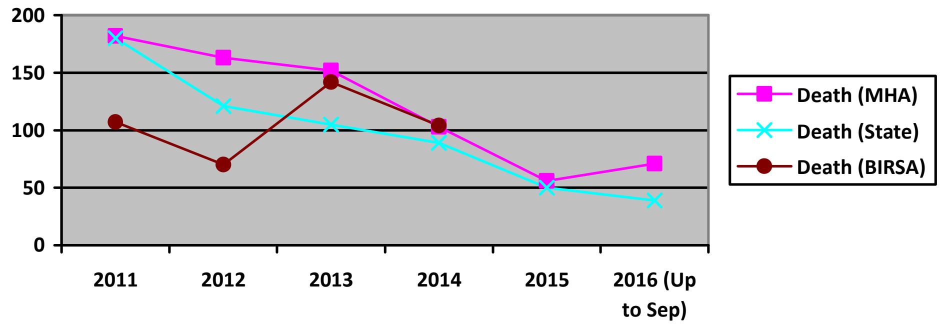


3.3.3 Naxal activities in Jharkhand

Naxal incidents and deaths as compiled by different Agencies are given in **Chart-3.3.1.**

Chart-3.3.1: Numbers of naxal incidents and deaths in Jharkhand





Source: Department of Home, GoJ, MHA, GoI and Survey Report by NGO BIRSA

From the **Chart-3.3.1** it can be seen that the report of MHA, GoI revealed larger number of naxal incidents and deaths than what was reported by the state government. The report of an independent agency showed an increasing trend in naxal incidents and mixed trend in naxal deaths. As such the projection of the state government was contradicted by the findings of other agencies.

Audit Findings

3.3.4 Planning

3.3.4.1 Deficient planning

The SRE guidelines prescribe the norms for the expenditure on identified components along with the ceiling of reimbursement on these components. The SRE Review Committee of MHA approves Annual Work Plan (the Plan) detailing components wise approved amount based on proposal submitted by the State Government. Based on the approved Plan, MHA, GoI releases 25 *per cent* of the approved amount as advance and the balance 75 *per cent* is released after approval of expenditure by SRE Review Committee upon recommendation of MHA team, which visits the State every six months for verification of accounts under SRE scheme. The department raises its claim after verification of accounts by MHA Team.

There was excess expenditure of ₹ 132.67 crore ranging between 16.87 *per cent* and 94.80 *per cent* of the approved plan

The State Government provides funds for SRE through the State budget under the Major Heads-2055- Police, 2235-Social Security and Welfare and 2070-Home, Jail and Disaster Management Department (Home Division). Provision for ex-gratia payments are made under the heads 2235- (for civilian) and 2070 (for police personnel) whereas provisions for other components are made under the head 2055-001-12-0759 "Expenditure on Security and Other Charges". The budget for SRE also includes provisions for other charges than SRE. As such, audit could not ascertain the specific budget provision for SRE. Audit noticed that the department incurred expenditure of ₹ 357.72 crore against the approved Plan of ₹ 225.05 crore in four[3] out of 12 components during 2010-15. The excess expenditure of ₹ 132.67 crore ranged between 16.87 *per cent* and 94.80 *per cent* of the approved Plan. In the remaining eight components, there was less expenditure of ₹ 114.88 crore (₹ 78.79 crore against approved amount of ₹ 193.67 crore). The percentage of less

[3] Logistic support to Central Para Military Force (CPMF), Ammunition, Insurance and Strengthening of police pickets/lines/stations

expenditure ranged between 14.63 *per cent* and 97.61 *per cent* (**Appendix-3.3.1**).

The diversion was noticed in all the years and the expenditure was within the component wise allotment released by DG&IGP to meet the expenditure at the state and the district levels.

Thus, the department could not assess component wise actual needs in formulating the Annual Work Plan.

3.3.4.2 Involvement of local youth not ensured

As per SRE guidelines, Village Defense Committee (VDC), comprising local youths, is to be formed to create public opinion against the naxalism and to wean away the young persons from the influence of naxalism. A meeting hall is to be constructed in selected villages, where VDCs are to be formed, in order to organise meetings, discussion and programmes. All such expenditure under this area is reimbursable subject to a ceiling of ₹ two lakh per village and the total expenditure to be incurred in a year in various villages is subject to 25 *per cent* of the total outlay under SRE scheme of the State. The maximum limit of reimbursement of 25 *per cent* of total outlay was changed to 20 *per cent* of total outlay as per Item 6 (a) of SRE Guidelines, 2012.

The department did not ensure involvement of local youths in curbing naxal problem though it was given utmost importance under SRE

Audit noticed that out of total SRE Plan of ₹ 545.21 crore during 2010-16, the share of VDC was merely ₹ 2.40 crore which was less than half *per cent* of the total plan. Audit further noticed that only 21 VDCs were formed in six police stations of four[4] districts out of 20 police stations selected in 10 test-checked districts. Further, meeting halls, as required were not constructed in any of the selected villages (where VDCs were to be formed) on the ground that the provision of ₹ two lakh was not sufficient.

Thus, the department did not ensure involvement of local youths in curbing naxal problem though it was to be given utmost importance under SRE. Besides, the department did not construct required meeting places for VDC in those villages where VDC's had been formed.

No reply to audit observation was given by the department.

3.3.5 Financial Management

3.3.5.1 Expenditure and reimbursement

The amount of the approved plan, expenditure claimed by the department and the amount reimbursed and disallowed by MHA, GoI during 2010-11 to 2015-16 is given in **Table-3.3.1**.

[4] Chatra: Chatra Sadar (7) and Jori (8); Deoghar: Mohanpur (1), Dhanbad: Tundi (3) and Latehar: Herhanj (1) and Balumath (1)

Table-3.3.1: Details of approved Plan, expenditure and reimbursement

₹in crore

Year	Annual Work Plan approved by GoI	Expenditure audited by MHA Team	Amount allowed by MHA Team	Amount claimed by the State Government	Amount reimbursed by GoI
2010-11	53.42	76.23	67.80	76.24	70.94
2011-12	78.34	79.17	61.36	81.05	55.22
2012-13	91.25	84.01	61.65	83.70	55.49
2013-14	96.85	88.67	66.95	90.28	60.25
2014-15	98.85	106.77	77.71	105.23	39.68
Sub total	**418.71**	**434.85**	**335.47**	**436.50**	**281.58**
2015-16	126.50	113.35	96.72	To be claimed	31.62 (Advance)
Total	**545.21**	**548.20**	**432.19**		**313.20**

Source: DG&IGP and reimbursement from records of the Accountant General (Accounts & Entitlement), Jharkhand

From the **Table-3.3.1** it can be seen that during 2010-15:

Against approved annual work plan of ₹ 418.71 crore, the department submitted claim of ₹ 436.50 crore to MHA, GoI for reimbursement. Further the department did not get reimbursement of ₹ 154.92 crore of the claimed amount and ₹ 53.89 crore of the amount allowed by MHA team

- Against approved Annual Work Plan of ₹ 418.71 crore, the department submitted claims of ₹ 436.50 crore to MHA, GoI for reimbursement. Thus, the department did not adhere to the financial discipline in utilising budget provisions within the limit of the approved Plan of SRE as required under Rule 11 of the Jharkhand Financial Rules which states that a Controlling Officer must ensure that the total expenditure is within the limit of authorised appropriation and are expended upon objects for which the money was provided.

- The department did not get reimbursement of ₹ 154.92 crore[5] (35.49 *per cent)* of the claimed amount and ₹ 53.89 crore (16.06 *per cent*) of the amount allowed by MHA Team. Audit analysis revealed that the department did not approach GoI to reconsider the less reimbursement than what was claimed by the state government.

In the exit conference (November 2016), IG (Provision) accepted the audit findings and assured to minimise the gap between claim raised by the State and the amount reimbursed by MHA.

- The department claimed reimbursement of ₹ 101.03 crore[6] in excess of amount allowed by MHA Team. Audit analysis disclosed that MHA Team disallowed the expenditure incurred on inadmissible items like hiring of the helicopters without prior approval of MHA, annual maintenance of generator sets, inadmissible items of training, pucca civil construction works and purchase of inadmissible items for community policing. Besides, expenditure on purchase of ammunition was disallowed due to failure to submit supporting vouchers and related documents before MHA Team by the department.

Thus, the department did not take cognizance of causes for disallowing expenditure by MHA Team and continuously ignored the SRE Guidelines in incurring expenditure under SRE only on admissible items and the audit findings are discussed in succeeding paragraphs.

[5] Claim of ₹ 436.50 crore minus reimbursement of ₹ 281.58 crore

[6] Claim of ₹ 436.50 crore minus ₹ 335.47 crore allowed by MHA team

In the exit conference (November 2016), IG (Provision) accepted the audit findings and assured to verify disallowed items and major payments.

- The department claimed reimbursement for expenditure of ₹ 1.65 crore which was not produced before MHA team for verification although required under SRE Guidelines.

3.3.5.2 Reconciliation of reimbursed amount not done

According to Rule 134 of the Jharkhand Budget Manual, departmental accounts need to be reconciled with the account of the Accountant General (Accounts & Entitlements) to avoid the chances of wrong classification of receipts and payments.

Audit noticed that as per records of DG&IGP the amount reimbursed/ advanced by GoI during 2010-16 was ₹ 301.27 crore whereas it was ₹ 313.20 crore as per the accounts of the Principal Accountant (Accounts & Entitlements), Jharkhand.

As such, there was difference of ₹ 11.93 crore in the two records which was not reconciled as of November 2016.

In the exit conference (November 2016), IG (Provision) accepted the audit findings and assured to reconcile the figures with the records of PAG (A&E) Jharkhand, Ranchi.

Implementation of the Scheme

3.3.6 Ex-gratia payment

3.3.6.1 Less claim of ex-gratia

As per the condition laid down in the release letters of MHA, expenditure incurred under SRE is subject to verification by MHA Team.

The department was deprived of allowed expenditure of ₹ 41 lakh by MHA team for ex-gratia payments

Audit noticed that MHA team allowed reimbursement of ₹ 6.71 crore during 2010-15 on the account of ex-gratia payments. However, the department claimed only ₹ 6.30 crore on this account. Audit could not ascertain the reasons for this as the related vouchers and records were not shown to the audit though called for.

Thus, the Department was deprived reimbursement of ₹ 41 lakh for ex-gratia payments.

No reply to audit observation was furnished by the department.

3.3.6.2 Delay in settlement of claims of ex-gratia

As per clause 5 of SRE Guidelines, 2010 read with Item 1 of SRE Guidelines, 2012, ex-gratia payment is payable to the next of kin of a civilian killed in naxal violence. The rate of reimbursement will be 100 *per cent* with a maximum ceiling of ₹ one lakh per civilian. However, the guidelines did not prescribe any timeline for ex-gratia payments.

For ex-gratia payments, the civilian who is killed is identified by the concerned Deputy Commissioner based upon their verifications by concerned Police Stations and the Circle Officers after the claim is raised.

Audit noticed that in 10 test-checked districts, 502 civilians submitted claims for ex-gratia payments during 2010-16. However, there was delay of three to 60 months in settling claims of 82 civilians (16 *per cent)*. The delays were caused both at circles and districts levels[7].

The delay in settlement of claim for ex-gratia to kin of deceased civilians might adversely affect the involvement of community in combating naxalism.

No reply to audit observation was furnished by the department.

3.3.7 Logistic support

3.3.7.1 Irregular hiring of vehicles

As per clause 7.2 and 7.6 of SRE Guidelines, 2010, hiring of private vehicles of various descriptions shall be done through open bids invited by concerned DCs. The rate so finalised is applicable in all the district offices including police and Central Para Military Forces (CPMFs). Till the finalisation of competitive rates, vehicles may be hired at the rates as notified by the State Government.

SPs of test checked districts irregularly hired 483 private vehicles on quotation/ nomination basis during 2010-16 and paid ₹ 52.33 crore to the agencies

Audit noticed that the Finance Department issued notification (August 2002) of rates for vehicle to be hired which contained only cars (Ambassador, Maruti Van and Indica). The notification did not prescribe any rate or make provision for hiring of utility vehicles. SP of only one (Latehar) out of 10 test-checked districts requested (between August and November 2011) DC, Latehar to finalise the hiring rates of private vehicles including utility vehicles as the Government rates (for cars) were old and agencies were not willing to provide vehicles for naxal operations at old/low notified rates. However, neither the State Government nor the concerned DCs notified or finalised rates for vehicles to be hired for naxal operation. In the absence of any rates, SPs of test-checked districts hired 483 private vehicles on quotation/nomination basis during 2010-16 and paid ₹ 52.33 crore to the Agencies **(Appendix-3.3.2)**.

Thus, the department did not adhere to the SRE Guidelines for hiring private vehicles. In the absence of quotation also the department could not avail competitive rates. Further, grant of undue benefit to agencies who supplied vehicles on quotation/nomination basis can not be ruled out.

3.3.7.2 Irregular use of SRE vehicle

SSP Ranchi paid ₹ 34.99 lakh during 2010-16 as hiring charge for nine vehicles which were used for conveyance of Air Force personnel for local visit within Ranchi city

As per clause 7 of SRE Guidelines, 2010, read with Item 2 of Guidelines, 2012, transportation and other logistic support are admissible to Central Paramilitary Forces (CPMFs) and joint team of the State Police and CPMFs for anti-naxal operations.

Audit noticed that SSP, Ranchi paid ₹ 34.99 lakh during 2015-16 as hiring charge for nine vehicles which were used for conveyance of Air Force personnel for local visit within Ranchi city. The expenditure was reimbursed by MHA, GoI though expenditure on local travel of Air Force Personnel was not admissible under SRE Guidelines.

[7] Ex-gratia to the kin of deceased civilians are paid at Circle and the district level whereas to the police personnel at the district level

In reply, the SSP, Ranchi stated (August 2016) that since vehicles were not available with the police department, hiring from SRE fund was done in special condition.

The reply was not acceptable as even in special condition expenditure from SRE fund is not permissible for such purpose as it was beyond the ambit of SRE guidelines.

No reply on audit observation was furnished by the department.

3.3.7.3 Annual Maintenance Charges

As per clause 17.1 of SRE Guidelines, 2010 read with Item 2 of SRE Guidelines 2012, payment for fuel consumption for lighting purpose is permissible under logistic support to CPMF. However, annual maintenance charges (AMC) of the generator sets are not mentioned in the guideline.

Audit noticed that SSP, Ranchi incurred expenditure of ₹ 67.99 lakh during 2010-16 on AMC of 59 to 72 generator sets installed in CPMF camps and in police stations. AMC included supply and fitting of spare parts, provision of lubricants and repairing works.

Scrutiny further revealed that the AMCs were awarded on nomination or quotation basis though open tender was required under the Jharkhand Financial Rules. The expenditure was also disallowed by GoI as it did not fall within the purview of reimbursable items under SRE.

Thus, the expenditure of ₹ 67.99 lakh was incurred without adhering to the Jharkhand Financial Rules.

No reply on audit observation was furnished by the department.

3.3.8 Ammunition

3.3.8.1 Claim not reimbursed in the absence of supporting documents

The department could not avail admissible reimbursement of ₹ 5.98 crore due to failure to submit vouchers and pursue the claim after receipt of store

As per clause 8.1 of SRE Guidelines, 2010 read with Item 3 of SRE Guidelines 2012, ammunition used by the State Police Personnel for anti-naxal activities is permissible for reimbursement.

Audit noticed that the department claimed ₹ 25 lakh in 2011-12 and ₹ 5.84 crore in 2013-14 on account of purchase of ammunitions. However, the claim was disallowed by MHA team because the department failed to produce supporting vouchers (2011-12) and proof of receipt of store (2013-14). Subsequently, the store valued ₹ 5.73 crore was received (August 2014) but the claim was not pursued further by the department.

Scrutiny further revealed that the department did not purchase 50.79 lakh numbers of ammunitions[8] in 2011-12 though it was required. Besides, there was short purchase of 1.26 crore quantity of ammunitions[9] against requirement during 2012-16.

Thus, due to failure to submit vouchers and pursue the claim after receipt of store, the department could not avail admissible reimbursement of ₹ 5.98

[8] For 5.56 mm Insas LMG Rifle: 45,91,901 nos., 7.62 mm SLR: 2,08,302 nos., 7.62*32 mm AK 47: 3,08,219 nos. and 9 mm carbine/Stain gun/Pistol: 30,942 nos

[9] For 5.56 mm Insas LMG Rifle, 7.62*32mm Ak 47 and 9 mm carbine/Stain gun/Pistol

crore. In addition, it could not avail the benefit of SRE fund for purchase of required ammunitions which was permissible under it.

No reply on audit observation was furnished by the department.

3.3.9 Training

3.3.9.1 Avoidable burden

As per clause 9.1 of SRE Guidelines 2010 and Item 4 of SRE Guidelines 2012, expenditure incurred on (i) tour and daily allowance of trainees, (ii) the course fees charged, if any, by the institution and (iii) other consumable training materials (except items included in Police Modernisation Scheme) are permissible for specialised training of the police personnel in specialised training institutes within or outside the State.

Audit noticed that IGP, Special Task Force (STF) incurred an expenditure of ₹ 5.55 crore on specialised training of 144 police personnel of "Jaguwar", a STF of Jharkhand, in specialised training institutes. The expenditure was not met from SRE fund, although admissible under it.

Thus, the department could have avoided the burden of ₹ 5.55 crore on state exchequer by claiming admissible expenditure on specialised training under SRE.

No reply on audit observation was furnished by the department.

3.3.10 Honorarium

3.3.10.1 Un-authorised expenditure

As per clause 12 of SRE Guidelines, 2010, payment of honorarium to Special Police Officers (SPOs) engaged in the State is permissible subject to proper verification and prior approval of the SRE Standing Committee of MHA, GoI regarding appointment of SPOs.

Unauthorised payment of ₹ 27.71 crore was made to SPOs appointed without proper verification and approval of SRE Standing Committee

Audit noticed that sanctioned strength of SPOs varied year to year in the State. In 10 test-checked districts, SPOs were appointed based on recommendations by the concerned police stations (PS) to SPs and finally after approval of DCs of concerned districts. However, in no case approval was taken from SRE Standing Committee as required under the guidelines. These SPOs were paid honorarium of ₹ 27.71 crore[10] during 2010-16 which was reimbursed by GoI.

Thus, payment of ₹ 27.71 crore to SPOs appointed without proper verification and approval of SRE Standing Committee was unauthorised.

No reply on audit observation was furnished by the department.

3.3.10.2 Excess payment of honorarium

Naxal Management Division, MHA, GoI enhanced the amount of honorarium to SPOs from ₹ 1500 to ₹ 3000 per month with effect from 16 August 2010.

Audit noticed that the department ordered (March 2010) such enhancement of honorarium in the State from April 2010 itself. In accordance with the

[10] Chaibasa: ₹ 4.27 crore, Chatra: ₹ 3.28 crore, Deoghar: ₹ 3.18 lakh, Dhanbad: ₹ 1.78 crore, Garhwa: ₹ 1.68 crore, Hazaribag: ₹ 1.67 crore, Jamshedpur: ₹ 2.25 crore, Latehar: ₹ 1.28 crore, Palamu: ₹ 5.83 crore and Ranchi: ₹ 5.64 crore

The department paid excess honorarium of ₹ 36.05 lakh beyond the criteria of SRE

Department's order, ₹ 36.05 lakh[11] was paid in excess in three out of 10 test-checked districts. Excess amount has been calculated at the rate of ₹ 1500 per month from April to 15 August 2010. The excess amount paid was, however, reimbursed by GoI.

Thus, the department paid excess honorarium of ₹ 36.05 lakh beyond the criteria of SRE.

No reply on audit observation was furnished by the department.

3.3.10.3 Suspected misappropriation

Audit scrutiny disclosed that SP, Latehar provided ₹ 2.16 lakh to PS-in-Charge, Manika for payment of honorarium to 24 SPOs for three months from April to June 2010, at the rate of ₹ 3000 per month. However, PS-in-Charge disbursed the honorarium to SPOs for six months from April to September 2010, at the rate of ₹ 1500 per month.

SP, Latehar again provided ₹ 2.88 lakh to the same PS-in-charge for payment of honorarium to same 24 SPOs for four months, from July to October 2010. However, there was nothing on record to show the disbursement of the next installment of ₹ 2.16 lakh for the period July to September 2010 which also covered payments made in the same previous periods.

Audit further noticed that ₹ 3.48 lakh was withdrawn (March 2011) by the SP, Latehar twice through two bills for payment of honorarium to 29 SPOs appointed in PS, Balumath, at the rate of ₹ 3000 per month. The first bill was drawn for four months from November 2010 to February 2011 and the second bill was drawn for four months from December 2010 to March 2011. As such, ₹ 2.61 lakh[12] for the same three months from December 2010 to February 2011 was withdrawn twice.

The first installment of ₹ 3.48 lakh was provided in March 2011 and the second installment of ₹ 3.48 lakh in April 2011 to PS-in-Charge, Balumath. There was nothing on records to show payment of honorarium for the same months twice to SPOs.

Thus, in the absence of records of payments, the chances of misappropriation of ₹ 4.77 lakh (₹ 2.16 lakh plus ₹ 2.61 lakh) could not be ruled out.

No reply on audit observation was furnished by the department.

3.3.11 Village Defense Committee

In nine out 10 districts, expenditure of ₹ 53.11 lakh was incurred on inadmissible items like purchase of torches, batteries, shoes, socks, umbrellas, thermos-waistcoats and winter wears

3.3.11.1 Expenditure on inadmissible items

As per clause 11.1 of SRE Guidelines 2010, 100 *per cent* of the expenditure on village defense was reimbursable subject to a ceiling of ₹ two lakh per village for security related infrastructure. In the chosen village a sum of upto ₹ two lakh will be spent for construction of a meeting place (also to be act as village defense structure) to organise the meetings, discussion and other programmes.

[11] Chaibasa: ₹ 10.47 lakh, Garhwa: ₹ 8.57 lakh and Ranchi: ₹ 17.01 lakh
[12] Calculated for 3 months at the rate of ₹ 3000 per months for 29 SPOs

Audit noticed that in nine[13] out 10 districts, expenditure of ₹ 53.11 lakh was incurred on inadmissible items like purchase of torches, batteries, shoes, socks, umbrellas, thermos-waistcoats and winter wears which was against the provision of SRE Guidelines and were disallowed by MHA, GoI.

In the exit conference, the Additional Chief Secretary of the department stated (November 2016) that all SPs would be explained the procedural mistakes which led to inadmissibility of claims.

3.3.12 Rehabilitation

3.3.12.1 Ineffective implementation

The department could not get reimbursement of ₹ 48 lakh though there was approved provision for it by MHA

As per Item 7 of SRE Guidelines 2012, cost of rehabilitation of hard-core and underground naxalites, who surrender in accordance with the Comprehensive Surrender and Rehabilitation (SR) Policy of the State Government, is permissible as per the Rehabilitation-cum-Surrender (RS) Scheme for LWE affected States as circulated by MHA.

The RS Scheme of MHA, effective from April 2013, envisages 100 *per cent* reimbursement of expenditure incurred on rehabilitation of surrenderees subject to a ceiling of ₹ 2.5 lakh for higher ranked LWE cadres and ₹ 1.50 lakh for lower ranked cadres and for weapons and ammunitions as stated in para 4[14] of the guidelines. The surrenderees will also be paid monthly stipend of ₹ 4000 for a maximum period of 36 months for training in a trade/vocation.

Further, as per SR Policy, 2009 of the State Government, ex-gratia upto ₹ 2.5 lakh is payable in three installment in two years. Additionally, ₹ 50,000 for house building, incentive for weapons and ammunitions and stipend of ₹ 5,000 for 12 months for vocational training is also payable.

Audit noticed that during 2013-15, the department paid ₹ 56.32 lakh[15] to 26 lower cadres surrenderee as per the State guideline. However, the department claimed only ₹ two lakh as reimbursement though the approved plan was for ₹ 50 lakh.

Thus, the department could not get reimbursement of ₹ 48 lakh even though GoI had approved it as per plan.

No reply on audit observation was furnished by the department.

3.3.13 Community Policing

3.3.13.1 Expenditure on inadmissible items and beyond the ceiling

The department incurred inadmissible expenditure of ₹ 1.29 crore on inadmissible items (₹ 95.96 lakh) and beyond the limit (₹ 32.97 lakh) which was not reimbursed by MHA

As per clause 10.1 of SRE guidelines, 2010 read with Item 5 of SRE guideline 2012, the community policing program shall include health camps in villages, distribution of sport kits, organising sports events, organising cultural functions and participation in *Adivasi's* festivals. Hundred *per cent*

[13] Chaibasa: ₹ 8.95 lakh, Deoghar: ₹ 1.99 lakh, Dhanbad: ₹ 3.93 lakh, Garhwa: ₹ 6.71 lakh, Hazaribag: ₹ 5 lakh, Jamshedpur: ₹ 2 lakh, Latehar: ₹ 7 lakh, Palamu: ₹ 10.91 lakh and Ranchi: ₹ 6.62 lakh

[14] Grant and incentive for weapons and ammunitions shall be kept in a bank in the name of the surrenderee as a fixed deposit which may be withdrawn by the surrenderee after completion of three years, subject to good behavior certified by the authorities designated for this purpose by the State concerned

[15] 2013-14: ₹ 18.50 lakh and 2014-15: ₹ 37.82 lakh

expenditure is permissible with a limit of ₹ five lakh per annum per LWE district. The limit was enhanced to ₹ 10 lakh from April 2013.

Audit noticed that in seven[16] out of 10 test-checked districts, ₹ 95.96 lakh was incurred during 2010-16 on inadmissible items i.e. on purchase of cycles, dhotis, sarees, televisions, chairs, blankets and copies.

Audit further noticed that seven[17] out of 10 test-checked districts did not adhere to the limit of ₹ five lakh or ₹ 10 lakh per annum and incurred excess expenditure of ₹ 32.97 lakh beyond the limit prescribed by GoI.

Thus, the department incurred inadmissible expenditure of ₹ 1.29 crore on inadmissible items (₹ 95.96 lakh) and made expenditure beyond the limit (₹ 32.97 lakh) which was not reimbursed by MHA, GoI.

In the exit conference, the Additional Chief Secretary stated (November 2016) that correct procedure would be explained to all the SPs' so that mistakes leading to inadmissibility of claims do not recur.

3.3.14 Need based hiring of weapons and helicopters

3.3.14.1 Expenditure without prior approval

The department did not adhere to SRE guidelines in incurring expenditure of ₹ 16.91 crore on the State owned helicopter and the claim was ultimately disallowed

As per clause 15 of SRE guidelines 2010 read with item 9 of SRE guidelines 2012, expenditure incurred on need-based hiring of weapons or vehicles, including helicopters or communication equipment in emergent situation is permissible, subject to prior approval of the SRE Committee of MHA. Such cases should be specifically referred to MHA for approval.

Audit noticed that DG&IGP, Jharkhand incurred expenditure of ₹ 16.91 crore on the state owned Dhruv Helicopter during 2010-16 without obtaining prior approval of SRE Committee of MHA. The expenditure was incurred on fuel, lodging and boarding, tour bill, training and mobile charges of pilot, electricity and water charges of hanger and maintenance of the helicopter.

The Additional Chief Secretary of the department requested (April 2015) MHA to cover maintenance and other operational costs of the Dhruv helicopter under SRE scheme. The proposal was not accepted (September 2016) by MHA, GoI as prior approval was not obtained for incurring expenditure as required under SRE guidelines.

Audit further called for flight details which were provided only for the period January to 20 October 2016. From flight details it was seen that out of total 40 flights, 15 flights (37 *per cent*) were utilised by Ministers and Officers for different purposes other than naxal operation including seven flights during January to March 2016.

Thus, the department did not adhere to SRE guidelines in incurring expenditure of ₹ 16.91 crore on the state owned helicopter and so the claim was ultimately disallowed.

---

[16] Chaibasa: ₹ 18.36 lakh, Deoghar: ₹ 12.17 lakh, Dhanbad: ₹ 6.87 lakh, Garhwa: ₹ 11.44 lakh, Latehar: ₹ 8.87 lakh, Palamu: ₹ 12.01 lakh and Ranchi: ₹ 26.24 lakh

[17] Chaibasa: ₹ 5 lakh, Chatra: ₹` 2 lakh, Garhwa: ₹ 2 lakh, Jamshedpur: ₹ 2 lakh, Latehar: ₹ 6 lakh, Palamu: ₹ 2 lakh and Ranchi: ₹ 13.97 lakh

In the exit conference, IG (Provision) accepted the audit findings and stated (November 2016) that the journeys performed for naxal operation and other purposes by the Dhruv helicopter would be bifurcated before claiming the expenditure to GoI. Fact, however, remains that correct procedure was yet to be explained to all the SPs' so that mistakes leading to inadmissibility of claims do not recur.

3.3.15 Strengthening of police stations/pickets/out-posts

3.3.15.1 Expenditure on pucca works

As per clause 16 of SRE guidelines, 2010 read with Item 10 of guidelines of 2012, expenditure on construction of additional structures in Police Stations /Police Lines, if being in the nature of capital work and covered under the Police Modernisation Scheme, is not allowed under SRE. The guidelines prescribe construction of barbed wire fencing and *Morchas* over roof tops.

Audit noticed that in all the 10 test-checked districts, expenditure of ₹ 13.69 crore[18] was incurred on inadmissible items i.e. construction of pucca structures like kitchens, toilets, and additional rooms in Police Stations/Police Lines/Police Out Posts (OPs) by the order of concerned SPs. These works were not the part of the approved Plan under SRE and comes under the scope of the Police Modernisation Scheme. The expenditure was disallowed by MHA, GoI.

Thus, the department incurred inadmissible expenditure of ₹ 13.69 crore beyond the norms of SRE guidelines.

In the exit conference the Additional Chief Secretary stated (November 2016) that all SPs would be explained the procedural mistakes which led to inadmissibility of claims.

3.3.15.2 Excess payment

Audit noticed that the Police Headquarters ordered (March 2013) all SPs to execute ground fencing work at the rate of ₹ 1,117 per metre and the wall fencing work at the rate of ₹ 803 per metre through two nominated contractors whose rates were finalised based on the open bid.

SP Chaibasa did not ensure actual execution before making payments to contractors which led to the excess payment of ₹ 65.39 lakh

It was seen in audit that SP, Chaibasa allotted the work of punched tape concertina fencing[19] (ground and wall) of nine PSs/OPs/Camps in 2014-15 to two contractors, who were other than the contractors nominated by the Police Headquarters. Even fresh tender was not invited for allotting the works. The contractors were paid (January and February 2015) ₹ 1.07 crore for 7667 metres of ground fencing and 2,698 metres of wall fencing.

Audit further noticed that the contractors actually executed work valued ₹ 41.42 lakh against the payment of ₹ 1.07 crore. SP, Chaibasa directed (July 2015) the contractors to deposit the excess paid amount of ₹ 65.39 lakh. The amount was not yet recovered (November 2016).

[18] Chaibasa: ₹ 2.38 crore, Chatra: ₹ 77.33 lakh, Deoghar: ₹ 57.96 lakh, Dhanbad: ₹ 1.71 crore, Garhwa: ₹ 45.26 lakh, Hazaribag: ₹ 1.26 crore, Jamshedpur: ₹ 74.31 lakh, Latehar: ₹ 69.28 lakh, Palamu: ₹ 1.75 crore and Ranchi: ₹ 3.36 crore

[19] Round shape wire which is used in fencing wall and ground for security purpose

Thus, SP, Chaibasa did not ensure actual execution before making payments to contractors which led to the excess payment of ₹ 65.39 lakh.

No reply on audit observation was furnished by the department.

3.3.16 Internal control and monitoring

3.3.16.1 Absence of audited accounts

The department failed to adhere to SRE guidelines in submitting audited accounts to MHA for final settlement of the claim

As per SRE guidelines, the expenditure for reimbursement is considered on the basis of audited accounts. However, to ensure that the State does not suffer because of delay in audit of accounts, ad-hoc release is made on the basis of accounts scrutinised by MHA Team which is adjusted after submission of final audited accounts.

Audit noticed that the department did not get its account audited during 2010-16. MHA team periodically verified the accounts of the department but the department did not adhere to the recommendation of MHA Team and raise claim of ₹ 436.50 crore during 2010-15 against permitted amount of ₹ 335.47 crore.

Thus, the department failed to adhere to SRE guidelines in submitting audited accounts to MHA for final settlement of the claim.

No reply on audit observation was furnished by the department.

3.3.16.2 Delay in submission of claims

Audit noticed that MHA team verified accounts of SRE twice a year. However, claims for 2012-13 to 2014-15 were submitted by the department after five months to 15 months from the date of verification of accounts by MHA team for that financial year.

The delayed submission of claims led to late release of reimbursement. Claim for 2015-16 had not been submitted (November 2016) to GoI for reimbursement.

No reply on audit observation was furnished by the department.

3.3.16.3 Absence of monitoring mechanism

The department did not formulate any monitoring mechanism to ensure effective implementation of SRE schemes

Audit noticed that the department did not formulate any monitoring mechanism to ensure effective implementation of SRE schemes. Absence of monitoring mechanism caused regular expenditures on inadmissible items and failure to submit utilisation certificates with supporting documents by executing agencies.

3.3.17 Conclusion

- The SRE scheme was not properly implemented in the State as the department did not prepare need based Annual Work Plans which resulted in intra component diversion of SRE fund to the tune of ₹ 247.55 crore as compared to the approved Plan. Further, the Plan only included half percent of the total outlay under SRE for involving local youth in abating the naxal menace against the permissible ceiling of 20 *per cent* under this component. Thus, the Plan to implement the SRE scheme in the State was deficient.

- While the department did not get reimbursement of ₹ 154.92 crore of claimed amount due to breach of SRE guidelines, it did not claim ₹ 5.55 crore incurred on specialised training to its police personnel and pursue claim/submitted vouchers of ₹ 5.98 crore on purchase of ammunitions with Ministry of Home Affairs (MHA) for reimbursement though such reimbursement was admissible under SRE. Thus, the State failed to gainfully utilise the SRE fund.

- Although ₹ 80.39 crore incurred by the department on hiring of vehicles (₹ 52.68 crore) and payment of honorarium to SPOs (₹ 27.71 crore) had been allowed by MHA for reimbursement, audit noticed that these expenses were incurred in violation of the SRE guidelines.

- Internal control and monitoring of SRE scheme was weak. SRE accounts were not audited, though required under SRE guidelines, leading to delay in submission of claims after verification of accounts by MHA team. Absence of monitoring mechanism led to continuous expenditure on inadmissible items thereby defeating the scheme objectives.

3.3.18 Recommendation

The State should ensure:

- preparation of need based Annual Work Plan so that SRE scheme could be implemented properly;

- gainful utilisation of the SRE fund by adhering to the scheme guidelines;

- proper monitoring of SRE scheme so that expenditure on inadmissible items could be avoided.

WELFARE DEPARTMENT

3.4 Follow up Audit on Performance Audit of Tribal Welfare Programmes in Meso Areas

Executive Summary

Performance audit of Tribal Welfare Programmes in Meso Areas covering the period 2007-08 to 2011-12 was included in the Audit Report of the CAG (Civil and Commercial) for the year ended 31 March 2012. Based on the findings in the Report, Audit had made recommendations which were accepted by the State Government for implementation. Follow up audit was conducted covering the period 2013-14 to 2015-16 to assess whether the Welfare Department had implemented the accepted audit recommendations and adequately addressed the deficiencies with remedial measures. The outcomes of follow up audit are:

- Though the Government accepted the audit recommendation that proposed re-organisation of Integrated Tribal Development Programmes (ITDP) and integration of Tribal Sub-Plan for planning in Meso areas would be done, Follow up audit revealed that none of the Integrated Tribal Development Agency (ITDA) prepared socio economic database of the villages or tribal population. As such, the accepted audit recommendation was not implemented.

(Paragraph 3.4.2)

- Government had accepted the audit recommendation that timely utilisation of funds and submission of utilisation certificates based on end-use of funds would be ensured. Audit noticed in follow up audit that there was consistent savings of Grants under Special Central Assistance (SCA) to Tribal Sub Plan (TSP) and Article 275 (1) of the Constitution and that the accepted audit recommendation was not implemented.

(Paragraph 3.4.3)

- Government accepted to ensure completion of the projects under SCA to TSP and schemes under Article 275 (1) within the time schedule fixed. However, out of 127 schemes under SCA to TSP only 39 schemes were completed. Similarly, out of 268 works under Article 275 (1), only 211 works were completed. As such accepted audit recommendation was not implemented.

(Paragraphs 3.4.4.1 and 3.4.4.2)

- Despite Government acceptance of audit recommendation that adequate manpower for implementation of programmes would be ensured, it was noticed in follow up audit that 31 *per cent* posts in the test checked ITDAs remained vacant.

(Paragraph 3.4.5)

- Government acceptance of audit recommendation that Monitoring of implementation of the schemes at all level would be ensured was not implemented as Monitoring and Evaluation Cell was not functional while no schedule of inspection was prescribed at any level.

(Paragraph 3.4.6)

3.4.1 Introduction

Performance audit of 'Tribal Welfare Programmes in Meso[1] Areas' covering the period 2007-12 was included in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2012. The audit conclusions/ recommendations were accepted (December 2012) by the State Government for implementation. The highlights of the audit findings were:

- The proposed re-organisation of Integrated Tribal Development Agencies (ITDAs) was not completed by December 2012. Perspective Plans for the Meso Areas was not prepared.
- Central funds of ₹ 19.47 crore could not be drawn during 2011-12 due to non-submission of DC bills, ₹ 91.81 crore were deposited in Personal Ledger accounts and utilisation certificates (UCs) were submitted to GoI without ascertaining the end-use of funds.
- As of December 2012, there were 271 incomplete schemes (77 *per cent*) out of 353 schemes sanctioned (2006-12) in the Meso Areas. In the sampled ITDAs, 167 schemes (92 *per cent*) were incomplete out of 181 sanctioned under Prototype schemes.
- Shortage of manpower was a constraint; as against 90 sanctioned posts of various categories, 50 *per cent* post were vacant**.** The posts of Additional Project Director (PD) and Assistant Project Manager were vacant.
- Monitoring and Evaluation Cell at the State Level was not functional. Government did not prescribe any schedule of inspections for site visits by the PDs.

The objective of the Follow up Audit is to assess extent of implementation of audit recommendations accepted by the State Government in December 2012.

The follow up audit was conducted covering the period 2013-14 to 2015-16, through test check of records of the Secretariat, Welfare Department and Tribal Welfare Commissioner's office (State level) and in five[2] out of 14[3] ITDAs. However, audit of implementation of schemes was not covered within the scope of the follow up audit. Joint physical inspection as well as beneficiary surveys of a few schemes was carried out. An entry conference was held on 8 April 2016 in which the Audit objective, criteria, scope and methodology of the follow up audit were discussed with the Secretary, Welfare Department. An exit conference was held on 25 November 2016 with the Secretary, Welfare Department to discuss the follow up audit report findings and recommendations. The Secretary accepted that the recommendations have not been implemented and assured to implement these in future.

---

1 GoI provides Special Central Assistance to Tribal Sub Plan (TSP) for upliftment of socio-economic conditions of STs. The TSP in the State was grouped into 14 Integrated Tribal Development Projects (ITDPs). The area covered by these ITDPs was declared as Scheduled Areas, locally known as Meso (Micro Economic Social Organisation) Areas, for taking up comprehensive development programmes for the ST population.

2 Dumka, Gumla, Latehar, Ranchi and Seraikela Kharsawan

3 Dumka, East Singhbhum, Godda, Gumla, Jamtara, Khunti, Latehar, Lohardaga, Pakur, Ranchi, Sahibganj, Saraikela, Simdega and West Singhbhum

Status of Implementation of Audit Recommendations

Recommendation No. 1: *Government should complete the proposed re-organisation of ITDPs and integration of TSP for comprehensive planning in Meso Areas. The database prepared by PRADAN should be updated.*

3.4.2 Continued inadequacies in Planning

Audit had observed in 2012 that the proposed strengthening and re-organisation of ITDPs into ITDAs for comprehensive planning and integration of TSP was not done in any of the test checked ITDAs. Further, Government prepared the annual plan proposals for ITDAs and allocated them funds without obtaining proposals from them and the 2005 socio-economic survey of tribal areas done by 'PRADAN' (an NGO), which was utilised for planning purposes by government, was not updated in the past seven years.

Based on the above findings, Audit had recommended that Government should complete the proposed re-organisation of ITDPs and integration of TSP for comprehensive planning in Meso Areas. The database prepared by PRADAN should be updated and Plans finalised only after inputs from the targeted areas to be benefited under the schemes.

Socio-economic database of ITDAs were not prepared. Government prepared Annual Plans without obtaining inputs from the ITDAs

In the Follow-up Audit, it was observed that ITDAs were created and were functional in all the erstwhile Meso areas. However, none of them had prepared socio-economic database of the villages or the tribal population under it. Further, strategy/ work-plan/ projects/ perspective plan for tribal development, which was the mandate behind their creation, was also not framed.

The ITDAs stated that the identification of the schemes under SCA to TSP and under Article 275(1) for the state was done by the Department and accordingly funds were allocated. No inputs were obtained from the ITDAs in this regard. The budget preparation and allotment continued to be carried out by the department centrally without assessing the actual requirements of funds for the tribal areas.

Thus, the accepted audit recommendation had not been implemented. In the exit conference (November 2016), the Secretary, Welfare Department accepted the fact that the audit recommendation was not implemented but assured to implement these fully in future.

Recommendation No. 2: *Government should ensure timely utilisation of funds and utilisation certificates should be submitted based on end-use of funds.*

3.4.3 Savings in Grants and continued submission of Utilisation Certificates of unutilised funds

Audit had observed in 2012 that the Government submitted the utilisation certificates (UCs) to GoI based on amounts released to the Tribal Welfare Commissioner (TWC), without ascertaining actual utilisation of these scheme funds. It was also observed that there were unspent balances of ₹ 57.75 crore with the TWC as of 31 March 2012. Besides, the test-checked ITDAs had unspent balance of ₹ 57.14 crore as of 31 July 2012.

Based on the above findings, it was recommended that Government should ensure timely utilisation of funds and the utilisation certificates should be submitted based on actual utilisation of funds. This was accepted by the Government for implementation.

3.4.3.1 Funds not spent resulting in savings

Test checked ITDAs had consistent savings under SCA to TSP and Article 275 (1) respectively

Follow up audit, revealed that the savings of TWC during 2013-16 was ₹ 104.90 crore in respect of SCA to TSP and ₹ 86.83 crore in respect of Article 275 (1) out of available funds of ₹ 281.72 crore and ₹ 238.08 crore respectively as depicted in **Appendix-3.4.1**. In the test-checked ITDAs, the total savings from the available funds (₹ 148.79 crore) during 2013-16 was ₹ 95.57 crore (64 *per cent* of available funds) under SCA to TSP and ₹ 13.18 crore (21 *per cent* of available funds) of savings out of ₹ 62.50 crore available under Article 275 (1) as depicted in **Appendix-3.4.2**. The test checked ITDAs had consistent savings every year ranging from ₹ 12.06 crore to ₹ 23.98 crore under the schemes of SCA to TSP and ₹ 0.74 crore to ₹ 4.98 crore under Article 275 (1) as depicted in **Appendix-3.4.2**.

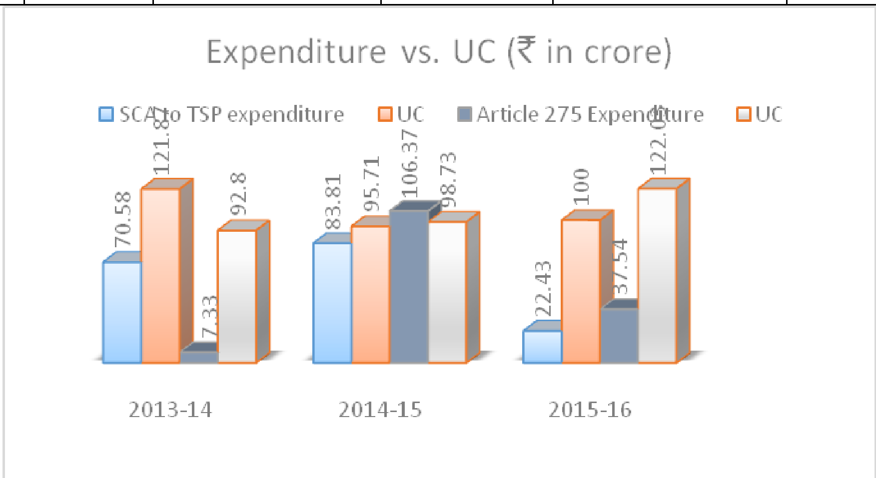
Thus, audit observed that there was regular under spending of allotted funds which could have led to the denial of intended benefits to the tribals.

3.4.3.2 Utilisation Certificates issued without expenditure

Audit further observed that Utilisation Certificates issued by the TWC included unspent funds parked in banks/ PL accounts, as shown under:

(₹ in crore)

Office	Year	Article 275(1) Expenditure	UC submitted	SCA to TSP expenditure	UC submitted
TWC	2013-14	7.33	92.80	70.58	121.87
	2014-15	106.37	98.73	83.81	95.71
	2015-16	37.54	122.03	22.43	100.00



The practice of sending utilisation certificates for unspent amounts pointed out in the previous Audit Report was thus continuing and this irregularity was not rectified.

3.4.3.3 Irregular deposit in Personal Ledger Account

Irregular deposit of fund in Personal Ledger Account

In addition to the bank balances, Audit also observed that ₹ 127.16 crore under Article 275 (1) was drawn during 2013-16 by the TWC and deposited in the Personal Ledger (PL) Account of the Jharkhand State Scheduled Caste

Development Corporation (JSSCDC), Ranchi, to avoid reduction in the subsequent year's allotment. Consequently ₹ 163.59 crore of year 2011 to 2016 was parked (March 2016) as unspent balance in PL Account resulting in denial of intended benefit to the tribal people.

Thus, the accepted audit recommendation had not been implemented. In the exit conference (November 2016), the Secretary, Welfare Department accepted the fact that the audit recommendation is not implemented but assured to implement these fully.

Recommendation No. 3: *Government should expedite implementation of the schemes and completion of the projects within the time schedule fixed.*

3.4.4 Continued delay in completion of Schemes

Audit observed in 2012 that the Department sanctioned ₹ 255.00 crore for execution of 353 Prototype units in all ITDAs. The ITDAs released ₹ 187.78 crore to the Implementing Agencies, out of which ₹ 173.23 crore was spent. Thus, due to short release of ₹ 67.22 crore besides delays in taking up the Prototype schemes by the ITDAs, only 82 units (23 *per cent*) of the 353 sanctioned units were completed.

Based on the above findings audit recommended that Government should expedite implementation of the schemes and completion of the projects within the time schedule fixed which was accepted by the Government.

3.4.4.1 Special Central Assistance to Tribal Sub Plan

Out of 127 units taken up under SCA to TSP, only 39 units were completed. Similarly 57 units out of 268 units remained incomplete under Article 275 (1)

Follow up audit revealed that the Government released ₹ 91.08 crore to the test checked ITDAs for carrying out the Prototype schemes under phase III to VII[4]. Out of the 127 units taken up, only 39 were completed (31 *per cent*) and 88 units remained incomplete (details in **Appendix-3.4.3**).

3.4.4.2 Schemes under Article 275 (1)

Scrutiny of records in the test checked ITDAs for schemes under Article 275 (1) revealed that of the 268 works taken up between 2009-10 to 2015-16, 57 works involving expenditure of ₹ 33.78 crore remained incomplete till date (July 2016) (details in **Appendix-3.4.4**).

Thus, the accepted audit recommendation had not been implemented. In the exit conference (November 2016), the Secretary, Welfare Department accepted the fact that the audit recommendation is not implemented.

Recommendation No. 4 *Government should ensure providing adequate manpower for implementation of the programmes.*

3.4.5 Continued shortage of manpower

Audit observed in 2012 that there were large vacancies in the key posts against the sanctioned posts in various categories. The posts of Additional Project Director and Assistant Project Manager in sampled districts were vacant since their creation of the ITDAs in February 2009.

4 Phase III: 2007-08 to 2009-10, Phase IV: 2010-11 to 2012-13, Phase V: 2011-12 to 2013-14, Phase VI: 2012-13 to 2014-15, Phase VII: 2013-14 to 2015-16

Based on the above findings audit recommended that Government should ensure provision of adequate manpower for implementation of the programmes, which was accepted by the Government for implementation.

Follow up audit revealed that 31 *per cent* posts continued to remain vacant in the test checked ITDAs as depicted in table:

Sanctioned Strength	Men in-Position	Vacancy
97	67	30 (31 *per cent*)

31 *per cent* posts continued to remain vacant in test checked ITDAs

Moreover, the posts of Assistant Project Manager responsible for planning, monitoring and technical specifications of schemes had been lying vacant in all the test checked ITDAs (**Appendix-3.4.5**). The ITDAs confirmed shortage of manpower and stated that it had affected the scheme implementation.

Thus, the accepted audit recommendation had not been implemented. In the exit conference (November 2016), the Secretary, Welfare Department accepted the fact that the audit recommendation is not implemented but assured to implement these fully.

Recommendation No. 5*: Monitoring of implementation of the schemes at all levels should be prescribed and ensured.*

3.4.6 Monitoring standards not set

Audit observed in 2012 that Monitoring and Evaluation Cell was not functional as the officer-in-charge of the Cell was not appointed. There was one Training Officer and two Assistants who were appointed on contractual basis since July 2008, who only managed the database of the Department. Even the post of MIS Officer, which was vacant since May 2009, was not filled up till February 2011. As the Cell did not start functioning within three years, it was reconstituted (February 2011) with Secretary, Welfare Department as Chairman, Tribal Welfare Commissioner (TWC) as Chief Executive Officer and Deputy Secretary/Under Secretary, Welfare Department as Members and five Technical Consultants and five Office Executives. However, the cell could not be made functional as the consultants and office executives were not appointed as of December 2012.

At the ITDA level, the Project Implementation Committee (PIC) was to monitor the progress in the implementation of the schemes by conducting review meetings at an interval of 60 days (i.e. six times in a year) as required under the State Government orders (November 2005). During 2007-12 only 24 review meetings were conducted to monitor progress of the schemes against 30 meetings which should have been done by each PIC. Besides, the Government did not prescribe the schedule of inspections for site visits by the Principal Director (PD) level functionaries.

Based on the above observations, Audit recommended that monitoring of implementation of the schemes at all levels should be prescribed and ensured, which was accepted by the Government for implementation.

Periodic schedule of inspection was not prescribed at any level

Follow up audit revealed that Monitoring and Evaluation Cell had not been made functional at State level (November 2016). The Training Officer and the two Assistants, appointed on contractual basis in the cell continued to manage the database of the Department without any monitoring function while the post of MIS Officer, remained vacant (November 2016) since May 2009.

Further, the department failed to finalise/ prescribe any schedule of inspection for implementation of schemes at the project level. Only 29 PIC meetings[5] were held in the five tests checked ITDAs against prescribed 90 meetings. When pointed out, ITDAs stated that no schedule of inspection was prescribed by the Department/TWC but periodic inspection or visit of schemes under SCA to TSP and Article 275(1) were being undertaken. However, the claim was not backed by evidence of inspection or site visit. It was also stated by ITDAs that PIC meetings were held as per directions of Chairman of PIC. Absence of an effective monitoring mechanism was one of the reasons for deficiencies in the implementation of the schemes.

Thus, the accepted audit recommendation had not been implemented. In the exit conference (November 2016), the Secretary, Welfare Department accepted the fact that the audit recommendation is not implemented. The Secretary further assured that the Monitoring and Evaluation Cell would be made functional soon and the recommendations would be fully implemented.

3.4.7 Beneficiary survey and Joint Physical verification

Audit physically verified (May and July 2016) 19 Prototype Schemes along with officials of the ITDAs and representatives of NGOs. During physical verification, audit found that:

- In Saraikela-Kharsawan, Mulberry Plantation was destroyed due to fire at Village Tilopada, Block Kuchai.
- In Ranchi, the selection of site for Horticulture scheme was highly risky as High Tension wires were passing over the site.

Mulberry plantation destroyed by fire: Village- Tilopada of Kuchai Block at Saraikela Kharsawan

Site for Horticulture scheme at Village- Kerketta, Panchayat- Raja ulahatu, Namkum, Ranchi

- All the remaining 17 schemes jointly verified were found to be incomplete.

Beneficiary Survey

Beneficiary survey was conducted to ascertain directly from the target audience on the benefits derived by them from the implementation of the scheme.

- At Jalimkhurd, Banhardi and Pandeypura in Latehar, out of 63 beneficiaries covered under Dairy development scheme, 40 were interviewed jointly with development officer. Under the scheme, cow sheds had been

[5] PIC, Dumka: 6 meetings; PIC, Gumla: 5 meetings; PIC, Latehar: 6 meetings; PIC, Ranchi: 4 meetings and PIC, Saraikela: 8 meetings during 2013-16

constructed but the cows were not distributed among the beneficiaries. However, all the interviewed beneficiaries stated that their income has increased.

- In Gumla out of 367 persons stated to be beneficiaries, 99 were interviewed of which 61 beneficiaries of the Horticulture scheme stated that their incomes were yet to increase while 38 beneficiaries of the Lift Irrigation, Water Harvesting Tank and Land Levelling scheme stated that their incomes have increased because of the ongoing schemes.

- In Saraikela Kharsawan, under Village Mangudih of Seraikela Block, ten beneficiaries of post-cocoon scheme stated that due to delay in completion of scheme their incomes had not increased. This was echoed by eight beneficiaries of the Mulberry Plantation scheme of Village Karalor of Kuchai Block.

- In Ranchi out of 90 beneficiaries, all the 42 interviewed stated that they were satisfied and that their incomes had increased from multi-tier cropping.

3.4.8 Conclusions and Recommendation

The follow-up audit revealed that the Government did not implement any of the recommendations accepted by it in 2012 as the planning continued to be done by the Department without any inputs from the lower functionaries. The department did not ensure complete utilisation of available funds and the utilisation certificates continued to be issued to Government of India without ensuring expenditure. The implementation of the schemes were tardy as schemes taken up during 2007-08 still remained incomplete. The manpower shortages continued to be a hurdle in implementation of schemes and no structured attempts for monitoring and evaluation of the schemes were undertaken. The physical verification conducted jointly by audit and the Department reflected that the majority of schemes were incomplete.

Government should ensure implementation of accepted audit recommendations of December 2012 relating to Tribal Welfare Programmes in Meso areas.

Compliance Audit Paragraphs

Compliance Audit of Government Departments and their field formations brought out several instances of lapses in management of resources and failures in the observance of the norms of regularity, propriety and economy. These have been presented in the succeeding paragraphs under broad objective heads.

AGRICULTURE, ANIMAL HUSBANDRY & CO-OPERATIVE DEPARTMENT

3.5.1 Unproductive expenditure

Failure to establish the Agriculture College led to unproductive expenditure of ₹ 18.21 crore.

The Agriculture, Animal Husbandry and Co-operative Department, Government of Jharkhand sanctioned ₹ 34.01 crore for the establishment of an Agriculture College in Garhwa against which technical sanction of ₹ 20.09 crore was given by the Chief Engineer, Building Department. Administrative approval was given by the Department (March 2009) to construct the administrative and academic buildings, hostels, staff quarters etc. The work was executed by Deputy Director (Works and Plants) Birsa Agricultural University (BAU), Kanke, Ranchi. Scrutiny of records (February 2016) revealed that a sum of ₹ 18.21 crore (90.64 *per cent* of administrative approval) was paid to the contractors in December 2012. But BAU had not yet taken charge of the buildings as of November 2016 and the college was not operational.

Scrutiny of records in the office of the Director, Planning, Implementation and Monitoring (PIM), BAU revealed that the College was to function from the academic session 2012-2013 and BAU had made repeated correspondence[1] to the Department for sanction of 45 teaching and 61 non-teaching post for running the college. But they were not sanctioned. If the department had exercised diligence to start the college from the session 2012-13, till date (November 2016) 50 students would have graduated in agriculture discipline and 200 students would have been studying in different semesters. Thus, due to an apathetic approach of the Department, the college was not made functional and the intended benefit of imparting education in this college was not achieved. Besides, dilapidation, theft and unauthorised occupancy of the building could not be ruled out.

Thus, inaction of the Government resulted in ₹ 18.21 crore spent by the government remaining unproductive and blocked while public was being denied educational facilities.

Government stated (July 2016) that earlier the institute was to be run under Public Private Partnership mode but private institutions did not show interest. Further, in a meeting presided (June 2016) by the Chief Minister, it was decided to run the college as a constituent college of BAU and to commence the teaching work from the academic session 2017-18. For this, the process of

[1] E39-350/07-08 BAU (PIM)-2683 dated 16 June 2010, E39-350/07 BAU (PIM)-187 dated 21 April 2012, E39-350/07-08 BAU (PIM)-01 dated 06 April 2013, F-39-432/12 BAU (PIM)-07/C dated 29 January 2014, E39-350/07-08 BAU (PIM)-19 dated 06 May 2014

creation of posts was also planned and till then the building would be used as skill development centre.

The reply was not acceptable as the Jharkhand Agriculture University Act 2000 amended in October 2015 provides for appointment of teaching and non-teaching staff by Vice-Chancellor against legitimately sanctioned posts after selection and recommendation by Jharkhand Public/Staff Selection Commission. However, sanctioned strength was not decided by the Government (November 2016). Further, the fact remains that the building has remained unoccupied since its completion in December 2012 and roadmap to utilise it as skill development centre had not been framed (November 2016).

BUILDING & ROAD CONSTRUCTION DEPARTMENTS

3.5.2 Loss to government

Loss of ₹ 9.68 crore to the Government for failing to adhere to the mining rule.

According to Rule 55 of the Jharkhand Minor Mineral Concession (JMMC) Rules 2004, purchase of minor minerals can be made only from lessees/ permit holders and authorised dealers for which submission of Transport Challans along with oaths in form 'O'[2] and particulars in form 'P'[3] is required. Claim of payment will include details of sources from where minerals were purchased and prices paid as well as quantities procured. Form 'O' and 'P' is essential for payment of bill. If the form is not submitted by the contractor the bill is not to be accepted by the Division. Photocopies of forms 'O' and 'P' so obtained will be submitted to the Mining Department by the implementing agency for verification. Till verification by the Mining Department, royalty at double rate should be withheld from the contractor's bills. If the details furnished are found to be false, either wholly or partly, the minerals so obtained shall be deemed to have been illegally mined and the user agency would be responsible for the illegal mining and should be liable to pay penalty up to the cost of minerals under section 54 (i & viii).

Scrutiny of the two road[4] and bridge works under two divisions[5] of Road Construction Department (RCD) and two building works[6] under one divisions[7] of Building Construction Department (BCD) revealed that 78,033.32 cubic metre (m^3) metal, 64,594.1 m^3 stone chips, 9,688.69 m^3 boulder, 40,249.28 m^3 sand and 4,333.98 m^3 local sand worth ₹ 9.68 crore were used by the contractors in execution of the above said works. It was noticed that form 'O' and 'P' were not submitted by the contractors. As a result, the sources of purchases from authorised quarry could not be ascertained and the concerned Executive Engineers of the RCD and BCD should not have accepted the bills submitted by the contractors. However, penalty as admissible, was not

---

2 'O' contains 'oath'
3 'P' contains 'particular'
4 Construction of Latehar-Saryu-Kotam (Garu) Road in Km 0 to 32 (MDR 249) and Reconstruction of Mander Chowk (NH-75) to Burmu Road (KM 0 to 14.80)
5 Road Construction Divisions, Latehar and Ranchi
6 Construction of New High Court Building at Ranchi and Construction of Jharkhand Judicial Academy
7 Special Works Division, BCD, Ranchi

imposed on the contractors up to the cost of minerals amounting to ₹ 9.68 crore along with rent/taxes applicable on that illegal mining site as per rules under section 54 (i & viii).

Thus, failure to adhere to the mining rule resulted in loss to Government up to the cost of materials amounting to ₹ 9.68 crore (**Appendix-3.5.1 (i) & (ii)**).

On being pointed out in audit (May 2016 and July 2016) the EEs in their reply stated that the contractor would be asked to submit the form 'O' and 'P'. The reply was not tenable as the action of the EEs in admitting the bills of the contractors for payments without form 'O' and 'P' were in violation of the JMMC rules.

The matter was referred to Government (July 2016); their reply had not been received (November 2016) despite reminders[8].

3.5.3 Avoidable expenditure

Allowance of excess time for completion of road work in violation of Government orders resulted in avoidable expenditure of ₹ 2.52 crore.

Based on the criteria prescribed by the Indian Road Congress for fixation of completion schedule of road work, Road Construction Department (RCD), Government of Jharkhand issued an order (August 2007) that time period for completion of Widening and Strengthening (W&S) of a road up to a length of 15 KM under plan scheme would not be more than 10 months and that no deviation from the time schedule was to be permitted. Further, RCD decided (November 2007) that price adjustment, if any, would be limited only to a project, the value of which is greater than ₹ 2.50 crore, and the completion schedule of which is more than one year. It was also decided to incorporate these provisions in the Standard Bidding Document (SBD).

Scrutiny (April 2016) of records of the Executive Engineer (EE), Road Construction Division, Latehar revealed that in the tender invitation notice for W&S of Chandwa–Mahuwamilan-Maclauskiganj Road (CMM) Part I (0 to 8 KM), CMM Road-Part II (9 to 16 KM) and CMM Road-Part III (17 to 23.8 KM) estimated between ₹ 8.78 crore and ₹ 12.37 crore, the time schedules for completion of the works were fixed between 15 months and 18 months in contravention of the above order. The EE executed (between February 2014 and March 2014) three SBD agreements for ₹ 37.10 crore with a contractor, which also included price adjustment clause. The contractor was paid ₹ 39.58 crore (Part-I: ₹ 16.58 crore, Part-II: ₹ 12.32 crore, Part-III: ₹ 10.68 crore) which included ₹ 2.52 crore as price adjustment.

Audit observed that the Departmental Tender Committee did not adhere to the time schedule prescribed by the Government (RCD) for completion of the road work. Further, there was nothing on record to justify the deviation from permissible time limit.

Thus, fixation of completion periods of the road works in violation of Government order at the time of inviting tenders resulted in avoidable payment of price adjustment worth ₹ 2.52 crore **(Appendix-3.5.2).**

[8] Reminders: Letter Nos. Report (Civil)/AR/2015-16/235 dated 07 September 2016 and 268 dated 04 October 2016

On being pointed out by audit, the Engineer-in-Chief (EIC), RCD replied (September 2016) that the time schedule for the road work to be executed in Left Wing Extremism (LWE) districts was decided as per the Ministry of Road Transport and Highways (MORTH) guidelines wherein the time required for W&S of road work was prescribed 18 days per KM with maximum time up to 24 months including time for mobilisation.

The reply of EIC, RCD was not acceptable as the guidelines of MORTH based on which timeline has been commented upon was adopted by Government of Jharkhand in February 2014 whereas tender notice for the works were issued between November 2012 and February 2013 when the order of 2007 for allowing completion time of 10 months for 15 KM road was in force. Even if completion time is calculated according to the departmental letter which the EIC referred to, it would not justify the time allowed.

The matter was referred to Government (June 2016); their reply had not been received (November 2016)

3.5.4 Unfruitful Expenditure

Commencement of work without acquisition of land resulted in unfruitful expenditure of ₹ 1.18 crore on stalled bridge work

According to Rule 132 of the Jharkhand Public Works Department (JPWD) Code, no work except in case of emergent work such as repair of breaches etc., should be started on land which has not been duly taken over by a responsible Civil Officer. Further, the process of tender[9] should be initiated only when technical sanction has been accorded, allotment of funds has been ensured and land has been acquired. Also clause 21.1 of conditions of contract of the SBD agreement mandates the Employer to give possession of all parts of the site to the Contractor.

Construction of a high level bridge measuring 123.04 metres long having five spans of 24 metres each over Batlohia river in 26th KM of Khori Mahua-Dhanbar-Saria road was taken up during the year 2012-13. The work was administratively approved (February 2013) by the Deputy Secretary, Road Construction Department (RCD), Jharkhand, Ranchi for ₹ 6.10 crore and technical sanction was accorded (February 2013) by the Chief Engineer (CE), Central Design Organisation (CDO), RCD, Ranchi. As per administrative approval, 500 decimal land was to be acquired.

Scrutiny of records (January 2016) of Executive Engineer (EE), RCD, Road Division, Koderma disclosed that tender for the work was invited (July 2013) by the EE, RCD, Koderma at an estimated cost of ₹ 6.26 crore without acquisition of land. The work was awarded (August 2013) to a contractor at ₹ 6.16 crore on the recommendation of Departmental Tender Committee for completion by May 2014.

After the work order (November 2013) was issued to the contractor, the EE requested (December 2013) the Deputy Commissioner (DC), Giridih to acquire 2.07 acre of land. Subsequently, the Assistant Engineer, Birni

[9] As per provisions (Paragraphs 4.5 and 7.5 of memo no. 948 dated 16 July 1986 of Cabinet Secretariat and Co-ordination Department (Vigilance Cell), incorporated in BPWD Code

Sub-division intimated (January 2014 and March 2014) the EE that the work had been stopped since January 2014 after execution of pilling work as Rayati land could not be acquired. It was also noticed that the EE was repeatedly intimated[10] by the contractor about the hindrances being faced by him from the Rayati's. It was reported in July 2015, that the work had been stopped for 15 months.

Photographs showing incomplete high level bridge over Batlohia River in 26th km of Khori Mahua-Dhanbar-Saria road

Scrutiny revealed that ₹ 1.18 crore had been paid to the contractor from November 2013 to January 2016 which remained unfruitful.

In reply the EE stated that the efforts would be made for acquisition of land to construct the Bridge, which was under progress in certain aspects.

The reply of EE was not acceptable as commencement of work without acquisition of land in violation of the JPWD code and conditions of contract resulted in stoppage of work and the intended purpose of construction of bridge could not be achieved.

The matter was referred to Government (June 2016); their reply had not been received (November 2016) despite reminders[11].

WELFARE DEPARTMENT

3.5.5 Unfruitful expenditure

Approval of deficient DPR led to unfruitful expenditure of ₹ 8.00 crore on construction of a women polytechnic at Ranchi

The Secretary, Ministry of Minority Affairs (MoMA), Government of India (GoI) gave (March 2012) administrative approval (AA) for construction of a Women Polytechnic in Tharpakhna, Ranchi at a total cost of ₹ 12.30 crore[12] which included ₹ 8.00 crore for Civil Works and ₹ 4.30 crore for equipment, machinery, books etc. Under this, the State Government was required to prepare the Detailed Project Report (DPR) as per the norms and guidelines of All India Council for Technical Education for establishment of the Women Polytechnic. As per the AA, if the cost deviated by more than 10 *per cent* from the benchmark cost then the State Government would send a proposal for revised approval along with the DPR, which would be examined in consultation with the Ministry of Labour and Employment and the final decision would be of the Empowered Committee, as constituted by MoMA after which the tender would be floated.

---

[10] Letter dated 12 February 2014, 30 August 2014, 23 September 2014, 03 November 2014, 15 January 2015

[11] Reminders: Letter Nos. Report (Civil)/AR/2015-16/120 dated 03 August 2016, 231 dated 06 September 2016 and 273 dated 23 October 2016

[12] ₹ 11.31 crore provided by GoI and ₹ 0.98 crore by the Welfare Department, Government of Jharkhand (GoJ)

Scrutiny of records of District Welfare Officer, Ranchi revealed that the Welfare Department, Government of Jharkhand (GoJ) sanctioned and allotted (September 2012) ₹ 12.30 crore[13] to Deputy Commissioner (DC), Ranchi to execute the work. Based on the sanction, DC Ranchi awarded (October 2012) the work to Executive Engineer (EE), Zila Parishad (ZP), Ranchi, who prepared (December 2012) a DPR for ₹ 12.30 crore. The work was technically sanctioned (December 2012) by Chief Engineer, Jharkhand State Housing Board. This comprised ₹ 8.00 crore for construction of administrative and instructional block and ₹ 4.30 crore for construction of workshop. Thus ₹ 12.30 crore was sanctioned for civil work against the provision of ₹ 8.00 crore in violation of sanction received from GoI and the State Government.

Scrutiny revealed that the EE, ZP forwarded (December 2012) the sanctioned DPR to Special Secretary, Welfare Department. However, the Department did not take any action to ensure that the sanctioned cost of the work in the DPR was in accordance with the sanction received from GoI and GoJ. Based on the deficient DPR and TS, the EE, ZP, Ranchi executed (June 2013) an agreement with a contractor for civil works for ₹ 12.58 crore. The civil work was thus ₹ 4.58 crore more than the sanction granted by GoI and the state Government. Although this was required to be sent to MoMA for revised approval, no efforts were made to regularise the excess provision for civil works as of June 2016.

Meanwhile, the contractor executed civil works of ₹ 8.32 crore and stopped (October 2015) further work as the Welfare Department denied release of fund in excess of ₹ eight crore. DC, Ranchi, was asked to take action against the personnel for failing to adhere to the GoI directives but no action was taken as of November 2016.

Thus, preparation of deficient DPR by EE, ZP, Ranchi and failure to rectify it on time by Welfare Department resulted in stoppage of the work midway. As a result, the expenditure worth ₹ eight crore incurred on the incomplete work proved unfruitful and remained blocked.

The Government (August 2016) while accepting the error (September 2016) stated that issuance of erroneous sanction letter at initial stage for construction of the building without specifying the condition laid down by the empowered committee of the MoMA has resulted in stoppage of the work since October 2015. Further, it stated that the department has taken a decision to complete the building at a cost of ₹ 12.30 crore and it would be run as a joint venture company with PAN IIT (a not for profit organisation).

The fact, however, remains that the building had not been completed even after the lapse of more than 20 months of its scheduled date of completion and also no road map to achieve the intended objectives of providing skill based education to the students has been drawn up.

---

[13] first instalment (17 July 2013) ₹ 6.15 crore and second instalment (19 August 2015) ₹ 6.15 crore respectively

RURAL DEVELOPMENT DEPARTMENT

3.5.6 Wasteful expenditure

Deficient preparation and approval of DPR led to abondonement of bridge work and wasteful expenditure of ₹ 5.60 crore

The Secretary, Rural Development Department, Government of Jharkhand accorded (October 2010) administrative approval (AA) of ₹ 13.37 crore for construction of a high level bridge in Gajiaghat at Gamharia Block. Chief Engineer (CE) gave technical sanction (TS) (December 2010) to the work and Executive Engineer (EE), Rural Development Special Division (RDSD), Saraikela executed (December 2010) an agreement for ₹13.03 crore with a contractor to complete the work by December 2012.

Scrutiny (February 2016) of records of RDSD, Saraikela revealed that the contractor executed work valued at ₹ 5.60 crore and then stopped (August 2012) the work with a request[14] to the EE to provide land for approach road and revised drawings and designs. Despite correspondence[15] with the contractor and a press communiqué (May 2014) to complete the work, the contractor did not resume the work. Consequently, under intimation to contractor the final measurement of work was taken (May 2014) and agreement was rescinded (June 2014).

Photograph of abandoned bridge obtained during joint physical verification

Scrutiny further revealed that the site of the bridge under construction was at a distance of only 100 metres downstream of the proposed site of the Kharkai Barrage. Central Water Commission (CWC), New Delhi inspected (June 2014) the Kharkai Barrage at Gajia and stated that the flow from the Barrage may adversely affect the foundation of the bridge. Besides, CWPRS, Pune reported (August 2014) that the alignment of the bridge piers was oblique to the barrage flow, whereby the scour depth would further increase. This may further create unfavourable conditions and hence safety of the foundation of bridge foundation would be under threat. Consequently, after a joint meeting[16] (May 2015) of engineers, the bridge was declared abandoned by the Government in January 2016.

Audit subsequently noticed that the construction of Barrage on Kharkai River at Ganjia was proposed under Subarnarekha Multipurpose Project in 1982

[14] Dated:30 July 2011; 17 July 2012; 29 November 2012; 26 April 2013

[15] Letter No.994 dated: 13 July 2012; letter No. 1116 dated: 11 August 2012; letter No1433 dated: 19 October 2012; Letter No.1567 dated: 23 November 2012; 666 dated: 02 April 2013

[16] Attended by CE, Swarnrekha Project, Ichha Galudih; CE, SE and EE, RDSD, SE and EE, Kharkai Nahar Anchal, Adityapur

and a layout plan of the barrage was suggested by the Central Water and Power Research Station (CWPRS) in 1983. However, while preparing the Detailed Project Report (DPR) of the high level bridge, these issues were neither put on record by the consultant nor verified by the department before granting sanction to the bridge work. This resulted in deficient preparation and approval of DPR which led to abandonment of the bridge work rendering the entire expenditure of ₹ 5.60 crore incurred on construction of bridge wasteful.

The RDD (Rural Works Affairs) (RWA) stated (September 2016) that the bridge was abandoned since the safety of bridge was under threat due to the construction of the Kharkai barrage in light of the recommendations of the CWC. Feasibility study for the construction of a new bridge in place of the abandoned bridge was being done by the Road Construction Department (RCD) and appropriate decisions would be taken by the RCD after submission of the feasibility report.

The reply of the Government was not tenable as the issue of negligence in preparation and approval of the DPR, which failed to include critical details, thus, preventing informed decision making before taking up the construction of bridge at an unsuitable site was not addressed in the reply.

3.5.7 Unfruitful expenditure

Construction of Bridge without completion of complete approach roads resulted in unfruitful expenditure of ₹ 4.31 crore

Jharkhand Public Works Accounts Code[17] provides for acquisition of land prior to finalisation of tender process and approval of detailed estimates and emphasises acquisition of land prior to the technical sanction.

The Principal Secretary, Rural Development Department (RDD), Government of Jharkhand accorded (March 2012) administrative approval (AA) for ₹ 4.25 crore for construction of High Level bridge across Gumani river between Angloi and Bada Chandpur in Badharwa Block of Sahebganj District under Mukhya Mantri Gram Setu Yojana (MMGSY). Chief Engineer, (RDD) accorded technical sanction (March 2012) for the work which included 233 metres approach road (124 metres-Angloi side and 109 metres-Chandpur side) upon which Executive Engineer (EE), Rural Development Special Division (RDSD), Sahebganj executed (November 2012) an agreement for ₹ 4.47 crore with a contractor to complete the work by April 2014.

Scrutiny (December 2015) of records of RDSD, Sahebganj revealed that construction of the bridge and 90 metres approach road (60 metres-Chandpur side and 30 metres-Angloi side), as against the provision of 233 metres, was completed in August 2015 after incurring an expenditure of ₹ 4.31 crore. No efforts were made by the EE for acquisition of necessary land to complete the work as per the approved DPR.

Further, during joint physical verification (March 2016 and August 2016) of the work by Audit along with Junior Engineer (JE), RDSD, Sahebganj and

[17] Annexure 'A'-Cabinet Secretariat and Co-ordination Department (Vigilance Cell) resolution no.-948 dated 16 July 1986, Para-4.5 and 7.5 of Bihar Public Works Account Code as adopted by Government of Jharkhand

Block Development Officer (BDO) Barharwa and Barhet under orders of Deputy Commissioner (DC), Sahebganj it was found that the approach road[18] towards Chandpur village was blocked by a house causing the road to be unusable, as could be seen from the photograph:

Photograph of approach road of the bridge obtained during joint physical verification

Further, DC Sahebganj also reported upon physical verification (August 2016) that proper movement of vehicles through the bridge was not possible without completion of entire approach road and shifting of the house.

As such, failure to complete the approach road as per DPR denied the citizens of the intended benefit of providing connectivity to their villages of Angloi and Chandpur through a bridge, which also rendered the expenditure of ₹ 4.31 crore, incurred so far unfruitful.

The RDD (Rural Works Affairs) (RWA) stated (August 2016) that the bridge had been completed with approach roads and mobility was going on through the bridge. The reply of the Department was not based on facts as according to the physical verification report of the DC, Sahebganj (August 2016) proper movement of the vehicles through the bridge was not possible without completion of entire approach road and shifting of the house.

3.5.8 Avoidable expenditure

Irregular upgradation of road work under the Pradhan Mantri Gram Sadak Yojana led to avoidable expenditure of ₹ 3.87 crore

As per para 1.6.4 of the Operational Manual (OM) of the Pradhan Mantri Gram Sadak Yojana (PMGSY), only single connectivity of road was to be provided. If a habitation is already connected to another habitation (or to an all-weather road) by way of an all-weather road, then no further work can be taken up under PMGSY. However, as per clause 3.3.3 ibid, upgradation of roads which are 10 years old can be taken up if no new connectivity remains to be taken up in a district.

Construction of road from Karaikela to Otar was awarded for execution (August 2008) by the Executive Engineer (EE), Rural Works Division (RWD), Chakradharpur. Scrutiny (May 2015) revealed that the work was completed in March 2012 incurring an expenditure of ₹ 1.17 crore. Being under the Defect Liability Period (DLP) of five years from the date of completion (2012-17), the contractor was required to maintain it at his own cost.

---

18 Approach road constructed 60m only out of 109m

Jharkhand State Rural Road Development Authority (JSRRDA) proposed upgradation (November 2013) of the same road under 12th phase of PMGSY in violation of clause 3.3.3 as the road was not yet 10 years old. Ministry of Rural Development, Government of India sanctioned (February 2014) the upgradation work for ₹ 5.36 crore. JSRRDA allotted the work to the National Projects Construction Corporation (NPCC), Ranchi, which awarded (June 2014) the work to a contractor and expenditure of ₹ 3.87 crore[19] was incurred on the road upto July 2016.

Thus, upgradation of the Karaikella Otar road was a violation of both the PMGSY guidelines and contracted DLP which resulted in avoidable expenditure of ₹ 3.87 crore and extension of undue favour to the earlier contractor, who would have had to incur expenditure to maintain the road.

In reply, the RDD (Rural Works Affairs) (RWA) stated (September 2016) that the whole matter was being investigated by the Regional Manager, NPCC and further action would be taken after report of the investigation is submitted. Action taken, if any, had not been intimated to audit (November 2016).

3.5.9 Unfruitful expenditure

Construction of bridge without ensuring availability of land resulted in closure of work midway and unfruitful expenditure of ₹ 1.64 crore

According to Rule 132 of the Jharkhand Public Works Department (JPWD) Code, no work except in case of emergent work such as repair of breaches etc., should be started on land which has not been duly made over by a responsible Civil Officer.

The Rural Development Department (RDD), Government of Jharkhand (GoJ) accorded (March 2009) administrative approval (AA) of ₹ 4.46 crore for construction of high level bridge across Damodar river with approach road on Chandankiyari Munidih (Gansadih-Suyadih road). Chief Engineer (CE), Rural Development Special Zone, Ranchi, gave technical sanction (TS) (February 2009) for the same. An agreement was executed (August 2009) by the Executive Engineer (EE), Rural Development Special Division (RDSD), Dhanbad with a contractor for ₹ 4.41crore to complete the work by November 2010.

Scrutiny (July 2016) of records of the EE, RDSD Dhanbad revealed that the abutment, approach slab and approach road of the bridge fell in private land. The contractor requested (March 2012) the EE to make available the land, but the EE failed to do so. The contractor stopped (June 2011) the work after incurring an expenditure of ₹ 1.64 crore[20]. The contractor was relieved (July 2012) from the terms of the agreement by the Government. The contract was closed (July 2012) by the government.

---

19 11th running account bill

20 Upto 7th on account bill dated 06 June 2011

It was further noticed that (May 2015) the site for construction of bridge had been changed by the then EE without the approval of the competent authority from Munidih-Gansadih-Suiadih road to Munidih Suiyadih road.

Thus, irregular change in site of the bridge by the EE, his failure in ensuring acquisition of approach land and commencement of work without ensuring possession of required land, resulted in closure of the work midway rendering the entire expenditure of ₹ 1.64 crore unfruitful.

The Government replied (August 2016) that the agreement was closed as the approach road fall in the private land and the villagers had been creating disturbances in the construction of the bridge. Government also stated that the revised estimates have been prepared after inspection of the bridge by the Birla Institute of Technology (BIT), Mesra, Ranchi and No Objection Certificate (NOC) for acquisition of private (Raiyati) land have been obtained from the Circle Officer (CO), Dhanbad. The proposal for sanction was being sent to the "Rajya Yojana Pradhikrit Samitee". Besides, departmental proceedings had also been initiated against the then two EEs. It was further stated that the proposal is to construct the bridge on the same structure, and therefore after the construction of the bridge the expenditure incurred worth ₹ 1.64 crore would no longer be unfruitful (August 2016).

The reply was not tenable as the CO Dhanbad had given NOC for acquisition of Government land and not private land which was required for the construction of the approach road. Thus, the reply did not address how, in the absence of acquisition of private land, the bridge work would be completed.

3.5.10 Unfruitful expenditure

Irregular award and undue favour to contractor led to unfruitful expenditure of ₹ 1.53 crore.

Clause 1.15 of Notice Inviting Tender (NIT) mandates the tenderer to have ownership of Road making Machineries in working condition[21] for a work of more than rupees one crore. Further, as per clause 1.18 ibid tenderers are required to attach with their tender, authorised valid certificate of actual ownership of the road making machinery and earth moving machinery in working condition, failing which their claim for allotment of the work may be rejected.

Construction of PWD Road Rengarbera to Urusia Hawaipatti (4.975 KM) and PWD Road Meromsai to Todanghatu (6.50 KM) under the State Sponsored Scheme were technically sanctioned (January 2011) by the Chief Engineer (CE), Rural Works Department (RWD) and administratively approved (June 2011) by RWD, Government of Jharkhand for ₹ 1.13 crore and ₹ 1.83 crore respectively. Upon finalisation (August 2011) of tender, Executive Engineer (EE), RWD, Chaibasa executed (September 2011) agreements for ₹ 1.11 crore and ₹ 1.81 crore with a contractor for completion of both the works by September 2012.

Scrutiny (December 2015) of records of the EE, Rural Works Division, Chaibasa revealed that the selected contractor had not submitted the valid

[21] (i) Diesel road roller (2 nos.), (ii) Mini hot mix plant (1 no.), (iii) Tar boiler (1 no) and (iv) vibratory road roller (1 no.)

certificates of ownership of road making machinery in working conditions, a precondition to qualify for the bid. The balance sheet submitted by the contractor also corroborated the same fact. Thus, the contractor was ineligible but on recommendation of the Superintendent Engineer (SE), Chaibasa circle, the tender was approved (August 2011) by the CE in favour of the contractor.

Audit further noticed that the contractor executed works on both the roads only up to Water Bound Macadam (WBM) Grade-III level and stopped (August 2012) execution of further work without any reason. The EE rescinded (July 2014) the agreements in the light of an order of a Review Committee (June 2014) after a delay of 22 months from the date of stoppage of work and payment of ₹ 1.53 crore[22]. The EE also recommended blacklisting of the contractor. However, no action was taken to get the balance works executed by another contractor at the risk and cost of the defaulting contractor. Thus, the roads constructed only upto Grade III level were prone to deteriorate with the plying of traffic and under vagaries of weather. The expenditure remained unfruitful as WBM roads could not provide the desired riding quality and thus, the intended objective of improving quality was not achieved.

On being pointed out the EE replied (November 2016) that revised estimates had been prepared and submitted (November 2015) to competent authority for its approval which was awaited (November 2016).

The reply is untenable as the tender was awarded to an ineligible contractor who abandoned the works midway rendering the expenditure of ₹ 1.53 crore on incomplete works unfruitful.

The matter was referred to Government (June 2016); their reply had not been received (November 2016) despite reminders[23].

3.5.11 Unfruitful expenditure

Faulty preparation of Detailed Project Report resulted in construction of road without a bridge leading to unfruitful expenditure of ₹ 1.24 crore.

According to paras 7.2.3 and 7.3.1 of Operations Manual (February 2005) of Pradhan Mantri Gram Sadak Yojana (PMGSY) the responsibility for preparation of Detailed Project Report (DPR) rests with the Executing Agency and in particular, the Project Implementation Unit (PIU). It is essential that the DPRs be thoroughly checked at various levels with primary responsibility for its accuracy resting with the Executive Engineer (EE).

National Rural Roads Development Agency (NRRDA), Government of India (GoI) sanctioned (March 2013) construction of a road from Andhrigadar to Chhabel Badia having length of 2.965 KM (Road No. L036) under Phase 11 of PMGSY. The DPR was prepared by a consultant and checked (February 2013) by EE and scrutinised (March 2013) by State Technical Authority (STA). A certificate in form F9-A was furnished (February 2013) by EE that

[22] (i) Rengarbera to Urusia Hawaipatti : ₹ 66.25 lakh (ii) Meromsai to Tdanghatu : ₹ 86.69 lakh

[23] Reminders: Letter Nos. Report (Civil)/AR/2015-16/74 dated 14 July 2016, 124 dated 17 August 2016 and 248 dated 19 September 2016

"100 *per cent* of DPR was verified on ground." Technical sanction was accorded (July 2013) by the Chief Engineer (CE), Jharkhand State Rural Road Development Authority (JSRRDA) for ₹ 1.46 crore. An agreement was executed (December 2013) for ₹ 1.37 crore[24] with the contractor for completion of the work by December 2014.

Scrutiny (August 2015) of records of the EE, Rural Works Division (RWD), Deoghar revealed payment of ₹ 1.24 crore for completing the work (December 2014).

During joint physical verification (August 2015) of road it was found that 200 metres road stretch was not constructed between chainage 2180 and 2380 as Rangajoriya nala lay in this stretch for which a bridge was required to be constructed, but no provision of the bridge was made in the DPR. The DPR was, therefore prepared without adequate survey and investigations or any verification on the ground.

Due to negligence in preparation and scrutiny of DPR and issuance of incorrect certificate by the EE, Chhabel Badia, could not be connected with Andherigadar as per plan and expenditure of ₹ 1.24 crore incurred on construction of road could not be fruitfully utilised.

Department (Rural Works Affairs) stated (August 2016) that due to ignorance of circular[25] of Ministry of Rural Development, Government of India regarding submission of proposals of bridges falling in the alignments of roads along with the proposals of roads, the consultant prepared the DPR of the road without making provision of the bridge. For this the consultant had been de-empanelled and consultation fees had been held up. The DPR for construction of the bridge over the nala had been prepared and construction would be started after approval.

The observation thus was accepted by the Government. However, no accountability against the concerned officials/consultants responsible for furnishing negligent and incorrect statement has been fixed (November 2016).

HEALTH, MEDICAL EDUCATION AND FAMILY WELFARE DEPARTMENT

3.5.12 Unfruitful expenditure

Unfruitful expenditure of ₹ 4.72 crore on teaching block lying idle in Ranchi Institute of Neuro-Psychiatry and Allied Science

The managing committee of Ranchi Institute of Neuro-Psychiatry and Allied Science (RINPAS) approved construction of a new teaching block for which technical sanction (June 2005) of ₹ 5.08 crore was accorded by the Chief Engineer, Jharkhand Police Housing Corporation, Ranchi. The building was

24 Construction cost-₹ 1.31 crore and maintenance cost- ₹ 6 lakh
25 Circular No. 04/2011, Dated 28.04.2011

completed at an expenditure of ₹ 4.72 crore and handed over (August 2007) to the RINPAS.

Scrutiny of records (March 2016) of Director, RINPAS revealed that no teaching was being carried out in the new teaching block and it was lying idle for the last nine years, yet expenditure of ₹ 43.30 lakh was incurred during the period June 2009 to January 2013 to furnish the block with air conditioners, furniture etc.

Lecture hall-1

Lecture hall-3

Lecture hall-4

The Director, RINPAS replied (March 2016) that the teaching block was idle since August 2007 as the building was located at a distance of one KM from the main RINPAS hospital. He further added that the new teaching block could not be utilised till date as patients stay in the Main Hospital and so faculty and students were unwilling to travel to the new teaching block as they need continuous contact with them which is essential for their higher studies in Psychiatry and clinical Psychology. Besides, the location of the Central library of RINPAS in the main Hospital building also inhibits the desires of faculty and students to move to the new building.

Further in response to audit query (August 2016) on action taken by the Director of RINPAS to make the new teaching block functional since its handover, the Director replied that the building was being utilised for occasional conference/seminar purposes and other short-span programs like entrance examination of new admission students, counselling programmes for AIDS/HIV etc. and added that classes were being taken in new teaching building from 9 August 2016. Schedule of classes was also attached with the reply. This reply was also confirmed by the government.

To verify if the reply of the Director was correct, Audit conducted a joint physical verification of the building with the Deputy Director and Head of Department, Clinical Psychology (who issued the schedule for classes) and observed out that the building comprising of 31 rooms was not at all used by RINPAS and all the rooms were lying vacant or unattended except a single room used by NGO, UMANG. Hence the Director's reply was false and new teaching block remained idle for nine years and the expenditure of ₹ 4.72 crore incurred on its construction was unfruitful.

3.5.13 Unfruitful expenditure

Failure to synchronise the appointment of faculty and other staff with the construction of the ANM school building resulted in unfruitful expenditure of ₹ 2.09 crore on idle ANM school building

Construction of building for an Auxiliary Nurse Midwife (ANM) School at Pakur was administratively approved (March 2007) by Secretary, Health, Medical Education and Family Welfare Department (the department), Government of Jharkhand and technically sanctioned (December 2007) by Chief Engineer, Rural Engineering Organisation (REO), Santhal Pargana for ₹ 2.09 crore. The department allotted (2006-08) ₹ 2.09 crore to Deputy Commissioner, Pakur for the construction work who awarded the work to the District Engineer (DE), Zila Parishad, Pakur for completion by June 2008.

Audit noticed that the ANM building was completed (2011) at a cost of ₹ 2.09 crore by the DE and handed over to the Civil Surgeon cum Chief Medical Officer (CS-cum-CMO) Pakur in 2011.

Audit further noticed that to run the ANM training school, the department sanctioned (June 2013) teaching and administrative posts[26] including post of trainer. However, no appointments were made against these sanctioned posts. As a result, no funds were released by the department to make the school functional. This led to the ANM School building to remain idle since 2011.

Further, to ascertain the physical status of the building which has been idle for five years since completion, audit conducted joint physical verification (17 June 2016) of ANM building Pakur. It was noticed during the visit that the window panes and some portions of walls of the building were damaged. These damages required immediate repairing to prevent further damage and to operationalise the buidling for the intended purpose.

Outside of ANM building Pakur

Inside of ANM building Pakur

Thus, failure to synchronise the appointment of faculty and other staff with the construction of the building to make it functional, the intended objective of training 30 ANM per year could not be realised in five years since the handing over of the ANM building.

The matter was referred to the Government (April 2016) and in reply the Government accepted (September 2016) that the required post for the trainer

[26] Total 20 posts: Principal (1), Sister Tutor (5), Clerk (1), Chaukidar (2), Peon (2), Cleaner (1), Sanitary Staff (3), Cook (3), Warden (1) and Driver (1)

and other posts were not created. Further action was awaited (November 2016).

3.5.14 Unfruitful expenditure

Primary Health Centre Buildings constructed at a cost of ₹ 1.15 crore was not utilised for the intended purpose.

The Health and Family Welfare Department (HFWD), GoJ accorded (December 2008) administrative approval of ₹ 1.15 crore for construction of PHC building at Pradhankhanta (Baliapur) in Dhanbad district. The Department assigned (November 2009) the work to Executive Engineer (EE), HFWD, North Chotanagpur Division, Hazaribagh on the basis of model drawing and design.

Scrutiny (June 2015) of records of the Civil Surgeon cum Chief Medical Officer (CS cum CMO), Dhanbad and further information collected (July 2016) revealed that the PHC building was completed (October 2010) and handed over in January 2012. After taking possession of the building an Auxiliary Nurse Midwife (ANM), one Multipurpose Worker (MPW) and a Pharmacist were deputed (January 2012) to run the PHC. But Central Reserve Police Force (CRPF) occupied the PHC building in April 2013 and the building remained in their custody as of November 2016.

PHC, Building, Pradhankhanta (Baliapur) occupied by CRPF

CS cum CMO, Dhanbad stated (June 2015) that PHC building was occupied by CRPF since 15 months of taking over the building. The department requested (March 2015) the Director General of Police, Jharkhand/the Deputy Commissioner of Dhanbad district to get the PHC building vacated but it was not done.

Audit further observed that the occupation of the PHC building by CRPF had adversely affected 6266 inhabitants of Pradhankhanta who had to travel around 10 KMs to PHC Baliapur from Pradhankhanta to get medical treatment.

Thus, due to an apathetic approach of Department of Home and District Administration of Dhanbad, the PHC building could not be vacated and utilised for intended purpose even after lapse of four years, rendering the expenditure of ₹ 1.15 crore unfruitful while the purpose of providing health care to people of Pradhankhanta was not achieved. Government should take up the matter with DGP, Jharkhand to vacate the PHC building failing which either recovery of the construction cost or fixing suitable rent from CRPF may be ensured.

The matter was referred to Government (July 2016); their reply had not been received (November 2016) despite repeated reminders[27].

HOME & BUILDING CONSTRUCTION DEPARTMENTS

3.5.15 Unfruitful expenditure

Unfruitful expenditure of ₹ 4.68 crore on incomplete sub-jail (non-residential portion) for 300 prisoners at Chakradharpur

Construction of a sub-jail (non-residential portion) for 300 prisoners at Chakradharpur was administratively approved (AA)[28] (September 2010) for ₹ 10.16 crore upon technical approval (TA) (July 2009) by the Chief Engineer, Building Construction Department (BCD). However, technical sanction (TS) for the work was not granted. The work was allotted (March 2011) to a contractor at an agreed[29] value of ₹ 10.29 crore for completion by November 2012.

Rule 121 of the Jharkhand Public Works Departmental (JPWD) Code, permits TA of a work in case of urgency or complexity prior to AA, but mandates TS of the detailed estimate before inviting tender or actual commencement of the work. Further, Rule 126 of JPWD Code states that TS for every work, except works of petty nature is essential. This guarantees that the work which is being proposed is technically feasible, structurally sound and estimate of work is accurately calculated and based on the adequate data.

Scrutiny of records (August 2015) of the Executive Engineer (EE), Building Construction Division, Chaibasa revealed (August 2015) that TS had not been granted for the work. Consequently, there was delay in providing working drawings and structural design as well as the provision of land to the contractor by 23 months (June 2013). As a result, the work could commence only in February 2013, four years after TA. However, the contractor stopped the work in December 2014 after executing work valued ₹ 5.03 crore. The contractor was paid (June 2014) ₹ 4.68 crore. However, mobilisation advance of ₹ 35 lakh was not recovered[30] in violation of contract provision despite having securities against mobilisation advance in the form of Bank Guarantees (BG) worth ₹ 75 lakh. It was noticed that the BG lapsed in July 2016.

Subsequently, the estimate of the work was revised to ₹ 21.12 crore by the EE which was sanctioned by the CE in August 2016 and was sent to the IG, Prison for administrative approval (AA) which is still awaited (October 2016). Thus, commencement of work and grant of TS without ensuring availability of required land rendered the expenditure of ₹ 4.68 crore unfruitful.

---

27 Reminders: Letter Nos. Report (Civil)/AR/2015-16/250 dated 19 September 2016 and 279 dated 20 October 2016

28 No.-2/का. वि.-405/2009/357 dated 20 September 2010

29 Agreement No. 01/2011-12 dated 11 May 2011

30 Adjusted 3rd on account bill ₹ 20 lakh, 4th on account bill ₹ 10 lakh, 5th on account bill ₹ five lakh and 6th on account bill ₹ five lakh, Total ₹ 40 lakh

The EE, BCD, Chaibasa stated (August 2016) that as the contractor was unable to work on the old Schedule of Rate, the work was closed on the order of Engineer-in-chief and revised estimate was framed. Approval for revised AA from the IG (Prison) was awaited and mobilisation advance of ₹ 35 lakh would be recovered from the final bill.

The fact remains that the sub-jail building could not be completed even after four years from the date of scheduled completion rendering the expenditure of ₹ 4.68 crore incurred on the work unfruitful.

The matter was referred to Government (June 2016); their reply had not been received (November 2016) despite repeated reminders[31].

FOOD, PUBLIC DISTRIBUTION AND CONSUMER AFFAIRS DEPARTMENT

3.5.16 Unfruitful Expenditure

Mobile Van Kits worth ₹ 4.35 crore was rendered idle as these were not put to use for three to eight years

The Weight and Measurement under Agriculture, Animal Husbandry and Cooperative Department (department) is governed under Rules 23 (6) of Jharkhand legal metrology (Enforcement) Rules 2011 which states that the user of weighing instrument of the capacity of five hundred kilogram or above, shall provide such number of duly verified and stamped weights not exceeding one third of the capacity of the instrument as may be required by the Legal Metrology Officer, for the purpose of its verification, re-verification or inspection. For this purpose users of weight and measurement are verified as per procedure prescribed by the department. After that a certificate is issued to all concerned users.

Scrutiny of records of the office of Joint Director, Agriculture cum Comptroller Weights and Measurements revealed (February 2016) that six Mobile Van Kits (MVK) along with tools kit valued at ₹ 4.35 crore[32] were received[33] from the Consumer Affairs, Government of India by the department for mobile checking across 885 Weigh Bridge in the State. As per norms the weigh bridges are to be calibrated once in two years. Presently, calibration is done by manual labour who lifts the weight and compares the correctness of the balances. MVK are basically truck mounted cranes which, if put to use, would lift these weights mechanically and the process would become easy and faster.

However, it was noticed that neither provision of trained staff was made to operate the kit nor any space was made available for the upkeep and security of the mobile van kits. Further, not a single test was undertaken with the six kits since their receipt (September 2008) and they were lying (February 2016) idle in an open space exposed to the vagaries of nature. As a result, the

[31] Reminders: Letter Nos. Report (Civil)/AR/2015-16/76 dated 14 July 2016, 126 dated 17 August 2016 and 247 dated 19 September 2016

[32] 1: ₹ 53.82 lakh, 2: ₹ 65.67 lakh and 3: ₹ 315.28 lakh

[33] September 2008 to November 2013

damage to the static vehicles in an open space (without garage)[34] and theft of parts of the vehicles over the past eight years cannot be ruled out. It also defeated the very purpose for which they were procured and causing expenditure of ₹ 4.35 crore incurred on their purchase to be infructuous.

The Secretary of the Department stated (August 2016) that the Legal Metrology (General) Rules 2011 enacted by GoI did not contain provisions regarding Road in Motion Weigh Bridge though its verification by MVK may prove to be quite useful. The State Government was making correspondence with GoI to include the required provision for future use of MVK.

The reply of the Secretary that "Mobile Van Kit being useful for testing road in motion Wight Bridge which was going to be installed in near future in Jharkhand with required amendment in MVK Rules", was incorrect as it could also be utilised in mechanical calibration of static weigh bridge more scientifically than manual calibration which is still in force. Moreover, the department had not even planned mechanical calibration of static weigh bridges till date, as post of drivers were yet to be sanctioned (November 2016).

INFORMATION AND PUBLIC RELATION DEPARTMENT

3.5.17 TDS not deducted

Short deduction of TDS from Media House resulting in revenue loss to the tune of ₹ 1.12 crore to the Government.

Provision of section 194'C' of Income tax Act directs tax deduction from payment to contractors only when the contract is either a "work contract" or a "contract for supply of labour for work contract." The term "work" as defined in section 194 'C' includes (a) advertising (b) broadcasting and telecasting including production of programmes for such broadcasting or telecasting. As per the provision of the section, the rate of deduction of Tax Deducted at Source (TDS) has been prescribed as one *per cent* in the case of an individual/Hindu Undivided Families (HUF) and in other cases it is two *per cent* with effect from October 2009.

Scrutiny (August 2015) of records[35] in the office of the Secretary, Information and Public Relation Department, Government of Jharkhand, revealed that during the period 2009-14, TDS worth ₹ 1.37 crore (at the rate of 1.1 *per cent*) was recovered from the payments of ₹ 12.49 crore to Media houses against the deductible amount of ₹ 2.49 crore (at the rate of two *per cent*). This resulted in short deduction of TDS valued ₹ 1.12 crore as detailed in **Appendix-3.5.3**.

Principal Secretary, Information and Public Relations Department, Government of Jharkhand stated (July 2016) that the tax was being deducted at the rate of 1.1 *per cent* by the Department, but, after being pointed out in audit it was now being deducted at the rate of two *per cent*. He further added that media houses would have to deposit the balance amount[36] to the IT

[34] At Hazaribagh and at Ranchi (Krishi Bhawan, Kanke Road)

[35] Payment bill of Media House

[36] Difference between actual IT calculation by IT Department and deductions made by the Department

Department while filing IT return at the end of financial year. Thus, there was no short deduction.

Reply was not acceptable as no document in support of deposit of balance tax by the concerned Media houses was provided to audit (November 2016), by the department though this was called for (August 2016) by Audit.

DRINKING WATER AND SANITATION DEPARTMENT

3.5.18 Unfruitful expenditure

Unfruitful expenditure of ₹ 2.12 crore on abandoned Water Supply Scheme due to failure to decide the Right of Way

Scrutiny of records of Executive Engineer, Drinking Water and Sanitation (DWS) Division, Jamtara revealed (January 2015) that a scheme to provide potable water to identified villages was completed at a cost of ₹ 1.99 crore and potable water was supplied to targeted inhabitants from December 2008 to April 2010. The work included laying of pipelines alongside the road passing through Karamdaha- Narayanpur- Dharampur- Posoi- Satsal- Bagdaha Morh- Murgabani Morh- Fatehpur- Nischitpur- Dumka.

Scrutiny further revealed that Road Construction Department (RCD) requested (January 2010) Drinking Water and Sanitation Department (DWSD) for utility shifting[37] as the above road was proposed for widening under Asian Development Bank (ADB) project. The widening of road affected the rising-main and distribution-main of the existing water supply scheme. RCD made available ₹ 1.18 crore to the EE DWS Division, Jamtara, who incurred (September 2010) an expenditure of ₹ 67.03 lakh[38] to remove the existing pipelines and drill new tube wells. Thereafter, the EE stopped (May 2010) further work as EE, RCD, Jamtara and Deputy Director, ADB had failed to finalise the Right of Way (RoW) necessary for shifting of pipelines.

Thus, the objective of the scheme to provide piped water to targeted villages was defeated (since May 2010) even after an expenditure of ₹ 1.99 crore had been incurred.

Part of Govindpur-Sahebganj Highway at Jamtara from where CI Pipes were removed

Pipes removed from the Rural Water Supply Scheme in Narayanpur

37 Rising Main: 3.60 km and Distribution Main: 3.80 km pipelines under Narayanpur W/s scheme and Drilled T/wells: 189 nos

38 Removing of pipes = ₹ 13.04 lakh and drilled tube wells = ₹ 53.99 Lakh

EE, DWS Division Jamtara stated (March 2016) that shifting of pipe could not be started as new alignment of road had not been finalised and communicated by RCD.

Thus, the Narayanpur Rural Water Supply scheme remained incomplete as of November 2016 due to lack of coordination between DWSD and RCD. Also an expenditure of ₹ 2.12 crore[39] became unfruitful and ₹ 51.04 lakh blocked. Besides, the intended objective of providing potable water to the villagers through pipe water supply was not achieved.

The matter was referred to Government (April 2016); their reply had not been received (November 2016) despite reminders[40].

Ranchi,	**(C. NEDUNCHEZHIAN)**
The 16 February 2017	**Accountant General (Audit)**
	Jharkhand

Countersigned

New Delhi,	**(SHASHI KANT SHARMA)**
The 17 February 2017	**Comptroller and Auditor General of India**

---

39 Narayanpur Rural Water Supply scheme: ₹ 1.99 crore and removing of CI pipes: ₹ 13.04 lakh

40 Reminders: Letter Nos. Report (Civil)/AR/2015-16/52 dated 17 June 2016, 89 dated 21 July 2016 and 141 dated 24 August 2016