

**CHAPTER-I**

**OVERVIEW**



# CHAPTER I: OVERVIEW

## 1.1 Introduction

This Report covers matters arising out of the Compliance Audit of some State Government departments and their Autonomous Bodies. The primary purpose of the Audit 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.

This Report has been organised in three chapters as under:

**Chapter 1** contains the profile of the Auditee departments with a brief profile of the expenditure for the last five years, trend of revenue raised by the Government of Jharkhand and arrears of taxes pending collection, 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), Subject Specific Compliance Audits (SSCAs), follow up action on Audit Reports, *etc.*, and significant audit observations included in this Audit Report.

**Chapter 2** contains observations relating to Subject Specific Compliance Audits on ‘Management of Price Adjustment in contracts of Road Works’, ‘Tariff, Billing, Collection of Revenue and Subsidy Management by Jharkhand *Bijli Vitran Nigam Limited (JBVNL)*’ and ‘Department’s oversight on GST payment and return filing’.

**Chapter 3** contains 10 Compliance Audit Paragraphs on the expenditure and revenue of five State Government departments.

## Profile of the Auditee departments and the Audit Universe

**I** As per the Budget, the Government of Jharkhand released funds under 60 grants (during 2021-22), to its various departments/organisations and raised revenue of ₹ 31,320.36 crore. The audit universe under the Accountant General (Audit), Jharkhand, comprises 5,812 units of various levels related to 60 Grants. There are 34 departments in the Government of Jharkhand which fall under the audit jurisdiction of the AG. 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 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 2022, there were 31 SPSEs in Jharkhand including three<sup>1</sup> inactive SPSEs and one<sup>2</sup> Government controlled SPSE. The working SPSEs registered an increase of 0.07 per cent in annual turnover of 2021-22 (₹ 5,046.28 crore) over annual turnover of 2020-21 (₹ 5,042.66 crore) as per their latest finalized accounts as on 31 December 2022. Annual turnover of 2021-22 was equal to 1.39 per cent of Gross State Domestic Product (GSDP) for the year 2021-22 (₹ 3,63,085 crore). The working SPSEs incurred a loss of ₹ 2,682.45 crore during 2021-22 as per their latest finalised accounts.

There are three inactive SPSEs, having an investment of ₹ 48.99 crore, towards capital (₹ 1.10 crore) and long-term loans (₹ 47.89 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 AG is shown in **Appendix-I**.

**III** The trend of expenditure, during FYs 2017-18 to 2021-22, in the major departments of the Government of Jharkhand under the audit jurisdiction of the AG, is shown in **Table 1.1**.

**Table 1.1: Trend of expenditure of departments with annual expenditure during 2021-22 exceeding ₹ 100 crore**

(₹ in crore)						
Sl. No.	Name of the Department	2017-18	2018-19	2019-20	2020-21	2021-22
1	Finance	13,626.92	14,003.18	15,660.37	15,686.99	18,426.88
2	School Education and Literacy Development	6,490.86	6,392.84	7,864.45	8,304.41	9,288.01
3	Home, Jail and Disaster Management	5,129.55	5,632.55	6,502.39	7,216.87	6,072.45
4	Rural Development	3,836.63	4,708.14	4,868.98	6,018.08	5,665.54
5	Women, Child Development and Social Security	2,539.69	2,582.92	3,912.46	3,777.78	5,653.58
6	Energy	6,345.77	4,155.2	3,148.42	6,846.78	5,483.63
7	Health, Medical Education and Family Welfare	2,847.19	3,382.55	3,128.30	4,061.85	4,813.42
8	Road Construction	5,328.10	4,098.29	3,921.38	3,491.79	3,432.41
9	Agriculture, Animal Husbandry and Co-operative	2,022.42	1,667.69	2,611.77	1,646.90	3,363.04
10	Urban Development and Housing	3,028.35	1,986.42	2,559.20	2,912.09	2,463.06
11	Higher and Technical Education	1,681.00	1,583.84	1,918.40	1,665.10	1,728.17
12	Water Resources	2,094.91	1,883.63	1,722.65	1,421.55	1,586.05
13	Scheduled Tribe, Scheduled Caste, Minority and Backward Class Welfare	1,357.11	1,547.94	1,378.32	1,188.34	1,445.96
14	Food, Public Distribution and Consumer Affairs	944.16	1,030.86	1,134.72	1,380.71	1,445.92
15	Rural Works	2,737.81	4,323.44	2,525.28	1,663.49	1,109.70
16	Panchayati Raj	1,578.46	875.27	2,482.11	1,857.49	806.10

<sup>1</sup> Karanpura Energy Limited (KEL), Patratu Energy Limited (PEL) and Jharbihar Colliery Limited (JCL).

<sup>2</sup> Ranchi Smart City Corporation Limited.

<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).

(₹ in crore)

Sl. No.	Name of the Department	2017-18	2018-19	2019-20	2020-21	2021-22
17	Forest, Environment and Climate Change	591.21	525.07	714.44	725.80	742.18
18	Law	377.33	440.66	458.52	446.42	510.93
19	Building Construction	637.05	496.32	549.55	256.68	429.08
20	Industries	248.78	314.59	276.47	220.09	288.79
21	Labour Employment Training and Skill Development	168.22	179.84	161.24	294.26	252.07
22	Information Technology and e-Governance	74.25	145.48	153.57	122.51	179.71
23	Information and Public Relation	194.75	170.77	201.18	130.79	178.97
24	Tourism, Art Culture, Sports and Youth Affairs	217.08	249.09	212.43	179.90	141.50
25	Drinking Water and Sanitation	2,055.91	1,765.3	1,180.18	1,278.86	121.05
26	Planning and Development	346.53	559.87	270.39	108.25	113.60
27	Legislative Assembly	84.91	89.09	91.94	99.22	112.89
28	Cabinet (Election)	59.81	102.62	348.16	113.81	106.45
<b>Total</b>		<b>66,644.76</b>	<b>64,893.46</b>	<b>69,957.27</b>	<b>73,116.81</b>	<b>75,961.14</b>

(Source: Appropriation Accounts 2017-18 to 2021-22)

IV 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 FY 2021-22 and the corresponding figures for the preceding four years, are presented in **Table – 1.2**.

**Table – 1.2**  
**Trend of revenue receipts**

(₹ in crore)

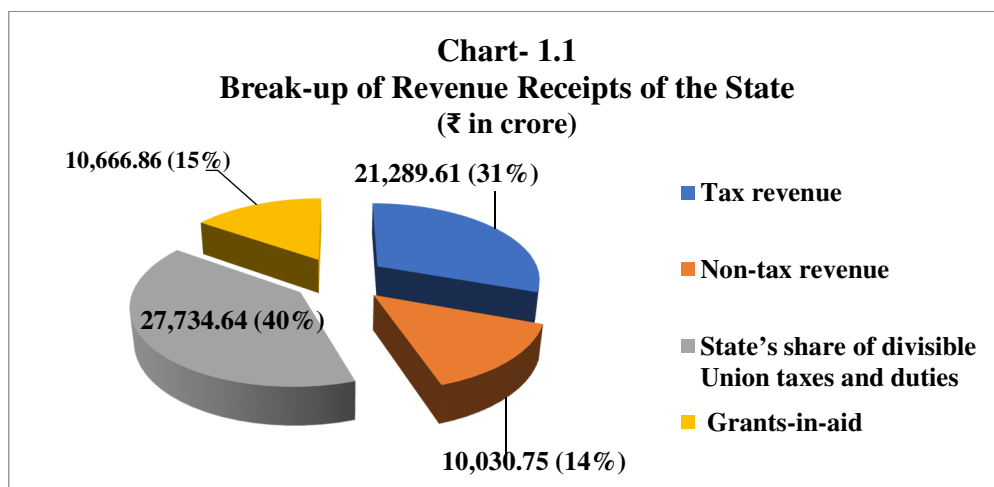
		2017-18	2018-19	2019-20	2020-21	2021-22
<b>1</b>	<b>Revenues raised by the State Government</b>					
	• Tax revenue	12,353.44	14,752.04	16,771.45	16,880.08	21,289.61
	Percentage of growth compared to previous year	(-) 7.11	19.42	13.69	0.65	26.12
	• Non-tax revenue	7,846.67	8,257.98	8,749.98	7,564.01	10,030.75
	Percentage of growth compared to previous year	46.63	5.24	5.96	(-) 13.55	32.61
<b>Total</b>		<b>20,200.11</b>	<b>23,010.02</b>	<b>25,521.43</b>	<b>24,444.09</b>	<b>31,320.36</b>
<b>2</b>	<b>Receipts from the Government of India</b>					
	• State's share of divisible Union taxes and duties	21,143.63	23,906.16	20,593.04	19,712.23	27,734.64
	• Grants-in-aid	11,412.29	9,235.52	12,302.67	11,993.41	10,666.86
<b>Total</b>		<b>32,555.92</b>	<b>33,141.68</b>	<b>32,895.71</b>	<b>31,705.64</b>	<b>38,401.50</b>
<b>3</b>	<b>Total receipts of the State Government (1 &amp; 2)</b>	<b>52,756.03</b>	<b>56,151.70</b>	<b>58,417.14</b>	<b>56,149.73</b>	<b>69,721.86</b>
<b>4</b>	<b>Percentage of 1 to 3</b>	<b>38</b>	<b>41</b>	<b>44</b>	<b>44</b>	<b>45</b>

(Source: Finance Accounts of the Government of Jharkhand)

The above table indicates that during the FY 2021-22, revenue raised by the State Government (₹ 31,320.36 crore) was just 45 per cent of the total revenue receipts. The balance 55 per cent of receipts, during 2021-22, was from the Government of India. Tax revenue and non-tax revenue raised by the State

Government increased by 26.12 per cent and 32.61 per cent respectively in 2021-22, over 2020-21.

The break-up of revenue receipts of the State for the year 2021-22 is shown in **Chart - 1.1**.



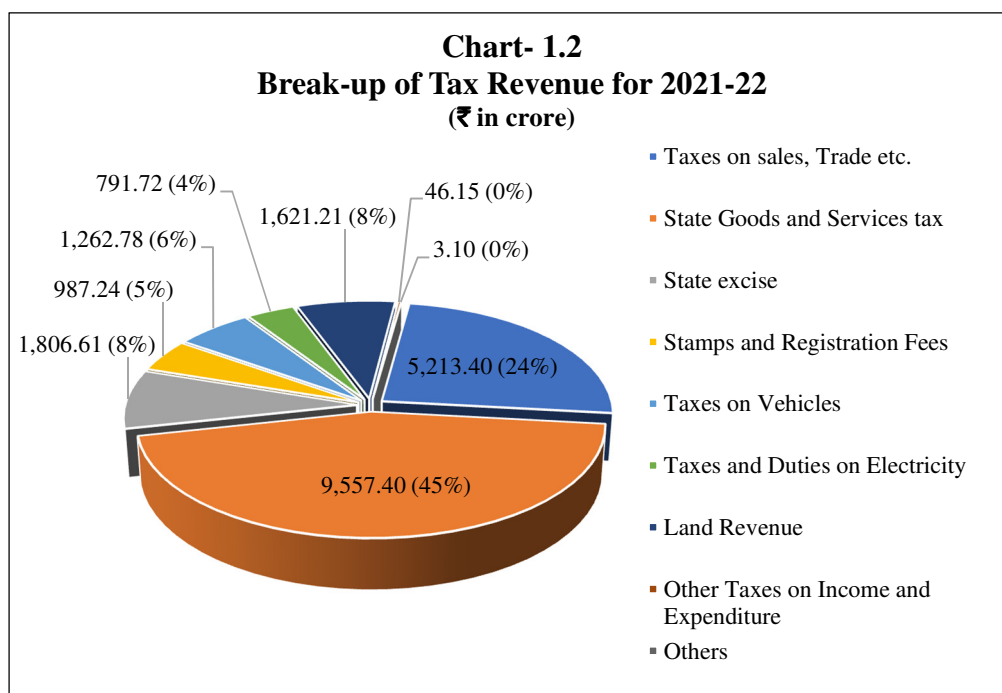
Details of tax revenue raised during the period 2017-18 to 2021-22 are given in **Table - 1.3**.

**Table – 1.3**  
**Details of Tax Revenue**

							(₹ in crore)
Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+) or decrease (-) in 2021-22 over 2020-21
1	Taxes on Sales, Trade etc.	5,714.69	3,474.96	3,996.33	4,300.89	5,213.40	21.22
2	State Goods and Services Tax	4,123.88	8,200.84	8,417.72	7,930.56	9,557.40	20.51
3	State Excise	840.81	1,082.82	2,009.27	1,821.09	1,806.61	(-) 0.80
4	Stamps and Registration Fees	469.34	451.04	560.33	708.14	987.24	39.41
5	Taxes on Vehicles	778.37	863.94	1,128.98	976.35	1,262.78	29.34
6	Taxes and Duties on Electricity	183.50	209.07	236.24	195.26	791.72	305.47
7	Land Revenue	156.01	389.38	337.98	872.93	1,621.21	85.72
8	Other Taxes on Income and Expenditure	73.98	78.61	83.93	74.77	46.15	(-) 38.28
9	Others	12.86	1.38	0.67	0.09	3.10	3,344.44
<b>Total</b>		<b>12,353.44</b>	<b>14,752.04</b>	<b>16,771.45</b>	<b>16,880.08</b>	<b>21,289.61</b>	<b>(+) 26.12</b>

(Source: Finance Accounts of the Government of Jharkhand)

The break-up of tax revenue for the year 2021-22 is shown in **Chart - 1.2**.



The reasons for variation in receipts in 2021-22, from those of 2020-21, in respect of some principal heads of tax revenue, were as under:

**Taxes on Sales, Trade etc.:** The increase of 21.22 *per cent* was attributed (July 2022 and May 2023) by the Department to increase in rate of Value Added Tax on Indian Made Foreign Liquor from 50 to 75 *per cent* from May 2020.

**State Goods and Services Tax:** The increase of 20.51 *per cent* was attributed (July 2022 and May 2023) by the Department to increase in registered taxpayers enlarging the taxpayer's base, effective monitoring of taxpayers with turnover of more than ₹ two crore, targeted approach to maximise return filing, launch of one time settlement scheme in order to grant relief to tax arrear holders *etc.*

**State Excise:** The decrease of 0.80 *per cent* was attributed (May 2023) by the Department to non-renewal of some retail shops.

**Stamps and Registration Fees:** Receipts under 'Stamp and Registration Fees' increased by 39.41 *per cent* in 2021-22 over the previous year. Audit noticed that during 2021-22, receipts from minor head '102-Sale of stamps' increased to ₹ 505.31 crore from ₹ 377.43 crore under sub head 02- Stamps- non judicial during 2020-21.

**Taxes on Vehicles:** The increase of 29.34 *per cent* was attributed (May 2023) by the Department to enhancement of fees.

**Taxes and Duties on Electricity:** The increase of 305.47 *per cent* was attributed (July 2022 and May 2023), by the Commercial Taxes Department, to change in policy by introducing levy of ED on percentage basis, *i.e.*, at the rates of six *per cent* on domestic use, eight *per cent* on industrial, mining and commercial use, upto 10 mega volt amperes (MVA) and 15 *per cent* on above 10 MVA of net energy charges for energy consumed or sold. On establishment of captive power stations by either industrial or mining units, the rate of duty

has been revised from 5 *paise* per unit (for industrial purpose) and 15/20 *paise* per unit (for mining purpose) to 50 *paise* per unit consumed.

Audit had highlighted the revenue comparison with neighbouring States during audit of “Mechanism for levy and collection of Electricity Duty (ED) in Jharkhand” featured in **paragraph 3.3.6.1** of 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. The Department, in response, had intimated (December 2020) that a committee had been set up under the Chairmanship of Special Secretary to take action on audit observation on applicable rate of electricity duty and tax in Jharkhand in comparison to neighbouring States.

**Land Revenue:** The increase of 85.72 *per cent* was attributed (May 2023), by the Department, to collection of arrear revenue of ₹ 500 crore from Central Coalfields Limited, Ranchi.

**Other Taxes on Income and Expenditure:** The decrease of 38.28 *per cent* was attributed (May 2023), by the Commercial Taxes Department, to the COVID-19 pandemic.

Details of non-tax revenue, raised during the period 2017-18 to 2021-22, are indicated in **Table – 1.4**.

**Table – 1.4**  
**Details of Non-Tax Revenue**

(₹ in crore)

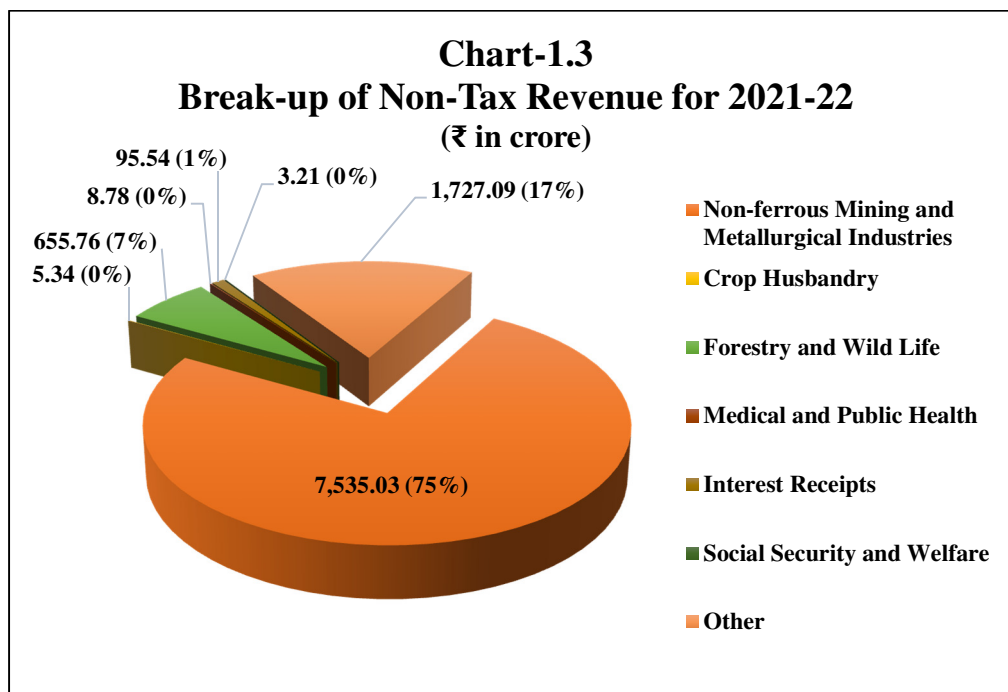
Sl. No.	Head of revenue	2017-18	2018-19	2019-20	2020-21	2021-22	Percentage of increase (+) or decrease (-) in 2021-22 over 2020-21
1	Non-ferrous Mining and Metallurgical Industries	5,941.36	5,934.64	5,461.36	5,012.47	7,535.03	50.33
2	Crop Husbandry	166.19	15.23	160.40	555.55	5.34	(-) 99.04
3	Forestry and Wild Life	4.44	14.79	17.59	328.17	655.76	99.82
4	Medical and Public Health	14.22	25.58	8.75	270.71	8.78	(-) 96.76
5	Interest Receipts	168.88	47.20	309.51	81.36	95.54	17.43
6	Social Security and Welfare	135.78	8.46	84.61	18.05	3.21	(-) 82.22
7	Others <sup>4</sup>	1,415.80	2,212.08	2,707.76	1,297.70	1,727.09	33.09
	<b>Total</b>	<b>7,846.67</b>	<b>8,257.98</b>	<b>8,749.98</b>	<b>7,564.01</b>	<b>10,030.75</b>	<b>32.61</b>

(Source: Finance Accounts of the Government of Jharkhand)

<sup>4</sup> Others include General Services, Social Services and Economic Services.



The break-up of non-tax revenue for the year 2021-22 is shown in **Chart – 1.3**.



The departments concerned did not furnish the reasons for variation despite several requests.

**Crop Husbandry:** Receipts under ‘Crop Husbandry’ decreased by 99.04 *per cent* in 2021-22 over the previous year. Audit noticed that recoveries of unspent balance of grants-in-aid during 2021-22 decreased to ₹ 5.34 crore from ₹ 555.55 crore during 2020-21.

**Forestry and Wild Life:** Receipts under ‘Forestry and Wild Life’ increased by 99.82 *per cent* in 2021-22 over the previous year. Audit noticed that during 2021-22, receipts from minor head ‘103-Receipts from environmental forestry’ under sub-head ‘01-Forestry’ and minor head ‘112-Public Gardens’ under sub-head ‘02-Environment Forestry and Wild Life’ increased over 2020-21 by ₹ 149.42 crore and ₹ 493.42 crore respectively

**Medical and Public Health:** Receipts under ‘Medical and Public Health’ decreased by 96.76 *per cent* in 2021-22 over the previous year. Audit noticed that recoveries of unspent balance of grants-in-aid during 2021-22 decreased to ₹ 0.76 lakh from ₹ 260.53 crore during 2020-21.

**Social Security and Welfare:** Receipts under the head ‘Social Security and Welfare’ decreased by 82.22 *per cent* in 2021-22 over the previous year. Audit noticed that recoveries of unspent balance of grants-in-aid of the minor head 913 during 2021-22 decreased to ₹ 1.26 crore from ₹ 16.40 crore during 2020-21.

**V** The arrears of revenue as on 31 March 2022, in respect of four principal heads of revenue, amounted to ₹ 8,479.97 crore, of which ₹ 4,342.28 crore was outstanding for more than five years, as detailed in **Table-1.5**.

**Table-1.5**  
**Arrears of Revenue**

(₹ in crore)

Sl. No.	Head of revenue	Arrears as on 31 March 2022	For more than five years as on 31 March 2022	Status of outstanding arrears						
				Demand issued	Stayed by judicial authorities	Stayed by Government	Rectification / review	Dealer/ party insolvent	Written off	Specific action not intimated
1	Taxes on Sales, Trade etc.	7,462.52	3,626.10	1,191.73	2,556.81	626.95	50.14	71.85	0	2,965.04
2	Taxes on Vehicles	609.45	426.11	226.26	0	0	0	0	0	383.19
3	State Excise	77.53	0.00	49.42	7.65	0.07	0.11	0	0.16	20.12
4	Land Revenue	330.47	290.07	Specific action taken in respect of the arrears has not been intimated (March 2024)						
<b>Total</b>		<b>8,479.97</b>	<b>4,342.28</b>							

The position of arrears of revenue pending collection as on 31 March 2022, in respect of other revenue heads, was not furnished (March 2024), despite active pursuance by Audit.

## 1.2 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 the expenditure and receipts of State Government departments under Sections<sup>5</sup> 13 and 16 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. 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.

The process of audit of Government Companies is governed by relevant provisions of Sections 139 and 143 of the Companies Act, 2013. Further, as per sub-section 7 of Section 143 of the Companies Act, the CAG may, in case of

<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, (iii) all trading, manufacturing, profit & loss accounts, balance-sheets & other subsidiary accounts and (iv) all receipts which are payable into the Consolidated Fund.

<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 anybody 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.

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.

#### **1.3 Planning and conduct of audit**

Performance Audits (PAs)/, Subject Specific Compliance Audits (SSCAs)/ and individual Compliance Audits (CAs) 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/SSCAs/paragraphs are prepared on issues of significance. Selection of issues are done following the same methodology explained above.

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

#### **1.4 Results of audit**

During 2021-22, Accountant General (Audit), Jharkhand conducted three Subject Specific Compliance Audits *viz.*, ‘Management of Price Adjustment in contracts of Road Works’ (Road Construction Department); ‘Tariff, Billing, Collection of Revenue and Subsidy Management by *Jharkhand Bijli Vitran Nigam Limited (JBVNL)*’, a State Public Sector Enterprise (Energy Department); and ‘Department’s oversight on GST payment and return filing’ (Commercial Taxes Department); and individual Compliance Audit of 250 units under 24 departments.

### Recovery at the instance of audit

The Executive Engineer, Building Construction Division, Giridih paid ₹ 37.58 crore to a contractor, including Price Adjustment (PA) of ₹ 1.95 crore, up to March 2021, for construction of the Collectorate Building at Giridih. PAs already paid in the 7<sup>th</sup> and 10<sup>th</sup> RA bills were irregularly added again in the actual work value for calculation of PA which led to excess payment of PA, amounting to ₹ 0.81 crore, to the contractor.

On being pointed out (October 2021) in audit, the Division re-calculated (November 2021) the admissible PA and found excess payment of ₹ 1.20 crore (including 12 per cent GST and one per cent labour cess) on account of PA till date. Accordingly, the Division adjusted (April 2022) ₹ 0.76 crore from the 16<sup>th</sup> RA bill and the remaining ₹ 0.44 crore (February 2023) from the security deposit of the contractor.

The Departments/Government have accepted audit observations relating to irregularities in collection of revenue amounting to ₹ 571.51 crore out of total observation of ₹ 1,616.75 crore and have intimated recovery of ₹ 13.78 crore.

## 1.5 Lack of response of Government to Audit

### Response of the Government to Inspection Reports

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. Important irregularities and other points detected during audit inspections, which are not settled on the spot, find place in Inspection Reports (IRs). After audit, IRs are issued to the Heads of the Offices inspected with copies to the next higher authorities. Serious irregularities are also brought to the notice of the Government by the AG.

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 AG, the Government shall undertake *prima facie* verification of facts and send a preliminary report to the AG 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 AG within two months of the preliminary report indicating the remedial action taken to prevent recurrence and action taken against those responsible for the lapse.

In addition, the Finance Department of Government of Jharkhand also issue instructions to the departments, from time to time, for prompt response to the IRs issued by the AG, to ensure timely corrective action.

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<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.

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 2022, to 34 departments, revealed that 45,589 paragraphs, contained in 6,167 IRs, were outstanding for want of suitable compliance, as on 31 March 2023 (**Table 1.6**). Of these, even initial replies had not been received in regard to 28,217 paragraphs, contained in 3,859 IRs.

**Table 1.6: Outstanding IRs and paragraphs (issued up to 31 March 2022) as on 31 March 2023**

Sl. No.	Period	No. of outstanding IRs	No. of outstanding paras
1	2021-22	205	2,074
2	1 year to 3 years	657	6,090
3	3 years to 5 years	624	4,587
4	More than 5 Years	4,681	32,838

Further, 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. An Audit Committee meeting, with the Building Construction Department, was held during 2021-22, in which 114 paragraphs, contained in 20 IRs were discussed and 10 IRs and 92 paragraphs were settled.

*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.*

### **Response of the Government to Draft Reports/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 PA/SSCA Reports and individual Draft 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 PA/SSCA Reports and individual Draft Paragraphs proposed for inclusion in this Report were forwarded to the Principal Secretaries/Secretaries of the concerned departments and to the Finance Department between September 2022 and April 2023 through Demi-official letters addressed to them by name. The concerned departments had sent replies to eight out of the 13 Individual/Subject Specific Compliance 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.

## 1.6 Status of audit of accounts of SPSEs

### Submission of accounts by SPSEs

Accounts for the year 2021-22 were required to be submitted by 30 September 2022 by all SPSEs. As of 31 December 2022, of the 31 (eight Power Sector and 23 Non-power sector) SPSEs under the audit purview of CAG, only five<sup>10</sup> SPSEs had submitted their accounts for the year 2021-22, including three SPSEs who had submitted their accounts between 01 October 2022 and 31 December 2022, 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 2022, are given in **Table 1.7** below:

**Table 1.7: Position relating to submission of accounts by the working SPSEs**

Sl. No.	Particulars	2017-18	2018-19	2019-20	2020-21	2021-22
1	Number of SPSEs	29	30	31	31	31
2	Number of accounts submitted during the current year	28	21	23	27	23
3	Number of SPSEs which finalised accounts for the current year	4	3	1	3	5
4	Number of previous year accounts finalised during current year	24	18	22	24	18
5	Number of SPSEs with arrears in accounts	25	27	30	28	26
6	Number of accounts in arrears	68	77	84	88	93
7	Extent of arrears (in years)	1 to 9 years	1 to 9 years	1 to 10 years	1 to 11 years	1 to 12 years

(Source: Based on accounts of SPSEs received during the period January 2022 to December 2022)

During the period from 01 January 2022 to 31 December 2022, the SPSEs had finalised 23 annual accounts, comprising five accounts for 2021-22 and 18 accounts for previous years. 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. However, 93 accounts of 26 SPSEs were in arrears. There were arrears of accounts for more than 10 years, pertaining to two companies (24 accounts); five to 10 years, pertaining to four companies (24 accounts) and one to five years, pertaining to the remaining 20 companies (45 accounts), as detailed in **Appendix-II**. The Chief Secretary to the Government of Jharkhand has been informed regarding the arrears in accounts.

In the absence of finalisation of accounts for 2021-22, as well as earlier years, and their subsequent audit, no assurance could be given in respect of 93 accounts of 26 SPSEs, as to whether the investments and expenditure incurred

<sup>10</sup> (i) Jharkhand Police Housing Corporation Limited; (ii) Jharbihar Colliery Limited; (iii) Patratu Energy Limited; (iv) Jharkhand Railway Infrastructure Development Corporation Limited and (v) Karanpura Energy Limited.

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.

### 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 Reports/Paragraphs 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) to PAC, duly vetted by Audit, indicating the remedial action taken or proposed to be taken by them.

The Audit Reports on General, Social and Economic Sectors and Audit Report on Revenue Sector for the years 2008-09 to 2019-20 have 503 Audit Paragraphs. Of these, PAC has taken up 162 paragraphs for discussion and made recommendations in respect of three paragraphs and 17 sub-paragraphs. Further, one ATN has been received and in one paragraph, action has been taken by the Department.

Further, the Audit Reports of 2000-01 to 2007-08, which were left to the departments for follow-up, had 471 outstanding paragraphs of which 184 paragraphs were taken up for discussion by PAC. Against this, PAC had made recommendations in respect of twelve paragraphs and eight sub-paragraphs of which, ATNs were received in respect of four paragraphs and six sub-paragraphs, as detailed in **Table 1.8**.

**Table 1.8: Status of PAC discussion**

Status	Audit Report for the year 2000-01 to 2007-08	Audit Report for the year 2008-09 to 2019-20
No. of outstanding Audit paragraphs	471	503
Taken up by PAC for discussion	184	162
Not taken up for PAC discussion	287	341
Recommendation made by PAC	12 paragraphs and 8 sub-paragraphs	3 paragraphs and 17 sub-paragraphs
ATN received	4 paragraphs and 6 sub-paragraphs	1
Action taken by the department	4 paragraphs and 6 sub-paragraphs	1

#### 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 a meeting held in August 2018. Further, CoPU discussed five paragraphs of Audit Reports for 2008-09, 2011-12, 2012-13, 2013-14 and 2015-16 in its three meetings held in 2018-19, seven paragraphs of Audit Reports of 2005-06, 2008-09, 2012-13, 2013-14 and 2015-16 in two meetings held in 2019-20 and three paragraphs of Audit Reports for 2007-08, 2008-09 and 2011-12 in a meeting held in 2020-21. No meetings were held during 2021-22.

CoPU made nine recommendations on 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) Industries with

respect to Audit Reports for 2006-07, 2007-08, 2009-10, 2010-11 and 2012-13. However, no Action Taken Note (ATN) had been received from the SPSEs.

## **1.8 Significant audit observations**

This Report contains three Subject Specific Compliance Audits and 10 individual Compliance Audit Paragraphs.

Significant observations are discussed in brief in the following paragraphs.

### **Management of Price Adjustment (PA) in contracts of Road Works**

Failure of the Department to provide encumbrance free sites to contractors resulted in cost overruns amounting to ₹ 37.29 crore in the form of PA for the extended time period, in eight works. Further, time overruns ranging between two and 78 months, were noticed in 49 works completed with delays/incomplete, out of 80 test-checked road works.

*(Paragraph 2.1.3)*

The Executive Engineers (EEs) had not calculated the applicable PA despite provision in the contracts, resulting in excess payment of ₹ 5.29 crore, to contractors of seven roads works, in five divisions.

*(Paragraph 2.1.4.1)*

In 11 road works, in seven divisions, excess payment of ₹ 3.98 crore had been made to contractors, due to the application of incorrect norms in calculating the value of work done, such as, taking the monthly average of the value of work, calculation of PA only for the month in which the work was measured, adding the previously paid PA in the subsequent RA bills *etc.*

*(Paragraph 2.1.4.2)*

In two road works, in two divisions, RA bills had been paid partially, due to paucity of funds and the actual value of work done had been calculated on the lower side, in the relevant months for which the PA had been calculated. Due to incorrect calculation of PA by the EEs, ₹ 1.53 crore could not be adjusted, from the contractor's bills, in these two divisions.

*(Paragraph 2.1.4.3)*

In five roads works, in three divisions, with completion periods of less than 12 months, the concerned EEs had not calculated the differential cost of bitumen, due to non-inclusion of the clause regarding payment/recovery of differential cost of bitumen, in the agreement, despite instructions contained in the Government notification of January 2004. As such, the Department had to bear a loss of ₹ 1.98 crore. This recoverable differential cost of bitumen, was due to decrease in the basic rates of bitumen during the execution period, in comparison to the rates provided in the effective Schedule of Rates (SORs).

*(Paragraph 2.1.4.4)*

### **Tariff, Billing, Collection of Revenue and Subsidy Management by Jharkhand Bijli Vitran Nigam Limited (JBVNL)**

The posts of Chairman and Member of the Jharkhand Electricity Regulatory Commission (JSERC) remained vacant from June 2020 to September 2022, due



to which the electricity tariff, for the FY 2021-22, could not be approved and the Company was deprived of realising additional revenue of ₹ 514.08 crore.

**(Paragraph 2.2.8.1)**

The system of billing was inefficient, as there were delays in billing; non-allowance of rebate to consumers for delayed billing; non-billing of effective consumers and short billing, due to non-updation of metering details in the billing software. In addition, there were instances of short-billing of fixed charges, due to cut-off hours of supply of power; losses due to delays in changing defective meters; short/non-billing of streetlight consumers; irregular charging of meter rent from consumers; non-billing of energy charges to consumers; and delays in release of new electricity connections *etc.*

Though the overall collection efficiency (excluding arrears and Government subsidy) of the Company, during FY 2018-19 and FY 2021-22, ranged between 38.34 and 52.51 *per cent*, the collection efficiency, in case of rural domestic consumers, was low and ranged between 8.54 to 14.68 *per cent*. The realisation of the revenue of the Company was only 86.42 to 92.27 *per cent* of the energy sold during FYs 2018-19 to 2021-22. The Aggregate Technical and Commercial Losses (AT&C) of the Company, ranged between 46.57 and 49.21 *per cent*, during FYs 2018-19 to 2020-21, due to exhibition of inflated consumption against unmetered connections, as against the reported AT&C losses of 28.69 to 41.21 *per cent*, during the same period.

**(Paragraph 2.2.7 and 2.2.9)**

The Company claimed excess subsidy, by irregularly changing the category of ‘unmetered consumers’ into ‘consumers with defective meter’ and did not map the provisions of billing related to defective meters, in the billing software, as provided in the JSERC Electricity Supply Code.

**(Paragraph 2.2.10.2)**

The Company could not recover outstanding dues of ₹ 234.01 crore, as the recovery had become time-barred, due to non-filing of certificate cases in time. The Company also failed to recover additional Security Deposit from consumers.

**(Paragraph 2.2.11.3)**

The Company failed to comply with the provisions of the Electricity Act, 2003 and the provisions of the JSERC Electricity Supply Code, in assessment of penalty, in cases of theft of power, and, thus, suffered loss of revenue, amounting to ₹ 5.74 crore.

**(Paragraph 2.2.12.2)**

**Department’s oversight on GST payments and return filing**

A Subject Specific Compliance Audit (SSCA), covering the period from July 2017 to March 2018, for review of scrutiny of returns by the Department and verification of taxpayer’s records, and July 2017 to March 2021, for audit of the functions of selected Commercial Taxes Circles (CTCs), was conducted and audit findings emerged, in course of audit, are as follows.

Interest of ₹ 236.88 crore, on delayed payment of tax, was not collected from 82,393 taxpayers who had filed their returns belatedly and consequently paid tax liability with delay.

**(Paragraph 2.3.6.1)**

In absence of a Manual/SOP for scrutiny of returns and risk-based approach for selection, less than three *per cent* of total GSTR-3Bs filed were scrutinised by the Department.

**(Paragraph 2.3.6.2)**

Initial responses were not received for deviations/inconsistencies in 27 cases communicated to the Department, which represents a mismatch of turnover of ₹ 30.89 crore in five cases and mismatch of tax liability/ITC of ₹ 13.27 crore in 22 cases.

**(Paragraph 2.3.7.1)**

Out of the 445 deviations, the Department accepted the audit observations or initiated examination in 255 cases which represent mismatch of turnover of ₹ 7,056.79 crore in 46 cases and mismatch of tax liability/ITC of ₹ 215.80 crore in 209 cases.

**(Paragraph 2.3.7.4)**

The granular records were partially produced in all the 55 cases; as a result the identified risks relating to mismatch/excess/irregular availing of ITC and undischarged liability of ₹ 356.61 crore could not be examined in detail by Audit.

**(Paragraph 2.3.8.1)**

In 29 out of 55 cases audited, taxpayers had either filed their returns belatedly or had erroneously utilised excess ITC, which were reversed, but the interest payments amounting to ₹ 0.74 crore, on belatedly filed returns or reversal of excess input tax credit, was not discharged.

**(Paragraph 2.3.8.2)**

In 17 out of 55 cases at seven CTCs, ITC of ₹ 52.20 crore was not reversed where the goods or services or both are used partly for effecting taxable supplies including zero-rated supplies and partly for effecting exempt supplies.

**(Paragraph 2.3.8.2 Table 2.18 Sl. No. 4)**

In 50 out of 55 cases at 16 CTCs, there was mismatch in ITC of ₹ 109.46 crore compared to ITC available as per GSTR-2A with the ITC availed under GSTR-3B/GSTR-9.

**(Paragraph 2.3.8.3 Table 2.18 Sl. No.1)**

In 36 out of 55 cases at 12 CTCs, there was mismatch in tax liability and payment of tax liability of ₹ 289.34 crore on comparison of the tax liability based on the greater of the amounts furnished in GSTR-1 and GSTR-9 with actual payment of tax in GSTR-3B.

**(Paragraph 2.3.8.4 Table 2.19 Sl. No. 1)**

34 cancelled taxpayers were re-granted registration on same PAN, though having outstanding liability of ₹ 95.36 lakh on the previously cancelled registrations.

**(Paragraph 2.3.9.2)**

### **Compliance Audit paragraphs**

The Departmental Tender Committee cancelled a bid after disqualification of the lowest bidder, instead of awarding the work to the next lowest bidder, as per the terms and conditions of the bidding document. The work was awarded at a higher cost in the re-bid, leading to extra cost burden of ₹ 2.62 crore on the Government.

*(Paragraph 3.1)*

The Executive Engineer, Drinking Water and Sanitation Division, Chaibasa, did not ensure: (i) preparation of a certificate of dues, after termination of a contract relating to a water supply project and (ii) initiation of certificate proceedings, for recovery of government dues of ₹ 4.42 crore, for more than three years. Further, the population that was intended to benefit from the said water supply project, remained deprived of the benefits of the project, for more than ten years after its sanction.

*(Paragraph 3.2)*

The Mahatma Gandhi Memorial Medical College and Hospital, Jamshedpur, hired manpower on contractual basis and allowed inadmissible claims of overtime, extra working days not supported by attendance sheets and payments for manpower not supplied, leading to excess payment of at least ₹ 2.67 crore to the agencies.

*(Paragraph 3.3)*

The Energy Department had not set up an Environment Management Fund even after a lapse of over 10 years from the commencement of operations of a coal-based thermal power plant. Consequently, it failed to realize ₹ 82.40 crore from the Company that had set up the plant, towards the Company's contribution for carrying out environmental amelioration activities in the vicinity of the project and its hinterland, although this had been agreed upon in the Memorandum of Understanding (MoU) between the Department and the Company.

*(Paragraph 3.4)*

M/s Tenughat Vidyut Nigam Limited failed to consider the provisions of the New Coal Distribution Policy regarding procurement of coal up to the Annual Contracted Quantity without paying Performance Incentive (PI), while entering into a Coal Supply Agreement (CSA) with the Central Coalfields Limited. Further, it did not initiate action to modify the provision of PI, despite there being a provision in the CSA, resulting in loss of ₹ nine crore to the Company.

*(Paragraph 3.5)*

Taxes and penalty of ₹ 60.12 crore, realisable from defaulting owners of 4,486 transport vehicles, were not collected by the DTOs.

*(Paragraph 3.8)*

One-time tax and penalty of ₹ 26.30 crore, realisable from defaulting owners of 9,856 vehicles, brought under the purview of one-time tax, was not collected by the DTOs. Further, 392 construction equipment vehicles were misclassified as 'goods vehicles', leading to short levy of one-time tax, amounting to ₹ 4.42 crore.

*(Paragraph 3.9)*

Certificates of registration of 1,359 personalised vehicles were not renewed after expiry of their validity, resulting in non-levy of registration fee, inspection fee and green tax, amounting to ₹ 6.27 crore.

***(Paragraph 3.10)***

Non-revision of axle weight of 6,853 transport vehicles, led to short assessment of tax, amounting to ₹ 5.70 crore.

***(Paragraph 3.11)***

One-time tax of ₹ 1.05 crore, was short assessed from 2,633 personalised vehicles, due to delayed mapping of business rules in VAHAN.

***(Paragraph 3.12)***