सत्यमेव जयते

Report of the Comptroller and Auditor General of India on General, Social, Economic and Revenue Sectors including PSUs for the year ended 31 March 2019

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Government of Jharkhand

Report No. 1 of the year 2021

Report of the

Comptroller and Auditor General of India

on

General, Social, Economic and Revenue Sectors including PSUs

for the year ended 31 March 2019

Government of Jharkhand

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PREFACE

PREFACE

This Report for the year ended 31 March 2019 has been prepared for submission to the Governor of Jharkhand under Article 151 of the Constitution of India.

This Report contains significant results of audit of departments of the Government of Jharkhand under General, Social and Economic sectors; departments and entities under the Revenue Sector and State Public Sector Undertakings.

The instances mentioned in this Report are among those which came to notice in the course of test audit for the period 2018-19 as well as those which came to notice in earlier years but could not be reported in previous Audit Reports. Instances relating to the period subsequent to year 2018-19 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards and Regulations on Audit and Accounts issued by the Comptroller and Auditor General of India.

OVERVIEW

OVERVIEW

The Report comprises three sections:

SECTION-A deals with the results of audit of the Departments/Entities under General Social and Economic sectors of the Government of Jharkhand;

SECTION-B deals with the results of audit of the Departments/Entities under Revenue sector; and

SECTION-C deals with the results of audit of State Public Sector Undertakings.

SECTION-A: GENERAL, SOCIAL AND ECONOMIC SECTORS

This section comprises two chapters. Chapter I presents the planning and extent of audit and a brief analysis on the expenditure of major Departments along with responses of Government to the Audit Inspection Reports/Audit Reports and action taken on these. Chapter II deals with the findings of one Compliance Audit on Implementation of *Mukhya Mantri Gram Setu Yojana* in Jharkhand and six Audit paragraphs of various Departments. The audit findings included in this section have total money value of ₹ 251.29 crore (Compliance Audit ₹ 209.83 crore and Audit Paragraphs ₹ 41.46 crore) covering systemic deficiencies, loss, wasteful/ unfruitful/ idle expenditure, avoidable extra expenditure, undue favour, excess payments etc.

The audit has been conducted in conformity with the Auditing Standards of the Comptroller and Auditor General of India. Audit samples have been drawn based on statistical sampling methods. The specific audit methodology adopted has been mentioned in the Performance/Compliance Audits. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the State Government. The main audit findings are summarised below.

2.1 Audit on Implementation of *Mukhya Mantri Gram Setu Yojana* in Jharkhand

Government of Jharkhand (GoJ) launched (September 2001) *Mukhya Mantri Gram Setu Yojana* (MMGSY) for construction of bridges over rivers and *nallas* falling in the alignment of rural roads. The aim of the scheme was to connect every village (32,394 villages) to gram panchayat, every gram panchayat (4,423 gram panchayats) to block headquarters and every block (260 blocks) with district headquarters (24 districts). It is an ongoing scheme under the Rural Development Department and funded out of own resources of the State Government. The Secretary, Rural Works Affairs (under Rural Development Department) is overall responsible for implementation of MMGSY in the State.

Audit was conducted between September 2019 and March 2020 covering the period 2014-19 in six sampled districts, office of the Chief Engineer (CE) and at the Departmental level to assess whether (i) selection and approval of the bridges were granted after proper survey; (ii) construction of bridges and approach roads were undertaken economically as per codal provisions with due regard to quality, workmanship and timeliness; and (iii) post-execution maintenance of the bridges and approach roads were ensured.

Significant areas of deficiencies noticed by audit are as under:

The Department neither framed any operational guidelines nor conducted any survey to assess the un-bridged gaps in rural roads requiring construction of a bridge. Though the Department issued instructions through circulars/letters to manage the scheme and had a District Rural Road Plan (DRRP) under *Pradhan Mantri Gram Sadak Yojana* (PMGSY) with information on gaps in rural road network, these were not adhered to.

The bridges under the scheme were selected on the recommendations of MPs/MLAs/others without examining their feasibility or factoring in the un-bridged gaps in DRRP. Resultantly, bridges were constructed outside the realm of DRRP, at places having pre-existing bridges constructed under different schemes within one KM connecting same/nearby habitats and in municipal areas.

(Paragraph 2.1.2.2)

Of the 208 incomplete bridge works in the State as on March 2019, 39 bridges could not be completed despite their completion periods by over six months to nine years and six months.

(Paragraph 2.1.3.1)

The Department did not have any operational guidelines for engagement of consultants for preparation of Draft Project Reports (DPRs). Resultantly, undue benefits were extended to the empanelled consultants by keeping their period of engagement open ended leaving no scope for entry of new consultants and absence of penalty clause, performance review of consultants based on assessment criteria, review of DPRs of consultants by independent agencies etc.

The consultants did not conduct the required geo-technical investigations, hydrological and traffic data analysis. As a result, eight bridges constructed at a cost of ₹ 52.12 crore out of 42 test-checked bridge works got fully or partly damaged subsequently.

In designing approach roads, the consultants provided sharp curves (up to 90 degree) at the entry/exit point of 16 bridges and shortened the width (3.75 metres to 4.1 metres) of approaches in comparison to width of bridges (7.5 metre) in 28 bridge works. The consultants had also added extra provision of five *per cent* for laps and wastage of steel valued at ₹ 2.41 crore in 33 sampled bridge works.

(Paragraph 2.1.3.2)

The tender and agreement documents were loaded in favour of contractors such as reduction in defect liability period of bridges etc.

(Paragraph 2.1.3.3)

No responsibility was fixed for execution of sub-standard works valued at ₹ 52.07 crore in six bridges.

(Paragraph 2.1.3.4)

In the absence of periodic maintenance of completed bridges, scouring in bridge foundations, wear and tear in expansion joints and wearing coats, cracks in RCC works and damages in elastomeric bearing, damages to railings, footpaths, approach roads and flanks etc., were noticed during joint physical verification.

(Paragraph 2.1.4)

2.2 Audit Paragraphs

Audit observed significant deficiencies in critical areas which impact the effectiveness of the State Government. Some important findings arising out of compliance audit (six paragraphs) are included in the Report. The major observations relate to absence of compliance with rules and regulations, audit against propriety, cases of expenditure without adequate justification and failure of oversight/administrative control. Some of these are mentioned below:

- Award of work on the strength of fake bank guarantees and power of attorney suspected to be fake led to fraudulent payment and loss of Government money of ₹ 13.24 crore.

(Paragraph 2.2.1)

- Injudicious sanction of widening and strengthening work of a portion of HKC road by Road Construction Department concurrently with the preparation of DPR of the same road led to avoidable expenditure of ₹ 5.03 crore on overlaying the bituminous works afresh.

(Paragraph 2.2.2)

- Failure of the Welfare Department to monitor the activities of District Welfare Office (DWO), Chatra and enforce internal control measures led to embezzlement of ₹ 13.59 crore by the District Welfare Officer, Chatra in connivance with the cashier.

(Paragraph 2.2.3)

- Failure of the Department to ensure water and electric supply besides operational cost for operation of two nurseries even after more than four years of their construction led to unfruitful expenditure of ₹ 2.78 crore.

(Paragraph 2.2.4)

- The Department failed to release funds to operationalise the Pig Breeding Nucleus (PBN) unit, establish Satellite Field Breeding units and implement the Pig Development Scheme despite a lapse of more than seven years since commencement. The pig sheds of the PBN unit constructed at a cost of ₹ 1.59 crore were lying idle since December 2014.

(Paragraph 2.2.5)

- The Executive Engineer, Minor Irrigation Division, Giridih commenced work on the Charki Pahari Medium Irrigation Scheme without completing the process of land acquisition leading to idle expenditure of ₹ 1.30 crore and blocking of ₹ 3.93 crore.

(Paragraph 2.2.6)

SECTION-B: REVENUE SECTOR

This section contains a Performance Audit on "Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand", results of Compliance Audit on "Mechanism for levy and collection of electricity duty in Jharkhand" and five audit paragraphs relating to taxes on sales, trade etc., in Commercial Taxes Department and state excise in Excise and Prohibition Department. The total financial implication of Section-B of this Report is ₹ 1,627.99 crore which constitutes 7.08 *per cent* of tax and non-tax revenue of the year 2018-19. Out of the above, the concerned departments accepted audit observations involving ₹ 1,612.24 crore (99.03 *per cent* of observations). Some of the major findings are summarised below:

General

The total receipts of the Government of Jharkhand for the year 2018-19 were ₹ 56,151.70 crore. The revenue raised by the State Government was ₹ 23,010.02 crore (40.98 *per cent* of the total receipts). The share of receipts from the Government of India amounting to ₹ 33,141.68 crore (59.02 *per cent* of the total receipts) comprised of State's share of divisible Union taxes of ₹ 23,906.16 crore (42.57 *per cent* of the total receipts) and grants-in-aid of ₹ 9,235.52 crore (16.45 *per cent* of the total receipts). Tax revenue raised by the State Government increased by 19.42 *per cent* in 2018-19 over 2017-18, whereas non-tax revenue increased by 5.24 *per cent* over the same period.

(Paragraph 1.2)

Arrears of revenue as on 31 March 2019 in respect of taxes on sales, trade etc., and taxes on vehicles amounted to ₹ 6,534.13 crore, of which ₹ 1,694.94 crore was outstanding for more than five years.

(Paragraph 1.3)

PA on Assessment and collection of motor vehicle Tax and fee in Transport Department, Jharkhand

The Performance Audit contains the following observations:

Delayed mapping of provisions as well as incorrect mapping in the application software resulted in short levy of one-time tax of ₹ 5.54 crore from 2,633 vehicles and excess levy of ₹ 59.32 lakh from 189 vehicles.

(Paragraph 2.1.11.2)

The amended provisions were mapped in the application software with a delay of five days which resulted in short levy of temporary tax of ₹ 8.68 lakh from 434 vehicles.

(Paragraph 2.1.11.3)

Non-revision of axle weight of 15,507 transport vehicles resulted in non-assessment of tax of ₹ 6.95 crore.

(Paragraph 2.1.12.2)

The DTOs irregularly endorsed hire purchase/hypothecation agreement in certificate of registration in favour of financers who had not obtained trade certificates.

(Paragraph 2.1.12.3)

Absence of check mechanism to detect expiry of fitness certificate resulted in non-assessment of fee and fine of ₹ 22.82 crore from 6,498 transport vehicles due to non-renewal of certificate of fitness.

(Paragraph 2.1.12.4)

Certificate of registration of personalised vehicles were not renewed after expiry of their validity resulting in non-assessment of ₹ 2.94 crore on 829 vehicles.

(Paragraph 2.1.12.5)

In the absence of mechanism for inter-departmental exchange of data/information, 174 common carriers remained unregistered resulting in non-levy of fee of ₹ 33.06 lakh.

(Paragraph 2.1.12.6)

Tax and penalty of ₹ 74.57 crore from 9,260 transport vehicles realisable from defaulting vehicle owners was not collected by the DTOs.

(Paragraph 2.1.12.7)

One-time tax and penalty of ₹ 44.37 crore from 30,262 vehicles brought under the purview of one-time tax was not collected by the DTOs.

(Paragraph 2.1.12.8)

Subsequent authorisation during currency of national permits of transport vehicles was not done which resulted in non-realisation of consolidated fee and authorisation fee of ₹ 6.73 crore from 1,515 national permit holders.

(Paragraph 2.1.12.9)

In the absence of mechanism for monitoring of defaulting vehicles plying under reciprocal agreements, tax and penalty of ₹ 1.66 crore from 108 vehicles was not collected.

(Paragraph 2.1.12.10)

Service tax/ GST of ₹ 7.59 crore collected along with issue/ renewal of fitness fee was not deposited in the appropriate head of account.

(Paragraph 2.1.12.11)

Audit on Mechanism for levy and collection of electricity duty in Jharkhand

The Audit on "Mechanism for levy and collection of electricity duty in Jharkhand" contains the following observations:

In the absence of mechanism to verify energy consumption through DG sets, the Commercial Taxes Department (CTD) was unaware of the actual consumption of energy generated from 363 DG sets.

(Paragraph 3.3.5.1)

In the absence of mechanism for inter-departmental exchange of information, the CTD failed to identify 222 persons/establishments using 287 DG sets who were liable for registration.

In the absence of mechanism to obtain data/information from licensees, the CTD failed to identify 550 unregistered bulk consumers. This resulted in non-levy of electricity duty of ₹ 16.57 crore and penalty of ₹ 22.40 crore.

(Paragraph 3.3.5.2)

Absence of mechanism to verify returns with information on actual consumption resulted in concealment of electrical energy of 482.31 crore units and consequent short levy of electricity duty of ₹ 24.85 crore and penalty of ₹ 28.87 crore.

(Paragraph 3.3.5.3)

Absence of mechanism to verify returns with information on transfer of energy between licensees resulted in allowance of excess exemption of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

(Paragraph 3.3.5.4)

The Assessing Authorities while finalising the assessments did not verify the returns with the documents available on record which led to under assessment of electricity duty and penalty of ₹ 640.12 crore.

(Paragraph 3.3.7.1)

The Assessing Authorities while finalising the assessments did not verify the rates of electricity duty from the schedule of rates resulting in short levy of electricity duty of ₹ 316.79 crore including penalty.

(Paragraph 3.3.7.3)

Other observations

Commercial Taxes Department

The Assessing Authorities, while finalising the assessments, did not cross-verify returns with the utilisation of Form C, F and other records which led to under assessment of tax and penalty of ₹ 25.99 crore.

(Paragraph 3.4)

The Assessing Authority disallowed unascertainable claims of labour and other like charges but levied tax at the rate of five *per cent* instead of leviable 14 *per cent* of the taxable turnover arrived thereafter resulting in short levy of tax of ₹ 4.39 crore.

(Paragraph 3.5)

The Assessing Authority disallowed adjustment of Input Tax Credit of ₹ 5.51 crore. However, interest of ₹ 3.97 crore was not levied on disallowed Input Tax Credit.

(Paragraph 3.6)

Excise and Prohibition Department

The Department did not take action to ensure lifting of minimum guaranteed quota which resulted in short lifting of liquor by 496 vendors between April 2016 and July 2017 in four excise districts and non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

(Paragraph 3.9)

SECTION-C: PUBLIC SECTOR UNDERTAKINGS

This section deals with the results of audit of Government Companies for the year ended 31 March 2019 and has been prepared for submission to the Government of Jharkhand under Section 19A of the Comptroller and Auditor General's (Duties, Power and Conditions of Services) Act, 1971 as amended form time to time. This section comprises two chapters. Chapter-1 deals with the functioning of the Government companies of Jharkhand. Chapter-II contains results of Compliance Audit on "Management of Assets by Jharkhand Tourism Development Corporation Limited" and two Audit paragraphs which highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications.

1.1 Functioning of State Public Sector Undertakings

Audit of Government Companies is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of Government Companies are audited by the Statutory Auditors appointed by the Comptroller and Auditor General of India (CAG). These financial statements are also subject to supplementary audit by the CAG. As on 31 March 2019, Jharkhand had 31 State Public Sector Undertakings (PSUs) (including 3 inactive Government Companies) under the audit jurisdiction of the CAG. The working PSUs registered a turnover of ₹ 5,283.72 crore as per their latest finalised accounts as on 30 September 2019. The turnover relative to the Gross State Domestic Product (GSDP) of Jharkhand was 1.72 *per cent*. As on 31 March 2019, the investment (Equity and Long Term Loans) in 31 PSUs was ₹ 19,218.87 crore. The Power Sector received (₹ 12,872.91 crore) 97.98 *per cent* of total investment (₹ 13,138.89 crore) made during the period from 2014-15 to 2018-19.

(Paragraphs 1.1.1, 1.1.2, 1.1.3, 1.1.4 and 1.1.8)

1.2. Functioning of Power Sector PSUs

Formation of Power Sector PSUs

The State Government formulated (06 January 2014) the Jharkhand State Electricity Reforms Transfer Scheme, 2013 (JSERTS 2013) for unbundling of Jharkhand State Electricity Board (JSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of JSEB to four power sector companies *(i.e., Jharkhand Urja Vikas Nigam Limited, Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited and Jharkhand Urja Utpadan Nigam Limited).* These four power sector companies came into existence with effect from 06 January 2014 and all the assets and liabilities of JSEB were distributed among these companies according to the provisions of the JSERTS 2013.

JSERTS 2013 provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of JSEB to one or more power sector companies of the State Government. Besides these four companies, four other power sector companies were incorporated prior to the JSERTS, 2013. Out of above four companies, one company *i.e.*, Tenughat Vidyut Nigam Limited is a power generating company and other three companies *i.e.*, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited are the subsidiaries of Jharkhand Urja Utpadan Nigam Limited (November 1987 to October 2012). Of these eight Power Sector companies, three companies did not commence commercial activities till 2018-19.

(Paragraphs 1.2.1 and 1.2.2)

Stake of Government of Jharkhand

As on 31 March 2019, the total outlay (equity, long term loans and grants and subsidies for operational & management expenses) in these eight Power Sector PSUs was ₹ 28,495.38 crore. This consisted of ₹ 4,244.02 crore (16.64 *per cent*) towards equity, ₹ 14,561.42 crore (49.35 *per cent*) towards long term loans and ₹ 9,689.94 crore (34.01 *per cent*) towards grants and subsidies for operational & management expenses). Out of the total long term loans of ₹ 14,561.42 crore, ₹ 13,353.12 crore (91.70 *per cent*) was availed from the State Government and balance ₹ 1,192.42 crore (8.30 *per cent*) was availed from Central Government and financial institutions.

(Paragraph 1.2.4)

Performance of Power Sector PSUs

The overall loss incurred by these five power sector PSUs were ₹ 479.44 crore in 2018-19 against loss of ₹ 1,518.39 crore incurred in 2014-15. According to the accounts of the power sector PSUs for the year 2018-19, one PSUs earned profit of ₹ 92.57 crore and four PSUs incurred loss of ₹ 572.01 crore and three non-working PSUs had not yet started operation/commercial production. The top profit making company was Tenughat Vidhyut Nigam Limited (₹ 92.57 crore), while Jharkhand Urja Sancharan Nigam Limited ₹ 358.27 and Jharkhand Bijli Vitran Nigam Limited incurred substantial loss of ₹ 212.17 crore.

At the aggregate level, the accumulated losses of the five power sector PSUs was ₹ 6,744.16 crore as against the capital investment of ₹ 4,235.32 crore as on 31 March 2019. Of the five working Power Sector PSUs, net worth of Jharkhand Bijli Vitran Nigam Limited (₹ 1,918.33 crore) and Tenughat Vidyut Nigam Limited (₹ 1,013.63 crore) had fully eroded.

(Paragraphs 1.2.9 and 1.2.12)

Quality of accounts

The quality of accounts of power sector PSUs needs improvement. Nine audited accounts for the years 2011-12 and 2017-18 relating to four PSUs were finalised during 01 May 2018 to 31 December 2019. The Statutory Auditors had issued certifications with qualifications for seven accounts, Adverse for one accounts & Disclaimer for one accounts. Compliance to the Accounting Standards by the PSUs remained poor as the Statutory Auditors pointed out three instances of non-compliance to the Indian Accounting Standards in two accounts of two PSUs.

(Paragraph 1.2.19)

1.3. Functioning of State Public Sector Undertakings (Non-Power Sectors)

As on 31 March 2019, Jharkhand had 23 State Public Sector Undertakings in the Non- Power Sector. The working PSUs registered a turnover of ₹ 1,161 crore as per their latest finalised accounts as on 31 December 2019. The turnover relative to the GSDP of Jharkhand was 0.38 *per cent.*

(Paragraphs 1.3.1 and 1.3.2)

Stake of Government of Jharkhand

As on 31 March 2019, the total outlay in these 23 PSUs was ₹ 402.58 crore, 82.54 *per cent* (₹ 332.28 crore) equity, 12.22 *per cent* (₹ 49.21 crore) long-term loans and 5.24 *per cent* (₹ 21.09 crore) grants and subsidies for operational & management expense. Long-term loans of ₹ 49.21 crore was availed from the State Government as interest free loan.

(Paragraph 1.3.4)

Performance of State PSUs (Non-Power Sector)

Out of 16 working State PSUs, 9 PSUs earned profit of ₹ 37.25 crore and 7 PSUs incurred losses of ₹ 11.62 crore. Seven non-power sector companies had not yet submitted their first account. The top profit making companies were Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi

Development Agency (₹ 8.86 crore) while, Jharkhand Silk Textile &Handicraft Development Corporation Ltd (₹ 4.62 crore) and Jharkhand Hill Area Lift Irrigation Corporation Limited (₹ 3.65 crore) incurred losses.

(Paragraph 1.3.11)

Quality of accounts

The quality of accounts of PSUs needs improvement. Out of 10 accounts forwarded to the Accountant General during 1 January 2019 to 31 December 2019, the Statutory Auditors issued certification with qualifications in respect of eight accounts and disclaimer in two accounts. There were five instances of non-compliance with Accounting Standards in three accounts.

(Paragraph 1.3.21)

2.1 Audit on Management of Assets by Jharkhand Tourism Development Corporation Limited.

Jharkhand is a sought after destination for tourists as it is blessed with immense bio-diversity, moderate climate, rich cultural and historical heritage and famous pilgrimage sites. The State has several tourist spots of international, national and state level importance.

The Department of Tourism, Art, Culture, Sports & Youth Affairs (Department), Government of Jharkhand constructed and transferred (between June 2004 and October 2018), 85 assets situated in 22 districts to Jharkhand Tourism Development Corporation Limited (JTDC), a wholly owned Government Company for operation and management. The ownership of the assets vests with the Department and JTDC manages the assets through self-managed and outsourced mode.

A Detailed Compliance Audit of "Management of Assets by JTDC" covering the period from 2015-16 to 2018-19 was conducted with the objective of assessing the extent to which JTDC prepared comprehensive plans, utilised funds properly and managed the assets economically, efficiently and effectively to promote tourism in the State. Following are the main audit findings:

- Master plan for integrated development and marketing of tourism was not prepared, detailed survey of tourism potential of every district to optimally utilise such potential was not conducted and minimum standards for tourism units was not set up as envisaged in the Jharkhand Tourism Policy 2015 even after a lapse of more than four years after it was introduced.

(Paragraph 2.1.2)

- Thirty nine assets constructed (between 2004 and 2018) at a cost of ₹ 39.62 crore remained non-operational or partially operational.

(Paragraph 2.1.3.2)

- Bed occupancy remained low due to remoteness of location, poor management and lack of basic amenities/facilities.

(Paragraphs 2.1.3.4 and 2.1.3.5)

- The Company failed to enforce the terms and conditions of the agreements due to which undue benefits accrued to developers.

(Paragraphs 2.1.3.6(a) and 2.1.4.6)

- Lack of monitoring led to irregular commercialisation of assets, failure to insure assets, illegal operation of assets by locals, encroachment etc.

(Paragraphs 2.1.3.1, 2.1.3.5 and 2.1.3.6 (e))

Due to poor financial management, JTDC could neither utilise the funds provided by the Department for advertisements/incentives nor realise the outstanding rent/license fee/damage charges.

(Paragraphs 2.1.4.2, 2.1.4.3, 2.1.4.5, 2.1.4.7 and 2.1.4.9)

2.2 Audit Paragraphs

Compliance audit paragraphs included in the Report highlight deficiencies in the management of Public Sector Undertakings involving serious financial implications. Some of these are as follows.

Jharkhand Urja Sancharan Nigam Limited failed to fully implement the provisions of the Building and Other Construction Worker's Welfare Cess Act, 1996 which led to short deduction of labour cess of ₹ 17.89 crore.

(Paragraph 2.2.1)

Failure to recover fees and charges for State Load Despatch Centre operation from users by Jharkhand Urja Sancharan Nigam Limited led to loss of ₹ 12.18 crore.

(Paragraph 2.2.2)

SECTION A

General, Social and Economic Sectors

CHAPTER-I

INTRODUCTION

1.1 About this Section

This section of the Report contains the results of Compliance Audits of various departments under General, Social and Economic Sectors of the Government of Jharkhand conducted during 2018-19 in compliance with the CAG's audit mandate. This section contains the following chapters:

Chapter I: General information about the auditee departments

Chapter II: Compliance Audit on MMGSY and six Audit paragraphs.

1.2 Auditee Profile

Twenty-six out of the total 31 Departments in Jharkhand fall under the General, Social and Economic Sectors (GSES). These departments are headed by Additional Chief Secretaries/ Principal Secretaries/ Secretaries, who are assisted by Commissioners/ Directors and subordinate officers under them.

1.3 Audit Coverage

Principal Accountant General (Audit), Jharkhand conducted audit of 134 units out of total 821 units under 25 Departments during 2018-19. Of these, 67 units (50 *per cent*) were from the six departments with major expenditure as indicated in **Table 1.1**.

Table 1.1: Statement of expenditure of six major departments (₹ in crore)

Sl. No.	Department	2016-17	2017-18	2018-19
1	Rural Development Department	3,470	8,153	9,907
2	School Education and Literacy Department	6,637	6,491	6,393
3	Home, Jail and Disaster Management Department	3,994	5,130	5,633
4	Road Construction Department	4,521	5,328	4,098
5	Health, Medical Education and Family Welfare Department	2,469	2,847	3,383
6	Urban Development and Housing Department	2,879	3,028	1,986
	Total	**23,970**	**30,977**	**31,400**

Besides, one Compliance Audit on *Mukhya Mantri Gram Setu Yojana* (Rural Development Department) were conducted for Audit Report of 2018-19.

1.4 Response of the Government to Audit

Inspection Reports (IRs)

A detailed review of IRs issued up to March 2019 to 6,393 Drawing and Disbursing Officers (DDOs) pertaining to 26 Departments revealed that 32,474 paragraphs contained in 5,167 IRs were outstanding for want of replies as on 31 March 2020. Of these, the DDOs submitted initial replies against 11,069 paragraphs contained in 1,914 IRs while, in respect of 21,405 paragraphs contained in 3,253 IRs, there was no response from the DDOs.

Table 1.2: Outstanding IRs and paragraphs (issued up to 31 March 2019) as on 31 March 2020

Sl. No.	Period	No. of outstanding IRs	No. of outstanding paras
1	2018-19	133	1,048
2	1 year to 3 years	1,429	8,602
3	3 years to 5 years	9,41	6,409
4	More than 5 Years	2,664	16,415
Total		**5,167**	32,474

1.5 Compliance Audits

Draft reports on one Compliance Audit and six Audit Paragraphs were forwarded to the concerned Administrative Secretaries. Response in respect of the Compliance Audit and two Audit Paragraphs have been received. However, no replies were furnished by the departments on the remaining four Audit Paragraphs.

1.6 Action taken on earlier Audit Reports

According to the rules of procedure for the internal working of the Committee on Public Accounts, the Administrative departments were to initiate *suo moto* action on all Audit paragraphs and Reviews featuring in the Comptroller and Auditor General's Audit Reports (ARs), regardless of whether these are taken up for examination by the Public Accounts Committee (PAC) or not. The Departments were to furnish detailed Action Taken Notes (ATNs), duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them. The Audit Reports on GSES for the years 2008-09 to 2017-18 have 207 outstanding paragraphs. Of these, PAC has taken up 63 paragraphs for discussion and made one recommendation in respect of paragraph no 1.3.6.1 of the Audit Report 2008-09. However, no ATN on this sub-paragraph has been received.

Further, the Audit Reports of 2000-01 to 2007-08 which were left to the Departments for follow-up, had 201 outstanding paragraphs of which 94 paragraphs were taken up for discussion by PAC. Against this, PAC had made recommendations in respect of seven paragraphs and eight sub-paragraphs of which, ATNs were received in respect of two paragraphs and six sub-paragraphs as detailed in **Table 1.3** below:

Table 1.3: Status of PAC discussion

Status	Audit Report (Civil) for the year 2000-01 to 2007-08	Audit Report (Civil) for the year 2008-09 to 2017-18
No. of outstanding Audit paras	201	207
Taken up by PAC for discussion	94	63
Not taken up for PAC discussion	107	139
Recommendation made by PAC	07 Para and 08 Sub Para	01 Sub para
ATN received	02 Para and 06 sub para	Nil
Action taken by the department	02 Para and 06 sub para	Nil

CHAPTER – II (SECTION A): COMPLIANCE AUDIT

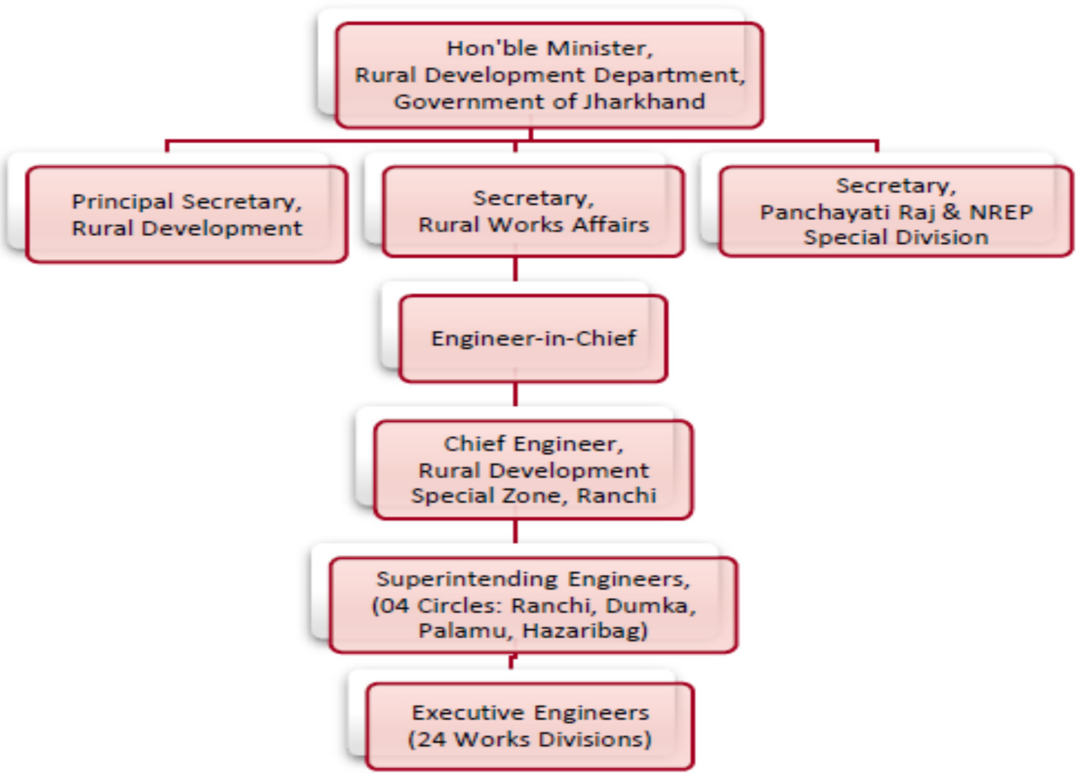
RURAL DEVELOPMENT DEPARTMENT
(RURAL WORKS AFFAIRS)

2.1 Implementation of *Mukhya Mantri Gram Setu Yojana* in Jharkhand

2.1.1 Introduction

Government of Jharkhand (GoJ) launched (September 2001) *Mukhya Mantri Gram Setu Yojana* (MMGSY) for construction of bridges over rivers and *nallas* falling in the alignment of rural roads. The aim of the Scheme was to connect every village (32,394 villages) to gram panchayat, every gram panchayat (4,423 gram panchayats) to block headquarters and every block (260 blocks) with district headquarters (24 districts). It is an ongoing Scheme under the Rural Development Department (RDD) and funded out of the State own resources. The Secretary, Rural Works Affairs (under Rural Development Department) is responsible for implementation of MMGSY in the State as shown in the organogram below:

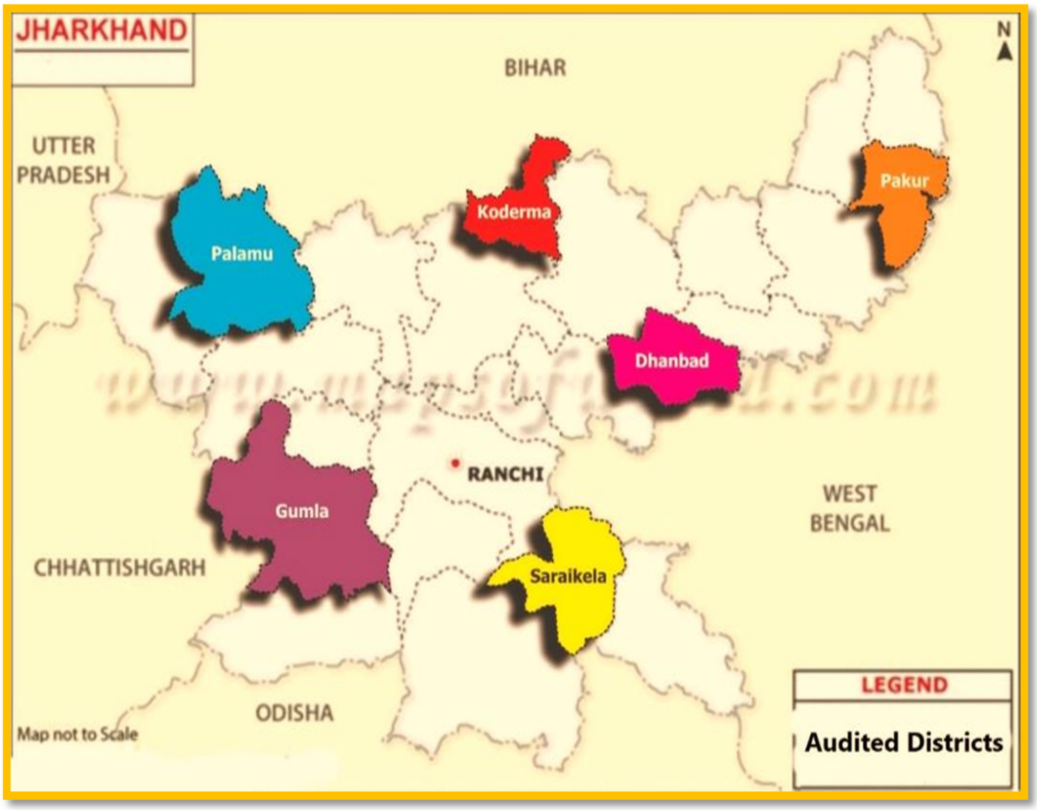
Chart 2.1



Audit was conducted between September 2019 and March 2020 covering the period 2014-19 in six[1] out of eight sampled districts, office of the Chief Engineer (CE) and at the Departmental level to assess whether (i) selection and approval of the bridges were granted after proper survey; (ii) construction of bridges and approach roads were undertaken economically as per codal provisions with due regard to quality, workmanship and timeliness; and (iii) post-execution maintenance of the bridges and approach roads were ensured. Joint physical verification of selected bridges was also carried out along with the engineers of the audited divisions.

The sampling of audit units (divisions) was done in two steps, first by stratification of the districts/divisions as per geographical spread and then by applying the Probability Proportional to Size without replacement (PPSWOR) sampling technique. Accordingly, the 24 districts/divisions were stratified into four circles (Ranchi, Dumka, Hazaribag and Palamu) and from each stratum, 33.3 *per* cent of districts/divisions (eight) were selected using expenditure incurred during 2014-19 as the criteria for applying PPSWOR sampling method. The Audit sample of six districts/divisions represents 26 *per cent* of total expenditure incurred on the MMGSY bridges in the State during 2014-19. In these sampled districts, 214 bridges were taken up for construction during 2014-19 and of these, 57 (27 *per cent)* were examined in detail by Audit.

Chart: 2.2



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[1] Due to Covid 19 lockdown measures, field audit was suspended in the districts of Ranchi and Deoghar.

An entry conference was held on 24 September 2019 with the Secretary, RDD (RWA), GoJ, in which the audit objectives, criteria and methodology were discussed. The exit conference was held with the Secretary of the Department on 19 February 2021. The Department accepted (February 2021) all the audit recommendations and the replies have been suitably incorporated in the report.

Audit findings

2.1.2 Connectivity through bridges

As per the mandate of the Scheme, connectivity was to be provided by constructing bridges over rivers and *nallas* falling in the alignment of rural roads to link villages with GPs, GPs with block headquarters and blocks with district headquarters.

2.1.2.1 Planning

The Department issued circulars/letters during September 2001 to June 2017 for managing the Scheme. These instructions included:

- Selection of bridge works at block level;
- From selected bridges at block level, perspective district bridge plan (PDBP) for each district was to be prepared;
- From PDBP, annual action plan was to be prepared by *Prabandh Parishad*[2] (PP) giving priority to the recommendations of the MPs/MLAs;
- From annual action plan, construction of the bridges were to be taken up by Rural Development Special Divisions (RDSDs);
- For monitoring and inspection of the works including quality of execution of works, Project Implementation Units (PIU) were to be constituted for each district under the chairmanship of the Deputy Commissioner.

2.1.2.2 Execution of plans

During 2014-19, the State had 32,394 villages, 4,423 GPs, 260 blocks and 24 district headquarters within which the Scheme was to be implemented. Audit observed that the Department did not adhere to its own instructions issued, as discussed in the following paragraphs:

- The Department had not prepared any operational guidelines for implementation of the Scheme for reasons not on record. In the entry conference (September 2019), the Secretary stated that guidelines were not prepared as it is a State scheme;
- The Department didn't conduct any survey for identification of gaps in the rural roads connecting villages/panchayats/blocks/district headquarters for

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2 A governing body of District Rural Development Agency.

reasons not available on records. The EEs of the sampled districts accepted that no survey has been done for assessing the gaps;

- Though the Department conducted (2000-01) a survey of the entire rural road network to prepare district rural road plan (DRRP) for every district of Jharkhand under PMGSY, the DRRP was also not utilised by the Department under MMGSY for assessing the gaps;

- The Department did not adhere to its own instructions (except execution of the work through Special Divisions) for implementation of the Scheme. It requested all the MLAs and MPs of Jharkhand to recommend construction of maximum two bridges under the Scheme which have public utility. However, examination of bridge files by Audit revealed that the bridges recommended by the MPs/MLAs/others did not contain any information about their locations on the DRRP. As a result, the Department was not in a position to ensure that the bridges approved under the Scheme met the connectivity mandate.

Cross-check of the locations of the bridge sites in the test-checked districts and in the office of the CE with the DRRP of PMGSY, along with joint physical verification (in test-checked districts only) revealed the following:

(i) 1,881 bridges were taken up for construction during 2001-2019 under the Scheme. However, the Department could not provide any information to Audit about the connectivity provided through these bridges to the unconnected villages/GPs/Blocks as of March 2019, though requisitioned during August-September 2019;

(ii) During 2014-19, 496 bridges were approved for construction on the recommendation of MLAs and 39 bridges for other administrative reasons (by Deputy Commissioners, Superintendents of Police, starred questions raised in State Legislature etc.) in the 24 districts of Jharkhand. Of these, 214 bridges were taken up for construction in the six test-checked districts. Detailed audit scrutiny of 57 (27 *per cent)* out of 214 bridges, revealed the following:

(a) Out of 57 bridges, 26 were not in the DRRP and thus were outside the rural road network.

(b) Fourteen out of 57 bridges required acquisition of private/forest lands for bridge structures and approach roads. These requirements were not mentioned while selecting the bridges. Even in the estimates, requirement of lands were not factored in. During the course of execution, the concerned EEs reported about the need of land for completing the bridges. It was noticed that nine (***Appendix 2.1.1***) out of the 14 bridges could not be completed after more than six months to six years of their stipulated dates of completion due to non-acquisition of land resulting in unfruitful expenditure of ₹ 25.27 crore.

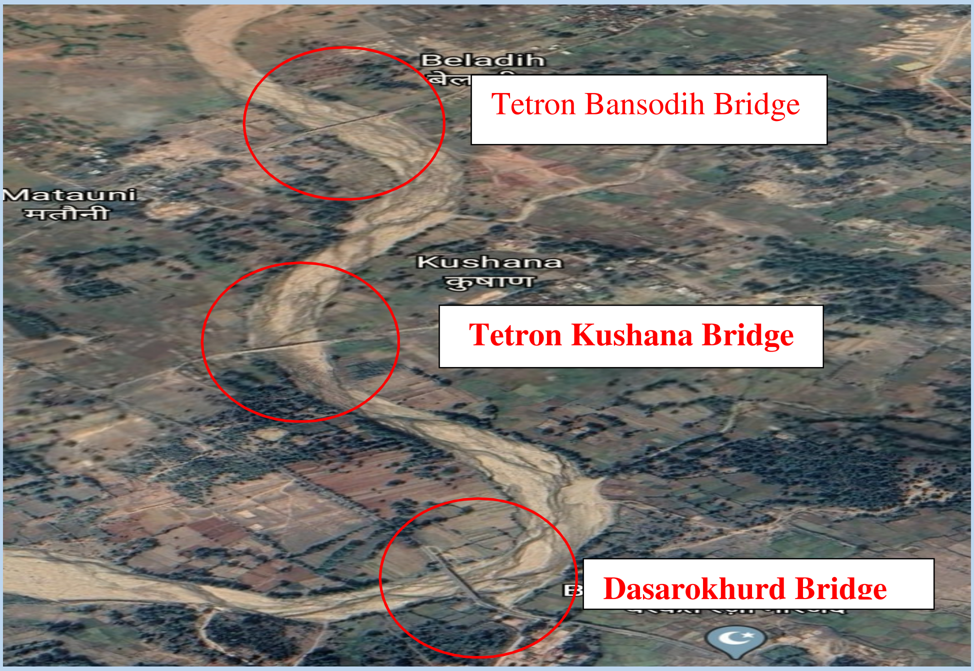
(c) Six out of 57 bridges costing ₹ 18.48 crore were taken up (between September 2013 and July 2018) under the Scheme despite pre-existence of one or more MMGSY/PMGSY/RCD bridges within a distance ranging between

100 metres and one KM on the same river for connecting the same/nearby habitats (***Appendix 2.1.2***) and ₹ 14.97 crore was spent on these bridges till May 2020. In the DPRs of these bridges, the concerned EEs had given undertakings that no bridge existed within one KM up-stream or down-stream of the proposed bridge. In addition, one bridge taken up at a cost of ₹ 4.14 crore in Gumla district outside DRRP co-existed with a PMGSY bridge (on DRRP) which was just 500 metres away from the approved site. Thus, sanction of these bridges were avoidable as illustrated through the following case studies:

Case Study 1

In Koderma district, a bridge under MMGSY over *Kesho* river between *Tetron and Bansodih* village was completed (sanction year 2008) in March 2014 at a cost of ₹ 4.10 crore. The Department further sanctioned (years 2014 and 2017) two additional MMGSY bridges in the downstream of the same *Kesho* river between *Tetron-Kushana* (costing ₹ 4.60 crore) and *Dasharokhurd- Parsabad* railway station (costing ₹ 4.44 crore).

During joint physical verification (28 February 2020), Audit noticed that the distance between the first two bridges (*Tetron-Bansodih* and *Tetron-Kushana)* was one km and the last two bridges (*Tetron-Kushana* and *Dasharokhurd- Parsabad* railway station) was 500 metres. These three completed bridges were providing connectivity to the same habitats of nearby locations. The following satellite picture taken by Audit from *Google Earth* using coordinates of the bridges clearly shows the adjacent bridges.



Picture 2.1: *Google Earth* image of Tetron-Kushana and adjoining bridges (Joint physical verification done on 28 February 2020)

<u>Case study 2</u>

In a span of four years (2011-14), the Department sanctioned two bridges on *Shankh* river in Raidih block of Gumla district for connecting habitats of same location under MMGSY (March 2011 at a cost of ₹ 4.14 crore) and PMGSY (June 2014 at a cost of ₹ 6.71 crore). During joint physical verification (19 November 2019), Audit noticed that the PMGSY bridge was under the DRRP, and was being utilised. The MMGSY bridge on the other hand was not under DRRP and had remained incomplete (November 2019). The distance between the two bridges is only 500 metres. The Department had incurred an expenditure of ₹ 2.20 crore on the bridge which could not be completed in more than nine years and proved unfruitful.

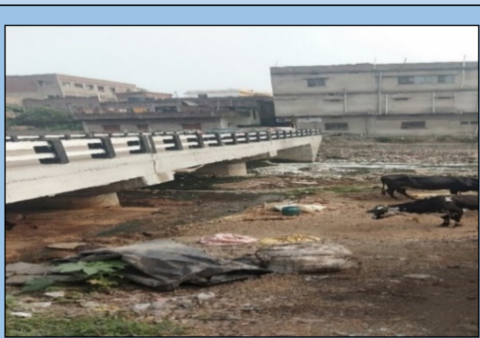
Picture 2.2: Incomplete MMGSY bridge and complete PMGSY bridge at a distance of about 500 m at *Khursurta* and *Bardih* in Gumla district (Joint physical verification done on 19 November 2019)

Picture 2.3 : Incomplete MMGSY bridge at *Khursurta* and *Bardih* in Gumla district from a different angle

(d) Though MMGSY was exclusively launched for rural areas, six bridges in three out of six test-checked districts were irregularly approved and constructed at a total cost of ₹ 13.35 crore in Municipal areas by the Department on the recommendations of the local MLAs (***Appendix 2.1.3***). The EEs of the concerned districts forwarded the recommendations of the MLAs to the Department for approval without mentioning that these bridges were located in urban (Municipal) areas over which Urban Development Department (UDD) has administrative jurisdiction. Permission sought from UDD, if any, before approval of these bridges was not found on record. In response to audit query, Secretary of the Department accepted that the Scheme was only for rural areas and stated that henceforth construction of bridges under the scheme would be avoided in urban areas. Construction of bridges under MMGSY in urban areas are illustrated through the following case studies:

Case Study 3

The Department sanctioned (July 2018 at a cost of ₹ 1.13 crore) a bridge under MMGSY over an urban river *in Matkuria*, Dhanbad on the recommendation of the local MLA. During joint physical verification (27 November 2019), Audit noticed the carriage way of the bridge was obstructed (1.5 metres out of total carriage width of 5.5 metres) by pre-existing buildings in the alignment of the bridge. Thus, the bridge was not suitable for heavy vehicles and was being mainly utilised for parking purposes and as cattle sheds as shown in photographs below:



Picture 2.4: MMGSY bridge in urban area of Dhanbad city and existence of buildings in the alignment of bridge (Joint physical verification done on 27 November 2019)

Case Study 4

On the recommendation of local MLA, the Department sanctioned (September 2013) a bridge under MMGSY over *Harmu* river between *Vidyanagar-Mahavirnagar lane, road no.2,* at *Harmu colony* in Ranchi at a cost of ₹ 2.75 crore. During joint physical verification, Audit noticed that the location of the bridge was in a municipal area. It was further seen that there was obstruction of the river current due to unauthorised construction under the bridge compromising its safety as can be seen from the photographs below:


Picture 2.5: MMGSY bridge in urban area of Ranchi city and unauthorised construction under the bridge (Joint physical verification done on 20 March 2020)

(e) DPRs of 50 (10 *per cent*) out of 535 bridges were examined in the office of the CE. Of these, coordinates of the bridges were recorded in only 31 DPRs. Upon verification of these coordinates with the images of bridge sites on *Google Earth*, 20 bridges were found to have no connecting roads ahead of the approach roads. Thus, selection of these bridges without any link road was in violation of the Scheme mandate. An illustrative case study is given below.

Case Study 5

A bridge under MMGSY over *Kharkai* river between *Hudgangada and Dharmadiha village* in Saraikela- Kharsawan district was sanctioned (December, 2016) by the Department at a cost of ₹ 4.88 crore. The location of the bridge was not found on DRRP. Audit verified the geographical coordinates of the bridge site ($22^0$38’14.4” N, $85^0$52’52.8” E) on *Google Earth* and found no connecting roads ahead of the approach roads of the bridge. This fact was confirmed during joint physical verification (7 January 2020) with the departmental engineers.

Picture 2.6: *Google Earth* image (Coordinates-$22^0$38’14.4” N, $85^0$52’52.8” E)


Picture 2.7: Photograph taken during joint physical verification on 7 January 2020

(iii) The Department had not established PIU in any of the six test-checked districts for monitoring and inspection of the bridge works for reasons neither on record nor furnished to Audit. None of the six test-checked divisions maintained bridge registers while four out of six divisions did not have pile registers. The Department had also not drawn up any inspection schedule of the bridges. As a result, the Department could not monitor the works as envisaged under the Scheme to achieve the intended objective of providing connectivity through the bridges.

While accepting the facts, the Department stated (February 2021) that standard operating procedures for selection of bridges, role of consultants, preparation of DPR, execution of schemes and monitoring mechanism etc., would be prepared. The Department further added that henceforth, the DRRP of PMGSY would be taken into consideration at the time of obtaining the feasibility report of the bridges to avoid irregularities such as duplication of bridge works, selection of bridges in municipal areas, absence of connecting roads ahead of approach roads etc.

2.1.3 Construction activities

2.1.3.1 Status of bridge works

The status of bridge works in the State and sampled districts as on March 2019 is shown in **Table 2.1.1**.

Table 2.1.1 : Status of complete and incomplete bridge works in the State

Status	2001-19	2014-19 (Audit period)	
	State Position	State Position	Six test-checked districts
Total bridge works	1,881	820 (including 243 spill over works)	214
Complete	1,673	612	154
Incomplete	208	208	60

(Source: Monthly progress reports provided by the CE's office)

From **Table 2.1.1,** it can be seen that 208 bridge works were ongoing in the State as on March 2019. Of these, 169 bridges were within their stipulated dates of completion while 39 bridges were beyond the stipulated dates of completion by two months to nine years and six months. The Department had incurred an expenditure of ₹ 144.74 crore on these 39 bridges till March 2019 without realising the intended benefits of providing connectivity to the villages/GPs/blocks.

In the test-checked districts, 154 out of 214 bridges were completed and 60 bridges were incomplete as on March 2019. Of the 154 completed bridges, 72 were completed with delays ranging between two and 75 months. Of the 60 incomplete bridges, Audit observed that in seven works in five sampled districts, delays ranged between seven and 82 months beyond their scheduled dates of completion.

2.1.3.2 Consultancy works

The Department decided (May 2015) to engage consultants for preparation of DPRs for the MMGSY bridges. The DPRs were to be prepared at the divisional level and were to be technically sanctioned by the CE. Scrutiny of records revealed the following:

(i) Empanelment of consultants

On the directions of the CE, the EE, Rural Development Special Division (RDSD), Ranchi invited (May 2015) a short notice e-tender[3] for empanelment of consultants for preparation of DPRs of MMGSY bridges. In response, 11 firms participated in the tender for empanelment of which 10 firms were technically qualified. During financial evaluation (June 2015) one consultant[4] who quoted the rate of one *per* cent of estimated cost of civil work of bridge *plus* service tax was declared the lowest bidder.

Audit observed that the CE empanelled (June 2015) eight technically qualified consultants after obtaining consent from each of them to work at the rate quoted by the lowest bidder. The CE executed agreements individually with these consultants for preparation of DPRs for the entire State and distributed the existing divisions among them. However, the periods for which these contracts would remain valid was not mentioned. Thus, these agreements remained open ended and continued till completion of Audit (March 2020).

In reply, the Department assured (February 2021) that the fresh tenders would be invited for empanelment of consultants under MMGSY and terms of engagement would be reviewed adopting the best practices.

(ii) Terms of engagements of consultants

Audit noticed that the department had not prescribed any operational guideline for engagement of consultants for implementation of the scheme. In the absence of any guideline, Audit compared the guidelines for empanelment and engagement of consultants for preparation of DPRs under PMGSY with the

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3 From 11 May 2015 to 16 May 2015.
4 M/s Smitan Project Pvt. Ltd, Ranchi.

actual procedure followed by the Department for implementing the MMGSY. The findings are detailed in **Table 2.1.2** below:

Table 2.1.2: Comparison in empanelment of consultants

Particulars	PMGSY	MMGSY	Deficiencies noticed by Audit
Selection method	Quality cum cost based selection	Least cost method	Under PMGSY, the weightage of quality and cost was in the ratio of 80:20 whereas in MMGSY, no weightage to quality was given during selection of consultants.
Validity of period of consultancy	Three years	Not defined	Under MMGSY, validity of consultancy continued for more than four years and six months and despite unsatisfactory performance of several empanelled consultants the department only changed (August 2017 and September 2018) the allotted divisions among eight consultants without giving any opportunity to fresh consultants.
Opportunity to fresh consultants	Every six months	Not defined	
Time period for preparation of DPR	90 days	67 days	Lesser time period for preparation of DPR under MMGSY may be one of the factors for deficient preparation of DPRs as reported in paragraphs ***2.1.3.2 (iv) (a), (b)*** *and* ***(c)***.
Monitoring and penal provisions	Defined	Not defined	Under PMGSY, 25 *per cent* of DPRs are to be fully checked at site by an independent agency, while maintenance of performance report and provision for penalty is included as deterrent measures. These provisions are absent in MMGSY.

(Source: PMGSY guideline and audit analysis of MMGSY records)

As a result of the above deficiencies in the terms of engagement of consultants for preparation of DPRs for the MMGSY bridges, Audit observed that the consultants escaped contract obligations of preparing preliminary project reports, though required. In addition, soil investigation, hydrological survey, traffic survey etc., have also not been properly undertaken as discussed in paragraphs ***2.1.3.2 (iv) (a), (b) and (c)***. Further, the Department has not taken any step to adopt the good practices of PMGSY to strengthen the management of MMGSY and for commanding supervisory control by pressing for maintenance of performance report of consultants based on assessment criteria, review of DPRs of consultants by independent agencies etc.

In reply, the Department assured (February 2021) that the fresh tenders would be invited for empanelment of consultants under MMGSY and terms of engagement would be reviewed adopting the best practices.

(iii) Technical inputs on consultancy

As per Rule 22 of JPWD code, the CE/CE (Design) is responsible for approval of designs, drawings and specification of all structures.

Audit noticed that the Department did not have its own design cell to examine the DPRs submitted by the consultants. The CE of the Department had noted (June 2017) in the files that technical sanctions were being granted on the designs submitted by the consultants without applying necessary checks of the hydrological data, geotechnical survey and structural design of the bridges prepared by the consultants.

In the absence of technical examination by the CE, the consultants had not dug the required numbers of boreholes for soil investigations, collected and collated highest flood level (HFL) and discharge data of rivers for hydrological tests, prepared preliminary project reports or conducted traffic surveys as discussed in paragraphs ***2.1.3.2 (iv) (b), (c)*** *and* ***(d)***.

In reply, the Department stated (February 2021) that independent agencies would be engaged for vetting of DPRs in the absence of design cell. However, Audit observed that the Department may compare the risks and benefits of setting up its own design cell vis-à-vis engaging another set of consultants without any departmental oversight.

(iv) Delivery of Consultancy Services

(a) Preparation of Preliminary Project Report

Indian Road Congress (IRC) 54 (SP) provides for preparation of project reports in three stages as detailed in **Table 2.1.3**:

Table 2.1.3: Stages of preparation of project reports

Stages	Particulars	Purpose
One	Prefeasibility report	for identification of two to four sites for feasibility
Two	Preliminary project report	for taking decision on best suitable site, approach alignment, design parameters including type of bridge and span arrangement (by analysing various factors such as traffic survey and analysis, preliminary design, project cost estimates, economic evaluation etc.)
Three	Detailed project report	for finalisation of alignment and bridge sites, detailed investigations are to be carried out

(Source: Provisions of Indian Road Congress)

As per departmental order (June 2015) for engagement of consultants, payments were to be made in three stages as detailed in **Table 2.1.4**.

Table 2.1.4: Stages of submission and payment schedule to consultant

Submission (within days)	Payment schedule	Payment (*per cent*)
Within seven days, site mobilisation including inception report and after 15 days PPR	On the approval of PPR	20
DPR after 45 days of submission of PPR	Upon administrative approval of the DPR	70
-	On the layout of bridge	10

(Source: Terms of reference for empanelment of consultants)

Audit examined 50 payment orders in the office of the CE in respect of consultancy fees paid to eight consultants for preparation of 182 DPRs during

2014-19. The consultants had submitted these DPRs to 23 divisions for approval.

It was noticed that the CE paid ₹ 8.38 crore (90 *per cent* of consultancy fee) upfront (in one lump) to the consultants after approving the DPRs instead of making stage-wise payments for PPRs and DPRs as stipulated in the payment schedule. While making payments, the CE did not ensure submission of PPRs by the consultants in violation of terms of engagement of the consultants.

Examination of 57 DPRs in the six test-checked districts revealed that the consultants had not submitted PPRs in 55 cases[5] while in one case in Pakur district, the PPR, though submitted with the DPR on the same day, was not approved. This confirmed the fact that PPRs were not submitted by the consultants for approval before preparation of the DPRs. In addition, the consultants had not done analysis of traffic census data in any of the 57 DPRs though mandated under clause 5.3.2 of IRC 54 (SP) for determining the basic design parameters such as number of lanes required, the approach gradient, need for central verges etc.

Non-submission and non-approval of the PPRs resulted in excess payment of ₹ 1.68 crore (20 *per cent* of consultancy fee).

In reply, the Department stated (February 2021) that only after ensuring approval of PPR, the earmarked 20 per cent of consultancy fee would be released.

(b) Soil analysis and bridge design by consultants

Clause 2402.1 and 2403 of MORTH Specifications for Road and Bridge works provides that sub-soil investigation (Geo-Technical Investigation) shall be done for the entire length of the bridge. Boreholes shall be dug at the location of each pier, abutment, and additionally two boreholes (minimum) in the approaches on either side. The depth of boreholes shall be below the proposed foundation level by at least one and half times the width of the foundation.

In six test-checked districts, out of 57 sampled bridge works, the consultants dug only 336 boreholes against the requirement of 510 in 42 bridge works. This resulted in short boring by 174 numbers which ranged between two and 15 in these 42 bridges.

Further, in five of these bridges where boreholes were dug, digging were not carried up to the desired depth (1.5 times of the foundation width). The shortages in the explored depth ranged between 70 centimetres and 10 metres. Hence, verification of sub-soil profile through digging boreholes for proposing the required foundation of bridges in respect of these DPRs was not ensured. As a result, eight bridges out of these 42 bridge works were found fully or partly damaged. The sub-soil profile under each of these foundations were either not

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[5] Out of two cases, in one case in Pakur district, PPRs and DPRs were submitted on same date. Further, instead of studying alternative sites only one site was studied in both the cases.

investigated or investigated up to the required depth. Hence, preparation of DPR without ascertaining the exact foundation levels of the piers/abutments had caused foundation failures and damages to the bridges.

It was further noticed that IRC and the approved DPRs stipulated confirmatory boring before taking up construction work. However, the requirement was not included in the BOQ. Resultantly, the opportunity to examine the sub-soil before commencement of work was lost. Some impacts of these deficiencies are illustrated through the case studies below:

Case Study 6

In Gumla district, a bridge under MMGSY over *Charki* river between *Natwal-Dina Road*, completed in May 2012 at a cost of ₹ 1.16 crore, collapsed in February 2017. Audit noticed that in the DPR of the bridge, open foundation was provided for two abutments and five piers of the bridge on the basis of soil investigation of only four boreholes against the requirement of nine. The depth of these boreholes which ranged between 0.95 metres and 1.38 metres were also short. After collapse of the bridge, the enquiry committee noticed (August 2017) that the river bed was sandy and river water was flowing below the four foundations. As a result, soil below the foundation scoured and the bridge collapsed. Thus, at the time of designing the bridge, nature of soil was not properly investigated and provision of open foundation which was not suitable for sandy soil was made in the DPR.

Picture 2.8: Photograph of collapsed bridge over *Charki* river between *Natwal-Dina Road.)*

Case Study 7

A bridge under MMGSY over *South Koel* river between *Balkhatanga-Lorengo road* in Sisai block of Gumla district was completed in September 2010 at a cost of ₹ 2.95 crore. The bridge collapsed in July 2017 as four piers and five deck slabs were completely washed away due to heavy flow of water in the river. The enquiry committee reported (August 2017) excessive flow of water as the *prima facie* cause of the damage. Audit noticed that in the DPR of the bridge, open foundations were provided for two abutments and nine piers of the bridge on the basis of soil investigation done in only three boreholes against the requirement of 13. Thus, designing of foundation type was done without conducting soil investigation as required.

Picture 2.9: Photograph of collapsed bridge over *South Koel* river between *Balkhatanga-Lorengo road* in Sisai block

Case study 8

In Gumla district, a bridge under MMGSY over *Sankh* river between *Mariyam toli-Sarnatoli* in Raidih block was completed in March 2015 at a cost of ₹ 3.89 crore. The bridge was damaged in July 2017 as two piers sank and three slabs tilted. The enquiry committee reported (August 2017) that the *prima facie* cause of the damage was excessive sand excavation. Audit noticed that in the DPR of the bridge, open foundations were provided for two abutments and 19 piers of the bridge on the basis of soil investigation done in only four boreholes against the requirement of 23. Thus, designing of foundations were not backed by required soil investigation as stipulated by MORTH.

Picture 2.10: Photograph of damaged bridge over *Sankh* river between *Mariyam toli-Sarnatoli* in Raidih block

As a result of deficiencies in soil investigation, it was also noticed that changes were made in foundations in eight out of 57 sampled bridges in four test-checked districts after commencement of work. This increased the cost of construction (by ₹ 8.77 crore in five cases) and delayed the execution of works (ranging between three and 58 months).

In reply, the Department stated (February 2021) that directions have been issued to the consultants and the EEs for ensuring sub-soil investigation through digging boreholes at each and every point of piers and abutments. The Department further stated that it would be the duty of the EEs to ensure that confirmatory borings are done by the contractors. The Department also issued (November 2020) a circular in this regard. However, the Department did not inform Audit about the action taken, if any, against the defaulting consultants.

(c) Hydrological reporting by consultants

As per clause 101.1 of IRC 5, a high level (HL) bridge is a bridge which carries the roadway above the HFL[6] of the channel. Clause 103 of IRC 5 further provides that the design discharge, for which the waterway of the bridge is to be designed, shall be based on maximum flood discharge of 50 years return cycle. In case where the requisite information is not available, the design discharge shall be the maximum estimated discharge determined by consideration of empirical formula method, area velocity method or any other rational method.

Examination of 57 DPRs of bridge works across rivers/*nallas* in sampled districts revealed that data of maximum flood discharge for 50 years return cycle were not available with the divisions for any of the rivers/*nallas*. The consultants adopted the design discharge of bridges by taking highest value by comparing the design discharge arrived at by three methods (area velocity method, empirical formula method and rational method). Audit observed that different consultants had taken different values of catchment areas of the same river to work out the design discharges and the CE had given TS to all these designs. This resulted in variations in design discharges of the same rivers as shown in **Table 2.1.5**:

Table 2.1.5: Variations in design discharges in DPRs of three rivers

Name of bridge	Block/ district	River	Year of construction	Cost of bridge (in crore)	Design discharge (Cumecs[7])	Location
Kechki Awsane village (collapsed)	Chainpur/ Palamu	North Koel	October 2008	5.49	6,603.15	Same location (New bridge constructed after collapse of old bridge)
Kechki Awsane village (New)			Ongoing (March 2020)	8.86	8,738.00	
Jolo Murkunda (collapsed)	Basia/ Gumla	South Koel	July 2010	5.22	6,466.00	At a distance of nine metres, the new bridge was constructed after collapse of old bridge
Jolo Murkunda (New)			July 2019	7.75	7,116.00	
Nawdih-Kaira (New)	Satgawan/ Koderma	Sakri	Ongoing (March 2020)	9.58	4,686.93	Basodih-Marchoi bridge was two km down-stream of Nawadih Kaira bridge
Basodih- Marchoi (one pier sank)			July 2010	8.49	3,116.00	

(Source: Hydrological data available in the DPRs of the concerned bridges)

6 Highest flood level is the level of the highest flood ever recorded or the calculated level for the design discharge.

7 Cumecs is Cubic metre per second (a unit for design discharge of river flow).

Audit analysis revealed the following:

- **Bridges on North Koel River:** In Palamu district, hydrological data of the bridge across *Kechki Awsane* village mentioned in DPRs revealed that the old bridge (collapsed on 23 September 2011) was constructed by adopting design discharge of 6603.15 cumecs (based on empirical formula), HFL at RL 95.607 metres and wearing coat level at RL 99.657 metres. The Department appointed (April 2012) BIT Mesra for investigation of the cause of damage. The team reported (October 2013) that failure of the bridge was due to the fact that (i) high flood water had flown about 60 cm above the deck slab of the bridge which caused enormous horizontal thrust on the beams and slabs; (ii) water should never flow over beam and slab of HL bridge because normally it is not designed for horizontal thrust; and (iii) due to heavy rain at the time of collapse, the actual flood level surpassed the 100 years period i.e., 8,036 cumecs.

Audit observed that the EE, RDSD Palamu took up (June 2018) construction of a new bridge at the same site after dismantling the old collapsed bridge by adopting design discharge of 8,738 cumecs and HFL at RL 97.558 metres.

Audit, however, observed that the HFL of the new bridge should have been at RL 100.257 metres (wearing coat level at RL 99.657 +0.6 metres) as at the time of collapse of old bridge, the flood water had surpassed 60 cm above deck-slab/formation level. This resulted in reduced HFL by 2.699 metres (RL 100.257 metres- RL 97.558 metres). Audit further observed that the main reason for reduction of HFL was suppression of design discharge (from actual 9,244 cumecs as worked out by Audit to 8,738 cumecs) by another consultant (by reducing the catchment area from 5,750 square km to 3419.17 square km for the same river) which was derived through empirical formula. Further, length of the new bridge was also reduced from 309.18 metres (old bridge) to 292.36 metres which reduced the linear waterway[8] of the river.

Thus, the structural safety of the new bridge is doubtful and is fraught with the risk of collapse if subjected to the highest flood or maximum discharge of the river. Till date of audit (March 2020), expenditure of ₹ 2.32 crore was incurred on construction of the new bridge.

- **Bridges on South Koel River:** In Gumla district, after collapse (August 2010) of an old bridge, a new bridge was constructed (July 2019) at a distance of nine metres from the old collapsed bridge.

Scrutiny of design discharge recorded in DPR of the old bridge revealed that the consultant had reported maximum value of design discharge of 6,466 cumecs through empirical formula method using catchment area of 2,988 square km. In the case of the new bridge, another consultant reported catchment area as 3,179.90 square km for the same river and worked out maximum design discharge of 7,116 cumecs through area velocity method.

8 Linear waterway of a bridge is the width of the waterway between the extreme edges of water surface at the highest flood level measured at right angles to the abutment faces.

Had catchment area for the old bridge been accurately calculated (3179.79 sq. km), the design discharge would have been 6,776 cumecs instead of 6,466 cumecs. During joint physical verification, it was also noticed that height of deck slab of the new bridge had been increased by two metres (approximately) in comparison to the old bridge. Thus, the hydrological data analysis by the consultants' to arrive at the bridge designs cannot be relied upon without investigation by an expert team.

- **Bridges on Sakri River**: In Koderma district, pier 8 of a bridge (costing ₹ 8.49 crore) across Sakri river for connecting *Basodih- Marchoi*[9] sank (August 2014) four years after its construction (July 2010). The Department again took up (August 2019) construction of another bridge for connecting *Nawdih-Kaira* in the upstream of the *Basodih-Marchoi* bridge at a distance of two km.

As per DPRs, the design discharge for *Basodih- Marchoi* bridge (3,118 cumecs) was less than that for bridge (4686.93 cumecs). The decrease in design discharge in the downstream of *Nawdih-Kaira* bridge without any partition of stream from the river was not possible. Thus, the design discharge was not realistic.

As per IRC, a bridge is designed considering the maximum flood discharge of 50 years' return cycle. However, significant variations in the design discharges of the above six bridges in a span of 12 years raises doubt on their reliability. As a result, the existing bridge structures based on unreliable design discharge are fraught with risk of damage/collapse and needs investigation by an expert team.

In reply, the Department stated (February 2021) that the consultants have been directed to recalculate the hydrological reporting in respect of North Koel river. Further, directions have also been issued to the consultants for meticulously conducting hydrological surveys.

(d) Designing approach roads of bridge

Clause 120.1 of the IRC-5 provides that the approach roads on both sides of the bridge should be straight for a minimum length of 15 metres which shall be suitably increased, where necessary, to provide for the minimum sight distance for the design speed. Further, the width of approaches should be equal to the carriage width of bridge (i.e. 7.5 metres).

In six test checked districts, sharp curves (up to 90 degree) at the entry/exit point of 16 bridges and shorter width (3.75 metres to 4.1 metres) of approaches in comparison to width of bridges in 28 bridge works were found. These design faults made the areas accident prone in the absence of clear vision and also slowdown in traffic while entering and exiting the bridges.

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[9] 24 degree 44 minutes and 31 second North and 85 degree 48 minutes and 04 second east.

	
Picture 2.11: Sharp turn (90 degree) in approach road in the bridge across Bardubi to Lakharkhawari village, in Dhanbad district	**Picture 2.12:** Sharp turn in approach road in the bridge across Damodar river between Tetulia-2, Bhatdih Dhoura and Chechka mandir in Baghmara block

In reply, the Department stated (February 2021) that due to involvement of private land in approaches it was not possible to give straight approach roads and these limitations were mitigated through moderate curve and curve protection works. The reply was not factually correct as the approach roads were almost at right angles as could be seen in the photographs above taken during joint physical verification with the auditees in violation to IRC provisions of road safety. Further, availability of required land was not ensured before taking up the work as per rule.

(e) Estimation work by consultants

Steel is used in bridge work in foundation, sub-structure, superstructure, railing work, wearing coat work and RCC concrete work in approach slab. In pile foundation, wherever required, additional steel in form of steel linear is also required.

In the schedule of rate (SOR), extra provision of five *per cent* for laps and wastage of steel is included in item rates for steel reinforcement in foundation, sub-structure, superstructure and steel linear items.

In the six test-checked districts, scrutiny of 32 DPRs revealed that the consultants, while estimating the requirement of steel for the bridge works, added extra provision of steel of 324.34 MT at the rate of five *per cent* for the above items of work though these were already included in the SOR. Thus, the estimation of requirement of steel was incorrect and inflated the bill of quantity (BOQ) and agreement value for these four items.

During the course of execution of these 32 bridges, 7,911.17 MT steel was booked as consumption on these four items as noticed from MBs of these works. This included 383.76 MT for laps and wastages on which excess payment of ₹ 2.39 crore was made. These payments stand recoverable from the consultants who prepared incorrect estimates and the contractors who received undue benefit. The EEs of all test checked districts accepted (between November 2019 and March 2020) the fact of excess provision of steel in the DPRs and BOQs and stated that recurrence of this would be avoided in future.

In reply, the Department stated (February 2021) that corrective steps in estimation as well as payment have been taken in this regard to rectify the excess provisions of steel in laps and wastages. However, the reply was not backed by any documentary evidence.

2.1.3.3 Tender and Agreement

(i) Allotment of multiple bridge works to contractors

According to Rule 16 of the "Revised Enlistment of Contractors (REC) Rules, 1992", a contractor will generally be allotted one work at a time. Even if they are valid and lowest tenderer in other bids, until and unless they complete the work allotted to them or the progress of the allotted work is at least up to 75 *per cent*, other works would not be allotted.

During 2014-19, 571 bridge works were tendered in the State. Of these, 57 bridge works with a total agreement value ₹ 251.41 crore were awarded to 13 contractors with each contractor getting two to seven works.

Audit observed from scrutiny of bridge/tender files in the office of the CE that at the time of allotment of works to these contractors, the progress of their earlier allotted works were less than 75 *per cent* and ranged between zero and 65 *per cent*. Further, 22 of these 57 bridge works having a total agreement value of ₹ 115.89 crore were awarded to seven contractors on the same day.

As a result of allotment of multiple works to contractors in violation of REC Rules, 13 contractors delayed completion of 26 works ranging from one to 25 months while five works remained incomplete beyond their stipulated dates of completion (ranging from 13 days to 22 months).

In reply, the Department stated (February 2021) that tenders were decided in light of departmental circulars issued from time to time. However, specific replies to the audit observation were not furnished.

(ii) Ambiguity in tender and agreement documents

As per Rule 169 of JPWD Code 2012, standard forms of contract should be adopted and such standard forms of contract will be prescribed by the Department in consultation with Law and Finance departments.

In six sampled districts, scrutiny of standard bidding documents (SBD) of MMGSY and agreement papers of 57 sampled bridge works revealed discrepancies as detailed in **Table 2.1.6**:

Table 2.1.6 - Changes in provisions in tender documents of MMGSY during 2014-19

Period	Defect liability period	Validity of performance security	Insurance of bridge	Insurance of Works, plants, equipment etc.
Up to 2011-12	Six months from date of completion	45 days after the end of defect liability period	10 years from date of completion of work	From start of work to end of defect liability period
2012-13 to 2014-15	Five years from date of completion		Removed	Removed
2015-16 to 2018-19	Two years from date of completion		Removed	Removed

(Source: Tender documents of MMGSY)

Changes in the defect liability period (DLP) and insurance clause, as seen from the table above, was made by the Department without consultation with Law and Finance departments in violation of JPWD code.

Further, the Principal Secretary, RWD instructed (August 2014) that SBD of Road Construction Department (RCD) be adopted by the RWD. Examination of files in the Department revealed that SBD of RCD has five important clauses but, except for inclusion of DLP in a truncated form (reduced by one year) in SBD of MMGSY, all other clauses were not factored in. Thus, SBD of MMGSY provided undue benefit to the contractors in the absence of these four clauses and reduced DLP.

Rule 169 of the code *ibid*, stipulates that the terms of the contract must be precise and definite and there must be no room for ambiguity or misconstruction. As per instructions to bidder in notice inviting tender of MMGSY, the agreement was executed on F_2 form (a fixed price contract) and tender document (SBD) was made part of the agreement.

Audit observed that clause 16 of F_2 form stipulates release of security deposits six months after completion of work whereas clause 30.1 of SBD envisage that the performance security is to be released after two years and 45 days from date of completion of the work. Thus, contradictions in the contract documents created ambiguity in release of security deposit.

As a result, five test-checked divisions (except Koderma) provided undue benefit to eight contractors by refunding performance security of ₹ 1.99 crore before the end of DLP in nine works while in five test-checked divisions (except Gumla) performance security of ₹ 3.12 crore lapsed before the end of DLP in 10 works.

In reply, the Department stated (February 2021) that instructions were issued to the EEs for making SBD as part of F_2 agreement and to hold the performance security of contractors for at least 45 days from date of DLP.

Audit observed that instead of pick and choose between SBD and F_2 documents, the Department should adopt a standard format for agreements with contractors duly vetted by the Law and Finance department.

Case Study 9

A bridge over *Bansloi* river completed (15 June 2015) at a cost of ₹ 5.98 crore for connecting *Chandalmara-Ghatchhora* in Pakur district collapsed (30 September 2019) within five years of its completion (discussed in **paragraph 2.1.3.4 (i)**). As per SBD, DLP of the bridge was five years and accordingly, the performance security should have been valid up to 20 July 2020 (45 days after the end of DLP).

At the time of agreement with the contractor, the EE irregularly reduced the DLP (vide clause 48 of agreement) to six months and consequently, the validity of performance security (clause 39.1) was reduced from five years and 45 days to six months.

Resultantly, the performance security of ₹ 30 lakh was refunded to the contractor in December 2015. Had DLP and validity of performance security not been reduced, the contractor would have been legally bound to reconstruct the bridge at his cost. In addition, the Department would have also been in a position to forfeit the security.

(iii) Verification of performance security given with tender

As per Rule 172 of JPWD code 2012, securities furnished by the successful agency should be verified within the shortest possible time from the issuing authorities.

Audit scrutiny of the securities furnished by the contractors for fulfilment of the contract obligations revealed that in four incomplete works under three divisions (Gumla, Pakur and Saraikella), performance securities of ₹ 92.78 lakh were not verified (March 2020) by the concerned EEs from the issuing authorities. Thus, the authenticity of these securities could not be ascertained.

In reply, the Department stated (February 2021) that instructions have been issued to the EEs for verification of performance security from the issuing authorities.

2.1.3.4 Construction of bridges

In the six test-checked districts, 13 bridges constructed between February 2007 and August 2016 at a cost of ₹ 67.39 crore was damaged/collapsed during 2014-19 (between August 2014 and September 2019) due to sub-standard bridge works.

As per inquiry reports (submitted between January 2016 and December 2019) of the Department, the main reasons for the collapse were crossing of flooded water over designed HFL, excessive sand excavation near foundation, scouring below foundation, non-embedment of piles in soft/hard rock and weak joints between piles and pile cap, etc.

Keeping in view the various reasons of collapse, damages to the bridge works and provisions of IRC, Audit examined 57 bridge works in detail and noticed execution of sub-standard works of ₹ 52.07 crore in six bridges. The audit findings in this regard are discussed below:

(i) Construction of bridge over Bansloi river in Pakur district

In Pakur, a 13 span bridge across *Bansloi river*, constructed (June 2015) at a cost of ₹ 5.98 crore for connecting *Chandalmara and Ghatchhora* collapsed on 30 September 2019. The Committee headed by CE reported (December 2019) that pier P10 along with two slabs (between P9-P10 and P10-P11) had dislodged and fallen down (shown in photograph below) due to execution of shorter depth of pile foundation than actually envisaged in the DPR, inferior reinforcement in pile and sand excavation near bridge.

Picture 2.13: Damaged spans of bridge over Bansloi river in Chandalmara in Pakur district

The conclusions of the Committee were based on the following facts:

a) Length of one of the exposed piles of P10 was only 4.7 metres but the length recorded in the MB for this pile was 10.96 metres.

b) As per bridge design, the pile cap[10] and pile shall be below the river bed. However, the piles (1-1.5 metres) of other standing piers were visible below the pile cap. The committee attributed this fault to sand excavation.

c) Instead of 25 numbers of vertical reinforcement (recorded in MB), only 24 numbers of vertical reinforcement was found in the exposed pile of P10.

Audit also conducted (23 January 2020) joint physical verification with the EE, RDSD Pakur and noticed the following deficiencies:

- Construction of shorter length of shaft by 2.2 metres to 2.76 metres and pile cap by 0.2 metres to 0.3 metres which resulted in exposure of piles of the standing piers (P6, P8 and P9). Had the shaft and pile cap been constructed as envisaged in the approved DPR, these piles would have been below river bed level and would not be exposed. The EE agreed to the audit findings.

[10] A pile cap is a thick concrete mat that rests on concrete or timber piles that have been driven into soft or unstable ground to provide a suitable stable foundation.

- Utilisation of unapproved specifications of steel[11] in bridge foundation and brick soling under exposed pile cap of P9.
- The bridge was designed for socketing of pile (by 1.4 metres) in hard rock layer and bridge structure was protected against the scour in upper layer. The Committee had reported that length of pile was shorter than the design depth. As a result, socketing of pile in hard rock was not done by the contractor. Thus, failure of the EE to ensure socketing of piles to the desired depth by the contractor was instrumental in the damage of the bridge.

Thus, the fundamental reasons for damage of the bridge were non-socketing of pile in rock layer due to shorter depth of pile foundation, construction of shorter length of shaft and utilisation of inferior quality steel. This resulted in sub-standard execution and expenditure of ₹ 5.98 crore proved wasteful.

The Department agreed (February 2021) to the points raised in audit and stated that this bridge needed redesigning and the EE was instructed to prepare a fresh DPR through the empanelled consultant. It was further stated that the contractor had given an undertaking to complete the bridge work at his own cost.

(ii) Construction of bridge over Khatti river in Godda district

In Godda, a six span bridge across *Khatti river* costing ₹ 4.40 crore was constructed (March 2016) for connecting *Kanhai Pakaria* village and *Karra* village. Audit noticed that a span of the bridge was damaged (December 2018) when two loaded trucks were passing over it.

Picture 2.14: Damaged span of bridge over Korka to Pakaria road in Pathargama block of Godda district (Photo taken from files of the division)

Scrutiny of image taken (8 August 2019) from *Google Earth* and report of the Superintendent Engineer revealed that the broken portion of the bridge (deck slab and girder) was actually located between Pier 4 and Pier 5 but the Committee headed by CE reported (December 2018) that the broken portion of

[11] Utilisation of local brand STAR STEEL, CS POWER instead of approved steel of SAIL, TATA STEEL etc.

bridge was between Pier 1 and Pier 2 (the other end). The Committee stated that the damage was due to inferior quality of concrete work in the girder.

Audit noticed design fault in the DPR. As per the DPR, the Pier piles were designed for socketing to 0.6 metres inside the rock layers for resistance. However, the pile foundation of Pier 5 was designed to terminate in soil layer which was 1.973 metres above rock level while the other piers were to be socketed to the desired depth.

Due to non-socketing of pile of Pier 5 in rock layer during construction of the bridge, the possibility of sinking of the pile due to the load of two trucks cannot be ruled out.

Instead of examining and reporting the real cause of damage to the bridge, the CE reported damage to the girder over pier P1 and pier P2 as the main cause of collapse of the bridge. The main aim of misreporting was to conceal the fact that the pile of Pier 5 was not designed to be socketed to the desired depth which might have been instrumental in the sinking of Pier 5 and collapse of the bridge and needs further investigation.

The Department stated (February 2021) that the damaged portion of the bridge have now been reconstructed by the contractor and that the EE, AE and JE were suspended and the contractor blacklisted.

(iii) Construction of bridge over Damodar river in Dhanbad

In Dhanbad district, a bridge *across Damodar* river for connecting *Gansadih-Suyiadih road* was taken up (March 2009) at a cost of ₹ 4.41 crore on turnkey basis for completion by November 2010. After incurring expenditure of ₹ 1.64 crore, the contractor filed (March 2012) a pleader notice to the EE to make available private land which was required for construction of one abutment (A1), approach slab and approach road of the bridge. The contractor was relieved (July 2012) from the contract as the private land could not be acquired.

Audit observed from the communication (September 2012 and December 2016) between the EE and the CE that the requirement of private land had arisen due to the fact that the bridge site, approved (January 2010) in the General Arrangement Drawing (GAD) submitted by the contractor, was changed to 730 metres upstream by the contractor. It was noticed that the CE accorded (January 2010) technical sanction to the GAD of the contractor subject to verification of all data submitted by the contractor. However, the EE neither ensured that construction was taken up at the approved bridge site nor reported the change in site of the bridge till the matter surfaced. There was also no evidence that the EE had verified any data submitted by the contractor.

After three years of stoppage of work, Birla Institute of Technology, Mesra, Ranchi, on the instructions of the CE, investigated (July 2015) the bridge work and reported (January 2016) execution of substandard works in abutments[12] and recommended jacketing with cement concrete. A revised DPR valued at ₹ 7.44 crore (inclusive of earlier work of ₹ 1.64 crore) was prepared by the consultant and technically sanctioned (March 2016) by the CE.

In the revised DPR, the consultant increased the length of the bridge by 15 metres (from 256.72 metres to 271.72 metres) and recommended abandoning the existing abutment (A2) as river water flows beyond it during the rainy season. The consultant also suggested dismantling of the existing abutment (A1) and pier shaft (2.5 metres from upper side) of existing piers- P4 to P8 for removal of sub-standard works. Meanwhile (June 2015), the Circle Officer, Dhanbad granted no objection certificate for construction of approach road on plot number 640 but no clearance was given for plot number 963 on which abutment (A1) and approach slab was to be constructed.

Upon fresh tendering (February 2017), the Department allotted (May 2017) the balance bridge work at ₹ 4.89 crore to the same contractor who had executed substandard works earlier. The work was to be completed by November 2018. Scrutiny of MB revealed that the contractor again executed substandard works in the superstructure where four deck slabs over piers- P4 to P8 was constructed without dismantling 2.5 metres from the upper side of the shafts. Till date of audit (March 2020), the work was incomplete as shown in the photograph below:

Picture 2.15: Partly constructed substructure P9, P11, old A2 (to be dismantled) and under construction A2 in bridge over Damodar river between *Gansadih-Suyiadih* road in Dhanbad

Thus, the Department failed to provide connectivity through the bridge after more than 11 years of commencement of work due to change in work site, execution of substandard works, delayed resumption of stalled works etc. This also led to cost escalation of ₹ 2.12 crore besides compromising the structural stability of the bridge.

The Department accepted (February 2021) the facts and stated that no objection certificate from the concerned Circle Officer was obtained and the work was under progress.

[12] A bridge abutment is a structure which connects the deck of a bridge to the ground, at the ends of a bridge span, helping support its weight both horizontally and vertically.

(iv) Construction of bridge over Khudia river in Dhanbad district

In a bridge work completed (December 2016) at a cost of ₹ 6.76 crore *over Khudia river between Baidyanathpur and Nutan Gaon under Nirsa block* in Dhanbad, 119.04 MT steel was required as per bar-bending schedule for construction of eight deck slabs.

Audit observed that the consultant provided 69.98 MT steel in the DPR against the requirement of 119.04 MT due to incorrect estimation. This deficiency remained undetected and TS was granted. Even during execution, no corrective action was taken to recheck the requirement.

Consequently, only 73.18 MT steel was shown utilised in MB against the required quantity of 119.04 MT. Thus, use of lesser quantity steel in superstructure work resulted in substandard work and compromised the strength of the bridge.

The Department agreed (February 2021) that there was mistake in estimation of steel in foundation and superstructure. However, the DPR was neither corrected/ revised nor the quantity of steel in superstructure were properly measured and recorded.

(v) Construction of bridge over Kans river in Gumla district

A seven span bridge *across Kans River in Sisai block* at Gumla was completed in June 2018 at a cost of ₹ 6.61 crore. Audit scrutiny of DPR of the bridge revealed that in the approved (March 2016) General Arrangement Drawing (GAD), the consultant had proposed open foundation for all the eight foundations (six piers and two abutments). During execution of work, the EE, RDSD, Gumla reported change in soil strata and consequently, the CE approved (November 2017) the change in foundations of Pier 3 and Pier 4 from open to pile foundation through a letter without any revised GAD.

Scrutiny of the bridge file in the office of the EE, RDSD, Gumla revealed that the consultant submitted (undated) a revised GAD recommending pile foundation for three piers (P1, P2, and P3).

Audit observed that open foundations were made for Pier 1 and Pier 2 instead of pile foundations and pile foundation for Pier 4 instead of open foundation in contravention of the recommendation of the consultant.

Further, the foundation depth of two piers (P1 and P2) was reduced (by 4.2 metres for P1 and 1.9 metres for P2). It was also noticed from the initial sub-soil investigation report that the executed foundation depth of P1 and P2 were terminated in soil. The foundation of these two piers was also above the maximum scour depth. The termination of foundation in soil for P2 and above scour level for both piers is against clause 705.2 of IRC-78, which states that the minimum depth of open foundation in soil shall be up to stratum having safe bearing capacity but not less than 2.0 metres below the scour level.

Thus, inter-change of foundation type of the piers of the bridge in contravention of the design of consultant besides having shorter depth than required is fraught with the risk of collapse/damage of the bridge in the event of maximum design discharge of water or maximum load.

The Department stated (February 2021) that foundation type of the concerned work required changes during execution as per site requirement and in the interest of safety of the bridge. The reply was not convincing as the Department neither approved any GAD before taking up the work as per actual site condition nor followed the GAD submitted by the consultant.

(vi) Construction of bridge over Sakri river in Koderma district

In Koderma district, construction of a 32 span bridge across Sakri river was taken up (March 2012) at a cost ₹ 20.88 crore for providing connectivity between *Ghorsimar* and *Modideeh* path. The bridge was completed (October 2016) after incurring expenditure of ₹ 20.52 crore. The consultant provisioned 136 piles (four piles in each pier and six piles in each abutment) in foundation works of the 31 piers (length of each pile 25 metres) and two abutments (length of each pile 27 metres).

During inspection (January 2013) of the bridge work by SE, the EE reported about absence of rock strata till design depth. The SE instructed that casting of pile should be done after inserting in hard rock. Scrutiny of MB revealed that in 15 piles of three piers (P1, P2 and P10) and two abutments (A1 and A2), the depth of piles was shorter (ranging between one metre and 14.94 metres) than the design depth (25 metres for pier and 27 metres for abutments). Thus, socketing of piles in hard rock strata in these cases was not ensured since piling was not done even up to design depth.

Audit also noticed that the depth of pile number 3 of P14 and P15 was 27.03 metres. But, RCC work (up to 27.03 metres) in these two piles was done after providing vertical reinforcement (providing steel bars) measuring 19.95 metres for P14 and 14.80 metres for P15. This resulted in less vertical reinforcement (7.08 metres in P14 and 12.23 metres P15) in these two piles.

As a result of non-socketing of piles to the desired depth and shorter vertical reinforcement (in piles), the work was substandard and compromised the strength of the bridge which might collapse or get damaged in the event of higher load or maximum design discharge.

The Department stated (February 2021) that the work was executed as per site condition and there was mistake in recording length of vertical reinforcement in MB. Audit observed that the DPR was not revised post facto and recommended that the depth and vertical reinforcement of piles may be checked using sonic integrity test as was done while examining the reasons for collapsed bridges in Palamu.

2.1.3.5. Excess payments to contractors

(i) In Dhanbad district, scrutiny of MB and joint physical verification (November 2019) of the incomplete bridge on Damodar river at *Gansadih-Suyiadih* path revealed that out of total nine spans recorded in MB, only eight spans were actually found constructed at site. Thus, due to recording of consumption of steel (14.965 MT) and RCC works (83.98 cubic metre) in superstructure for one span (P5-P6) twice in MB, excess payment of ₹ 13.12 lakh was made to the contractor which stands recoverable.

(ii) In Gumla and Koderma districts, scrutiny of MBs of two bridge works revealed that excess quantity of steel reinforcement work (42.69 MT) for substructure and superstructure works in two bridges was brought forward from detailed measurement (197.56 MT) to abstract measurement MB (240.25 MT). This resulted in excess payment of ₹ 28.91 lakh to the contractors which stands recoverable.

In reply, the Department stated (February 2021) that recovery of excess payments have been made in respect of Dhanbad. However, no replies were furnished in respect of the excess payments in Gumla and Koderma.

2.1.3.6 Short levy of compensation

As per clause 2 of F_2 form of contract, the time allowed for carrying out the work should be strictly observed by the contractor. The contractor shall pay as compensation an amount equal to 0.5 *per cent* of the estimated cost of the whole work for every day that the work remains un-commenced or unfinished after the stipulated date and the entire amount of compensation to be paid under the provisions of the clause shall not exceed 10 *per cent.*

In six sampled districts, the EEs levied and deducted compensation of ₹ 2.62 crore from the contractor's bills for delayed execution of works (ranging between six months and 57 months) against leviable amount of ₹ 6.83 crore in 13 out of 57 test-checked works in violation of the aforesaid provision. This resulted in short levy of compensation of ₹ 4.21 crore besides extending undue benefit to the contractors.

The Department neither explained the reasons for non-enforcement of concerned agreement clause for delayed completion of works nor recovered the balance compensation amounts as pointed out by Audit.

2.1.4 Post execution maintenance of bridges

IRC-SP 18 manual for bridge maintenance and inspection requires maintenance of bridge register by the concerned Works Division in which details of different structure of bridges (foundation, substructure and superstructure) and annual inspection report by engineer for their special areas of attention are required to be entered.

The minimum useful life of bridges is about 30 years. The Department had constructed 1,673 bridges during 2002-19 under MMGSY. However, no funds were provided for repair and maintenance work of these bridges during 2014-19. On the contrary, under PMGSY, the Department provides around 2.4 *per cent* of the cost of the bridge for repair and maintenance works. Though both the schemes which involves construction of bridges are managed by the same Department, there is no uniformity in implementing these two schemes.

Further, none of the test-checked divisions maintained bridge register, though required.

To ascertain the physical conditions of the bridges arising from absence of repair and maintenance work by the Department, Audit conducted joint physical verification of 38 (20 complete and 18 incomplete) out of 57 sampled bridges between November 2019 and March 2020 with the engineers of the six test-checked divisions. The physical damages noticed in respect of these 20 completed bridges (***Appendix 2.1.4***) are as under (also shown in photographs below):

- six bridges required urgent repair and maintenance due to scouring in foundation;
- in four bridges, wear and tear in expansion joints and wearing coat were noticed;
- in two bridges, cracks in RCC works of approach slab were found;
- elastomeric bearing of one bridge was damaged;
- eight bridges have damaged approach roads or flanks at the entry/exit points which makes them accidents prone.

Picture 2.16: Washed away approach in the flank near approach slab in bridge across Amanat river between Saraiya-Jhalkhandi, block Panki of Palamu district

Picture 2.17: Pile cap visible due to scouring in bridge foundation in bridge across Sakri river between Marchoi and Basodih, block Satgawan of Koderma district

Picture 2.18: Absence of expansion joints in bridge across Swarnrekha river between Khokro-Karkidih road in Ichagarh block of Saraikela district

Picture 2.19: Broken slab in footpath in bridge across Swarnrekha river between Khokro-Karkidih road in Ichagarh block of Saraikela district

In reply, the Department stated (February 2021) that instructions have been issued to the EEs to conduct a survey of completed bridges for ascertaining the requirement of repair and maintenance.

2.1.5 Conclusion

The Department neither framed any operational guidelines nor conducted any survey to assess the un-bridged gaps in rural roads requiring construction of a bridge even after 19 years of launch of the Scheme. The DRRP prepared under PMGSY with information on gaps in rural road network were also not utilised. Though the Department issued instructions through circulars/letters to manage the Scheme, these were not adhered to.

The bridges under the Scheme were selected on the recommendations of MPs/MLAs/others without examining their feasibility or factoring in the un-bridged gaps in DRRP. Resultantly, 20 out of 31 bridges examined through *Google Earth* maps in CE office by Audit were found to have no connecting roads on either side of the bridges. Likewise, out of 57 sampled bridges in the six test checked districts, 26 were outside the DRRP, six were taken up at places having pre-existing bridges constructed under PMGSY/RCD or MMGSY within one KM connecting same/nearby habitats and six bridges were taken up in municipal areas. Thus, deficiencies in the selection of bridges defeated the mandate of the Scheme to connect the villages to GPs, GPs to blocks and blocks to district headquarters.

Of the 208 incomplete bridge works in the State as on March 2019, 39 bridges could not be completed by six months to nine years and six months beyond their stipulated dates of completion. The Department incurred expenditure of ₹ 144.74 crore on these bridges till March 2019 without realising the intended benefits of providing connectivity to the villages/GPs/blocks.

The Department did not have any operational guideline for engagement of consultants for preparation of DPRs. It has empanelled eight consultants and kept their period of engagement open ended leaving no scope for entry of new consultants. In the test-checked districts, the consultants were able to evade contract obligations of preparing PPRs, though required, in 57 sampled cases during 2014-19 before preparing DPRs. In these cases, no penalty was imposed, rather payments of ₹ 1.68 crore for PPRs were made upfront along with the payments for the DPRs.

While departmental control over the consultants was superficial, absence of technical support system in the CE office restricted examination of the DPRs before according technical sanctions. Hence, professional and technical inputs to detect and correct faults or to make possible value additions on the drawings and designs of bridges submitted by the consultants were absent.

The consultants did not conduct the required geo-technical investigations, hydrological surveys and traffic data analysis. As against 510 boreholes required for conducting sub-soil analysis for 42 sampled bridge works in six test-checked districts, the consultants dug only 336 boreholes resulting in short boring by 174 numbers. As a result, eight bridges constructed at a cost of ₹ 52.12 crore out of these 42 bridge works got fully or partly damaged. Likewise, different consultants had worked out different design discharge of same rivers while designing six bridges. In designing approach roads, the consultants provided sharp curves (up to 90 degree) at the entry/exit point of 16 bridges and shortened the width (3.75 metres to 4.1 metres) of approaches in comparison to width of bridges in 28 bridge works. The consultants had also made extra provision of five *per cent* for laps and wastage of steel valued at ₹ 2.39 crore in 32 sampled bridge works resulting in undue benefit to the contractors.

There was sub-standard execution of 13 bridge works due to deficient drawings and designs prepared by the consultants and approved by the CE. These bridges, constructed in eight districts between February 2007 and August 2016 at a cost of ₹ 67.39 crore, was damaged or had collapsed between August 2014 and September 2019. In 57 sampled bridge works, Audit noticed execution of sub-standard works of ₹ 52.07 crore in six bridges for which no responsibility was fixed. The tender and agreement documents were loaded in favour of contractors such as reduction in defect liability period etc.

The Department constructed 1,673 bridges during 2002-19 but did not allocate any funds for repair and maintenance of the completed bridges. In the absence of periodic maintenance of the completed bridges, Audit noticed scouring in bridge foundations, wear and tear in expansion joints and wearing coats, cracks in RCC works and damages in elastomeric bearing, damages to railings, footpaths, approach roads and flanks etc., during physical verification of 20 completed bridges. These damages are fraught with the risk of accidents and may also lead to collapse of the bridges.

2.1.6 Recommendations

- The Department should fix responsibility and take appropriate action against the contractors/consultants and engineers responsible for substandard execution of work, deficiencies in design, unfruitful/wasteful expenditure and damage/collapse of bridges.
- The Department should prepare an operational guideline for engagement of consultants for the Scheme incorporating the good practices of PMGSY and other schemes. A technical cell should be established at CE's office for proper vetting of designs, drawings and estimates before according technical sanctions to the DPRs.
- The Department should work out the excess payments made to contractors in the State due to excess provision of steel in the estimates and initiate action to recover the same. Responsibility may also be fixed on officials who failed to detect the excess provision made in the estimates.
- The Department should conduct a Safety Audit of all the bridges in the State and carry out necessary repair and maintenance work. Bridge registers should be maintained and schedule of repairs should be recorded. The load bearing capacity of each bridge should be clearly displayed at its entry/exit point.

2.2 Audit paragraphs

ROAD CONSTRUCTION DEPARTMENT

2.2.1 Fraudulent payment

Award of work on the strength of fake bank guarantees and power of attorney suspected to be fake led to fraudulent payment and loss of Government money of ₹ 13.24 crore.

Road Construction Department (RCD), Government of Jharkhand technically sanctioned (October 2016) and administratively approved (May 2017) the reconstruction of (i) Firozpur-Bhagayai road and (ii) Meharma-Wazidpur-Budhasan (Jharkhand-Bihar Border) road including Bazidpur-Khirondhi Link road (total length- 22.44 km) falling under Road Division Godda for ₹ 72.49 crore. On tendering (May 2018) for a bid value of ₹ 57.36 crore, the Departmental Tender Committee (DTC) awarded (July 2018) the work to a contractor (Unique Construction, Surat, Gujarat) at 10 *per cent* below the bid value at ₹ 51.62 crore. The Executive Engineer (EE), Road Division, Godda executed (August 2018) an agreement for ₹ 51.62 crore with the power of attorney (PoA) holder of the contractor for completion of the work in 18 months i.e., by February 2020.

The contractor commenced the work in August 2018 and stopped it in July 2019 without assigning any reason. The EE rescinded (10 October 2019) the contract as the contractor did not resume the work despite reminders and took final measurement (2 November 2019) of work done valued at ₹ 4.38 crore. In the meantime, the EE paid ₹ 7.65 crore (till September 2019) including interest free mobilisation advance of ₹ four crore (August 2018) to the contractor against partial work done. Audit worked out the total liability of the contractor and observed that ₹ 13.24 crore including mobilisation advance of ₹ 3.34 crore remained unrecovered till February 2020. Of these, recovery of ₹ 5.60 crore through encashment of bank guarantees (BGs) is doubtful as three BGs submitted by the PoA holder against bid security, performance security and for taking mobilisation advance, upon verification from the issuing bank by Audit, were found to be fake. Further, the PoA is suspected to be fake as the contractor, in whose name it was purportedly issued, declined to own it. Audit scrutiny (between October 2019 and January 2020) in Road Division Godda revealed the following irregularities:

(i) Submission of fake bank guarantees (BGs)

Rule 54 of Appendix A of JPW (Departmental) Code provides that the EEs of the concerned divisions shall physically verify the BGs submitted by the contractors from the issuing banks by engaging special messengers. The Engineer-in-Chief (EIC), RCD had also directed (March 2014) all the EEs to verify the genuineness of the BGs submitted by the contractors.

Clause 23.4 (i) of instructions to bidders (ITB) stipulates that the bids submitted by the participating contractors shall be taken up for evaluation by the DTC only upon verification of the security from the issuing bank. The BGs furnished as securities shall be unconditional and may be issued from any of the branches of SBI/ Nationalised/ Scheduled Bank situated within the State of Jharkhand and acceptable to the employer.

Audit observed that the BGs submitted by PoA of the contractor were purportedly issued (between June and August 2018) in the name of Dena Bank, Rasta, Surat, Gujarat on ₹ 100 stamp papers whose validity had expired (September 2017) almost a year back. These BGs did not carry any information about the branch code of the issuing bank and had a private email id mentioned on it instead of the official email id of the branch manager of the concerned bank. Thus, though there were sufficient indications that the BGs could be fake and did not meet the requirement of JPWD code and instructions (March 2014) of EIC *ibid*, the BGs were not physically verified by the then EE from authentic sources before tender evaluation, executing agreement or payment of mobilisation advance without recording any justification in the works file of the division. Besides, the Chief Engineer (CE) and the EIC who were the members and chairman of the DTC respectively evaluated the tender on the strength of the unverified BGs in violation of clause 23.4 (i) of ITB for reasons not on record.

Audit sent (October 2019) the BGs to RBI, Jharkhand with copies to erstwhile Dena Bank (now merged with Bank of Baroda) for verifying their genuineness. RBI and Bank of Baroda after due verification intimated (November 2019) Audit that all the three BGs for an amount of ₹ 5.60 crore were fake as the Rasta branch of Dena Bank did not exist and none of the other erstwhile branches of Dena Bank had issued any such BGs. The bank also informed Audit that none of these BGs, if presented, would be admitted for payment.

(ii) Award of tender on the strength of power of attorney suspected to be fake

- As per ITB, contractors, not registered under Jharkhand State, would get registration under RCD, Jharkhand within two months of Letter of Acceptance (LoA).

Though the contractor was not registered in Jharkhand at the time of issue (July 2018) of LoA, the EIC did not register the contractor under RCD Jharkhand within two months (September 2018) in violation of ITB. Audit observed that the contractor had not applied for registration and the EIC had not registered him till termination of the contract.

- Para 6.3 of Contractor Registration Rule (CRR) 2008 (under RCD) stipulates that in case any work is to be executed through PoA, an identity card is to be issued by the Registration officer (EIC).

Though the contractor (executant) had reportedly given a PoA in favour of an executrix (Sri Rajesh Kumar Mandal) of Godda district for execution of work on his behalf, the EIC neither verified the authenticity of the PoA nor issued any identity card in violation of CRR 2008. The EIC also did not verify how the PoA holder continued with the work in the absence of registration of the contractor.

The contractor also informed (October 2019) the Department that he had not given any PoA to any one in Jharkhand and the contract was not signed by any authorised representative of the company owned by the contractor. Thus, award of the tender and execution of agreement on the strength of fake BGs and PoA suspected to be fake needs further investigation.

(iii) Unauthorised creation of payment id

Audit observed that as per tender documents, PAN number of the contractor was XXXXX1234X (issued on 21 November 2001) but the Pay-id was created by the then EE using PAN YYYYY1234Y for making payment to the PoA holder (executrix). Thus, two sets of PAN were used, first one for award of the work and the second one to make payment amounting to ₹ 7.65 crore into the bank account of the PoA.

On being pointed out (September 2019) in audit, the bank account maintained by the PoA holder was frozen (November 2019) under orders of EIC and an FIR was lodged (February 2020) against the POA holder along with two other persons who were operating the concerned bank account.

(iv) Irregular payment of mobilisation advance

Contract clause 51.2 read with clause 61 envisaged that the contractor should use the advance payment only to pay for equipment, plant and mobilisation expenses required specifically for execution of the works. In the event of termination of contract, all materials at work site, plant, equipment and temporary works are deemed to be the property of the employer, i.e., the Department.

Audit observed that the contractor neither provided any details of plants, equipment and man-power engaged for execution of the work after receiving the mobilisation advance of ₹ four crore nor had the EE recorded any such details.

During joint physical verification (19 October 2019) of the work site by Audit with officials of the division, no plant and machinery except a laboratory without equipment and a mixer machine in broken-down condition was found . Absence of plants and machineries at work site after payment of mobilisation advance was a violation of contract clause 51.2 and 61 and indicated possible connivance of the then JE, AE and EE with the PoA holder and needs further investigation.

Audit reported (29 November 2019) the fraud to the Secretary, RCD for suitable action. The Secretary RCD suspended (January 2020) the EIC and the EE and ordered (January 2020) lodging of FIR against the erring officials/contractor involved in the fraud. Accordingly, the Superintending Engineer, Road Circle

Dumka lodged (February 2020) FIR for submission of fake documents against the PoA holder and two other persons involved in operation of the bank account in which payments were made. FIR was also lodged against the then EE for lapses in tender evaluation and payment of mobilisation advance to the PoA holder on the basis of fake documents and against the present EE for making payments. A separate FIR was also lodged against Unique Construction for submission of fake BGs. The Department also instructed (February 2020) all the EEs to physically verify all BGs submitted by the contractors and their registration details under intimation to the CE (Communication).

The matter was reported to the Department (April 2020) for preparation of final bill for recovery of outstanding dues of ₹ 13.24 crore from the persons involved in the fraud. Recovery is awaited (January 2021).

2.2.2 Avoidable expenditure

Injudicious sanction of widening and strengthening work of a portion of HKC road by Road Construction Department concurrently with the preparation of DPR of the same road led to avoidable expenditure of ₹ 5.03 crore on overlaying the bituminous works afresh.

Road Construction Department (RCD), Jharkhand administratively approved (March 2013) preparation of a detailed project report (DPR) for widening and strengthening of Hazaribag-Katkamsandi-Chatra (HKC) road in km 0 to km 54 (53.97 kms) through State Highway Authority of Jharkhand (SHAJ). An agreement was executed (April 2013) by SHAJ with a consultant to prepare the DPR in three months.

While the DPR of HKC road (from 0 to 54 km) was under preparation, the RCD sanctioned (June 2013) another work for widening and strengthening of a common stretch of the same road between km 32.20 and km 45.485 (13.285 kms) for construction through Road Division, Chatra. The work included laying of bituminous surface (50 mm bituminous macadam (BM) and 25 mm semi dense bituminous concrete (SDBC)) in the entire width (5.5 metres) and length (13.285 kms) of the road, besides non-bituminous works.

Audit scrutiny (January 2020) of the estimate, RA bills, and other related records of the work in Road Division, Chatra revealed that an agreement was executed (August 2013) by the Division with a contractor who completed the bituminous and other works (13.285 km) in May 2016 and received payment of ₹ 18.13 crore. This included payment of ₹ 5.03 crore for BM and SDBC works.

Audit also observed (September 2019) from examination of the DPR, cross sections of the concerned road, measurement books and interim payment certificates in the office of the SHAJ that the consultant submitted (February 2016) the DPR to SHAJ and proposed bituminous layers (75 mm dense bituminous macadam (DBM) and 40 mm bituminous concrete (BC)) in the entire length of the road (0 to 53.97 kms) including the portion (32.20 to

45.485 kms) where the Road Division Chatra had been laying the BM and SDBC works. The DPR was technically sanctioned (March 2016) and administratively approved (May 2016) for ₹ 232.12 crore by RCD.

Following this, SHAJ entrusted (October 2016) the work of widening and strengthening of the HKC road to a contractor for ₹ 178.42 crore for completion in two years. The contractor executed works worth ₹ 148.38 crore (till December 2019) which included overlaying the bituminous works worth ₹ 5.03 crore executed by Road Division, Chatra by DBM and BC in km 32.20 to km 45.485.

Thus, there was avoidable expenditure of ₹ 5.03 crore on works executed by Road Division, Chatra due to overlaying bituminous works afresh on the same road stretch by the contactor engaged by SHAJ.

The matter was reported to the Department/Government in May 2020; their reply had not been received (January 2021)

SCHEDULE TRIBE, SCHEDULE CASTE, MINORITY AND BACKWARD CLASS WELFARE DEPARTMENT

2.2.3 Fraudulent payments and embezzlement of Government money

Failure of the Welfare Department to monitor the activities of District Welfare Office (DWO), Chatra and enforce internal control measures led to embezzlement of ₹ 13.59 crore by the District Welfare Officer, Chatra in connivance with the cashier.

A special audit of the records of the District Welfare Office (DWO), Chatra was conducted (between October 2018 and January 2019) on the request (July 2018) of the Secretary, Welfare Department to examine and report on the financial irregularities and defalcation of Government money.

The request was based on a preliminary investigation conducted (May 2018) by a district level inquiry committee (DLIC) on fraudulent transfer of government money during 2016-18 from the bank accounts of DWO, Chatra to the bank accounts of 19 entities/individuals which included the cashier and his relatives, NGOs, suppliers and non-existent educational institutions. Based on the Report of the DLIC, an FIR was lodged (8 June 2018) by DWO, Chatra against these 19 entities/individuals.

The special audit increased the coverage of the investigation from two to five years (2013-18) for examination of the money trail by scrutinising the withdrawals made by DWO, Chatra from the district treasury, corresponding credit of the amounts into 12 bank accounts of DWO, Chatra and payments/transfers made to different banks accounts of the accused by cross-examination with bank statements, bank clearance and bank vouchers. Copies of advice for payments, wherever made available by banks, were also examined. Besides, 73 bank accounts of the accused which included NGOs, individuals and non-existent institutes were examined.

The scope of audit was limited by the fact that records of transactions amounting to ₹ 70.01 crore carried out during 2013-18 were not produced to audit for scrutiny on the grounds that these were destroyed in a fire incident (November 2017). Audit scrutiny revealed the following fraudulent payments:

2.2.3.1. The DWO, Chatra maintained 12 bank accounts in which a total amount of ₹ 95.05 crore was credited during 2013-18. Out of this, an amount of ₹ 85.85 crore was withdrawn during the same period. Of these, payments worth ₹ 70.01 crore made to individuals, agencies etc., could not be vouchsafed in the absence of related records. Audit observed that the remaining amount of ₹ 15.84 crore withdrawn were fraudulently transferred into bank accounts of NGOs, institutes, suppliers, teachers, officials and individuals. (***Appendix 2.2.1)***.

2.2.3.2 The Department directed (May 2015) in the allotment letters that payments for scholarships would be made directly in the accounts of students through DBT mode. However, the DWO, Chatra instructed (March 2017) the Manager, ICICI Bank, Chatra for e-transfer of ₹ 2.25 crore from its bank account to the bank accounts of 11 schools[13] appending an advice with names and accounts of the schools for distribution of outstanding scholarship among backward caste students. ICICI bank, while attempting to credit (April 2017) the amounts in the bank accounts of the schools concerned, found that there was mismatch of the accounts details as shown in the advice as they were in the names of individuals and not in the names of schools and accordingly informed (May 2017) the DWO, Chatra. Subsequently, the entire amount was returned (between 2 May 2017 and 23 May 2017) to the originating account of DWO at ICICI as all these 11 accounts were in the name of the Cashier and his relatives.

Audit further noticed that after the ICICI bank highlighted the said discrepancy, the DWO stopped transaction from this account and transferred (between 30 May and 8 June 2017) the remaining balance of ₹ 6.77 crore to other three bank accounts of DWO, Chatra. Thereafter, the DWO and his successor continued the same fraudulent practice and transferred (between June 2017 and May 2018) government money amounting to ₹ six crore into bank accounts of the cashier, his relatives, NGOs, non-existent institutes and other individuals against payment of scholarship (***Appendix 2.2.2****)*.

The Department had prescribed submission of periodic reports and returns (by 15th day of every month) from the districts to the Apex level (Deputy/Joint Secretary) to monitor the expenditure incurred on various welfare measures such as payment of scholarships, distribution of cycles to students etc. The Department also directed (May 2015) in the allotment letters that the Deputy Commissioners (DCs) would be the controlling officers and payments for purchase of cycles and scholarships would be made through DBT mode.

As the Department did not furnish periodic reports and returns submitted by DWO, Chatra to Audit, the compliance against these instructions could not be

[13] UPS Hukuiya, MS Manjhipara, UPS Maddapur, UPS Kashilona, UMS Besra, UPS Bairiachak, UPS Lohanrudih, UPS Asediri, UPS Saravlpatra, NPS Bhusha and UPS Dandu.

checked. Further, DWO, Chatra reported expenditure of amount withdrawn from the treasury to the Department through surrender reports which was factually not correct as huge amounts were seen parked in the bank accounts of DWO, Chatra at the end of every financial year. The Department was also aware about only three out of 12 bank accounts being operated by DWO, Chatra as was stated (October 2018) to Audit. Further, DWO, Chatra did not adhere to the DBT mode for distribution of scholarship as directed by the Department. It was also noticed that DWO, Chatra maintained cash book for only three out of the 12 bank accounts even after the fire incident and never did bank reconciliation as of March 2020. Thus, the accused DWOs did not adhere to internal control measures and the Department also failed in monitoring the genuineness of expenditure reported by DWOs and ensuring that payments are made through DBT. Internal Audit of the office of DWO, Chatra was also not conducted during 2013-18. These internal control failures resulted in the fraud remaining undetected and continuing for a long time.

2.2.3.3 DLIC detected 27 bank accounts of 11 banks to which fraudulent payments were made by the DWO Chatra. However, the DDC, Chatra requested (June 2018) the Branch Managers of seven banks to freeze only 19 out of 27 bank accounts, till completion of the enquiry. Moreover, only three banks suspended (2 June 2018) operation of seven out of 19 bank accounts for reasons not on record. As such, 20 bank accounts involved in the fraud remained active.

Audit noticed that ₹ 59.05 lakh were withdrawn between June 2018 and January 2019 from 10 out of these 20 active bank accounts in favour of the cashier and his relatives (₹ 48.89 lakh) and one institute (₹ 10.16 lakh) (***Appendix 2.2.3***). Had the operation of these bank accounts been suspended, the amount could have been recovered. Thus, failure of DDC and the banks to ensure freezing of all the suspected bank accounts needs further investigation.

2.2.3.4 Audit also informed (January 2019) DWO, Chatra that ₹ 1.29 crore was lying in 11 fixed deposit accounts (₹ 1.11 crore) and eight savings bank accounts (₹ 17.85 lakh) of nine accused persons to whom fraudulent payments were made. However, no action was taken by the DWO to get these accounts frozen and recover the amounts. Audit noticed that ₹ 43.62 lakh was withdrawn between July 2019 and February 2020 from these bank accounts by two of the accused (***Appendix 2.2.4***). Thus, DWO, Chatra also failed to take action to recover the embezzled amounts despite being informed by Audit.

2.2.3.5 Audit observed that ₹ 2.89 crore out of total fraudulent payments of ₹ 15.84 crore were credited into 14 bank accounts of the cashier and his relatives and balance fraudulent payments of ₹ 12.95 crore were made to the accused NGOs, individuals, non-existing schools, supplier etc. Audit further noticed that ₹ 2.55 crore was transferred into 18 bank accounts of the cashier and his relatives from the accounts of the other accused after fraudulent transfer of amounts into their accounts (***Appendix 2.2.5***). This indicated collusion of the

DWO, Chatra and the cashier with the accused which needs further investigation.

2.2.3.6 On being pointed out, the Department stated (May 2020 and March 2021) that the main accused Cashier and the Head Clerk have been dismissed (June and July 2019) from service on the charges of not doing bank reconciliation, making payments to NGOs without maintaining records, non-deposit of unutilised money in government accounts, payments of scholarships to fake beneficiaries', improper maintenance of cash book etc., and departmental inquiry was under progress against the two DWOs.

The fact, however, remained that the embezzled amount of ₹ 13.59 crore has not been recovered (March 2021).

AGRICULTURE, ANIMAL HUSBANDRY AND CO-OPERATIVE DEPARTMENT

2.2.4 Unfruitful expenditure

Failure of the Department to ensure water and electric supply besides operational cost for operation of two nurseries even after more than four years of their construction led to unfruitful expenditure of ₹ 2.78 crore.

Agriculture and Sugarcane Development Department, Government of Jharkhand sanctioned (June 2014) establishment of two Hi-tech nurseries at Dumka and Hazaribagh district (comprising 13 components each) at a cost of ₹ 2.80 crore (₹ 1.40 crore each) under the State Plan for making available high quality fruit and flower seedlings to farmers/entrepreneurs to increase the area of cultivation of such plants in the State. Upon completion the nurseries were to be operated either departmentally or through outsourced agencies.

Creation of infrastructure work was technically approved (August 2014) by the Human Resources Development Department for ₹ 1.40 crore each. The District Horticulture Offices (DHOs) Dumka and Hazaribagh were to execute the work under the supervision of the Directorate of Horticulture (DOH), Jharkhand.

Notice Inviting Tender for construction work of the nurseries was issued in August 2014 and the works were awarded (December 2014) by the DOH to the lowest bidder at ₹ 1.39 crore for each district with stipulation to complete the works by March 2015. The contractor completed the infrastructure work of both the nurseries at a cost of ₹ 1.39 crore each and handed these over to the DHOs, Dumka and Hazaribagh in January 2016 and March 2016 respectively.

Audit scrutiny (December 2017 and March 2019) revealed that both the nurseries could not be made operational even after more than four years of their completion due to the following reasons:

- The location of the Hi-tech Nursery at Hazaribag was within an agriculture farm having a pond as the source of irrigation, whereas at Dumka it was inside the progeny nursery where a well was the source of irrigation. Though modern facilities for irrigation and plant propagation were sanctioned, provision for smooth and perennial water supply was not made either in the sanction order or in the approved estimates. Similarly, electric connection could not be obtained in the nursery at Hazaribag as of May 2020 due to non-provision of funds in this regard.

- Although the expenditure sanction stipulated third party assessment (TPA) upon completion of the scheme under intimation to the Department, the same was not initiated by the DOH.

- After completion of the infrastructure works, DHO Hazaribag informed (June 2016) the DOH about the necessity of deep boring, generator and electricity connection required for operation of the newly constructed nursery. Similarly, DHO, Dumka intimated (between August 2015 and June 2016) the DOH regarding requirement of deep boring, manpower and funds for operation of the nursery. However, the DOH did not take action as of May 2020 to meet these requirements. DHO, Dumka also sought (August 2015 and January 2017) direction from the DOH regarding operation of the nursery through Self Help Group or Agency on Public Private Partnership (PPP) mode but no decision was taken in this regard as of May 2020. The DOH also failed to make required budget provision for operational cost including manpower and other consumables as well as for water and electric supply.

During physical verification (June 2020) of the nurseries by Audit along with the DHOs, it was seen that the agro green shade nets were damaged and the green nets above the climate control mist chamber and plant propagation chamber had been blown away in both the nurseries. No watch and ward was posted and no seedlings were found with the nurseries. The drip/sprinkler irrigation system at Hazaribag too was damaged. Five electric motor pumps installed at Hazaribag were also found missing. In view of the damages, the nurseries would require extensive renovation and the Government would have to spend money again to make them functional.

Thus, due to non-provision for water and electric supply at the time of sanctioning the scheme and operational and other consumable costs after completion of the infrastructure works, the nurseries could not be made operational as of May 2020 despite their completion in January/March 2016 and the expenditure of ₹ 2.78 crore on their construction was rendered unfruitful.

Regarding non-provision of funds in these years, the DOH stated (June 2020) that in the absence of Government sanction, funds could not be provided to the DHOs. It was further stated that estimates and proposals were being obtained from both the DHOs based on which proposals would be initiated for obtaining funds. The DOH further stated (June 2020) that survey report regarding availability of water at the time of sanction of the scheme was not available on record. DHO, Dumka accepted (May 2020) deterioration of installed equipment and green shade nets of the Hi-tech nursery in the absence of funds for maintenance and operation.

The reply is not convincing as the expenditure sanction included operational cost including manpower besides cost of generator set for which the DOH could have demanded funds from the Department. Further, the DOH did not initiate timely action on the shortcomings pointed out by DHOs.

The matter was reported to the Government (April and June 2020); their reply was awaited (January 2021).

2.2.5 Idle expenditure

The Department failed to release funds to operationalise the Pig Breeding Nucleus (PBN) unit, establish Satellite Field Breeding units and implement the Pig Development Scheme despite a lapse of more than seven years since commencement. The pig sheds of the PBN unit constructed at a cost of ₹ 1.59 crore were lying idle since December 2014.

The Department of Animal Husbandry, Dairying and Fisheries, Ministry of Agriculture, Government of India (GoI) launched (July 2012) the Pig Development Scheme (PDS) under the National Mission for Protein Supplement (NMPS), a sub-scheme of *Rashtriya Krishi Vikas Yojana* (RKVY), with the objective of promoting availability of high grade crossbred piglets through pig breeding and multiplication units. GoI was to provide 100 *per cent* grant as subsidy for different activities under the Scheme. GoI intimated (July 2012) allocation of ₹ 2.10 crore for establishing one Pig Breeding Nucleus (PBN) unit (₹ 1.80 crore) and two Satellite Field Breeding (SFB) units (₹ 30 lakh). As per the Scheme guidelines, each PBN unit was to produce 5,000 breeding piglets per year for distribution to SFB units and other farmers for breeding purposes.

Audit observed (November 2017 and June 2019) from the records of Piggery Development Office (PDO), Ranchi and the Directorate of Animal Husbandry, Government of Jharkhand (GoJ) that the State Level Sanctioning Committee (SLSC) approved (September 2012) ₹ 3.17 crore for a project of PDS under NMPS comprising one PBN unit (₹ 2.67 crore), one Feed Mixing Plant (₹ 20 lakh) and 10 SFB units (₹ 30 lakh). Accordingly, the Agriculture, Animal Husbandry and Co-operative Department (Department), GoJ granted (December 2012) administrative approval and expenditure sanction of ₹ 2.97 crore for the project comprising of one PBN and 10 SFB units (excluding Feed Mixing Plant to be constructed on PPP mode) for implementation in 2012-14.

During 2012-13, GoI released ₹ 12.39 crore under NMPS against the allocation of ₹ 16.97 crore without segregating it project/component-wise. Out of this, the Department released ₹ 1.59 crore to PDO, Ranchi for construction of the PBN unit which was transferred to the Jharkhand State Implementing Agency for Cattle and Buffalo Development (JSIACBD), Ranchi. JSIACBD executed

(February 2013) three agreements for ₹ 1.56 crore for construction of PBN unit in the campus of Pig Reproduction Centre, Kanke, Ranchi. The construction of PBN unit was completed (December 2014) at a cost of ₹ 1.59 crore. The balance amount of ₹ 1.38 crore was not released for completion of the ongoing project as of May 2020.

Audit scrutiny revealed the following:

- Though the project cost (₹ 2.97 crore) was enhanced by ₹ 87 lakh by the Department over GoI allocation (₹ 2.10 crore), the Department did not make budget provision for additional funds required for equipment, procurement of breeding stock, feeding cost, medicine, vaccine, labour *etc.,* for the PBN unit during 2012-14.

- It was further observed that the SLSC had again approved (July 2014) projects worth ₹ 12.64 crore under NMPS including a project of PDS worth ₹ 1.40 crore on cost sharing basis. The Department stated (September 2019) that the approval was for completion of the ongoing project. GoI released (August and September 2014) its share of ₹ 6.32 crore without segregating it project/ component wise. However, the Department did not release the balance amount of ₹ 1.38 crore either from the Central share or from the State share to complete the ongoing project.

- The Department also did not release funds in later years (as of May 2020) required to run the PBN unit. It also did not initiate action for establishing the SFB units and the Feed Mixing Plant as approved by the SLSC in September 2012.

Joint physical verification (May 2020) of the pig sheds constructed for the PBN unit revealed that that the floors, pen walls and water supply pipes of all the 13 units (eight farrowing and five pig pens) were damaged. The roof of the sheds was either completely or partially damaged. As such, the PBN unit was not in a condition suitable for pig breeding.

Thus, the Department failed to release funds to operationalise the PBN unit, establish the SFB units and implement the Pig Development Scheme despite lapse of more than seven years since commencement. Besides, the Department deliberately wasted ₹ 1.59 crore on construction of the pig sheds of the PBN unit which were lying idle since December 2014 and were in a dilapidated condition.

On being pointed out (July 2019), the Department stated (September 2019) that SLSC in its meeting (July 2014) approved the proposal for implementation of Pig Development Scheme worth ₹ 1.40 crore under NMPS but funds were not received from GoI. The Department further stated that steps had been taken to complete the Scheme through the State Plan and the pig sheds constructed under NMPS were presently being utilised for housing the pigs of the Pig Breeding Farm, Kanke.

The reply of the Department is not acceptable as GoI had released ₹ 6.32 crore under NMPS during 2014-15 but the Department did not release even the Central share (₹ 34.89 lakh) approved for the PDS project. The Department also did not release its share of ₹ 1.05 crore. Besides, budget provision was not made for the additional cost of ₹ 87 lakh. Further, it was found during physical verification that only three out of the 156 chambers of the pig sheds of the PBN unit were being utilised temporarily for housing the pigs of the Pig Breeding Farm.

WATER RESOURCES AND REVENUE & LAND REFORMS DEPARTMENTS

2.2.6 Idle expenditure and blocking of funds

Commencement of work on the Charki Pahari Medium Irrigation Scheme without completing the process of land acquisition led to idle expenditure of ₹ 1.30 crore and blocking of ₹ 3.93 crore.

Rule 132 of Jharkhand Public Works Department (JPWD) Code stipulates that except in the case of emergent work such as repair of breaches etc., no work should be taken up on land which has not been duly made over by the responsible Civil Officers.

Construction of Charki Pahari Medium Irrigation Scheme in Tisri block of Giridih district was administratively approved (August 2007) for ₹ 2.30 crore and technically sanctioned (April 2008) for ₹ 2.32 crore by the Water Resources Department with the objective to increase cultivable command area by 280 hectares. The work included construction of an earthen dam (520 metres), core wall, escape, spill channel, two Head Regulators, left (550 metres) and right (540 metres) main canals.

Notice Inviting Tender for the work, with an estimated cost of ₹ 1.98 crore was issued (April 2008) by the Minor Irrigation (MI) Division, Giridih, and the work was awarded (May 2008) at ₹ 2.03 crore to the lowest bidder. Thereafter, the Division executed (December 2008) an agreement with the contractor for completion of the work by December 2009.

The contractor completed (March 2009) the construction of earthen dam (partial), one head regulator and escape valued at ₹ 73.04 lakh and stopped further work on the grounds that 8.25 acre land required for construction of the remaining portion of the Scheme was not acquired. On the request (August 2010 and October 2010) of the contractor, the Department decided (December 2015) to close the agreement as the required land could not be acquired to resume the work.

Audit observed (August 2019 and February 2020) from the records of the MI Division, Giridih and the District Land Acquisition Office, Giridih that on a demand raised (July 2009) by the District Land Acquisition Office, the Division paid (July 2009) ₹ 15 lakh for acquisition of the required land (initially 8.89 acre which was later revised to 8.25 acre). Though acquisition was to be done on urgent basis, the District Land Acquisition Office took more than two years to publish (August 2011) the Notification and issue Declaration under Section 4 and 6 of the Land Acquisition Act, 1894. Approval (August 2012) of the Revenue and Land Reforms Department for starting proceedings for urgent acquisition of land was also delayed as the proposal was submitted by the District Land Acquisition Office only in July 2012. Further, the District Land Acquisition Office demanded the remaining compensation of ₹ 1.46 crore from the Division belatedly in June 2013. As such, District Land Acquisition Office spent nearly four years in completing the formalities even though land was to be acquired on an urgent basis.

Audit further observed that to meet the extra burden of compensation on land acquisition and to complete the remaining work of the Scheme, the Water Resources Department accorded (July 2016) revised administrative approval for ₹ 9.31 crore (including ₹ six crore for land acquisition) and revised (September 2016) technical sanction of ₹ 9.48 crore. The Division again initiated (July 2017) proposal for land acquisition under the Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement (LA) Act, 2013 and deposited ₹ 94.31 lakh (February 2018) and ₹ 2.83 crore (September 2019) with the District Land Acquisition Office for acquisition of 8.72 acres of private land. Though preliminary notification was published in October 2018, the declaration which was to be notified till February 2020 was not issued. As such, land was not acquired as of May 2020.

Though the required land was not acquired, the remaining construction work with an estimated cost of ₹ 2.69 crore, was once again put (between September 2016 and March 2017) to tender by the Division and awarded (May 2017) to a contractor for ₹ 2.44 crore. Though the contractor intimated (August 2017) the Division that the land was not acquired for execution of the Scheme, the Division executed (February 2018) an agreement with the contractor for completion of the work by February 2019. The contractor executed work valued at ₹ 56.67 lakh till May 2018 and requested (July 2019) the Division to close the agreement in the absence of required land for completion of the work. However, the agreement was not closed as of May 2020 and the works of right canal, core wall of river closure and a culvert were not completed (May 2020).

Thus, commencement of the work twice without acquisition of land led to stoppage of the work after incurring expenditure of ₹ 1.30 crore and also blocking of ₹ 3.93 crore on account of land acquisition. The objective of the Scheme to increase cultivable command area by 280 ha. could also not be achieved even after a lapse of more than 12 years and total expenditure of ₹ 5.23 crore.

The Division stated (August 2019) that the work was commenced (December 2008) as only 18 *per cent* of the land was to be acquired for the

Scheme. The Division further stated (May 2020) that the work was retendered as the land acquisition was under progress and the work was to be executed as revised AA was granted on closure of the old contract. The District Land Acquisition Office, *inter alia*, stated (February 2020) that all protocols, as per LA Act, 1894, were followed during 2009 to 2013 but due to delay in depositing the compensation amount by the demanding authority and implementation of new LA Act from January 2014, cost of land had increased and hence, land could not be acquired.

The reply of the Division is not acceptable as work was commenced (December 2008) without acquiring land needed for construction of structures and closure of the river. The work was also retendered thrice between September 2016 and March 2017 prior to initiating (July 2017) proposal for land acquisition process afresh as required under LA Act, 2013. As such the provision of JPWD code to start work only after acquisition of land was not adhered to and the Scheme could not be completed even after 12 years of sanction. The reply of the District Land Acquisition Office was also not convincing as the District Land Acquisition Office delayed the acquisition process leading to huge increase in the compensation amount which necessitated revision of administrative approval and technical sanction.

The Department should invariably ensure that tenders are invited and works awarded only after the process of land acquisition is completed and action taken against officials who violate this Codal provision.

The matter was reported to the Government (April 2020); Reply is awaited (January 2021).

SECTION B

Revenue Sector

CHAPTER – I: GENERAL

1.1 Introduction

This chapter presents the overview of revenue raised by the Government of Jharkhand and arrears of taxes pending collection against the backdrop of audit findings.

1.2 Trend of receipts

1.2.1 The tax and non-tax revenue raised by the Government of Jharkhand, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during 2018-19 and the corresponding figures for the preceding four years are presented in **Table – 1.1**.

Table – 1.1: Trend of revenue receipts

(₹ in crore)

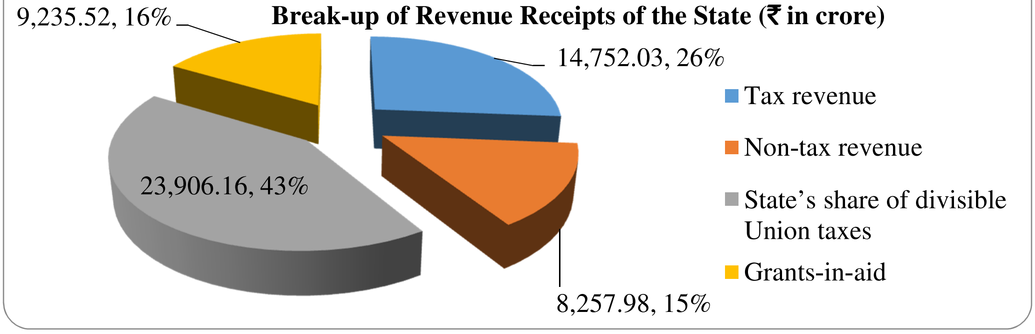
		2014-15	2015-16	2016-17	2017-18	2018-19
1	**Revenues raised by the State Government**					
	• Tax revenue	10,349.81	11,478.95	13,299.25	12,353.44	14,752.04
	Percentage of growth compared to previous year	**10.34**	**10.91**	**15.86**	**(-) 7.11**	**19.42**
	• Non-tax revenue	4,335.06	5,853.01	5,351.41	7,846.67	8,257.98
	Percentage of growth compared to previous year	**15.52**	**35.02**	**(-) 8.57**	**46.63**	**5.24**
	Total	**14,684.87**	**17,331.96**	**18,650.66**	**20,200.11**	**23,010.02**
2	**Receipts from the Government of India**					
	• State's share of divisible Union taxes and duties	9,487.01	15,968.75	19,141.92	21,143.63	23,906.16
	• Grants-in-aid	7,392.68	7,337.64	9,261.35	11,412.29	9,235.52
	Total	**16,879.69**	**23,306.39**	**28,403.27**	**32,555.92**	**33,141.68**
3	**Total receipts of the State Government (1 & 2)**	**31,564.56**	**40,638.35**	**47,053.93**	**52,756.03**	**56,151.70**
4	**Percentage of 1 to 3**	**47**	**43**	**40**	**38**	**41**

Source:* *Finance Accounts of the Government of Jharkhand.

The above table indicates that during the year 2018-19, the revenue raised by the State Government (₹ 23,010.02 crore) was 41 *per cent* of the total revenue receipts. The balance 59 *per cent* of receipts during 2018-19 was from the Government of India. Tax revenue and non-tax revenue raised by the State Government increased by 19.42 *per cent* and 5.24 *per cent* respectively in 2018-19 over 2017-18.

The break-up of revenue receipts of the State for the year 2018-19 in terms of percentage is shown in **Chart 1.1**.

Chart 1.1
Break-up of Revenue Receipts of the State (₹ in crore)



1.2.2 Details of tax revenue raised during the period 2014-15 to 2018-19 are given in **Table - 1.2**.

Table – 1.2: Details of Tax Revenue

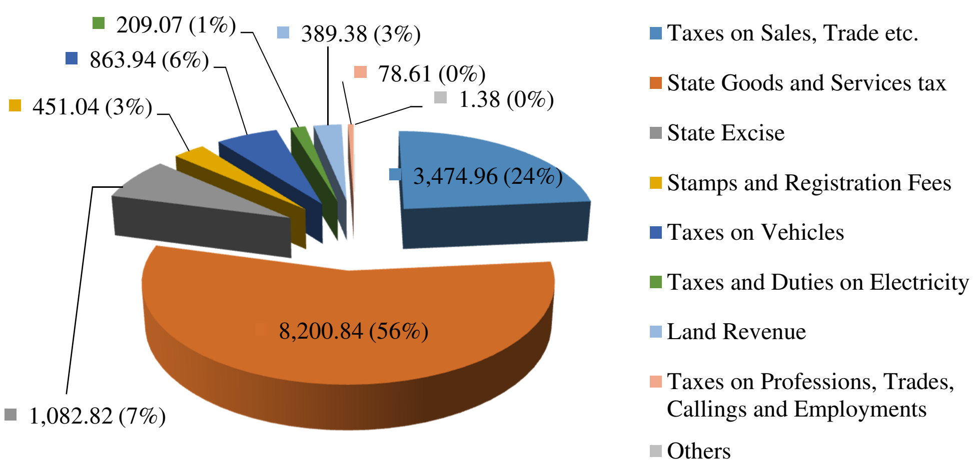
(₹ in crore)

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase(+) or decrease (-) in 2018-19 over 2017-18
1	Taxes on Sales, Trade etc.	8,069.72	8,998.95	10,549.25	5,714.69	3,474.96	(-) 39.19
2	State Goods and Services Tax	0.00	0.00	0.00	4,123.88	8,200.84	(+) 98.86
3	State Excise	740.16	912.47	961.68	840.81	1,082.82	(+) 28.78
4	Stamps and Registration Fees	530.67	531.64	607.00	469.34	451.04	(-) 3.90
5	Taxes on Vehicles	660.37	632.59	681.52	778.37	863.94	(+) 10.99
6	Taxes and Duties on Electricity	175.40	125.68	151.89	183.50	209.07	(+) 13.93
7	Land Revenue	83.54	164.35	240.26	156.01	389.38	(+) 149.59
8	Taxes on Professions, Trades, Callings and Employments	57.11	82.88	67.69	73.98	78.61	(+) 6.26
9	Others	32.85	30.39	39.95	12.86	1.38	(-) 89.27
Total		**10,349.81**	**11,478.95**	**13,299.25**	**12,353.44**	**14,752.04**	**(+) 19.42**

Source: ***Finance Accounts of the Government of Jharkhand.***

The break-up of tax revenue for the year 2018-19 is shown in **Chart 1.2**.

Chart 1.2
Break-up of Tax Revenue for 2018-19 (₹ in crore)



The reasons for variation in receipts in 2018-19 from those of 2017-18 in respect of some principal heads of tax revenue were as under:

Taxes on Sales, Trade etc. and **State Goods and Services Tax:** The increase of 18.67 *per cent* was attributed by the Department to implementation of GST from July 2017 in place of VAT.

State Excise: The increase of 28.78 *per cent* was attributed by the Department to increase in number of shops operated by Jharkhand State Beverage

Corporation Ltd. (JSBCL) in 2018-19 as compared to the shops operated in 2017-18 (between July 2017 and March 2018); and revision in rate of Excise Transport Duty (ETD) and licence fee from ₹ 50,000 to ₹ seven lakh per shop.

Stamps and Registration Fees: The decrease of 3.90 *per cent* was attributed by the Department to exemption of stamp duty and registration fees on sale deeds of immovable properties made in favour of women with effect from June 2017.

Taxes on Vehicles: The increase of 10.99 *per cent* was attributed by the Department to introduction (January 2019) of new tax structure wherein tractors, trailers, machinery equipped vehicles, three wheelers (passenger and goods vehicles) were brought under the preview of one-time tax (OTT).

Taxes and Duties on Electricity: The increase of 13.93 *per cent* was attributed by the Department to better tax administration.

Land Revenue: The increase of 149.59 *per cent* was attributed by the Department to transfer of Government lands to various companies, institutions, authorities etc.

1.2.3 Details of non-tax revenues raised during the period 2014-15 to 2018-19 are indicated in **Table - 1.3**.

Table - 1.3: Details of Non-Tax Revenue

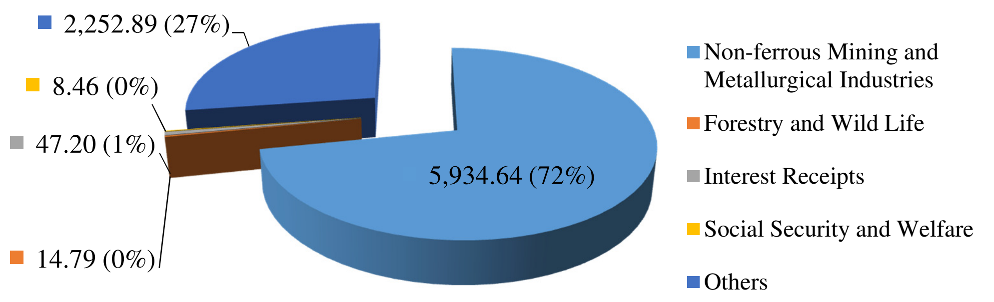
(₹ in crore)

Sl. No.	Head of revenue	2014-15	2015-16	2016-17	2017-18	2018-19	Percentage of increase(+) or decrease (-) in 2018-19 over 2017-18
1	Non-ferrous Mining and Metallurgical Industries	3,472.99	4,384.43	4,094.25	5,941.36	5,934.64	(-) 0.11
2	Forestry and Wild Life	3.66	4.13	4.48	4.44	14.79	(+) 233.11
3	Interest Receipts	143.04	122.44	121.34	168.88	47.20	(-) 72.05
4	Social Security and Welfare	4.16	3.73	36.79	135.78	8.46	(-) 93.77
5	Others	711.21	1,338.28	1,094.55	1,596.21	2,252.89	(+) 41.14
	Total	**4,335.06**	**5,853.01**	**5,351.41**	**7,846.67**	**8,257.98**	**(+) 5.24**

Source:* *Finance Accounts of the Government of Jharkhand.

The break-up of non-tax revenue for the year 2018-19 is shown in **Chart 1.3**.

Chart 1.3
Break-up of Non-tax Revenue for 2018-19 (₹ in crore)



The Departments did not furnish reasons for variations in non-tax revenue receipts in 2018-19 from those of 2017-18 despite several requests.

Forestry and Wild Life: Receipts under Forestry and Wild Life increased by 233.11 *per cent* in 2018-19 over the previous year. Audit noticed that recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913-Recoveries of unspent balances of grants-in-aid' under '0406-Forestry and Wild Life', leading to significant increase under the head 'Forestry and Wild Life'.

Interest Receipts: Receipts under Interest Receipts decreased by 72.05 *per cent* in 2018-19 over the previous year. Audit noticed that during the year 2017-18, interest amounts on unspent balances of schemes which had been lying in banks for years was deposited into the minor head '800-Other Receipts' under '0049-Interest Receipts' leading to sudden increase in Interest Receipts during 2017-18.

Social Security and Welfare: Receipts under the head "Social Security and Welfare" decreased by 93.77 *per cent* in 2018-19 over the previous year. Audit noticed that during the year 2017-18, recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913-Recoveries of unspent balances of grants-in-aid' leading to sudden increase under the head "Social Security and Welfare" during 2017-18.

Others: Receipts under heads taken under 'Others' increased by 41.14 *per cent* in 2018-19 over the previous year. Audit noticed that recoveries of unspent balances of grants-in-aid were incorrectly shown as revenue receipts of the State under the minor head '913 - Recoveries of unspent balances of grants-in-aid' under the following major heads of revenue receipts taken under 'Others': 0202-Education, Sports, Art and Culture (₹ 335.18 crore), 0216 – Housing (₹ 49 crore), 0217-Urban Development (₹ 186.78 crore), 0250-Other Social Services (₹ 166.48 crore), 0404-Dairy Development (₹ 137.42 crore), 0700 – Major Irrigation (₹ 305.69 crore), 0851-Village and Small Industries (₹ 77.73 crore) and 0852- Industries (₹ 33.35 crore), leading to significant increase. Further, bifurcation of the refunded amount into Central share and State share were not available in Voucher Level Compilation (VLC) database/Challans.

1.3 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 in respect of two principal heads of revenue amounted to ₹ 6,534.13 crore, of which ₹ 1,694.94 crore was outstanding for more than five years as detailed in **Table-1.4**.

Table–1.4 :Arrears of revenue

(₹ in crore)

Sl. No.	Head of revenue	Amount outstanding as on 31 March 2019	Amount outstanding for more than five years as on 31 March 2019	Remarks
1	Taxes on Sales, Trade etc.	6,251.73	1,469.97	Out of ₹ 6,251.73 crore, demands of ₹ 439.52 crore were certified for recovery in the same manner as arrears of land revenue. Recovery of ₹ 1,208.54 crore and ₹ 594.36 crore was stayed by the Courts/ other judicial authorities and the Government respectively. Demands of ₹ 142.12 crore were held up due to rectification/ review application and a sum of ₹ 2.30 crore was likely to be written off. Specific action taken in respect of the remaining arrears of ₹ 3,864.89 crore has not been intimated (May 2021).
2	Taxes on Vehicles	282.40	224.97	Out of ₹ 282.40 crore, demands of ₹ 98.57 crore were certified for recovery in the same manner as arrears of land revenue. Specific action taken in respect of the remaining arrears of ₹ 183.83 crore has not been intimated (May 2021).
Total		**6,534.13**	**1,694.94**	

The position of arrears of revenue pending collection as on 31 March 2019 in respect of other Departments was not furnished (May 2021) despite active pursuance by Audit (between November 2019 and February 2021).

1.4 Follow up on Audit Reports – summarised position

As per instructions issued (August 1993) by the Chairperson, Bihar Legislative Assembly, Patna, Government departments are required to submit explanatory notes to the Public Accounts Committee (PAC) within three months of laying of the Report of the Comptroller and Auditor General of India (CAG) in the Legislative Assembly. Further, action taken notes (ATNs) on recommendations made by the Committee should be submitted by the departments within six months. Significant delays were, however, observed in submission of explanatory notes itself (replies of the departments), with average delays of three months in respect of 136 paragraphs (including performance audit) appearing in the CAG's Revenue Audit Reports for the years ended 31 March 2013, 2014, 2015, 2016 and 2017 placed before the State Legislative Assembly between March 2014 and July 2018. Details of pending explanatory notes pertaining to various departments are given in **Table - 1.5**.

Table - 1.5: Pending explanatory notes

Sl. No.	Audit Report ending on 31 March	Date of presentation in the legislature	No. of paragraphs	No. of paragraphs where explanatory notes received	No. of paragraphs where explanatory notes not received
1	2013	04.03.2014	27	12	15
2	2014	26.03.2015	28	20	8
3	2015	15.03.2016	32	4	28
4	2016	02.02.2017	32	14	18
5	2017	20.07.2018	17	0	17
Total			**136**	**50**	**86**

Till 2018-19, the PAC has discussed 16 paragraphs pertaining to the Audit Reports for the years 2012-13 to 2016-17. During 2018-19, seven paragraphs pertaining to Audit Reports 2014-15 and 2015-16 was discussed for the first time and three paragraphs pertaining to Audit Report 2015-16 were discussed for the second time. However, no recommendations had been made on these paragraphs.

1.5 Response of the departments/ Government towards audit

On completion of audit of Government departments and offices, Audit issues Inspection Reports (IRs) to the concerned heads of offices, with copies to their superior officers for corrective action and their monitoring. Serious financial irregularities are reported to Heads of the Departments and the Government.

Review of IRs issued for the years 2008-09 to 2018-19 revealed that 8,394 paragraphs relating to 942 IRs remained outstanding at the end of August 2020. The potentially recoverable revenue as brought out in these IRs was as much as ₹ 13,465.46 crore whereas the total revenue receipts of the State was ₹ 23,010.02 crore in 2018-19. Department-wise details relating to the revenue sector of the State Government are given in **Table - 1.6**.

Table - 1.6: Department-wise details of Inspection Reports

(₹ in crore)

Sl. No.	Names of Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1	Commercial Taxes	Taxes on Sales, Trade etc.	226	4,597	6,450.44
		Entry Tax	5	5	9.54
		Taxes and Duties on Electricity	12	62	98.59
2	Excise and Prohibition	State Excise	157	802	958.14
3	Revenue, Registration and Land Reforms	Land Revenue	95	488	4,277.78
4	Transport	Taxes on Vehicles	160	1,057	315.61
5	Revenue, Registration and Land Reforms	Stamps and Registration Fees	126	578	36.63
6	Mines and Geology	Non-ferrous Mining and Metallurgical Industries	161	805	1,318.73
Total			**942**	**8,394**	**13,465.46**

Even the first replies, required to be submitted by the heads of offices within one month from the date of issue of the IRs, were not received for 133 IRs issued from 2008-09 onwards.

1.6 Results of audit

Position of local audit conducted during the year

Audit covered three departments[14] of the State Government and test-checked the records of 55 out of 590 auditable units (9.32 *per cent*) relating to taxes on sales, trade etc., state excise, land revenue and stamps and registration fees during the year 2018-19. In these three departments, revenue of ₹ 7,180.85 crore was collected during 2017-18, out of which 55 audited units collected ₹ 2,122.66 crore (29.56 *per cent*). In the 55 audited units, Audit noticed under-assessment, non/short levy of tax/interest/penalty, loss of revenue etc. aggregating ₹ 588.57 crore (27.73 *per cent* of revenue collected by units) in 1,332 cases. Audit also conducted a Performance Audit on "Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand" and an Audit on "Mechanism for levy and collection of electricity duty in Jharkhand" which revealed under-assessment/ short levy/ loss of revenue of ₹ 1,569.58 crore. The departments concerned accepted under-assessment and other deficiencies of ₹ 1,628.15 crore (75.44 *per cent* of total audit observation) in 588 cases pointed out by audit and effected recovery of ₹ 15.50 crore in 84 cases.

1.7 Coverage of this Section

This Section of the Report contains five selected paragraphs from the local audits conducted during the year including those of earlier years which could not be included in the previous reports. This Section also contains Performance Audit on "Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand" and Audit on "Mechanism for levy and collection of electricity duty in Jharkhand", involving financial effect of ₹ 1,627.99 crore.

The Department/ Government have accepted audit observations involving ₹ 1,612.24 crore and recovered ₹ 14.43 crore.

The errors/omissions pointed out are on the basis of a test audit. The Department/Government may, therefore, undertake a thorough review of all units to check whether similar errors/omissions have taken place elsewhere and, if so, rectify them and put a system in place that would prevent such errors/omissions.

[14] Commercial Taxes, Excise and Prohibition and Revenue, Registration and Land Reforms.

CHAPTER – II: PERFORMANCE AUDIT

TRANSPORT DEPARTMENT

2.1 Assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand

This Performance Audit contains findings emerging from the audit of assessment and collection of motor vehicle tax and fee in Transport Department, Jharkhand during 2014-19. The audit brings out deficiencies due to implementation of amendments in the taxation structure of vehicles by the Transport Department with obscure provisions and delays in the customisation of the application software. This, coupled with mapping of incorrect and incomplete provisions resulted in loss of revenue of ₹ 6.76 crore. Further, some activities were yet to be captured in the application software. These deficiencies had the following impacts.

(i) Absence of clarity in provisions led to difficulty in ascertaining the validity of registration of tractors and trailers, percentage of one-time tax on previously registered transport vehicles which have been brought under one-time tax, rate of refund of tax in case of transfer of vehicle from the State, tax to be levied on chassis/unbuilt body and tax to be levied on temporary registration of transport vehicles under one-time tax; and

(ii) The delay, incorrect and incomplete mapping of business rules led to short realisation of revenue from vehicle owners as the system generated tax at pre-revised rates. Further, incorrect mapping resulted in excess realisation of additional tax on one-time tax. Vehicles of other States plying in Jharkhand could not be assigned local registration mark of the State since the check mechanism to identify vehicles plying for more than one year was not mapped in the application. The work of recording present address of vehicles registered in other States and collection of trade tax was being conducted manually which led to omission of levy of additional fee for delayed submission of no objection certificates and short payment of trade tax and penalty for delayed payment of trade tax.

The State Government did not make any effort to identify and rectify the inherent flaws in the amendments and in mapping of business rules with a view to safeguard the revenue interests of the State. The Department is yet to bring all its activities under the computerised environment for better tax administration.

Audit also noted irregularities in levy and collection of motor vehicle tax and fees. The total financial implication of this Audit based on a test check of office of the Transport Commissioner, five offices of Regional Transport Authorities and 12 District Transport Offices in Jharkhand was ₹175.42 crore which included loss of revenue of ₹ 7.04 crore (Paragraphs 2.1.11.3 and 2.1.12.2).

2.1.1 Introduction

Revenue from Transport Department constituted on an average, 5.83 *per cent* of the total tax revenue for the State of Jharkhand during the period 2014-19. Audit was conducted to assess whether the State Transport Department could safeguard the revenue interest of the State.

The Report highlights flaws in administration of tax and fee, computerisation, deficiencies in tax governance and other irregularities which affect the revenue generation of the Department.

The following paragraphs present an overview of the trend of motor vehicle receipts raised by the Government, audit objectives, criteria, scope and methodology.

2.1.2 Collection of Taxes on Vehicles

The Jharkhand Financial Rules (JFR), Vol.-I provides that the responsibility for preparation of budget estimate vests with the Finance Department. The Transport Department is responsible for compilation and submission of figures of detailed estimates to the Finance Department.

Receipts under the Major Head '0041–Taxes on Vehicles' consist of tax, fees, fines and penalties. The actual receipts from Taxes on Vehicles during 2014-19 are shown in **Table-2.1**.

Table-2.1: Receipts from Taxes on Vehicles

(₹ in crore)

Year	Actual receipts	Total tax revenue of the State	Percentage contribution by Taxes on vehicles to total revenue of the State (% of col. 2 to 3)
1	2	3	4
2014-15	660.37	10,349.81	6.38
2015-16	632.59	11,478.95	5.51
2016-17	681.52	13,299.25	5.12
2017-18	778.37	12,353.44	6.30
2018-19	863.94	14,752.03	5.86

Source: Finance Accounts, Government of Jharkhand.

2.1.3 Cost of collection

The percentage of expenditure incurred on collection of "Taxes on vehicles" during 2014-19 along with a comparative overview with All India Average is depicted in the **Table-2.2**.

Table - 2.2: Cost of collection

Year	Gross collection (₹ in crore)	Expenditure on collection (₹ in crore)	Cost of collection (Col. 3/ Col. 2)	All India average
1	2	3	4	5
2014-15	660.37	6.20	0.94	6.25
2015-16	632.59	6.12	0.97	6.08
2016-17	681.52	6.18	0.91	4.99
2017-18	778.37	6.61	0.82	2.61
2018-19	863.94	6.76	0.78	NA

2.1.4 Audit objectives

Audit was conducted with a view to ascertain the adequacy of:

- system for assessment of motor vehicles taxes and fees; and
- system of collection of motor vehicles taxes and fees.

2.1.5 Audit criteria

Audit was conducted with reference to the provisions made under the following Acts and Rules:

- Motor Vehicles Act, 1988;
- Central Motor Vehicles Rules, 1989;
- Jharkhand Motor Vehicles Taxation Act, 2001;
- Jharkhand Motor Vehicles Taxation Rules, 2001;
- Jharkhand Motor Vehicles Rules, 2001;
- Jharkhand Financial Rules;
- Carriage by Road Act, 2007;
- Carriage by Road Rule, 2011; and
- Departmental instructions issued from time to time.

2.1.6 Audit scope and coverage

The Performance Audit on "Assessment and collection of Motor Vehicle Tax and Fee in Transport Department, Jharkhand" was conducted between July 2019 and March 2020 pertaining to the period from 2014-19. For this Audit, 12 District Transport offices (DTOs) out of 24 DTOs, all five offices of Regional Transport Authorities[15] and office of the Transport Commissioner were selected. Out of 12 selected DTOs; five offices[16] were selected on the basis of high revenue collection and seven offices[17] through Stratified Random Sampling without Replacement (SRSWOR).

2.1.7 Audit methodology

An entry conference was held on 3 July 2019 with the Secretary, Transport Department, Government of Jharkhand in which the audit objectives, scope and methodology were discussed.

Audit did not have access to the real time data of application software (*VAHAN*, *SARATHI, sPERMIT* and National Permit System) being operated by the Department, hence Audit obtained data for the period 2014-19 from the NIC, Jharkhand State Unit, Ranchi in May 2019. Analysis of data revealed several irregularities which have been categorised in **Table-2.3**.

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15 Kolhan, Dumka, Hazaribag, Palamu and Ranchi.
16 Bokaro, Dhanbad, Hazaribag, Jamshedpur and Ranchi.
17 Deoghar, Dumka, Giridih, Khunti, Lohardaga, Palamu and Ramgarh.

Table – 2.3: Irregularities found during analysis of data

Sl. No.	Particulars	Total records found in the data
1	Defaulter commercial vehicle owners under the purview of one-time tax	2,68,816
2	Transport vehicles defaulting tax	74,341
3	Non-revision of axle weight	86,606
4	Non-assignment of local registration mark	27,560
5	Non-renewal of fitness certificate of transport vehicles	3,31,327
6	Short levy of one-time tax on personalised vehicles	25,478
7	Excess levy of one-time tax on personalised vehicles	208

The results of analysis were verified with the real time data/manual records related to change in status of tax position, validity of fitness certificates, authorisation of permits etc., in the selected offices. Further, Audit test-checked the records of activities which were maintained manually and were not being captured in any of the application software, e.g., submission of no objection certificates of vehicles for recording of present address, trade tax and defaulters of authorisation of national permit. Besides, Audit cross-examined the information recorded in the application software, e.g., sale price of vehicles, date of validity of registration, driving license, certificate of fitness etc., with the manual records maintained in the selected offices.

An exit conference was held on 11 December 2020 with the Secretary of the Department to discuss the findings of the Performance Audit. The response of the Government/Department have been suitably incorporated in the Report.

2.1.8 Acknowledgement

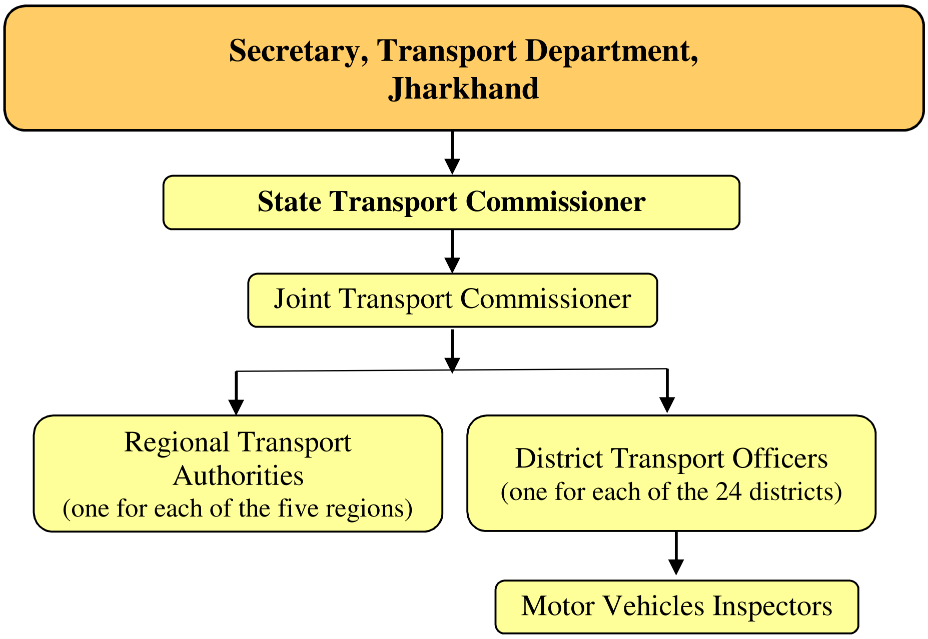
Audit acknowledges the co-operation of the Transport Department and the NIC, Jharkhand State Unit, Ranchi in providing necessary information, data and records.

2.1.9 Tax and fee administration

2.1.9.1 Organisational set up

The Secretary of the Department is the administrative head and the principal adviser to the Government on all matters of policy and administration. The Transport Commissioner (TC), Jharkhand is the executive head and responsible for compliance of the Acts and Rules in the State and for issue of inter-State permits under reciprocal agreements and levy and collection of tax of these vehicles and vehicles plying under temporary permits. The RTAs are permit issuing authorities, who grant and renew permits of transport vehicles and countersign the permits issued by other RTAs. The DTOs are the licensing, registering and taxing authorities and are responsible for levy and collection of motor vehicle tax, trade tax and fee. They are assisted by the Motor Vehicle Inspectors (MVIs) in all technical matters relating to road transport.

Chart 2.1



2.1.9.2 Governance of tax and fee

On creation of the State of Jharkhand with effect from 15 November 2000, the existing Acts, Rules and executive instructions of the State of Bihar were adopted by the State of Jharkhand. Motor vehicle taxes are governed by the Jharkhand Motor Vehicle Taxation (JMVT) Act, 2001 and Jharkhand Motor Vehicle Taxation (JMVT) Rules, 2001; motor vehicle fees are governed by Central Motor Vehicle (CMV) Rules, 1989 and Jharkhand Motor Vehicle (JMV) Rules, 2001. Taxes on vehicles are assessed in accordance to the Schedules appended to Sections 5, 6 and 7 of JMVT Act. Vehicles have been categorised into various types for the purpose of computation of taxes and fees, based upon use, registered laden weight (RLW), seating capacity and cost of vehicles.

- **Tax on personalised vehicles**: A fixed lump sum amount of one-time tax is leviable on personalised vehicles which included two-wheelers and light motor vehicles upto seating capacity of five seats. In May 2011, range of personalised vehicles was raised upto 10 seats and one-time tax was leviable at specific rates viz., three, four and five *per cent* of the cost of vehicle depending upon the seating capacity of vehicle. Further, in January 2019, range of personalised vehicle was raised upto 12 seats and the rate of one-time tax was revised to six *per cent* on the cost of the vehicle. Provision for additional tax at the rate of three *per cent* of one-time tax on possession of subsequent personalised vehicle or vehicle costing above ₹ 15 lakh and six *per cent* in case of both conditions was introduced. Provision for green tax at the rate of 10 *per cent* of total payable tax on vehicles older than 15 years was also introduced.

- **Taxes on transport (commercial) vehicles**: Motor vehicle (MV) tax and additional motor vehicle (AMV) tax was computed on the basis of registered laden weight (RLW) or seating capacity of transport vehicles. There was provision for rebate of 10 to 30 *per cent* on AMV tax of vehicles more than five years old. In January 2019, the provision of additional motor vehicle tax was dispensed with and rates of MV taxes on transport vehicles were revised. Provision for green tax at the rate of 10 *per cent* of total payable tax on vehicles older than 12 years was introduced. Goods vehicles upto RLW of three ton, motor cab/omni, construction equipment vehicles, three-wheeler passenger, tractor and its trailer were brought under the purview of one-time tax valid for 10 to 15 years. Annual taxes on goods vehicles of more than three ton and passenger vehicles with 13 and more seats were revised. Vehicle owners are required to pay advance tax on quarterly basis.

- **Temporary tax:** A temporary tax token is issued, in respect of transport vehicles registered in other States and plying temporarily in Jharkhand, on payment of prescribed tax for a specified period. In March 2019, Government of Jharkhand revised the rate of temporary tax.

- **Trade tax on dealers/manufacturers:** Trade tax at the annual rate was to be paid by the manufacturer or a dealer of motor vehicle in respect of the motor vehicle in his possession during the course of his business at specified rates for a block of seven vehicles. In January 2019, trade tax was revised and computed on the basis of each vehicle.

- **Penalty and interest for delay in payment of tax:** Penalty ranging from 25 to 200 *per cent* of the tax due, depending upon the periodicity of delay in payment of tax, is leviable on transport vehicles and in case of one-time tax (OTT), interest at the rate of two *per cent* per month is leviable on OTT. For vehicles other than personalised vehicles, the due date of payment of tax shall be the date of expiry of the period for which the tax had been paid last. A grace period of 15 days from due date of payment has been provided. In case of personalised vehicles, OTT was required to be paid within 30 days from date of acquisition of vehicle which has been revised to seven days in January 2019.

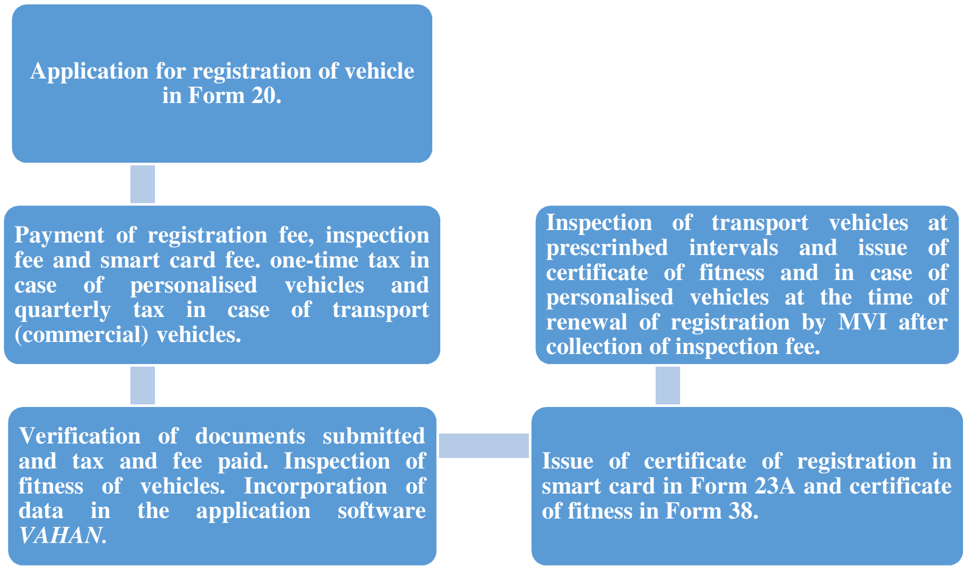
- **Fee:** Fee at applicable rates for issue of driving license, certificate of registration, inspection, fitness of vehicles, permit fee etc. are leviable under CMV Rules and JMV Rules.

- **Consolidated and authorisation fee:** In May 2010, Ministry of Road Transport and Highways, Government of India (MoRTH) introduced a new national permit system for goods vehicles across the country. National permit was granted to goods vehicle on advance payment of consolidated fee of ₹ 15,000 along with authorisation fee of ₹ 1,000 per annum. The consolidated fee is deposited in national permit account (8499-Other Deposits) and the share of respective States/UTs on pro-rata basis, derived from a prescribed formula, is distributed. The share is disbursed through Reserve Bank of India advice by Pay and Accounts Office of MoRTH on a monthly basis to the States and becomes a part of revenue receipt under State head "0041-taxes on vehicles". The rate of consolidated fee was revised to ₹ 16,500 in April 2012 and State's share is ₹ 664 per permit issued under this system.

2.1.9.3 Registration, taxation and inspection of vehicles

The process for registration, taxation and inspection of personalised and transport (commercial) vehicles in the State is shown in **Chart 2.2**:

Chart 2.2



2.1.10 Amendment in JMVT Act

Government of Jharkhand vide Gazette Notification No. 95 dated 31 January 2019 brought changes in the taxation structure of motor vehicles and called it Jharkhand Motor Vehicles Taxation (Amendment) Act, 2018. Audit observed that some of the provisions were obscure as discussed below.

- A new Sub-Section-7(7) was inserted in the JMVT Act, wherein life time tax of ₹ 5,000 at the time of registration for trailer and OTT of four *per cent* of the cost of tractor, excluding GST, was provisioned. Further, Section 7(2) of JMVT Act provides for refund of OTT in case of transfer of vehicle from the State.

Audit, however, observed that the sub-section was silent about the validity of tax and residual lump sum amount of tax payable on previously registered tractor and trailer before the amendment. Rate chart for refund of life time tax and OTT in case of transfer of vehicles from the State was also not appended. In case of personalised vehicles for which OTT is leviable, the validity of registration and tax is 15 years and a percentage chart has been appended in Schedule I Part 'A' prescribing the percentage of OTT leviable on cost of vehicle depending upon the age of vehicle for collection of OTT for residual period of registration granted. But in the instant case, neither the validity of registration or tax has been defined nor has percentage chart for collection and refund of OTT been appended.

- Similarly, in case of transport vehicles, viz., three wheelers (passenger) and machinery equipped vehicles brought under the purview of one-time tax, the leviable OTT for newly registered three wheelers (passenger) was ₹ 9,000 for 15 years and ₹ 6,000 for 10 years for vehicles upto one year old and seven *per cent* on the cost of newly registered machinery equipped vehicles valid for 12 years.

Audit observed that in case of three wheelers (passenger), the Act was silent on the scale of OTT leviable for vehicles older than one year. Further, percentage of OTT leviable on already registered vehicles as provided for personalised vehicles and refund of OTT discussed above was not provisioned.

- Under Schedule-1 Part 'C' of the repealed provision, there was provision for taxation of chassis/unbuilt body on their unladen weight so that it could ply on road to get the body built.

It was observed that this provision has been dispensed with in the amended Act. In the absence of this provision, rate of tax to be levied from chassis/unbuilt body was not clear.

- Section 7(4) of JMVT Act specifies the rate of tax leviable at the time of temporary registration of transport vehicles at 1/12th of yearly tax, and for OTT paying personalised vehicles, a fixed amount of ₹ 100 and ₹ 400 were leviable as temporary tax. The rate of tax leviable at the time of temporary registration of transport vehicles brought under the purview of life time tax/OTT had not been provided. In the absence of this provision, rate of tax to be levied in case of temporary registration was not clear. However, the Department levied proportionate amount of OTT as one month tax in case of temporary registration.

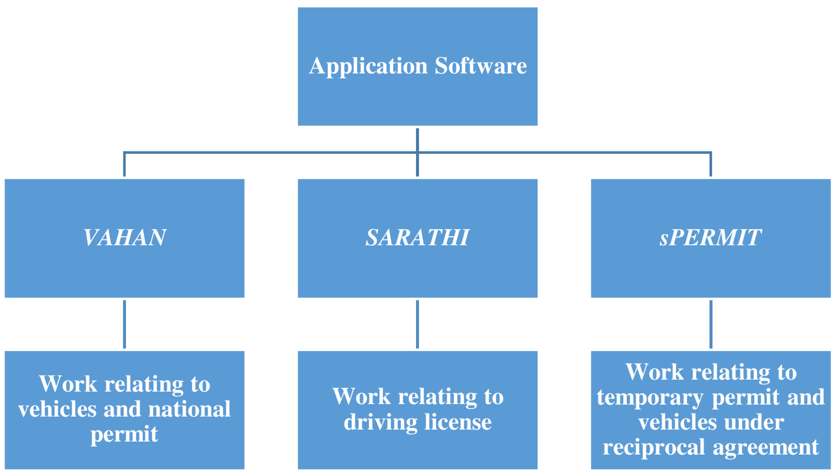
After the matter was pointed out (July 2019), the Government/Department stated that rectification in the amended Act was under process. Further reply is awaited.

2.1.11 Application Software

2.1.11.1 Introduction

To ensure greater control, quick monitoring and provide better citizen services, two application software were designed by National Informatics Centre (NIC) for implementation throughout India i.e., *VAHAN* and *SARATHI*, which were adopted by Government of Jharkhand in August 2004. *sPERMIT* developed by NIC, Jharkhand State Unit was introduced by the State in October 2017. Broad area of functioning of the application software is depicted in **Chart-2.3**.

Chart- 2.3



VAHAN included different modules for registration of vehicles, renewal of certificate of registration, transfer of ownership, change of address, endorsement and cancellation of hypothecation, levy and collection of taxes etc., whereas, *SARATHI* included modules related to issuance and renewal of driving license. The application program had flexibility of Windows environment which was later upgraded to web-based applications. The existing system was revamped by consolidating core application modules to a centralised platform with the introduction of advanced versions of *VAHAN* 4.0 and *SARATHI* 4.0 from February 2017 in the State. This version was user-friendly and had advanced features of security, transparency, cost-effectiveness and brought the services to the doorstep of the citizens.

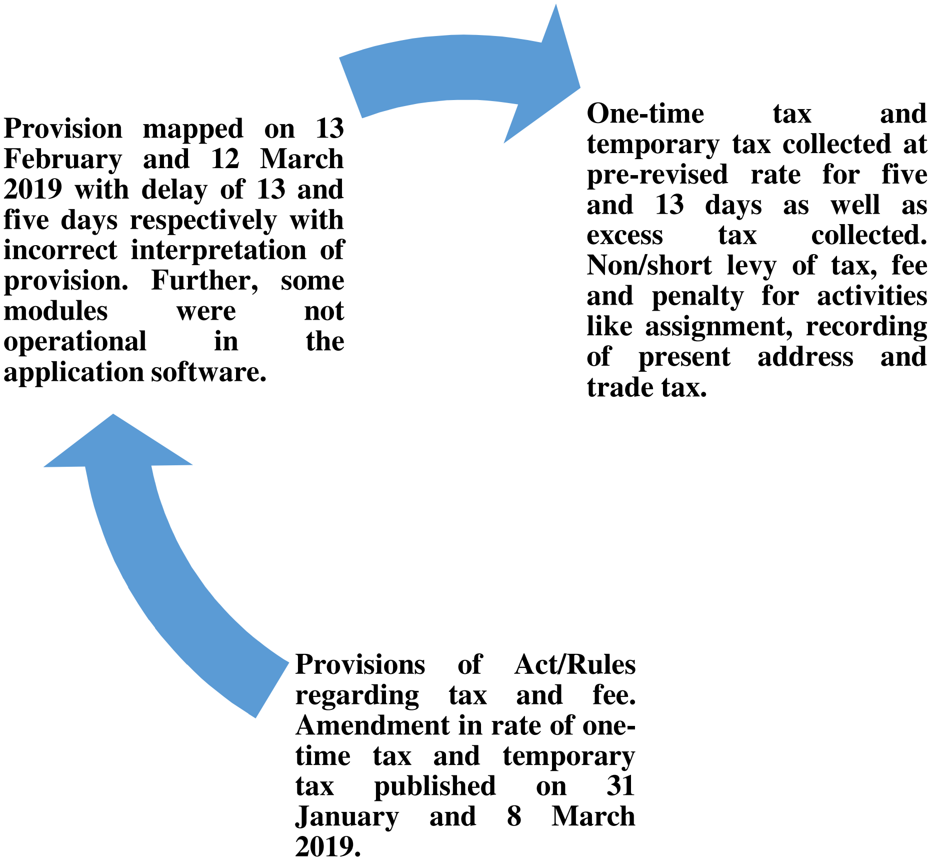
Under the National Permit System (NPS), permits for goods carriages are granted or renewed through an electronic system developed by MoRTH. PERMIT module is a part of revamped applications for National Mission Mode Projects - Transport Computerisation Project. Services of national permit are available under the module of national permit in *VAHAN* application facilitated on web through the portal www.parivahan.gov.in.

For granting permits other than national permit, the Department launched "Online State Permit System" facilitated on web through the portal www.spermit.jharkhand.gov.in. Stage carriage permits, inter-state permits under reciprocal agreements, goods carriage permits and contract carriage permits of the vehicles are applied and issued through this portal.

Major functions of the Transport Department have been brought under *VAHAN* and *SARATHI*. A Project Monitoring Unit (PMU) for monitoring the functioning of *VAHAN* and *SARATHI* in the State was created with technical support of NIC. The purpose of the PMU was to ease the functioning of computerised system with promptness and to keep uniformity of the application system throughout the State. The Department implemented the changes in the application software as a result of amendments in the provisions of Acts/Rules through PMU.

The succeeding paragraphs highlight delayed mapping of business rules and non-operational modules of some activities in the application software leading to non/under assessment of tax and penalty. The cause and effect of delayed mapping of business rules is depicted in **Chart 2.4**.

Chart - 2.4



Delayed mapping of business rules

Audit analysed the data of *VAHAN*. It was found that either the provisions of amended Act/Rules mapped in the application were done incorrectly or after a delay of five to 13 days. This has resulted in loss of revenue to the tune of ₹ 5.63 crore and excess collection of ₹ 59.32 lakh as discussed in the paragraphs below:

2.1.11.2 Levy of one-time tax

One-time tax and penalty of ₹ 5.54 crore was short assessed from 2,633 personalised vehicles and excess one-time tax of ₹ 59.32 lakh was assessed from 189 personalised vehicles due to delayed/incorrect mapping of business rules in *VAHAN*.

Under the provisions of Section 2(g) of the JMVT Act, vehicles having seating capacity of two but not exceeding 12 including driver, which are used solely for personal purpose, was brought under the purview of personalised vehicles. The one-time tax (OTT) was revised to six *per cent* of cost of vehicle from 31 January 2019. An additional tax of three *per cent* on leviable OTT was introduced, if the owner already possessed a light motor vehicle. However, if the cost of additional vehicle exceeded ₹15 lakh, six *per cent* tax was levied, instead.

On analysis of data, it was noticed that 8,372 personalised vehicles were registered between 31 January and 31 March 2019 in the State. Out of these, 7,632 vehicles (91 *per cent*) were registered in transport offices of the selected districts. Further scrutiny revealed that in case of 3,082 light motor vehicles, OTT was short levied out of which 2,801 cases were in selected district transport offices. Audit verified these cases with the real time data in the concerned selected district transport offices (between July 2019 and March 2020) and found that in 2,633 cases, OTT of ₹ 6.80 crore had been levied at the pre-revised rate of three to five *per cent* instead of ₹ 12.34 crore at the rate of six *per cent*. The mapping of revised rate in the application software was done on 13 February 2019 instead of date of enforcement (31 January 2019), after a delay of 13 days. Thus, due to delay in mapping of revised rates, one-time tax of ₹ 5.54 crore was short levied. It was further observed that the NIC had informed (28 January 2019) the Department that the proposed amendments would require some more time for mapping in the application software. However, the Department enforced the amendments from 31 January 2019 without prescribing any alternate methodology for collection of OTT at revised rates. Moreover, the DTOs also did not collect OTT at revised rate and continued to collect tax at pre-revised rate even after publication of amended provisions.

The Government accepted (November 2020) the audit observation and intimated that ₹ 20.93 lakh has been realised against 131 vehicle owners in four DTOs[18]. Further, DTOs have been directed to raise the demand and realise the differential tax. It was also ensured that provisions of notification would be correctly mapped in the application in future.

- On analysis of data, it was noticed that in case of 208 personalised vehicles, excess additional tax on OTT had been levied out of which 189 vehicles were in 10 selected district transport offices[19]. Further scrutiny of data revealed that ₹ 1.90 crore was levied instead of ₹ 1.31 crore from 189 vehicle owners. Audit verified the result of data analysis with the real time data and taxation registers in the concerned district transport offices and noticed that in all 189 cases, additional tax on OTT of ₹ 59.32 lakh had been realised in excess of leviable tax. It was observed that the excess collection was due to levy of additional tax of three *per cent* on cost of vehicles instead of three *per cent* on OTT. The incorrect interpretation and mapping of the amended provisions in the application software detailed in **Table - 2.4**.

[18] Bokaro, Deoghar, Dhanbad and Ranchi.

[19] District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Giridih, Hazaribag, Jamshedpur, Palamu, Ramgarh and Ranchi.

Table - 2.4: Incorrect interpretation and mapping of amended provisions

Sl. No.	Condition	OTT leviable in *per cent* on cost of vehicles excluding GST	OTT levied in *per cent*	Excess OTT levied in *per cent*
1	If an owner already possess a personalised vehicle.	6 + (3% x 6) = 6.18	9	2.82
2	If the cost of vehicle exceeds ₹ 15 lakh.	6 + (3% x 6) = 6.18	9	2.82
3	If an owner already possess a personalised vehicle and purchases second vehicle cost of which exceeds ₹ 15 lakh.	6 + (6% x 6) = 6.36	12	5.64

Moreover, the DTOs also collected additional tax on OTT as generated through the application software without verifying it with the amended provisions.

The Government stated (November 2020) that the intention was to levy three *per cent* additional tax on the cost of vehicle instead of OTT and intimated that in this regard a modification was made by an ordinance in November 2019. The validity of the ordinance had already expired in May 2020. However, the Secretary stated during exit conference (11 December 2020) that the ordinance has been moved for passing as an Act.

2.1.11.3 Levy of temporary tax

Temporary tax of ₹ 8.68 lakh was short levied due to delayed mapping of business rules in *VAHAN*.

A temporary tax token is to be issued to transport vehicles registered in other States plying temporarily in Jharkhand on payment of tax specified in Section 7(5) of JMVT Act. The Government of Jharkhand revised the existing rate of temporary tax on 8 March 2019. Assessment and collection of temporary tax are facilitated and monitored by *VAHAN* under module 'check post' provided through the web portal.

As per information furnished by the office of the Transport Commissioner regarding collection of temporary tax, an amount of ₹ 34.46 lakh was collected from 1,871 vehicles in March 2019. Further scrutiny revealed that out of these vehicles, temporary tax of ₹ 4.85 lakh was levied at pre-revised rates instead of ₹ 13.53 lakh, at revised rates, in case of 434 vehicles for the period from 8 March to 12 March 2019. It was observed that the revised rate was mapped in the application software with a delay of five days from the date of its enforcement resulting in short levy of temporary tax of ₹ 8.68 lakh from 434 vehicles. The Department also continued to collect tax at pre-revised rates without formulating an alternative mechanism for collection at revised rates till updation of the application. It was further observed that the department forwarded the amendment to NIC on 26 February 2019 which was uploaded for testing on 6 March 2019. However, deployment on production server was facilitated only on 13 March 2019. Reasons for delayed deployment of amendments in the server were not found on record.

The Government accepted (November 2020) the audit observation and assured that provisions of notification would be timely and correctly mapped in the application in future.

Deficiencies in operational modules

Audit analysed the data of *VAHAN* and found that linkages with the other modules required to get the desired results were not developed or mapped in the application software under the provisions of Act/Rules. This resulted in loss of revenue to the tune of ₹ 1.14 crore as discussed in the paragraphs below.

2.1.11.4 Assignment of local registration mark

Vehicles of other States plying in Jharkhand were not assigned local registration mark of the State leading to non-assessment of revenue of ₹ 81.23 lakh.

Section 47 of the MV Act and Rules made thereunder provides that when a motor vehicle registered in one State is kept in another State, for a period exceeding 12 months, the owner shall apply to the new registering authority for the assignment of a new registration mark. If the owner fails to apply within 12 months, he is required to pay fine at the specified rates.

On analysis of data, it was noticed that 27,560 migrated vehicles from other States were plying in the State. Out of these 21,876 vehicles (79 *per cent*) were in the selected district transport offices. Audit sampled 8,043 vehicles (37 *per cent*) on the basis of tax payment and verified (between July 2019 and March 2020) it from real time data which revealed that 3,928 vehicles in 11 offices[20] remained in the State for a period beyond 12 months with registration number of previous States. It was further observed that there was no link between the module for payment of road tax and module for assignment in *VAHAN* to ascertain the periodicity of stay. The Department remained unaware about the number of migrated vehicles plying in the State for more than 12 months and could not initiate action for assignment of local registration number and levy fees and fine to the tune of ₹ 81.23 lakh.

The Government accepted (November 2020) the audit observation and intimated that ₹ 1.85 lakh has been realised against 93 migrated vehicles in three DTOs[21]. Further, DTOs have been directed to raise the demand and realise the assignment fees. During the exit conference, the Secretary stated that assignment fee would be charged at the time of recording present address or other remedial action would be explored.

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[20] District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu, Ramgarh and Ranchi.

[21] Bokaro, Dhanbad and Ranchi.

2.1.11.5 Levy of additional fee on delay in submission of no objection certificate

Non-mapping of provision for levy of additional fee on delayed submission of no objection certificate (NOC) in the module resulted in non-levy of fee of ₹ 17.42 lakh from 764 vehicles.

Under the provisions of Rule 59 of CMV Rules, the owner of a vehicle shall apply for change of residence in the certificate of registration (RC) and shall pay appropriate fee. As per Section 49 of MV Act, the vehicle owner is required to submit NOC to the new registering authority within 30 days of its issuance by the previous registering authority. In case of delay in submission of NOC, an additional fee of ₹ 300 for each month for motor cycles and ₹ 500 for each month for other vehicles shall be levied.

Audit test-checked the present address registers in selected district transport offices and noticed that 2,991 vehicle owners had applied for change in their present addresses during the period from 29 December 2016 to 31 March 2019 in 10 offices[22]. Out of these, NOCs were submitted after a delay of more than one month in 764 cases as per the records maintained in the offices. It was further observed that provision for levy of additional fee on delayed submission of NOC was not mapped in *VAHAN* and calculation of tax and fee at the time of recording change of present address was being done manually. The DTOs also overlooked the delayed submission of NOC while recording the present address and did not levy additional fee. Thus, absence of check mechanism in the application software for levy of additional fee and monitoring by DTOs resulted in non-levy of additional fee of ₹ 17.42 lakh.

The Government accepted (November 2020) the audit observation and intimated that DTOs, Bokaro and Dhanbad had realised ₹ 30,000 against 20 vehicle owners. Further, DTOs have been directed to raise the demand and realise the differential fee. It was also intimated that the provision had since been mapped in the application.

2.1.11.6 Assessment of tax and penalty on delayed payment of trade tax

Non-functioning of trade tax module and ineffective monitoring by DTOs to detect short/delayed payment of trade tax resulted in short levy of trade tax and penalty amounting to ₹ 15.12 lakh.

Section 6 of JMVT Act provides for payment of trade tax at the annual rate specified in Schedule-III by a manufacturer/dealer in respect of motor vehicles held in possession in the course of business. The dealer is liable for payment of penalty equivalent to twice the tax for non-payment of tax beyond a period of 90 days.

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[22] District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu and Ranchi.

Audit scrutiny (between August 2019 and March 2020) of trade tax register and files in selected district transport offices revealed that in DTOs, Palamu and Ramgarh, three out of 38 dealers paid trade tax for the period between 2015-16 and 2018-19 amounting to ₹ 11.68 lakh with delays ranging from 30 days to more than 90 days. The DTOs, however, while renewing the trade certificates overlooked the short and delayed payment of trade tax and consequently did not levy tax and penalty amounting to ₹ 15.12 lakh. It was further observed that trade certificate module available in *VAHAN* was not functional. Information regarding registered dealers, sale of vehicles by each dealer, trade tax payment etc., was also not available in the application and work relating to levy and collection of trade tax was being conducted manually.

The Government accepted (November 2020) the audit observation and directed the DTOs concerned to raise demand against the concerned vehicle dealers. During exit conference (December 2020), the Secretary stated that module of trade tax would be activated in *VAHAN* application.

2.1.11.7 Backlog entries in *VAHAN* and *SARATHI* data

MoRTH has been facilitating computerisation of all the RTOs across the country with a mission to automate registration of all vehicles and driving license related activities with introduction of smart card technology to handle issues like movement of inter-State transport vehicles and to create state and national level registers of vehicles and driving licenses.

The Department in its meeting held in June 2004 for execution and compliance of computerisation scheme had provisioned for backlog entry of all manual data available and maintained in the Department prior to introduction of *VAHAN* and *SARATHI* applications. However, backlog entries of vehicles registered and driving licences issued prior to implementation of *VAHAN* and *SARATHI* were not done in the field offices even after a lapse of 16 years.

This adversely affected the work of DTOs in Jharkhand in the following manner:

a) The data of personalised vehicles registered prior to 2004, was not captured in the *VAHAN* application. In the absence of this data, the Department was not aware of the actual number of personalised vehicles whose registration validity had expired after 15 years but registration certificates had not been surrendered/renewed.

b) Verification of ownership of second and subsequent vehicles could not be ascertained at the time of registration of new vehicle.

c) The holders of driving license who were issued DLs prior to introduction of *SARATHI* could not avail online services of *'Parivahan Sewa'* in the absence of backlog entries.

The Government while accepting (November 2020) the audit observation stated that backlog entries could not be done due to non-availability of cost of vehicles, details of PAN, mobile number and Aadhar of vehicle owners and license holders. It was also stated that a public notice would be published in local newspapers so as the concerned persons may approach the transport offices to update their records.

2.1.12 Assessment and collection of taxes and fees

2.1.12.1 Introduction

Rule 23 of JMVT Rules provides that the taxing officer shall maintain taxation register for all vehicles except personalised vehicles in Form M, demand register for transport vehicles in Form N and register for temporary discontinuance in Form O. The registers in Form M and N are required to be updated every year on 1 October and 31 March. Further, Rule 37 of Jharkhand Financial Rules mandates the controlling officers to ensure that all sum due to Government are regularly and promptly assessed, realised and duly credited in the Government Account. Consequent upon computerisation of the Department, all the functions were brought under web based applications, which had facilitated auto maintenance of records readily available to controlling officers for his perusal and action.

Taxes on vehicles are paid in advance, quarterly or one-time, depending upon the category of vehicles. One-time tax is levied on personalised vehicles and some transport vehicles duly notified, whereas taxes on other vehicles are paid on quarterly basis. Rule 4 of JMVT Rules provides for penalty for non-payment of tax at the rates specified depending upon the duration of non-payment. The following paragraphs includes audit finding of short/ non-assessment and short/non-collection of taxes and fee to the tune of ₹ 168.07 crore.

Assessment of taxes and fees

2.1.12.2 Revision of axle weight

Non-revision of axle weight of 15,507 transport vehicles led to short assessment of tax amounting to ₹ 6.95 crore.

MoRTH, GOI revised the safe axle weight in relation to transport vehicles in July 2018. The Transport Department, Government of Jharkhand endorsed (July 2018) the revision and directed all DTOs and MVIs to adhere to the notification issued by MoRTH.

On analysis of data, it was noticed that out of 1,14,038 goods vehicles for which axle weight was to be revised, revision was pending in 86,606 cases. Out of these, 69,912 cases (81 *per cent*) were in selected district transport offices.

Audit sampled 15,507 (22 *per cent*) cases on the basis of current tax payment and verified these vehicles with the real time data and registration records. Verification revealed that the axle weight of these vehicles had not been revised resulting in short assessment of tax amounting to ₹ 6.95 crore from 15,507 vehicles. Audit further observed that the Department had not prescribed a procedure for timely revision of axle weight. Moreover, the DTOs also did not adhere to the Departmental instructions and collected tax at pre-revised axle weight. Under the circumstances, axle weight of 76 *per cent* of goods vehicles were yet to be revised in the State even after a lapse of more than two years.

The Government accepted (November 2020) the audit observation and stated that ₹ 21.76 lakh has been realised against 471 vehicle owners in four DTOs[23]. Further, DTOs have been directed to issue notice through local newspapers for revision of axle weight.

2.1.12.3 Enforcement of provision of trade certificate for financers

The DTOs irregularly endorsed hire purchase/hypothecation agreements in certificate of registration in favour of financers who had not obtained trade certificate.

Under the provision of Section 2 (8) (d) of MV Act, "dealer" includes a person who is engaged in the business of hypothecation, leasing or hire-purchase of motor vehicles. Further, Rule 41 (h) of CMV Rules necessitates a financer to obtain a trade certificate for removal of vehicle after possession due to any default on the part of the other party under the provisions of an agreement of hire-purchase, lease or hypothecation.

A review of the data revealed that 294 financers were engaged in hire and purchase agreement (HPA) with the vehicle owners. These financers were required to obtain trade certificates as per the provisions of the Act and Rules. However, none of the financers in the selected district transport offices had obtained trade certificate. It was further observed that the DTOs also did not verify whether the financers had obtained trade certificates before endorsing hypothecation in the certificate of registration. Thus, lack of diligence on the part of the DTOs allowed the financers to operate their business without valid trade certificate and payment of applicable fees.

The Government accepted (November 2020) the audit observation and stated that necessary direction would be issued in this regard. The Department issued (1 December 2020) directions to all the field offices to issue trade certificates to the dealers which come under the purview of Section 2(8) of MV Act, 1988.

[23] Bokaro, Dhanbad, Lohardaga and Ranchi.

2.1.12.4 Renewal of certificate of fitness of transport vehicles

Absence of check mechanism to detect expiry of fitness certificate resulted in non-assessment of fee and fine of ₹ 22.82 crore from 6,498 transport vehicles due to non-renewal of certificate of fitness.

Section 56 of the Motor Vehicles Act provides that a transport vehicle shall not be deemed to have valid certificate of registration, unless it carries a certificate of fitness issued by the prescribed authority. The validity of certificate of fitness is two years for new transport vehicles thereafter renewed annually. In case of delay in renewal, additional fee of ₹ 50 for each day from expiry of certificate of fitness is leviable. The registering authority may suspend registration of vehicle for non-renewal of certificate of fitness.

On analysis of data, it was noticed that fitness certificates of 3,31,327 transport vehicles in the State had expired on 31 March 2019 out of which 2,92,221 vehicles (88 *per cent*) were registered in the selected district transport offices. Audit sampled 32,592 (11 *per cent*) cases on the basis of tax position and verified these vehicles with the real time data. It was noticed that owners of 6,498 vehicles in 11 offices[24] did not apply for renewal of certificate of fitness after expiry of fitness validity, though these vehicle had updated tax position. This resulted in non-levy of revenue of ₹ 22.82 crore in the form of fees and fine. Audit observed that even though information regarding expiry of validity of fitness certificate was available in the application software, the application lacked check mechanism to detect expiry of validity of fitness certificate while accepting tax payment. The Department also did not conduct periodic reviews to assess such cases and initiate action for renewal or to suspend the certificate of registration.

The Government accepted (November 2020) the audit observation and stated that ₹ 1.74 crore has been realised against 856 transport vehicle owners in three DTOs[25]. Further, DTOs have been directed to take action against such vehicles and impose penalties under the provisions of the Act. During exit conference (December 2020), the Secretary assured that more automated fitness centers would be established in the State.

2.1.12.5 Renewal of certificate of registration

Certificate of registration of personalised vehicles were not renewed after expiry of their validity resulting in non-assessment of ₹ 2.94 crore on 829 vehicles.

Section 41(7) of the MV Act provides that a certificate of registration, other than for a transport vehicle, shall be valid for 15 years from the date of issue and shall be renewable for next five years. In case of discontinuance of vehicle,

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[24] District Transport Offices: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu, Ramgarh and Ranchi.

[25] Dhanbad, Jamshedpur and Ranchi.

intimation is required under Section 17 to delete the registration record. Further, Section 5(5) of the JMVT Act provides for levy of green tax on personalised vehicles which are more than 15 years old. In case of delay in submission of application for renewal of registration by more than one month, additional fee is also leviable.

On analysis of data, it was noticed that certificates of registration of 22,923 personalised vehicles (light motor vehicles) registered between 1 April 1999 and 31 March 2004 in the State had expired (upto 31 March 2019) and were pending renewal. Of these, 18,968 vehicles (83 *per cent*) were registered in the selected district transport offices. Further scrutiny of data revealed that out of 18,968 vehicles, sale price in respect of 13,490 vehicles had not been recorded in the application software. Audit sampled 2,279 (42 *per cent*) out of the remaining 5,478 vehicles having seating capacity between five and 10 seats for verification with real time data and registration register. Audit verification (between July 2019 and March 2020) revealed that in 10 selected offices[26], validity of registration had expired between April 2014 and March 2019 in case of 829 vehicles. The owners had neither applied for renewal of registration nor for deregistration of vehicles. This resulted in non-levy of revenue of ₹ 2.94 crore towards registration fee, inspection fee and green tax. Audit observed that though information regarding expiry of validity of registration was available in the application software, auto generation of such list was absent. The Department also did not conduct periodic reviews to assess such cases and initiate action for renewal of registration.

The Government accepted (November 2020) the audit observation and stated that 61 personalised vehicle owners had renewed certificate of registration and ₹ 11.30 lakh had been realised in three DTOs[27]. Further, DTOs have been directed to publish a public notice for awareness of the general public.

2.1.12.6 Registration of common carriers

In the absence of mechanism for inter-departmental exchange of data/ information, 174 common carriers remained unregistered resulting in non levy of fee of ₹ 33.06 lakh.

Section 4 of the Carriage by Road Act and Rules made there under provides that any person who is engaged or intends to engage in the business of a common carrier, shall apply for the grant of certificate of registration to the Regional Transport Authorities (RTAs). The registration of common carriers is valid for 10 years throughout the country.

Audit obtained data/information regarding transporters, carriers, logistics etc. from the Commercial Taxes Department and cross-verified it with the registration records in the selected RTAs. Cross-verification revealed that out

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[26] District Transport Officers: Bokaro, Deoghar, Dhanbad, Dumka, Hazaribag, Giridih, Jamshedpur, Lohardaga, Palamu and Ranchi.

[27] Dhanbad, Jamshedpur and Ranchi.

of 575 road carriers/transporters, 401 were registered in selected RTAs during 2014-19 and the remaining 174 common carriers were yet to be registered. It was further observed that there was no mechanism for inter-departmental exchange of data/information to identify these road carriers/transporters. Thus, the Department could not identify these unregistered entities to bring them into the tax net. This resulted in non-levy of registration fees, processing fees and security deposit to the tune of ₹ 33.06 lakh.

The Government accepted (November 2020) the audit observation and stated that instructions have been issued to the RTAs to obtain details of transporters from the commercial taxes offices and register them under the Act.

Collection of taxes and fees

2.1.12.7 Collection of taxes from transport vehicles

Taxes and penalty of ₹ 74.57 crore realisable from defaulting vehicle owners of 9,260 transport vehicles was not collected by the DTOs.

The JMVT Act and JMVT Rules require the owners of registered transport vehicles to pay applicable advance tax. If the delay in payment exceeds 90 days, penalty at twice the amount of taxes due may be imposed along with the tax. Moreover, the Act provides for levy of green tax on transport vehicles which are more than 12 years old from January 2019. *VAHAN* software enables the users to generate defaulters list from the system. District Transport Officers (DTOs) are required to issue demand notices to the defaulters. Further, the owners of vehicles are required to intimate discontinuation of plying of their vehicles.

On analysis of data, it was noticed that tax validity of 74,341 transport vehicles in the State had expired on 31 March 2019 out of which 60,728 vehicles (82 *per cent*) were registered in the selected district transport offices. Audit sampled 25,161 transport vehicles (41 *per cent*) on the basis of audit scope, model and period of default. It was noticed that 9,260 vehicles owners had stopped payment of taxes for more than one year. No undertaking regarding these vehicles being off-road was found on record. It was further observed that the DTOs responsible for issuing demand notices, neither generated the list of defaulters from *VAHAN* software nor updated the DCB registers on quarterly basis as per the provisions of JMVT Rules, 2001 and raised demand for outstanding taxes. The State Transport Commissioner (STC) and Joint Transport Commissioner (JTC) also did not monitor the functioning of transport offices.This resulted in non-collection of taxes amounting to ₹ 74.57 crore including penalty of ₹ 49.59 crore and green tax of ₹ 0.19 crore from 9,260 transport vehicles.

The Government accepted (November 2020) the audit observation and stated that ₹ 2.02 crore had been realised against 388 transport vehicle owners in five

DTOs[28]. Further, DTOs have been directed to issue demand notice or institute certificate case against defaulter vehicle owners to realise the tax. During exit conference (December 2020), the Secretary stated that DTOs would be instructed to recover arrear of revenue which would be monitored every month at the apex level. It was further stated that revenue collection and certificate cases were being reviewed each month and dedicated officials have been entrusted with the work.

Audit had pointed out similar irregularities in Audit Reports for the years 2014-15 to 2017-18, but the lapses persist.

2.1.12.8 Realisation of one-time tax

One-time tax and penalty of ₹ 44.37 crore from 30,262 vehicles brought under the purview of one-time tax, though realisable from the defaulting vehicle owners, was not collected by the DTOs.

Government of Jharkhand brought changes in taxation structure of motor vehicles in January 2019 and apart from personalised vehicles, some transport vehicles, viz., three wheelers (passenger), goods vehicles up to three ton RLW and construction equipment vehicles were also brought under the purview of one-time tax (OTT).

Audit extracted the registration data of transport vehicles brought under the purview of OTT and found that tax validity of 2,68,816 vehicles had expired in the State (upto 31 March 2019) out of which 2,25,224 (84 *per cent*) were registered in the selected district transport offices.

- Audit verified the tax position of 1,34,901 (60 *per cent*) transport vehicles falling under the purview of one-time tax with the real time data and other relevant records in the selected district transport offices and noticed that 30,262 vehicle owners had not paid taxes. No undertaking regarding these vehicles being off-road was also found on record. It was further observed that the DTOs responsible for issuing demand notices did not generate the list of defaulters from *VAHAN* software and raised demand for outstanding taxes. Thus, the Department could not realise revenue of ₹ 44.37 crore including penalty as per revised provision amounting to ₹ 7.35 crore.

The Government accepted (November 2020) the audit observation and stated that ₹ 4.22 crore had been realised against 2,331 vehicle owners in six DTOs[29]. Further, DTOs have been directed to issue demand notice to concerned vehicle owners to realise the tax. During exit conference (December 2020), the Secretary stated that DTOs would be instructed to recover arrear of revenue which would be monitored every month at the apex level. It was further stated that revenue collection and certificate cases were being reviewed each month and dedicated officials have been entrusted with the work.

[28] Bokaro, Dhanbad, Jamshedpur, Lohardaga and Ranchi.
[29] Bokaro, Dhanbad, Jamshedpur, Lohardaga, Ramgarh and Ranchi.

- Further, Audit cross-verified (December 2019) the sale invoices with the real time data regarding payment of OTT in the selected district transport offices. The cross-verification revealed that in three out of 225 machinery equipped vehicles registered in DTO, Ranchi, the sale price recorded in the application software was less than those in the sale invoices which resulted in short levy of one-time tax amounting to ₹ 11.17 lakh due to suppression of the sale price of the vehicles as shown in **Table - 2.5**.

Table - 2.5: Short levy of one-time tax

Sl. No.	Regn. No.	Type	DOR	Sale price	OTT levied	Tax validity	Actual sale price	OTT leviable	Short levy
1	JH01CL 6775	Loader	16.06.17	1,06,000	6,183	21.03.19 to 20.03.29	84,82,500	4,94,793	4,88,610
2	JH01CL 3420	Loader	16.06.17	1,03,000	6,008	21.03.19 to 20.03.29	84,82,500	4,94,793	4,88,785
3	JH01CL 7811	Crane	02.06.17	2,75,000	15,509	13.08.19 to 12.04.29	27,50,000	1,55,090	1,39,581
Total					**27,700**			**11,44,676**	**11,16,976**

It was further observed that the lapses occurred due to incorrect data entry of these vehicles in the *VAHAN* application. Though system for verification and validation of data-entry was in place, these irregularities were not detected by the DTO.

The Government/Department was silent on the instant cases. However, DTO, Ranchi had intimated (July 2020) that an amount of ₹ 9.77 lakh has been realised in case of two vehicles and demand notice had been issued in the other case.

2.1.12.9 Renewal of authorisation of national permits

Subsequent authorisation during currency of national permits of transport vehicles was not done which resulted in non-realisation of consolidated fee and authorisation fee of ₹ 6.73 crore from 1,515 national permit holders.

The MV Act and CMV Rules prescribe issue of national permits for a period of five years. The authorisation for national permits shall be issued for a period not exceeding one year at a time and shall continue unless the permit expires or is surrendered by the permit holder. Further, authorisation of national permits shall be renewed on advance payment of prescribed annual consolidated fee and authorisation fee, failing which late fine at prescribed rates shall be imposed.

Audit test-checked (between August 2019 and March 2020) information provided by all five RTAs and noticed that 16,342 national permits were issued between 2015 and 2019. Further scrutiny revealed that subsequent authorisation of national permits in 1,515 cases was not renewed during the periodicity of permits. There was nothing on record to show that these vehicles were off-road or the permits had been surrendered. Further, Audit observed that national permit module under *VAHAN* software could not generate the list of permits where authorisation had expired and provision regarding surrender of permit has not been mapped in the application. The Department also did not monitor the renewal of authorisation resulting in non-realisation of ₹ 6.73 crore inclusive of consolidated fee, authorisation fee and penalty.

The Government accepted (November 2020) the audit observation and stated that 120 vehicles had renewed authorisation of national permit and ₹ 47.72 lakh has been realised in three RTAs[30]. Further, all RTAs have been directed to issue notice to concerned vehicle owners.

2.1.12.10 Realisation of tax from vehicles plying under reciprocal agreement

In the absence of mechanism for monitoring of defaulting vehicles plying under reciprocal agreements, tax and penalty of ₹ 1.66 crore from 108 public service vehicles was not collected.

Section 88(5) of MV Act provides that transport vehicles registered in one State can ply in another States under reciprocal agreements between the State Governments. Accordingly, reciprocal agreements between Jharkhand and the States of Orissa and West Bengal were executed in January 2003; with Bihar in April 2007 and with Chhattisgarh in September 2008 to ply public service vehicles within their territories. A double point taxation system was adopted for public service vehicles granted inter-state permits and all vehicles while operating in the other States shall be liable to pay all the taxes leviable of the other States.

On scrutiny of tax position of buses of other States plying under reciprocal agreements in the office of the Transport Commissioner, it was noticed that out of 901 buses, owners of 108 buses had defaulted in payment of tax. The vehicle owners could pay tax online through newly introduced *sPERMIT* portal but provision to flag defaulters in the application was not available. Thus defaulter lists could not be generated for these vehicles. The Department also did not monitor payment of tax by these vehicles resulting in non-realisation of tax of ₹ 1.66 crore including penalty of ₹ 1.10 crore.

The Government accepted (November 2020) the audit observation and stated that a drive would be initiated to take action against defaulter vehicles plying under reciprocal agreement.

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[30] Dumka, Hazaribag and Kolhan.

2.1.12.11 Deposit of Service tax/GST in appropriate head

Service tax/GST of ₹ 7.59 crore collected along with issue/renewal of fitness fee was not deposited in the appropriate head of account.

Under the provisions of Service Tax Rules read with executive instruction of the Transport Commissioner, Jharkhand, Ranchi issued in December 2006 and May 2007, Service tax at the prescribed rates was leviable on the fee collected for issuance of fitness certificate at the time of issue of certificate of fitness. The MVIs were directed to open a service tax registration number and deposit the amount collected under the head "0044". Service tax was applicable till June 2017 and thereafter subsumed in GST.

Information regarding collection of Service tax/GST was obtained from the real time data in the selected district transport offices. It was noticed that during 2016-19, total revenue realised on account of Service tax/GST for issue of fitness certificate of vehicles was ₹ 7.59 crore. The amount so collected was deposited under the head "0041-Taxes on vehicles" instead of "0044", which was irregular. The Department credited Service tax/GST under taxes on vehicles which depicted incorrect figures of revenue receipts under the head.

This issue was pointed out in Paragraph 4.8.9.14 of the PA on "Computerisation in Transport Department" and Paragraph 4.3.22 of the PA on "Working of Transport Department with emphasis on compliance with pollution standards" featured in Audit Report (Revenue Receipts) for the year ending 31 March 2011 and 31 March 2015 respectively. Government had instructed NIC (November 2011) to make change in the table structure so that the amount of Service Tax/GST could be calculated separately and transferred to the appropriate head. However, no remedial action has been taken by the Department and the lapse still persists.

The Government accepted (November 2020) the audit observation and stated that the matter would be discussed with NIC to evolve a system so that the amount of GST could be deposited in the appropriate head at the time of realisation of fitness fee. During exit conference (December 2020), the Secretary stated that measures to deduct the GST at source would be developed in consultation with NIC and Central Tax Revenue Department. However, the Department was silent on deposit of previously collected Service tax/GST.

2.1.13 Conclusion

The Department amended the provisions for taxation of personalised and transport vehicles in January and March 2019 and revised the tax and fee structure as well as introduced new taxes. The amendment brought some transport vehicles in the purview of life time tax/OTT. However, no provisions were made for levy of penalty for delayed payment of tax and in some cases the validity of tax period were not specified. Further, provisions regarding tax on temporary registration of these vehicles was not included and percentage of

OTT leviable on previously registered transport vehicles as provided for personalised vehicles was also absent. Moreover, the Act did not provide a rate chart for refund of OTT in case of transfer of vehicle from the State.

While executing implementation of these amendments through the application software, the Department could not prepare an effective plan for efficient and accurate mapping of the amendments in the applications. There was delay in mapping of amendments by five to 13 days as well as incorrect and incomplete mapping leading to short as well as excess realisation of revenue of ₹ 5.63 crore and ₹ 59.32 lakh respectively. The office of the Transport Commissioner and DTOs continued to collect tax at pre-revised rates for five and 13 days respectively even after notifications of revised rates. Some of the modules of *VAHAN* application *viz*., submission of NOC for recording present address, assessment and collection of trade tax and assignment of registration mark were not captured in the applications even after a lapse of 16 years from the implementation of computerisation of all activities. This led to non-assessment of revenue of ₹ 81.23 lakh from 3,928 vehicles pending assignment, ₹ 17.42 lakh from 764 vehicles for delayed submission of NOC and short levy of trade tax and penalty of ₹ 15.12 lakh. The Department could not develop a comprehensive plan to revise axle weight of transport vehicles resulting in non-revision in respect of 76 *per cent* vehicles in the State even after a lapse of more than one year of revision by GOI. Audit checked 15,507 vehicles and found short realisation of ₹ 6.95 crore due to non-revision of axle weight. The Department is yet to frame a process whereby taxes and fees due from defaulters could be realised in a timely and efficient manner resulting in non-collection of taxes of ₹ 120.60 crore from 39,630 transport vehicles, ₹ 6.73 crore from 1,515 national permit holders and ₹ 22.82 crore from 6,498 vehicles whose certificate of fitness had expired.

2.1.14 Summary of recommendations

The Government/Department should:

- review the system of mapping of business rules in the application software and ensure timely, accurate and complete mapping of provisions.
- instruct the registering authorities to endorse HPA of only those financers in the certificate of registration of vehicles who have valid trade certificates.
- modify the application software to build check mechanism to detect validity of fitness certificate while accepting tax payment.
- formulate a mechanism for inter-departmental exchange of data/information to identify unregistered common carriers/transporters.
- evolve a system so that demand notices could be served through emails/SMS to the defaulters at specific intervals.

- evolve a system of collection of fitness fee in such a way that service tax/GST is segregated to facilitate smooth transfer into the appropriate head.

The Government/Department accepted all the recommendations made by Audit and assured to take corrective measures.

The audit findings are those which came to notice within the selected audit sample and there are possibilities that similar irregularities may persist in other offices dealing with assessment and collection of motor vehicle tax and fee in the State. The Transport Department may examine all such cases thoroughly in all districts in the State and take necessary action.

CHAPTER–III: COMPLIANCE AUDIT

COMMERCIAL TAXES DEPARTMENT

3.1 Tax administration

The levy and collection of Sales Tax/Value Added Tax and Central Sales Tax were governed by the Jharkhand Value Added Tax (JVAT) Act 2005, the Central Sales Tax (CST) Act, 1956 and Rules made thereunder. Since 1 July, 2017, the Department is administering the Jharkhand Goods and Services Tax (JGST) in the State. The Commissioner of State Tax is responsible for administration of JGST Act and Rules in the Commercial Taxes Department (CTD) and is assisted by an Additional Commissioner, Joint Commissioners, Deputy Commissioners and Assistant Commissioners.

The State is divided into five state tax divisions[31], each under the charge of a Joint Commissioner (Administration) and 28 circles, each under the charge of a Deputy/Assistant Commissioner of State Tax (DCST/ACST). The DCST/ ACST of the circle, who is responsible for levy and collection of tax due to the Government, besides also conducting survey, is assisted by State Tax Officers. A Deputy Commissioner (Bureau of Investigation) is posted in each division to assist the JCST (Administration) and carries out inspection of warehouse or godown of taxpayers, search and seizure of goods or documents, inspection of goods in movement, arrest a person for an offence punishable under this Act, etc.

3.2 Result of audit

Audit test-checked the records of six[32] out of 44 auditable units (16 *per cent*) of the Commercial Taxes Department during the year 2018-19. During the period covered in audit, a total of 2,28,771 assessees were registered in the State, out of which 24,796 assessees were registered in the test-checked units and Audit examined 668 assessment records. In addition an Audit on "Mechanism for levy and collection of electricity duty in Jharkhand" was also conducted. The Department collected ₹ 3,684.03 crore revenue during 2017-18 (Taxes on Sales Trade etc.: ₹ 3,474.96 crore and Electricity Duty: ₹ 209.07 crore) out of which the audited units collected ₹ 1,623.96 crore (44 *per cent*). Audit identified non-compliance with Act/Rules resulting in under-assessment of revenue amounting to ₹ 1,749.39 crore in 125 cases as detailed in **Table - 3.1**.

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31 Dhanbad, Dumka, Hazaribag, Jamshedpur and Ranchi.

32 Offices of DCST, Dhanbad Urban, Hazaribag, Lohardaga, Ranchi East and Ranchi West; and Secretary-cum-Commissioner of State Tax.

Table - 3.1: Under-assessment of revenue

(₹ in crore)

Sl. No.	Categories	No. of cases	Amount
1	Mechanism for levy and collection of electricity duty in Jharkhand	1	1,394.16
2	Non/short levy of tax due to suppression of turnover	45	245.78
3	Non/short levy of interest	10	48.10
4	Interest/penalty not levied	7	14.27
5	Non/short levy of tax due to incorrect determination of turnover	15	12.59
6	Irregular allowance of exemption from tax	10	6.80
7	Incorrect allowance of Input Tax Credit	15	2.62
8	Application of incorrect rates of tax	4	0.10
9	Other cases	18	24.97
Total		**125**	**1,749.39**

The Department accepted under-assessment and other deficiencies of ₹ 1,430.09 crore in 11 cases, out of which deficiencies of ₹ 1,424.77 crore in nine cases were pointed out during 2018-19 and rest in earlier years through inspection reports issued during 2017-18. Recovery of ₹ 1.03 crore has been intimated by the Department.

Irregularities involving eight cases worth ₹ 35.95 crore related to Value Added Tax (VAT) have been illustrated in paragraphs 3.4 to 3.7. Such cases have been repeatedly reported during the last five years as detailed in **Table - 3.2**.

Table - 3.2: Nature of observations in previous Audit Reports

(₹ in crore)

Nature of observations	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Concealment of sale/ purchase turnover	44	222.28	69	169.03	18	284.10	108	405.37	1	1.10	240	1,081.88
Application of incorrect rate of tax	51	37.76	22	6.96	22	15.44	21	11.07	-	-	116	71.23
Non-levy of interest on disallowed exemption/ concessions	46	60.02	52	72.58	19	119.92	62	142.00	6	10.95	185	405.47
Non-levy of interest/ penalty on enhanced turnover	10	17.71	17	60.73	15	53.14	-	-	2	3.93	44	135.51

The Department had assured (August 2015) to take corrective measures on previous audit observations. However, persistent irregularities make it evident that the State Government and the Commercial Taxes Department have not taken adequate measures to address the concerns/ issues pointed out year after year by Audit.

3.3 Audit on 'Mechanism for levy and collection of electricity duty in Jharkhand'

3.3.1 Introduction

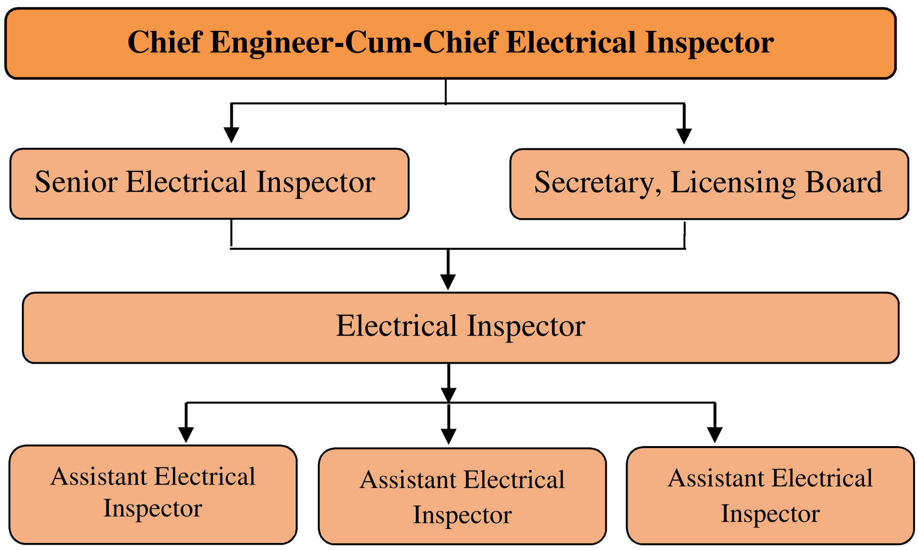
The levy and collection of electricity duty in Jharkhand is governed by the Bihar Electricity Duty (BED) Act, 1948 and Bihar Electricity Duty Rules, 1949 as adopted (December 2000) by the Government of Jharkhand and amended by the Jharkhand Electricity Duty (JED) (Amendment) Act, 2011 and Jharkhand Electricity Duty (Amendment) Rules, 2011, 2012 and notifications issued thereunder from time to time.

Commercial Taxes Department (CTD), Government of Jharkhand collects electricity duty from licensees, captive generating plants and bulk consumers at the rates specified in the Act. Captive generating plants and bulk consumers are required to submit returns and pay electricity duty whereas licensees are required to collect electricity duty from consumers other than bulk purchasers and pay electricity duty. The Chief Electrical Inspector (CEI), Energy Department, Jharkhand is responsible, under the Indian Electricity Act, 1956 and rules made thereunder, for granting annual fitness certificate to the electrical installations/DG sets on payment of prescribed annual fees. There are six distribution licensees in Jharkhand.

The Commissioner of State Taxes (CST) is responsible for enforcement of the Act and Rules made thereunder. CST is assisted by Additional Commissioner (AC) and Joint Commissioners of State Taxes (JCST), Joint Commissioners of State Taxes of Bureau of Investigation, along with other Deputy/Assistant Commissioners of State Taxes (DCST/ACST).

The Chief Electrical Inspector (CEI), is responsible for granting annual fitness certificate to the electrical installations. He is assisted by a Senior Electrical Inspector and Secretary Licensing Board along with an Electrical Inspector and other Assistant Electrical Inspectors/Junior Electrical Inspectors.

Chart 3.1



3.3.2 Audit objective

Audit was conducted with a view to ascertain whether:

- the system of levy and collection of ED in the state was effective and efficient; and
- the criteria prescribed for grant of exemption from payment of ED was strictly adhered to.

3.3.3 Audit scope and methodology

Audit for the period 2014-19 was conducted between June 2019 and March 2020 in 14 circles[33] out of 28 commercial taxes circles. These 14 circles were selected using simple random sampling without replacement method based on revenue generated during 2014-19 by each circle categorised as high, medium and low risk.

Entry and exit conferences were held on 18 July 2019 and 4 December 2020 respectively, with the Secretary-cum-Commissioner of CTD, Jharkhand in which the audit objectives, scope and methodology, findings, conclusion and recommendations were discussed in detail. The Department particularly appreciated the observations brought out through cross-verification along with joint physical verification and revenue comparison with neighbouring States. The response of the Government/ Department has been suitably incorporated in the Report.

Audit collected data/information from the Chief Electrical Inspector (CEI), Ranchi who issues fitness certificate for electrical installations and receives fee in respect of electrical installations including captive power plants. Audit also collected data of sale/supply/transfer of energy from Damodar Valley Corporation (DVC), Kolkata and Jharkhand Bijli Vitran Nigam Limited (JBVNL), Ranchi. The data/information collected was cross-verified with the registration and assessment records of CTD. Audit also randomly scrutinised assessment records of 387 (69.23 *per cent*) out of 559 ED assessees registered in the selected commercial taxes circles.

Audit findings

3.3.4 Revenue Management

3.3.4.1 Electricity Duty Collection

According to provisions of the Bihar Budget Manual, as adopted by the Government of Jharkhand, the estimate of revenue receipts should show the amount expected to be realised in the financial year. The arrear and current demand should be shown separately and reasons may be given, if full realisation

[33] Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Koderma, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

could not be effected. In case of fluctuating revenue, the estimates should be based upon a comparison of the last three year receipts.

The revised estimates and actual receipts from Taxes and Duties on Electricity during 2014-19 is shown in **Table- 3.3**.

Table- 3.3: Estimates and actual receipts from ED

(₹ in crore)

Year	Revised estimates	Actual receipts				Variation excess (+)/ shortfall (-) (col. 3-2)	Percentage of variation (% of col. 4 to col. 2)
		Electricity duty	Inspection fees	Others	Total		
1	2	3				4	5
2014-15	193.82	171.20	4.20	00	175.40	(-) 18.42	(-) 9.50
2015-16	220.00	120.62	5.06	00	125.68	(-) 94.32	(-) 42.87
2016-17	250.00	148.19	3.16	0.54	151.89	(-) 98.11	(-) 39.24
2017-18	300.00	181.63	0.00	1.87	183.50	(-) 116.50	(-)38.83
2018-19	280.00	207.00	0.30	1.77	209.07	(-)70.93	(-) 25.33

Source: Finance Accounts and revised estimates as per Statement of revenue and receipts of 2014-15 to 2018-19 of Government of Jharkhand.

The parameters for preparation of the budget are based on revenue collection and growth rate of previous years, growth rate in major sectors and commodities and economic growth rate of the State and the nation. However, audit observed that except during 2014-15, there was wide variation ranging between 25 *per cent* and 43 *per cent* between the budget estimates and the actual receipts. There was decrease in receipts during 2015-16 and 2016-17 in comparison to 2014-15. The Department stated (March 2020) that growth in ED receipts was on account of better tax administration between 2015 and 2019 but they did not keep pace with the budget estimates of the respective years due to non-payment of electricity duty by bulk purchasers.

The Department further stated (July 2020) that budget estimates are prepared by the Finance Department on the basis of receipts during the previous year, economic development rate of the previous year, development rate of the sector etc. In light of the wide variations between estimates and actual receipts, as pointed out by Audit, the Department may need to revisit the inputs used to prepare the budget estimates.

3.3.4.2 Arrears of revenue

The CTD did not furnish the total arrears of revenue of the State in respect of electricity duty as on 31 March 2019 though called for (June 2019). Audit, therefore, collected information of outstanding ED from 14 selected circles for 2014-19 which is depicted in **Table- 3.4**.

Table- 3.4: Outstanding ED in 14 circles

(₹ in crore)

Period	Opening Balance	Addition during the year	Total	Clearance made during the year	Closing Balance
2014-15	222.54	40.07	262.61	38.87	223.74
2015-16	223.74	77.32	301.06	19.82	281.24
2016-17	281.24	46.05	327.29	18.10	309.19
2017-18	309.19	83.55	392.74	18.14	374.60
2018-19	374.60	20.07	394.67	32.71	361.96

In the selected circles, the arrears of revenue increased from ₹ 222.54 crore in 2014-15 to ₹ 361.96 crore in 2018-19, i.e., an increase of 62.65 *per cent*. However, these circles were not able to furnish the total number of cases, age-wise analysis of arrears and current status of outstanding dues. In reply to Audit's query regarding pendency of arrears, it was stated by the concerned DCST/ACST that certificate proceedings had not been instituted in any case. However, in Hazaribag commercial taxes circle, one case was pending at Hon'ble high court and 15 cases were pending at appellate authority in Adityapur commercial taxes circle. Further scrutiny of assessment records in selected circles revealed that in six circles[34], demand notices for ₹ 208.98 crore were issued in 191 cases between November 2012 and December 2019, but information regarding collection against demand notices was neither available in the concerned files nor intimated to audit. This indicated that CTD/Circles did not have consolidated information regarding arrears of revenue and details of cases involved.

The Department in its reply (July 2020) stated that all circles have been instructed to furnish details of arrears and to adopt all means to realise them. It was further stated (December 2020) that total dues against JSEB and JBVNL are ₹ 450.62 crore and recoveries of ₹ 26.21 crore and ₹ 14.68 crore were made during 2019-20 and 2020-21 respectively.

3.3.5 Result of cross-verification

Data/information was collected from Damodar Valley Corporation, Kolkata and Jharkhand Bijli Vitran Nigam Limited, Ranchi in respect of sale/transfer of energy to different consumers in Jharkhand while details of fitness certificates granted for electrical installations (diesel generating sets) were collected from CEI. Audit cross-verified this data with the records available in the respective CTD circles and also conducted joint physical verification in the premises of DG set owners randomly. Audit further cross-verified inter-assessee records regarding sale/transfer of electrical energy in CTD. In course of cross-verification, several irregularities were noticed which are discussed in the succeeding paragraphs:

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34 Adityapur, Bokaro, Jamshedpur, Jamshedpur Urban, Jharia and Ranchi South.

3.3.5.1 Absence of mechanism to verify energy consumption through DG sets

The CTD did not conduct inspection of assessees and was unaware of the actual consumption of energy generated from DG sets.

Under the provisions of Rule 19 and 19 (A) read with Rule 16 of the BED Rules, every assessee shall install meters to register the quantities of energy generated, distributed, sold or consumed by him. The Inspecting Officer of CTD may enter the premises of the assessees and affix a seal to any meter and call for information/ records regarding generation/ distribution/ sale/ consumption of energy from the assessee.

Data/information obtained (between July 2019 and March 2020) from CEI revealed that 454 entities in the 14 selected circles were using 673 DG sets of more than 10 KVA capacity for captive consumption of electrical energy. Out of these 454 entities, only 211 entities using 363 DG sets were registered with the CTD. Further scrutiny of records revealed that inspection had not been conducted in the premises to affix additional seal on the meters of any of these 211 assessees by the Inspecting Officer.

Further, the Department was unaware of the actual generation/ consumption of energy generated from these DG sets as there was no mechanism for the Department to verify the returns filed by the assessees in respect of energy consumed from DG sets. Hence audit could not ascertain the quantity of sale and consumption of energy through DG sets.

The Department stated (between July and December 2020) that all circles in-charge have been directed to inspect the DG sets for meter readings of the registered assessees and to obtain data of DG sets holders from CEI Ranchi for registration of unregistered holders, inspection and meter reading in pursuance of audit observation.

3.3.5.2 Non-registration of assessees

In the absence of a mechanism for inter-departmental exchange of information, the CTD failed to identify 222 persons/establishments using 287 DG sets who were liable for registration.

- **Non-registration of DG sets owners**

According to Rule 3 of JED (Amendment) Rules, every assessee, who is liable to pay duty, shall apply for registration within 45 days from the date of becoming liable for payment of duty to the Registering Authority.

Audit cross-verified (between July 2019 and January 2020) the data collected from CEI with the records of selected circles which revealed that out of 454 entities, 222 entities using 287 DG sets in 11 circles[35] out of 14 selected circles

[35] Adityapur, Bokaro, Chirkunda, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Koderma, Ramgarh and Ranchi South.

who were required to register themselves with the CTD and file returns for payment of duty had not registered. It was further observed that there was no mechanism for inter-departmental exchange of data/information. Thus, the CTD could not identify these unregistered entities to bring them into the tax net. This resulted in non-assessment of electrical energy consumed/sold. Hence, the loss of electricity duty (ED) could also not be quantified. It was further observed that the Act/Rules do not provide for imposition of penalty for non-registration.

Results of physical verification

Audit conducted joint physical verification (between February and March 2020) in the premises of 45 out of 124 unregistered DG sets holders in 10 circles[36] out of the above 11 circles along with the officers of CTD and CEI. It was noticed that out of these 45 DG set holders, in 15 cases meter reading could not be ascertained due to breakdown of meters/DG sets. In 30 cases using 46 DG sets, detailed scrutiny of meters fitted with DG sets revealed consumption of 117.68 lakh units (calculated as per standard norms) of electrical energy for different purposes as on the date of joint verification. Hence, they were liable to pay electricity duty of ₹ 11.73 lakh which needs to be recovered.

The Department stated (December 2020) that notices have been issued to 22 assessees for hearing and additional demand of ₹ 4.43 lakh has been raised against seven assessees of which ₹ 2.31 lakh has been recovered.

- **Non-registration of bulk energy consumers**

In the absence of a mechanism to obtain data/information from licensees, the CTD failed to identify 550 unregistered bulk consumers. This resulted in non-levy of electricity duty of ₹ 16.57 crore and penalty of ₹ 22.40 crore.

Under the provisions of Rule 11 of JED (Amendment) Rules, duty shall be levied and paid on consumption of such industrial units, mines and other commercial consumers, who obtain bulk supply of energy from any licensee or electricity trader. Further, Section 5A(2) of the BED Act provides that in case of non-payment of duty, the prescribed authority shall impose penalty of not less than 2.5 *per cent* to five *per cent* per month for the first three months and thereafter not less than five *per cent* to 10 *per cent* per month of the duty payable.

Audit collected data/information from DVC/JBVNL and noticed that there were 1,378 bulk consumers in the selected 14 circles during 2014-19. Audit cross-verified the data collected with the registration records of 14 selected circles and noticed that out of 1,378 consumers, 550 consumers (39.91 *per cent*)

[36] Adityapur, Bokaro, Chirkunda, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Koderma and Ramgarh.

in 11 circles[37] obtained electrical energy of 191.17 crore units from DVC/JBVNL and paid energy bills during 2014-19 (up to August 2018).

However, they were not registered with the CTD and were not paying ED. It was further observed that there was no mechanism to obtain data/information from the licensees. As a result, the Department failed to identify these unregistered consumers of bulk supply energy. This resulted in non-levy of ED of ₹ 16.57 crore and penalty of ₹ 22.40 crore for non-payment of ED. It was further observed that the Act/Rules do not provide for imposition of penalty for non-registration. During study of system for levy and collection of ED in neighbouring States of Chhattisgarh and Odisha it was observed that captive generating plants, bulk consumers and traders of electricity are required to obtain license from the Energy Department which assesses and collects ED from the licensees. However, in Jharkhand, captive generating plants, bulk consumers and traders of electricity are required to obtain license from the Energy Department and are also required to get themselves registered with the CTD for assessment and collection of ED. In the instant case, licensees of Energy Department did not get themselves registered with CTD.

The Department intimated (between July and December 2020) that an additional demand of ₹ 5.91 crore has been raised against 306 assessees of which ₹ 35.75 lakh has been recovered and notices has been issued in remaining cases in pursuance of audit observation.

The Government may consider formulating a mechanism for inter-departmental exchange of information and framing provisions for imposition of penalty for non-registration.

3.3.5.3 Concealment of electrical energy purchased

Absence of a mechanism to verify returns with information on actual consumption resulted in concealment of electrical energy of 482.31 crore units and consequent short levy of electricity duty of ₹ 24.85 crore and penalty of ₹ 28.87 crore.

Under the provisions of Section 3 of the BED Act read with Rule 7 of the JED (Amendment) Rules, every assessee shall pay duty on the units of energy consumed or sold, excluding losses of energy in transmission and transformation at the appropriate rates. Further, penalty is leviable under the provisions of Section 5A (2) of the BED Act.

Cross-verification (between July 2019 and March 2020) of data received from DVC/JBVNL and other power generating units with the assessment records/returns of the selected 14 circles revealed that 60 assessees (out of 551 assessees registered in 13 circles[38]) had purchased 877.49 crore units of

[37] Adityapur, Bokaro, Deoghar, Dhanbad, Giridih, Hazaribag, Jamshedpur, Koderma, Ramgarh, Ranchi South and Tenughat.

[38] Adityapur, Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

electrical energy from DVC/JBVNL and other power generating units but reflected only 395.18 crore units in their returns for the period between 2011-12 and 2017-18 (on which the assessments were finalised between December 2014 and March 2019). It was further observed that there was no mechanism to obtain data/information in respect of sale/transfer of energy from licensees/assessees to cross-verify the records/returns submitted by them. As a result, the Department failed to identify concealment of electrical energy of 482.31 crore units which led to short levy of electricity duty of ₹ 53.72 crore including penalty of ₹ 28.87 crore**.**

The Department stated (December 2020) that additional demand of ₹ 33.59 crore has been raised in 11 cases and notices have been issued in remaining cases except in three cases of Hazaribag circle. It was stated that in these three cases, assessment had been done on the basis of energy bills raised by JBVNL. However, no evidence regarding assessment based on energy bills was furnished. Further, the Department stated that software of various departments are being integrated by which the Department would be able to assess the energy consumption by large industries.

3.3.5.4 Excess allowance of exemption

Absence of a mechanism to verify returns with information on transfer of energy between licensees resulted in allowance of excess exemption of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

Under the provisions of Rule 11 (a) of JED (Amendment) Rules, no duty shall be levied at the point of supply by a licensee to another licensee or electricity traders where such supply is for resale by the purchasing licensee or electricity traders. The duty shall be levied and collected by the licensee not falling in the above category. Further, penalty is leviable under the provisions of Section 5A(2) of the BED Act.

Cross-verification of data/information in respect of sale/transfer of electrical energy to licensees by DVC with the records/returns of M/s Koderma Thermal Power Station (KTPS) registered in Koderma Commercial Taxes Circle revealed (September 2019) that the assessee/licensee had shown transfer of electrical energy of 1,488.34 crore units to the National Grid for the period 2015-16 to 2017-18 which was allowed by the assessing authority. As per figures furnished by DVC, the total transfer of electrical energy by KTPS (a unit of DVC) was 482.83 crore units during the period 2015-18. The Assessing Authority (AA), while finalising the assessments (between March 2018 and March 2019) allowed exemption as per returns filed by the assessee. This resulted in excess allowance of exemption on electrical energy of 1,005.51 crore units and consequent short levy of electricity duty of ₹ 270.99 crore (calculated at the rate of 15 *paise* per unit, as usage were not specified) including penalty of ₹ 120.16 crore. It was observed that there was no mechanism to obtain data/information in respect of sale/transfer of electrical energy from one licensee to another. As a result the Department could not cross-verify the transfer/ sale shown in the returns submitted by the assessees.

The Department intimated (between October and December 2020) that demand has been raised for the amount under objection.

The Government may consider formulating a mechanism such as transfer claim form for obtaining additional data/information from related assessees before finalisation of assessment.

3.3.5.5 Non-levy of electricity duty

The Assessing Authorities did not identify non-submission of returns on which ED of ₹ 71.54 lakh and penalty of ₹ 1.11 crore was leviable. Out of this, ED of ₹ 51.54 lakh and penalty of ₹ 99.03 lakh became time barred.

Under the provisions of Rule 12 of JED (Amendment) Rules, an assessee is required to submit quarterly and annual returns within the prescribed period and pay duty at applicable rates. An order of assessment shall be passed within 30 months from the date of submission of annual return. Further, Section 5A(1) of BED Act provides for penalty not exceeding ₹ 50 for each day of default after the due date for submission of return and penalty for default in payment is leviable under Section 5A(2).

Audit scrutiny (between August and September 2019) of records in selected circles revealed that in Ramgarh and Koderma Commercial Taxes circles, five assessees (out of 57 registered assesses) did not submit returns for the period 2014-19. The assessing authorities also did not serve notice for non-submission of returns. Data collected by Audit from JBVNL/DVC revealed that these assessees had purchased 14.31 crore units of electrical energy from JBVNL/DVC during 2014-18. Hence, the assessees were liable to pay ED of ₹ 1.82 crore including penalty of ₹ 1.11 crore. Since assessments for the period 2014-15 to 2016-17 were to be finalised by March 2020, these assessments involving ED of ₹ 51.54 lakh for 10.31 crore units became time barred. Thus, due to lack of diligence by assessing authorities and absence of mechanism to obtain additional data/information from the licensees, Government was deprived of ₹ 51.54 lakh of ED and penalty of ₹ 99.03 lakh. Besides, ED and penalty of ₹ 31.58 lakh was yet to be levied.

The Department stated (December 2020) that an additional demand of ₹ 2.43 crore has been raised of which ₹ 65.02 lakh has been recovered.

3.3.6 Mechanism for levy and collection of ED in neighbouring States

The Electricity Duty Acts are being administered by Chief Electrical Inspector and Principal Chief Electrical Inspector in the states of Chhattisgarh and Odisha respectively. Audit analysed the system in these states for levy and collection of electricity duty along with the availability of power and their monitoring at apex level which has been discussed in the succeeding paragraphs:

3.3.6.1 Revenue comparison with neighbouring States

Revenue receipts from Taxes and Duties on Electricity and actual supply position of electricity in Jharkhand along with Chhattisgarh and Odisha for the period 2014-19 are depicted in **Table - 3.5**.

Table- 3.5: Revenue comparison with neighbouring states

(₹ in crore/ supply in MU)

State		2014-15	2015-16	2016-17	2017-18	2018-19	Collection Authority
Jharkhand	Receipt	175.40	125.68	151.89	183.50	209.07	CTD
	Supply	17,205	17,797	18,267	18,737	18,737	
	Receipt per unit supply	0.10	0.07	0.08	0.10	0.11	
Chhattisgarh	Receipt	1,312.92	1,372.84	1,495.48	1,688.95	1,790.27	CEI
	Supply	21,230	25,310	23,699	25,832	26,417	
	Receipt per unit supply	0.62	0.54	0.63	0.65	0.68	
Odisha	Receipt	1,722.60	1,212.21	1,637.14	1,969.74	3,257.66	CEI
	Supply	26,052	26,600	26,756	28,706	32,115	
	Receipt per unit supply	0.66	0.45	0.61	0.69	1.01	

Source: Annual Financial Statements of the concerned states and Annual reports of Central Electricity Authority, Ministry of Power, Government of India and DVC.

From the table, it can be seen that revenue during the period 2014-19 increased by 19.20, 36.36 and 89.11 *per cent* while supply increased by 8.90, 24.43 and 23.27 *per cent* for Jharkhand, Chhattisgarh and Odisha respectively. Further, it was observed that the receipt per unit supply in Odisha ranged between 45 *paise* and ₹ 1.01 and in Chhattisgarh it ranged between 54 *paise* and 68 *paise* whereas in Jharkhand it ranged between 07 *paise* and 11 *paise*. This clearly indicates that receipt per unit supply in Jharkhand is low as compared to neighbouring states.

Audit compared the system for levy and collection of electricity duty in Jharkhand with neighbouring states. A comparative picture of the key provisions and parameters for levy and collection of electricity duty (ED) of these states *vis-à-vis* the provisions in Jharkhand is depicted in **Table- 3.6**.

Table- 3.6: Comparative Analysis of system for levy and collection of ED in Jharkhand and other states

Details of system	Chhattisgarh	Odisha	Jharkhand
Responsibility for levy and collection of electricity duty.	Energy Department (Chief Electrical Inspector)	Energy Department (Principal Chief Electrical Inspector)	Commercial Taxes Department (Commissioner)
Rate of ED on major categories of consumers.	Mines: 40 *per cent* of energy charge other than captive mines of cement industry. Industry: 3 to 20 *per cent* of energy charge depending upon the nature of industry. Domestic: 8 *per cent* of energy charge.	Mines: 55 *paise* per unit for captive consumption, 8 *per cent* of energy charge for HT category and 9 *per cent* of energy charge for EHT category. Industry: 55 *paise* per unit for captive consumption. Domestic: 4 *per cent* of energy charge.	Mines: 20 *paise* per unit for load exceeding 100 BHP. Industry: 5 *paise* per unit. Domestic: 20 *paise* per unit upto 250 units and 24 *paise* per unit for more than 250 units.
Return	Monthly return submitted to Energy Department.	Monthly and annual return submitted to Energy Department.	Quarterly and annual return submitted to CTD.

Meter reading	Meter reading is not being done. Self-declared in the returns.	Meter reading being done by electrical inspector for captive assessees and uploaded in the web portal apart from being declared in the returns.	Meter reading is not being done. Self-declared in the returns.
Penal provision for non-submission of return.	No penal provisions.	Imprisonment which may extend to six months or fine of ₹ one thousand or both.	Penalty not exceeding ₹ 50 for each day of default in case of registered assessees.
Assessment	Annual return is not being filed. Sale/ consumption declared through monthly returns.	Monthly and annual assessment is being done. Sale/consumption declared in returns verified with the meter reading. Accordingly, ED is being assessed.	ED assessed within 30 months after the submission of annual returns on the basis of annual return/quarterly returns.
Mode of collection of ED	ED paid monthly.		
Penal provision for delay in payment of ED	Interest of 12 *per cent* p.a. upto 3 months, 15 *per cent* p.a. for 3 to 6 months, 20 *per cent* p.a. for 6 to 12 months and 24 *per cent* p.a. for more than 12 months.	Interest of 18 *per cent* p.a. for admitted ED and for non-admitted ED fine not exceeding ₹ one thousand for each day of delay but not exceeding ₹ one lakh.	Interest of 1.5 *per cent* per month for admitted ED and for non-admitted ED penalty of not less than 2.5 to five *per cent* per month for first three months and thereafter not less than five *per cent* to 10 *per cent* per month.

From the table above it can be seen that the rates of ED in respect of mining and industry were considerably higher in these neighbouring states compared to Jharkhand which could be one of the reasons for lower revenue generation in the state.

Further, in Odisha, consumption/sale of energy declared through monthly returns is being cross-verified with the meter readings done by electrical inspectors of Energy Department. Also, levy and collection of ED is the responsibility of the same department i.e. Energy Department.

On the other hand, in Jharkhand, the CEI of Energy Department administers the fitness of electrical installations whereas Commissioner of CTD administers the levy and collection of ED. Since two different departments are involved, a mechanism for seamless exchange of data/information is imperative to ensure that the consumer who are issued fitness certificate by the CEI are also registered with the CTD and paying ED. However, no such mechanism existed and audit found instances of non-registration of assessees liable to pay ED as mentioned in paragraph **3.3.5.2**. Further, compared to Odisha where assessments are finalised after one month, assessments of ED are finalised as late as 30 months after submission of annual return in Jharkhand. In many cases, this leads to assessments becoming time-barred resulting in loss of revenue as described in paragraph **3.3.5.5**.

The Department stated (December 2020) that a committee has been set up under the chairmanship of Special Secretary in pursuance of audit observation. In this regard IDC meeting was also held under the chairmanship of Secretary, Commercial Taxes Department.

3.3.7 Non-observance/compliance of the provisions of Acts/ Rules

BED Act, BED Rules, JED (Amendment) Act, JED (Amendment) Rules and notifications issued thereunder provide for payment of electricity duty at prescribed rate(s) and stipulate scrutiny of returns and assessment of ED within the prescribed period. Non-adherence to the above mentioned provisions resulted in several irregularities which are discussed in the following paragraphs:

3.3.7.1 Incorrect determination of energy consumed/sold

The AA while finalising the assessments did not verify the returns with the documents available on record which led to under assessment of ED and penalty of ₹ 640.12 crore.

Under the provisions of Section 3 of BED Act, read with Rule 12 of JED (Amendment) Rules, an assessee is required to pay electricity duty on the units of energy consumed or sold. The assessing authority is required to assess the ED by determining the correct value of units of energy consumed or sold on the basis of returns and documents on record. Further, penalty is leviable under the provisions of Section 5A (2) of the Act.

Audit scrutiny (between August 2019 and January 2020) of records in selected circles revealed that in five circles[39], in case of five assessees (out of 118 assessees registered in the circle), the turnover was determined (between December 2014 and April 2019) at 1,793.84 crore units for the period between 2011-12 and 2016-17. Audit scrutinised the assessment files with the annual reports and other documents available on record and noticed that the generation/usage of electrical energy of the assessees was 3,471.75 crore units. Thus, failure of AAs to verify the returns with the documents available resulted in short determination of turnover by 1,677.91 crore units and consequent under- assessment of ED of ₹ 640.12 crore including penalty of ₹ 388.28 crore**.**

The Department stated (December 2020) that notices has been issued for hearing in pursuance of audit observation.

3.3.7.2 Incorrect allowance of exemption

The AAs did not verify information available on records and allowed incorrect exemptions resulting in excess allowance of exemption of 352.97 crore units of electrical energy and consequent short levy of electricity duty of ₹ 60.88 crore including penalty of ₹ 12.13 crore.

Under the provisions of Rule 11 of the JED (Amendment) Rules, duty shall be paid by the licensee where the purchaser did not pay ED. As per the BED Act and JED (Amendment) Rules, an assessee is eligible for self-assessment where claimed transmission loss of energy does not exceed 15 *per cent* of energy received. Jharkhand State Energy Regulatory Commission (JSERC), in its notification issued in 2010 specified normative auxiliary consumption of 10 *per cent* for biomass power projects and 8.50 *per cent* for non-fossil fuel based co-generation projects and coal-based generating stations. Auxiliary

[39] Chirkunda, Jharia, Jamshedpur Urban, Ramgarh and Tenughat.

consumption is allowed only to the energy generating units. BED Act states that duty shall not be levied for any purpose which the State Government may by notification declare to be a public purpose. Further, under the Rehabilitation Scheme 2003, eligible industrial units can be granted waiver of ED for a period of three years or the period of revival, whichever is earlier under the accepted revival proposal.

Audit scrutiny (between August 2019 and January 2020) of records in 14 selected circles revealed that in eight commercial taxes circles[40], in case of 17 assessees (out of 391 assessees registered in the circles), the AAs while finalising the assessments for the period between 2011-12 and 2017-18 (assessed between December 2014 and December 2019) allowed incorrect exemption of 352.97 crore units of electrical energy on account of transfer to another assessee, transmission loss, auxiliary consumption, public purposes and rehabilitation scheme under Industrial policy. This resulted in short levy of electricity duty of ₹ 60.88 crore including penalty of ₹ 12.13 crore.

Audit observed that lack of diligence by AAs in verifying the provisions of Acts/Rules and records available in the assessment records as well as in the absence of clear guidelines/clarification of Department regarding grant of exemption for various purposes viz., rehabilitation scheme, public purpose, auxiliary consumption etc. resulted in incorrect allowance of exemptions.

The Department accepted (December 2020) the audit observation and stated that notices have been issued for hearing.

3.3.7.3 Application of incorrect rate of duty

The Assessing Authorities, while finalising the assessments, did not verify the rates of ED from the schedule of rates resulting in short levy of ED of ₹ 316.79 crore including penalty.

Under the provisions of the JED (Amendment) Act, the rate of electricity duty has been prescribed in the Schedule as per the nature of usage under Section 3 of the BED Act. Further, penalty is leviable under the provisions of Section 5A (2) of the Act.

Audit scrutiny (between July 2019 and January 2020) of records in selected circles revealed that in 11 commercial taxes circles[41], in case of 74 assessees (out of 498 assessees registered in the circles), the assessees had consumed 1,966.45 crore units of electrical energy for different purposes/operations. The AAs, while finalising the assessments (between October 2014 and July 2019) levied electricity duty at lower rate(s) as mentioned by the assessees in the returns. The assessees were liable to pay duty of ₹ 411.46 crore at rate(s) as per their usage but the AAs levied electricity duty of ₹ 272.91 crore due to

[40] Adityapur, Bokaro, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

[41] Adityapur, Bokaro, Chirkunda, Dhanbad, Hazaribag, Jamshedpur, Jamshedpur Urban, Jharia, Ramgarh, Ranchi South and Tenughat.

application of incorrect rate(s). It was observed that the AAs did not cross-check the rates of electricity duty mentioned by the assessees in the returns with the schedule of rates while finalising the assessments. This resulted in short levy of electricity duty of ₹ 316.79 crore including penalty of ₹ 178.25 crore.

The Department intimated (between July and December 2020) that notices have been issued for hearing in pursuance of audit observation. Further, ₹ 19,000 has been recovered in case of Adityapur circle.

3.3.7.4 Non-levy of interest

The AAs while finalising the assessments did not detect short/delayed payment of electricity duty resulting in short payment of ₹ 4.55 crore and non-levy of interest of ₹ 3.30 crore.

Under the provisions of Rule 7(4) of the JED Rules, every assessee shall pay duty at the appropriate rates for the units of energy consumed or sold as declared in the return not later than the 15th day of the following month, for the month for which such duty relates failing which interest shall be payable at the rate of 1.5 *per cent* per month or part thereof.

Audit scrutiny of records in selected circles revealed that in nine circles[42], in case of 25 assessees (out of 283 assessees registered in the circles), the assessees filed returns for the period between 2012-13 and 2017-18 (assessed between March 2015 and May 2019) for consumption of electrical energy against which duty payable was ₹ 30.69 crore. However, audit scrutiny revealed that the assessees paid only ₹ 26.14 crore after a delay of one to 56 months. The AAs did not scrutinise the returns and detect short/delayed payment of ED which resulted in short payment of ₹ 4.55 crore and consequent non-levy of interest of ₹ 3.30 crore.

The Department stated (December 2020) that an additional demand of ₹ 15.96 lakh has been raised against six assessees and notices for hearing have been issued in remaining cases in pursuance of audit observation.

3.3.7.5 Non/short levy of penalty

The AAs while finalising the assessment levied additional electricity duty but did not levy penalty in 13 cases, while in two cases penalty was short levied resulting in non/short levy of penalty of ₹ 7.45 crore.

Under the provisions of Rule 11 of JED (Amendment) Rules, duty shall be levied and paid on consumption of electrical energy by industries, mines and other commercial consumers, who obtain bulk supply of energy from any licensee or electricity traders. Further, penalty is leviable under the provisions of Section 5A (2) of the BED Act for non-payment of the duty payable.

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[42] Bokaro, Chirkunda, Deoghar, Dhanbad, Giridih, Hazaribag, Jharia, Ramgarh and Tenughat.

- Audit scrutiny (between July 2019 and January 2020) of records in selected (14) circles revealed that in six circles[43], in case of 13 assessees (out of 181 assessees registered in the circles), the assessees had filed return for consumption of 31.69 crore units of electrical energy for washing of coal/other operation during the period 2011-12 to 2017-18. The AAs at the time of finalising the assessments (between March 2015 and June 2019) levied additional electricity duty of ₹ 5.13 crore but failed to enforce the penal provision of the Act. This resulted in non-levy of penalty of ₹ 6.63 crore for non-admitting the duty payable.

- Audit scrutiny (between July and August 2019) of records in selected circles revealed that in Chirkunda and Ramgarh circles, two assessees out of 78 assessees registered in the circles paid electricity duty of ₹ 59.51 lakh for the period 2012-13 to 2017-18 after a delay of three to 74 months. The assessing authorities while finalising the assessments (between July 2018 and February 2019) levied penalty of ₹ 17.88 lakh instead of ₹ 99.55 lakh. It was observed that AAs applied incorrect rate of penalty. This resulted in short levy of penalty of ₹ 81.67 lakh for short/non-payment of actual duty payable.

The Department stated (December 2020) that an additional demand of ₹ 76.32 lakh has been raised against one assessee and notices for hearing have been issued in remaining cases in pursuance of audit observation.

The Government may consider developing a system for auto calculation of penalty/interest for non/delayed payment of ED.

3.3.8 Conclusion

CTD/Circles did not have consolidated information regarding arrears of revenue and details of cases involved.

Though the CTD administered the levy and collection of electricity duty, it had no mechanism in place to obtain data from CEI who administers the fitness of electrical installations. Audit found 732 DG set owners and bulk consumers who remained outside the tax net by not registering themselves. Out of these, audit worked out recoverable ED and penalty of ₹ 38.97 crore in 550 cases.

CTD failed to identify 60 cases of concealment involving ₹ 53.72 crore as there was no mechanism to verify returns submitted by the assessees with records of licensees and power generating units. CTD also failed to cross verify energy transfer between licensees which resulted in excess exemption of ₹ 270.99 crore including penalty of ₹ 120.16 crore.

Revenue under electricity duty in Jharkhand increased marginally from ₹ 175.40 crore to ₹ 209.07 crore (19.20 *per cent*) during 2014-19 as compared to neighbouring states where it increased from ₹ 1,312.92 crore to ₹ 1,790.27 crore (36.36 *per cent*) in case of Chhattisgarh and from ₹ 1,722.60

43 Chirkunda, Dhanbad, Hazaribag, Jharia, Ramgarh and Tenughat.

crore to ₹ 3,257.66 crore (89.11 *per cent*) in case of Odisha. The rates of electricity duty in Jharkhand were low compared to these States.

Non-compliance of the existing provisions of Acts/rules by the AAs and absence of mechanism to monitor and auto calculate penalty/interest for non/delayed payment of ED resulted in short levy of ED and penalty of ₹ 1,028.55 crore in 136 cases.

The audit findings are those which came to notice within the selected audit sample and there are possibilities that the same irregularities may persist in other offices dealing with levy and collection of ED in the State. The CTD may examine all such cases thoroughly in all districts in the State and take necessary action.

Other observations

3.4 Concealment of purchase turnover under JVAT Act

The Assessing Authorities, while finalising the assessments, did not cross-verify returns with the utilisation of Form C, F and other records which led to under assessment of tax and penalty of ₹ 25.99 crore.

Under the provisions of Section 40(1) read with Section 37(6) of the JVAT Act, if the dealer has concealed, omitted or failed to disclose wilfully or has furnished incorrect particulars of turnover and thereby the return figures are below the real amount, the assessing authority shall proceed to assess or reassess the amount of tax due from the dealer in respect of such turnover and impose penalty, a sum equivalent to twice (increased to thrice from July 2014) the amount of tax assessed on the turnover concealed by the dealer.

Audit test-checked (between January and February 2019) the assessment records of 369 dealers out of 16,201 dealers registered in three commercial taxes circles[44] and noticed that three dealers had disclosed purchase turnover of ₹ 404.95 crore for the period 2013-14 and 2014-15. Scrutiny indicated that the dealers had actually purchased/received goods worth ₹ 547.60 crore. This resulted in concealment of turnover of ₹ 142.65 crore and consequential under assessment of tax of ₹ 25.99 crore including penalty of ₹ 18.69 crore.

Audit has test checked only 369 cases out of 16,201 cases. Government may get the remaining assessments internally checked to ensure that similar concealment of turnovers and consequent escape of taxes have not happened in other cases.

After the cases were pointed out (between January and February 2019), the Assessing Authorities (AAs) stated (March 2020) that notices for hearing had been issued.

The matter was reported to the Department in September 2019; their reply was awaited (May 2021).

[44] Hazaribag, Ranchi East and Ranchi West.

3.5 Application of incorrect rate of tax

The Assessing Authority disallowed unascertainable claims of labour and other like charges but levied tax at the rate of five *per cent* instead of leviable 14 *per cent* of the taxable turnover arrived thereafter resulting in short levy of tax of ₹ 4.39 crore.

Rule 22 (2) of JVAT Rules, 2006 prescribes that where the amount of charges towards labour, services, hire charges or all other like charges in any contract are not ascertainable, the amount of such charges shall be calculated at the rate of 30 *per cent* (in case of civil works) of the total consideration received or receivable and the taxable turnover arrived thereafter shall be taxable at the rate of 14 *per cent*.

Audit test-checked (October 2017) the assessment records of 100 dealers out of 2,662 dealers registered in Singhbhum commercial taxes circle and noticed that the AA, while finalising the assessment (March 2017) in case of a dealer for the period 2013-14, allowed 30 *per cent* of consideration received, in labour and other like charges due to non-furnishing of evidence in support of the claim. However, on the taxable turnover of ₹ 48.81 crore arrived thereafter, tax was levied incorrectly at the rate of five *per cent* instead of 14 *per cent* as per the provisions of the Rules. This resulted in short levy of tax of ₹ 4.39 crore.

After the case was pointed out (October 2017), the AA stated (February 2020) that an additional demand of ₹ 4.39 crore had been raised. Intimation regarding recovery was awaited (May 2021).

Audit has test checked only 100 cases out of 2,662 cases. Government may get the remaining assessments internally checked to ensure that similar incorrect rate of tax has not been applied and consequent loss of taxes has not happened in other cases.

The matter was reported to the Department between July 2018 and September 2019; their reply was awaited (May 2021).

3.6 Non-levy of interest on disallowed Input Tax Credit (ITC)

The Assessing Authorities of three circles disallowed adjustment of ITC of ₹ 5.51 crore. However, interest of ₹ 3.97 crore was not levied on disallowed ITC.

The JVAT Act, 2005 provides for levy of interest applicable under this Act on account of disallowance of ITC, exemptions and deductions and any other concessions or rebates not supported by requisite evidence as required under the Act, Central Sales Tax Act or Rules framed thereunder. The Act further prescribes payment of simple interest on the additional tax assessed at the rate of two *per cent* per month from the date of such default for so long as the assessee continues to make default in the payment of the said tax.

Audit test-checked (January and February 2019) the assessment records of 270 dealers out of 12,322 dealers registered in Hazaribagh and Ranchi West commercial taxes circles and noticed that AAs disallowed (between March 2017 and March 2018) claims of two dealers for adjustment of ITC of ₹ 5.51 crore for the period 2013-14 and 2014-15. The AAs however, failed to levy penal interest amounting to ₹ 3.97 crore on the disallowed claims.

After the cases were pointed out (January and February 2019), the AAs stated (March 2020) that notices for hearing had been issued.

The matter was reported to the Department between September 2019 and January 2020; their reply was awaited (May 2021).

3.7 Non-levy of penalty/interest on enhanced turnover

Though the Assessing Authorities enhanced the turnover by ₹ 6.91 crore on account of suppression by dealers and levied additional tax of ₹ 75.50 lakh, they did not levy penalty/interest of ₹ 1.60 crore.

Under the provisions of Section 40(2) of the JVAT Act, 2005, if the assessing authority in the course of any proceeding or upon any information, which has come into his possession before assessment or otherwise, under this Act, and is satisfied that any registered dealer has concealed any sales or purchases or any particulars thereof, with a view to reduce the amount of tax payable by him under this Act, the prescribed authority shall direct that he shall, in addition to any tax payable which is assessed, pay by way of penalty a sum of five *per cent* per month (revised from July 2014 to penalty equivalent to thrice) of the additional tax assessed.

Audit test-checked (October 2017 and January 2019) the assessment records of 220 dealers out of 10,352 dealers registered in Ranchi West and Singhbhum commercial taxes circles and noticed that two dealers had furnished GTO of ₹ 102.72 crore for the period 2013-14 and 2014-15. The AAs, while finalising assessments (between February 2017 and March 2018), enhanced the turnover to ₹ 109.63 crore on account of suppression in turnover by the dealers in order to evade tax. Though the AAs enhanced the turnover by ₹ 6.91 crore and assessed additional tax of ₹ 75.50 lakh, they did not levy ₹ 1.60 crore by way of penalty/interest on additional tax assessed on enhanced turnover.

After the cases were pointed out (October 2017 and January 2019), DCST, Singhbhum Circle raised (February 2020) additional demand of ₹ 52.04 lakh and initiated action of special mode of recovery under provisions of Section 46 of JVAT Act, 2005. DCST Ranchi West circle stated (February 2020) that notice for hearing has been issued to the dealer.

The matter was reported to the Department between June 2018 and March 2019; their reply was awaited (May 2021).

EXCISE AND PROHIBITION DEPARTMENT

3.8 Results of audit

During 2018-19, Audit test-checked the records of eight out of 31 auditable units (25.81 *per cent*) of the Department. A total of 1,111 retail excise shops were renewed in the State for the period April to July 2017, thereafter 679 shops were run departmentally till March 2018. In the test-checked districts, 380 retail excise shops were renewed for April to July 2017 and 299 shops were run departmentally and Audit examined records of all these retail excise shops. The Department collected revenue of ₹ 840.81 crore during 2017-18 of which the audited units collected ₹ 542.01 crore (64.46 *per cent*). Audit noticed irregularities amounting to ₹ 104.44 crore in 1,065 cases as detailed in **Table - 3.7**.

Table- 3.7: Categories of irregularities noticed in audit

Sl. No.	Categories	No. of cases	Amount (₹ in crore)
1	Non-settlement of retail liquor shops	66	61.30
2	Short lifting by liquor retail vendors	521	23.62
3	Undue financial benefit to retail licensees due to improper determination of minimum guaranteed quota	282	6.82
4	Other cases	196	12.70
Total		**1,065**	**104.44**

The Department accepted (up to June 2019) audit observations of ₹ 27.97 crore in 578 cases and recovered ₹ 5.34 crore involved in 82 cases up to August 2019.

Irregularities involving 496 cases worth ₹ 22.46 crore have been illustrated in Paragraph 3.9. This nature of irregularity had been repeatedly reported during the last five years as detailed in **Table - 3.8**.

Table - 3.8: Nature of irregularities in previous Audit Reports

(₹ in crore)

Nature of observation	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Short lifting of liquor by retail vendors	263	2.00	542	4.67	447	5.57	695	23.20	132	2.86	2,079	38.30

PAC has discussed the matter raised in the Audit Report for the year 2015-16 only but have not issued any recommendations.

3.9 Short lifting of liquor by retail vendors

The Department did not take action to ensure lifting of minimum guaranteed quota which resulted in short lifting of liquor and non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

Under the provisions of Rule 17 of the Jharkhand Excise (Settlement of Liquor retail License) Rules, 2009 read with condition No. 20 of sale notifications, each licensed vendor of a retail excise shop is bound to lift minimum guaranteed quota (MGQ) of liquor of each kind fixed by the Department for the shop, failing which revenue equivalent to loss of excise duty suffered by the Government shall be recoverable.

Audit test-checked the records of all audited units. Out of these, in Bokaro and Hazaribag district no short lifting of liquor was noticed, whereas in the other four districts[45], audit noticed (between January and March 2019) that 496 excise retail shops, out of 745 settled shops were required to lift 2.16 crore LPL/BL of liquor from Jharkhand State Beverage Corporation Ltd. between April 2016 and July 2017. However, these excise shops had lifted only 1.57 crore LPL/BL of liquor. It was observed that the MGQ of retail excise shops were fixed on annual basis which was divided into twelve parts and the vendors of retail shops lifted liquor monthly as per their requirement. The excise districts had prepared shop-wise reports regarding MGQ fixed, liquor lifted during the month and up to the month, and forwarded the reports to the Excise Commissioner. However, the Department did not take action to ensure lifting of short lifted liquor in subsequent months so that the total MGQ fixed are lifted by the end of the year. This resulted in short lifting of 58.87 lakh LPL/BL of liquor and consequential non-levy of penalty equivalent to loss of excise duty of ₹ 22.46 crore.

After the cases were pointed out (between January and March 2019), ACE, Jamshedpur intimated (June 2019) that an amount of ₹ 4.28 crore has been recovered and certificate cases have been instituted for recovery of the balance amount. SE, Garhwa stated (February 2019) that the amount would be adjusted from the security deposit and in case the loss was more than the security deposit, certificate case would be initiated. ACEs Dhanbad and Ranchi did not furnish specific replies.

The matter was reported to the Government between January 2019 and February 2020; their reply is awaited (May 2021).

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45 Dhanbad, Garhwa, Jamshedpur and Ranchi.

SECTION C

Public Sector Undertakings

CHAPTER-I

1.1 Functioning of State Public Sector Undertakings

General

1.1.1 State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. State PSUs are established to carry out activities of commercial nature and occupy an important place in the State economy. As on 31 March 2019, there were 31 PSUs (all Government Companies) in Jharkhand (including three inactive companies) under the audit jurisdiction of the Comptroller & Auditor General of India. During the year 2018-19, two new PSUs[46] came within the audit jurisdiction of the C&AG of India.

1.1.2 The financial performance of the PSUs on the basis of latest finalised accounts as on 31 December 2019 is covered in this report.

The working PSUs registered an annual turnover of ₹ 5,283.72 crore as per their latest finalized accounts as on 31 December 2019. This turnover was equal to 1.72 *per cent* of State Gross Domestic Product (GDP) for the year 2018-19 (₹ 3,07,581crore). The working PSUs incurred a loss of ₹ 453.81 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed around 7000 employees. There are three inactive PSUs [47] since inception having an investment of ₹ 51.91 crore towards capital (₹ 1.1crore) and long term loans (₹ 50.81 crore). This is a critical area as the investments in inactive PSUs do not contribute to the economic growth of the State. Initiation of winding up process of Patratu Energy Limited and Jharbihar Colliery Limited has been approved by their Board[48].

Accountability framework

1.1.3 The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2(45) of the Act 2013, a Government Company means any company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government Company. Besides, any other company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred to in this Report as Government Controlled other Companies.

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[46] Jharkhand Rail Infrastructure Development Corporation Ltd. (JRIDCL) & Atal Bihari Vajpayee Innovation Lab.

[47] Karanpura Energy Limited, Patratu Energy Limited and Jharbihar Colliery Limited.

[48] KEL: 5th AGM (15 Sep 2017), JCL : 15th meeting (15 May 2016) and 16th (2 February 2018).

CAG appoints the statutory auditors of a Government Company and Government Controlled Other Company under Section 139(5) and (7) of the Companies Act, 2013. Section 139 (5) of the Companies Act, 2013 provides that the statutory auditors in case of a Government Company or Government Controlled Other Company are to be appointed by the CAG within a period of 180 days from the commencement of the financial year. Section 139 (7) of the Companies Act, 2013 provides that in case of a Government Company or Government Controlled Other Company, the first auditor is to be appointed by the CAG within 60 days from the date of registration of the company and in case CAG does not appoint such auditor within the said period, the Board of Directors of the Company or the members of the Company have to appoint such auditor.

Further, as per sub-Section 7 of Section 143 of the Act 2013, CAG may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Submission of accounts by PSUs

1.1.4 *Need for timely finalisation and submission*

According to Section 394 and 395 of the Companies Act 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation tabled in the Houses or both the Houses of State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. Almost similar provisions exist in the respective Acts regulating statutory corporations. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the State. Section 96 of the Companies Act, 2013 requires every company to hold an AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129(7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including directors of the company responsible for noncompliance with the provisions of Section 129 of the Companies Act, 2013.

The nature of PSUs and the position of accounts are indicated in table below:

Table 1.1.1: Nature of PSUs covered in the Report

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[49]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 31 December 2019
		Accounts upto 2018-19	Accounts upto 2017-18	Accounts upto 2016-17	Total	
Working Government Companies	**28**	**4**	**6**	**4**	**14**	**24(74)**
Inactive	**3**	**-**	**1**	**1**	**2**	**3 (6)**
Total	**31**	**4**	**7**	**5**	**16**	**27 (80)**

(Source: Accounts of PSUs received and database of inactive PSUs maintained at PAG Office)

Investment by Government of Jharkhand in State Public Sector Undertakings (PSUs)

1.1.5 The Government of Jharkhand (GoJ) has high financial stakes in the PSUs, which is mainly of three types:

- **Share capital and loans**– In addition to the share capital contribution, GoJ also provides financial assistance by way of loans to the PSUs from time to time.
- **Special financial support**– GoJ provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- **Guarantees**– GoJ also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

1.1.6 The sector-wise summary of investment in the PSUs as on 31 March 2019 is given **Table 1.1.2**:

Table 1.1.2: Sector-wise investment in State PSUs

Name of sector	Government Companies		Total	Investment (₹ in crore)		
	Working	Inactive		Equity	Long Term Loans	Total
Power	5	3	8	4244.02	14561.42	18805.44
Finance	1	0	1	1.01	0	1.01
Service	8	0	8	49.33	43.96	93.29
Infrastructure	6	0	6	241.14	0	241.14
Others	8	0	8	72.56	5.43	77.99
Total	**28**	**3**	**31**	**4608.06**	**14610.81**	**19218.87**

(Source: Information received from PSUs)

The thrust of PSU investment was mainly on power sector during the last five years. The power sector received investments of ₹ 12872.91 crore (97.98 *per cent*) out of total investment of ₹ 13138.89 crore made during the period from 2014-15 to 2018-19.

[49] From 1 January 2019 to 31 December 2019.

Keeping in view the high level of investment in Power Sector, the results of audit of eight Power Sector PSUs is presented separately the report.

1.2 Functioning of Power Sector PSUs

Introduction

1.2.1 Power sector companies play an important role in the economy of the State. Apart from providing critical infrastructure required for development of the State's economy, the sector also adds significantly to the Gross Domestic Product (GDP) of the State. **Table 1.2.1** provides the details of turnover of the power sector PSUs and GSDP of Jharkhand for a period of five years ending March 2019:

Table 1.2.1: Details of turnover of power sector PSUs *vis-a-vis* GSDP of Jharkhand

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	3620.31	3717.16	3816.87	4122.72	4122.72[50]
Percentage change of Turnover over Previous Year	6.19	2.68	2.68	8.01	0.00
GSDP of Jharkhand	218525	206613	236250	276243	307581
Percentage change of GSDP over Previous Year	15.89	-5.45	14.34	16.93	11.34
Percentage of Turnover to GSDP of Jharkhand	1.66	1.80	1.62	1.49	1.34

(Source: Information furnished by Finance Department, GoJ)

The compounded annual growth[51] of GSDP of Jharkhand was 8.77 *per cent* during the years 2014-19, while the turnover of Power Sector PSUs recorded lower compounded annual growth of 2.47 *per cent* during the same period. This resulted in decrease in share of turnover of the Power Sector PSUs to the GSDP from 1.66 *per cent* in 2014-15 to 1.34 *per cent* in 2018-19.

1.2.2 *Formation of Power Sector PSUs*

The State Government formulated (06 January 2014) the Jharkhand State Electricity Reforms Transfer Scheme, 2013 (JSERTS 2013) for unbundling of Jharkhand State Electricity Board (JSEB) and transfer of assets, properties, liabilities, obligations, proceedings and personnel of JSEB to four power sector companies *(i.e., Jharkhand Urja Vikas Nigam Limited, Jharkhand Bijli Vitran Nigam Limited, Jharkhand Urja Sancharan Nigam Limited and Jharkhand Urja Utpadan Nigam Limited).* These four power sector companies came into

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50 Turnover is based on the accounts of 2017-18 as accounts of 2018-19 were not submitted by the power sector PSUs till December 2019.

51 Rate of Compounded Annual Growth [[{(value of 2018-19/ value of 2013-14) ^ (1/ 5 years)}-1] * 100] where turnover and GSDP for the year 2013-14 was ₹ 3,409.35 crore and ₹1,88,567 crore respectively.

existence with effect from 06 January 2014 and all the assets and liabilities of JSEB excluding State Government liability were distributed among these companies according to the provisions of the JSERT Scheme 2013. The JSERT Scheme was revised by the State Government in November 2015 wherein it was clarified that the functions, business, rights, obligations, assets and liabilities of generation assets remain vested in the State Government and to be administered by the State Government through Patratu Thermal Power Station (PTPS).

JSERT Scheme, 2013 provided for re-organisation of electricity industry and preparation of a scheme for transferring the powers, duties and functions of JSEB to one or more power sector companies of the State Government. Besides these four companies, four[52] other power sector companies were incorporated prior to the JSERT Scheme, 2013. Out of above four companies, one company *i.e.*, Tenughat Vidyut Nigam Limited is a power generating company and other three companies *i.e.*, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited are the subsidiaries of Jharkhand Urja Utpadan Nigam Limited (November 1987 to October 2012). Of these eight Power Sector companies, three[53] companies did not commence commercial activities till 2018-19.

Disinvestment, restructuring and privatisation of Power Sector PSUs

1.2.3 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs.

Investment in Power Sector PSUs

1.2.4 The activity-wise summary of investment in the Power Sector PSUs as on 31 March 2019 is given **Table 1.2.2**:

Table 1.2.2: Activity-wise investment in power sector PSUs

Activity	No. of Power Sector PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	2	145.13	715.90	861.03
Transmission of Power	1	975.06	3645.90	4620.96
Distribution of Power	1	3111.03	10148.81	13259.84
Other[54]	4	12.80	50.81	63.61
Total	**8**	**4244.02**	**14561.42**	**18805.44**

(Source: Information received from PSUs)

As on 31 March 2019, the total investment (equity and long term loans) in eight Power Sector PSUs was ₹ 18805.44 crore. Out of the total long term loans of ₹ 14561.42 crore, ₹ 13353.12 crore (91.70 *per cent*) was availed from the State

52 Tenughat Vidyut Nigam Limited (26 November 1987), Karanpura Energy Limited (19 September 2008), Jharbihar Colliery Limited (18 June 2009) and Patratu Energy Limited (26 October 2012).

53 Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

54 Jharkhand Urja Vikas Limited, Karanpura Energy Limited, Jharbihar Colliery Limited and Patratu Energy Limited.

Government and balance ₹ 1208.3 crore (8.30 *per cent*) was availed from Central government and other financial institutions.

Budgetary Support to Power Sector PSUs

1.2.5 The Government of Jharkhand (GoJ) provides financial support to Power Sector PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of Power Sector PSUs for the last four years ending March 2019 are as follows:

Table 1.2.3: Details of budgetary support to Power Sector PSUs

(₹ in crore)

Particulars[55]	2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital (i)	0	0	0	0	0	0	0	0
Loans given (ii)	3	7606.72	2	1227.34	2	1776.88	2	1461.77
Grants/Subsidy provided (iii)	1	1599.99	1	1200	1	3000	1	1250
Total Outgo (i+ii+iii)	**3**	**9206.71**	**2**	**2427.34**	**2**	**4776.88**	**2**	**2711.77**
Guarantees issued[56]	-	-	-	-	-	-	1	450
Guarantee Commitment[57]	-	-	-	-	-	-	1	450

(Source: Information furnished by PSUs)

The budgetary assistance received by these PSUs ranged between ₹ 2,427.34 crore and ₹ 9206.71 crore during 2015-16 to 2018-19. The budgetary assistance of ₹ 2711.77 crore received during the "year 2018-19 included ₹ 1461.77 crore and ₹ 1250 crore in the form of loans and grants/subsidy respectively. During 2018-19, grants/subsidy was given for revenue gap to Jharkhand Bijli Vitran Nigam Limited (₹ 1250 crore).

Government of Jharkhand extends guarantees as provided under Article 293(1) of Constitution of India. JBVNL received guarantee commitment of ₹ 450 crore from GoJ to avail loans from banks/financial institutions as PSUs seek financial assistance from Banks and financial institutions.

Reconciliation with Finance Accounts of Government of Jharkhand

1.2.6 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with the figures appearing in the Finance Accounts of the Government of Jharkhand. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. As on 31 March 2019, there were differences in figures in respect of equity, loans and guarantees as stated below:

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55 Amount represents outgo from State Budget only.
56 Government guarantee issued to the PSUs during a particular year (JBVNL).
57 Closing balance of Government guarantee in respect of PSUs at the end of a particular year (JBVNL).

Table 1.2.4: Equity, Loan & Guarantee outstanding as per Finance Accounts vis-à-vis records of power sector PSUs

(₹in crore)

Sl. No.	Name of PSU	As per records of the State PSUs			As per Finance Accounts of Government of Jharkhand			Difference		
		Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed	Paid-up Capital	Loans outstanding	Guarantee Committed
1	TVNL	105	665.9		5	57		100	608.9	0
2	JUUNL	40.13	50		0	50		40.13	0	0
3	JBVNL	3111.03	8956.4	450	0	8857.03	450.00	3111.03	99.3673	0
4	JUSNL	975.06	3645.9		0	3647.07		975.06	-1.17	0
5	JUVNL	11.7			0	0		11.7	0	0
6	PEL		19.45		0	20		0	-0.55	0
7	KEL		15.52		0	16		0	-0.48	0
Total		4242.92	13353.17	450	5	12647.1	450	4237.92	706.0673	0

(Source: Information furnished by PSUs and SFAR for the year ended March 2019)

The differences between the figures are persisting since last many years. The issue of reconciliation of differences was also taken up with the PSUs/ Departments from time to time.

Submission of accounts by Power Sector PSUs

1.2.7 There were eight power sector PSUs under the audit purview of CAG as of 31 March 2019. Accounts for the year 2018-19 were not submitted by these PSUs by 30 September 2019 as per statutory requirement. None of these companies has submitted their accounts even lapse of 31 December 2019.

Table 1.2.5: Position of accounts submission of Power Sector PSUs

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of PSUs	8	8	8	8	8
2.	Number of accounts submitted during current year	0	0	0	1	0
3.	Number of PSUs which finalised accounts for the current year	0	0	0	1	0
4.	Number of previous year accounts finalised during current year	4	2	5	5	6
5.	Number of PSUs with arrears in accounts	8	8	8	7	8
6.	Number of accounts in arrears	31	35	26	23	17
7.	**Extent of arrears**	2 to 9 years	3 to 8 years	1 to 8 years	1 to 5 years	1 to 4 years

(Source: Database of finalisation of accounts maintained in the PAG Office)

The Power Sector PSUs have not been prompt in submission of their annual accounts and the extent of arrears were from 01 to 04 years in case of eight companies.

Performance of Power Sector PSUs

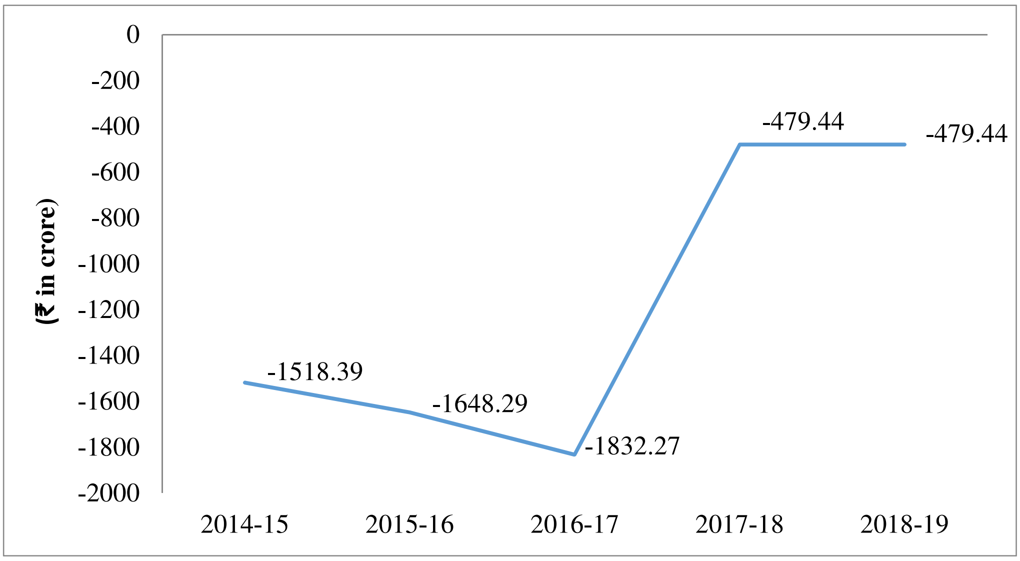
1.2.8 The financial position and working results of eight power sector Companies as per their latest finalized accounts as of 31 December 2019 are detailed in ***Appendix-1.1.1***.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed.

Rate of Real Return on Investment

1.2.9 Rate of Real Return on investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[58] earned/incurred by all the working power sector PSUs during 2014-15 to 2018-19 is depicted in following **Chart 1.2.1**:

Chart 1.2.1: Profit/Losses earned/incurred by working Power Sector PSUs



Losses incurred by five power sector PSUs were ₹ 479.44 crore in 2018-19 against loss of ₹ 1518.39 crore incurred in 2014-15. As per latest finalised accounts for the year 2018-19, out of five working power sector PSUs, one PSUs earned profit of ₹ 92.57 crore, four PSUs incurred loss of ₹ 572.01 crore and three inactive PSUs had not yet started operation/commercial production.

The top profit making company was Tenughat Vidhyut Nigam Limited (₹ 92.57crore), while Jharkhand Urja Sancharan Nigam Limited and Jharkhand Bijli Vitran Nigam Limited incurred substantial loss of ₹ 358.27 and ₹ 212.17 crore respectively.

(a) Rate of Real Return (RORR) on the basis of historical cost of investment

1.2.10 For the purposes of calculation of the RORR, the total figure of investment of Government of Jharkhand, Government of India and others in these Power Sector PSUs has been arrived at by considering the equity, adding interest free loans and deducting interest free loans which were later converted into equity/interest bearing loans for each year, grants, subsidies for operational and management expenses minus disinvestments.

Accordingly, the investment of GoJ, GoI and others as on 31 March 2019 in these Eight power sector PSUs was ₹ 28,493.40 crore consisting of ₹ 4,244.02 crore as equity and ₹ 14,561.42 crore as long term loans and ₹ 9,689.94 crore as grants, subsidies for operational & management expenses.

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[58] Figures are as per the latest finalised accounts during the respective years.

The Rate of Real Return on investment on historical cost basis for the period 2014-15 to 2018-19 is as given below:

Table 1.2.6: Rate of Real Return on Investment on historical cost basis

(₹ in crore)

Financial year	Investment by GoJ	Investment by GOI and others	Total Investment	Total Earnings/ Losses[59] for the year	Rate of Real Return on Investment (in *per cent*)
	In form of Equity, interest free loans and Grants/ Subsidies on historical cost basis				
2014-15	6,882.87	0	6,882.87	-489.09	-7.11
2015-16	8,482.86	0	8,482.86	-1,147.83	-13.53
2016-17	9,682.86	0	9,682.86	-1,737.85	-17.95
2017-18	12,682.86	0	12,682.86	-469.28	-3.70
2018-19	13,932.86	0	13,932.86	-453.82	-3.26

(Source: Information received from PSUs)

The Rate of Real Return on investment of the eight power sector PSUs in 2018-19 was negative. Heavy losses of Jharkhand Urja Sancharan Nigam Ltd and Jhakhand Bijli Vitran Nigam Limited during the above period contributed to overall losses of the power sector.

(b) On the basis of Present Value of Investment

1.2.11 Traditional calculation of return based only on historical cost however ignores the present value of money. Calculating the RORR on the basis of PV is a more adequate assessment of RORR. All Power Sector PSUs had a negative return on investment during 2014-15 to 2018-19. Therefore, the return on investment could not be calculated on the basis of PV.

Erosion of Net worth

1.2.12 Net worth is the company's sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

The table below indicates paid up capital, accumulated profit/loss and net worth of all working Power Sector PSUs which included the holding and subsidiary companies during the period 2014-15 to 2018-19:

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[59] As per annual accounts of the respective years.

Table 1.2.7: Net worth of Power Sector PSUs

(₹ in crore)

Year	No. Of Power Sector PSUs	Paid up Capital	Free Reserves	Accumulated Losses	Net worth
1	*2*	*3*	*4*	*5*	*6=3+4+5*
2014-15	5	4379.31	0	1293.89	3085.42
2015-16	5	4235.32	0	3143.50	1091.82
2016-17	5	4235.32	0	4996.74	-761.42
2017-18	5	4235.32	0	6744.16	-2508.84
2018-19	5	4235.32	0	6744.16	-2508.84

(Source: Information received from PSUs)

Of the five working Power Sector PSUs, Jharkhand Bijli Vitran Nigam Limited (₹-1918.33 crore) and Tenughat Vidyut Nigam Limited (₹ -1013.63 crore) had recorded negative Net-worth and their paid capital had been fully eroded.

Dividend Payout

1.2.13 The State Government had not formulated any dividend policy.

Return on Equity

1.2.14 Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using company's assets to create profits. It is calculated and expressed as a percentage, by dividing net income (i.e. net profit after taxes) by shareholders' funds.

Shareholders' funds of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' funds reveals that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets.

Return on Equity has been computed in respect of all Power Sector PSUs which included the holding and subsidiary companies and is detailed in the table below:

Table 1.2.8: RoE relating to Power Sector PSUs

(₹ in crore)

	Year	No. Of Power Sector PSUs	Net Profit/Loss	Shareholders' funds	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	1	92.57	-1013.63	-
	2015-16	-	-	-	-
	2016-17	-	-	-	-
	2017-18	-	-	-	-
	2018-19	-	-	-	-
Loss Incurring	**2014-15**	4	-484.33	3695.47	-
	2015-16	4	-1260.79	2105.45	-
	2016-17	4	-1864.80	252.21	-
	2017-18	4	-572.08	-1495.21	-
	2018-19	-	-	-	-
Total	**2014-15**	5	-391.76	2681.84	-
	2015-16	4	-1,260.79	2,105.45	-

	Year	No. Of Power Sector PSUs	Net Profit/Loss	Shareholders' funds	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
	2016-17	4	-1,864.80	252.21	-
	2017-18	4	-572.08	-1,495.21	-
	2018-19	-	-	-	-

(Source: Compiled based on information received from PSUs)

The RoE of Power PSUs were not worked out since either the net profit or shareholders' funds were negative.

Return on Capital Employed

1.2.15 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed.

RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[60]. The details of RoCE of all the five working power sector undertakings during the period from 2014-15 to 2018-19 are given in table below:

Table 1.2.9: Return on Capital Employed to Power Sector PSUs

(₹ in crore)

	Year	No. of Power Sector PSUs	EBIT	Capital Employed	RoCE (in *per cent*)
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	1	194.80	-65.13	-
	2015-16	-	-	-	-
	2016-17	-	-	-	-
	2017-18	-	-	-	-
	2018-19	-	-	-	-
Loss Incurring	**2014-15**	4	-362.42	11,055.38	-
	2015-16	4	-1,066.28	19,108.30	-
	2016-17	4	-1,656.84	17,328.32	-
	2017-18	4	-144.35	21,227.81	-
	2018-19	-	-	-	-
Total	**2014-15**	5	-167.62	10,990.25	-
	2015-16	4	-1,066.28	19,108.30	-
	2016-17	4	-1,656.84	17,328.32	-
	2017-18	4	-144.35	21,227.81	-
	2018-19	-	-	-	-

(Source: Complied based on information received from PSUs)

RoCE of working power sector PSUs were not worked out as all companies are loss making.

Analysis of long-term loans of the Companies

1.2.16 The analysis of the long term loans of the companies which had leverage[61] during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks

[60] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

[61] Leverage means the amount of debt a firm uses to finance assets.

and other financial institutions. This is assessed through the Interest coverage ratio and Debt Turnover Ratio.

Interest Coverage Ratio

1.2.17 Interest coverage ratio is used to determine the ability of a company to pay interest on outstanding debt and is calculated by dividing a company's earnings before interest and taxes (EBIT) by interest expenses of the same period. The lower the ratio, the lesser is the ability of the company to pay interest on debt. An interest coverage ratio of below "1" indicates that the company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in those power sector companies which had interest burden during the period from 2014-15 to 2018-19 are given in table below:

Table 1.2.10: Interest coverage ratio relating to the Power sector PSUs

Year	Interest (₹ in crore)	Earnings before interest and tax (EBIT) (₹ in crore)	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Number of companies having interest coverage ratio more than 1	Number of companies having interest coverage ratio less than 1
2014-15	224.14	-167.62	4	1	3
2015-16	250.28	-1066.28	3	0	3
2016-17	310.94	-1656.84	3	0	3
2017-18	645.85	-144.35	3	0	3
2018-19	-	-	-	-	-

(Source: Compiled based on information received from PSUs)

It was observed that the interest coverage ratio of three power sector companies were less than one during 2015-16 to 2017-18.

Debt-Turnover Ratio

1.2.18 During the last five years, the turnover of the eight power sector undertakings recorded compounded annual growth of 2.47 *per cent* and compounded annual growth of debt was 5.64 *per cent* due to which the Debt-Turnover Ratio deteriorated from 0.47 in 2014-15 to 3.53 in 2018-19 as given in table below:

Table 1.2.11: Debt Turnover ratio relating to the Power Sector PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government/ Banks and Financial Institutions	1688.51	9155.12	10419.84	12218.4	14561.42
Turnover	3629.85	3782.28	3708.16	4122.72	4122.72
Debt-Turnover Ratio	0.47:1	2.42:1	2.81:1	2.96:1	3.53:1

(Source: Compiled based on information received from PSUs)

Follow up action on Audit Reports

1.2.19 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Jharkhand issued (November 2015) instructions to all Administrative

Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU). Explanatory notes to 20 Paragraphs/Performance Audits in respect of Department of Energy were awaited (December 2019). The details are given in **Table-1.2.12**:

Table-1.2.12: Explanatory notes pending in respect of Power Sector PSUs (as on 31 December 2019)

Year of the Audit Report (PSUs)	Date of placement of Audit Report in the State Legislature	Total Power Sector Performance Audits (PAs) and Paragraphs in the Audit Report		Number of Power Sector PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2006-07	26-Mar-08	1	5	1	5
2007-08	10-Jul-09	1	6	1	5
2008-09	13-Aug-10	1	3	1	1
2009-10	29-Aug-11	1	5	1	1
2010-11	06-Sep-12	1	1	0	0
2011-12	27-Jul-13	1	2	0	0
2012-13	05-Mar-14	0	4	0	2
2013-14	26-Mar-15	0	4	0	1
2014-15	15-Mar-16	1	4	0	0
2015-16	12-Aug-17	2	4	0	1
2016-17	27-Dec-18	0	1	0	0
Total		**9**	**39**	**4**	**16**

(Source: Database maintained in the PAG Office)

Discussion of Audit Reports by CoPU

1.2.20 The status of Power Sector Performance Audits and Paragraphs that appeared in Audit Reports (PSUs) and those discussed by the CoPU as on 31 December 2020 was as under:

Table-1.2.13: Power Sector Performance Audits/ Paragraphs appeared in Audit Reports *vis-à-vis* discussed as on 31 December 2020

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2004-05	2	1	2	1
2005-06	1	2	1	2
2006-07	1	5	0	0
2007-08	1	6	0	1
2008-09	1	3	0	2
2009-10	1	5	0	4
2010-11	1	1	1	1
2011-12	1	3	1	1
2012-13	0	4	0	4
2013-14	0	4	0	3
2014-15	1	4	1	4
2015-16	1	5	1	2
2016-17	0	1	0	0
Total	11	44	7	25

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (August 2018). During 2018-19, CoPU had not discussed any paragraphs appearing in the Audit Report relating to Power Sector PSUs.

Compliance to Reports of Committee on Public Undertakings (CoPU)

1.2.21 Action Taken Notes (ATNs) to three sub-paragraphs appearing in eleventh report of the COPU presented to the State Legislature on 4 March 2014 has been received (December 2017) and ATNs to eight paragraphs and 20 sub-paragraphs appearing in reports of COPU presented to the State Legislature between 12 March 2008 and 29 January 2019 are yet to be received as indicated in **Table-1.2.14**

Table-1.2.14: Compliance to COPU Reports

Year of COPU Report	Total number of COPU Reports	Total no. of recommendations in COPU Report	No. of recommendations where ATNs received
Total	**14**	**31**	**3**

***(Source**: ATNs received from the Departments of GoJ)*

The reports of COPU contained recommendations in respect of paragraphs pertaining to Jharkhand State Electricity Board which featured in the Reports of the CAG of India for the years 2002-03, 2003-04, 2004-05, 2005-06, 2009-10 and 2010-11.

1.3 Functioning of State Public Sector Undertakings (Non-Power Sector)

Introduction

1.3.1 There were 23 State Public Sector Undertakings (PSUs) as on 31 March 2019 which were related to sectors other than Power. These State PSUs were incorporated between 2001-02 and 2018-19. Out of the 23 Government Companies one is subsidiary companies owned by other Government Companies. Five[62] Government Companies did not commence commercial activities till 2018-19.

Contribution to Economy of the State

1.3.2 The table below provides the details of turnover of State PSUs (Non-Power Sector) and GSDP of Jharkhand for a period of five years ending March 2019:

[62] i) Jharkhand Rail Infrastructure Development Corporation Limited, ii) Jharkhand Plastic Park Limited, iii) Jharkhand Urban Transport Corporation Limited, iv) Jharkhand Communication Network Limited, and v) Atal Bihari Vajpayee Innovation Lab.

Table 1.3.1: Details of turnover of State PSUs (Non-Power Sector) *vis-a-vis* GSDP of Jharkhand

(₹in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	1148.33	1134.81	1130.4	1142.26	1161
Percentage change of Turnover over Previous Year	0.17	-1.18	-0.39	1.05	1.64
GSDP of Jharkhand	218525	206613	236250	276243	307581
Percentage change of GSDP over Previous Year	15.89	-5.45	14.34	16.93	11.34
Percentage of Turnover to GSDP of Jharkhand	0.53	0.55	0.48	0.41	0.38

(Source: Information furnished by Finance Department, GoJ)

In 2018-19, the turnover of the PSUs relative to GSDP was 0.38 *per cent* and had decreased from 0.41 *per cent* in the previous year. The compounded annual growth[63] of GSDP was 8.77 *per cent* during last five years, while the turnover of Public Sector Undertakings (Non-Power Sector) recorded compounded annual growth of 0.66 *per cent* during the same period. This resulted in decrease in share of turnover of these PSUs to the GSDP from 0.53 *per cent* in 2014-15 to 0.38 *per cent* in 2018-19.

Investment in State PSUs (Non-Power Sector)

1.3.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. The position of these State PSUs have, therefore, been analysed under two major classifications *viz.,* those in the social sector and those functioning in competitive environment. Besides, Two[64] of these State PSUs incorporated to perform certain specific activities on behalf of the State Government have been categorised under 'others'.

1.3.4 The sector-wise summary of investment in these State PSUs as on 31 March 2019 is given below:

Table 1.3.2: Sector-wise investment in State PSUs (Non-power sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	9	30.56	49.21	79.77
PSUs in Competitive Environment	12	318.48	0.18	318.66
Others	2	15.00	0.00	15.00
Total	**23**	**364.04**	**49.39**	413.43

(Source: Compiled based on information received from PSUs)

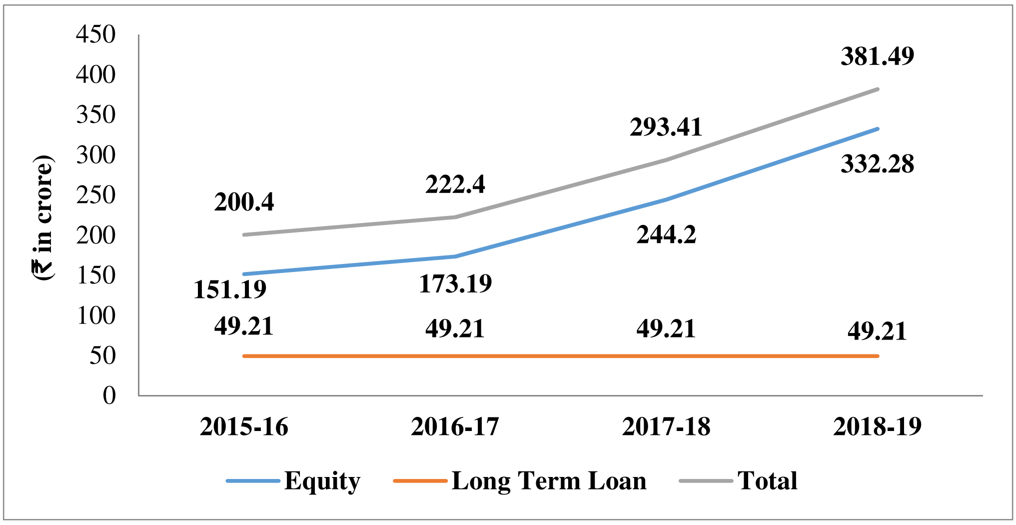
[63] Rate of Compounded Annual Growth [[{(Value of 2018-19/Value of 2013-14)^(1/5 years)}- 1]*100] where turnover and GSDP for the year 2013-14 was ₹ 1,146.43 crore and ₹ 1,88,567 crore respectively.

[64] Jharkhand Police Housing Corporation Ltd. & Ranchi Smart City Corporation Ltd.

As on 31 March 2019, the total investment (equity and long term loans) in 23 PSUs was ₹ 413.43 crore. Out of the total long-term loans of ₹ 49.39 crore, ₹ 0.18 crore, availed from financial institutions.

The year wise statement of investment of GoJ in the State PSUs (Non-Power Sector) detailed in ***Appendix-1.1.2*** during the period 2014-15 to 2018-19 is as follows:

Chart 1.3.1: Total investment of GoJ at the end of the year State PSUs (Non-Power sector)



Disinvestment, restructuring and privatisation of State PSUs

1.3.5 During the year 2018-19, no disinvestment, restructuring or privatisation was done by the State Government in the State PSUs.

Budgetary Support to State PSUs

1.3.6 The Government of Jharkhand (GoJ) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/ subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last four years ending March 2019 are as follows:

Table 1.3.3: Details of budgetary support to State PSUs (Non-Power Sector)

(₹ in crore)

Particulars[65]	2015-16		2016-17		2017-18		2018-19	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity Capital outgo (i)	3	10.74	5	58	2	70	3	67.08
Loans given (ii)	0	0		0		0		0
Grants/Subsidy provided (iii)	1	8.14		0		0		0
Total Outgo (i+ii+iii)	**4**	**18.88**	**5**	**58**	**2**	**70**	**3**	**67.08**

(Source: Information furnished by PSUs)

65 Amount represents outgo from State Budget only.

The budgetary assistance to these PSUs ranged between ₹ 18.88 crore and ₹ 70.00 crore during the period 2015-16 to 2018-19. The budgetary assistance of ₹ 67.08 crore given during the year 2018-19 is in the form of equity. The State Government did not provide any loan to these PSUs during the period of 2014-15 to 2018-19.

GoJ neither issued any guarantee nor made any guarantee commitment to any non-power sector PSU.

Reconciliation with Finance Accounts of Government of Jharkhand

1.3.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs (Non-Power Sector) should agree with that of the figures appearing in the Finance Accounts of the Government of Jharkhand. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences.

Table 1.3.4: Statement showing difference between Finance Accounts of GoJ and Accounts of the State PSUs (Non-Power Sector) in respect of balances of Equity and Loans as on 31 March 2019

(₹ in crore)

Sl. No.	Name of PSU	As per records of the State PSUs		As per Finance Accounts of Government of Jharkhand		Difference	
		Paid-up Capital	Loans outstanding	Paid-up Capital	Loans outstanding	Paid-up Capital	Loans outstanding
1	2	3	4	5	6	7	8
1	JRIDCL	4.08	0.00	5	0	0.92	0.00
2	JIIDCO	15	0.00	25	0	10	0.00
3	GRDA	164.14	0.00	25	0	-139.14	0.00
4	JSADCL	2	0.00	0	0	-2	0.00
5	JSFDC	0.55	0.00	0.05	0	-0.5	0.00
6	JHALCO	5	5.25	5	0	0	-5.25
7	JSFCS	5	43.96	0.00	0	-5	-43.96
8	JSMFDC	1.01	0	4.25	0	3.24	0.00
9	JMHIDPCL	5	0	0	0	-5	0.00
10	RSCCL	13	0	10	0	-3	
	Total	**214.78**	**49.21**	**74.3**	**0**	**-140.48**	**-49.21**

It was observed that out of 23 State PSUs, such differences occurred in respect of 10 PSUs as shown in above table. The differences between the figures are persisting for last many years. The issue of reconciliation of differences was also taken up with the PSUs and the Departments from time to time. Major difference in balances was observed in Greater Ranchi Development Agency and Jharkhand State Food and Civil Supplies Corporation Ltd. It is, therefore, recommended that the State Government and the respective PSUs should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs

1.3.8 Of the total 23 State PSUs, all were working PSUs under the purview of CAG as on 31 March 2019. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the working State PSUs

1.3.8.1 Accounts for the year 2018-19 were required to be submitted by all the working PSUs by 30 September 2019. However, out of 23 working Government Companies, none of these Government Companies submitted their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 whereas accounts of 23 Government Companies were in arrears.

Four Government companies submitted their accounts before 31 December 2019. Details of arrears in submission of accounts of working PSUs as on 31 December 2019 are given below:

Table 1.3.5: Position relating to submission of accounts by the working State PSUs (Non-Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1.	Number of Working PSUs	17	17	20	21	23
2.	Number of accounts submitted during current year	0	0	3	0	4
3.	Number of working PSUs which finalised accounts for the current year	0	0	3	0	4
4.	Number of previous year accounts finalised during current year	5	9	12	11	11
5.	Number of working PSUs with arrears in accounts	17	17	20	21	17
6.	Number of accounts in arrears	36	42	51	58	63
7.	**Extent of arrears**	1 to 09 years	1 to 10 years	1 to 08 years	1 to 09 years	1 to 09 years

(Source: Accounts of PSUs received during the period 1January 2019 to December 2019)

Of these 23 working State PSUs, 10 PSUs had finalised 15 annual accounts during the period 1 January 2019 to 31 December 2019 which included 4 annual accounts for the year 2018-19 and 11 annual accounts for previous years. Further, 63 annual accounts were in arrears which pertain to 17 PSUs (two PSUs incorporated in 2018-19)**.** The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Chief Secretary to the Government of Jharkhand is informed quarterly regarding arrear in accounts.

In absence of finalisation of accounts and their subsequent audit in remaining 17 PSUs, no assurance could be given whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoJ investment in these PSUs, therefore, remained outside the oversight of State Legislature.

Impact of non-finalisation of accounts of State PSUs (Non-Power Sector)

1.3.9 As pointed in **paragraph 1.3.8**, the delay in finalisation of accounts carries the risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs (Non-Power Sector) to State GDP for the year 2018-19 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

Recommendation: The Government may look into the constraints in preparing the accounts of the PSUs and take necessary steps to clear the arrears in accounts.

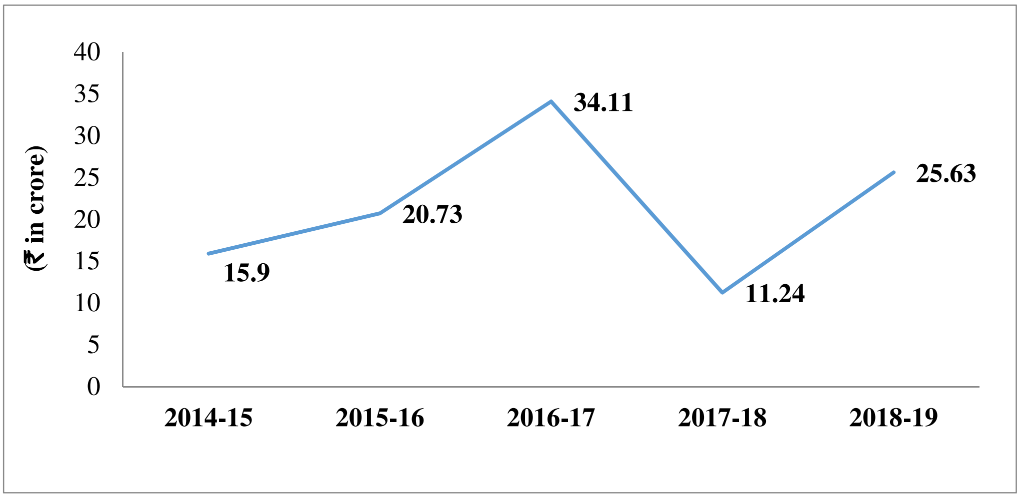
Performance of State PSUs (Non-Power Sector)

1.3.10 The financial position and working results of the 16 State PSUs (Non Power Sector) as per their latest finalised accounts as on 31 December 2019.

The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed.

1.3.11 Rate of Real Return on Investment is the percentage of profit or loss to the Present Value (PV) of total investment. The overall position of Profit/losses[66] earned/incurred by the working State PSUs (Non-Power Sector) during 2014-15 to 2018-19 is depicted in **Chart 1.3.2**:

Chart 1.3.2: Profit/Losses earned/incurred by working PSUs (Non-Power Sector) during the years



The profit of ₹ 15.9 crore earned by these working PSUs in 2014-15 increased to ₹ 25.63 crore in 2018-19 due to profit earned by Greater Ranchi Development Agency, Jharkhand Police Housing Corporation Ltd, Jharkhand State Beverage Corporation Ltd, Jharkhand State Forest Development Corporation Limited. As per latest finalised accounts for the year 2018-19, out of 16 working State PSUs, 9 PSUs earned profit of ₹ 37.25 crore and 7 PSUs incurred losses of ₹ 11.62 crore. Seven non-power sector company had not yet submitted its first account.

The top profit making companies were Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi Development Agency (₹ 8.86 crore) while,

[66] Figures are as per the latest finalised accounts of the respective years.

Jharkhand Silk Textile & Handicraft Development Corporation Ltd and (₹ 4.62 crore) Jharkhand Hill Area Lift Irrigation Corporation Limited (₹ 3.65 crore) incurred losses.

Rate of Real Return (RoRR) on the basis of historical cost of investment

1.3.12 For the purposes of calculation of the RORR, the total figure of investment of Government of Jharkhand, Government of India and others in these Power Sector PSUs has been arrived at by considering the equity, adding interest free loans and deducting interest free loans which were later converted into equity/interest bearing loans for each year, grants, subsidies for operational and management expenses minus disinvestments.

Accordingly, the investment of equity of the GoJ, GoI and others PSUs as on 31 March 2019 in these 23 was ₹ 332.28 crore, Long term loans (all were interest free loans) of ₹ 49.21 crore & grants of ₹ 21.09 crore. Thus, the investment in these 23 PSUs on the basis of historical cost stood at ₹ 402.58 crore (₹ 332.28 crore + ₹ 49.21 crore+ ₹ 21.09 crore). The sector-wise rate of real return on investment on the basis of historical cost of investment for the period 2014-15 to 2018-19 is given below:

Table 1.3.6: Return on Investment on the basis of historical cost

(₹ in crore)

Year wise Sector-wise break-up	Total Earning for the year	Funds invested by the GoJ	Funds invested by the GoI and others	Total Investment	Rate of Real Return on investment on historical cost basis (%)
		in form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis			
2014-15					
Social Sector	4.25	69.12	0	69.12	6.15
Competitive Sector	5.05	90.64	0	90.64	5.57
Others	5.95	2	0	2	297.50
Total	**15.25**	**161.76**	**0**	**161.76**	9.43
2015-16					
Social Sector	4.61	73.76	0	73.76	6.25
Competitive Sector	10.98	134.64	0	134.64	8.16
Others	4.74	2	0	2	237.00
Total	**20.33**	**210.4**	**0**	**210.4**	9.66
2016-17					
Social Sector	4.58	80.76	0	80.76	5.67
Competitive Sector	23.72	209.64	0	209.64	11.31
Others	6.02	2	0	2	301.00
Total	**34.32**	**292.4**	**0**	**292.4**	11.74

2017-18					
Social Sector	4.58	85.77	0	85.77	5.34
Competitive Sector	1.26	279.64	0	279.64	0.45
Others	4.33	2	0	2	216.50
Total	**10.17**	**367.41**	**0**	**367.41**	2.77
2018-19					
Social Sector	3.56	96.94	0	96.94	3.67
Competitive Sector	18.6	290.64	0	290.64	6.40
Others	3.47	15	0	15	23.13
Total	**25.63**	**402.58**	**0**	**402.58**	6.37

(Source: Information received from PSUs)

The Rate of Real Return on investment has been worked out by dividing the total earnings[67] of these PSUs by the cost of the investments made by GoJ, GoI and others. The Rate of Real Return earned on investment of the 16 State PSUs (Non-Power sector) in 2018-19 was positive due to profit earned by Jharkhand State Beverage Corporation Ltd. (₹ 11.95 crore), Jharkhand State Forest Development Corporation Ltd (₹ 5.90 crore) and Greater Ranchi Development Agency (₹ 8.86 crore).

Return on Investment on the basis of Present Value of Investment

1.3.13 Traditional calculation of return based only on historical cost however ignores the present value of money. Calculating the RORR on the basis of PV is a more adequate assessment of RORR. During the period from 2014-15 to 2018-19, these 16 PSUs had a positive rate of real return on investment. The rate of real return on investment for these four years have, therefore, been calculated and depicted on the basis of PV.

The PV of the total investment in the 16 PSUs was computed on the following assumptions:

- The equity infused minus disinvestment, interest free loans and funds made available in the form of the grants, subsidies for operational & management expenses have been reckoned as investment for calculating the rate of real return on investments. In case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period.

- The average rate of interest on government borrowings for the concerned financial year[68] was adopted as compounded rate for arriving at Present Value since they represent the cost incurred towards investment of funds for the year and therefore considered as the minimum expected rate of return on investments.

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[67] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government.

[68] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Jharkhand) for the concerned year wherein the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

1.3.14 The investment in the form of equity of the GoJ, GoI and others PSUs as on 31 March 2019 in these 19 was ₹ 332.28 crore, long term loans (all were interest free loans) of ₹ 49.21 crore & grants of ₹ 21.09 crore. The PV of funds infused by the GoJ, GoI and others up to 31 March 2019 amounted to ₹ 597.41 crore.

1.3.15 As during the years 2014-15, 2015-16, 2016-17 and 2018-19, the 9 PSUs earned profit, sector-wise comparison of returns on State Government funds at historical cost and at present value for these years is given below:

Table 1.3.7: Return on State Government Funds (Present Value)

(₹ in crore)

Year wise / Sector-wise break-up	Total Earnings for the year	Funds invested by the GoJ	Funds invested by the GoI and others	Total Investment	PV of the total investment at end of the year	Rate of Real Return on total investment considering the present value of the investments (%)	Rate of Real Return on investment on historical cost basis (%)
		In form of Equity, interest free loans and grants, subsidies for operational & management expense on historical cost basis					
2014-15							
Competitive Sector	5.05	90.64	0	90.64	126.44	3.99	5.57
Social Sector	4.25	69.12	0	69.12	109.15	3.89	6.15
Others	5.95	2	0	2	5.62	105.85	297.50
Total	15.25	161.76	0	161.76	241.21	6.32	9.43
2015-16							
Competitive Sector	10.98	134.64	0	134.64	181.74	6.04	8.16
Social Sector	4.61	73.76	0	73.76	121.33	3.80	6.25
Others	4.74	2	0	2	5.99	79.08	237.00
Total	20.33	210.4	0	210.4	309.07	6.58	9.66
2016-17							
Competitive Sector	23.72	209.64	0	209.64	274.10	8.65	11.31
Social Sector	4.58	80.76	0	80.76	137.01	3.34	5.67
Others	6.02	2	0	2	6.40	94.08	301.00
Total	34.32	292.4	0	292.4	417.50	8.22	11.74
2017-18							
Competitive Sector	1.26	279.64	0	279.64	368.12	0.34	0.45
Social Sector	4.58	85.77	0	85.77	151.93	3.01	5.34
Others	4.33	2	0	2	6.85	63.25	216.50
Total	10.17	367.41	0	367.41	526.89	1.93	2.77
2018-19							
Competitive Sector	18.6	290.64	0	290.64	402.96	4.62	6.40
Social Sector	3.56	96.94	0	96.94	173.36	2.05	3.67
Others	3.47	15	0	15	21.09	16.45	23.13
Total	25.63	402.58	0	402.58	597.41	4.29	6.37

(Source: Information received from PSUs)

The return earned on total investment on historical cost basis was 9.43 *per cent* in 2014-15 which decreased to 6.37 *per cent* during 2018-19 due to decrease in overall profits though there was infusion of additional equity, grants, subsidies, whereas the returns earned on total investment considering the present value of the investments was 6.32 *per cent* and 4.29 *per cent* during the same period. Further, during this period, the returns from competitive sector on present value worked out to 3.99 *per cent* and 4.62 *per cent* only as against return of 5.57 *per cent* and 6.40 *per cent* respectively based on the historical cost of investment.

Erosion of Net worth

1.3.16 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure.

Analysis of investment and accumulated losses revealed that paid up capital has been fully eroded in three out of 16 working PSUs. Of these three PSUs, the paid up capital was fully eroded in Jharkhand Silk Textile &Handicraft Development Corporation Ltd, Jharkhand Hill Area Lift Irrigation Corporation Limited and Jharkhand Plastic Park. Limited.

The table below indicates total paid up capital, total free reserves, total surpluses, total accumulated losses and net worth of the 16 working PSUs (non-power sector) during the period 2014-15 to 2018-19:

Table 1.3.8: Net worth of State PSUs (Non-Power Sector)

(₹ in crore)

Year	No. Of Non-Power Sector PSUs	Paid up Capital	Free Reserves	Surplus	Net worth
1	*2*	*3*	*4*	*5*	*6=3+4+5*
2014-15	11	80.55	0	260.84	341.39
2015-16	12	87.29	0	224.41	311.70
2016-17	15	152.70	0	242.31	395.01
2017-18	15	172.70	0	235.11	407.81
2018-19	16	180.70	0	249.83	430.53

(Source: Information received from PSUs)

As can be seen, the net worth of the State PSUs (non-power sector) was positive during the five-year period. The net worth has increased from ₹ 341.39 crore in 2014-15 to ₹ 430.53 crore in 2018-19 due to increase in paid up capital and surpluses.

Dividend Payout

1.3.17 The State Government had not formulated any dividend policy.

Return on Equity

1.3.18 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' funds to create profits. It is calculated and expressed as a percentage by dividing net income (i.e., net profit after taxes) by shareholders' funds.

Shareholders' funds of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' funds reveals that the company has enough assets to cover its liabilities while negative shareholders' equity means that liabilities exceed assets. Return on Equity has been computed in respect of all the non-power sector undertakings which included the holding and subsidiary companies.

Sector-wise Return on Equity computed in respect of State PSUs (non-power sector) which have earned profit or incurred loss as per their latest annual financial account is detailed in the table below:

Table 1.3.9: Sector wise return on equity of all PSUs

(₹ in crore)

	EBIT	Share Holders Fund	ROE in per cent
1	2	3	4 =2*100/3
2014-15			
Social Sector	4.25	225.84	1.88
Competitive sector	5.05	85.43	5.91
Others	5.95	30.67	19.40
Total	15.25	341.94	4.46
2015-16			
Social Sector	4.61	185.93	2.48
Competitive sector	10.98	91.37	12.02
Others	4.74	35.41	13.39
Total	20.33	312.71	6.50
2016-17			
Social Sector	4.58	187.90	2.44
Competitive sector	23.72	166.69	14.23
Others	6.02	41.43	14.53
Total	34.32	396.02	8.67
2017-18			
Social Sector	4.58	187.90	2.44
Competitive sector	1.26	175.16	0.72
Others	4.33	45.76	9.46
Total	10.17	408.82	2.49
2018-19			
Social Sector	3.56	194.89	1.83
Competitive sector	18.60	132	14.09
Others	3.47	49.14	7.06
Total	25.63	376.03	6.82

(Source: Information received from PSUs)

Further, Return on Equity computed in respect of all working State PSUs (non-power sector) which have earned profit or incurred loss as per their latest annual financial account is detailed in the table below:

Table 1.3.10: Return on Equity relating to State PSUs (Non-Power Sector)

(₹ in crore)

	Year	No. of PSUs	Net Profit/Loss (₹ in crore)	Shareholders' funds (₹ in crore)	RoE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	**2014-15**	8	31.7	325.82	9.73
	2015-16	8	30.62	342.33	8.94
	2016-17	10	38.87	392.47	9.90
	2017-18	7	27.10	326.98	8.29
	2018-19	9	37.25	526.26	7.08
Loss Incurring	**2014-15**	2	-16.45	-25.16	-
	2015-16	4	-10.29	-29.62	-
	2016-17	5	-4.55	3.55	-
	2017-18	8	-16.93	81.84	-
	2018-19	7	-11.62	5.28	-
Total*	**2014-15**	10	15.25	300.66	5.07
	2015-16	12	20.33	312.71	6.50
	2016-17	15	34.32	396.02	8.67
	2017-18	15	10.17	408.82	2.49
	2018-19	16	25.63	531.54	4.82

(Source: Information received from PSUs)

* *PSUs which earned neither profit nor incurred loss and PSUs which had not submitted its first accounts since inception had been excluded.*

During 2018-19, 7 out of 16 PSUs were loss making. Since the Net Income was negative, the Return on Equity of loss making PSUs was not worked out. Shareholders' fund for loss making company was negative during 2014-15 and 2015-16. During the last five years ending March 2019, the Net Income was positive during 2014-15 to 2018-19 and the RoE during these years ranged between 2.49 *per cent* to 8.67 *per cent*.

Return on Capital Employed

1.3.19 Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. RoCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[69]. The details of sector-wise RoCE of State PSUs (Non-Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

[69] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised.

Table 1.3.11: Sector wise return on Capital Employed of all Non-power PSUs

(₹ in crore)

	EBIT	Capital Employed	RoCE (in per cent)
1	2	3	4=2*100/3
2014-15			
Social Sector	8.24	349.47	2.36
Competitive sector	37.67	201.96	18.65
Others	8.87	30.67	28.92
Total	54.78	582.10	9.41
2015-16			
Social Sector	8.60	255.79	3.36
Competitive sector	43.20	279.72	15.44
Others	6.86	35.41	19.37
Total	50.06	315.13	15.89
2016-17			
Social Sector	8.57	257.77	3.32
Competitive sector	59.67	1199.39	4.97
Others	8.72	41.43	21.05
Total	68.39	1240.82	5.51
2017-18			
Social Sector	8.57	257.77	3.32
Competitive sector	33.35	1880.23	1.77
Others	5.98	45.76	13.07
Total	47.90	2183.76	2.19
2018-19			
Social Sector	7.55	264.75	2.85
Competitive sector	54.58	1939.137	2.81
Others	4.81	49.14	9.79
Total	66.94	2253.027	2.97

(Source: Information received from PSUs)

Further, the details of total RoCE of all the profit making and loss incurring working State PSUs (Non-Power Sector) during the period from 2014-15 to 2018-19 are given in table below:

Table 1.3.12: Return on Capital Employed relating to State PSUs (Non-Power Sector)

(₹ in crore)

	Year	No. of PSUs	EBIT	Capital employed	RoCE in *per cent*
	1	*2*	*3*	*4*	*5=3*100/4*
Profit Earning	2014-15	8	71.87	473.37	15.18
	2015-16	8	70.03	559.28	12.52
	2016-17	10	81.45	1487.10	5.48
	2017-18	7	64.77	2005.79	3.23
	2018-19	9	78.50	2201.61	3.57
Loss Incurring	2014-15	2	-16.97	13.59	-
	2015-16	4	-11.37	11.64	-
	2016-17	5	-4.49	11.499	-
	2017-18	8	-16.87	177.977	-
	2018-19	7	-11.56	51.417	-
Total*	2014-15	10	54.90	486.96	11.27
	2015-16	12	58.66	570.92	10.27
	2016-17	15	76.96	1498.599	5.14
	2017-18	15	47.90	2183.767	2.19
	2018-19	16	66.94	2253.027	2.97

(Source: Information received from PSUs)

* *PSUs which earned neither profit nor incurred loss and PSUs which had not submitted their first accounts since inception had been excluded.*

During 2018-19, 7 out of 16 working PSUs were loss making. Since the EBIT was negative in respect of these 7 PSUs, the RoCE of Loss making PSUs could not be worked out. The RoCE of PSUs ranged between 2.19 *per cent* and 11.27 *per cent* during the period 2014-15 to 2018-19.

Analysis of Long Term Loans of the State PSUs (Non-Power Sector)

1.3.20 The analysis of the long term loans of the companies which had leverage[70] during 2014-15 to 2018-19 was carried out to assess the ability of the companies to service the debt owed by the companies to Government, banks and other financial institutions. This is assessed through Debt Turnover Ratio.

Debt-Turnover Ratio

1.3.21 Debt-Turnover Ratio were same during the last five years as no long term loans taken by state PSUs from 2014-15 to 2018-19 as given in table below:

Table 1.3.13: Debt Turnover Ratio relating to the non-power sectors PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt from Government and others (Banks and Financial Institutions)	49.39	49.39	49.39	49.39	49.39
Turnover	1148.33	1134.81	1130.4	1142.26	1161
Debt-Turnover Ratio	0.04	0.04	0.04	0.04	0.04

(Source: Information received from PSUs)

Follow up action on Audit Reports

Replies outstanding

1.3.22 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that the executive furnishes appropriate and timely response. The Finance Department, Government of Jharkhand issued (November 2015) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/performance audits included in the Reports of the CAG of India within a period of three months after their presentation to the Legislature, in the prescribed format, without waiting for any questionnaires from the Committee on Public Undertakings (CoPU).

Explanatory notes on five Paragraphs were pending with five departments till December 2020.

Discussion of Audit Reports by CoPU

1.3.23 The status of discussion of Performance Audits and paragraphs related to State PSUs (Non-Power Sector) that appeared in Audit Reports (PSUs) by the CoPU as on 31 December 2020 was as under:

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70 Leverage means the amount of debt a firm uses to finance assets.

Table 1.3.14: Performance Audits/Paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 31 December 2020

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Paragraphs discussed	
	PAs	Paragraphs	PAs	Paragraphs
2013-19	5	17	3	13

(Source: Database maintained in the PAG Office)

Committee on Public Undertakings was apprised of the pendency in the discussion of Audit Report Paragraphs in their first meeting (August 2018). During 2018-19, with the co-ordination and assistance of PAG, CoPU had in its three meetings, discussed three paragraphs relating to Audit Reports of 2008-09 to 2013-14.

Compliance to Reports of COPU

Out of eight recommendations in four COPU reports presented to the State Legislature during 2013-18, no ATN had been received from State PSUs (Non-Power).

The reports of COPU contained recommendations in respect of paragraphs pertaining to Forest, Environment & Climate Change, Mines & Geology, Home, Jail & Disaster Management and Industry Departments, GOJ, which appeared in the Reports of the CAG of India for the year 2006-07, 2009-10, 2010-11 and 2012-13.

Coverage of this section

1.3.24 This Section of the Report contains two Audit Paragraphs and one compliance audit on 'Management of Assets by Jharkhand Tourism Development Corporation Ltd.'

CHAPTER–II: COMPLIANCE AUDIT

DEPARTMENT OF TOURISM, ART, CULTURE, SPORTS & YOUTH AFFAIRS

2.1 Audit on Management of Assets by Jharkhand Tourism Development Corporation Limited

2.1.1 Introduction

Jharkhand is a sought after destination for tourists as it is blessed with immense bio-diversity, moderate climate, rich cultural and historical heritage and famous pilgrimage sites. The State has several tourist spots of international, national and state level importance.

The Department of Tourism, Art, Culture, Sports & Youth Affairs (Department), Government of Jharkhand (GoJ) constructed and transferred (between June 2004 and October 2018), 85 assets[71] situated in 22 districts to Jharkhand Tourism Development Corporation Limited (JTDC), a wholly owned Government Company for operation and management. The ownership of the assets vests with the Department and JTDC manages the assets through self-managed and outsourced mode.

The Company (JTDC) is under the administrative control of the Department headed by the Secretary. Management of the Company is vested with a Board of Directors (BoD) appointed by the GoJ. Managing Director (MD) cum Chief Executive Officer of the Company is assisted by two General Managers and two Deputy General Managers. Self-managed hotels/Tourist Complexes (TCs) are headed by Sr. Managers/Managers.

Audit of "Management of Assets by JTDC" covering the period from 2015-16 to 2018-19 was conducted to assess how efficiently and effectively JTDC has utilised and managed the assets to promote tourism in the State.

The sources of criteria were Jharkhand Tourism Policy (JTP) 2015, circulars and instructions issued by GoJ and Government of India (GoI), Jharkhand Financial Rules (JFR), Jharkhand Treasury Code (JTC), Memorandum and Articles of Association and Agenda and Minutes of BoD meetings of JTDC.

Eight[72] districts having 51 assets were selected through 'Simple Random Sampling Without Replacement' for scrutiny of records and physical verification. However, test-check of records and physical verification of only

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71 Hotels, Tourist Complexes (TCs), Tourist Information Centers (TICs), Way Side Amenities (WSAs), Multi-Purpose Bhawan (MPBs)/Shadi Ghar/Sanskar Bhawan, Rope Way, Children Play Zones, Light & Sound Systems and Shopping Complexes.

72 Deoghar, Dumka, East Singhbhum, Hazaribag, Latehar, Palamu, Ramgarh and Ranchi.

44 assets[73] could be conducted. Apart from 44 sampled assets, files of 26 additional assets were scrutinised at JTDC HQ.

An entry conference was held on 04 September 2019 with the Special Secretary of the Department and MD, JTDC in which the objectives, scope and methodology of audit were discussed. Exit conference was held on 12 January 2021 with MD (JTDC) cum Director of Tourism, GoJ in which audit findings were discussed. Replies of the Department/Company have been suitably incorporated in the Report.

Audit Findings

2.1.2 Planning

As per the Jharkhand Tourism Policy (JTP) introduced by GoJ in June 2015, the State was to prepare and implement a master plan for integrated development and marketing of tourism, conduct a detailed survey of tourism potential of every district to optimally utilise such potential, introduce a State Tourist-Friendly Security Force (TFSF) by involving ex-servicemen, promote private sector participation in the development of tourism, set up minimum standards for tourism units and provide quality services to visitors at destinations and on the way. It was observed that the Department had not:

- prepared the master plan for integrated development and identification of viable areas for tourism development,
- conducted any survey to assess tourism potential of the sites where assets were constructed,
- set up minimum standards for tourism units, and
- created the TFSF even after lapse of more than four and half years after the introduction of JTP.

Failure of the Department in preparing master plan, conducting survey of tourism potential and setting up minimum standards for its tourism units resulted in construction of assets at remote and unviable places, non-operational assets, low bed occupancy, poor response of developers for running the assets etc. These and other issues are discussed in the succeeding paragraphs. Further, out of 22 assets constructed and transferred after the introduction of JTP, 19 assets remained non-operational as of May 2020 ***(Appendix-2.1.1).***

In reply, the Department stated (July 2020) that they were working under Tourism Policy, Road map and Vision for development of tourism in the State and that individual master plans were prepared for five major projects. It was further stated that survey was conducted for one mega investment project (Patratu Mega Development Destination) and that other assets were created on the recommendations of District Administration, Public Representatives and

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[73] Records of seven assets could not be examined and physically inspected due to suspension of audit in the light of COVID 2019.

decision of the Department. The Department also stated that minimum standards of accommodation units have already been decided by GoI. However, the Department accepted that survey to assess tourism potential of the sites where assets were constructed was not done and TFSF comprising of ex-serviceman was not created.

No comments regarding non-preparation of master plan for integrated development and marketing of tourism pointed out in the Report were given by the Department. Further, the GoI decision referred to by the Department was the minimum standards required for granting star rating to accommodation facilities and not the minimum standards for tourism units.

2.1.3 Operation and Management of Assets

As per records of JTDC, the Department transferred 85 assets (as of March 2019) to JTDC out of which 30 assets have been outsourced, 22 were being self-managed, 32 remained non-operational and one asset was being run through the local administration. Out of 85 assets, 66 were transferred during 2009-10 to 2018-19. Test check of records of the Department and JTDC related to 44 properties (19 outsourced, 12 self-managed, 12 non-operational and 01 other) in 08 test-checked districts and their joint physical verification revealed the following:

2.1.3.1 Lack of control of JTDC over its properties

According to the circulars of the Department issued at the time of transfer of assets, JTDC was to take over the assets within one week from the date of transfer. Further, as per agreement, the developer was to develop the asset as per approved Project Implementation Plan (PIP). Audit observed that though seven assets were transferred (between March 2015 and October 2015) to JTDC for their operation and management through outsourcing, JTDC failed to have control over these assets as discussed below:

(a) TC Maluti (Dumka) and TC Baridih (East Singhbhum)

These assets were constructed (2009 and 2010) at a cost of ₹ 1.11 crore and transferred to JTDC in August 2009. However, in July 2012, GoJ transferred these assets to the DCs of the districts for their operation. Again, in October 2015, GoJ transferred these properties back to JTDC with instructions to take over the assets within one week from the date of transfer.

Audit observed that though JTDC invited tenders for outsourcing TC Maluti (March 2016) and TC Baridih (March 2016 and December 2016), these assets could not be outsourced to successful bidders for reasons not available on record. During joint physical verification (March 2020), Audit noticed that TC Maluti was being run by a committee[74] under an agreement executed (June 2015) between the Deputy Commissioner (DC) Dumka and the Secretary

[74] Non-Government Organisation.

of the committee for one year. The asset was taken back from the DC, Dumka and transferred to JTDC in October 2015. However, the committee continued its operation unauthorisedly beyond the agreement period (after September 2015). Further, Maluti (Dumka) was notified as a tourist spot of international importance by the State Government. Despite being a destination of international importance, only 1,659 tourists had stayed in this TC during 2015-16 to 2018-19 due to lack of basic amenities.

JTDC had informed (August 2019) that TC Baridih was lying idle. However, during joint physical verification (January 2020), it was found that the TC was being used for marriage functions.

Thus, unauthorised operation of the assets without the knowledge of JTDC showed lack of control of JTDC over its assets. Further, signboards/logo of GoJ/JTDC were not found in these two assets.

The Department stated (July 2020) that JTDC had not taken over these properties and that the district administration concerned had been requested to intimate the condition, running status of the assets and revenue collected. The reply is not correct as JTDC had to take over the assets within one week of transfer and it was also found that tenders had been floated (March 2016) by JTDC to outsource these assets.

(b) MPB Pathrol (Deoghar) and Chhatarpur (Palamu)

The Department constructed (between 2015 and 2016) these two MPBs at a cost of ₹ 91.74 lakh and transferred (October 2015) them to JTDC prior to completion of construction. Though JTDC invited tenders twice (March 2016 and December 2016) to outsource the assets, no developers were selected. As per records of JTDC, both these assets were non-operational. However, during joint physical verification (March 2020), it was observed that these assets were being operated by village level committees without the consent of JTDC/Department. These local committees earned revenue by renting out the Vivah Mandap and rooms during the period from 2015-16 to 2018-19 but no revenue was deposited to Government/JTDC's account. Further, no JTDC/Government signboards/logo was found in these assets indicating failure of JTDC to have control over its properties.

The Department/JTDC did not give specific reply and stated (June 2020) that the properties are located in remote places where only occasional tourists are expected and the Department had been requested to transfer the property to District Tourism Promotion Committee (DTPC) to make them functional.

(c) Children Play Zone, Sidhgora (Jamshedpur)

Children Play Zone, Sidhgora (Jamshedpur) was transferred (October 2015) to JTDC and though tenders were invited (March 2016 and December 2016), the asset could not be outsourced. The asset was shown as non-operational in JTDC's records. However, during joint physical verification (January 2020), it was observed that the asset was being run by a local committee indicating lack of control of JTDC over its asset. No revenue was deposited to Government/ JTDC's account though tickets were being sold. No Government/JTDC signboards/logo were put up and toilets, drinking water facility were not available. Further, several benches in the park were found damaged.

The Department stated (July 2020) that the asset is under the charge of district administration. Reply is not convincing as the asset which was to be taken over by JTDC was found being run by a local committee during joint physical verification. Further, JTDC was showing the asset as non-operational and had floated tenders to outsource the property.

(d) Wayside Amenities Tatijharia (Hazaribag) and Hata Chowk (East Singhbhum)

These assets were transferred (March 2015) to JTDC and agreement for operation and maintenance was executed (February 2016 and March 2016) with the developers. Scrutiny of records and joint physical verification revealed that the developer of Wayside Amenity (WSA), Tatijharia did not develop the agreed facilities, constructed shops in the front of the building and commercialised the WSA without obtaining approval from JTDC. The asset was being used mainly for marriage, training and meeting purposes. In WSA Hata Chowk (East Singhbhum), furnishing work in rooms and other development works were not completed (as of January 2020) despite the stipulated date of completion being March 2018. As a result, stay of tourists in this asset was nil and only a restaurant was running.

Further, JTDC could not realise any damage charge for delayed development in the absence of clause in the agreements. Also, no logo/signboard of JTDC/Government were found.

Thus, due to lack of control and monitoring by JTDC over these assets, the desired purpose of providing transit facilities to tourists could not be achieved.

The Department/JTDC stated (June 2020) that the Developer of WSA Tatijharia, started commercial activities before developing adequate facilities to get some return on investment. JTDC further stated that the property was located at a remote location, foot-fall was very low and the temporary shops have been removed. JTDC also stated that it will be ensured that logo of JTDC is displayed by every developer.

The reply of the Department/JTDC is not correct as WSA Tatijharia is located at block headquarters on the NH. Commercial operation without developing the assets was in violation of the agreement and indicated lack of control of JTDC over the assets. No specific reply regarding WSA, Hata Chowk was furnished.

2.1.3.2 Non-operational assets

It was observed that 39 assets constructed at a cost of ₹ 39.62 crore and transferred (between 2004 and 2018) to JTDC remained non-operational or partially operational as of May 2020. Details of 37 non-operational and two partial-operational assets are shown in ***Appendix 2.1.2***. Illustrative case studies on five of these assets are given below:

(a) WSA Tamar, Ranchi

The asset was outsourced (July 2015) to a successful bidder for up-gradation, operation, maintenance and management, but the developer refused (July 2015) to develop it due to lack of electricity and water facility. After termination (August 2017) of the agreement, JTDC again tendered (December 2018) the asset and executed (July 2019) an agreement with the developer[75] without providing electricity connection which was also intimated (July 2019) by the developer. It was further seen that instead of taking steps to provide electricity connection, JTDC was pursuing the developer to submit the PIP. During joint physical verification (January 2020), it was noticed that the building was in a dilapidated condition, electricity/water connection was not available, the main gate was broken, there was no boundary wall at the back side and no Government/JTDC signboards/logo were put up anywhere on the property.

Picture 2.1: WSA, Tamar

Thus, the asset has remained non-operational even after lapse of eight years since its transfer to JTDC and the expenditure of ₹ 36.94 lakh on its construction has become unfruitful.

The Department/JTDC accepted (June 2020) that the asset could not be made operational as the licensee has not submitted the PIP. However, reasons for not taking steps to provide electricity and water connection were not furnished.

(b) MPB Punasi, Deoghar

The Building was constructed with the objective of providing accommodation facility to visitors of Punasi dam. Initially the site was earmarked near the Punasi Dam but due to local protests, the MPB was constructed (October 2018) at another site at a cost of ₹ 1.90 crore and transferred (October 2018) to JTDC for operation and management through outsourcing.

Scrutiny of records revealed that JTDC did not invite tender for outsourcing even after lapse of more than one year of its transfer and the asset remained idle

75 *Maa Devri Resorts Private Limited.*

as of May 2020. During joint physical verification (December 2019), it was observed that the MPB was located at a remote place from where the dam could not be viewed, there was no public transport facility to reach the dam and electricity was not available in the building or in the nearby area. The dam is also not notified as a tourist spot by the State Government. Further, no advertisement of any sort regarding the MPB was put up near the Punasi Dam.

Picture 2.2: Punasi Multipurpose building

The Department/JTDC accepted (June 2020) the facts and stated that the property had much potential and it would be outsourced very soon. However, the fact remains that the property constructed at a cost of ₹ 1.90 crore has remained idle since its transfer in October 2018.

(c) MPB Budhai, Deoghar

MPB Budhai, Deoghar was transferred (October 2015) to JTDC for operation and management through outsourcing. Though JTDC invited tenders (March 2016 and December 2016) to outsource the asset, it could not be finalised for reasons not available on records. No further tender was floated and the asset remained non-operational.

During joint physical verification (December 2019), Audit noticed cracks in the walls of the building, broken window panels and non-functional toilets/hand-pump outside the MPB. Further, no watchman/caretaker was deployed by JTDC to safeguard the asset.

Picture 2.3: Budhai Multipurpose Bhawan, Deoghar

It was also noticed that the MPB is located at a remote location, adjacent to the Budhai Temple which is not notified as a tourist spot by the State Government. Thus, the asset constructed at a cost of ₹ 51.76 lakh has remained idle since October 2015. JTDC accepted (June 2020) the facts and stated that the Department had been requested to transfer the property to DTPC for making it functional.

(d) Light & Sound Show Shilpgram, Deoghar

The asset constructed (January 2015) at a cost of ₹ 3.05 crore by the Department was transferred (January 2015) to JTDC for operation and management. The Department instructed (January 2015) JTDC to operate the system for the first three months through ITDC. Though ITDC had advised JTDC to continue its operation by engaging trained personnel and entering into an Annual Maintenance Contract (AMC), it was observed that JTDC operated (February 2015) the system without following their advice. The system was shut down twice (February 2016 and June 2016) due to defects and was made functional by ITDC. The system was again shut down (July 2016) due to thunder and lightning and had remained idle since then.

Thus, JTDC's failure to engage trained personnel and AMC to ensure smooth running of the system resulted in unfruitful expenditure of ₹ 3.05 crore.

Picture 2.4: Condition of Light & Sound System at Deoghar

The Department/JTDC accepted the facts and stated (June 2020) that the light and sound show would be operationalised after rectification of defects. The fact, however, remains that the facility has been idle since the last four years.

(e) Tourist Place, Kanke Dam, Ranchi

The asset was transferred (March 2012) to JTDC for operation and management through outsourcing. However, during joint physical verification (30 December 2019), it was found that the asset was being run by JTDC and was partially operational (only Park). The restaurant, food court and musical fountain were non-functional with the restaurant and food court being in dilapidated condition.

Picture 2.5: Condition of restaurant and food court in Tourist Place, Kanke Dam, Ranchi

The Department did not furnish any reply. However, JTDC stated (June 2020) that the asset had been outsourced (March 2020) and operation would be started after its development.

2.1.3.3 Unreliable projection of tourist data of the State.

Ministry of Tourism (MoT), GoI requires annual data of domestic and foreign tourist visits in the State for publication in "India Tourism Statistics". For this purpose, Director of Tourism, GoJ requested the DCs, JTDC and hotels located in Jharkhand to provide tourist data for compilation and onwards submission to the GoI.

Scrutiny revealed that Directorate of Tourism, GoJ reported tourist inflow of 13.63 crore (during 2015 to 2018) in the State to MoT, GoI. Audit observed that the data sent to GoI was not based on any available documentation. Audit compiled the data of tourist visits received during 2015 to 2018 at the Directorate of Tourism, GoJ from JTDC/DCs/Hotels/Tour & Travels operators etc., and observed that only 3.09 crore tourists had visited the State during 2015 to 2018.

Thus, it is evident that unreliable and incorrect tourist data was submitted to MoT, GoI. In reply the Department stated (January 2021) that the private hotels/tour operators did not submit the tourist data and hence it was compiled on the basis of telephonic conversation with some private hotels/tour operators and assured to take corrective measures.

2.1.3.4 Bed occupancy in hotels/TCs of JTDC

The Department/JTDC did not provide information regarding bed occupancy of its hotels/TCs during 2015-16 to 2018-19. Information obtained by Audit from 11 out of 19 physically verified Hotels/TCs is depicted in **Table 2.1** below:

Table-2.1: Details of bed occupancy

Year	Self-managed (four hotels)			Outsourced (seven hotels/TCs)		
	Total beds available	Beds occupied	Occupancy (*per cent*)	Total beds available	Beds occupied	Occupancy (*per cent*)
2015-16	83,082	17,311	20.84	20,496	7,405	36.13
2016-17	82,855	19,289	23.28	36,865	8,935	24.24
2017-18	82,855	26,367	31.82	52,705	18,976	36.00
2018-19	82,855	26,976	32.56	75,267	25,617	34.03

Scrutiny of records of 11 hotels/TCs revealed that:

- During 2015-16 to 2018-19, bed occupancy in four self-managed hotels ranged between 20.84 *per cent* and 32.56 *per cent* whereas it ranged between 24.24 and 36.13 *per cent* in seven outsourced hotels/TCs.
- Bed occupancy of self-managed Hotel Basuki Vihar, Basukinath, Dumka located at a better location was relatively poor (16.04 to 21.71 *per cent*) than the bed occupancy (71.35 to 90.15 *per cent*) of outsourced TC Basukinath, Dumka.
- Bed occupancy during year 2017-18 to 2018-19 of self-managed hotel Van Vihar Betla was better (23 *per cent*) than the adjacent outsourced Jungle hut-cum-tourist plaza-cum-youth hostel (6 to 9 *per cent*). It was noticed during

joint physical verification that the outsourced asset lacked proper amenities/facilities.

- Bed occupancy of Hotel Sakchi Vihar, Jamshedpur was very poor (2.30 to 17.19 *per cent)* despite proper maintenance and good location.

Thus, despite substantial tourist inflow into the State, the bed occupancy of JTDCs hotels/TCs was not encouraging.

The Department/ JTDC replied (June 2020) that most of the assets were located in naxal affected disturbed/forest areas or in areas where inter-state tourist inflow is very low. JTDC further stated that Hotel Natraj Vihar, Baidyanath Vihar, Basuki Vihar and TC Basukinath are located in places having seasonal tourist turnout and occupancy was nearly 80 *per cent* during the peak season.

The Department's reply is not acceptable because out of the 11 properties pointed out by audit, only two are located in naxal affected areas. Secondly, there were cases where the outsourced property had better occupancy than the self-managed property in the same location. Department's reply also showed that no forethought was put into identifying locations before creating assets. The claim of 80 *per cent* occupancy in peak season by JTDC is not correct as Audit found 80 *per cent* or more occupancy only in one month in one hotel.

2.1.3.5 Absence of basic facilities and modern amenities

Audit observed during joint physical verification of 44 assets that out of four self-managed hotels, there was water seepage and dampness in the rooms/corridors as well as cracks in the walls of two hotels. Wi-fi, CCTV and intercom were not available in any of the four hotels. One hotel (Baidyanath Vihar) did not have safe drinking water, geyser and television in the rooms. Two Hotels (Baidyanath Vihar and Natraj Vihar) did not have working e-payment facility, two Hotels (Baidyanath Vihar and Basuki Vihar) did not have restaurants and two Hotels (Baidyanath Vihar and Van Vihar) did not have fire extinguishers. In the remaining 40 assets, Audit observed seepage in the rooms and lack of basic facilities.

	
Picture: 2.6: Hotel Baidyanath Vihar	***Picture 2.7: Seepage in wall of WSA Trikut, Deoghar***

Audit further noticed encroachment in the front and left side of around hotel Basuki Vihar, Basukinath (Dumka) and Natraj Vihar Shopping Complex, Deoghar.

Picture 2.8: Encroachment (verandah of shops of shopping complex, Deoghar and boundary wall of Hotel Basuki Vihar, Basukinath)

The Department/JTDC stated (January 2021) that basic facilities of self-managed assets would be upgraded. The Department/JTDC was silent on encroachment and absence of basic facilities in the other assets.

2.1.3.6 Other points of interest

Scrutiny of records and joint physical verification of assets also revealed the following irregularities:

a) Unjustified/ Irregular expenditure

According to the circular transferring (March 2015) TC Masanjore (Dumka) to JTDC, the asset was to be made operational through outsourcing/PPP mode and no grant was to be given for its operation and maintenance.

It was observed that the asset was constructed (2017) at a cost of ₹ 3.73 crore by the Department and transferred to JTDC for operation and maintenance. After transfer of the asset to JTDC, against the estimate of ₹ 3.32 crore, the Department spent (November 2018) ₹ 3.05 crore on furnishing and development works on the request (September 2017) of DC, Dumka though similar requests were denied by the Department in other cases stating that furnishing works are to be done by the selected developer. Further, the agreement with the developer was executed (January 2019) at an annual licence fee of ₹ 12.33 lakh against the reserve price of ₹ 10 lakh.

Thus, furnishing and development work done by the Department instead of the developer led to unjustified/irregular expenditure of ₹ 3.05 crore.

The Department accepted (July 2020) the facts and stated that furnishing was done by the Department for fast operation of property prior to the tender and the furnishing cost was included while deciding reserve price.

The reply is not acceptable as the Department had refused to allot funds for furnishing work in other cases on the grounds that the assets are to be outsourced and developers are supposed to do the development works. Further, this is the solitary case where furnishing was done. In view of huge investment of

₹ 6.37 crore, fixing the reserve price at ₹ 10 lakh was also not justified and there was no evidence that furnishing/development cost was factored in for fixing the reserve price.

b) Construction of WSA away from specified place

The Jharkhand Tourism Policy (JTP) envisages construction of WSAs by the sides of National Highways (NH)/State Highways (SH) to provide transit accommodation to the travellers. However, WSA Trikut, Deoghar was constructed (2014) about two km away from the Deoghar-Basukinath NH at a cost of ₹ 1.06 crore.

The asset was transferred (March 2015) to JTDC and was being run in self-managed mode. The receipts during 2015-16 to 2018-19 were ₹ 10.46 lakh against an expenditure of ₹ 11.55 lakh. The condition of the asset was poor and cracks and seepage were noticed in the building during joint physical verification. Further, the bed occupancy rate during 2015-16 to 2018-19 was only 12.18 *per cent* against the bed capacity of 14,600. Thus, due to construction of the WSA away from NH, the purpose of providing transit accommodation to the tourists/visitors could not be achieved even after incurring expenditure of ₹ 1.06 crore.

The Department/JTDC stated (June 2020) that the location of the asset was changed due to non-availability of land near the NH.

c) Fixation of unrealistic reserve price

For the two assets - Jungle Hut & Tourist Plaza (area: 2.13 acres, built up area 9,032 square feet) and Youth Hostel (0.85 acres, built up area 3,758 square feet), at Betla (Latehar), JTDC fixed (July 2014) the reserve annual license fee at just ₹ one lakh even though the previous successful bid was finalised (April 2012) at an annual license fee of ₹ 2.40 lakh. Further, no norms or mechanism for fixing reserve annual licence fee of the asset was found on record. It was noticed during joint physical verification that these assets are adjacent to Hotel Van Vihar (a self-managed hotel of JTDC) whose net profit was ₹ 6.32 lakh during the year 2013-14. Further, revenue potentiality of the area was good as average net profit of Hotel Van Vihar increased to ₹ 24.57 lakh per annum during 2015-16 to 2018-19. Thus, the reserve price fixed by JTDC was not in sync either with the previous licence fee or with the profit of similarly located properties.

The Department/JTDC stated (June 2020) that investment on infrastructure and furnishing being made regularly by the Corporation or Department in Hotel Van Vihar, Betla was not deducted from the annual income. As such, earnings of one hotel cannot be seen in isolation without taking into consideration the investment made.

Reply of JTDC is not convincing as details of investment made by JTDC/Department in the Hotel were not furnished. Further, average net profit of the Hotel was ₹ 24.57 lakh per annum. Therefore, outsourcing an adjacent asset at only ₹ one lakh per annum was not justified.

d) Non-fulfillment of objective

As per JTP, apart from offering information to tourists, the Tourist Information Centres (TICs) would also provide reservation facilities for the hotels and transport services of JTDC and private classified hotels located in Jharkhand. Scrutiny revealed that the TICs did not provide these facilities and were engaged in other activities as discussed below:

- **TIC Daltonganj:** The asset was constructed (2016) at a cost of ₹ 50 lakh and transferred (March 2015) to JTDC prior to its construction. JTDC outsourced the asset (December 2018) at an annual license fee of ₹ 1.11 lakh. Scrutiny of records and joint physical verification (March 2020) revealed that the TIC provided neither information to tourists nor hotel reservations. No brochures/pamphlets containing information about tourism in Jharkhand were found. Instead, the asset was being used to organise marriages, meetings etc. Further, no logo/ signboard of JTDC/Government was put up.

The Department/JTDC stated (June 2020) that the developer is free to provide facilities for stay and parties simultaneously with providing information to the tourists. However, the reply was not in consonance with the objective of setting up TICs. The Department assured (January 2021) that action would be taken to enforce the agreement with the developer.

- **TIC Hazaribag:** According to the agreement, the developer was to obtain necessary approvals from JTDC before start of construction work and obtain clearances for other facilities from the competent authority. However, the developer started construction work without prior approval of JTDC which was stopped (March 2015) by the district administration on the grounds of irregular construction without obtaining clearances. Subsequently, the TIC was sealed (September 2018) by the SDO, Sadar, Hazaribag on the grounds that antisocial activities were being carried out in its premises. However, it was noticed that JTDC had terminated (November 2018) the agreement on the ground of non-payment of licence fee. It was further seen during joint physical verification that the asset was non-operational, lacked basic amenities and was poorly maintained.

JTDC stated (January 2021) that agreement for outsourcing the property was executed (November 2020) and the asset was handed over (December 2020) for development of the property. The fact, however, remains that the asset was non-operational as of January 2021.

e) Failure to insure property

As per the agreement, in 23 outsourced assets out of 30, the developer was required to keep the insurance policy in force. However, it was observed that none of the 23 developers had insured the properties which would result in extra financial burden on JTDC in the event of any mishap.

The Department/JTDC accepted the facts and stated (June 2020) that action would be taken to insure the properties in future.

f) Non-enhancement of performance security

According to the agreement, developers were to submit enhanced performance security at par with licence fee payable throughout the agreement period. Scrutiny of records revealed that out of 30 outsourced assets, clause of enhancement of performance security was not found included in agreements of 21 assets. Only one developer (TIC Daltonganj) adhered to the agreement and developers of five assets did not submit enhanced performance security**.** Thus, in the event of termination of the agreement, the performance security will not be sufficient to cover the license fee due.

The Department/JTDC accepted the facts and stated (June 2020) that action will be taken to ensure that developers submit enhanced performance security in future.

g) Non- compliance of environmental and safety issues

According to the agreement, the developer was to conform to the applicable environment, health and safety laws/provisions including rainwater harvesting, energy conservation and good safety practices. It was observed that out of 19 physically verified outsourced properties, the clause regarding environment and safety issues was included in agreements of 16 properties. Physical verification of the 16 properties revealed that rainwater harvesting and fire-fighting systems were installed only in one and five properties respectively, while CCTVs were not installed at two properties. The Department/JTDC accepted the facts and stated (June 2020) that action would be taken to ensure that the developers adhere to the agreement in future.

2.1.4 Financial management

Ownership of the assets managed by the Company vests with the GoJ and income earned from their operation is treated as income of the Company. The Company has not finalised its annual accounts for the years 2010-11 to 2018-19. In the absence of approved accounts, audit observations are based on provisional accounts.

2.1.4.1 Working results

The Company finances its day to day activities from the income it earns from its hotels, restaurants and lease rent from outsourced properties etc. Details of revenue realised and expenditure incurred during the years 2015-16 to 2018-19 of JTDC are detailed below:

Table-2.2: Working Result (Provisional)

(₹in lakh)

Particulars	2015-16	2016-17	2017-18	2018-19
Revenue from Room Rent	125.93	165.00	244.11	325.16
Revenue from Lease Rent	202.42	209.79	297.28	259.64
Revenue from Restaurants	66.07	69.32	114.76	120.69
Revenue from Entrance/Parking fee	23.42	35.56	38.00	41.37
Revenue from Transport Division	11.71	9.28	6.35	3.89
Other miscellaneous income	44.10	37.87	45.85	26.90
Total	**473.65**	**526.82**	**746.35**	**777.65**
Total Expenditure	**376.24**	**343.82**	**401.57**	**403.21**
Gross Profit	**97.41**	**183.00**	**344.78**	**374.44**
Provision for taxation	30.10	42.50	103.44	93.61
Net income	**67.31**	**140.50**	**241.34**	**280.83**

(Source: JTDC)

2.1.4.2 Outstanding Room Rent and Tax of ₹ 55.45 lakh

In four self-managed hotels, room rent and tax amounting to ₹ 55.45 lakh remained outstanding even after lapse of 12 months to over 6 years as of March 2020. Further, except for dues of one hotel, JTDC did not pursue recovery of the outstanding dues.

The Department/JTDC accepted the facts and stated (June 2020) that the management is pursuing the matter and the dues would be recovered. However, the dues remained unrealised as of January 2021.

2.1.4.3 Outstanding license fee/rent of ₹ 182.98 lakh

According to the agreements, the developers/lessees were to pay annual license fee of outsourced properties/monthly rent of shop with applicable tax to JTDC in advance. Delay in payment would attract penalty and delay beyond the prescribed period would also entitle JTDC to terminate the agreement and forfeit the performance bank guarantee (PBG).

Audit observed that JTDC failed to realise license fee with applicable tax and penalty from the developers of Hotel Birsa Vihar, Ranchi and TIC Hazaribag as per agreements. JTDC terminated the agreements and realised only ₹ 49.14 lakh against the total dues of ₹ 230.15 lakh after forfeiting the PBGs. Further, ₹ 1.97 lakh, due from the lessees of 21 shops from April 2018 to November 2019 was also not realised. As such, license fees/shop rents amounting to ₹ 182.98 lakh remained unrealised.

JTDC stated that recovery of rent of shops from the defaulter lessees is in process. However, the license fee/rent remained unrealised as of January 2021.

2.1.4.4 Failure to transfer share of net earnings of ₹ 82.47 lakh

According to circulars of transfer of assets, JTDC was to deposit share of net earnings from 19 out of 30 outsourced properties to Government account. It was observed that JTDC never deposited the required share of earnings from the outsourced assets to Government's account. Audit calculated non-deposit of Government share for the period from March 2014 to March 2020 amounting to ₹ 82.47 lakh in the 19 outsourced assets resulting in creation of liability of ₹ 82.47 lakh for JTDC. The Department/JTDC stated (January 2021) that the share of net earnings will be transferred to the Government at the earliest.

2.1.4.5 Unrealised damage charge: ₹ 47 lakh

According to the agreements, developers were required to upgrade and renovate the project facilities within six months from the date of approval of the PIP by JTDC. Further, delay in completion of upgradation work would attract damage charges.

JTDC approved PIP of TIC Hazaribag in September 2014 and the developer was required to upgrade the asset by March 2015. The agreement was terminated (October 2018) by JTDC as the upgradation work was not completed by the developer. However, JTDC did not take action to get the work completed in time nor terminate the agreement earlier. Further, they failed to realise the damage charge of ₹ 47 lakh from the developer.

The Department/JTDC stated (June 2020) that as the agreement was terminated in 2018 and it was unable to recover any amount as damage charges from the developer.

2.1.4.6 Loss due to unencashed PBG worth ₹ five lakh

According to the agreements, in the event of default by the developer, the amount of due licence fee etc., was to be recovered from the performance security.

The licence fee due from the developer of WSA, Bagodar could not be recovered after termination (December 2017) as only a photocopy of the PBG worth ₹ five lakh was available with JTDC which could not be encashed.

The Department/JTDC stated that agreement was terminated due to non-payment of licence fee and non-renewal of PBG. The reply is not acceptable as PBG worth ₹ five lakh could not be encashed due to non-availability of original PBG with JTDC.

2.1.4.7 Non-utilisation of funds of incentive

According to JTP 2015, an incentive scheme to facilitate active private sector participation for tourism infrastructure development and promotion was to be introduced by the Department. Further, fiscal incentives were to be provided in terms of subsidy and rationalisation of tax structure for setting up new hotels, providing transport facility, setting up health resorts etc.

Though GoJ released (January 2019) ₹ one crore against incentives to JTDC, the amount remained unutilised and was parked in Personal Ledger account of JTDC as of January 2021.The Department/JTDC stated that the funds could not be utilised due to non-receipt of any proposal. However, it was noticed that JTDC had not made any effort to publicise the incentive scheme.

2.1.4.8 Non-recovery of Holding tax

According to the agreements, the lessee shall pay on time all municipal charges including holding tax[76], water cess etc., as levied by the Municipal Corporation or any other authority for the lease period of allotted shops including proportionate share of common services/areas.

Examination of records revealed that JTDC paid ₹ 1.20 lakh as holding tax for the period 2016-17 to 2018-19 of Shopping Complex, Deoghar but failed to realise the same from the lessee resulting in loss of ₹ 1.20 lakh to the Company. No specific replies were furnished by Government/JTDC.

2.1.4.9 Improper and poor management of advertisement fund

According to Rule 174 of Jharkhand Treasury Code (JTC), no money shall be drawn from the Treasury in anticipation of demands or to prevent lapse of budget grants. If money is drawn in advance, the unspent balance should be refunded to the Treasury at the earliest and in any case before the end of the financial year. Further, as per Rule 334 of JTC, amount unspent after two consecutive financial years should not be spent any further and the balance should be transferred to the concerned service head from which the money was withdrawn.

On the requisition of Directorate of Tourism, the Department allotted funds amounting to ₹ 48.40 crore during 2015-16 to 2019-20 for the advertisement of Jharkhand Tourism. Allotment orders directed surrender of the un-utilised fund by the end of the financial year and submission of utilisation certificates (UCs). The Directorate of Tourism spent only ₹ 17.80 crore (36.78 *per cent*) and the unutilised amount of ₹ 30.60 crore (63.22 *per cent*) that was required to be surrendered, was transferred to JTDC's Personal Ledger (PL) account to avoid lapse of funds. It was further observed that out of ₹ 30.60 crore, only ₹ 16.92 crore was spent through JTDC in the subsequent financial years and an amount of ₹ 10.49 crore remained unutilised in JTDC PL account as of March 2020. Further, ₹ 3.19 crore was surrendered (May 2019) after keeping the amount idle for more than two years. Neither the Tourism Director nor the MD, JTDC had also submitted any UCs to the Department till date. No replies were furnished by the Department.

2.1.5 Monitoring & Internal Control

(i) Non-evolvement of monitoring and evaluation mechanism

Jharkhand Tourism Policy (JTP), 2015 stresses on institutionalisation of monitoring and evaluation mechanism. However, neither the Department nor the Company has evolved any monitoring and evaluation mechanism as of March 2020.

[76] Holding tax is a tax imposed by the Municipal Corporation assessed on the basis of Annual Rental Value of the property. The Annual Rental value is commuted as a multiple of the carpet area and the rental value fixed by the Government from time to time.

The Department/JTDC stated (June 2020) that though system of monitoring was in existence in the Corporation, it needed to be strengthened and automated. Reply is not convincing as instances of lack of control of JTDC over its assets were noticed as discussed in paragraph 2.1.3.1. Non-realisation/encashment of outstanding rent, damage charges and PBG also showed lack of monitoring and internal control.

(ii) Absence of reporting and basic documentation

According to the agreements, the developer shall furnish a monthly renovation/development report on progress of the renovation of the project facilities. Further, the developer shall furnish a yearly operation and management report. It was observed that the developers did not comply with these reporting requirements in any of the test-checked assets. Further, in the absence of penal clause for non-submission of reports in the agreements, JTDC failed to enforce submission of these documents by the developers. Besides, JTDC was unaware of the occupancy in its assets in the absence of submission of reports by the developers. The Department/JTDC assured (January 2021) that corrective measures would be taken.

2.1.6 Conclusion

Master plan for integrated development and marketing of tourism was not prepared, detailed survey of tourism potential of every district to optimally utilise such potential was not conducted and minimum standards for tourism units was not set up as envisaged in the Jharkhand Tourism Policy, 2015 even after a lapse of more than four years after it was introduced. Thirty nine assets constructed (between 2004 and 2018) at a cost of ₹ 39.62 crore remained non-operational or partially operational. Many of these assets were in a dilapidated condition due to lack of maintenance which will only worsen over time. Bed occupancy remained low due to remoteness of location, poor management and lack of basic amenities/facilities. JTDC failed to enforce the terms and conditions of the agreements due to which undue benefits accrued to developers. Lack of monitoring led to irregular commercialisation of assets, failure to insure assets, illegal operation of assets by locals, encroachment etc. Due to poor financial management, JTDC could neither utilise the funds provided by the Department for advertisements/ incentives nor realise the outstanding rent/license fee/damage charges.

2.2 Audit Paragraphs

JHARKHAND URJA SANCHARAN NIGAM LIMITED

2.2.1 Short deduction of labour cess

Jharkhand Urja Sancharan Nigam Limited failed to fully implement the provisions of the Building and Other Construction Worker's Welfare Cess Act, 1996 which led to short deduction of labour cess of ₹ 17.89 crore.

As per Section 3 (1) of the Building and Other Construction Workers Welfare Cess Act, 1996 (the Act), there shall be a cess, levied and collected at such rate not exceeding two *per cent* but not less than one *per cent* of the cost of construction incurred by an employer, as the Central Government may, by notification in the Official Gazette, from time to time specify. The Act further stipulates that the cess shall be deducted at source in respect of building or other construction work of a Government or of a Public Sector Undertaking and remitted to the Building and Other Construction Workers Welfare Board (Board) constituted under the Act.

Sections 8 of the Act, envisages that if any employer fails to pay any amount of cess payable within the time specified in the order of assessment, such employer shall be liable to pay interest on the amount to be paid at the rate of two *per cent* for every month or part of a month comprised in the period from the date on which such payment is due till such amount is actually paid. Section 9 of the Act stipulates that if any amount of cess payable is not paid within the date specified in the order of assessment, it shall be deemed to be in arrears and the authority prescribed in this behalf may, after making such inquiry as it deems fit, and after giving reasonable opportunity of being heard, impose on such employer a penalty not exceeding the amount of cess.

Further, as per Rule 7 of the Jharkhand Building and Other Construction Workers (Regulation of Employment and other conditions of Service) Rules, 2006 it shall be the duty of every person in the service of the State or Board to comply with directions given by the Central Government from time to time to carrying into execution in the State the provisions of the Act and these Rules. The Labour, Employment and Training Department (the Department), Government of Jharkhand issued (October 2007) an order to realise labour cess at the rate of one *per cent* on the cost of construction from concerned institutions/ employers/ contractors in the State as per notification of Government of India issued under the Act.

In the case of Abhijeet Hazaribagh Toll Road Limited Versus Union of India & Others (W.P (C) No. 4202 of 2012.), the Hon'ble High Court, Ranchi also held that the engagement of construction workers and labourers is an integral part of construction activity and since work and labour are an inseparable part of the construction activity, cess would be levied on the cost of construction instead of only labour component of the contract.

Scrutiny (February 2019) of records of Jharkhand Urja Sancharan Nigam Limited (JUSNL)[77] for the period 2013-14 to 2018-19 revealed that 122 contracts valued at ₹ 3,732.75 crore were executed (between February 2009 and March 2019) either for consultancy or for supply or for design, engineering, supply, installation, erection, testing and commissioning of transmission lines, grid sub-stations and transformer bays etc. Of these, 100 contracts valued at ₹ 3,644.12 crore were turnkey contracts. Against these turnkey contracts, JUSNL paid ₹ 2,301.67 crore till May 2020 including supply price of ₹ 1,772.79 crore and erection price of ₹ 528.88 crore. Supply price included cost of material and equipment viz. transformers, conductors, towers, insulators, steel, pipes, cement, fabrication work etc. while erection price included cost of labour for survey and earth work as well as cost of civil works like foundation work, concreting and installation of equipment. As such, supply and erection prices both were to be considered as the cost of construction as only cost of land and compensation is exempted for levy of labour cess under Rule 3 of the Building and Other Construction Worker's Welfare Cess Rules, 1998.

However, JUSNL deducted labour cess of ₹ 5.13 crore only on erection price from the contractors' bills but did not deduct labour cess of ₹ 17.73 crore (being one per cent of supply price). Further, ₹ 16 lakh was short deducted on erection price as only ₹ 5.13 crore was deducted against the applicable ₹ 5.29 crore. Thus, failure on the part of JUSNL in deducting labour cess from the contractor's bill in violation of the Rules, 1998 led to short deduction of labour cess of ₹ 17.89 crore besides interest and penalty which would be decided by the Assessing Officer at the time of final assessment of labour cess payable.

While accepting the audit observation, JUSNL informed (January 2021) that ₹ 13.63 crore had since been recovered from the bills of contractors against the mentioned short deductions. However, JUSNL was silent on recovery of labour cess outstanding for period prior to 6 January 2014 besides recovery of penalty and interest, if any, leviable by the Assessing Officer during final assessment.

The matter was reported (April 2020) to the Government; their reply is awaited (January 2021).

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77 Earlier Jharkhand State Electricity Board (JSEB) carried out Generation, Transmission and Distribution of Power up to December 2013. JUSNL started transmission activity after its incorporation under the Companies Act, 1956 after unbundling (January 2014) of JSEB.

JHARKHAND URJA SANCHARAN NIGAM LTD

2.2.2 Loss of fees and charges for SLDC operation

Failure to recover fees and charges for State Load Despatch Centre operation from users by Jharkhand Urja Sancharan Nigam Limited led to loss of ₹ 12.18 crore.

The State Load Despatch Centre is the nerve centre for operation, planning, monitoring and control of the power system. Electricity cannot be stored and has to be produced when it is needed. The objective of the Load Despatch Centre is to co-ordinate generation, transmission and distribution of electricity from moment to moment to achieve maximum security and efficiency.

Sections 31 (1) and 31 (2) of the Electricity Act, 2003 (Act) stipulate that the State Government shall establish a State Load Despatch Centre (SLDC) which shall be operated by a Government Company or any authority or corporation established or constituted by or under any State Act.

Section 32 (3) of the Act empowers SLDC to levy and collect such fees and charges from the generating companies and licensees engaged in intra-state transmission of electricity as may be specified by the State Electricity Regulatory Commission (SERC).

The Jharkhand State Electricity Regulatory Commission (Levy of collection of fees and charges by SLDC) Regulations, 2010 (JSERC Regulations, 2010) enables the SLDC to levy fees and charges to get its costs of SLDC operation allowed/recovered through tariff.

Audit observed (January 2019) that the Secretary, Energy Department, in exercise of powers under Section 31(1) of the Act, nominated (September 2005) the Load Despatch Centre of the erstwhile Jharkhand State Electricity Board (JSEB) as SLDC. After unbundling of JSEB, Load Despatch Centre of Jharkhand Urja Sancharan Nigam Limited (JUSNL) continued with the operation of SLDC since January 2014.

Further scrutiny (January 2019 and January 2020) of records of JUSNL revealed that JUSNL, in violation of section 32 (3) of the Act and JSERC Regulations 2010, did not levy charges and fees valued at ₹ 12.18 crore[78] for the period January 2017 to March 2019[79]. This resulted in loss of ₹ 12.18 crore to JUSNL as analysed by Audit below:

In order to get SLDC costs allowed/recovered through tariff, JSERC Regulations, 2010 require JUSNL to segregate its business into SLDC activity and transmission business. Till such time of complete segregation of accounts,

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[78] As noticed from scrutiny of trial balance of SLDC for January 2017 to March 2019.

[79] The JSERC Regulations, 2010 came into force in December 2010 which prescribed period for determination of tariff on annual basis from 1st April 2011. However, the charges and fees not levied from April 2011 to December 2016 could not be commented upon as expenses on SLDC operation were not reflected separately in the accounts of JSEB/JUSNL for this period.

the Aggregate Annual Revenue Requirement[80] (ARR) for each business had to be supported by i) an Allocation Statement of all costs, revenues, assets, liabilities, reserves and provisions between SLDC activity, transmission business, and other business and ii) tariff application with a statement showing ARR during the previous year, current year and ensuing year based on audited accounts. However, none of these requirements were met by JUSNL (including the erstwhile JSEB) for reasons neither on record nor furnished to audit, though called for. Resultantly, JUSNL could not submit any tariff petition with SLDC activity segregated from other businesses for the period 2011-12 to 2015-16 to get approval of JSERC for recovery of fees and charges of SLDC.

Without complying with the requirements above, JUSNL submitted (March 2017) the Multi Year Tariff (MYT) petition for the period 2016-17 to 2020-21 and tariff for 2016-17 for SLDC along with transmission business to recover SLDC charges from its users. However, JSERC disallowed (February 2018) the expenditure of SLDC in its MYT order as JUSNL could not provide the basis of projecting the ARR in the absence of segregation of SLDC activity and transmission business and audited accounts of SLDC business.

Management while agreeing to the audit findings stated (January 2020) that JSERC had instructed (February 2018) JUSNL to strictly segregate the SLDC function from its transmission business and to maintain segregated accounts. Management also informed Audit that the instructions of JSERC have been complied with and the trial balance of SLDC business from January 2017 to March 2017 had been submitted (October 2018) to JSERC.

The reply regarding compliance with instructions of JSERC is not acceptable as JSERC did not approve the proposal of JUSNL to recover the SLDC charges in its order dated 24 February 2018 due to failure of JUSNL to comply with the requirements of JSERC Regulations, 2010. Further, against the instruction (February 2018) of JSERC to submit accounts of SLDC business, JUSNL submitted (October 2018) only the Trial Balance for the period January 2017 to March 2017. JUSNL also did not submit the allocation statement in the absence of segregated accounts as required under JSERC Regulations 2010. JSERC also confirmed (May 2020) non-approval of ARR for SLDC in the absence of audited accounts. However, no accountability has been fixed by the Company for the loss arising on account of failure to levy and collect the fees and charges.

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[80] Aggregate Revenue Requirement means the costs pertaining to the SLDC/Power System Operation company which are permitted, in accordance with JSERC Regulations, to be recovered from the fees and charges determined by the Commission.

In reply, the Department accepted (September 2020) that no separate accounting unit is being maintained as required under JSERC regulation and reiterated that JUSNL has already claimed the recovery of user fee and charges through tariff from JSERC in March 2017. The fact is that JUSNL did not respond to the JSERC observations of February 2018. It also did not submit claims for SLDC business in the subsequent years till September 2020.

Ranchi	**(INDU AGRAWAL)**
The 16 July 2021	**Principal Accountant General (Audit)**
	Jharkhand

Countersigned

New Delhi	**(GIRISH CHANDRA MURMU)**
The 22 July 2021	**Comptroller and Auditor General of India**

APPENDICES

APPENDICES (SECTION A)

Appendix – 2.1.1

(Referred to paragraph 2.1.2.2 (ii) (b); page 6)

Incomplete bridge works due to non-acquisition of required land

Sl. No.	Name of work	Name of the Districts	Date of completion /Status	Estimated cost (in crore)	Total expenditure (₹ in crore)	Type of land required /area in decimal	Method of acquisition	Amount released (₹ in lakhs)	Remarks
1	Construction of High Level Bridge RCC Girder Bridge Across Damodar river on Chandankiyari-Suyiadih road in block of Dhanbad district	Dhanbad	23-11-2018/incomplete	7.44	3.82	Private/forest land/NA	N/A	Nil	Incomplete bridge
2	Construction of High Level Bridge across Bardubi to Lakharkhawari Village at Karampund under Dhanbad Block.	Dhanbad	30-06-2018/incomplete	2.04	1.64	Private land/NA	N/A	Nil	Approach road not constructed
3	Construction of High Level Bridge RCC Bridge over Kharkai River between Asangi to Itagarh in Saraikela Kharsawan District under Mukhya Mantri Gram Setu Yojana	Saraikella-Kharsawan	14-06-2015/incomplete	6.2	5.91	Private land/NA	N/A	Nil	Approach road not constructed
4	Construction of Bridge over Kharkai River between Hurangda and Dharamdiha in Saraikela Block Dist Saraikela Kharsawan	Saraikella-Kharsawan	28-02-2019/incomplete	4.36	2.49	Raiyati land/NA	N/A	Nil	Approach road not constructed
5	Construction of High level Bridge across Kana River between village Ramchandrapur and Taranagar under Pakur Block in Dist Pakur	Pakur	28-02-2019/incomplete	4.66	1.50	Raiyati land/NA	N/A	Nil	Approach road not constructed

6	Construction of bridge over Kesho river near Kundidhanwar to Nawalsahi via Bachhedih under Domchanch block	Koderma	09-11-2019/incomplete	3.97	2.96	Raiyati land/NA	N/A	Nil	Approach road not constructed
7	Construction of HL Bridge RCC Bridge on Tahale river at Wigoo ghati Harinanmad of Chainpur Block	Palamu	09-09-2018/Incomplete	3.65	3.21	Raiyati land/10	Not paid	Nil	On the direction of High court ₹ 1.42 lakh compensation calculated
8	Construction of HL Bridge RCC Bridge on Koel river on Kechki Awsane Road in Chainpur Block	Palamu	08-03-2021/Incomplete	8.85	2.32	Forest land/32	N/A	Nil	Approach road not constructed
9	Construction of Bridge across river Sonere between village Dandar-Kala (back of college) and Yadav Tola under Panki Block	Palamu	17-03-2019/incomplete	3.74	1.42	Raiyati land/NA	N/A	Nil	Approach road not constructed
			Total	**44.91**	**25.27**				

Appendix- 2.1.2

(Referred to paragraph 2.1.2.2 (ii) (c); page 7)

Construction of new MMGSY bridges despite existence of MMGSY/PMGSY/RCD bridges within a distance of one KM

	MMGSY								Other bridges			
Sl. No.	**Name of MMGSY bridge**	**District**	**Block**	**River**	**Cost of bridge ₹ in crore**	**Taken up**	**Expenditure incurred ₹ in crore**	**Status of bridge (Bridge part)**	**Pre-existence of bridge**	**Distance (in m)**	**Cost**	**Status of bridge**
1	Construction of bridge over river between Shri Raghunath Singh House and Shri Rampukar Ray house near Durga Mandir, Matkuria under Dhanbad Block, Dhanbad District	Dhanbad	Municipal	Nala	1.13	July 2018	1.03	Complete	RCD	100	NA	Complete
2	Construction of Bridge over River at Dhanuwadih near Durgapur Kust colony in	Dhanbad	Municipal		1.92	February 2017	1.9	Complete	RCD	180	NA	Complete
3	Construction of Bridge over Kesho river in between Tetran (Jainagar) and Kushana under Markacho block	Koderma	Marchcho	Kesho	4.83	October 2014	5.16	Complete	MMGSY at Dashro	500	NA	Complete
									MMGSY at Bellari	1000	NA	Complete
4	Construction of High Level Bridge across Gauri River between Gram Chotki Dhamri to Gram Balkhalara Panchyat Kanko under Chandwara Block	Koderma	Chandwara	Gauri	3.52	February 2017	3.01	Complete	RCD	600	NA	Complete
5	Construction of High level Bridge across Kana River between village Ramchandrapur and Taranagar under Pakur Block in Dist Pakur	Pakur	Pakur	Kana	4.66	May 2018	1.91	Incomplete	PMGSY	600	NA	Complete

6	Construction of HL bridge over Harmu River between Vidya Nagar Mahavir Nagar Laned Road NO. 2 & Harmu colony	Ranchi	Municipal	Harmu	2.42	September 2013	1.96	Complete	RCD	180	NA	Complete
	Total				**18.48**		**14.97**					

Appendix – 2.1.3
(Referred to paragraph 2.1.2.2-(ii)(d); page 8)

Construction of MMGSY bridges in municipal area

Sl. No.	Name of work	Name of the Districts	Estimated cost (₹ in crore)	Status
1	Construction of bridge over river between Shri Raghunath Singh House and Shri Rampukar Ray house near Durga Mandir, Matkuria under Dhanbad Block, Dhanbad District	Dhanbad	1.13	Complete
2	Construction of Bridge over River at Dhanuwadih near Durgapur Kust colony	Dhanbad	1.88	Complete
3	Construction Bridge over Jorya in Bhuli block	Dhanbad	1.19	Complete
4	construction of Bridge over Jorya in Ward 41 near Lal Bangla, Shamashan Ghat	Dhanbad	1.93	Complete
5	Construction of HL bridge over Kharkai at Majnaghat	Saraikella-Kharsawan	4.47	Complete
6	Construction of HL bridge over Harmu River between Vidya Naar Mahavir Nagar Laned Road NO. 2 & Harmu colony	Ranchi	2.75	Complete
	Total		**13.35**	

Appendix – 2.1.4

(Referred to paragraph 2.1.4; page 32)

Physical damages to bridges noticed in test checked divisions in the absence of post execution maintenance

Sl No.	Name of works	District	Date of completion	Date of physical verification	Observation of joint physical verification team
1	Construction of HL bridge on Kansh river on Sisai in Chhrda road	Gumla	31 March 2016	19 November 2019	Superstructure: Due to improper functioning of bearing apparent jerk was noticed on deck slab of bridge, wearing coat damaged and reinforcement of wearing coat was found open, cracks in railing, approach slab damaged,
2	Construction of HL bridge over in Mathani-Jalka under Sisai Block, Gumla district (Kans) and (Adiya)	Gumla	14 October 2018	19 November 2019	Approach road Part: Cracks were noticed in bituminous surface of approach road and bituminous surface was found subsided.
3	Construction of HL bridge over South Koel River on Sahijana to Gaghara, Sisai – Block, Dist Gumla.	Gumla	27 January 2018	19 November 2019	No comments
4	Construction of HL bridge over Koyal river between Jolo & Murkunda Road in Basia block of Gumla District	Gumla	Physically complete (traffic running)	19 November 2019	Sand excavation: Sand excavation near bridge site may ultimately cause scouring in bridge foundation Approach road Part: Damaged, flank of approach road washed away
5	Construction of HL bridge over Karo River at Domuhana between Chharda Road and Karkari Road under Sisai Block, Gumla	Gumla	Physically complete (traffic running)	19 November 2019	Approach road Part: Damaged in one side and WBM surface found open
6	Construction of HL bridge over Bansloi river near Garhwari under Maheshpur block, Pakur district	Pakur	4 October 2017	23 January 2020	Foundation: Due to scouring in foundation, pile cap of four piers were visible, sand excavation was noticed around bridge site
7	Construction of HL Bridge over Basloi River between Chandal Mara Ghat Chhora in Pakur district	Pakur	15 June 2015	23 January 2020	Foundation: Due to scouring in foundation, pile cap of six piers were visible, guard wall was found covered with soil (due to sliding)

8	Construction of HL bridge across Suvarnrekha river in Khokro-Karkidih road in Ichagarh block of Saraikela district	Saraikela	17 August 2016	07 January 2020	Superstructure: Expansion joint was missing, cracks in railing, three footpath slabs were found damaged, Approach road part: In grade III road, WBM surface washed away and only *mitti-murram* portion existed. At the start/end of bridge edge of approach road near approach slab was washed away
9	Construction of HL bridge over river between Shri Raghunath Singh House and Shri Rampukar Ray house near Durga Mandir, Matkuria under Dhanbad Block, Dhanbad District	Dhanbad	Physically complete (car parked over the bridge)	27 November 2019	Foundation: under the bridge, flow of river obstructed due to accumulation of garbage which may damage the bridge
10	Construction of HL bridge over River at Dhanuwadih near Durgapur Kust colony	Dhanbad	25 August 2018	27 November 2019	No comments
11	Construction bridge over Jorya in Bhuli block	Dhanbad	31 March 2018	04 December 2019	No comments
12	construction of bridge over Jorya in Ward 41 near Lal Bangla, Shamashan Ghat, Dhanbad	Dhanbad	31 March 2018	04 December 2019	No comments
13	Construction of Bridge over Kesho river in between Tetran (Jainagar) and Kushana under Markacho block	Koderma	26 February 2018	28 February 2020	Foundation: Due to scouring in foundation, pile cap of six piers were visible, sand excavation was noticed around bridge site
14	Construction of Bridge across Chotnar River at Ambabad Panchayat at PWD Road to Angarpath under Satgawan Block	Koderma	29 May 2017	25 February 2020	Approach road: WBM surface on both side damaged
15	Construction of high level RCC bridge over Sakri river in Basodeeh and Marchoi, Block- Satgawan	Koderma	20 July 2010	25 February 2020	Foundation: Due to scouring in foundation, pile cap of five piers were visible, Super structure: deck slab between P7-P8 and P8-P9 was inclined
16	Construction of High Level Bridge RCC Bridge over Sakri River in Ghorsimar and Modideeh path, Block: Satgawan	Koderma	28 October 2016	25 February 2020	Foundation: three span of bride was encroached by the villager hindering the river water flow Superstructure: expansion join damaged, Approach road part: edge of approach road near approach slab washed away

17	Construction of Bridge across Chhatardhari River (Village Gurdi and Khajuri) at Chhatarpur Block	Palamu	14 July 2019	15 March 2020	Superstructure: Both side approach slab damaged, Approach road part: approach road damaged
18	Construction of bridge across Kharakpur dhab on Batane river, residual work under Hariharganj block	Palamu	10 August 2019	15 March 2020	Foundation: Due to scouring in foundation, pile cap of four piers were visible
19	Construction of High Level Bridge across Amanat River on road connecting Panki Main road to Saraiya-Majhigauwn to Jhalkhnadi in Block Panki	Palamu	Physically complete (traffic running)	15 March 2020	Foundation: Due to scouring in foundation, pile cap of two piers were visible, sand excavation was noticed around bridge site Superstructure: Half portion of expansion join broken and missing, siltation in weep hole which would result in accumulation of water in bridge, Approach road part: edge of approach road on both side was washed away
20	Construction of Bridge over Malay river in Village Dulsuma on road connecting village Dulsuma (Chader No. 2) to Dulsuma (Chader No.) to Satbarba (Daltonganj) Ranchi Road in Satbarba Block	Palamu	28 January 2019	16 March 2020	Foundation: Encroachment under the bridge would result in obstruction of river water flow Superstructure: siltation in weep hole which would result in accumulation of water in bridge

Appendix-2.2.1

(Referred to in paragraph:2.2.3.1; page 40)

Statement showing details of transfer ₹ 15.84 crore into the accounts of accused persons

Paid to	Fraudulent payment detected by DLIC (*₹in lakh*)	Additional fraudulent payment detected by Audit (*₹in lakh*)	Total fraudulent payment	Number of bank accounts involved	Audit comments
Cashier and his relatives (eight individuals and one NGO-*CENWORD* run by the wife of the cashier)	228.95	60.17	289.12	14	Additional fraudulent payment (between October 2014 and May 2017) of ₹ 60.17 lakh[81] was made by the DWO to the cashier and his relatives. These were noticed during examination of RTGS[82]/NEFT[83] payments, cheque clearance details and bank vouchers and the account numbers reflected in bank statements were found to be in the names of the cashier and his relatives.
	225.41	Nil	225.41	7[84]	On being pointed out (May 2017) discrepancies in account number by the Bank Manager, though the fraudulent payments were credited back to the bank account of DWO, Chatra yet DWOs continued same practices which paved the way for further fraudulent payment of ₹ 6.01 crore as detailed in Para 2.2.3.2 of the report.
Two NGOs	253.04	172.04	425.08	5	Out of ₹ 1.72 crore, ₹ 1.37 crore was paid to one NGO (*PRAYAS*) to whom ₹ 2.53 crore was paid earlier as detected by DLIC. Besides ₹ 34.70 lakh was paid to another NGO (*SUPPORT*). Of ₹ 57.59 lakh, ₹ 16.25 lakh was paid to two individuals (not in the DLIC report) and remaining ₹ 41.34 lakh to one individual who was also detected by DLIC. These payments were detected thorough examination of RTGS/NEFT payments, cheque clearance details, bank vouchers etc.
Three individuals	98.34	57.59	155.93	8	
Two suppliers	40.00	Nil	40.00	2	
Three Non-existent Institutes	88.20	163.71	251.91	2[85]	DLIC detected two fake institutions to which ₹ 88.20 lakh was paid through bank transfers. However, audit observed that the DWO also paid ₹ 83.64 lakh to 346 students of an institute which also did not exist. In addition, the DWO paid ₹ 80.07 lakh to 234 students of the two non-existent institutes already detected by the DLIC.
Teachers of residential schools (6 Nos)	Nil	183.76	183.76	9	The DWO transferred (April 2013 to February 2018) ₹ 1.84 crore into the personal accounts of six teachers but the purpose of payments were not explained to Audit though called for in January 2019. Similarly, ₹ 12.32 lakh was paid (December 2015) to an Executive Magistrate through a bearer cheque but the purpose of payment was not furnished to Audit though called for in January 2019.
Executive Magistrate (1 No)	0	12.32	12.32	0	
Total (26)	**933.94**	**649.59**	**1583.53**	**47**	

81 Out of ₹ 60.17 lakh, ₹ 57.52 lakh was related to the period 2016-18 (i.e. scope of DLIC) and remaining amount of ₹ 2.65 lakh was prior to 2016-18.

82 Real Time Gross Settlement.

83 National Electronic Fund Transfer.

84 ₹ 2.25 crore was transferred to 11 accounts out of which four were common as mentioned above against 14 bank accounts against cashier and relatives.

85 Accounts of Chatra Institute of technology and Ananya infotech in which ₹ 88.20 lakh was paid.

Appendix-2.2.2

(Referred to in paragraph:2.2.3.2; page 40)

Statement showing amount transferred from DWO, Chatra bank accounts into the accounts of accused between June 2017 and May 2018.

Sl. No.	Name of accused	Amount (in ₹)	Remarks
1	CENWORD	16557267	NGO
2	Ashish Kumar	5695000	Son-in-law of Cashier
3	Chanda Prasad	750820	Daughter of Cashier
4	Indradeo Prasad	1445993	Cashier
5	Prithvi Prasad	550253	Son of Cashier
6	Rupa Devi	1775000	Daughter of Cashier
7	Ananya Infotech	5400000	Non-existing institute
8	Chatra Institute of Technology	3420000	Non-existing institute
9	Mithilesh Mishra	9605000	Retired Block Welfare Officer
10	PRAYAS	7689393	NGO
11	Suran Agrawal	2200000	Individual
12	Virat Telecom	1800000	Supplier
13	Subhash Kumar	875000	Individual
14	Support	2281856	NGO
	Total	**60045582**	

Appendix-2.2.3

(Referred to in paragraph:2.2.3.3; page 41)

Statement showing amounts withdrawn by accused from their bank accounts between June 2018 and January 2019.

Sl. No.	Name of Account Holders (S/Sri)	Name of Bank	Account Number	Amount withdrawn (in ₹)
	Accounts for which DDC did not request banks to suspend the operation			
1	Sunita Devi	SBI, Jhumra	11767371529	6199
2	Mithilesh Mishra	Union Bank of India, Chatra	645602010001968	3000
	Sub total			**9199**
	Accounts which operation was not suspended by banks despite request by DDC			
1	Ananya Infotech	UCO Bank, Barhi	27610210000342	1016500
2	Ashish Kumar	UCO Bank, Barhi	27610210000595	2946032
3	Chanda Prasad	ICICI Bank, Matwari, Hazaribag	246001000237	384800
4	Chanda Prasad	SBI, Jhumra	32623847113	194500
5	Indradeo Prasad	PNB, Chatra	6118001700000022	390000
6	Indradeo Prasad	Bank of Baroda, Chatra	29230100020105	4000
7	Prithvi Prasad	SBI, Daru	34361815400	10772
8	Rupa Devi	UCO Bank, Barhi	27610110002704	950000
	Sub total			**5896604**
	Grand total			**5905803**

Appendix-2.2.4

(Referred to in paragraph:2.2.3.4; page 41)

Statement showing amount withdrawn by accused from their bank accounts during July 2019 to February 2020

Sl. No.	Name of account holder (S/Sri)	Name of Bank	Bank Accounts	Date of withdrawal	Amount withdrawn (in lakh)
1	Sunita Devi	PNB, Chatra	6118001700001687	30.12.2019	5.00
				27.01.2020	4.00
				10.02.2020	2.00
2	Tara Prasad	PNB, Chatra	6118000100018114	09.07.2019	16.08
				09.07.2019	16.54
				Total	**43.62**

Appendix-2.2.5

(Referred to in paragraph: 2.2.3.5; page 41)

Statement showing amount transferred into the bank accounts of the Cashier and his relatives by Firms, Institutes, NGOs etc. who got payments from DWO, Chatra.

Sl. No.	DWO bank account Number	Date of debit in DWO accounts	Cheque Number	Amount	Name of recipients of payment	Account number of recipients	Date of transfer	Cheque number	Amount transferred	Name of Transferee	Relation with cashier
1	SBI 11475683653	12-02-2016	916888	537407	PRAYAS	SBI 31021405403	19-09-2017	468883	750000	Tara Prasad	Daughter
2	SBI 11475683653	03-03-2016	916910	1001852	-Do-	SBI 31021405403	07-08-2017	468879	750000	Sunita Devi	Wife
3	SBI 11475683653	31-05-2017	490318	1538500	-Do-	Canara bank 1421101022721	23-02-2018	135976	200000	Chanda Prasad	Daughter
4	SBI 11475683653	03-06-2017	490314	1336526	-Do-	Canara bank 1421101019296	11-04-2018	135994	100000	-Do-	Daughter
5	SBI 11475683653	17-01-2018	645479	207100	-Do-	SBI 31021405403	02-01-2018	135951	300000	-Do-	Daughter
6	SBI 11475683653	17-01-2018	645480	389767	-Do-	SBI 31021405403	15-06-2017	468872	475000	-Do-	Daughter
7	SBI 11475683653	01-05-2018	490366	350000	-Do-	SBI 31021405403	13-06-2017	468871	600000	-Do-	Daughter
8	Jharkhand Gramin Bank (JGB) 302210100001145	15-09-2017	764144	1800000	-Do-	Canara bank 1421101019296	07-06-2017	296535	750000	-Do-	Daughter
9	SBI 11475685163	29-07-2017	807203	1806000	-Do-	Canara bank 1421101019296	19-09-2017	468882	750000	-Do-	Daughter
10	UBI 645020100000949	15-09-2017	2017921	1800000	-Do-	Canara bank 1421101019296	02-11-2017	468886	750000	-Do-	Daughter
11	SBI 11475685163	27-06-2017	807158	550795	Mithilesh Mishra	Bank of India 490010100015193	28-06-2017	58840	750000	Indradeo Prasad	Self
12	SBI 11475685163	11-07-2017	807174	560000	-Do-	Union Bank of India 6456020100001968	09-08-2017	2017327	500000	Chanda Prasad	Daughter
13	SBI 11475685163	25-07-2017	807205	500000	-Do-	ICICI 3888401000332	05-06-2017	478	300000	Indradeo Prasad	Self
14	SBI 11475685163	26-07-2017	807204	500000	-Do-	United Bank of India 0294010095281	31-07-2017	874832	440000	-Do-	Self
15	SBI 11475685163	09-08-2017	807212	550000	-Do-	ICICI 3888401000332	09-08-2017	298	500000	Chanda Prasad	Daughter
16	SBI 11475685163	29-06-2017	807180	825000	-Do-	Union Bank of India 6456020100001968	13-07-2017	2016120	500000	Indradeo Prasad	Self

Sl. No.	DWO bank account Number	Date of debit in DWO accounts	Cheque Number	Amount	Name of recipients of payment	Account number of recipients	Date of transfer	Cheque number	Amount transferred	Name of Transferee	Relation with cashier
17	SBI 11475685163	30-06-2017	807181	675000	-Do-	Union Bank of India 6456020100001968	26-05-2017	91100167	1600470	-Do-	Self
18	SBI 11475685163	04-08-2017	807211	550000	-Do-	Union Bank of India 6456020100001968	03-07-2017	2016104	575000	-Do-	Self
19	UBI 645020100000949	29-08-2017	2008137	880000	-Do-	Union Bank of India 6456020100001968	03-07-2017	2016102	825000	-Do-	Self
20	JGB 302210100001145	23-05-2017	764138	325732	-Do-	Jharkhand Gramin Bank 300910100003499	31-05-2017	772777	330000	-Do-	Self
21	UBI 645020100000949	24-05-2017	2008141	906000	-Do-	Union Bank of India 6456020100001968	13-09-2017	2017340	442000	-Do-	Self
22	SBI 11475685163	10-07-2017	807179	850000	Suraj Agrawal	SBI 31787214235	13-07-2017	238549	800000	-Do-	Self
23	SBI 11475685163	10-07-2017	807187	670000	-Do-	SBI 31787214235	13-07-2017	238548	900000	-Do-	Self
24	SBI 11475685163	29-07-2017	807209	1800000	Ananya Infotech	UCO Bank 276102100000342	05-09-2017	701304	725000	-Do-	Self
25	JGB 302210100001145	31-08-2017	764141	1800000	-Do-	UCO Bank 276102100000342	31-07-2017	701303	1530000	-Do-	Self
26	UBI 645020100000949	04-09-2017	2008134	1800000	-Do-	UCO Bank 276102100000342	03-01-2018	701313	500000	Ashish Kumar	Son-in-law
27	UBI 645020100000949	15-09-2017	2017924	1365000	Chatra Institute of Technology	Bank of India 481420110000073	19-01-2018	86131	250000	Indradeo Prasad	Self
28	JGB 302210100001145	15-09-2017	764145	1265000	-Do-	Bank of India 481420110000073	27-09-2017	86120	1000000	Suraj Prasad	Son
29	JGB 302210100001145	15-09-2017	764145	1265000	-Do-	Bank of India 481420110000073	15-09-2017	RTGS	750000	Prithvi Prasad	Son
30	SBI 11475683653	26-05-2017	233968	750000	Babulal	BOI, Branch Code: 5965, Hazaribag	20-06-2017	9953	725000	-Do-	Son
31	SBI 11475685163	27-06-2017	807161	548900	Mithilesh Mishra	BOI Mithilesh Mishra	28-06-2017	58843	700000	Indradeo Prasad	Self

Sl. No.	DWO bank account Number	Date of debit in DWO accounts	Cheque Number	Amount	Name of recipients of payment	Account number of recipients	Date of transfer	Cheque number	Amount transferred	Name of Transferee	Relation with cashier
32	SBI 11475685163	09-08-2017	807218	575000	-Do-	Cleared by BOI, Chatra	17-08-2017	58849	92000	Tara Prasad	Daughter
33	SBI 11475685163	09-08-2017	807218	575000	-Do-	Cleared by BOI, Chatra	20-05-2017	58828	250000	Indradeo Prasad	Self
34	SBI 11475683653	19-07-2017	233990	500000	-Do-	ICICI Account no. 3888401000332	27-07-2017	296	460000	Indradeo Prasad	Self
35	SBI 11475683653	08-03-2017	234109	250000	-Do-	SBI Account number 11475787368	08-03-2017	607200	250000	A/c 11475767352	Relative
36	SBI 11475683653	09-11-2015	916860	230265	PRAYAS	Canara Bank, Hazaribag 1421101022721	13-06-2017	468910	750000	P. Prasad	Son
37	SBI 11475683653	30-09-2015	916843	369735	-Do-	Canara Bank, Hazaribag	19-06-2017	468911	675000	P. Prasad	Son
38	SBI 11475683653	31-03-2014	149646	257000	-Do-	Canara Bank, Hazaribag	18-01-17	888773	115000	Sunita Devi	Wife
39	SBI 11475683653	10-05-2013	149943	746084	-Do-	SBI 31021405403	03-01-2017	348642	200000	-Do-	Wife
40	SBI 11475683653	26-03-2015	786902	1727736	-Do-	SBI 31021405403	09-06-2017	296534	950000	-Do-	Wife
41	SBI 11475683653	26-03-2015	786903	799818	-Do-	SBI 31021405403	07-08-2017	296572	750000	Tara Prasad	Daughter
42	SBI 11475683653	26-03-2015	786904	520400	-Do-	SBI 31021405403	27-02-2018	135978	200000	Chanda Prasad	Daughter
43	SBI 11475685163	23-08-2017	807229	875000	Subash Kumar	SBI 30182298899	24-08-2017	359605	625059	-Do-	Daughter
44	SBI 11475683653	28-03-2018	645493	2200000	Support, Hazaribag	United bank, DVC, Hazaribag	03-04-2018	481509	100000	-Do-	Daughter
								Total	**25484529**		

APPENDICES (SECTION C)

Appendix– 1.1.1
(Referred to in Paragraph 1.2.8; page 111)
Summarised financial results of Power Sector PSUs for the latest year for which accounts were finalised

(₹ in crore)

Sl. No.	Activity & Name of the Power Sector Undertaking	Period of accounts	Net profit/ loss before interest & tax	Net profit/ loss after interest & tax	Turnover	Paid up capital	Capital Employed	Net Worth[1]	Accumulated Profit/ loss
1	2	3	4	5	6	7	8	9	10
A.	**Generation**								
1	Tenughat Vidyut Nigam Limited	2014-15	194.8	92.57	692.24	105	-65.13	-1013.63	-1118.63
2	Jharkhand Urja Utpadan Nigam Limited	2016-17	-1.28	-1.28	12.44	40.03	20.37	20.40	-19.63
	Sub-total		**193.52**	**91.29**	**704.68**	**145.03**	**-44.76**	**-993.23**	**-1138.26**
B.	**Transmission**								
3	Jharkhand Urja Sancharan Nigam Limited	2017-18	24.67	-358.27	218.65	972.96	4010.36	396.98	-575.98
	Sub-total			**24.67**	**-358.27**	**218.65**	**972.96**	**4010.36**	**396.98**
C.	**Others**								
4	Karanpura Energy Limited	2017-18	0	-3.58	0	0.05	27.72	-19.47	-1.30
5	Jharbihar Colliery Limited	2016-17	-3.43	-3.43	0	1	1.02	-2.89	-1.30
6	Patratu Energy Limited	2017-18	-0.01	-0.55	0	0.05	23.79	-7.47	-7.52
7	Jharkhand Urja Vikas Nigam Limited	2013-14	-0.29	-0.29	0	8.40	4135.61	6.10	-2.30
8	Jharkhand Bijli Vitran Nigam Limited	2017-18	-167.38	**-212.17**	3199.39	3108.93	13061.832	-1918.33	-4036.15
	Sub-total		**-171.11**	**-220.02**	**3199.39**	**3118.43**	**17249.97**	**-1942.06**	**-4048.57**
	Grand Total		**47.08**	**-487**	**4122.72**	**4236.42**	**21215.57**	**-2538.31**	**-5762.81**

[1] Net worth is the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure.

Appendix-1.1.2

(Referred to in Paragraph 1.3.4: page 120)

Statement showing position of equity and outstanding loans relating to State PSUs (Non Power Sector) as on 31 March 2019

Statement showing position of equity and outstanding loans relating to State PSUs as on 31 March 2019											
Sl. No.	**Sector & Name of the PSU**	**Name of the Department**	**Month and year of incorporation**	**Equity[1] at close of the year 2018-19**				**Long term loans outstanding at close of the year 2018-19**			
				GoJ[2]	**GoI[3]**	**Others**	**Total**	**GoJ**	**GoI**	**Others**	**Total**
1	**2**	**3**	**4**	**5 (a)**	**5 (b)**	**5 (c)**	**5 (d)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
A.	**Social Sector**										
	I. Working Government Companies										
1	Jharkhand Hill Area Lift Irrigation Corporation Limited	Water Resources	22.03.2002	5.00			5.00	5.25			5.25
2	Jharkhand State Minority Finance Development Corporation	Scheduled Tribe, Schedule Caste, Minority and Backward Class Welfare	22.03.2002	1.01			1.01	0.00			0.00
3	Jharkhand State Forest Development Corporation Ltd.(JSFDC)	Forest, Environment & Climate Change	27.03.2002	0.55			0.55				0.00
4	Jharkhand State Mineral Development Corporation Ltd. (JSMDC)	Mines & Geology	07.05.2002	2.00			2.00				0.00
5	Jharkhand State Beverage Corporation Ltd. (JSBCL)	Excise	26.11.2010	2.00			2.00				0.00
6	Jharkhand State Food and Civil Supplies Corporation Ltd.	Food, Public Distribution & Consumer Affairs	18.06.2010	5.00			5.00	43.96			43.96
7	Jharkhand Medical & Health Infrastructure Development & Procurement Corporation Limited	Health, Medical Education & Family Welfare	24.05.2013	5.00			5.00				0.00

1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
8	Jharkhand Rail Infrastructure Development Corporation Ltd.	Industries	06.07.2018	4.08		3.92	8.00				0.00
9	Jharkhand State Agriculture Development Corporation Limited	Agriculture & Farmers' Empowerment	20.01.2016	2.00			2.00				0.00
	Total A-I			26.64	0.00	3.92	30.56	**49.21**	**0.00**	**0.00**	**49.21**
	II. Non-working Government Companies										
	Total A-II			0.00	0.00	0.00	0.00	**0.00**	**0.00**	**0.00**	**0.00**
	Total A (I+II)			26.64	0.00	3.92	30.56	**49.21**	**0.00**	**0.00**	**49.21**
B.	**Competitive Sector**										
	I. Working Government Companies										
10	Jharkhand Communication Network Ltd.	Information Technology & e-Governance	28.01.2017	0.00			0.00				0.00
11	Jharkhand Film Development Corp. Ltd.	Information Technology & e-Governance	07.09.2016	0.00			0.00				0.00
12	Jharkhand Urban Infrastructure Development Company Ltd.	Urban Development & Housing	19.11.2013	45.00			45.00				0.00
13	Adityapur Electronic Manufacturing Cluster Limited	Industries	17.12.2016			27.83	27.83				
14	Jharkhand State Industrial Infrastructure Development Corporation Limited	Industries	15.12.2004	15.00			15.00				0.00
15	Jharkhand State Building Construction Corporation Limited	Urban Development & Housing	05.12.2015	2.00			2.00				0.00
16	Greater Ranchi Development Agency	Urban Development & Housing	10.01.2003	164.14			164.14				0.00
17	Atal Bihari Vajpayee Innovation Lab.	Industries	26.12.2018	0.00			0.00	0.00	0.00	0.00	0.00
18	Jharkhand Plastic Park Limited	Industries	27.09.2016	0.00		0.01	0.01			0.18	0.18
19	Jharkhand Urban Transport Corporation Limited	Urban Development & Housing	20.09.2016	45.00			45.00				0.00

1	2	3	4	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)
20	Jharkhand Silk Textile &Handicraft Development Corporation Ltd.	Industries	23.08.2006	10.00			10.00				0.00
21	Jharkhand Tourism Development Corporation Limited	Tourism, Arts, Culture, Sports & Youth Affairs	22.03.2002	9.50			9.50				0.00
	Total B-I			**290.64**	**0.00**	**27.84**	**318.48**	**0.00**	**0.00**	**0.18**	**0.18**
				II. Non-working Government Companies							
	Total B-II			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total B (I+II)			**290.64**	**0.00**	**27.84**	**318.48**	**0.00**	**0.00**	**0.18**	**0.18**
C.				**Other Sector**							
				I. Working Government Companies							
22	Ranchi Smart City Corporation Ltd.	Transport	30.09.2016	13.00			13.00				
23	Jharkhand Police Housing Corporation Ltd.(JPHCL)	Home, Jail & Disaster Management	13.03.2002	2.00			2.00				0.00
	Total C-I			**15.00**	**0.00**	**0.00**	**15.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total C-II			**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
	Total C (I+II)			**15.00**	**0.00**	**0.00**	**15.00**	**0.00**	**0.00**	**0.00**	**0.00**
				332.28	0.00	31.76	364.04	49.21	0.00	0.18	49.39

Appendix-2.1.1

(Reference: Paragraph 2.1.2: page 134)

Details showing list of assets constructed after introduction of JTP and transferred to JTDC

Sl. No.	Name of Assets	District	Year of construction	Transfer circular No. & date	Mode of management
1	20 Rooms Tourist Complex, Netarhat	Latehar	2016	123/07.08.2017	Self-managed
2	Sports Complex, Maithan	Dhanbad	NA	115/25.07.2017	Idle
3	Tourist Complex (1 & 2), Ajay Baraj Sikatia	Deoghar	2017	96/04.07.2017	Idle
4	Wayside Amenity, Between Chandil and Kali Mandir at NH 33 (Near Dalma Wild-life sanctuary)	Sariakela-Kharsawan	2017	82/08.06.2017	Idle
5	Wayside Amenity, Hamsada	Sariakela-Kharsawan	2017	82/08.06.2017	Idle
6	Wayside Amenity, Dhalbhumgarh, Baharogoda	East Singhbhum	2017	82/08.06.2017	Idle
7	Community Centre Building, Tourist Convenience Complex, Kitchen Shed, Dhorimata Marium, Phusro	Bokaro	2015	68/28.10.2015	Idle
8	Multipurpose Bhawan, Yogini Asthan	Godda	2016	68/28.10.2015	Idle
9	Multipurpose Bhawan, Shivpur Ratneshwar Dham	Godda	2016	68/28.10.2015	Idle
10	Multipurpose Bhawan, Dhamsay Temple	Godda	2016	68/28.10.2015	Idle
11	Multipurpose Bhawan, Bhudhai Temple, Madhupur	Deoghar	2016	68/28.10.2015	Idle
12	Multipurpose Bhawan, Pathrool Temple, Madhupur	Deoghar	2016	68/28.10.2015	Idle
13	Multipurpose Bhawan, Harihar Dham	Giridih	2015	68/28.10.2015	Idle
14	Multipurpose Bhawan cum Guest House, Punasi	Deoghar	2018	100/29.10.2018	Idle
15	Vivah Mandap cum Tourist Lodge, Chowgana Dham, Chattarpur	Palamu	2015	68/28.10.2015	Idle
16	Restaurant cum Hall, Palkot	Gumla	2015	68/28.10.2015	Idle
17	Tourist Information Centre, Rajmahal	Sahibganj	2015	68/28.10.2015	Idle
18	Light & Sound Show, Kanke	Ranchi	2015	68/28.10.2015	Self-managed
19	Children Play Zone cum Kiosk, Near Sitarampur Dam	Sariakela-Kharsawan	2015	68/28.10.2015	Idle
20	Children Park, Kudarsai	Sariakela-Kharsawan	2015	68/28.10.2015	Idle
21	Children Park, Sidhgora	East Singhbhum	NA	68/28.10.2015	Idle
22	Tourist Convenience Complex, Near Tirkut Pahar	Deoghar	2016	13/21.01.2017	Self-managed

Appendix-2.1.2

(Reference: Paragraph 2.1.3.2 at page 138)

Details of Non-operational assets

(₹in lakh)

Sl. No.	Name of the Assets	Year of construction/ construction cost	Date of transfer to JTDC	Audit observations	Remarks (JTDC replied in June 2020)
1	Tourist Complex, Ajay Baraj Sikatia, Sarath, Deoghar (phase 1) & (phase 2)	2017/ ₹296.00 lakh	04.07.2017	• Two TCs were constructed at the same place without conducting any tourist inflow study. This place is notified as of local importance by the State Government. • During physical verification, Audit observed that the location of the TCs was remote and sparsely populated. • Despite tendering both the assets remained non-operational and the expenditure of ₹ 2.96 crore on these TCs has become unfruitful.	• Department (July 2020)/JTDC replied (June 2020) that properties had been outsourced (December 2019) and execution of agreement is under process. JTDC was silent on construction of two assets at same place. • The fact remains that the property remained non-operational since its transfer.
2	Tourist Complex, Hundru, Ranchi	2012/ ₹10.00 lakh	23.03.2012	• Upgradation work of the asset was not done by the developer and hence the agreement was terminated (November 2018). The asset was re-tendered (February 2019), but no developer qualified. • TC is located in a sparsely populated jungle and the only attraction is a waterfall. Thus, tourists were unlikely to be interested in overnight stay. As a result, no tourist stayed in the asset as of December 2019 and it remained non-operational resulting in unfruitful expenditure of ₹ 10 lakh.	• Department (July 2020)/JTDC replied (June 2020) that the property had been outsourced (LOA issued in December 2019) and execution of agreement was under process. • The fact remains that the property is idle.
3	Tourist Complex, Maithan, Dhanbad	NA/NA	25.07.2017	• Tender was floated (August 2019) by JTDC. • LOA was issued (December 2019) but agreement was not executed (May 2020) and the asset remained non-operational	• Department (July 2020)/JTDC replied (June 2020) that the asset had been outsourced and execution of agreement is under process. • The fact remains that this asset was idle as of May 2020.
4	Tourist Complex, Hesadih West Singhbhum	2015/ ₹148.48 lakh	23.03.2012	• Tender was floated (March 2016) and LOA was issued (June 2016) but the bidder did not turn up even after reminders (August 2016 and August 2017). • The asset remained non-operational as of May 2020 resulting in idle expenditure of ₹ 148.48 lakh.	• Department (July 2020)/JTDC replied (June 2020) that TC is located in a remote, sparsely populated area and had requested the Department for transfer of this asset to DTPC.

5	Tourist Complex, Ramrekha Dham, Simdega	2009/ ₹22.00 lakh	28.10.2015	• Though tenders were issued (March 2016 and December 2016), no bidder turned up. • TEC decided on retendering but no tender was floated thereafter and the asset remained non-operational resulting in unfruitful expenditure of ₹ 22 lakh.	• The fact remains that this asset was idle as of May 2020.
6	Tourist Complex, Godarmana, Garhwa	2004/ ₹59.00 lakh	28.10.2015	• Tender invited in March 2016 -only one bidder turned up and TEC decided to re-tender. Re-tender in December 2016 - no bidder turned up. • No tender was floated thereafter. The asset remained non-operational resulting in unfruitful expenditure of ₹ 59 lakh.	
7	Tourist Complex, Baridih, Jamshedpur	2010 ₹30.55 lakh	28.10.2015	• Tender invited in March 2016 - only one bidder technically qualified. Re-tendered in December 2016, but agreement was not executed with the successful developer for which no reasons was available on records. • JTDC informed that this asset was lying idle. Audit found during joint physical verification (January 2020) that the TC was used for marriage functions without the knowledge of the JTDC.	• Department stated (July 2020) that JTDC had not taken charge of the property and district administration has been requested to intimate the condition, running status of the asset and revenue collected. • The fact remains that the assets could not be made operational by JTDC.
8	Hotel Aaranya Vihar, Hazaribag	NA/NA	21.06.2004	• Agreement terminated (January 2017) due to non-payment of license fee. • To outsource the asset tender was invited (December 2018)- no bidder turned up. Re-tendered (February 2019)-Bidder was selected in June 2019. • Asset though outsourced but in joint physical verification (January 2020) the asset was found non-operational and was in poor condition.	• Department (July 2020)/JTDC replied (June 2020) that the asset had been outsourced and handed over (January 2020). The assets is being upgraded by the developer now. • The fact remains that the property was non-operational as of May 2020.
9	Hotel Sheetal Vihar, Barhi, Hazaribag	NA/NA	21.06.2004	• Taken over (February 2015) by JTDC as developer refused to run it further. JTDC invited tenders (December 2016 and December 2017) but no bidder turned up. • In the tender of December 2018, bidder was selected (February 2019) and was outsourced (August 2019) but found non-operational during joint physical verification (January 2020).	• Department (July 2020)/JTDC replied (June 2020) that the asset had been outsourced and handed over (December 2019). The asset is being upgraded by the developer now. • The fact remains that the property was non-operational as of May 2020.
10	Wayside Amenity, Chandil, Saraikela-Kharsawan	2017/ ₹124.40 lakh	08.06.2017	• Tender invited in December 2018 and February 2019 - No bid received. • The asset has remained non-operational and expenditure of ₹ 124.40 lakh has become unfruitful.	• No reply was given by the Department (July 2020)/ JTDC (June 2020). • The fact remains that these assets were non-operational since their transfer to JTDC.

11	Wayside Amenity, Hamsada, Saraikela-Kharsawan	2017/ ₹206.67 lakh	08.06.2017	• Tender was invited in December 2018 - No bid received. Tender was again invited in February 2019 - Single bidding and TEC decided to re-tender. • No tender was floated thereafter. The asset remained non-operational resulting in unfruitful expenditure of ₹ 206.67 lakh.	
12	Wayside Amenity, Maheshpur, Pakur	2015/ ₹120.00 lakh	25.03.2015	• Tender was invited in March 2016 -Single bid was received. Tender was invited again in December 2016 - two bids were received and both were technically disqualified. TEC decided to re-tender. No tender to outsource the asset was found floated thereafter. • JTDC had requested (June 2019) the Department to transfer the asset to DTPC. Action of Department is awaited. The asset remained non-operational resulting in unfruitful expenditure of ₹120 lakh.	
13	Wayside Amenity, Majha Toli, Gumla	2015/ ₹172.93 lakh	25.03.2015	• Tender was invited in March 2016 - only one bidder technically qualified. Tender was invited again in December 2016 but agreement was not executed with the successful developer for reasons not available on records. • No action was taken by the Department on the request (June 2019) of JTDC to transfer the asset to DTPC. The asset remained non-operational as of May 2020 resulting in unfruitful expenditure of ₹172.93 lakh.	
14	Wayside Amenities , Tamar, Ranchi	2011 ₹36.95 lakh	23.03.2012	• Asset outsourced (July 2015) but the developer refused (July 2015) to develop it due to lack of electricity and water facility. The agreement was terminated (August 2017) by JTDC. • JTDC invited tender (December 2018) and executed (July 2019) an agreement with the developer and is pursuing him to submit the PIP for development of the asset. • The asset remained non-operational even after lapse of eight years since its transfer and the expenditure of ₹ 36.95 lakh has become unfruitful.	• Department (July 2020)/ JTDC stated (June 2020) that the asset could not be made operational as the licensee has not submitted the PIP. • The fact remained that the property remained non-operational as of May 2020.

15	Wayside Amenity, Dhalbhumgarh, East Singhbhum	2017/ ₹235.26 lakh	08.06.2017	• Tenders was invited December 2018 and February 2019 – No bids were received. • During joint physical verification (January 2020), Audit observed that there was no electricity supply, boundary wall and approach road which could have contributed to lack of interest among the developers though the building was in good condition. Government/JTDC signboard/logo was not put up. • The asset remained non-operational as of May 2020 and expenditure of ₹ 235.26 lakh has become unfruitful.	• Department (July 2020)/ JTDC stated (June 2020) that the asset had been outsourced (December 2019) on 'as is where is' basis, hence lessee had to upgrade the asset. • The fact remains that the asset has been non-operational since its transfer to JTDC.
16	Wayside Amenity Kandra, Saraikela-Kharsawan	2011/ ₹100.00 lakh	23.03.2012	• The asset was outsourced (August 2013) but due to lack of electricity, water and approach road the developer refused (July 2015) to develop the property. • The agreement was terminated (June 2017) and the asset remained non-operational resulting in unfruitful expenditure of ₹ 100 lakh.	• Department (July 2020)/JTDC accepted (June 2020) that developer refused to run the asset due to lack of connectivity and encroachment at site and stated that JTDC is running the property. • JTDC reply of running the asset in self-managed mode from July 2019 is not correct as there was no tourist inflow and income generation as of July 2020.
17	Multipurpose Bhavan, Pathrol Temple, Deoghar	2016/ ₹52.70 lakh	28.10.2015	• For both the assets, tender was invited in March 2016 -Single bid received. Again tender was invited (December 2016) – Bids received were technically disqualified. TEC again decided to re-tender - No subsequent tender was floated to outsource the asset. • As per records of JTDC, the assets are non-operational. However, during joint physical verification (March 2020), Audit observed that the asset was being operated by village committee without the knowledge of JTDC/Department. JTDC/Government signboard/logo was not put up. • JTDC failed to make the asset operational resulting in unfruitful expenditure on these assets.	The Department/JTDC did not furnish specific reply, and stated that the property is located in a remote place where only occasional tourist is expected and the Department had been requested to transfer the property to District Tourism Promotion Committee.
18	Vivah Mandap cum Tourist Lodge, Chhatarpur, Palamu	2015/ ₹39.04 lakh	28.10.2015		

<table>
<tr><td>19</td><td>Multipurpose Bhavan cum Guest house,Punasi, Deoghar</td><td>2018/
₹189.92 lakh</td><td>29.10.2018</td><td>• Initially the site was earmarked near the Punasi Dam but due to local protests, the MPB was constructed at another site.
• During joint physical verification (December 2019), Audit observed that the MPB was located at a remote place from where the dam could not be viewed and there was also no public transport facility to reach the dam.
• There was no electricity in the building or in the nearby area. No advertisement of any sort regarding the MPB was put up near the Punasi Dam. The place was also not notified as a tourist by the State Government.
• Scrutiny of records of JTDC revealed that JTDC did not invite tender for outsourcing even after a lapse of more than one year and the property remained idle as of May 2020. Thus, expenditure of ₹ 189.92 lakh on the asset had become unfruitful.</td><td>• Department (July 2020)/JTDC accepted (June 2020) the fact and stated that the property had much potential and it would be outsourced very soon.
• The fact remains that the property could not be made operational by JTDC since its transfer.</td></tr>
<tr><td>20</td><td>Multipurpose Bhawan, Yogini Asthan, Godda</td><td>2016/
₹46.08 lakh</td><td>28.10.2015</td><td rowspan="2">• For both the assets, JTDC invited tender in March 2016 - Single proposal received. Again tender was invited in December 2016 - Agreement with the successful bidder was not found executed for which no reason was available on records.
• No subsequent tender to outsource the asset was found floated thereafter.
• JTDC has requested the Department to transfer the assets to DTPC. Action of the Department is awaited.
• As such the assets remained non-operational resulting in unfruitful expenditure on these assets.</td><td rowspan="2">• Department (July 2020)/JTDC accepted (June 2020) that these properties were constructed in remote areas where tourist do not prefer to stay and operation and management of these properties by JTDC is not feasible.
• JTDC further stated that the Department had been requested to transfer the property to DTPC for making it functional.
• The fact remains that both the assets were non-operational.</td></tr>
<tr><td>21</td><td>Multipurpose Bhawan,Sivpur Ratnerwardham, Godda</td><td>2016/
₹51.78 lakh</td><td>28.10.2015</td></tr>
<tr><td>22</td><td>Multipurpose Bhavan, Dhamsa Temple, Godda</td><td>2016/
₹51.78 lakh</td><td>28.10.2015</td><td>• Tendered in March 2016 - Single bid received. Tender was again invited in December 2016 - two bids were received and the bidders were asked to submit notarised and certified documents. No records of submission of these documents and outcome of the tender were available on record.
• No tender was floated thereafter and the asset remained non-operational resulting in unfruitful expenditure of ₹ 51.78 lakh.</td><td>• Department (July 2020)/JTDC accepted (June 2020) that the asset was non-operational and stated that O&M of the asset by JTDC is not feasible. JTDC further stated that the asset is in remote area where tourist do not prefer to stay.
• JTDC further stated that Department has been requested to transfer the property to DTPC for making it functional.</td></tr>
</table>

23	Multipurpose Bhavan, Harihardham, Giridih	2015/ ₹64.26 lakh	28.10.2015	• Tender floated in March 2016 -No bids received. Tender was again invited (December 2016) – Two bids received were technically disqualified. TEC again decided to re-tender. No subsequent tender was floated. • The asset remained non-operational and resulted in unfruitful expenditure of ₹ 64.26 lakh.	-do-
24	Community Centre, Tourist Convenience Complex, Phusro, Bokaro	2015/ ₹133.45 lakh	28.10.2015	• Tender was invited in March 2016 and December 2016 - Single bid received on both occasions. TEC decided to re-tender but no tender was floated thereafter to outsource the asset. • The asset remained non-operational and resulted in unfruitful expenditure of ₹ 133.45 lakh.	-do-
25	Sanskar Bhawan, Amreshwar Dham, Khunti	2013/ ₹51.00 lakh	25.03.2015	• Tendered was floated (March 2016) and LOA was issued (June 2016) but the bidder did not turn up even after reminders (August 2016 and August 2017). • As such the asset remained non-operational as of May 2020 resulting in idle expenditure of ₹ 51 lakh.	-do-
26	Sanskar Bhawan, Binduvasini Temple, Sahibganj	2015/ ₹44.75 lakh	25.03.2015	• Tendered in March 2016 - Single bid was received. Again tender was invited in December 2016 - two bids were received and the bidders were asked to submit notarised and certified documents. No information regarding submission of these documents and outcome of the tender were available on record. • No tender was floated thereafter and the asset remained non-operational resulting in unfruitful expenditure of ₹ 44.75 lakh.	-do-
27	Ganga Bhawan, Rajmahal, Sahibganj	2013/ ₹1.11 crore	25.03.2015	• JTDC invited tender to outsource this asset in December 2016, December 2017, December 2018 and February 2019 but no bid was received. • As such the asset remained non-operational resulting in unfruitful expenditure of ₹ 110.76 lakh.	-do-
28	Restaurant cum Hall, Palkot, Gumla	2015/ ₹59.14 lakh	28.10.2015	• Tender invited in March 2016 – Out of four bids received, only one bidder was technically qualified. Re-tendered in December 2016 –Single bid received. • TEC decided to re-tender but no tender to outsource the asset was floated thereafter and the asset remained non-operational resulting in unfruitful expenditure of ₹ 59.14 lakh	-do-

29	Multipurpose Bhavan, Budhai Temple, Deoghar	2016/ ₹51.76 lakh	28.10.2015	• Tender was invited in March 2016 and December 2016 - Tender was not found finalised for reasons not available on records. • During joint physical verification (December 2019), Audit observed cracks in the walls, broken window panels, toilets and hand-pump for water outside the MPB were non-operational. The MPB is located in a remote place and no staff were deployed by the JTDC to safeguard the asset. • The place was also not notified as a tourist spot by the State Government. The asset remained non- operational and expenditure of ₹ 51.76 lakh rendered unfruitful.	• Department (July 2020)/JTDC accepted (June 2020) that the property is located in a remote place where only occasional tourist was expected and further stated that the Department had been requested to transfer the property to DTPC for making it functional. • The fact remains that the property is non-operational.
30	Tourist Information Centre, Hazaribag	2011/ ₹83.05 lakh	23.03.2012	• TIC was sealed (September 2018) by the SDO, Sadar, Hazaribag due to antisocial activities being carried out in its premises. • Agreement with the developer was terminated (November 2018). Audit noticed during joint physical verification that the asset was non-operational, lacked basic amenities and was poorly maintained.	• Department (July 2020)/ JTDC stated (June 2020) that LOA had been issued (December 2019) to the successful bidder and the developer would develop and furnish the property. • The fact remains that the agreement with the successful bidder was not executed and the property is non-operational.
31	Tourist Information Centre, Deoghar	2014/ ₹49.05 lakh	25.03.2015	• Agreement executed (February 2016) with the developer was terminated (May 2018) on the grounds of non-payment of annual license fees. • The developer was to renovate the project facilities as per approved PIP and if the agreement is terminated, project site and project facilities were to be handed over to JTDC. Audit observed that after termination of the agreement, JTDC failed to take over project facilities like water cooler, inverter, sweet display counter, fire extinguisher, batteries, micro waves, laser printers etc.	• Department (July 2020)/JTDC stated (June 2020) that the developer had filed a suit in the High Court for restoration of agreement. • The fact remains that the asset is non-operational since May 2018. JTDC did furnish replies regarding non-handing over of the project facilities by the developer.
32	Tourist Information Centre, Rajmahal, Sahibganj	2015/ ₹49.36 lakh	28.10.2015	• Tendered in March 2016 - Developer was selected (May 2017), but agreement was not executed for reasons not available on records. • The asset remained non-operational asset resulting in unfruitful expenditure of ₹ 49.36 lakh.	• The Department (July 2020)/JTDC (June 2020) did not furnish specific replies.
33	Tourist Information Centre, Jamshedpur	2011/ ₹81.84 lakh	23.03.2012	• During joint physical verification (January 2020), Audit observed that asset was located in the court campus without any signboard/logo and was closed. • The asset remained non-operational since its transfer resulting in idle expenditure of ₹ 81.84 lakh.	• The Department (July 2020)/JTDC stated (June 2020) that agreement for outsourcing had been executed (January 2020) and the property would be operational after furnishing is carried out.

34	Light & Sound show, Shilp Gram, Deoghar	2015/ ₹305.00 lakh	27.01.2015	• JTDC started the operation (February 2015) of the system which was shut down due to defects (February 2016 and June 2016). The defects were rectified but it was again shut down (July 2016) due to thunder and lightning and has remained idle since then. • The asset remained non-operational asset resulting in unfruitful expenditure of ₹ 305 lakh.	• The Department (July 2020)/JTDC accepted the facts and stated (June 2020) that the Light and sound show would be made operational after rectification of defects. Reply is not convincing. The fact remains that the asset was idle even after almost four year of it being shut down.
35	Children Play Zone, Sitarampur Dam, Saraikela	2015/ ₹24 lakh	28.10.2015	• JTDC invited tender (March 2016) and LOA was issued (June 2016) to the successful bidder who did not turn up for execution of the agreement even after reminders (August 2016 and August 2017). • The assets remained non-operational resulting in idle expenditure.	• The Department (July 2020)/JTDC accepted (June 2020) the facts and stated that these properties were not commercially viable and Department had been requested to transfer these assets to DTPC.
36	Children Park, Kudarsai, Saraikela	2015/ ₹36.58 lakh	28.10.2015		
37	Children Play Zone, Sidhgoda, East Singhbhum	NA/NA	28.10.2015	• JTDC invited tender December 2016. Bidders were not technically qualified and TEC decided on retendering. No tender was floated thereafter and JTDC failed to make the asset operational. • The asset was shown as non-operational in JTDC's records, but during the joint physical verification, the asset was found being run by a local committee.	• The Department stated (July 2020) that the property is under the charge of district administration. • Reply is not convincing as the asset was shown as non-operational in the records of JTDC and was found being run by the local committee during joint physical verification.
38	Tourist Palace (Park), Hatia, Ranchi	NA/ ₹400.00 lakh	25.03.2015	• As per circular of transfer, the asset was to be maintained through outsourcing or PPP mode. However, the asset was being run partially in self-managed mode without permission from the Department. Only 15 to 50 bookings was made and ₹ 53,500 earned during 2015-16 to 2018-19. The cottagees were in poor condition, food court was not operational and there was no drinking water supply. • Despite substantial expenditure on the asset, no tender was floated by JTDC to outsource it resulting in unfruitful expenditure of ₹ 4 crore.	• Department (July 2020)/JTDC stated (June 2020) that they will take decision on the mode of operation. • Reply is not in order as the asset was to be outsourced as per instructions (2015) of the Department which is still under consideration after more than five years.
39	Tourist Palace, Restaurant and Food Court , Kanke Dam, Ranchi	2012/ ₹430.00 lakh	23.03.2012	• During joint physical verification (December 2019), Audit observed that the asset was partially functional (only park). • The restaurant, food court and musical fountain were non-functional with the restaurant and food court being in dilapidated condition.	• Department (July 2020)/JTDC stated (June 2020) that the asset had been outsourced (March 2020) and operation will be started after its development. The facts remains that the asset is only partially operational till date.
	Total	**3,967.54**			

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