

## OVERVIEW

This Report includes two chapters containing observations on Finances and Appropriation Accounts of the Government of Bihar for the year 2004-05 and three other chapters comprising five performance reviews, 20 paragraphs and internal control mechanism in the Animal Husbandry Department. A synopsis of the main audit observations contained in the Audit Report is presented in this overview.

### 1 Finances of the State Government

During 2004-05, revenue receipts (Rs 15714 crore) showed an increase of 26 per cent as against 15 per cent growth in revenue expenditure (Rs 14638 crore) over the previous year leading to revenue surplus of Rs 1076 crore. However, own resources of the State was only 24 per cent during 2004-05.

Capital expenditure (Rs 1205 crore) also decreased during 2004-05 by 22 per cent over the previous year. As a result, fiscal deficit decreased from Rs 4363 crore in 2003-04 to Rs 1242 crore in 2004-05. However, the area of concern is that the fiscal liabilities during the year (Rs 42483 crore) grew by 13 per cent over the previous year and the ratio of the liabilities to GSDP was as high as 68 per cent.

### 2 Allocative priorities and Appropriation

During 2004-05, the overall saving of Rs 6442.77 crore was the net result of savings of Rs 6448.45 crore and excess of Rs 5.68 crore. The excess expenditure would require regularisation under Article 205 of the Constitution of India. Supplementary provision of Rs 1166.41 crore obtained in 42 cases proved wholly unnecessary.

### 3 Flood control measures

The Water Resources Department (WRD) is implementing long and short term schemes for mitigating flood hazards which affect over two crore population in the State. During 2000-05, the WRD mainly executed anti-erosion works. Plan allocations for construction of new embankments, raising and strengthening of existing embankments and construction of all weather roads on embankments were curtailed. As a result, achievement against the targets were poor under raising and strengthening of embankments (123 km against 580 km), all weather road on embankments (64.15 km against 590.85 km) and total length of embankments (nil against 36 km). Audit observed that in three divisions avoidable expenditure of Rs 6.26 crore was incurred due to delay in execution of work and delay in finalisation of tenders.

*(Paragraph 3.1)*

#### **4 Implementation of the Acts And Rules relating to consumer protection**

The Consumer Protection Act, 1986 was enacted by Government of India to provide speedy and inexpensive redressal of consumers grievances. It provides establishment of consumer dispute redressal machinery (consumer courts) at National, State and District levels. In Bihar, implementation of the Acts and Rules relating to Consumer Protection was not satisfactory because there was delay in establishment of the districts forums; there was shortage of staff and absence of adequate infrastructure such as computers, fax machine, library books etc. No Circuit Bench has been created. There was only one notified laboratory in the State which received no samples for analysis. Consumer awareness programme suffered as Consumer Protection Councils were not established and District Consumer Information Centres were not set up in the State. As of June 2005, 15599 complaint cases were pending in the State Commission and the District Forums. Also, there was delay in settlement of cases and payment of decretal amount. Thus, objective of providing speedy redressal of consumer grievances was not achieved.

*(Paragraph 3.2)*

#### **5 Flood relief operations in Bihar**

For relief of the 2.13 crore flood affected people in 20 districts of the State Disaster Management Department provided Rs 132.40 crore during 2004-05. Of these, District Magistrates (DMs), who were the overall incharge of flood relief operations in the Districts, drew Rs 117.68 crore on AC bills and spent Rs 96.81 crore. Audit scrutiny of expenditure on foodgrains (Rs 37.40 crore) and cash dole (Rs 44.59 crore) revealed delay in distribution of foodgrains and cash dole, doubtful purchase of material and doubtful distribution of foodgrain and non-submission of DC bills of payment of cash dole.

DMs submitted utilisation certificates of Rs 81.94 crores to DMD without submitting the vouchers to the Accountant General. Rupees 10.77 crore advanced to staff for relief work was booked as expenditure without receipt of adjustment vouchers. Foodgrain worth Rs 4.85 crore and cash dole of Rs 9.84 crore were distributed after flood period thereby defeating the objective of providing immediate relief. Stock and distribution registers of foodgrain and relief material were not maintained at district and circle levels. As a result authenticity of distribution of 7.57 lakh quintal of food grains valued at Rs 36.96 crore reflected in form IX could not be verified.

*(Paragraph 3.3)*

#### **6 Flood relief operations by District Magistrate, Patna**

For flood relief operations, Disaster Management Department (DMD) allotted Rs 13.54 crore to DM Patna in 2004 though Patna was not a flood affected district and DM Patna was not notified as a nodal officer. Audit of relief operations conducted by DM Patna reflected failure of internal control mechanism at Secretariat as well as district level. DM Patna failed

to submit detailed contingent bills of Rs 13.34 crore drawn on AC bills. DM also diverted Rs 5.10 crore for relief operations from other heads of accounts such as Election, Welfare and Land Acquisition etc. DM failed to enter into pre-contract with the suppliers of relief material as required under GOI guidelines and made payment of Rs 17.80 crore to Baba Satya Sai Interprises. The DMs had not maintained stock and distribution register of relief materials. Thus, there was gross mismanagement of relief funds by the DM, Patna.

*(Paragraph 3.4)*

#### **7 Execution of works by Zila Parishads**

Thirty eight Zila Parishads (ZPs) received funds from Government of India for development works and implementation of various schemes. Review of the execution of works by ZPs revealed that DDC-cum-CEOs of ZPs, as controlling officers, failed to prepare accounts of the ZP and rendered incorrect utilisation certificates relating to funds allotted to the Gram Panchayats and Panchayat Samitis. Temporary advances which are given to the executive subordinates by the Divisional Officers for execution of works departmentally on the basis of vouchers passed for payment were outstanding for final adjustment to the extent of Rs 101.80 crore relating to execution of 9226 works.

Out of total 9879 works taken up by seven ZPs during 2001-2005, records of completion of works were available in respect of only 653 works and in respect of remaining works, the records were either not produced or were incomplete. Therefore, it could not be verified in Audit whether the works were actually completed.

*(Paragraph 3.5)*

#### **8 Evaluation of Internal Control System in Animal Husbandry Department**

Internal controls viz. financial control, expenditure control, operational control and monitoring mechanism were inadequate and ineffective in Animal Husbandry Department. Due to lack of budgetary and expenditure controls, there was unnecessary provision of supplementary grants and leading to huge savings. The schemes undertaken by the Department could not be commenced because the Central Purchase Committee failed to take timely decisions on procurement of equipment and materials. Department failed to furnish the data on targets and achievement against the various schemes implemented by the Department. No animal census was conducted after 1982. Department had no information regarding the men-in-position in the Department. Monitoring mechanism in the Department was weak. Against 452 internal audit paras issued during 2000-05, 419 paras valued Rs 52.54 crore were not settled as of August 2005.

*(Paragraph 5.1)*

#### **9 Transaction audit findings**

Audit of financial transactions, subjected to test-check, in various departments of the Government and their field functionaries revealed

**instances of misappropriation/non-accountal, misutilisation and infructuous expenditure etc. of over Rs 30.42 crore as mentioned below :**

- **Misappropriation/ non-accountal of funds amounting to Rs 12.18 crore were noticed in Water Resources Department (Rs 2.03 crore), Rural Development Department (Rs 9.67 crore), Road Construction Department (Rs 0.26 crore) and Secondary, Primary and Adult Education Department (Rs 0.22 crore).**
- **Violations of contractual obligations and undue favour to contractors amounting to Rs 2.65 crore was noticed in Road Construction Department.**
- **Misutilisation of funds amounting to Rs 9.71 crore was noticed in Rural Development Department (Rs 3.22 crore), Revenue and Land Reforms Department (Rs 1.06 crore), Urban Development Department (Rs 4.47 crore) and Labour, Employment and Training Department (Rs 0.96 crore).**
- **Infructuous expenditure of Rs 5.88 crore was noticed in Urban Development Department (Rs 1.17 crore) and Health and Family Welfare Department (Rs 4.71 crore).**

**Some of the important findings are as shown below:**

**Two cases of defalcation of Rs 1.02 crore were detected in Revenue Division, Purnea and Zila Parishad, Sitamarhi due to failure of DDOs to handle cash as per the codal provisions.**

*(Paragraph 4.1.1 & 4.1.4)*

**Fraudulent payments of Rs 1.33 crore in Western Kosi Canal Division, Darbhanga and Jhanjharpur were made to the two contractors on carriage of stone metal without obtaining vouchers in support of carriage of material from the quarry given in the agreement.**

*(Paragraph 4.1.3)*

**Amount of Rs 76.18 lakh (Rs 69.63 lakh under SJSRY) for payment of subsidy to USEP beneficiaries through urban local bodies was paid by the DM Patna to NGOs for the purposes not covered under the SJSRY scheme.**

*(Paragraph 4.1.7)*

**Failure of the Executive Engineer/departmental authorities to file a counter affidavit in the Court of the Sub Judge led to auction of office building and loss to Government amounting to Rs 26.06 lakh.**

*(Paragraph 4.1.11)*

**In violation of NSDP guidelines, Executive Officers of Madhubani and Darbhanga districts misutilised Rs 2.76 crore for development of non-slum areas apart from doubtful expenditure of Rs 94.67 lakh on purchase of materials.**

*(Paragraph 4.4.4)*