

List of Pending Para

AGRICULTURE DEPARTMENT

Year		Pending Para as per PAC
2006-07	Civil	5.1 (5.1.1 , 5.1.2 , 5.1.3 , 5.1.4 , 5.1.5 , 5.1.6 , 5.1.7 , 5.1.8 , 5.1.9)
2007-08	Civil	4.2.1 , 4.2.2 , 4.2.3 , 4.5.2
2000-01	Revenue Receipts	6.03 (Transfer from Revenue Land Reforms deptt)
2005-06	Revenue Receipts	6.7 , 6.8 (6.8.1 , 6.8.2)

AGRICULTURE DEPARTMENT

5.1 Internal Control System in Agriculture Department

Highlights

Internal control is an integral component of an organisations' 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, applicable laws and regulations are complied with so as to achieve organisational objectives. A review of internal control of selected areas of Agriculture Department has shown that budgetary, expenditure and operational controls required strengthening. Some of the important findings are given below.

Budgetary controls were ineffective which resulted in savings, surrenders and unnecessary supplementary grants.

(Paragraph 5.1.5.1)

Poor financial management resulted in pending DC bills amounting to Rs 98.09 crore and unadjusted advances of Rs 24.92 crore as on 31 March 2007.

(Paragraph 5.1.5.6 & 5.1.5.7)

Sample tests of fertilizers, seed and soil were below the targets. No action was taken on substandard samples.

(Paragraph 5.1.6.6)

Despite expenditure of Rs 1.01 crore, the soil and water testing facilities could not be established. Expenditure incurred on development of market yards amounting to Rs 1.38 crore remained unfruitful.

(Paragraph 5.1.6.7 & 5.1.6.8)

Rupees 21.32 crore was spent on payment of salary to idle staff of 154 seed

production farms during 2002-07.

(Paragraph 5.1.7)

The coverage by internal audit was low as only 17 offices out of 334 were audited during 2002-07.

(Paragraph 5.1.8.2)

5.1.1 Introduction

Internal Control System is a process meant to ensure that the departmental operations are carried out according to the applicable laws and regulations and in an economical, efficient and effective manner so as to give a reasonable assurance that organisation's objectives are achieved.

As per Rules of Executive Business 1979, the Agriculture Department was responsible for agricultural education, extension and research, protection against pests, prevention of plant diseases; agriculture marketing and warehousing. Administrative control of Agro-Industrial Development Corporation, Seeds Corporation, Rajendra Agriculture University and Agriculture Marketing Board was also vested with the Department.

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The centrally sponsored schemes i.e. Macromode Management (2002) and Integrated Scheme of Oilseeds, Pulses, Oil Palm and Maize (ISOPOM) were implemented (2004) with a view to increase production of foodgrains, oilseeds and pulses in the State.

5.1.2 Organisational set up

Agriculture Production Commissioner (APC) was overall incharge of the Department and responsible for the planning and management of agriculture activities of the State. He was assisted by the Director of Agriculture, Additional Director, seven Joint Directors, 11 Deputy Directors, 36 District Agriculture Officers (DAOs), 20 Assistant Soil Scientists, Principal (Training Centre) and 50 Sub-divisional Agriculture Officers.

5.1.3 Audit objectives

The audit objectives were to assess whether:

- the budgetary and expenditure controls were adequate ;
- the operational controls were adequate to achieve the objectives of the Department in an economic, efficient and effective manner ;
- the monitoring was adequate and
- the effective internal audit arrangement was in place.

5.1.4 Audit coverage and methodology

Internal Control System in the Department for the period 2002-07 was reviewed between January 2007 and July 2007 by test check of the records of the Director, Agriculture Department and 10 District Agriculture Offices¹ fertilizer quality control laboratory, three seed testing laboratories² and four soil testing laboratories³, Rajendra Agriculture University and Bihar State Agriculture Marketing Board.

An entry conference was held with the Agriculture Production Commissioner (APC) to explain the audit objectives and methodology in July 2007. The findings as well as recommendations of audit were discussed with Senior Officials of the Department in a meeting held in October 2007.

1. Bhagalpur, Bhojpur, Chapra, Darbhanga, Gaya, Gopalganj, Madhubani, Munger Muzaffarpur and Patna.
2. Dholi, Darbhanga and Patna
3. Gaya, Chapra, Gopalganj and Muzaffarpur

Audit findings

5.1.5 Financial management

5.1.5.1 Compliance with instructions in the Budget Manual

Internationally the best practices in internal control have been given in the COSO⁴ framework, which is widely accepted model for internal controls. The Government of India has prescribed comprehensive instructions on maintenance of internal control in Government departments through Rule-64 of General Financial Rules 2005 enlisting the duties and responsibilities of the chief accounting authority i.e., the Secretary of a Ministry/ Department. However, no such framework has been made in the Bihar Financial Rules (October 2007).

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Bihar Budget Manual and standing instructions for the Drawing and Disbursing Officers (DDOs) provides that revised estimates for the current year and budget estimates for the next year should be sent to the Department by the first July which in turn sends it to the Finance Department by the first October every year.

The delay in receipt of the budget estimates from DAOs ranged from one to seven months and the delay in submission by the Agriculture Department to the Finance Department ranged from one to three months during 2002-07. This shows that the department did not observe the control prescribed for submission of budget estimates. The Budget provision and the expenditure incurred during period 2002-07 are shown in the following table:

<i>(Rupees in crore)</i>					
Year	Budget provision	Supplementary provision	Total	Expenditure	Saving (per cent)
2002-03	211.38	16.45	227.83	138.76	89.07(39)
2003-04	205.47	4.61	210.08	136.17	73.91(35)
2004-05	198.16	15.38	213.54	158.55	54.99(26)
2005-06	245.14	0.00	245.14	241.15 ⁵	3.99(2)
2006-07	195.66	92.87	288.53	247.95	40.58(14)
Total	1055.81	129.31	1185.12	922.58	262.54(22)

(Source: Detailed Appropriation Account)

Budget preparation exercise was marked by delays at the level of districts as well as Department

Surrender of funds on 31 March

It may be seen from the table that there were substantial savings in each year except during 2005-06. Despite provision of the budget manual to surrender the unspent balance latest by 25th March of the year, Rs 260.45 crore (22 per cent) was surrendered after the stipulated date on 31 March.

5.1.5.2 *Short utilisation of central funds*

Rupees 79.32 crore and Rs 11 crore were spent during 2002-07 and 2004-07 respectively against available funds of Rs 109.50 crore under Macromode and Rs 17.44 crore under ISOPOM. Unspent funds ranged between 33 and 35 *per cent* during 2002-06 under macromode and 22 and 66 *per cent* during 2004-07 under ISOPOM indicating the failure of the Department to utilize the funds sanctioned for centrally sponsored schemes.

4. *Committee of Sponsoring Organisation of the National Commission on Fraudulent Financial Reporting or the Tread way commission*
5. *Rs 100 crore received under Rashtriya Sam Vikas Yojana was not included in the budget provisio.*

5.1.5.3 *Non-reconciliation of expenditure*

Non-reconciliation of expenditure

Rule 475 of Bihar Financial Rules provided that departmental controlling officers should reconcile the departmental figures of expenditure with the books of the Accountant General. The Department had not reconciled the figure for any years during the aforesaid period. Persistent non-reconciliation of the expenditure was fraught with the risk of serious irregularities.

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5.1.5.4 *Deficiencies in maintenance of the cash book*

Rule 86 of the Bihar Treasury Code (BTC) provides that all monetary transactions should be entered in the cashbook as soon as they occur and head of the office should verify the cash balance in the cashbook at the end of each month. The following was noticed:

**Monthly verification of cashbook was not conducted
Difference of Rs 2.53 crore between the balances in bank and in the cashbook**

- Director withdrew Rs 2.06 crore under 2401-crop husbandry on 31 March 2007 but the transaction was not entered in the cashbook as of July 2007.
- A test check of records in the field offices disclosed that monthly physical verification was not conducted at the end of each month.
- In test-checked districts, there was a total difference of Rs 2.53 crore between the balances in the bank and in the cashbook. In absence of reconciliation, the possibility of serious irregularities such as fraud, misappropriation cannot be ruled out.
- In the District Agriculture Office, Munger, Rs 1.07 lakh interest earned in Munger Kshetriya Gramin Bank was not taken as receipt in the cashbook.

5.1.5.5 *Drawal of funds without immediate requirement*

Rule 300 of BTC stipulates that no money should be drawn from the treasury unless it is required for immediate payment. The unspent balance of the amount so drawn should be refunded before the end of the financial year.

Rupees 8.43 crore retained as closing balance

The DAOs of the test checked districts drew funds without immediate requirement and retained the accumulated undisbursed cash in hand/deposited in banks in the form of deposit-at-call receipts (DCR)/bank drafts etc. The balances ranged between Rs 1.34 crore and Rs 8.43 crore during 2002-07 as shown in the table below:

(Rupees in lakh)

Sl.No.	Name of DAOs	Closing Balance as on 31 March				
		2002-03	2003-04	2004-05	2005-06	2006-07
1.	Bhagalpur	23.67	15.65	38.10	48.70	103.11
2.	Bhojpur	3.78	1.46	0.96	27.66	56.95
3.	Chhapra	19.29	28.72	30.60	38.83	70.98
4.	Darbhanga	6.57	7.58	30.60	22.40	129.64
5.	Gaya	40.24	32.40	58.49	37.37	129.92
6.	Gopalganj	4.85	3.41	5.58	6.09	23.63
7.	Madhubani	6.34	13.73	36.08	49.07	94.59
8.	Munger	11.09	14.37	8.19	18.71	28.90
9.	Muzaffarpur	7.84	15.59	16.52	45.57	85.14
10.	Patna	10.26	20.06	36.35	21.78	120.35
Total		133.93	152.97	261.47	316.18	843.21

The heavy closing balances at the end of the financial year indicate lack of financial control. The funds were drawn in violation of the codal provision to avoid lapse of the budget grant. Further, as the funds were parked in banks, they were not part of cash balance of the Government.

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5.1.5.6 Drawal of funds through abstract contingent bills

Pending submission of DC Bills amounting to Rs 98.09 crore

Rule 322(2) of BTC stipulates that the detailed contingent (DC) bills against abstract contingent (AC) bills drawn should be submitted to the Accountant General by 25th of the following month (revised to six months from November 2006) failing which no subsequent drawal on AC bill was permitted.

DC bills for Rs 98.09 crore in the office of the Director (Rs 87.09 crore⁶) and in test checked districts (Rs 11 crore⁷) during 2002-07 were pending for submission to the Accountant General. Out of Rs 11 crore, Rs 2.76 crore were unadjusted advances against different agencies (Zila Parishads, Block Agriculture Officers, Building Divisions etc.), Rs 3.84 crore kept in banks, Rs 0.52 crore kept in Civil Deposit and Rs 3.88 crore in the shape of unadmitted vouchers. Thus Department failed to monitor the adjustment of the AC bills since last five years. The details of DC bills in the Directorate amounting to Rs 87.09 crore though called for were not furnished.

5.1.5.7 Unadjusted advances

Paragraph 232 of Manual of Agriculture Department stipulates that advance shall not be drawn unless it is needed for immediate disbursement and a second advance shall not be granted until the first advance has been accounted for. An advance shall be regularly and promptly adjusted and any unspent balance of an advance shall be immediately refunded.

Unadjusted advances amounting to Rs

The details of unadjusted advances as on 31 March 2007 were shown in the table below:

Sl. No.	Name of districts	No. of cases	Amount of advance outstanding upto					Total
			2002-03	2003-04	2004-05	2005-06	2006-07	
1.	Director of Agriculture Patna	34	356.52	490.63	543.66	125.92	892.61	2409.34
2.	Bhagalpur	28	0.31	0	0	0.79	5.18	6.28
3.	Bhojpur	2	0	0	1.48	0	0	1.48
4.	Chhapra	146 since 16.06.1987	6.42	0.25	3.10	2.72	4.36	16.85
5.	Darbhanga	25 since 31.01.1983	1.57	0	0	0.54	0	2.11
6.	Gaya	24 prior to 20.10.1997	1.80	0.86	0.40	5.63	0.95	9.64
7.	Gopalganj	1 since 1982-83	0.15	0	0	0	0	0.15
8.	Madhubani	37 since 3.11.1987	0.38	0	0.72	2.02	1.84	4.96
9.	Munger	1	0	0	0	0	0.20	0.20
10.	Muzaffarpur	108 since 03.11.1987	0.52	7.34	0	18.32	1.35	27.53
11.	Patna	61 since 06.06.1988	0.02	0.15	0.19	0.08	13.09	13.53
	Total	467 Cases	367.69	499.23	549.55	156.02	919.58	2492.07

6. (1) Major Head: 2401-Crop Husbandary: 2003-04-Rs 10.17 crore, 2004-05-Rs 15.54 crore, 2005-06-Rs 5.04 crore and 2006-07-Rs 51.34 crore. (2) Major Head: 2415-Agriculture Research and Education: 2004-05-Rs 0.16 lakh, 2005-06-Rs 0.79 lakh and 2006-07- Rs 4.99 crore.

7. 2002-03: Rs 97 lakh, 2003-04: Rs 1.44 crore, 2004-05: Rs 3.34 crore, 2005-06: Rs 54 lakh and 2006-07: Rs 4.71 crore.

Payment of temporary advance without adjustment of previous advances

The advances remain outstanding for over a long period showed that controls were not working. In three test-checked districts Rs 22.50 lakh⁸ was paid for the same purpose without adjustment of previous advances.

5.1.5.8 Non-monitoring of funds advanced to other Departments

Clause 233 of the Manual of Agriculture Department provides that different accounts in the Advance Ledger shall be balanced quarterly and signed by the Officer concerned. The Officer signing the accounts shall satisfy himself that steps are being taken to recover or adjust the advances which have been outstanding for over three months. Test check disclosed that above provisions were not followed by the Department which led to outstanding advances for long period and consequent loss of interest as discussed below:

- A sum of Rs 3.53 crore was paid to the Bihar State Co-operative Milk Producers Federation Limited (COMFED) in March 2005 for establishment of the Fruit and Vegetable Federation. The COMFED did not take any action for setting up of Federation and returned the entire amount (July 2007) after a lapse of 27 months. This resulted in loss of interest of Rs 83 lakh to the Government due to lack of proper monitoring by the Department for setting up of federations.
- In eight test-checked districts, Rs 2.41 crore⁹ was advanced to Zila Parishads (ZPs) for execution of the schemes during 2003-05. Of these, Rs 1.30 crore¹⁰ were returned after delay ranging from two to 40 months without execution of schemes and Rs 1.11 crore was retained by ZPs. This resulted in loss of interest amounting to Rs 49.42 lakh and also adversely affected the implementation of Macromode and ISOPOM schemes.

8. Chapra (Rs 7.25 lakh), Patna (Rs 7.87 lakh) and Gaya (Rs 7.38 lakh)

9. Bhagalpur (Rs 36.84 lakh), Bhojpur (Rs 9.26 lakh), Chhapra (Rs 49.86 lakh), Darbhanga (Rs 18.45 lakh), Gaya (Rs 14.25 lakh), Madhubani (Rs 44.52 lakh), Munger (Rs 13.63 lakh), Muzaffarpur (Rs

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54.66 lakh)

10. Bhagalpur (Rs 25.89 lakh), Chhapra (Rs 38.17 lakh), Munger (Rs 11.40 lakh), Muzaffarpur (Rs 54.66 lakh)

5.1.6 Operational controls

5.1.6.1 Departmental manual

No updating of Manual (1956) of Agriculture Department

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Every organisation should have a comprehensive manual prescribing the procedure of work, responsibility, structure and control mechanism. Documentation of procedure for various functions of the Department and its updation are essential. Further, Guard files containing correction slips and important departmental instructions issued by the Government from time to time are also to be maintained for effective control to achieve the objectives. The Agriculture Department has a manual compiled in 1956. Since then no updation was made despite expansion in the activities of the department.

5.1.6.2 Diversion of funds

BRBN unauthorisedly spent Rs 1.54 crore on payment of TA, telephone bills, electric bill etc.

An amount of Rs 7.35 crore was advanced (January 2007) to the Bihar Small Farmers Agriculture Trading Union for implementation of certified seed programme. Of this, Rs 7.02 crore was released to Bihar Rajya Beej Nigam (BRBN) for production of certified seeds. However, BRBN unauthorisedly diverted and spent Rs 1.54 crore on payment of traveling allowances, telephone bills and electric dues etc. Action taken by the Department for unauthorized diversion of fund by BRBN was not on record.

5.1.6.3 Seeds replacement

Seeds replacement rate for crops was below the norms

As stipulated in Bihar Seed Plan, the required Seed Replacement Rate was 25 per cent for self-pollinated crops and 33 per cent for cross pollinated crops. However, replacement rate ranged from seven to 12 per cent in Kharif crops except maize and five to 11 per cent in Rabi crops except maize and rai during 2004-07.

Thus, seeds replacement rate for food grains and pulses was far below the norms. However, Department has prepared a new seed plan (May 2007) to increase the seed replacement rate.

5.1.6.4 No increase in the cropped area

The total cropped area¹¹ remained almost same during 2002-07 at 79.46 lakh hectares. Total production of food grains declined from 110.85 lakh tonne in 2002-03 to 81.12 lakh tonne in 2005-06. The decline in food production together with stagnant total cropped area indicates failure of the Department to achieve its objective of enhancing agricultural production.

5.1.6.5 Subsidy claim submitted without physical verification

Fertilizer supplied to the farmers was not verified at the

Fertilizer supplied to the farmers was not verified physically at the first point i.e. at buffer godown, as instructed (July 2003) by the Government. The quantity was verified from entry in stock registers after a period ranging from three to 40 months. The reports

first point

regarding the certification of the physical verification in Form-A¹² was submitted to Government after delay ranging from six to 35 months during 2002 -06 and the forms for the year 2006-07 were still being submitted. Similarly report in the Form B¹³ was submitted to State / Central Government after delay ranging from two to 35 months during 2002-06. The details were as under:

Year	Total fertilizer supplied (MT)	Delay in verification from entry in the stock register (month)	Delay in submission of Form 'A' to the Government (month)	Delay in dispatch of Form 'B' after certification (month)
2002-03	44844.82	10-40	17-35	14-35
2003-04	23272.90	6-28	6-24	2-23
2004-05	73197.10	4-22	9-21	4-22
2005-06	102362.72	3-15	8-15	4-15

Thus, report for subsidy claims were forwarded to the Government of India without physical verification.

5.1.6.6 Quality testing of fertilizers, seeds and soil

An analysis of the samples in respect of the performance of one Fertilizers Quality Testing Laboratory, Patna, seven seed testing laboratories and four soil-testing laboratories during 2002-07 disclosed the following:

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- 5950 samples were analysed during 2002-05 against the total of 7397 samples of fertilizers. Of these, 162 samples were found substandard. No action was taken on the samples found substandard.
- Testing of seed sample was only 54715 (30 per cent) against the target of 179400 samples. No action was taken against the 2192 samples found substandard in testing.
- Only 40670 (21 per cent) soil samples were tested in four laboratories against the target of 194500 samples.

Thus, Department failed to provide scientific information to farmers in respect of seeds, fertilizers and soil.

5.1.6.7 Setting up of soil and water testing laboratories

Non-establishment of soil and water testing laboratories despite expenditure of Rs 1.01 crore

The Indian Council of Agriculture Research (ICAR) provided Rs 1.06 crore during 2004-05 to Rajendra Agriculture University (RAU), Pusa, Samastipur for establishing soil and water testing laboratories in its nine Krishi Vigyan Kendras (KVKs)¹⁴. A test-check (May 2007) of records of RAU disclosed that university spent Rs 67 lakh on purchase of equipment, chemical, glass wares during December 2004 to March 2005 and released Rs 6.30 lakh to KVKs for soil and plant survey, processing of storage facility and for purchase of petty items. Further, an amount of Rs 27.63 lakh was released (February-March 2005) to its engineering division for setting up of laboratories.

The university authorities, however, did not monitor utilisation of Rs 33.93 lakh during 2005-07. At the instance of audit (May 2007), the university authorities directed (May

2007) the KVKs to intimate the status of aforesaid works. All the laboratories were non-functional due to non-availability of laboratory building (5), technical expert and electric supply (3) and specialist of soil science (1).

Thus despite expenditure of Rs 1.01 crore, soil and water testing laboratories in KVKs could not be made functional and university failed to extend soil-testing facility to farmers.

5.1.6.8 Development of Marketing Yards

Expenditure incurred on development of market yards amounting to Rs 1.38 crore remained unfruitful

The Agriculture Commissioner released (March 2004), central share of Rs 2.38 crore (out of available central funds of Rs 2.65 crore) to Bihar State Agriculture Marketing Board (BSAMB) for development of market yards under Macromode Management Scheme for the year 2003-04. The BSAMB undertook the work to provide drainage facilities in Agriculture Marketing Yards at Musallahpur (Patna), Muzaffarpur and Gulab bagh (Purnea) at an estimated cost of Rs 2.36 crore and released Rs 1.58 crore to works divisions¹⁵ for execution of work in 2005-07.

The divisions could spend only Rs 1.38 crore against the work as on October 2006. In the meantime, the Government of Bihar decided (September 2006) to dissolve the BSAMB and consequently, all ongoing schemes were left incomplete since September 2006. No action so far (September 2007) has been taken to complete the ongoing schemes.

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Thus, expenditure of Rs 1.38 crore incurred on the incomplete schemes was remained unfruitful.

5.1.7 Manpower management

Rupees 21.32 crore spent on payment of salaries to idle staff of seed production farms during 2002-07

The manpower of an organisation should be so utilised that optimum output is achieved from the available manpower for attaining the objectives of the Department. The Director did not furnish the number of sanctioned strength and men-in-position of the Department. In test-checked districts, there were vacancies ranging from 39 to 48 per cent in all cadres as on March 2007. Further, 407 staff of 154 seed production farms remained idle during 2002-07 as no seed production was carried out during aforesaid period though Rs 21.32 crore¹⁶ was spent on payment of salary to these staff during 2002-07. No service book was updated at Secretariat level and services of the employees were not verified. Leave accounts were also not being maintained.

This shows that the manpower management in the Department was inadequate, which adversely affected the programme implementation as well as activities of the Department.

15. Muzaffarpur, Patna and Purnea.

16. 2002-03: Rs 4.21 crore, 2003-04: Rs 3.96 crore, 2004-05: Rs 3.64 crore, 2005-06: Rs 3.94 crore and 2006-07: Rs 5.57 crore.

5.1.8 Monitoring including Internal Audit

5.1.8.1 *Monitoring*

Monitoring is an important control tool, which should be exercised effectively by the Department. Though monthly meetings were being organised, it did not translate into higher production and productivity. Quality of fertilisers and seeds being distributed was also not being monitored.

5.1.8.2 *Internal Audit*

Very low coverage of internal audit

Internal audit was to examine and evaluate the level of compliance to the Departmental rules, regulations and procedures so as to provide assurance to the management on the adequacy of the risk management and internal control framework of the Department.

There was no internal audit wing functioning under the control of Agriculture Department. However, internal audit wing was established (1953) under the administrative control of Finance Department. During the period of 2002-07, the internal audit wing could audit 17 offices of the Agriculture Department out of 334, which indicates that coverage of units was very low.

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5.1.8.3 *Lack of response to statutory audit*

Inadequate follow up action led to accumulation of unsettled audit objections

As of June 2007, 347 paragraphs pertaining to 68 Inspection Reports (IRs) worth Rs 32.33 crore were pending for settlement. Of these, thirty one paragraphs pertaining to 28 IRs were of serious irregularities like suspected defalcation (Rs 6.21 lakh)¹⁷, losses (Rs 3.41 lakh)¹⁸, recoverable amount (Rs 2.77 lakh)¹⁹ and unfruitful expenditure (Rs 6.45 crore)²⁰.

This showed lack of response and absence of suitable mechanism to closely monitor timely action on audit objections.

5.1.9 *Conclusion*

The Internal Control system in the Agriculture Department was found to be deficient. Budgetary and expenditure controls were weak as evidenced by persistent savings against budget provisions, unreconciled differences between bank balance statement and cashbook balances, pending DC bills and unadjusted advances. The department did not update its manual for last 50 years. Ineffective operational control resulted in stagnant gross cropped area along with decline in agricultural production during 2002-07 as well as non-establishing the soil and water testing laboratories. Inefficient manpower management was reflected in payment of salary to idle staff. Internal audit coverage was inadequate and there was lack of response to statutory audit conducted by the Principal Accountant General (Audit), Bihar.

17. 2003-04: Rs 1.11 lakh and 2006-07: Rs 5.10 lakh

18. 2003-04: Rs 3.41 lakh

19. 2003-04: Rs 2.62 lakh and 2004-05: Rs 0.15 lakh

20. 2002-03: Rs 32.87 lakh, 2003-04: Rs 5.17 crore, 2004-05: Rs 0.94 crore and 2005-06: Rs 1.08 lakh

Recommendations

- To strengthen internal control system, a provision may be made in the Bihar Financial Rules on the lines prescribed under Rule-64 of the General Financial Rules, 2005 of the Government of India.
- Budget control system should be made effective so as to ensure realistic assessment of requirement and timely utilisation of funds.
- Control checks prescribed for the cashbook and bank reconciliation should be ensured to guard against possible fraud and defalcation.
- Internal audit should be strengthened.

The matter was reported to Government (September 2007); their reply had not been received (October 2007).

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4.2.1 *Unauthorised Payment of Salary*

Unauthorised payment of enhanced salary amounting to Rs 2.65 crore to teachers/scientists of Rajendra Agricultural University, Pusa, Samastipur due to irregular merger of 50 per cent of Cost of Living Allowance in the basic pay.

The Finance Department, Government of Bihar decided vide Resolution No. 1773 dated 02-08-2005 to merge 50 per cent of Dearness Allowance (DA) in the basic pay of the State Government employees with effect from January 2005. The merged DA was to be shown separately as Dearness Pay (DP) with the basic pay and after adding-up of basic pay and dearness pay, the D.A., House Rent Allowance, City Compensatory Allowance etc was to be paid at admissible rates.

Scrutiny (February 2008) of records of Rajendra Agriculture University (RAU) disclosed that on the basis of the aforesaid order, the RAU, an autonomous body, notified (April 2005) merger of 50 per cent of Cost of Living Allowance (CLA)¹⁴ in the basic pay of its employees (teachers/scientists/non-teaching staff) without prior sanction of the State Government required under section 25 (ii) of the Bihar Agricultural University Act, 1987. The State Government has not yet sanctioned the merger of DA for the employees of this University or any other University of the State.

Scrutiny of the pay fixation of 376 teachers/ scientists revealed that an excess payment on this account amounting to Rs 2.65 crore had been made for the period January 2005 to December 2007 which needs either regularization from Finance Department or the same is to be recovered from scientists/teachers to whom this amount was paid.

The matter was reported to Government (July 2008); their reply had not been received (November 2008). However, University replied (August 2008) that correspondence is being made from the State Government in this regard.

The reply was not acceptable as sanction of the Government was to be obtained before making such payment.

4.2.2 Unauthorised Expenditure

Irregular utilisation of Rs 52.10 lakh grant from Indian Council of Agricultural Research by the Rajendra Agriculture University, Pusa, Samastipur.

The Indian Council of Agricultural Research (ICAR) allocated (November 2003 and March 2004) a grant of Rs 2.27 crore¹⁵ for the year 2003-04 to Rajendra Agriculture University (RAU), Pusa, Samastipur under the scheme for Development and Strengthening of Agricultural Education in State Agricultural Universities. An amount of Rs 1.49 crore¹⁶ was released between January and March 2004.

The objective of the scheme was to uplift the existing facilities for teaching and practical classes and complete the ongoing civil works. Out of Rs 2.27 crore, Rs 28.25 lakh was to be spent on renovation of hostels and academic buildings, Rs 3.00 lakh for library books for central library and college libraries, Rs 193.75 lakh under recurring expenditure (preparation of text books, practical manuals, Under Graduate and Post Graduate practical contingencies, Computer Lab, Seminars, training, work shops etc.) and Rs 2.00 lakh for National Talent Scholarship. Purchase of any equipment and execution of any civil works from this grant was prohibited.

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14. *Dearness Allowance (D.A) is known as Cost of Living Allowance (C.L.A.) in RAU.*
15. *Works: Rs 28.25 lakh, Library: Rs 3.00 lakh and Recurring Expenditure: Rs 1.96 crore.*
16. *Rs 2.27 crore- Rs 0.78 crore (unspent amount of previous year)= Rs 1.49 crore.*

Scrutiny (March 2008) of records of RAU disclosed that university and its four units spent Rs 52.10 lakh on purchase of vehicles (Rs 28.04 lakh), computers (Rs 24.06 lakh) for administrative block of the university.

Thus, contrary to the instructions of ICAR, the RAU unauthorisedly spent Rs 52.10 lakh of grant on purchase of new equipments and on new construction work for which, neither responsibility for lapses was fixed nor expenditure was got regularized from the ICAR.

The University replied (August 2008) that expenditure Rs 28.30 lakh was incurred on organising students education tour and study, faculty amenities, strengthening and development of education by Dean. But, the expenditure vouchers did not justify expenditure on above items because the University purchased three Ambassador Cars, three Boleros and one ambulance all for official use.

The matter was reported to the Government (July 2008 and December 2008); their reply has not been received (December 2008).

4.2.3 Excess payment due to irregular fixation of pay

Excess Payment of Rs 1.21 crore due to irregular fixation of pay to teachers/scientists of Rajendra Agriculture University (RAU), Pusa, Samastipur.

The Department of Agriculture, Government of Bihar implemented (October 2002) the career package (including revised pay scale) approved by the Indian Council of Agricultural Research (ICAR) for teachers/ scientists of Rajendra Agriculture University (RAU) with effect from 01.01.1996. Accordingly, pay of teachers/ scientists of the University were fixed in the year 2002-03.

Out of 381 cases made available to audit, scrutiny (February, 2008) of 134 cases disclosed that basic pay on 01.01.1996 was fixed at higher stage as follows:

- Interim relief (IR) at the rate of Rs 100/- plus 10 *per cent* of the basic pay in the pre-revised emoluments as on 01.01.1996 was added though, it was not admissible to teachers/scientists of RAU in pre-revised UGC pay scale.
- Two incentive increments were added for Ph. D. degree in the pre-revised emoluments as on 01.01.1996 to such teachers/scientists who had obtained Ph. D. degree prior to 01.01.1996. The provisions of the approved package of ICAR were effective from 01.01.1996. So, two incentive increments were admissible only to such teachers/scientists who obtained their Ph.D. degree on 01.01.1996 and thereafter as provided under clause 4 (ii) (d) of the package.
- In case of bunching of pay (allowing one increment in new scale of pay for every three increments in pre-revised scale and fixation of basic pay at the stage of Rs 14940 to Sr. Scientist-cum-Associate Professor after attaining five years of service as on 01.01.1996 and thereafter in the pre-revised scale of Rs 3700-5700), the Date of Next Increment (DNI) should have been reckoned after completion of one year of service from the date of bunching. But, DNI was allowed on the basis of previous DNI which was irregular.

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Due to these discrepancies in fixation of admissible basic pay as on 01.01.1996, the basic pay of 134 teachers/scientists were fixed at a higher stage which resulted in excess payment of salary amounting to Rs 1.21 crore from January 1996 to December 2007 which was contrary to section 25 (ii) of the Bihar Agricultural University Act, 1987 under which any increase in the pay and allowances of the staff without prior sanction of the State Government was prohibited. No responsibility for this lapse was fixed on the erring officials.

On being pointed out by audit (February 2008), the University replied (August 2008) that committee has been formed to check the pay fixation of teachers/scientists of RAU.

The matter was referred to Government (July 2008); their reply had not been received (November 2008).

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4.5.2 Non placing of Separate Audit Reports

The Separate Audit Reports of Rajendra Agricultural University, Samastipur, Bihar was not laid down before the state Legislature since 1971-72.

Under section 34 (2) and (3) of the Bihar Agricultural University Act, 1987, the audit of Annual Accounts of Rajendra Agricultural University (RAU), Pusa, Samastipur is done by Principal Accountant General (Audit), Bihar and Audit Report (called Separate Audit Report) is issued to the RAU with a copy to the State Government (Department of Agriculture). After receipt of the Audit Report, the Board of Management of RAU has to submit copy of Annual Accounts and the Audit Report to the State Government along with statement of action taken by RAU on the report and the State Government has to lay the same before the House of Legislature.

Though, the final Audit Reports up to the year 2002-03 was issued to the RAU and the RAU had sent these reports along with its replies to the State Government for placement

before the state Legislature, it had no knowledge (January 2008) about laying of Audit Reports before the Legislature. The Government replied (September 2008) that the Audit Reports for the years 1995-96 to 1997-98 along with the compliance of the University were sent to the State Legislature for placement and action was being taken for making available the information regarding placement of reports for the years 1971-72 to 1994-95 and 1998-99. Further, the Audit Reports for the years 2001-02 and 2002-03 were not sent by the Government to the State Legislature and no information was given by the Government in respect of Audit Reports for the years 1999-2000 to 2000-01.

Due to lapses of the State Government in regards to laying of the Audit Reports before State Legislature, several persistent and major irregularities persisted as, necessary orders for their removal remained to be passed by the Legislature.

The matter was reported to the Government (July 2008); their reply had not been received (December 2008).

6.03 Non/Short recovery of proportionate income from agricultural market committees

Consequent upon the abolition of intermediary rights in lands under the Bihar Land Reforms Act, 1950, the rights of intermediaries on market places established by them were abolished and the revenue realisable from such markets became the revenue of the Government. Government issued instructions (April 1974) to all Revenue Officers to hand over the management of the market places under their control to the market committees established under the Bihar Agricultural Produce Markets (BAPM) Act, 1960 with the stipulation that 20 per cent of the income of such committees derived from the market places, should be credited to Government account.

On a test check of records and statements furnished to audit (between January and May 2001) in the office of the Managing Director, Bihar State Agricultural Marketing Board, Patna for the years 1995-96 to 1999-2000, it was revealed that the management of market places was handed over by the Revenue and Land Reforms Department between 1974-75 and 1996-97 to 25 Market Committees in 14 districts established under the BAPM Act, 1960, but against a sum of Rs. 68.28 lakh (20 per cent of the income) payable by the Market Committees for the period from 1995-96 to 1999-2000 a sum of Rs. 57.13 lakh only was credited to Government account leaving a balance of Rs. 11.15 lakh. The department had not taken any action to realise the balance amount.

The matter was pointed out to the department (June 2001); their reply has not been received (March 2003).

The cases were reported to the Government (June 2001); their reply has not been received (March 2003).

6.7 Non realisation of revenue due to non reverification of weights and measures

Under the provisions of Standards of Weights and Measures (Enforcement) Act, 1985 read with Bihar Standards of Weights and Measures (Enforcement) Rules (BSWM Rules), 1988 made thereunder, every person in possession, custody or control of any weight or measure which he intends to use in any transaction or for industrial production, shall present such weight or measure for verification by an inspector and get it stamped at least once in a year on payment of prescribed fee. Contravention of the Act attracts punishment with fine which may extend to Rs 500. Further, under Rule 17 (3) of the BSWM Rules, if such weights and measures are presented for reverification after expiry of validity of stamping, an additional fee at half the rates specified in Rules shall be payable for every quarter for the period of delay. The inspectors are required to inspect/test weight or measures randomly at any time within their jurisdiction and also to direct any person having possession of weights or measures to produce the same before them for verification in order to detect any violation of the Act.

Scrutiny of register of users⁹ in the offices of nine inspectors¹⁰ of weights and measures, for the period 2002-03 to 2004-05 revealed that though 2,373 users failed to produce their weights and measures for reverification, no action was initiated by inspectors either to inspect the apparatus at the place of installation or direct the users to produce the same for inspection. This not only resulted in irregular use of apparatus without authorisation, but also led to non realisation of fee and additional fee of Rs 13 lakh (calculated for the period 2002-03 to 2004-05). In addition, fine of Rs 500 in each case was also leviable.

After this was pointed out, the inspectors¹¹ stated between March and May 2006 that reply would be furnished after verification of records. Further reply is awaited (October 2006).

The case was reported to Government in July 2006; reply has not been received (October 2006).

6.8 Revenue not credited to Government account

According to BFR read with Rule 7 of Bihar Treasury Code Vol-I, it is the primary responsibility of departmental authority to see that all revenue receipts due to Government are correctly and properly assessed, realised and credited to Government account without undue delay. BSWM Rules and instructions issued by the Controller, Weights and Measures, Bihar in June 2002, provides that all payments received by the inspectors during a week are required to be deposited in treasury on each Wednesday or any day of the following week.

6.8.1 Cross verification of the details shown in cash book, copy of money receipts and challans for the period from 17 July 2003 to March 2005 as produced to audit by four sub divisions¹² with treasury records revealed that Rs 2.69 lakh collected by inspectors of weights and measures was either not accounted for in the cash book or accounted for in the cash book but not deposited in treasury as per details given below:

(Amount in rupees)

Name of Sub divisions	Period	Amount collected	Amount deposited in treasury	Balance

Bagaha	2003-04 (17.7.2003 to 31.3.2004)	1,41,929	1,36,608	5,321
	2004-05	1,38,784	1,06,468	32,316
Bettiah	2004-05	1,16,796	57,648	59,148
Narkatiaganj	2003-04 (13.8.2003 to 31.3.2004)	3,05,469	1,99,153	1,06,316
	2004-05	62,531	15,484	47,047
Bettiah Sadar	29.3.2005	18,859	NIL	18,859
Total		7,84,368	5,15,361	2,69,007

9. *Register of users of weights and measures to be maintained in form prescribed under Rule 10 of BSWM Rules*
10. *Bagaha, Begusarai Sadar, Begusarai Additional, Bettiah , Danapur Sadar, Gaya Sadar, Jehanabad, Narkatiaganj and Sherghati.*
11. *Bagaha, Begusarai Additional, Begusarai Sadar, Bettiah, Danapur Sadar, Gaya Sadar, Jehanabad, Narkatiaganj and Sherghati.*
11. *Bagaha, Bettiah, Narkatiaganj and Bettiah Sadar.*

After this was pointed out, the inspector Bettiah Sadar deposited (May 2006) a sum of Rs 18,859 into Government account which was collected in March 2005. Reason for non deposit of the amount was attributed by the inspector to abnormal rush of traders in the last week of March 2005 and ongoing camps being held for collection of revenue during that period. In remaining cases, the inspectors concerned stated (May 2006) that the reply would be furnished after examination of records. Further reply is awaited (October 2006).

6.8.2 Further test check of records of the office of the inspector, incharge Bettiah, Bagaha and Narkatiaganj sub divisions in May 2006 relating to the years 2002-03 to 2004-05, revealed that neither the cash book nor the counterfoil of money receipts issued were properly maintained. Details of cash book and corresponding money receipts for different periods falling between September 2003 and December 2004 which were not produced to audit are given in *Annexure-I*.

In absence of counterfoils of money receipts and cash book, revenue actually collected and remitted into treasury could not be ascertained for the years 2003-04 and 2004-05 (up to December 2004).

After this was pointed out, the inspector stated (May 2006) that his predecessor did not hand over records on his transfer. An inventory of the available records was prepared in the presence of a magistrate on the order of District Magistrate. The cash book and receipt books were not available in the office at the time of preparation of inventory, as such, required documents could not be produced to audit. Thus, it is evident that revenue involved in receipt books which were not handed over by predecessor during September 2003 and December 2004 had been misappropriated.

These cases were reported to Government in July 2006; reply has not been received (October 2006).