

## CHAPTER-II

### Financial Management

#### 2.1 Fund flow Arrangement

The ULBs receive funds mainly from the State Government's consolidated fund as per State Finance Commission recommendations, tied funds from Central Government for execution of Centrally Sponsored Schemes (CSS), tied funds received directly from centre/state under the MP-LADs and MLA-LADs schemes, grants-in-aid from the Finance Commission recommendations, loans raised and grants and assistance received from any other institutions;

The ULBs also have its own sources of fund. Under the provisions of the Acts in force, all collection such as tax on holdings, water tax, latrine tax, tax on vehicle, trades, professions, callings and employments, fees on the registration of vehicles kept or used or plying for hire, rent on shops and buildings, tolls and other fees and charges, etc. constitute the main source of revenue. The State Government releases grants-in-aid and loans to the ULBs to compensate their establishment expenses. Grants and assistance are received from the Central/State Government for implementation of specific schemes and projects. The funds of CSS require maintenance of separate bank accounts and submission of separate audited utilization certificate.

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

#### 2.2 Diversion of Grants in 21 ULBs

A total sum of ₹ 3.82 crore of specific grants sanctioned by Government was diverted by 21 ULBs<sup>4</sup> towards payment of salary and allowances to staff, meeting other recurring and establishment expenses and other purposes. Thus, the very purpose for which the grants were sanctioned was defeated.

#### 2.3 Non-Production of Vouchers

In 30 ULBs, vouchers worth ₹ 10.44 crore were not produced before audit. As such, the genuineness of expenditure could not be vouchsafed.

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<sup>4</sup> Aurangabad, Begusarai, Bhagalpur, Biharsharif, Bihia, Darbhanga, Farbisganj, Hajipur, Jagdishpur, Jehanabad, Madhubani, Makhdumpur, Masaurhi, Mokama, Motihari, Nabinagar, Patna, Piro, Rosera, Samastipur & Sonepur.

## **2.4 Non-revision of Assessment of Holdings**

As per provision contained in Section 106 of Bihar Municipal Act, 1922 and Section 138 (1) of Patna Municipal Corporation Act, 1951, assessment of the holding is required to be revised every five years.

The assessment of holding, on the basis of which taxes are imposed and realized, was not revised in 36 ULBs. Due to non-revision of assessment, which was overdue, ULBs were deprived of potential revenue of their own, which would have been received in the shape of increased taxes.

## **2.5 Non-Imposition of Holding Tax**

As per provision contained in Section 82 of BMA, 1922 and Section 127 of BMA, 2007, the Municipality may impose taxes and fees within the Municipal area with the sanction of the State Government. Out of 95 ULBs test checked during 2009-10, non-imposition of holding tax was found in 11 ULBs<sup>5</sup>. Due to non-imposition of holding tax, the ULBs have been sustaining heavy recurring loss.

## **2.6 Non-Deposit of Education and Health Cess to Government Account**

ULBs were authorized to collect education and health cess @ 50% on holding tax. The revenue so collected was to be deposited in appropriate heads of the Government account after deducting 10% as collection charge. Out of 95 test checked ULBs, 62 ULBs did not deposit 90% of cess in Government account. Based on the records made available to audit, ULBs didn't deposit ₹ 18.78 crore in Government account and appropriated the same towards payment of salary to staff and meeting other recurring expenditure which was highly irregular. Despite being pointed out in the previous annual report, this practice still persists in ULBs.

## **2.7 Non/Short Collection of Education and Health Cess**

Education and health cess @ 50% each of the holding tax was to be imposed and collected by the ULBs. This was then deposited in respective head of Education and health after deducting 10% on account of collection charges. Due to non imposition of cess and imposition at lower rate in 10 ULBs<sup>6</sup> the loss sustained by ULBs and State Government was of ₹ 24.24 lakh and ₹ 218.18 lakh.

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<sup>5</sup> Areraj, Jhanjharpur, Kateya, Koilwar, Makhdumpur, Manihari, Nasriganj, Nokha, Sheohar, Silao Sonepur.

<sup>6</sup> Begusarai, Bhabhua, Buxar, Dehri Dalmianagar, Dumraon, Katihar, Rajgir, Sultanganj, Supaul & Piro.

## **2.8 Non/Short-Realization of Education and Health Cess**

Education and health cess @ 50% each of the holding tax was to be imposed and collected by the ULBs but the same was collected below 50% of holding tax in 7 ULBs<sup>7</sup> resulting in non/short realization to the tune of ₹ 45.05 lakh.

## **2.9 Non-Realization of Taxes Outstanding against Government Buildings**

Out of 95 test checked ULBs, taxes of ₹ 22.80 crore were outstanding against Government buildings in 44 ULBs. Position of remaining 51 ULBs was not furnished by the units. Effective steps were not taken by the Executives of these ULBs to recover these dues from concerned department/authorities resulting in deprivation of potential revenue to the ULBs.

## **2.10 Non-Realization of Taxes outstanding against Private holdings**

Demand and Collection register of holding taxes was either not maintained or improperly maintained so the position of demand, collection and balance of taxes could not be known. From the figures made available to audit by 38 ULBs, it was found that the unrealized taxes on private holdings stood at ₹ 61.80 crore as on 31.03.2008. The huge accumulation of taxes was rendered possible due to non-issue of demand notice, warrants and distress warrants besides filing of money suits/certificate cases against some big defaulters. Poor percentage of collection of holding taxes by the ULBs was the main reason for unsound financial position of the ULBs.

## **2.11 Rent Outstanding**

In 39 ULBs, shops/markets rent amounting to ₹ 6.92 crore was found outstanding for varying periods as on 31.03.2009. Non realization of rent from tenants deprived the ULBs of their own revenue in time. The ULBs also failed in taking any effective step to realize the outstanding dues.

## **2.12 Revenue loss on Transmission Towers**

As per part –III of the Building Bye-Laws framed/enacted by the State Government, the permission charge to install a telephonic tower @ ₹ 2500 per meter of height is to be charged. In light of above provision, the UD & HD, Government of Bihar decided (July 2008) to realize ₹ 2000 per meter per annum as telephone tower installation charge.

Out of the 95 test checked ULBs, relevant records were made available in only 27 ULBs which revealed that due to non imposition of tax, revenue loss to the tune of ₹ 6.44 crore was incurred.

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<sup>7</sup> Amarpur, Begusarai, Dalsinghsarai, Janakpur Road, Katihar, Motipur & Siwan.

### **2.13 Non/Short Credit of Revenue Collected**

Test check of records of revenue collection of ULBs revealed that the officials engaged in tax collection remitted money in part into the Municipal fund instead of depositing the entire collection amount. In 75 ULBs, the tax collectors, tax darogas, cashiers, accountants and other collecting staff either failed to deposit or short deposited ₹ 2.07 crore of the collection of taxes, fees and other miscellaneous revenues.

This was apparently a case of misappropriation. However, ₹ 66.12 lakh was deposited at the instance of audit and a sum of ₹ 1.41 crore remained to be deposited as on 31.03.2009.

The above misappropriation was rendered possible due to non observance of Rule 20 of Bihar Municipal Accounts Rules, 1928 by the Executives of ULBs and Rule 30 of Municipal Accounts Rules (Recovery of Taxes), 1951 by Tax Darogas/Revenue Officers.

### **2.14 Direct Appropriation of Revenue Collected**

As per Rule 22 of BMAR, 1928, all money received by the municipality shall be remitted intact to the treasury as often as can be conveniently managed and shall on no account be appropriated towards expenditure. In 17 test checked ULBs<sup>8</sup>, instead of depositing the revenue collected into the municipal fund, ₹ 81.49 lakh was directly appropriated towards expenditure.

Necessary order of the Executive Officer for such expenditure was not made available to audit. Besides, violation of rules, direct appropriation indicates lack of control over revenues as per rule 20,30,64,69 and 79 of BMAR, 1928 and defeats the purpose of budgetary exercise.

### **2.15 Non/Short Realization of Bid Amount on account of Settlement of Properties**

Settlement for collection of toll, license fee etc. from municipal market, bus stand/taxi stand, pound and ferries, road side land etc. are made by the ULBs annually through open bids. The settlement is made in favour of the highest bidder and full amount of the bid is to be realized at the time of execution of agreement. In cases where bid is of considerably huge amount, installments are fixed for deposit of full amount of settlement but all the installments are to be realized within the financial year of the settlement. In case the bidder does not deposit the total amount of the settlement then the settlement is to be cancelled and rebidding is to be done or collections are to be made departmentally for the remaining period. 42 ULBs however, failed to realize ₹ 1.65 crore on this account. The Executives of the ULBs did not even file certificate case/money suits for recovery of above dues which resulted into loss of municipal fund to the extent.

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<sup>8</sup> Birpur, Barauli, Dhaka, Dumraon, Farbisganj, Gopalganj, Hajipur, Jehanabad, Kateya, Katihar, Naugachhia, Nokha, Patna, Raxaul, Sheikhpura, Sitamarhi & Sonapur.

## **2.16 Blockage of fund**

Test check of records revealed that ₹ 4.04 crore received for various purposes was blocked in 4 ULBs<sup>9</sup> for varying periods due to non-utilization.

## **2.17 Defalcation of ₹ 13.08 Lakh in Raxaul Nagar Parishad**

Ex cashier<sup>10</sup> of Raxaul Nagar Parishad received ₹ 26.38 lakh (₹ 22.52 lakh from 7.3.2002 to 5.5.04 and ₹ 3.86 lakh from 98-99 to 01-02) from the Tax Collectors and others and entered this in Cashier's Cash book. He however, deposited ₹ 15.52 lakh only in the Treasury and defalcated/ misappropriated ₹ 10.86 lakh.

Further, he was paid ₹ 6.41 lakh for deposit of P.F. subscription of employees for the period July 99 to Feb.04 but he deposited only ₹ 4.22 lakh in the individual P.F. account of the employees and defalcated/ misappropriated ₹ 2.19 lakh.

₹ 2.50 lakh was withdrawn (August 2000) by him for payment to executing agent (NSDP scheme) and ₹ 2.47 Lakh only was disbursed to them. But the balance of ₹ 0.03 lakh was not refunded and retained by him.

Thus a total defalcation of ₹ 13.08 lakh (₹ 10.86 + ₹ 2.19 + ₹ 0.03) was made which was rendered possible due to non exercise of check over the collection and deposit account by the Accountant and the Executive Officer.

## **2.18 Fraud in collection by tampering in 'H' receipt books in Buxar Nagar Parishad**

Tax collector<sup>11</sup> working in Buxar Nagar Parishad made collection of holding taxes against 4 'H' Receipt Books (29801 to 29900, 30801 to 30900, 31701 to 31800 and 32101 to 32200). However the amount mentioned by him in the carbon copy of the receipt books was less than the amount entered in the original receipts granted to holding owners. Eight original receipts issued to the house owner were obtained in Audit and it was found that collection of ₹ 4711.20 were less depicted in the carbon copy retained in the office. Thus, there was defalcation of ₹ 4711.20 due to tampering in receipt books and as such thorough investigation by the executives of the Nagar Parishad is needed in respect of entire 'H' receipts used by the said tax collector.

## **2.19 Collection of money against fake receipts in Nagar Parishad Dehri Dalmianagar**

During audit, a photocopy of miscellaneous receipt was produced where the number was not clear & dated 7.9.2007 for ₹ 16600/-. This was kept in the Misc. Receipts books issued

<sup>9</sup> Bakhtiyarpur, Kanti, Patna & Nasriganj

<sup>10</sup> Shri Surendra Kishor Tiwari

<sup>11</sup> Shri Dilip Paswan

to the Head clerk cum Accountant<sup>12</sup> and produced for audit. The scrutiny of Stock Register of Receipt Books disclosed that no such receipt was even printed and issued to above staff. Collection of ₹ 16600/- made against above receipt on account of rent of 166 months of Shop No. 1 near Bus Stand was neither accounted for nor deposited. The Head clerk cum Accountant thus defalcated ₹ 16600/- by using fake receipts. Thorough investigation by the executives of the Nagar Parishad is therefore needed in respect of such malpractices.

## 2.20 Misappropriation of settlement money in Forbesganj Nagar Parishad

A sum of ₹ 2.50 lakh was deposited by the settlee during 2007-08 which was not deposited in the municipal fund and was retained by the cashier. Thus there was misappropriation of ₹ 2.50 lakh by the cashier.

## 2.21 Miscellaneous Observations on Establishment

### • Sanctioned Strength vis-à-vis Men-in-Position

The strength of each ULB has been sanctioned by the State Government. Pay and allowance of personnel of Municipalities is paid from the income generated by the municipal from its own sources and grants received from the government.

The following statistics would show the overall position of sanctioned strength and men-in-position of 100 ULBs (as available from the State Government) in the State (**Table-5**):-

**Table-5**  
**Sanctioned Strength and Men in Position**

Sl.No.	Type of ULBs	No. of units	Sanctioned Strength	Men in Position	Short
1.	Municipal Corporation	07	7433	4575	2858
2.	Nagar Parishad	42	6329	4118	2211
3.	Nagar Panchayat (the position of 51 units were available out of 79)	51	1531	834	697
<b>Total</b>		<b>100</b>	<b>15293</b>	<b>9527</b>	<b>5766</b>

Consequent upon the election of ULBs in Bihar (2007) the work load of ULBs has increased many folds due to devolution of fund by the State as well as Central Government. But there was acute shortage of men-in-position against the sanctioned strength.

<sup>12</sup> Shri Ashok Kumar

- Irregular Payment of Salary due to Continuance in Service beyond the date of superannuation in Muzaffarpur Municipal Corporation (MMC)**

As per the State Government letter dated 06.01.1997, the employees would have to retire from service on attaining the age of 58 years or 40 years of service whichever is earlier. Restriction of 40 years was imposed by the State Government due to the reason that date of birth recorded in Service Book was not correct especially in the case of sweepers, coolie and Class IV staff. In view of extension of date of superannuation to the age of 60 years for State Govt. employees from March 2005, the State Govt. further directed (February 2006) that Municipal Board may take decision to extend the date of superannuation to the age of 60 years taking into account the financial position and need for continuance of staff but no liability shall be borne by the State Government on this account. Restriction of 40 years service was, however, not relaxed by the State Government.

In Muzaffarpur Municipal Corporation 8 employees (seven coolies and one peon) due to retire between July 1998 to October 2006 are still continuing in service as shown in the table below:

**Table – 6**  
**Service beyond the date of Superannuation**

(₹ in lakh)

Sl.No.	Name and designation of the employee	Date of Birth	Date of Appointment	Date of Super-annuation	Salary payment made after the date of Superannuation
1.	Smt. Chhavia Devi, Road Coolie	11-11-42	01-07-63	30-11-02	3.92
2.	Smt. Manju Devi, - do -	11-12-60	01-07-58	31-07-98	6.01
3.	Smt. Reshmi Devi, - do -	07-09-52	31-03-63	31-03-03	5.29
4.	Smt. Pania Devi, - do -	07-09-48	31-03-60	31-3-2000	5.04
5.	Shri Raj Kumar, - do -	07-09-52	31-03-63	31-03-03	3.11
6.	Shri Kishori, - do -	NA	31-03-64	31-03-04	3.12
7.	Shri Hari Narayan Ojha, - do -	11-12-49	31-03-64	31-03-04	3.07

8.	Shri Sitaram Ray, Peon	06-04-49	01-11-66	31-10-06	1.51
<b>Total</b>					<b>31.07</b>

Date of birth of Shri Kishori was not even recorded in Service Book while the date of birth of Smt. Manju Devi was incorrect because the appointment date was earlier than the date of birth.

From the details above it is clear that no watch was kept by the executives of ULB over the date of superannuation/ retirement of staff resulting in unauthorized continuance in service and irregular payment of salary of ₹ 31.07 lakh.

- Irregular payment of salary and allowances to staff due to retention in service beyond the date of superannuation in Motihari Nagar Parishad**

As per State Government directions, the employees would have to retire on reaching the age of 60 years or 40 years of service, whichever is earlier. But, in contravention to the above direction, three employees who should have retired on reaching the age of 60 years were irregularly allowed to continue in service resulting in irregular payment of ₹ 2.32 lakh as per details below:-

**Table-8**  
**Payment to Employees after the Date of Superannuation**  
(₹ in Lakh)

Sl.No.	Name of staff	Period of service beyond superannuation	Amount
1.	Shri Ramakant Prasad	1 month	0.15
2.	Shri Satyanarayan Rai	(i) 12 months @ ₹ 4669/- (ii) 4 months @ ₹ 10929/-	0.56 0.44
3.	Shri Jitendra Thakur	21 months @ Rs. 5574/-	1.17
<b>Total</b>			<b>2.32</b>

- Payment of salary to the staff appointed irregularly in Samastipur Nagar Parishad**

The State Government directed (November 1999) all ULBs to withheld appointments to all posts. Despite the order, Samastipur Nagar Parishad appointed five employees w.e.f. 2004-05 who were already dismissed without prior sanction of the State Government. Thus, a total sum of ₹ 5.19 lakh was spent on payment of salary of the five employees appointed irregularly during 2007-08 and 2008-09.



Further, 8 employees were irregularly appointed without following recruitment process on 20.06.1994 and a total sum of ₹ 3.05 lakh was paid to them during 2008-09.

Thus, total irregular payment of Rs. 8.24 lakh was made to the staff of Samastipur Nagar Parishad on account of irregular appointment.

**• Unauthorized payment to staff on unsanctioned post in Darbhanga Nagar Nigam**

A sum of ₹ 1.01 lakh was paid to five employees working as legal advisers when no post sanctioned as legal advisor existed in Darbhanga Nagar Nigam as per details below:-

**Table-8  
Unauthorized Payment of Employees**

(₹ in Lakh)					
Sl.No.	Name of employees	Paid per month	Period	Amount	Remarks
1.	Shri Saha Nawaz Ali	1000	April'07 to March'08	0.12	
2.	Shri Indu Bhushan Prasad	4000	May'07 to October'08	0.53	After deduction of excess payment
3.	Shri Saktewar Prasad	750	November'07 to February'08	0.36	
4.	Shri Gojindra Narayan Singh	750	-do-		
5.	Shri Indrishi Parurase	750	-do-		
<b>Total</b>				<b>1.01</b>	

**• Irregular Appointment resulting in Unauthorized Expenditure in 2 ULBs**

The posting of Executive Officer in ULBs is made by the Urban Development Department under section 37A of B&OMA, 1922 from amongst Deputy Collectors or from a panel of officers maintained for this purpose. The chairman of Madhepura Nagar Parishad, however, irregularly appointed (July 2004) a retired Deputy Collector to work as Officer on Special Duty (OSD) on a fixed remuneration of ₹ 5000/- per month. On the date of appointment the OSD had already attained 66 years of age as he retired from service on 31.3.1996 while no person was to be engaged beyond 65 years and under section 36(9) of Bihar Municipal Act 2007 no person is to be appointed after 60 years of age. The appointment of OSD was thus highly irregular and payment of ₹ 1.76 lakh for the period July 2004 to March 2008 was thus unauthorised as the Municipal authorities were not empowered to fill up the post of Executive Officer/ OSD.

One Junior Engineer was irregularly appointed in May 1998 by Sitamarhi Nagar Parishad without taking prior permission of the State Government for appointment which resulted in unauthorised payment of salary up to March 2000 of ₹ 4.80 lakh.

• **Doubtful Utilization of Services of 16 Medical Staffs in Muzaffarpur Municipal Corporation (MMC)**

MMC has one Homeopathic Doctor, one Vaidya, one Hakim, four Disinfectors and nine vaccinators. There was no supply/purchase of any medicine, equipments, bleaching powder, lime etc. to the Dispensaries during 2007-08. The work of vaccination was also stopped long ago. The utilization of services of the above medical staffs was not pointed out. Thus, full utilization of services of above 16 staffs remained doubtful despite payment of ₹ 14.56 lakh on their pay and allowances.

• **Double Payment of Salary besides Excess Drawal of Cheque for Provident Fund (PF) deposit in Dehri Dalmianagar Nagar Parishad**

The salary payment of Municipal Employees besides employees working on honorarium of Dehri Dalmianagar Nagar Parishad for the month of July 2007 of ₹ 2.14 lakh was paid on 19.9.07. However, payment for this period was also made on 12.10.2007 alongwith the salary of August 2007. Thus, there was double payment of salary of ₹ 2.14 lakh which was not recovered/ adjusted.

Self cheque (No. 597899/13.3.07) of ₹ 6.87 lakh on account of P.F. deposit for the month of November 2002 to July 2006 was drawn by the Cashier while deposit made in Post office/ Bank account of individual P.F. account was ₹ 5.84 lakh only. Thus, there was excess drawal of ₹ 1.03 lakh by the Cashier which was not recovered from him.

• **Double Payment of Salary in Samastipur Nagar Parishad**

Salary Ledger/ Register were not maintained in Samastipur Nagar Parishad. Bills were prepared in plain paper for salary of each month and Audit Register was also not maintained to watch cases of double payment. Audit scrutiny however revealed that double payment of salary was made to 6 employees of ₹ 0.93 lakh as detailed in Table below:-

**Table – 9**  
**Double Payment of Salary to Employees**

(₹ in lakh)

Sl. No.	Name of the Employee S/Sri	Period of payment	Reference of payment		Reference of double payment	
			Voucher no. & date	Amount	Voucher no. & date	Amount
1.	Ravi Bhushan Pd. Sinha	Feb.04 to Mar.04	5/1.4.07	18000	325-54/14.1.08	18003

2.	Ramlagan Ram	Feb.04 to Mar.04	28/5.6.07	7360	325-43/14.1.08	7360
3.	Nanki Sah, Driver	Nov.05	70/20.8.07	1300	464-91/10.3.08	1300
4.	Naresh Chaudhary, Driver	Jan.05	70/20.8.07	1500	464-91/10.3.08	1500
5.	Ram Vinod Singh	Feb.04 to Nov.04	67/29.6.07	49740	158/14.1.08	49740
6.	Mohd. Hafeez	Feb.04 to June 04	67/29.6.07	15405	157/14.1.08	15405
<b>Total</b>						<b>93308</b>

• **Double and Excess Payment of Pension by Sultanganj Nagar Parishad**

In Sultanganj Nagar Parishad two cases of double payment and one case of excess payment of Pension was detected in Audit as detailed below:-

**Table –10**  
**Details of Double Payment of Pension**

(Amount in ₹)

Sl. No.	Name and designation of the employee	Period of pension	Amount of pension	Date of payment	Position of double payment	
					Date	Amount
1.	Shri Fuleshwar Sah, Sweeper	July 2000 to July 2001	12232	Upto 23.10.01	9.8.07 and 17.10.07	12232
2.	Shri Dayaram Mandal, Tax collector	January 2001 to December 2001	12096	Between 28.10.01 to 29.05.04	17.10.06	12096
			<b>24328</b>			

Thus, there was double payment in above two cases of Rs. 0.24 lakh. Besides unauthorized payment of ₹ 11794 was made to the wife of Sri Fuleshwar Sah, sweeper on 14.05.08 for the period 15.04.07 to April 08 as the employee died on 14.04.07 and no pension including family pension was admissible for this period under Rule 35 of Bihar Municipal Officer and Servants Pension Rules 1987.

Due to non-exercise of checks by dealing assistant and head clerk cum accountant, double and excess payment was rendered possible.

• **Unauthorized Payment to Casual Labourers**

The Government of Bihar, UDD, Patna strictly prohibited engagement of persons on daily wages. Despite prohibition on engaging of casual labourers on daily wage basis, 53 ULBs engaged huge number of casual labourers without prior sanction of the State Government.

During the period under audit, 53 ULBs spent a total sum of ₹ 10.38 crore irregularly on their wages.

- **Irregular Payment of Allowances to Councillors in Patna and Darbhanga Municipal Corporation**

Under Section 19 of the BMA 2007, Chief Councillor, the other members of the Empowered Standing Committee and the other councillors may receive such remunerations and allowances as may be prescribed; provided that different rates may be prescribed for different classes of municipality. The State Government prescribed the rate of fixed allowance to the Mayor/Deputy Mayor/Municipal Chairman/Municipal President, sitting allowance and T.A. to all councillors under resolution no. 3270 dated 20.06.08 as such fixed allowance were admissible only after approval of rate i.e. after 20.06.08.

Patna Municipal Corporation and Darbhanga Municipal Corporation paid sitting allowances of ₹ 4.66 lakh (during 2006-07 to 2007-08) and ₹ 2.00 lakh (2007-08) respectively to the councillors as fixed allowance prior to approval of rate by the State Government, which was irregular.

- **Non-Deposit of Provident Fund (PF) deductions into Employees Accounts**

As per Rule 6 of Model Rules for the Management of P.F, 1933, deductions under Rule 2 and contribution under Rule 5 is to be paid to the Post Master for credit into the individual account of employee in Provident Fund in the Post Office. The remittance of the same was to be made between the 1st and 4th of each month in order that interest may accrue for the month of deposit. However, test check in 17 ULBs<sup>13</sup> revealed P.F deductions amounting to ₹ 118.93 lakh were not deposited into the account of the individual concerned thereby violating the rules resulting in loss of interest to individual concerned. The reason for non deposit of P.F. deductions into individual accounts was not explained to Audit.

It may lead to creation of additional liability in the form of penal interest in the case where official concerned moves to the court of law.

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<sup>13</sup> Bettiah, Biharsharif, Bihia, Chakia, Dalsinghsarai, Dehri Dalmanagar, Gogri Jamalpur, Kasba, Madhepura, Madhubani, Mirganj, Motihari, Motipur, Muzaffarpur, Saharsa, Sasaram & Sitamarhi.