

CHAPTER - II

BUDGET AND FINANCIAL MANAGEMENT

2.1 Status of Budget Preparation

Under section 71 of B&OMA, 1922 the Commissioners at a meeting held at least two months before close of the year, shall prepare detailed budget estimates showing probable receipt and expenditure for ensuing year. The Municipal Board is authorised to prepare and pass the budget.

Out of 43 ULBs test checked, 10 ULBs did not prepare budget estimates at all for varying periods. Without preparation of budget estimates, 10 ULBs incurred expenditure of Rs. 26.02 crore (Table-2).

Table -2
ULBs Where Budget Was Not Prepared

(Rs. in lakh)

Sl. No.	Name of ULB	Period for which budget estimates not prepared	Expenditure incurred without budget
1	Barahia	2001-02 to 2006-07	108.93
2	Bettiah	2000-01 to 2006-07	890.17
3	Dighwara	2001-02 to 2006-07	23.01
4	Haveli Kharagpur	2001-02 to 2006-07	114.13
5	Hilsa	2001-02 to 2006-07	148.60
6	Islampur	2001-02 to 2006-07	386.64
7	Koilwar	2001-02 to 2006-07	45.55
8	Maner	2003-04 to 2006-07	217.72
9	Nasriganj	2003-04 to 2006-07	55.00
10	Samastipur	2001-02 to 2006-07	612.63
Total			2602.38

The position of 13² ULBs regarding preparation of budget could not be ascertained due to non production of records. The budget estimates prepared by remaining 20³ ULBs contained many shortcomings. Some of them are as follows:-

1. Budget was not prepared in prescribed format.

Koilwar, Madhubani, Mokama, Munger, Purnea, Saharsa, Samastipur, Siwan. **Nagar Panchayat**- Bairania, Banka, Bikramganj, Bodhgaya, Chanpatia, Dighwara, Farbishganj, Haveli Kharagpur, Hilsa, Hisua, Islampur, Jagdishpur, Jogbani, Koath, Maner, Nasriganj, Rafiganj, Ramnagar, Sherghati, Warsaliganj.

² **Nagar Nigam**- Ara, **Nagar Parishad**- Jainagar, Kishanganj, Munger, Purnea, Saharsa, **Nagar Panchayat**- Bairania, Bikramganj, Bodhgaya, Farbishganj, Jogbani, Koath, Warsaliganj.

³ **Nagar Nigam**- Bhagalpur, Biharsharif, Darbhanga, Gaya, Muzaffarpur, Patna **Nagar Parishad**- Begusarai, Danapur, Fulwarisharif, Jamalpur, Madhubani, Mokama, Siwan. **Nagar Panchayat**- Banka, Chanpatia, Hisua, Jagdishpur, Rafiganj, Ramnagar, Sherghati.

2. Time schedule for budget preparation and its passing by the Board and onward transmission to Government was not adhered to.
3. Wide variance between actual receipts and expenditure and budget estimate was observed.

The Executive Officers of the ULBs are primarily responsible for preparation of budget and assisting the Board in scrutinizing and approving the same. The above position indicates that the Executive Officers in these ULBs failed to effectively discharge their responsibilities.

2.2 Non- Maintenance of Basic Records

The prescribed basic records as contained in BMAR, 1928 and Municipal Accounts Rules (Recovery of Taxes), 1951 viz. Government Grant Register, Loan Register, Loan Appropriation Register, Asset Register, Demand and Collection Register, Sarkar's Ledger, 'K' progress statement, 'L' list of outstanding taxes, Advance Ledger, Adjustment Register, Work Register, Audit Register, Unpaid Bill Register etc. were not being maintained properly by any of the 43 test checked ULBs.

Due to non-maintenance of above records and registers actual financial status of ULBs could not be ascertained.

2.3 Deficiencies in Maintenance of Cash Book

During test check of Cash Books of 43 ULBs, following deficiencies were noticed in all the units.

1. Transactions were not classified under relevant heads of accounts.
2. Entries of the Cash Book were not authenticated by the competent authority.
3. Cash Book was not closed and balance not arrived at.
4. Cash in chest was never verified by the competent authority and certificate of cash verification had not been recorded in Cash Book.

Due to irregular maintenance of Cash Books, possibilities of misappropriation/ fraud/embezzlement could not be ruled out.

2.4 Non-Preparation of Annual Accounts

As per Rules 82 to 84 of BMAR, 1928 every ULB is required to prepare Annual Accounts. But out of 43 ULBs test checked in audit, none of the ULBs prepared Annual Accounts for the period under audit.

Due to non-preparation of Annual Accounts, headwise receipts and expenditure could not be authenticated.

2.5 Non-reconciliation of Cash Book with Treasury/Bank Passbook

The Cash Book balances of 32 ULBs test checked were not reconciled with those of Treasury/Bank Pass Books. As on 31st March 2007, the unreconciled difference stood at Rs. 7.59 crore as detailed in **Appendix-I**.

The position in other ULBs could not be ascertained due to non production of records. Due to non-reconciliation of Cash Book balances with those of Treasury/Bank Pass Books misappropriation of municipal finances could not be ruled out.

2.6 Tardy Utilization of Loans

As per Rule 89 of BMAR, 1928. Loan Appropriation Registers was to be maintained by the ULBs in form XXIA which was not being maintained. Hence, an amount of loan of Rs. 3.31 crore received by 28 ULBs was found merged in the cash balance. Position of remaining 15 ULBs could not be ascertained.

As such, proper utilization of loan received for specific purposes could not, therefore, be ensured. Utilization Certificates if any, furnished to the sanctioning authority, were not made available to audit.

2.7 Non-repayment of Loans of Rs. 3.31 Crore in 28 ULBs

None of the 43 ULBs test checked, maintained Loan Registers as per Rule 88 of BMAR, 1928 (Form XXI). Hence, the amount of loans received, amount of instalments of principal and interest due thereon for repayment, amount repaid and balance as on 31st March 2007 was not ascertainable. However, from Cash Book it was noticed that 28 ULBs received Rs.3.31 crores as Government loan during the period under audit.

Due to non-repayment of loan by ULBs, the State Government deducted Rs. 45.60 lakh from 15 ULBs from subsequently sanctioned amount of loans. Position of deduction at source of 25% of sanctioned loan in remaining 13 ULBs could not be ascertained as detailed in **Appendix-II**.

Non-repayment of loans by ULBs reflects poor financial management in these bodies.

2.8 Eleventh Finance Commission Grants

A sum of Rs. 8.78 crore (Table-3) was received in 32 ULBs as Eleventh Finance Commission Grant. But Utilization Certificates were not made available to audit.

Table-3
Grants Received under XI Finance Commission

(Rs. in lakh)

Sl.No.	Name of ULB	XIFC	Sl.No.	Name of ULB	XIFC
1	Ara	16.20	17	Jagdishpur	00.11
2	Bairgania	24.82	18	Jainagar	15.75
3	Banka	28.42	19	Jamalpur	78.09
4	Barahia	51.13	20	Jogbani	34.35
5	Bettiah	60.04	21	Kishanganj	00.02
6	Biharsharif	61.91	22	Koath	10.90
7	Bikramganj	41.25	23	Madhubani	10.98
8	Bodhgaya	38.83	24	Maner	09.77
9	Chanpatia	22.21	25	Mokama	29.08
10	Dighwara	13.77	26	Muzaffarpur	00.69
11	Farbisganj	34.22	27	Nasriganj	11.90
12	Fulwarisharif	39.60	28	Rafiganj	20.95
13	Haveli Kharagpur	17.71	29	Ramnagar	41.40
14	Hilsa	44.60	30	Samastipur	38.80
15	Hisua	13.47	31	Sherghati	29.44
16	Islampur	17.65	32	Warsaliganj	19.45
Total					877.51

2.9 Twelfth Finance Commission Grants

A sum of Rs. 50.96 crore (Table-4) was received in 42 ULBs as Twelfth Finance Commission Grant. But Utilization Certificates were not made available to audit.

Table - 4
Grants Received under XII Finance Commission

(Rs. in lakh)

Sl.No.	Name of ULB	XII FC	Sl.No.	Name of ULB	XII FC
1	Ara	79.15	22	Jagdishpur	7.04
2	Bairgania	16.71	23	Jainagar	6.07
3	Banka	26.61	24	Jamalpur	36.18
4	Barahia	22.65	25	Jogbani	15.36
5	Begusarai	34.50	26	Kishanganj	59.48
6	Bettiah	66.24	27	Koath	7.37
7	Bhagalpur	109.75	28	Madhubani	36.71
8	Biharsharif	86.12	29	Maner	13.24
9	Bikramganj	18.37	30	Mokama	36.67
10	Bodhgaya	17.24	31	Munger	68.40
11	Chanpatia	14.79	32	Muzaffarpur	150.71
12	Danapur	47.83	33	Nasriganj	9.21
13	Darbhanga	40.64	34	Patna	2871.31
14	Dighwara	35.80	35	Purnea	816.47
15	Farbisganj	26.44	36	Rafiganj	15.74
16	Fulwarisharif	20.12	37	Ramnagar	18.62
17	Gaya	58.48	38	Saharsa	49.05
18	Haveli Kharagpur	13.69	39	Samastipur	19.87
19	Hilsa	17.12	40	Sherghati	20.20
20	Hisua	10.63	41	Siwan	40.59
21	Islampur	19.84	42	Warsaliganj	15.12
Total					5096.13

2.10 Non-Utilization of Specific Government Grants - Rs.2.14 Crore in 5 ULBs

Government Grant of Rs. 2.14 crore (Table-5) released for specific purposes during 1972-73 to 2002-03 were lying unspent as on 31st March 2007 in 5 ULBs as per detail below-

Table-5
Details of Unspent Grant in 5 ULBs

(Rs. in lakh)			
Sl.No.	Name of ULB	Amount	Unutilized since
1	Bettiah	44.91	1977-78 to 2006-07
2	Bodhgaya	0.39	1977 to 2006-07
3	Gaya	71.60	1990-91 to 2006-07
4	Madhubani	9.79	2001-02 to 2006-07
5	Siwan	87.75	1973 to 2006-07
Total		214.44	

Thus not only the capital was blocked but it also hampered development works which was to be executed through those grants, resulting in deprivation of amenities even after release of fund from the Government.

2.11 Diversion of Grants - Rs. 16.48 Crore in 17 ULBs

A total sum of Rs. 16.48 crore of specific grants sanctioned by Government was diverted by 17 ULBs towards payment of salary and allowances to staff, other recurring and establishment expenses and other purposes thus defeating the very purpose for which the grants were sanctioned.

Table-6
Details of Diversion of Grant in 17 ULBs

(Rs. in lakh)					
Sl.No.	Name of ULB	Amount of Diversion	Sl.No.	Name of ULB	Amount of Diversion
1	Banka	2.90	10	Farbisganj	13.36
2	Barahia	10.74	11	Hilsa	0.30
3	Begusarai	37.22	12	Kishanganj	67.84
4	Bettiah	54.80	13	Madhubani	2.00
5	Bhagalpur	0.16	14	Mokama	23.36
6	Biharsharif	58.63	15	Muzaffarpur	196.27
7	Bikramganj	0.53	16	Patna	1094.81
8	Bodhgaya	2.57	17	Samastipur	12.65
9	Darbhanga	69.54		Total	1647.68

(Detail vide Appendix - III)

2.12 Advances Outstanding - Rs. 38.66 Crore in 37 ULBs

None of 43 ULBs maintained Advance Ledger and Adjustment Register as required under Rule 74 of BMAR, 1928, as such, actual position of advances outstanding was not ascertainable.

As per the Cash Book, work files and vouchers made available to audit, it was observed that advances aggregating to Rs. 38.66 crore granted to 37 ULBs for various purposes remained unadjusted (Table-7).

Table-7
Advances Outstanding in 37 ULBs as on 31st March 2007

(Rs. in lakh)

Sl.No.	Name of ULB	Amount	Sl.No.	Name of ULB	Amount
1	Ara	6.83	20	Jamalpur	8.01
2	Banka	2.87	21	Jogbani	54.78
3	Barahia	5.75	22	Kishanganj	2.40
4	Begusarai	115.56	23	Koath	2.72
5	Bettiah	4.60	24	Madhubani	149.27
6	Bhagalpur	233.90	25	Maner	3.37
7	Biharsharif	408.46	26	Mokama	6.95
8	Bodhgaya	30.52	27	Munger	162.33
9	Danapur	131.17	28	Muzaffarpur	105.42
10	Darbhanga	465.77	29	Nasriganj	21.27
11	Dighwara	255.59	30	Patna	808.96
12	Farbisganj	58.63	31	Purnea	72.48
13	Gaya	335.18	32	Rafiganj	76.83
14	Haveli Kharagpur	1.90	33	Ramnagar	43.48
15	Hilsa	9.00	34	Saharsa	19.15
16	Hisua	1.74	35	Samastipur	6.94
17	Islampur	0.46	36	Sherghati	53.56
18	Jagdishpur	2.67	37	Siwan	159.06
19	Jainagar	38.40		Total	3865.98

Further, time barred advances worth Rs. 20.37 lakh were also not recovered in 6 ULBs (Table -8).

Table -8
Time Barred Advances in 6 ULBs

(Rs. in lakh)

Sl.No.	Name of ULB	Amount
1	Banka	10.05
2	Bikramganj	0.29
3	Jainagar	0.11
4	Mokama	0.09
5	Muzaffarpur	0.50
6	Samastipur	9.33
	Total	20.37

Thus, due to laxity by authorities in adjustment of advances the proper utilisation of advances could not be vouched in audit. Further, non-adjustment of advances in timely manner is fraught with risk of misappropriation/embezzlement.

2.13 Non-Production of Records

Twenty three ULBs failed to produce relevant records, viz bills, estimates, measurement books of various schemes, Case Files, Stock Registers, Log Book etc to audit as such, expenditure of Rs.8.59 crore could not be vouched as detailed in **Appendix-IV**.

2.14 Vouchers not Produced - Rs. 17.68 Crore

In 26 ULBs, vouchers worth Rs. 17.68 crore (Table -9) were not produced before audit as such the genuineness of expenditure could not be verified.

**Table - 9
Vouchers not Produced**

(Rs. in lakh)

Sl.No.	Name of ULB	Amount	Sl.No.	Name of ULB	Amount
1	Banka	4.02	14	Jainagar	1.95
2	Barahia	55.12	15	Jamalpur	5.19
3	Begusarai	11.82	16	Jogbani	72.61
4	Bettiah	10.93	17	Koath	2.59
5	Biharsharif	103.33	18	Maner	30.36
6	Bikramganj	3.84	19	Mokama	0.64
7	Chanpatia	52.90	20	Munger	0.64
8	Danapur	12.02	21	Muzaffarpur	305.95
9	Dighwara	217.26	22	Patna	478.03
10	Farbisganj	242.51	23	Rafiganj	0.28
11	Fulwarisharif	6.43	24	Ramnagar	11.62
12	Gaya	58.07	25	Saharsa	73.32
13	Hisua	4.52	26	Samastipur	2.31
Total					1768.26

2.15 Overall Financial Position of ULBs

The details of available fund (comprising opening balance and receipt during audit period), amount spent and unutilised balance of different ULBs under different schemes viz Xth FC, XIth FC, XIIth FC, NSDP, SJSRY etc is detailed in **Appendix-V**.

However, the overall position of fund available, expenditure and unutilised balance in 20 ULBs as shown in appendix could not be arrived at, due to non availability of proper information on opening balance and expenditure which denotes weak financial reporting practices.