

CHAPTER-II

FINANCIAL MANAGEMENT AND REPORTING

2.1 Fund Flow Arrangement

The PRIs are mainly financed by Grants and transfers from the Central Government, besides recurring and non recurring Grants released by the State Government and their own sources of revenue, including Grants recommended by State Finance Commission (SFC) and Central Finance Commission (CFC) and Central share/State share, Centrally Sponsored Schemes (CSS). Grants related to CFC/CSS flow from Ministry of Rural Development (MoRD) to respective tiers of PRIs.

2.2 Finance of PRIs

In contravention of Bihar Panchayat Samiti & Zila Parishad (Budget & Accounts) Rules, 1964 the PRIs did not maintain Annual Accounts and related register and records. So, it was difficult to ascertain an overall picture of the PRI's financial position.

Cash Books were not balanced periodically to reveal the balance of cash in hand or at bank. There was no system of preparing Bank Reconciliation Statements. Reconciliation has to be struck between two balances, one as per the bank records and the other as per PRI records and since the accounting system did not include balancing of Cash Books the balance as per PRI books could not be ascertained. Besides, the maintenance of accounts and records in PRIs was deficient as they maintained several Cash Books instead of one.

The position of management of finance and accounts in PRIs in Bihar was far from satisfactory. Recording of financial transactions through Cash Books and Monthly/Annual Accounts were found deficient.

These facts have also been confirmed in Fourth SFC Report (June, 2010).

2.3 Revenue Management

During audit it was noticed that the tax revenue of Zila Parishads in Bihar is almost nil which was also voiced by Fourth SFC Report. They have some non-tax revenue from their own sources *viz.*, rent from shops, Dak Bungalow (DB)/Inspection Bungalow (IB); settlement of ponds, *ghats*, ferries, road side lands & trees; bullock cart registration fee *etc.* Major lapses in revenue management detected in audit scrutiny are detailed in subsequent paragraphs:

2.3.1 Non-Realisation of Revenue - ₹ 6.29 Crore

Scrutiny of related records revealed that 16 ZPs had failed to realise revenue of ₹ 6.29 crore from various sources (**Appendix-III**). Dues of rent from shops (₹ 4.95 crore) and Government Offices/IBs (₹ 1.08 crore) were the major items of unrealised revenue. There is immediate need to give attention on realisation of outstanding rents or fees, as the Government of Bihar provides matching grant equal to the revenue collected by the ZPs.

The audit entities replied that efforts are being undertaken to realise these revenues.

2.3.2 Irregularities in Credit of Revenue Receipt

2.3.2.1 Direct Appropriation of ₹ 6.02 Lakh

As per Rule 43 of Bihar Panchayat Samiti and Zila Parishad (Budget and Account) Rules 1964, all money received by the PRIs shall be remitted to the Treasury/Bank.

Instead of depositing ₹ 6.02 lakh of revenue collected (during 2007-08 to 2009-10), the Cashier of ZP Khagaria spent it directly towards payment of wages to daily wage labourers, fuel of chairman's vehicle, refreshment during meetings, stationery *etc.* Direct appropriation of collection money depicted lack of control of the executives over revenue.

When the matter was pointed out to audited entity it was replied that keeping in view the needs of the office, expenditure was incurred by resorting to direct

appropriation. It was assured that rule/provision would be duly adhered now onwards.

2.3.2.2 Non/Short Credit of Revenue to the tune of ₹ 74,000/-

In two ZPs the collecting staff did not deposit ₹ 74,000/- into Treasury/Bank received on account of rent, fee *etc.* Out of this ₹ 20,000/- was deposited at the instance of audit. But, a sum of ₹ 54,000/- remained to be realised from the officials concerned as detailed in **Table - 5**.

Table - 5
Non/Short Credit of Collection Amount

(₹ in Lakh)

Sl. No.	Name of ZP	Collection Amount to be Deposited	Amount Deposited at the Instance of Audit	Balance to be Deposited	Period of Collection	Particulars of Collection
1	Darbhangha	0.52	0.00	0.52	2009-10	Misc. Receipts
2	Patna	0.22	0.20	0.02	2009-10	Misc. Receipts
	Total	0.74	0.20	0.54		

2.3.3 Un-authorized Occupation/Use of ZP Assets

- Scrutiny of records revealed that in ZPs-Begusarai, Purnea and Munger the Inspection Bungalows were under unauthorised occupation of Police Officers, Divisional Commissioner, Deputy Development Commissioner-cum-Chief Executive Officer (DDC-cum-CEO), Deputy Superintendent of Police (DSP), Public Works Department (PWD) *etc.*, since long. But no rent was being realised by the Zila Parishads. The outstanding rent of these buildings as on 31/03/2010 was ₹ 47.94 lakh³
- The Zila Parishad, Lakhisarai had leased out 70 acre land to K R K High School (self-financed) for educational purpose only for 30 years in 1946. The school was taken over by the Government of Bihar. Meanwhile, as per letter of

³ ZP Begusarai-₹ 1.50 lakh, ZP Purnea-₹ 22.11 lakh and ZP Munger-₹ 24.33 lakh

the DDC-cum-CEO of ZP, Lakhisarai to the Circle Officer (CO), Lakhisarai (May 2008) it was ascertained that the DDC-cum-CEO made a physical verification of the school campus after getting complaints about commercial use of vacant land in the school campus and found that some shopkeepers were running shops there. He found that the school authority had allotted vacant land to these shopkeepers and had been collecting rent from them without renewal of lease of land. The DDC-cum-CEO directed (May 2008 and March 2010) the school administration and CO for limitation of the ZP land at school campus, but no progress was made in this regard till date.

Thus, due to use of ZP land for commercial purposes, the Zila Parishad was sustaining revenue loss year-after-year.

2.4 Recommendations

- a)** To augment the own source of revenue of PSs and GPs the Government must notify minimum and maximum rates of taxes, tolls & fees *etc.*, to be imposed by them as recommended by State Finance Commissions.
- b)** Realisation of settlement amount, stamp fee, rent *etc.*, may be ensured and legal proceedings may be initiated against the persons, who fail to perform their duties.
- c)** Rules for maintenance of accounts are required to be revised as per Comptroller & Auditor General (C&AG)'s recommendations.
- d)** Budget and Accounts Rules for PRIs may be revised to adopt the preparation of General Purpose Financial Statement (GPFS). Proper records management must be ensured in PRIs.
- e)** Efforts may be made to recruit qualified persons for preparation of Annual Accounts and Annual Budget.