

## OVERVIEW

The Report includes two Chapters containing observations on the Finance and Appropriation Accounts of the Government of Jharkhand for the year 2006-07 and four other Chapters comprising of eight reviews/long paragraphs and 41 paragraphs (including five general paragraphs) dealing with the results of performance audit of selected programmes, internal control system as well as audit of the financial transactions of the Government and statutory corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn based on statistical sampling methods as well as on the basis of judgment. The audit conclusions have been drawn and recommendations made taking into consideration the views of the Government.

A summary of the financial position of the State and the audit comments on the performance of the Government departments and statutory corporations in implementation of certain programmes and schemes as well as internal control mechanism in Urban Development Department are given below:

### 1. Financial Position of the State Government

During 2006-07, there was revenue surplus of Rs 946 crore against revenue deficit of Rs 27 crore in 2005-06. Revenue receipts increased by 18 *per cent* over the previous year while the revenue expenditure grew by seven *per cent* only, leading to revenue surplus.

Overall expenditure of the State decreased by 22 *per cent* from Rs 14077 crore in 2005-06 to Rs 10936 crore in 2006-07. Revenue expenditure (Rs 9064 crore) constituted 83 *per cent* of the total expenditure. Salaries, interest payments and pension consumed nearly 50 *per cent* of the revenue receipts during the year. The fiscal liabilities (Rs 19417 crore) increased during 2006-07 by about 12 *per cent* over the previous year and stood at about two times the revenue receipts. The fiscal deficit, however, decreased by 84 *per cent* from Rs 5603 crore in 2005-06 to Rs 910 crore in 2006-07 mainly due to steep fall in disbursement of loans and advances, 89 *per cent* from Rs 3747 crore in 2005-06 to Rs 411 crore in 2006-07. Besides, the State had to suffer a loss of revenue receipts amounting to Rs 1576 crore due to failure in paying the dues to CPSUs in time by JSEB (Rs 934 crore), not holding of elections for local bodies (Rs 421 crore) and not enacting the Fiscal Responsibility and Budgetary Management Act (Rs 221 crore).

As against total budget provision of Rs 16277.32 crore, the expenditure was Rs 11839.69 crore. The saving of Rs 4437.63 crore was the net result of saving of Rs 5683.50 crore in 48 grants and appropriation offset by excess of Rs 1245.87 crore in three cases of grants and appropriations.

## **2. Implementation of National Rural Employment Guarantee Scheme**

National Rural Employment Guarantee Act was promulgated in September 2005 with the basic objective to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in every financial year to a rural household whose adult member volunteered to do unskilled manual work. National Rural Employment Guarantee Scheme was launched in 20 districts of the State in February 2006.

A performance audit on the implementation of NREGS in the State for the period February 2006 to March 2007 disclosed that the stated objectives were not achieved and the scheme suffered mainly due to non-conducting of survey, non-preparation of Annual Action Plans and District Perspective Plans, insensitiveness towards targeted beneficiaries, non-appointment of key personnel, mismanagement of scheme funds, selecting works in violation of scheme guidelines etc.

During 2006-07 the total expenditure incurred was Rs 711.55 crore and total employment generation reported to GOI was 5.20 crore mandays against the required mandays of 23.04 crore, which was 77.5 per cent less as envisaged. NREGS, the flagship programme of GOI, generated less mandays for employment in 2006-07 than SGRY and NFFWP in 2005-06, which NREGS replaced.

[Paragraph 3.1]

## **3. Accelerated Rural Water Supply Programme**

Accelerated Rural Water Supply Programme (ARWSP), a Centrally sponsored scheme fully financed by the Government of India (GOI) was revamped (April 1999) to provide safe and adequate drinking water facilities to the rural population by supplementing the efforts of the State Government under Minimum Needs Programme (MNP). ARWSP was mandated to cover all rural habitations with access to safe and adequate drinking water, ensure sustainability of the system and sources, tackling water quality problems in affected habitations and institutionalise reform initiative.

A performance audit on implementation of the programme during 2002-07 disclosed that the survey was not taken up properly and the Annual Action Plans were not prepared. As a result, targets for coverage of NC/PC habitations was not fixed and need based allocation was denied. Poor financial management led to diversion of funds, excess carry over and less spending deprived the Central assistance of Rs 58.40 crore. More than 13.54 lakh rural people in the State had no access to adequate drinking water. Special emphasis was not given to cover water quality affected villages. Monitoring of the programme implementation was inadequate. There was no plan for water source sustainability.

[Paragraph 3.2]

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#### **4. IT Audit of Computerization of land records**

Computerization of Land Records (CLR), a 100 *per cent* Centrally Sponsored Scheme of GOI, was initiated (1988-89) with a view to create/update the database relating to ownership, transfer, acquisition and consolidation of land as well as irrigation facilities and natural calamities throughout the country. This would have helped in issue of Record of Rights (ROR) to the land owners, preserving the land records and better planning for land reform. For completion of CLR, GOI had set a time frame of three years from the release of first installment. The Scheme was implemented in 210 *Anchals* of 22 districts of the Jharkhand State. Even after eight years of release of first installment and spending Rs 9.99 crore, none of the objectives of the scheme could be achieved due to reasons like development of non-compatible software, non-synchronisation among various components and lack of monitoring. As of July 2007 not a single ROR could be issued.

[Paragraph 3.3]

#### **5. Functioning of State Institute of Rural Development**

Government of India (GOI) set up three “Development officers Training Institutes” in 1954 at Ranchi, Hyderabad and Nilokheri (Haryana). The administrative control of the Institute at Ranchi was transferred in 1967 to Government of Bihar by GOI. After creation of Jharkhand the Institute was renamed (2002) as ‘State Institute of Rural Development (SIRD)’. The Institute, under the administrative control of Rural Development Department, imparts training to Government officials and Non-Government Organisations (NGOs) and undertakes research and consultancy assignments in the field of rural development.

A performance audit on functioning of SIRD during 2002-07 disclosed that the objectives behind setting up the institute were not achieved. Training infrastructure was grossly underutilized. Funds shown to have been incurred on training were actually spent on unrelated and inadmissible items. Only two research projects were undertaken while no consultancy projects were assigned to it in last five years. Financial Management in the institute was very weak leading to serious financial irregularities like fraudulent payment on purchase of lifts, misutilisation of funds by creation of assets on private land, irregular expenditure on purchase of ACs and DG Sets were noticed.

[Paragraph 3.4]

#### **6. Implementation of Tribal Welfare Schemes in Meso Areas**

During the Fifth Five Year Plan (1972-77) Tribal Sub-plan (TSP) strategy was evolved for socio economic upliftment and protection against exploitation of tribals. In Jharkhand TSP was grouped in 1976 into 14 Integrated Tribal Development Projects (ITDPs) covering 112 blocks, locally known as “Meso Area”.

A performance audit on Implementation of Tribal Welfare Schemes in Meso Areas during 2002-07 disclosed that the pace of implementation of schemes was getting increasingly slower in terms of percentage of expenditure to total allocation due to non-finalisation of schemes by PIC. Non-BPL tribal beneficiaries were extended benefits. Assets remained undistributed due to non-finalisation of list of beneficiaries. Schemes were abandoned mid way and some of other schemes were incomplete even after three years from the scheduled date of completion. The monitoring or evaluation of the schemes were not undertaken to ascertain whether the intended benefits were accrued to the targeted beneficiaries. The works executed by some of the NGOs were doubtful as payments were being made without adequate proof in support of the works having been executed.

[Paragraph 3.5]

## **7 Working of Jharkhand State Pollution Control Board**

On creation of the new State, Jharkhand State Pollution Control Board (Board) was set up in September 2001. The main objective of the Board was to plan and execute programmes for prevention, control and abatement of water and air pollution and pollution from solid wastes including bio-medical and plastic wastes. The Forest and Environment Department, the nodal department, was responsible for formulation of policies relating to all environmental issues and exercising its control through the Board. There was lack of co-ordination between the Board and State Government. The Board, as an institution, did not ever really come into being and failed to prescribe rules and procedures to be adopted and execute programmes for prevention, control and abatement of water and air pollution and pollution from solid wastes. The Board never sent its BEs to the State Government as required under the statutes and thus the Government never gave any grants to the Board. It continues to be housed in a rental building and the laboratories were ill equipped. In the absence of documentation, the Board had no idea of industries, hospitals etc. running without adhering to pollution control norms. There were large number of pending applications for consent for discharge of effluent and emission. The implementation of the various Acts was lax.

[Paragraph 3.6]

## **8. Internal Control Mechanism in Urban Development Department**

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data is reliable and the applicable laws and regulations are complied with so as to achieve the organizational objectives.

An evaluation of the internal control system in the Urban Development Department during 2002-07 disclosed the weakness of the internal controls in place such as non-compliance with rules, lack of discipline in budget preparation, weak expenditure control, poor implementation of schemes/

programmes and lack of monitoring and evaluation. The provisions of the Budget manual were not being adhered to. As a result, there were huge savings under different heads of account. Cash books were not being maintained properly. Units retained heavy cash balances at the end of the financial year in violation of the codal provisions. There were large scale vacancies in the operational cadres of the department. Vigilance mechanism and internal audit were totally absent. Thus, there was no assurance to the management on the adequacy of internal controls in the Department. Overall, this adversely affected the quality of municipal services being provided to the people living in the urban areas of the State.

[Paragraph 5.1]

## **9. Transaction Audit Findings**

The audit of financial transactions, subjected to test-check, in various departments of the Government and their field units, revealed instances of losses, defalcation, wasteful expenditure, unfruitful expenditure, avoidable expenditure, idle expenditure etc as mentioned below:

- Defalcation/misappropriation/fraudulent payment/embezzlement of Rs 98.09 lakh was noticed in Rural Development Department (Rs 68.77 lakh); Health, Medical Education and Family Welfare Department (Rs 0.83 lakh); Human Resource Development Department (Rs 2.10 lakh); Road Construction Department (Rs 26.39 lakh).

[Paragraph 4.1]

- Excess/wasteful/infructuous expenditure amounting to Rs 29.95 crore was noticed in Rural Development Department (Rs 5.40 crore); Human Resource Development Department (Rs 14.02 crore); Water Resources Department (Rs 9.65 crore) and Forest and Environment Department (Rs 0.88 crore).

[Paragraph 4.2]

- Avoidable/unfruitful expenditure amounting to Rs 14.18 crore was noticed in Forest and Environment Department (Rs 2.86 crore), Home (Jail) and Building Construction Department (Rs 3.27 crore), Rural Development Department (Rs 1.85 crore), Road Construction Department/Rural Engineering Organisation (Rs 1.43 crore) and Agriculture and Sugarcane Development Department (Rs 4.77 crore).

[Paragraph 4.3]

- Idle investment/establishment/blocking of funds/misutilisation of funds/nugatory expenditure amounting to Rs 22.27 crore was noticed in Water Resources/Road Construction Department (Rs 7.71 crore), Home Department (Rs 1.70 crore), Civil Aviation Department (Rs 0.60 crore), Health, Medical Education and Family Welfare Department (Rs 11.77 crore), Cabinet Secretariat and Co-ordination Department (Rs 0.49 crore).

[Paragraph 4.4]

- Regularity issues and other points amounting to Rs 20.15 crore was noticed in Finance Department (Rs 1.22 crore) Rural Development Department (Rs 2.51 crore), Forest and Environment Department (Rs 15.44 crore) and Building Construction/Home(Jail) Department (Rs 0.60 crore) Health, Medical Education and Family Welfare Department (Rs 0.38 crore).

[Paragraph 4.5]

**Some of the major findings are summarized below:**

- Violation of codal provisions and granting of advances to Assistant and Junior Engineers posted in other offices resulted in misappropriation of Rs 63.46 lakh.

[Paragraph 4.1.1]

- Non-recovery of inadmissible teaching allowance subsequent to the recommendations of the Sixth Pay Commission resulted in excess payment of Rs 9.58 crore.

[Paragraph 4.2.1]

- Failure to secure funds for Gram Bhagirathi Yojana by engaging a consultant resulted in wasteful expenditure of Rs 9.65 crore on consultant's payment.

[Paragraph 4.2.3]

- Plantation of species of Acacia in violation of the orders of Principal Chief Conservator of Forest (PCCF) resulted in wasteful expenditure of Rs 87.92 lakh.

[Paragraph 4.2.7]

- Purchase of Combined Harvester Machines by the Director of Agriculture without assessment of requirement resulted in the machines remaining idle and the expenditure of Rs 3.96 crore becoming unfruitful.

[Paragraph 4.3.4]

- Vehicles purchased to replace the condemned vehicles for development of infrastructure and betterment of health services in the State were distributed to non-entitled officers, private organisations, etc. which resulted in misutilisation of fund of Rs 10.85 crore, which was in disregard of the spirit behind drawal from Contingency Fund.

[Paragraph 4.4.1]

- Divisional Forest Officer, Saraikela Forest Division failed to raise demand for net present value amounting to Rs 11.96 crore for diversion of forest land for non-forest use

[Paragraph 4.5.2]

## **10. Commercial and Trading Activities**

As on 31 March 2007, there were seven Government companies, one Statutory corporation and one Autonomous Body (all working) under the control of the State Government. The total investment in working PSUs increased from Rs 2,473.87 crore as on 31 March 2006 to Rs 2,550.95 crore as on 31 March

2007. The budgetary support in the form of equity capital, loans and grants/subsidy disbursed to working PSUs decreased from Rs 325.61 crore in 2005-06 to Rs 55.70 crore in 2006-07. None of the companies submitted its accounts for the year 2006-07 within the stipulated period. The accounts of all the Government companies were in arrears for periods ranging from one to four years. The accounts of the Statutory corporation and the Autonomous Body were in arrear for five and four years respectively as on 30 September 2007.

### **Tariff, Billing and Collection of Revenue in Jharkhand State Electricity Board**

The Jharkhand State Electricity Board is a licensed utility, responsible for generation, transmission and distribution of electricity in the State. A review on Tariff, Billing and Collection of Revenue in Jharkhand State Electricity Board revealed that the Board suffered loss of energy of 3,093.30 MU valued at Rs 1,040.67 crore due to excessive AT&C loss over the targets fixed by JSERC. Delayed release of HT service connections resulted in loss of potential revenue of Rs 5.71 crore. The Board lost revenue of Rs 12.46 crore due to wrong measurement of capacity of induction furnaces of 32 service connections. The Board failed to initiate timely legal action resulting in revenue amounting to Rs 95.99 crore becoming time barred. Poor internal financial control in the Board resulted in non/delayed credit of revenue into Board's account by the collecting Banks, resulting in loss of interest of Rs 12.26 crore.

[Paragraph 6.2]

### **Transaction Audit Findings**

- Wrong computation of reserve price resulted in loss of revenue of Rs 43.96 lakh to JSFDC on the sale of *kendu* leaves.

[Paragraph 6.3.1]

- Due to injudicious placement of orders and lack of timely action against the defaulting firms, JSEB incurred avoidable extra expenditure of Rs 1.49 crore on procurement of conductors.

[Paragraph 6.3.2]

- Adoption of wrong base date for calculating price variation resulted in payment of excess claim of Rs 60.68 lakh to the suppliers by JSEB.

[Paragraph 6.3.3]

- Procurement of wagon tippler without any immediate requirement resulted in blocking up of funds of Rs 1.18 crore with consequential loss of interest of Rs 45.98 lakh to JSEB.

[Paragraph 6.3.4]