

# **Chapter 1**

## **Overview**



## CHAPTER 1: OVERVIEW

### 1.1 Introduction

This Report covers matters arising out of the Performance/ Compliance Audit of some State Government departments and their Autonomous Bodies. The primary purpose of this Report is to bring to the notice of the Legislature the important results of audit. Findings of audit are expected to enable the Executive to take corrective action as also to frame policies and directives that will lead to improved financial management of the organisations contributing to better governance.

The Report has been organised in six chapters as under:

**Chapter 1** contains the profile of the Auditee departments with a brief profile of the expenditure for the last five years, the Authority for audit, audit jurisdiction, planning and conduct of audit, response of the Government to various audit products *viz.*, Inspection Reports, individual observations/ paragraphs, Performance Audits (PAs), Detailed Compliance Audits (DCAs), follow up action on Audit Reports, *etc.*, and significant audit observations included in this Audit Report.

**Chapter 2** contains observations relating to Performance Audit on ‘Efficacy of implementation of the 74<sup>th</sup> Constitutional Amendment Act’.

**Chapter 3** contains observations relating to Compliance Audit on Management of the sewerage and drainage system in Ranchi city.

**Chapter 4** contains observations relating to Compliance Audit on Rejuvenation and Conservation of the Harmu River.

**Chapter 5** contains observations relating to Compliance Audit on Material Management and Inventory Control in Jharkhand *Bijli Vitran Nigam Limited* (JBVNL).

**Chapter 6** contains three individual observations/ paragraphs relating to Compliance Audit.

### 1.2 Profile of the Auditee Departments and the Audit Universe

I. As per the Budget, the Government of Jharkhand released funds under 60 grants (during 2020-21), related to its various Departments. The audit universe under the Principal Accountant General (Audit), Jharkhand (PAG), comprises of 5,797 units of various levels related to 60 Grants. There are 34 Departments in the Government of Jharkhand which fall under the audit jurisdiction of PAG. It also includes 76 bodies/ authorities which are either substantially financed from the Consolidated Fund of the State or audit of which has been entrusted by the Government under various sections of the Comptroller and Auditor General’s (CAG’s) (Duties, Powers and Conditions of Service) Act, 1971 (DPC Act).

II. Besides, there are Government Companies and Government controlled other Companies of the Government of Jharkhand (GoJ) within the audit jurisdiction of the Comptroller and Auditor General of India (CAG). These State Public Sector Enterprises (SPSEs) were established to carry out activities of a commercial nature and to contribute to the economic development of the State. Here the term State Public Sector Enterprises (SPSEs) encompasses those Government companies in which the direct holding of GoJ is 51 per cent or more and subsidiaries of such Government companies. There are no Statutory Corporations in Jharkhand.

As on 31 March 2021, there were 31 SPSEs (including 03 inactive SPSEs) in Jharkhand. The working SPSEs registered an annual turnover of ₹ 5,103.43 crore *i.e.*, decrease of 0.09 per cent in 2020-21 over 2019-20<sup>1</sup> as per their latest finalized accounts as on 31 March 2022. This turnover was equal to 1.61 per cent of State Gross Domestic Product (GSDP) for the year 2020-21 (₹ 3,17,079 crore). The working SPSEs incurred a loss of ₹ 2,649.97 crore as per their latest finalised accounts. There are three inactive SPSEs<sup>2</sup>, having an investment of ₹ 51.51 crore, towards capital (₹ 1.10 crore) and long-term loans (₹ 50.41 crore) which constitute inactive investment as the SPSEs are not contributing to the economic growth of the State. However, initiation of the winding up process of two SPSEs has been approved by their Boards<sup>3</sup>.

The list of departments and Autonomous Bodies/ Authorities/ Companies under the audit jurisdiction of the PAG is shown in **Appendix 1.1**.

The trend of expenditure, in the major departments under the audit jurisdiction of the PAG, during 2016-17 to 2020-21 is shown in **Table 1.1**.

**Table 1.1: Trend of expenditure of Departments with annual expenditure exceeding ₹ 100 crore**

(₹ in crore)						
Sl. No.	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
1	Finance	10,483.99	13,626.92	14,003.18	15,660.37	15,686.99
2	School Education and Literacy Development	6,672.94	6,490.86	6,392.84	7,864.45	8,304.41
3	Home, Jail and Disaster Management	3,993.96	5,129.55	5,632.55	6,502.39	7,216.87
4	Energy	3,017.15	6,345.77	4,155.2	3,148.42	6,846.78
5	Rural Development	4,000.74	3,836.63	4,708.14	4,868.98	6,018.08
6	Health, Medical Education and Family Welfare	2,468.93	2,847.19	3,382.55	3,128.30	4,061.85
7	Women, Child Development and Social Security	2,531.64	2,539.69	2,582.92	3,912.46	3,777.78
8	Road Construction	4,521.03	5,328.1	4,098.29	3,921.38	3,491.79
9	Urban Development and Housing	2,878.86	3,028.35	1,986.42	2,559.20	2,912.09
10	Panchayati Raj	1,674.67	1,578.46	875.27	2,482.11	1,857.49
11	Higher and Technical Education	1,331.88	1,681.00	1,583.84	1,918.40	1,665.10
12	Rural Works	3,660.17	2,737.81	4,323.44	2,525.28	1,663.49

<sup>1</sup> Turnover of working SPSEs as per their latest finalised accounts upto December 2021 was ₹ 5,626.05 crore.

<sup>2</sup> Karanpura Energy Limited (KEL), Patratu Energy Limited (PEL) and Jharbihar Colliery Limited (JCL)

<sup>3</sup> KEL: 5<sup>th</sup> AGM (15 September 2017), JCL: 15<sup>th</sup> meeting (15 May 2016) and 16<sup>th</sup> meeting (2 February 2018)

Sl. No.	Name of the Department	2016-17	2017-18	2018-19	2019-20	2020-21
13	Agriculture, Animal Husbandry and Co-operative	2,245.54	2,022.42	1,667.69	2,611.77	1,646.90
14	Water Resources	1,840.13	2,094.91	1,883.63	1,722.65	1,421.55
15	Food, Public Distribution and Consumer Affairs	1,171.29	944.16	1,030.86	1,134.72	1,380.71
16	Drinking Water and Sanitation	1,526.82	2,055.91	1,765.3	1,180.18	1,278.86
17	Scheduled Tribe, Scheduled Caste, Minority and Backward Class Welfare	1,581.35	1,357.11	1,547.94	1,378.32	1,188.34
18	Forest, Environment and Climate Change	496.04	591.21	525.07	714.44	725.80
19	Law	308.34	377.33	440.66	458.52	446.42
20	Labour Employment Training and Skill Development	194.93	168.22	179.84	161.24	294.26
21	Building Construction	540.41	637.05	496.32	549.55	256.68
22	Industries	297.64	248.78	314.59	276.47	220.09
23	Tourism, Art Culture, Sports and Youth Affairs	207.66	217.08	249.09	212.43	179.90
24	Information and Public Relation	139.05	194.75	170.77	201.18	130.79
25	Information Technology and e-Governance	150.38	74.25	145.48	153.57	122.51
26	Planning and Development	273.12	346.53	559.87	270.39	108.25
27	Others <sup>4</sup>	249.72	267.25	331.00	580.47	359.41
<b>Total</b>		<b>58,458.38</b>	<b>66,767.29</b>	<b>65,032.75</b>	<b>70,097.64</b>	<b>73,263.19</b>

Source: Appropriation Accounts 2016-17 to 2020-21

### 1.3 Authority for audit

Authority for audit by the CAG is derived from Articles 149 and 151 of the Constitution of India and the CAG's (Duties, Powers & Conditions of Service) Act, 1971 (DPC Act). CAG conducts audit of expenditure of State Government Departments under Section<sup>5</sup> 13 of the DPC Act. CAG is the sole auditor in respect of Autonomous Bodies, which are audited under sections 19 (2), 19 (3)<sup>6</sup> and 20 (1)<sup>7</sup> of the DPC Act. In addition, CAG also conducts audit of other Autonomous Bodies which are substantially financed by the Government under Section<sup>8</sup> 14 of DPC Act.

Further, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments, is subject to audit by the CAG.

For Audit of Public Sector Enterprises, the process of audit of Government Companies is governed by relevant provisions of Sections 139 and 143 of the

<sup>4</sup> Others include (i) Cabinet Election Department (ii) Personnel, Administrative Reforms and Rajbhasha Department and (iii) Cabinet Secretariat and Vigilance Department.

<sup>5</sup> Audit of (i) all expenditure from the Consolidated Fund of State, (ii) all transactions relating to the Contingency Fund and Public Account and (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts.

<sup>6</sup> Audit of accounts of Corporations (not being Companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations or as per request of the Governor of the State in the public interest

<sup>7</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the CAG and the Government

<sup>8</sup> Several non-Commercial Autonomous/ Semi-Autonomous Bodies, established to implement Schemes for employment generation, poverty alleviation, spread of literacy, health for all and prevention of diseases, environment, etc., and substantially financed by the Government, are audited under Section 14

Companies Act, 2013. Further, as per sub-section 7 of Section 143 of the Companies Act, the CAG may, in case of any company covered under sub-section 5 or sub-section 7 of Section 139, by an order, conduct test-audit on the accounts of such company, if considered necessary. The provisions of Section 19A of the DPC Act shall apply to such Audit. An audit of the financial statements of a company in respect of the financial years up to 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

Principles and methodologies for various audits are prescribed in the Regulations on Audit & Accounts (Amendments), 2020 and Auditing Standards issued by the Indian Audit & Accounts Department.

### **Appointment of Statutory Auditors of Public Sector Enterprises**

The financial statements of the Government Companies are audited by Statutory Auditors, appointed by CAG as per the provisions of Sections 139 (5) or 139 (7) of the Companies Act, as applicable, who shall submit a copy of their audit report, including the financial statements of the Company, to the CAG, under Section 143(5) of the Act. These financial statements are subject to supplementary audit to be conducted by CAG within 60 days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

## **1.4 Planning and conduct of Audit**

PA/ DCA/ individual Compliance Audits are conducted as per the Annual Audit Plan (AAP). Units for individual Compliance Audit are selected on the basis of risk assessment of the Apex units, Audit Units and Implementing Agencies involving matters of financial significance, social relevance, internal control systems, past instances of defalcation, misappropriation, embezzlement, *etc.*, as well as findings of previous Audit Reports.

Inspection Reports are issued to the heads of Units after completion of audit. Based on replies received, audit observations are either settled or further action for compliance is advised. Important audit findings are processed further as individual observations/ paragraphs for inclusion in the Audit Report. PAs/ DCAs/ paragraphs are prepared on issues of significance. Selection of issues are done following the analogy explained above.

Formal replies furnished by departments are carefully considered while finalising the materials for inclusion in the Audit Report. Audit Reports are laid before the State Legislature under Article 151 of the Constitution of India.

During 2020-21, Principal Accountant General (Audit), Jharkhand conducted a Performance Audit on 'Efficacy of implementation of the 74<sup>th</sup> Constitutional Amendment Act', two Compliance Audits on 'Management of the sewerage and drainage system in Ranchi city' and 'Rejuvenation and Conservation of the Harmu River' (Urban Development and Housing Department) and individual compliance audit of 112 units under 12 departments. Besides, Compliance

Audit on Material Management and Inventory Control by Jharkhand *Bijli Vitran Nigam* Ltd. (JBVNL), a State Public Sector Enterprise, was also conducted.

## 1.5 Lack of response of Government to Audit

### *Response of the Government to Inspection Reports*

Principal Accountant General (Audit), Jharkhand, conducts audit of Government departments to check for compliance to rules and regulations in transactions and to verify the regularity in maintenance of important accounting and other records as per the prescribed rules and procedures. After these audits, Inspection Reports (IRs) are issued to the Heads of Offices inspected with copies to the next higher authorities. Important irregularities and other points detected during inspection, which are not settled on the spot, find place in IRs. Serious irregularities are brought to the notice of the Government by the Office of the PAG.

As per the Regulations on Audit & Accounts (Amendments), 2020, the Officer in charge of the auditee entity shall send the reply to an Inspection Report (IR) within four weeks of its receipt. On intimation of any major irregularity<sup>9</sup> by the PAG, the Government shall undertake *prima facie* verification of facts and send a preliminary report to the PAG confirming or denying facts within three weeks of receipt of intimation. Where the fact of major irregularity is not denied by the Government in the preliminary report, the Government shall further send a detailed report to PAG within two months of the preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

Besides the above, the Finance Department of Government of Jharkhand also issued instructions departments, from time to time, for prompt response to the IRs issued by the PAG, to ensure timely corrective action.

A six-monthly report, showing the pendency of IRs, is sent to the Principal Secretary/ Secretary of the respective Department, to facilitate monitoring and settlement of outstanding audit observations in the pending IRs.

A detailed review of IRs issued up to March 2021 to 29 departments, revealed that 33,654 paragraphs, contained in 4,937 IRs, were outstanding for want of suitable compliance, as on 31 March 2022. Of these, even initial replies had not been received in regard to 26,615 paragraphs, contained in 3,698 IRs.

<sup>9</sup> *Major irregularity means (a) an instance of suspected material fraud or collusion or corruption coming to notice in audit, or (b) an irregularity of a serious nature involving public funds, particularly that relating to mismanagement, loss, waste, nugatory expenditure or loss of revenue, serious breakdown/violation of internal controls, etc.*

**Table 1.2: Outstanding IRs and paragraphs (issued up to 31 March 2021) as on 31 March 2022**

Sl. No.	Period	No. of outstanding IRs	No. of outstanding paras
1	2020-21	148	1,365
2	1 year to 3 years	722	5,509
3	3 years to 5 years	1,343	7,190
4	More than 5 Years	2,724	19,590

The Audit Committee, comprising of the Principal Secretary/ Secretary or/ and any nodal officer of the Administrative Departments and representatives of Audit, meets, from time to time, upon mutual convenience, for expeditious settlement of outstanding Inspection Reports/ Paragraphs. However, no Audit Committee meeting was held by any of the Departments during April 2020 to March 2021.

*It is recommended that Government should ensure that a procedure is put in place for: (i) action against officials failing to send replies to IRs/ paragraphs as per the prescribed time schedule, (ii) recovery of losses/ outstanding advances/ overpayments etc., in a time-bound manner and (iii) holding at least one Audit Committee meeting for each Department, every quarter.*

#### **1.6 Response of departments to Draft Audit Paragraphs and Detailed Compliance Audit Paragraphs**

The Regulations on Audit and Accounts (Amendments), 2020 stipulate that responses to Draft Audit Paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India should be sent within six weeks.

Draft Paragraphs and Performance Audit Reports/ Detailed Compliance Audit Paragraphs are forwarded to the Principal Secretaries/ Secretaries of the concerned departments as well as to the Finance Department, drawing attention to the audit findings and requesting them to send response within the prescribed time. It is also brought to their personal attention that in view of the likely inclusion of such paragraphs in the Audit Reports of the Comptroller and Auditor General of India which are placed before the Legislature, it would be desirable to include their comments on these audit findings.

Draft Paragraphs and Performance Audit/ Detailed Compliance Audit Paragraphs proposed for inclusion in this Report were forwarded to the Principal Secretaries/ Secretaries of the concerned Departments and to the Finance Department between January 2022 and May 2022 through official/ Demi-official letters addressed to them by name. The concerned departments had sent reply to four out of the seven Individual/ Detailed Compliance/ Performance Audit paragraphs featured in the Audit Report. Responses of the Department/ Auditee units as well as replies to initial audit memos, wherever received, have been suitably incorporated in the Report.



## Status of Audit of Accounts

### Submission of accounts by SPSEs

Accounts for the year 2020-21 were required to be submitted by all the SPSEs by 30 September 2021. As of 31 December 2021, of the 31 (08 Power Sector and 23 Non-power sector) SPSEs under the purview of CAG, three<sup>10</sup> SPSEs had submitted their accounts for the year 2020-21. Out of these, only one SPSE had submitted its accounts on or before 30 September 2021 and two SPSEs had submitted their accounts between 01 October 2021 and 31 December 2021, for audit.

### Timeliness in preparation of accounts by SPSEs

Details of arrears in submission of accounts of SPSEs as of 30 September of the following year for each of the last five financial years ending 31 March 2021, are given below:

**Table 1.3: Position relating to submission of accounts by the working SPSEs**

Sl. No.	Particulars	2016-17	2017-18	2018-19	2019-20	2020-21
1	Number of SPSEs	27	29	30	31	31
2	Number of accounts submitted during the current year	32	28	21	23	27
3	Number of SPSEs which finalised accounts for the current year	4	4	3	1	3
4	Number of previous year accounts finalised during current year	28	24	18	22	24
5	Number of SPSEs with arrears in accounts	23	25	27	30	28
6	Number of accounts in arrears	69	68	77	84	88
7	Extent of arrears (in years)	1 to 08 years	1 to 09 years	1 to 09 years	1 to 10 years	1 to 11 years

*Source: Based on accounts of SPSEs received during the period January 2021 to December 2021*

During the period from 01 January 2021 to 31 December 2021, the SPSEs had finalised 27 annual accounts, comprising three accounts for 2020-21 and 24 accounts for previous years. Thus, 88 accounts of 28 SPSEs were in arrears. 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 SPSEs within the stipulated period. The Chief Secretary to the Government of Jharkhand is informed regarding arrears in accounts.

In the absence of finalisation of accounts for 2020-21, as well as earlier years, and their subsequent audit in 88 accounts of 28 SPSEs, no assurance could be given as to whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The Government investments in these SPSEs, therefore, remained outside the oversight of the State Legislature to that extent.

<sup>10</sup> (i) Jharkhand Police Housing Corporation Limited; (ii) Jharbihar Colliery Limited; and (iii) Patratu Energy Limited.

## 1.7 Follow-up on Audit Reports

### Discussion of Audit Reports by Public Accounts Committee:

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, regardless of whether they were 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 2018-19 have 215 outstanding paragraphs. Of these, PAC has taken up 73 paragraphs for discussion and made one recommendation in respect of paragraph 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 1.4**.

**Table 1.4: 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 2018-19
No. of outstanding Audit paras	201	215
Taken up by PAC for discussion	94	73
Not taken up for PAC discussion	107	142
Recommendation made by PAC	07 Paras and 08 sub-paras	01 sub-para
ATN received	02 Paras and 06 sub-paras	Nil
Action taken by the department	02 Paras and 06 sub-paras	Nil

### Discussion of Audit Reports by Committee on Public Undertakings

The Committee on Public Undertakings (CoPU) was apprised of the pendency of Audit Report Paragraphs in the meeting held on August 2018. Further, CoPU in its three meetings (in 2018-19), discussed five paras relating to Audit Reports 2008-09, 2011-12, 2012-13, 2013-14 and 2015-16; in two meetings (in 2019-20), it discussed seven paras relating to Audit Reports 2005-06, 2008-09, 2012-13, 2013-14 and 2015-16; and three paras relating to Audit Reports 2007-08, 2008-09 and 2011-12, were discussed in 2020-21.

### Compliance to Reports of PAC/ CoPU

Out of nine recommendations, in respect of paragraphs pertaining to four departments, *i.e.* (i) Forest, Environment and Climate Change (ii) Mines and Geology (iii) Home, Jail and Disaster Management and (iv) Industry in five CoPU reports for the years 2006-07, 2007-08, 2009-10, 2010-11 and 2012-13

presented to the State Legislature during 2013-21, no Action Taken Note (ATN) had been received from SPSEs.

## **1.8 Significant Audit Observations in this Report**

The present Report contains one Performance Audit Paragraph, three Detailed Compliance Audit Paragraphs and three individual observations/ paragraphs arising out of Compliance Audits.

The significant observations contained in this Report are discussed in brief in the following paragraphs.

### **Performance Audit Paragraphs**

#### ***Efficacy of implementation of the 74<sup>th</sup> Constitutional Amendment Act***

A Performance Audit on '*Efficacy of implementation of the 74<sup>th</sup> Constitutional Amendment Act*' covering the period 2016-17 to 2020-21 was taken up, which revealed the following:

Elections were due for periods, ranging from 18 to 50 months, in 15 ULBs and the Administrators or the Special Officers were looking after the functions of these ULBs.

*(Paragraph 2.2.2)*

Standing Committees had not been constituted in two test-checked ULBs at all, whereas they had not been constituted in four selected ULBs for one term. Besides, there were abnormal delays in constitution of Standing Committees in two test-checked ULBs. Ward Committees had not been constituted, in six out of 10 test-checked ULBs having 131 wards. Subject Committees had also not been constituted in any of the four test-checked Municipal Corporations.

*(Paragraph 2.2.5)*

Draft Development Plans were not prepared by the District Planning Committees of ULBs in the test-checked districts.

*(Paragraph 2.2.6)*

The State Finance Commissions were constituted with delays and faced constraints in its functioning due to lack of full time Chairperson and administrative staff. Only one out of four SFCs could submit its recommendations.

*(Paragraph 2.2.7)*

Functional posts had not been created for seven ULBs even after 39 to 64 months of their notification (between August 2016 and September 2018) as of December 2021. Further, there were 421 (47 per cent) vacant posts in the test-checked ULBs as on March 2021.

*(Paragraph 2.2.8)*

Out of 18 functions transferred to ULBs, 10 functions were being fully performed by ULBs, six functions were being partially performed by them and the ULBs had no role in performing the remaining two functions.

*(Paragraph 2.3.1)*

The ULBs were dependent on financial assistance from the Central/State Government for their functioning, as the proportion of their own revenue was low, as compared to their total receipts. Only five out of 10 ULBs could meet their establishment expenditure from their own revenue.

*(Paragraph 2.4.1)*

## **Detailed Compliance Audit Paragraphs**

### ***Management of the sewerage and drainage system in Ranchi city***

Compliance Audit on '*Management of the sewerage and drainage system in Ranchi city*', covering the period June 2006 to 2020-21, revealed the following:

The Sewerage and Drainage project in Ranchi city, initiated in June 2005, could not be completed in more than 17 years (August 2022) and the timeline for completion was extended from September 2017 to March 2019 and thereafter to January 2023, defeating the primary objective of the project. The Department also awarded the work to an inexperienced and ineligible contractor, in violation of tender conditions, which worsened the project woes.

*(Paragraphs 3.1 and 3.2.3.1)*

Consultancy charges amounting to ₹ 16.04 crore, paid for preparation of the Detailed Project Report (DPR) by the consultant, proved wasteful as the DPR did not serve the intended purpose in zone-I of the Project since a fresh survey had to be conducted to work out new alignments (with new estimates). The DPR has also not been used for taking up any work in the remaining three zones, and the tender for fresh survey/update of the DPR was under process.

*(Paragraph 3.2.1)*

Ranchi Municipal Corporation's tender for the project extended favour to the contractor (Joint Venture (JV) of M/s Jyoti Build Tech Pvt. Ltd. (Lead Partner) and M/s Vibhor Vaibhav Pvt. Ltd.). The lead partner of the JV contractor did not have the requisite experience and financial capacity to meet the tender eligibility conditions and had submitted forged and fabricated documents to qualify for the tender.

During execution of work, the contractor failed to provide the required manpower and machinery at the work site, made slow progress and stopped the work, despite grant of time extension twice (September 2018 and March 2019). Consequently, RMC terminated the contract in October 2019.

*(Paragraph 3.2.3.1)*

The contractor was paid mobilisation advance at the rate of 15 *per cent* against the provision of five *per cent* which resulted in excess payment of ₹ 35.93 crore. One instalment of the mobilisation advance, amounting to ₹ 18 crore was granted without securing it by Bank Guarantee (BG)/other instrument. The BG for this instalment was submitted by the contractor after 10 months of payment of the advance.

The other two instalments amounting to ₹ 36 crore were granted against BGs issued by an institution which was not a scheduled or nationalised bank authorised to issue BG for the project work.

*(Paragraph 3.2.3.3)*

RMC made excess payments to the contractor during the execution phase. These were made without submission of design and drawing of all the components of the Sewage Treatment Plant (₹ 4.22 crore), lump-sum payment without adhering to payment milestone for Sewage Pumping Station (₹ 75.40 lakh) and on account of inflated measurement of items of drain work (₹ 1.98 crore).

The expenditure of ₹ 47.93 lakh, incurred on partial execution of storm water drains, was wasteful, as the fragmented sections of the constructed drains were not linked to any drain network and they were found filled with the wastewater of septic tanks. The construction of these drains had been taken up without approval of the designs by the competent authority and they had been abandoned since then.

*(Paragraph 3.2.3.4)*

### ***Rejuvenation and Conservation of Harmu River***

Compliance Audit on '*Rejuvenation and Conservation of the Harmu River*', covering the period *June 2014 to March 2022*, revealed the following:

The State Government had not planned the project according to procedures laid down under the National River Conservation Plan (NRCP) guidelines (such as, preparation of City Sanitation Plan, quantification of sewage generation *etc.*) despite the advice of IIT, Mumbai. As a result, Government of India had turned down the request of the State for Central funding under NRCP, amounting to ₹ 55.03 crore, depriving the State of Central assistance for the project.

*(Paragraphs 4.2 and 4.2.1)*

Against 14 major inlets terminating into the Harmu river at different locations, only nine inlets were connected to the sewer network. Discharge from the connected inlets, carrying sewage, was found falling into the river even during the dry season, owing to defective design. The remaining five unconnected inlets were directly discharging sewage into the river. In addition, 56 minor inlets, left unconnected to the sewer network, were also discharging sewage into the river.

*(Paragraphs 4.4.1 and 4.5.2)*

The sewerage network was designed for channelising only 22.15 million litres per day (MLD) sewage, for the ultimate year 2048, against the estimated sewage generation (year 2048) of 47.12 MLD, as calculated by Audit.

*(Paragraph 4.5.2)*

The project was designed on the basis of reduced catchment area of 8.49 sq. km., against the total catchment of 22.59 sq. km. of the river, in violation of the

Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual. Additional Sewerage Treatment Plant (STP) of 10.5 MLD capacity, required to treat the extra sewage generated from the additional catchment, could not be constructed, due to non-availability of land.

*(Paragraphs 4.5.1 and 4.5.3)*

As against the approved eight STPs with a total capacity of 11.50 MLD, only seven STPs, with a total capacity of 10 MLD, were functioning and processing 2.898 MLD sewage per day, instead of the installed capacity of 10 MLD.

*(Paragraph 4.6.2)*

The river cross-sections were designed (ranging between 15.45 m<sup>2</sup> and 33.25 m<sup>2</sup>) with reduced value of coefficient of runoff, on the basis of flood discharge for a return period of 25 years, instead of 100 years. Though several cross-sections were widened (between 23.18 m<sup>2</sup> and 49.43 m<sup>2</sup>) subsequently, on the basis of flood discharge for a return period of 50 years, the design discharge of the river (between Muktidham and meeting point with Subarnarekha river) was understated, in comparison to the actual discharge. This poses a risk of substantial damage to the entire cross-section of the river, in the event of actual flood discharge.

*(Paragraph 4.5.4)*

The purpose of construction of the storm-water drainage system along both sides of the river (10.4 km stretch), was not achieved. The drains were blocked with silt, mud and solid deposits *etc.*, and were found discharging sewage into the river (between Amaravati bridge and STP-5).

*(Paragraph 4.6.3)*

The project objectives of transforming the river into a vibrant water asset with clean water could not be achieved. Water quality tests, carried out by the contractor, after completion of the project, indicated that sewage water had been flowing in the river. Quality test of water flowing in the Harmu river, conducted (April 2022) by Audit, through MECON Limited, revealed presence of faecal coliform, among other pollutants.

*(Paragraph 4.6.5)*

Measures for the sustainability of the operation and maintenance (O & M) activities were not planned. As against ₹ six lakh per year, allocated for the daily operation of sewage lifting pumps, for the seven STPs (total capacity 10 MLD), JUIDCO had been incurring electric charges at the rate of around ₹ 33 lakh per year. This made the O & M of the project unsustainable, without additional government financing. Generation of revenue, to meet the O & M costs, for ensuring the sustainability of the project, as envisaged in the NRCP guidelines, had not been explored and was not in place.

*(Paragraph 4.7)*



### **Material Management and Inventory Control in Jharkhand Bijli Vitran Nigam Limited**

Compliance Audit on '*Material Management and Inventory Control in Jharkhand Bijli Vitran Nigam Limited*', covering the period from 2017-18 to 2020-21, revealed the following:

The provisions in the Work and Procurement Manual, with regard to timely preparation and approval of annual budgets, were not followed by the Company resulting in shortfalls in the release and utilisation of funds. Thus, JBVNL could not effectively implement works which would have upgraded the assets created for electricity distribution in the State.

*(Paragraph 5.7.1)*

The Company delayed the finalisation of tenders and did not adhere to the provisions of JPP in the procurement process, hence it could not pass on benefits to the local MSEs. The procurement process was marred by procurement of inefficient DTs, procurement on nomination basis and procurement of Aluminium Conductor Steel Reinforced (ACSR) conductors and poles without conducting tests and inspections.

*(Paragraph 5.8)*

The Company did not ensure a separate dedicated cadre for the effective management of the Stores and did not conduct physical verification of the stores annually. There were errors in accounting of inventories and deficiencies in the receipt of dismantled materials as well as issue of materials. The functioning of the Transformer Repair Workshops was deficient as they failed to ensure recovery of transformer oil and the discarded coil as per norms. The Company also failed to dispose of scraps and evolve an MIS for efficient monitoring and management of inventory.

*(Paragraph 5.9)*

Construction works of PSSs were incomplete and materials procured/ issued for these remained idle. The Company failed to recover and utilise the material related to terminated contracts and to reconcile issued materials *vis-à-vis* executed quantity.

*(Paragraph 5.10)*

### **Individual observations/ Paragraphs**

The Executive Engineer, Road Division, Ranchi did not adhere to the conditions of contracts in effecting adjustments and recoveries while making interim payments to the contractor. Security deposit of ₹ 3.95 crore was prematurely refunded and recovery/ adjustment of ₹ 11.17 crore could not be made even after a lapse of more than five years of completion of work.

*(Paragraph 6.1)*

Commencement of bridge work over Bhorongdih Nala on Bundu-Rahe Road by the Executive Engineer, Road Construction Division, Ranchi (*Gramin*),

without acquisition of land for approach roads resulted in the constructed bridge lying idle for more than six years rendering expenditure of ₹ 1.24 crore unfruitful.

*(Paragraph 6.2)*

The Chief Engineer, Central Design Organisation, Road Construction Department, did not sanction the provision for land acquisition initially though it was included in the original estimate. Later on, the departmental engineers delayed submission and approval of the revised estimate which led to non-completion of a High-level bridge over Baxa river for more than eight years rendering the expenditure of ₹ 97.04 lakh unfruitful.

*(Paragraph 6.3)*