

OVERVIEW

This Report contains six chapters. The first and fourth chapters contain an overview of the functioning, accountability mechanism and financial reporting issues of the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) respectively. The second and fifth chapters contain Performance Audit reports on 'Receipt and utilisation of Backward Region Grant Fund grants by PRIs' and 'Revenue management by ULBs' relating to PRIs and ULBs respectively. The third and six chapters contain two Compliance Audit paragraphs each of PRIs and ULBs respectively.

Audit samples have been drawn based on statistical sampling. The specific audit methodology adopted has been mentioned under each Performance Audit. The audit conclusions have been drawn and recommendations have been made taking into consideration the views of the Government. A summary of main audit findings is presented in this overview.

1. An overview of the functioning of Panchayati Raj Institutions (PRIs) in Bihar

A review of finances of PRIs revealed that though the functions related to 20 departments of the State Government were devolved to PRIs in September 2001, the provisions of devolved functions and responsibilities to be performed by the panchayats were not clear and practical and operational guidelines for implementation of functions devolved to PRIs were not framed. The Zila Parishads did not have adequate staff to discharge the devolved functions and 71 *per cent* of the sanctioned posts were vacant.

District Planning Committees consolidated plans under BRGF scheme only and works taken under centrally/state sponsored schemes by the PRIs were not considered. There was increasing trend of outstanding audit paragraphs. Eighty three *per cent* audit paragraphs were pending for settlement. Social audit was not conducted for works executed under BRGF scheme. There was short release of Fourth State Finance Commission grant of ₹ 953.11 crore for the year 2014-15. The accounts of PRIs were not maintained in Model Accounting System formats.

(Paragraph 1.1 to 1.8)

2. Performance Audit

(i) Receipt and Utilisation of BRGF grants by PRIs

The Backward Regions Grant Fund (BRGF) programme was conceived in 2006-07 by Government of India to redress regional imbalances. BRGF consisted of Capability Building Grant (CBG) for planning, implementation, monitoring, accounting and improving accountability and transparency in PRIs and Development Grant (DG) to bridge the critical gaps in local infrastructure and other development requirements of the backward regions.

During Performance Audit it as was noticed that:

Despite Baseline Survey and preparation of Vision document and Perspective plan in the 10 test checked Zila Parishads, Annual Action Plan was prepared on the basis of proposals of elected representatives of the Panchayati Raj Institutions.

(Paragraph 2.1.7.1)

Out of total entitlement of Capability Building Grant of ₹ 186 crore to Bihar for the period 2010-15, Ministry of Panchayati Raj (MoPR), GoI released only ₹ 31.34 crore in 2010-11. This was due to non-receipt of utilisation certificates from Panchayati Raj Institutions (PRIs), non-submission of physical and financial progress reports authenticated by Chartered Accountants (CAs) by the Panchayati Raj Department about works executed by utilising the grants and non-submission of audit reports with Action Taken Reports by CAs during 2011-15, thereby depriving the State of ₹ 154.66 crore.

(Paragraph 2.1.6.1)

Against the entitlement of Development Grants of ₹ 3,538.46 crore for the period 2010-15, the State received grants of ₹ 2,194.40 crore only due to late submission of demand and reduction of funds for BRGF programme in Revised Estimate stage by the MoPR. As a result, the State was deprived of Development Grants of ₹ 1,344.06 crore.

(Paragraph 2.1.6.1)

In 10 test checked Zila Parishads, there was a delay of 5 days (Madhepura) to 157 days (Aurangabad) in transferring funds of ₹ 370.97 crore to Zila Parishads by the State Government. However, the State Government failed to pay interest of ₹ 1.34 crore for the delays.

(Paragraph 2.1.6.1)

Works such as construction of roads, drains, community halls etc., were not undertaken in three Zila Parishads (2011-12 and 2014-15), nine Panchayat Samitis (2011-15) and 47 Gram Panchayats (2010-15) despite availability of grant of ₹ 8.29 crore and 1001 approved works under Annual Action Plan of the PRIs.

(Paragraph 2.1.8.1 to 2.1.8.10)

Five Zila Parishads, five Panchayat Samitis and three Gram Panchayats incurred an expenditure of ₹ 68.61 lakh on inadmissible works.

(Paragraph 2.1.8.3 to 2.1.8.5, 2.1.8.8 to 2.1.8.10)

Peer review, Quality monitoring system and Social Audit was not conducted in any of the 10 test checked Zila Parishads.

(Paragraph 2.1.10)

3. Compliance Audit

Violation of financial rules and failure to exercise required internal control/checks led to fraudulent drawal of ₹ five lakh out of Thirteenth Finance Commission (ThFC) grant fund.

(Paragraph 3.1)

In Panchayati Samiti Begusarai, 339 solar street lights were procured from open market at a rate higher than that specified by the State Purchase Organisation resulting in excess and avoidable expenditure of ₹ 47.43 lakh.

(Paragraph 3.2)

4. An overview of the functioning of Urban Local Bodies (ULBs) in Bihar

A review of finances of ULBs revealed that out of 18 subjects enlisted in the Twelfth Schedule of the Constitution, functions relating to 13 subjects were carried out by the ULBs and rest five functions were not devolved. The ULBs were short staffed and efforts were not made for capacity building in ULBs. Development works executed by the ULBs from their own sources were not included in Development Plan prepared by the District Planning Committee and approved by the State Government.

Compliance of 80 *per cent* of audit paras was pending for settlement. Of the total 141 ULBs, first phase of implementation of Double Entry Accounting System including preparation of Fixed Asset register, Opening Balance Sheet and Annual Financial Statement up to 2011-12 was completed in 19 ULBs only.

(Paragraph 4.1 to 4.8)

5. Performance Audit

(i) Revenue Management by Urban Local Bodies

The Urban Local Bodies (ULBs) in the State are financed by receipts from their own resources and grants and assistance received from the Central/State Government. The State Government implemented State Finance Commission recommendations and released grants-in-aid to the ULBs to compensate for their establishment expenditure.

During Performance Audit it was noticed that:

In test checked ULBs, the income from own sources was not sufficient to meet their establishment expenditure. The income from own sources was only 36 *per cent* to 76 *per cent* of the establishment expenditure during 2010-15.

(Paragraph 5.1.7.2, 5.1.7.3, 5.1.7.4)

Budget Estimates were not realistic and time schedule for adoption and submission of Budget Estimates were not followed.

(Paragraph 5.1.7.5)

Advance of ₹ 5.74 crore including ₹ 4.20 crore paid before 2010-11 was outstanding as on 31 March 2015 in the test checked ULBs.

(Paragraph 5.1.13.2)

Six to nine types of taxes and all the five types of user charges were not imposed by the Nagar Nigams.

(Paragraph 5.1.9.1)

Due to non-imposition of user charges for water supply and door-to-door collection of solid waste, Nagar Nigams were deprived of revenue of ₹ 5.46 crore and ₹ 9.15 crore respectively.

(Paragraph 5.1.9.1)

A sum of ₹ 17.88 crore remained unrealised under property tax, mobile tower tax and shop rent as on 31 March 2015 in Nagar Nigams.

(Paragraph 5.1.10.1)

Settlement amount of ₹ 52.45 lakh related to the year 2010-15 remained unrealised as on 31 March 2015 in Nagar Nigams.

(Paragraph 5.1.10.1)

Instead of depositing the Collection money on the day of collection in Nagar Parishads/Panchayats funds, Cashiers/Tax Collectors of five Nagar Parishads and 12 Nagar Panchayats retained the Collection money of ₹ 1.02 crore (2010-15) on account of property tax, shop rent, bid money etc., for periods ranging from one to five years.

(Paragraph 5.1.10.2, 5.1.10.3)

Eight to twelve type of taxes, all types of user charges and one to four types of fees and fines were not levied by 22 Nagar Panchayats.

(Paragraph 5.1.9.3)

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| 6. Compliance Audit |
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Non-construction of full length of drain and leaving missing links between partially constructed part of the drain by the Bihar Rajya Jal Parshad (BRJP) resulted in unfruitful expenditure of ₹ 1.33 crore.

(Paragraph 6.1)

Non-handing over of vehicles and equipment worth ₹ 2.51 crore by Concessionaire to Nagar Parishads at the end of the contract period not only resulted in non - utilisation of these vehicles/equipment for over two years but also caused their damage/deterioration.

(Paragraph 6.2)