

Executive Summary

This Report contains one Performance Audit (PA), one Subject Specific Compliance Audit (SSCA) and three individual compliance Audit Paragraphs.

Significant audit observations are discussed in brief in the following paragraphs:

PA on Working of Jharkhand State Building Construction Corporation Limited

Jharkhand State Building Construction Corporation Limited (JSBCCL) is a State Government-owned company established in November 2015 to manage the construction, development, and maintenance of public infrastructure and Government projects in Jharkhand. The company aims to support the state's infrastructure growth by providing efficient project management services to various Government departments.

The audit objectives of the PA on working of JSBCCL were to ascertain whether: corporate budget was prepared, and financial management was effective; the planning process for projects was effective; execution of projects was economical, efficient and effective; an effective monitoring and evaluation mechanism was in place; and an effective internal control and complaint redressal system was in place.

The main audit findings are as follows:

The Company had undertaken 1,328 work projects with a total cost of ₹ 14,020.46 crore (since inception in November 2015 to March 2023). Of this, 726 works (55 *per cent*) valued at ₹ 4,291.07 crore were completed; 218 were in-progress (₹ 1,630.80 crore); 272 were in the initial stages; and 112 were either dropped or stalled (194.92 crore) due to non-availability of land, public hindrances, delays by contractors, etc.

The Company had not returned ₹ 60.95 crore, received from user Departments for execution of 24 works which were subsequently abandoned, and retained this amount in its Personal Ledger Account for periods ranging from four to seven years.

The Company had neither prepared a Corporate Budget nor had constituted a Technical Committee during 2018-19 to 2022-23 to review DPRs and monitor the progress of works. It started execution of projects based on model estimates prepared by consultants, without detailed estimates based on actual site conditions. Further, land required for various works had either not been handed over or handed over with delays by the user Departments. As a result, 35 works, valued at ₹ 102.87 crore, were dropped.

Audit also observed that the inability of the Company to foresee the adverse impact of constructing the buildings in the vicinity of a high-tension transmission line led to the completed building of a Degree Colleges remaining idle, rendering the expenditure of ₹ 12 crore unfruitful. Further, the expenditure

of ₹ 5.60 crore on the partially completed structures of Jharkhand *Balika Awasiye Vidyalayas* (JBAV) at Danda and Bishnupura became unfruitful whereas expenditure of ₹ 2.80 crore on the abandoned structure of JBAV at Sangma became wasteful after the stoppage of the works by the contractors.

(Paragraphs 2.5.1 & 2.5.2)

There was acute shortage of staff, especially in the posts of Assistant Engineers (88 *per cent*) and Junior Engineers (75 *per cent*) in the Project Implementation Units. The shortage of staff was one of the reasons for inadequate internal control and monitoring of the projects, leading to their delayed completion or non-completion.

(Paragraph 2.5.3)

Audit scrutinised 206 works and noticed shortcomings in contract management - provision of inadequate time for submission of bids; lack of transparency; inadequate bid evaluation; delay in execution of agreement; irregular payment; irregularities in supplementary agreement; and works not covered by insurance.

For determining the bid capacity, the Company considered the value of gross receipt from contract works/revenue from operation obtained from the annual accounts instead of maximum value of civil engineering works executed, which resulted in selection of 20 ineligible bidders.

(Paragraph 2.5.4.1)

Several instances of excess payments to contractors due to lapses in execution of works were noticed. In seven projects, incorrect determination of price adjustments led to an excess payment of ₹ 1.76 crore. For construction of buildings for Degree Colleges, provisions were made for two six-stop passenger lifts instead of the required three-stop lifts, leading to an excess provision of ₹ 2.60 crore, with ₹ 2.15 crore in excess payments made across 11 test-checked works.

(Paragraph 2.5.5.1 & 2.5.5.2)

The construction of a permanent campus of Jharkhand Raksha Shakti University was taken up in June 2018, for completion by May 2020. Based on the directions of the Department (May 2021), the work was closed in July 2021 after incurring an expenditure of ₹ 12.10 crore. The incomplete structure of the building was lying idle since then. Similarly, six works related to construction of Community Health Centre, Primary Health Centre, tourism development work, construction of compound wall and 5000-MT Cold storage were to be completed between December 2011 and May 2020. However, the works were stopped/ stalled midway after partial completion (physical progress, as of October 2023, ranged between 20 and 76 *per cent*.) and after incurring an expenditure of ₹ 13.32 crore.

(Paragraph 2.5.5.3 & 2.5.5.4)

In the absence of proper monitoring during execution, 33 works relating to nine user Departments were completed with delays ranging between three months to four years after payment of ₹ 1,693.31 crore and 14 works relating to four user Departments remained incomplete with delays ranging between one year to more than seven years, after incurring an expenditure of ₹ 669.98 crore.

Out of six works (five works of Health, Medical Education and Family Welfare Department and one work of Agriculture, Animal Husbandry and Co-operative Department), only two works (one of each department) were completed with delays ranging from three to four years, while four works remained incomplete with delays ranging from two to eight years (as of July 2024). Audit observed that there were delays in handing over of work sites, delays in availability of drawings and designs *etc.* This resulted in cost overrun of ₹ 42.32 crore, being the price adjustment during the extended period on these six works.

(Paragraph 2.5.5.9)

Out of 46 completed test-checked works, 37 works were handed over to the user Departments with delays of more than two years and the remaining nine works were not handed over even after a lapse of almost four years since their completion. The major reason for delays in handing over was lack of co-ordination between the user departments and the Company. The inordinate delay in handing over of assets not only increases the risk of deterioration in condition of the buildings, but also deprives the intended beneficiaries of opportunity to utilize these buildings. Besides, avoidable expenditure of ₹ 2.43 crore was incurred on repairs and repurchase of several equipment, which were stolen from the building.

(Paragraph 2.5.5.10)

The Company had not constituted a Technical Committee, as required, to evaluate DPRs to ensure technical feasibility and economic viability. Testing laboratories were also not empaneled to pre-test the building materials nor was an in-house Design Wing set up to approve changes in the drawings and designs.

(Paragraph 2.5.6)

Recommendations:

- ***The Company may ensure timely refund of unutilised funds lying in its PL Account to the user departments.***
- ***The Company may take prompt action to ensure formation of the Technical Committee to assess technical feasibility before commencement of works. Further, JSBCCL may ensure commencement of work only after preparation of detailed estimates, drawings and designs based on actual site conditions.***
- ***The Company may establish and implement a transparent and uniform bidding system to attract the most competitive prices. It may also ensure***

adherence to the terms and conditions of agreements signed with contractors.

- *The Company may ensure due diligence in preparation of estimates of the projects.*
- *The Company may ensure effective monitoring to resolve issues which are hampering the timely completion of works as per the provisions of the agreement to avoid time and cost overrun.*
- *The State Government may ensure better coordination between the Company and user departments so that completed assets can be handed over without further delays and be utilised for the intended purposes.*
- *The Company may ensure creation of the Design Wing, as well as, empanelment of laboratories, to ensure quality of work.*

SSCA on Procurement Activity of Jharkhand State Food and Civil Supplies Corporation Limited

Audit on “Procurement Activity of JSFCL” was conducted to assess whether procurement of paddy and payment of Minimum Support Price (MSP) to farmers was done on time; procurement and transportation of food grains was efficiently and economically carried out; godowns were managed as per standard practices; funds were utilised effectively and internal controls/monitoring mechanism were in place.

The main audit findings are as follows:

During Kharif Marketing Season (KMS) 2018-19 to 2021-22 (period till January 2023), the Company could procure only 16.47 lakh MT of paddy against the target of 18.29 lakh MT mainly due to non-lifting of paddy by the millers and limited storage capacity available with the Primary Agriculture Credit Co-operative Societies (PACCS)/Large Area Multi-Purpose Co-operative Societies (LAMPS).

(Paragraph 3.1.2)

Paddy was procured from 1,59,354 farmers in the test-checked districts and payment of MSP was to be done in two instalments - 50 *per cent* on the next day of procurement and the balance 50 *per cent* within one month of the date of procurement. Scrutiny revealed that payment of the first instalment was done to 79 to 98 *per cent* farmers with delays of up to 775 days from the scheduled date of payment. Similarly, the second instalment was paid to 64 to 100 *per cent* farmers with delays up to 370 days. Further, MSP of ₹ 8.64 crore was not paid (April 2023) to 1,741 farmers, even after a lapse of eight months to four years from the date of procurement.

(Paragraph 3.1.2.1)

A total of ₹ 25.10 crore was outstanding against 256 PACCS/ LAMPS for KMS 2011-12 to 2017-18 in the nine test-checked districts. However, 105 PACCS/LAMPS with dues amounting to ₹ 9.70 crore and 14 millers with dues

amounting to ₹ 7.51 crore, were allowed to procure paddy for milling during KMS 2018-19 to 2021-22. Further, out of these, 25 PACCS/LAMPS and four millers had again not delivered paddy valued at ₹ 11.22 crore and CMR valued at ₹ 30.09 crore respectively during KMS 2018-19 to 2021-22. No action has also been taken against these PACCS/LAMPS and millers.

(Paragraph 3.1.3.1)

Out of 10.07 lakh MT paddy procured by the PACCS/LAMPS from farmers during KMS 2018-19 to 2021-22 in nine test-checked districts, 10,210 MT paddy valued at ₹ 20.77 crore was not delivered to the millers. Audit examination in eight out of the nine test-checked districts revealed that 33 millers had not deposited CMR of equivalent quantity to FCI against the paddy lifted by them for milling during KMS 2018-19 to 2021-22. As calculated by Audit, an amount of ₹ 72.81 crore was recoverable from these 33 millers for short deposit of 24,215.17 MT of CMR on 51 defaulting occasions. However, the Company had filed FIR against only two defaulting millers.

(Paragraph 3.1.3.2 & 3.1.3.4)

During Joint Physical Verification of 83 godowns in the test-checked districts, issues like lack of electricity (92 *per cent*) and the absence of weighbridges (100 *per cent*), firefighting equipment (100 *per cent*), CCTV and security personnel (100 *per cent*) were noticed.

(Paragraph 3.1.5.1)

Against the claimable incidental charges of ₹ 692.73 crore from the FCI, the Company preferred claims of only ₹ 93.51 crore during KMS 2011-12 to 2021-22, out of which FCI reimbursed only ₹ 22.88 crore. The reasons for the short claim of incidental charges by the Company and less reimbursement by the FCI were non-finalisation of financial statements of the Company and non-submission of complete documentary evidence to the FCI.

(Paragraph 3.1.3.6)

The Company could not lift 88,716 MT of rice and 29,429 MT of wheat, during April 2016 to March 2022 from FCI. Though the Company had paid advance of ₹ 32.50 crore towards cost of these food grains, it claimed a refund of only ₹ 2.42 crore.

(Paragraph 3.1.4.1)

The Company had conducted only six BoD meetings between 2019-20 and 2022-23 against the required 16 such meetings for the period.

The annual Accounts of the Company have been in arrears since its inception (June 2010). Basic accounting records, such as cash books, *etc.*, were not maintained by the districts offices of the Company and this was attributed by the Company to shortage of manpower.

(Paragraph 3.1.6.1)

The Company engaged two different Chartered Accountant firms to prepare provisional accounts for 2018-19, for filing income tax returns and for securing a loan. Audit observed that the Company submitted two different financial statements for the same year – one showing a loss of ₹152 crore to the Income Tax Department and another showing a profit of ₹96 crore to the Bank of India - indicating a misrepresentation of its financial performance.

(Paragraph 3.1.6.3)

Bank of India (BoI) and State Bank of India (SBI) were selected as L1 bidders offering a fixed interest rate of 4.5 *per cent* per annum for a Working Capital Demand Loan of ₹776 crore. As SBI later withdrew its offer due to the absence of C&AG-audited accounts, agreements were executed with BoI in November 2021 and again in December 2022. The interest rate, initially fixed, was later changed to floating without documented justification. By July 2023, BoI had disbursed loan of ₹1,076 crore at a floating rate between 4.50 and 5.40 *per cent*. According to Audit calculations, interest payable at the fixed rate would have amounted to ₹ 32.98 crore (as of 21 July 2023). However, the Company paid ₹ 40.68 crore at the floating rate, resulting in an excess interest payment of ₹ 7.70 crore.

(Paragraph 3.1.6.5)

Out of 830 sanctioned posts (431 regular and 399 contractual), only 66 employees were deployed (31 regular and 35 contractual), leaving 764 posts vacant. Additionally, 333 personnel were engaged through outsourcing agency without approval of the BoD of the Company.

(Paragraph 3.1.7)

Recommendations:

- ***The Company may ensure timely entry of details of procurement and quantity of paddy dispatched to the millers by PACCS/LAMPS in the e-Uparjan portal and adhere to the SOP so that MSP is paid to farmers on time.***
- ***The Company may ensure that PACCS/LAMPS submit the full quantity of the paddy procured to millers and millers submit the full quantity of CMR to FCI. Action may be initiated against defaulter PACCS/LAMPS and millers, as well as the erring officials of the Department for not taking action for recovery of MSP/bonus/interest.***
- ***The Company may ensure timely submission of claims of MSP and full incidental charges to FCI, along with all requirements.***
- ***The Company may take immediate steps to ensure that its accounts since inception are finalised and audited so that provisions of the Company's Act, 2013, are complied with and claims against incidental charges for paddy procurement can be raised.***

Compliance Audit paragraphs

Although bidders had agreed to supply additional quantities at the same rates within 12 months, Jharkhand Bijli Vitran Nigam Limited (JBVNL) issued fresh tenders for the same items instead of placing repeat orders with the existing suppliers. As a result, JBVNL accepted higher rates, leading to an avoidable expenditure of ₹5.93 crore. Moreover, fresh purchase orders were issued to the same four earlier suppliers, thereby extending them undue benefit of ₹ 1.79 crore.

(Paragraph 3.2.1)

Non-installation of Communication equipment (SIM) in the Distribution Transformers (DTRs) meters and modems by Jharkhand *Bijli Vitran Nigam* Limited (JBVNL) not only defeated the purpose of installation of the DTR meters in four towns but also resulted in idle expenditure of ₹ 4.31 crore, since July 2020.

(Paragraph 3.2.2)

The Managing Director, Jharkhand *Urja Utpadan Nigam* Limited (JUUNL) did not exercise powers provided in Delegation of Power (DoP) to award the repair work on single tender basis, leading to delays in finalisation of work order for repair of powerhouse equipment. This resulted in avoidable generation loss of 85 MU power, valued at ₹ 8.46 crore, in Subernarekha Hydel Project, Sikidiri, Ranchi.

(Paragraph 3.2.3)