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# **CHAPTER – 1**

## **INTRODUCTION**

### ***1.1 BACKGROUND***

All thirty-two Nagar Parishads (erstwhile Municipalities) and eighty-five (85) Nagar Panchayats (erstwhile Notified Area Committees) were constituted under the section 4 of the Bihar Municipal Act, 1922 (B.MAct). Five Municipal Corporations (MC) were constituted under section 5 of the Patna Municipal Corporation Act, 1951 (PMC Act). Nagar Parishads (32) and Nagar Panchayats (85) were classified on the basis of the population as ascertained in the preceding census. Municipal Corporations, Nagar Parishads and Nagar Panchayats were divided into a number of wards determined on the basis of total population and notified by the State Government having regard to the population and definite geographical boundary separated by means of natural or artificial objects.

### ***1.2 ORGANISATIONAL SETUP***

The Municipal Corporation/ Nagar Parishad / Nagar Panchayat is an institution of Self-Government which is a body corporate by the name of the Municipal Corporation/ Commissioners with perpetual succession having a Board of Councilors/Commissioners elected from each ward and ex-officio members of the House of People/Council of State and members of the State Legislative Assembly/Council registered as electors within the Corporation/Municipal area.

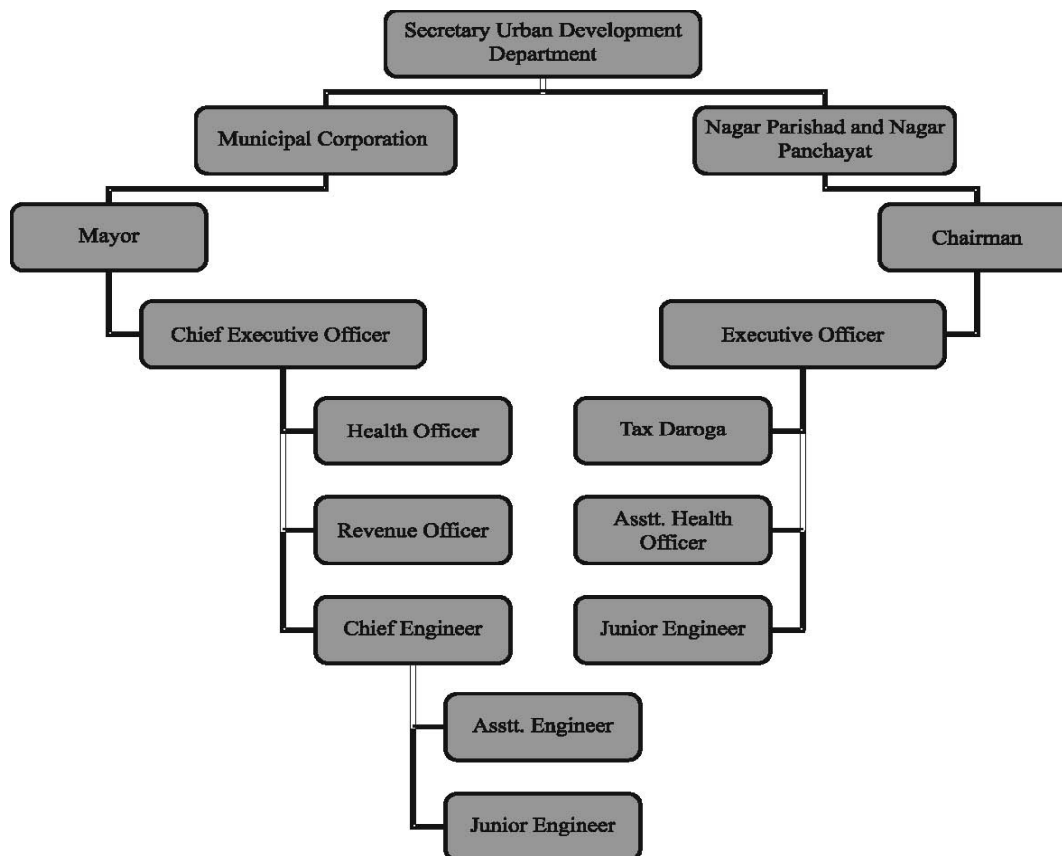
The Mayor/Chairman elected by the majority of Councilors/Commissioners is the executive head of the Urban Local Body and presides over the meetings of the Corporation/Municipal Board and is responsible for governance of the body. To assist the Nagar Parishads/Panchayats and Standing Committees and Ward Committees in the case of the Corporation for specified matters there are various committees.

The Chief Executive Officer/Executive Officer appointed by the State Government is a whole time principal executive officer of the Corporation and Nagar Parishads/Panchayat respectively for administrative control of the U.L.B. Other officers are also appointed to discharge specific functions.

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## Organograph

The following organograph will show the organizational set up-



### 1.3 FINANCIAL OVERVIEW/PROFILE

The Urban Local Bodies are financed by receipts from their own resources, loans and grants/assistance received from Government or such other institutions.

Under the provisions of the Acts in force, all collections such as tax on holding, water tax, latrine tax, tax on the vehicles, tax on the trades, professions, calling and employments, fee on the registration of vehicles kept or used or plying for hire, professional tax etc are source of tax revenue and building plan sanction fees, mutation of property fees, rent on shops and buildings, tolls and other fees and charges etc, constitute the main source of non-tax revenue receipts. The State Government releases grants-in-aid and loans to the Urban Local Bodies to compensate their establishment expenses. Grant and assistance are received from the State Government and the Central Government for implementation of specific schemes and projects.

Table I below provides abstract of grant released on recommendation of Xth, XIth, & XIIth Finance Commission (F.C.) and other central funds during 2002-05 to 27 ULBs.( Yearwise and unitwise details in Appendix-I)

**Table-1: Details of release of Xth, XIth, & XIIth (F.C.) and other central funds.**

Nature of release	Year of release	Amount released (Rs. in crore)
Xth	2002-05	Nil
XIth	2002-03	9.92
	2003-04	11.73
	2004-05	4.19
	<b>Total</b>	<b>25.84</b>
Other central funds	2002-03	1.83
	2003-04	3.61
	2004-05	3.95
	<b>Total</b>	<b>9.39</b>

#### **1.4 AUDIT ARRANGEMENT**

The accounts of Urban Local Bodies are subject to audit under the Bihar and Orissa Local Fund Audit Act, 1925. Accordingly, the State Government in exercise of the power conferred under section 4 of the Act appointed the Examiner of Local Accounts, Bihar as the Auditor for the audit of the Urban Local Bodies. The Act further envisages that the Auditor shall prepare the report on the accounts examined and audited and shall send report to the local authorities concerned.

#### **1.5 SCOPE OF AUDIT**

Scope of audit was restricted to test check of records of 27<sup>1</sup> Urban Local bodies covering financial year 2000-2005.

#### **1.6 RESPONSE TO AUDIT OBSERVATIONS**

The Mayor/Chairman of Urban Local Bodies are required to comply with the observations contained in the Audit Reports (ARs) and rectify the defects and omissions and send their compliance report through proper channel to the Examiner of Local Accounts, Bihar within three month from the date of issue of Audit Reports.

The details of ARs and the paragraphs outstanding as of March 2006 are given in table 2 below.

**Table 2: Details of audit reports and outstanding paragraphs as on March 2006.**

Year of issue	No. of Audit Reports	No. of outstanding paragraphs	Money Value (Rs. in crore)
Upto2000	835	14793	104.08
2000-01	48	1657	27.55
2001-02	41	1291	23.52
2002-03	22	929	25.59
2003-04	26	1091	45.94
2004-05	14	437	8.78
<b>Total</b>	<b>986</b>	<b>20198</b>	<b>235.46</b>

<sup>1</sup> Patna Municipal Corporation, Nagar Parishad at Ara, Begusarai, Chapra, Danapur, Kishanganj, Purnea, Saharsa and Siwan, Nagar Panchayat at Amarpur, Areraj, Bakhtiyarpur, Chakia, Dalsingsarai, Dakha, Janakpur Road, Kanti, Kateya, Makhdumpur, Marhaura, Motipur, Navinagar, Nokha, Rajgir, Sheohar, Sonapur and Narkatiyaganj.

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A review of the ARs, which were pending due to non-receipt of replies, revealed that the Heads of the local authorities, whose records and accounts were test audited by the Examiner of the Local Accounts, Bihar, did not send any compliance to audit paragraphs appeared in large number of ARs.

The Secretary to the Government of Bihar, Urban Development Department who were informed from time to time, also failed to ensure that the concerned officers of the U.L.Bs took prompt and timely action.

To ensure settlement of outstanding objections, the Examiner of Local Accounts, Bihar, formed the Departmental Settlement Committee which visited 22 units and on the basis of compliance submitted by ULBs and recommendation of settlement committee 2174 paras were settled.

Important audit findings are discussed in succeeding chapters of the report.