CHAPTER – IV

COMPLIANCE AUDIT

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Compliance Audit

Urban Development and Housing Department

4.1 Loss of Property Tax revenue

Failure of Municipal Corporations to follow codal provisions regarding revision of Annual Rental Value of holdings by a minimum 15 *per cent* in every five years led to a loss of Property Tax Revenue of ₹ 52.03 crore.

Section 127 (13) (i) of the Bihar Municipal Act (BM Act), 2007 (amended in 2011) stipulates that Municipality shall carry out upward revision of Annual Rental Value (ARV)[48] of holdings once in every five years. Further, Sections 127 (7) (iii) (amended in 2013) and 127 (8) of the BM Act provide that Property Tax shall be levied by the Municipality within a minimum of 9 *per cent* and a maximum of 15 *per cent* of ARV. The rental value per square feet of the built-up area for different classes of holdings shall be increased by a minimum of 15 *per cent* every five years. Further, a Municipality may increase ARV and rates at any time during the five years' period with the prior approval of the State Government. Section 138(A) of the BM Act provides for putting in place a State Level Property Tax Board for the independent and transparent procedure to optimize assessment, collection and recovery of Property Tax.

Scrutiny of records (June 2017-December 2018) of six Municipal Corporations[49] (MCs) revealed that, MCs did not revise ARV of holdings for the last one to twenty years and sustained a total loss of Property Tax of ₹ 52.03 crore as detailed in ***Appendix-4.1*** and a summary is given in the **Table-4.1** below:

Table-4.1: Status of revision of ARV of holdings by six MCs

(₹ in crore)

Sl. No.	Name of MCs	Last revision of ARV of holdings	Revision Due	ARV Revised	Loss of Property tax
1.	**Begusarai**	2010-11	2015-16	1 April 2017	0.65
2.	**Chhapra**	2001-02	2006-07	Not revised	1.92
3.	**Darbhanga**	1997-98	2002-03	1 April 2016	0.84
4.	**Munger**	2011-12	2016-17	Not revised	3.41
5.	**Patna**	1995-96	2000-01	Not revised	45.07
6.	**Purnea**	2006-07	2011-12	1 April 2015	0.14
	Total				**52.03**

*(**Source**: Information and records furnished by MCs concerned)*

On this being pointed out in the audit, Municipal Commissioners, Begusarai and Purnea replied (July- November 2017) that revision of ARV got delayed due to a delay in the survey of holdings based on Geographical Information System

48 *ARV= Carpet area x Rental value x Occupancy factor x Multiplying factor*

49 *Begusarai, Chhapra, Darbhanga, Munger, Patna and Purnea*

(GIS). Replies of both the MCs were not acceptable as GIS mapping was being carried out to assess the actual number and status of holdings under municipal areas and revision of ARV in respect of existing holdings was possible. Moreover, both the MCs revised ARV (MC Begusarai revised in 2017-18 and MC Purnea revised in 2015-16) even though the survey of holdings was incomplete.

The Municipal Commissioner, Chhapra and the Controller of Municipal Finance and Accounts Patna replied (December 2018-January 2019) that Department had instructed (October 2013) to collect Property Tax at the old rate. However, both the MCs further replied (January 2021) that the Empowered Standing Committee had approved revision of ARV and after approval of the Municipal Board, the proposed revision would be sent to the Department for approval.

Replies of Municipal Commissioners were not acceptable as the Department had issued (December 2013 and July 2015) instructions to all the Municipal Commissioners/Executive Officers of Municipalities in the State to revise the rate of Property Tax as per provisions of the BM Act immediately by enhancing the rate of ARV by a minimum 15 *per cent.*

The Municipal Commissioner, Munger replied (January 2021) that after approval of the Municipal Board, the proposed revision was sent (January 2021) to the Department for approval. After approval of the Department, it would be implemented. Municipal Commissioner, Darbhanga replied (June 2017) that Municipal Board approved the revision of ARV in June 2014 and the same was sent (August 2014 and September 2015) to the Department for approval but approval was not communicated as of May 2019, however, the ARV was revised from 2016-17.

The Department stated (March 2020) that Municipalities were directed (October 2013) to submit their proposals of revision of holding tax before Property Tax Board at State level. The reply of the Department was not acceptable as it failed to establish the Property Tax Board to optimize assessment, collection and recovery of Property Tax by the Municipalities.

Thus, the failure of the MCs to follow the provisions of the BM Act and instructions of the Department regarding revision of ARV every five years by a minimum of 15 *per cent* resulted in the loss of Property Tax amounting to ₹ 52.03 crore.

4.2 Idle expenditure on development of Website and Software

Website and software developed for the use of the public and office of the Nagar Parishad, Siwan remained unused for more than five years resulted in idle expenditure of ₹ 50.66 lakh.

Rule 10 of Bihar Municipal Empowered Standing Committee Conduct of Business Rules, 2010 stipulates that the executive power of the Municipality shall vest in the Empowered Standing Committee (ESC) and all development activities undertaken and to be undertaken by the Municipal body are to be placed before the ESC by the Chief Municipal Officer for approval. Further, all the issues passed by the ESC shall be placed before the Municipality in the next meeting.

Rule 131H of Bihar Financial Rules (BFR) provides that procurement of goods and services worth up to ₹ 25 lakh and more should be done through advertised tender enquiry instead of limited tender enquiry. Further, Rule 69 (2) (d) of Bihar Municipal Accounting Rules, 2014 provides that the grants received for a specific purpose shall not be diverted for any other purpose.

The Nagar Parishad (NP) Board, Siwan had decided in its general meeting (10 September 2012) to utilize the funds available under Information Technology (IT) head by inviting limited tender as per provisions contained in BFR.

The Executive Officer (EO) of the NP, without approval of the ESC, invited (19 September 2012) Request For Proposal (RFP) from four firms for the development of Dynamic Content Management Server (DCMS) Website with web applications and awarded (5 October 2012) the work to a firm[50] for development of DCMS Website with web applications having two categories of web pages, namely, 'Public pages' for public use and 'Admin pages' containing four modules[51] for internal use of the NP office. The work was awarded to the firm at ₹ 6,85,000 plus applicable taxes and at ₹ 1,71,600 plus taxes per annum for hosting, maintenance *etc.* of the Website.

Further, the EO decided (October 2012 to May 2013) to add four[52] new modules/ pages to existing DCMS Website involving the cost of ₹ 14.72 lakh (including tax) and issued work orders (December 2012 to August 2013) to the same firm who was awarded (October 2012) the work of developing DCMS. Thus, the total cost for the development of the DCMS Website including these eight modules along with annual maintenance charges reached ₹ 36.82 lakh[53].

The firm developed the Website with eight modules (December 2012 to September 2013) and to operate the Website, it imparted training to four employees of the NP. However, of these eight modules, only one module "Event Management System including SMS facilities" was operated in the year 2014 and since then this module along with the other seven modules remained unused till February 2019.

The EO of the NP again invited (August 2013) RFP for the development of software 'File Tracking and Management System' for the NP from four[54] firms and awarded (5 October 2013) the work without approval of the ESC to a firm[55] that quoted the lowest rate of ₹ 9,85,000 plus taxes and ₹ 2,46,250 plus taxes for annual maintenance. The firm developed the software (January 2014) but the same also could not be operated and remained idle since its installation.

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[50] *R.V. Solutions (Pvt.) Ltd., Noida-201301 (U.P.)*

[51] *(i) Staff Management System, (ii) Salary Management System, (iii) MIS Reports Generation up to 10 reports; and (iv) Content Management and User access related features*

[52] *(i) Fund Management Software (ii) Event Management System including SMS facilities (iii) Sanitation & Mobile Tower Management; and (iv) Development/adding some new pages relating to Ward Parsad/Ward Councillor*

[53] *The total cost of eight modules including tax-₹ 22.41 lakh and maintenance Charges including tax-₹ 14.41 lakh*

[54] *(i) Agile Tech Solutions Pvt. Ltd., Vasundhara, Ghaziabad (U.P.) (ii) Mantra IT Systems Pvt. Ltd., Gurgaon (iii) John Info Tech Pvt. Ltd., New Delhi; and (iv) Adaptive Business Affairs Pvt. Ltd., Aliganj*

[55] *Agile Tech Solutions Pvt. Ltd. Ghaziabad (U.P.)*

The NP incurred (July 2013 - November 2015) a total expenditure of ₹ 50.66 lakh[56] on aforesaid works (including annual maintenance charge) of developing Website with eight modules and one software from funds available under Twelfth Finance Commission (12th FC), Fourth State Finance Commission (4th SFC) and from own source of revenue of the NP.

Audit observed that the Board had approved the utilisation of funds available under IT head and only ₹ 5.29 lakh was available[57] for the purpose but the EO utilized ₹ 2.69 lakh of the 12th FC grant in excess to permissible limit for IT head while diverted the 4th SFC grant of ₹ 25.37 lakh which was earmarked for providing basic services[58] and also utilized own source of revenue of the NP without approval of the ESC and the matter was never placed before the NP Board.

On this being pointed out by Audit, the EO stated (October 2017) that out of eight modules, only one module (Event Management System including SMS facility) added in the Website was utilised during the year 2014 and other modules along with File Tracking and Management System software could not be utilised due to lack of work plan and unavailability of trained manpower (four persons have imparted training but they were not able to run the Website and Software). It was also stated by the EO that the Website developed by the Department was being used by the NP since 2016.

The reply of the EO was not acceptable as the EO of the NP incurred the expenditure without adequate work planning, assessment of need and without ensuring the availability of trained manpower. Moreover, RFP for selection of firms and development of Website and Software were not approved by the ESC and all the decisions including payment from 4th SFC and own source of revenue heads were taken by the EO.

Further, the contract cost for the development of eight modules was ₹ 36.82 lakh, and therefore advertised tender enquiry was to be invited instead of a limited tender. However, in its reply (March 2020), the Department justified the steps taken by the EO but the justification was not tenable as the EO violated the codal provisions regarding procurement of goods and also the facts and figures furnished by the Department were different[59] from what the EO of the NP stated and transpired from the records in the audit.

Thus, due to lack of proper planning, the Website with modules and software developed for the NP remained unutilised for more than five years and there was no plan to use the module/software in future and therefore intended objectives for the development of websites could not be achieved despite incurring an expenditure of ₹50.66 lakh.

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[56] *₹ 33,48,328 on procurement (R.V. Solutions Pvt. Ltd. – ₹ 22,41,582 and Agile Tech Solutions Pvt. Ltd. – ₹ 11,06,746) and ₹17,17,319 on their annual maintenance (R.V. Solutions Pvt. Ltd. – ₹ 14,40,633 and Agile Tech Solutions Pvt. Ltd. – ₹ 2,76,686)*

[57] *The amount was received for procurement of IT under 12th FC only.*

[58] *Construction of road, water supply, public health and sanitation, street light etc.*

[59] *Department replied (March 2020) that eight modules were tested again in October 2017 and modules/websites remained unused sometimes during 2015-16 but the EO replied that modules were tested in February 2014 and only one module was used in the year 2014 whereas the rest modules/websites were not used from installation to till date.*

4.3 Irregular Purchase of Solar Street Lights

Non-adherence to the codal provisions, instructions of the Department and clause of the agreement executed with the supplier regarding the procurement of Solar Street Lights by the Nagar Parishad resulted in irregular purchase of worth ₹ 4.38 crore.

Rule 129 of Bihar Financial Rules (BFR) provides that the State Government can designate one or more organizations as State Purchase Organization (SPO) for procurement of any particular class of goods keeping in view the expertise developed or to be developed. Accordingly, the Government of Bihar (GoB) nominated (February 2007) the Bihar State Electronics Development Corporation Limited (BELTRON) as State Purchase Organization (SPO) to bring uniformity across the districts in supply and installation of standard quality of solar energy equipment. Subsequently, the Bihar Renewal Energy Development Agency (BREDA) was nominated (September 2012) as SPO in place of BELTRON and the Urban Development & Housing Department (Department) circulated the rate notified by the SPO for procurement of SSL. Further, Rule 131 N of BFR, 2005 stipulates that equipment or machinery is to be maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

A test check of records of Nagar Parishad (NP), Sasaram revealed that the NP procured (during December 2011 to February 2014) and installed (during January 2012 to February 2014) 1,610 Solar Street Lights (SSL) from a firm[60] at a cost of ₹ 27,200 each SSL and incurred a total expenditure of ₹ 4.38 crore[61] from January 2012 to February 2014. The NP did not procure SSLs from BELTRON/ BREDA rather procured based on a two to five years old rate of SSL fixed (September 2009) by the District Purchase Committee (DPC), Sasaram. Further, as per the agreement executed, the firm had to maintain SSLs free of cost for two years from the date of its installation. However, the warranty period of the solar panel and the solar battery was five years and three years respectively. The audit further observed that aforesaid SSLs were procured at ₹ 27,200 per unit of SSL, whereas, the rate notified by the SPO during the aforesaid period ranged from ₹ 22,818 to ₹ 26,684 per unit of SSL.

The Empowered Standing Committee (ESC) of the NP in its meeting (September 2014) decided to undertake the maintenance work of SSL as the warranty and maintenance period of most of the SSLs were ending. The NP invited tender (December 2014) for repair and maintenance of aforesaid procured SSLs and awarded (30 January 2015) the work to the same firm[62], who had supplied SSLs earlier, at the rate of ₹ 16,175 for repair and maintenance of each SSL. The NP issued work orders (February & July 2015) to the firm for repair and maintenance of 1,485[63] SSLs without assessing the validity of warranty period

[60] *M/s Raj Electronics, Sasaram, Rohtas.*

[61] *1610 x ₹ 27200 = ₹ 4,37,92,000*

[62] *M/s Raj Electronics, Sasaram, Rohtas - ₹ 16,175 each for repairing & maintenance and ₹ 27,200 for new installation.*

[63] *On 13 February 2015- 1,250 no. and on 13 July 2015- 235 no= 1,485 nos*

of various components of SSLs. The firm replaced batteries of all 1485 SSLs and 71 Solar panels and ₹ 2.45 crore[64] was paid (April - August 2015) towards maintenance and replacement of batteries and solar plates.

Scrutiny of records further disclosed that 1240[65] out of 1485 replaced batteries and 47 out of 71 replaced solar plates were within the warranty period and the same were to be replaced by the firm free of cost. Besides, payment on the maintenance of 361 SSLs was also made even though these were within the free maintenance period. As a result, an irregular payment of ₹ 1.23 crore[66] was made to the firm (April 2015 to August 2015) towards replacement and maintenance cost of SSLs within warrantee/free maintenance period.

On this being pointed out by audit, the Executive Officer (EO) of the NP accepted the facts and replied (June 2017) that NP Board had passed the resolution to purchase the SSL from BREDA approved *Akshay Urja* shop at the rate fixed by DPC, hence, no tender was invited. It was also stated that due to unavailability of skilled staffs in the NP, register or document relating to the monitoring of warranty period of SSL could not be maintained. He further stated that NP did not receive the rate of SSL from the SPO (BELTRON/ BREDA) or the Department.

The reply was not acceptable as the agreement for the procurement and installation of SSLs was signed by the EO wherein the provisions of warranty and free maintenance period were mentioned. Before the issue of the work order to the firm for replacement of solar panels and solar batteries, the EO had to ensure the maintenance of the control register to watch the warrantee/free maintenance period of SSLs procured. Further, the NP failed to procure SSLs as per rate fixed by the SPO and communicated to ULBs during February 2009 and October 2013. Moreover, *Akshay Urja* Shop, Sasaram from where the SSLs were procured, was not registered under the SPO.

On the matter being reported to the Government (March 2019), the Assistant Director-cum-Joint Secretary of the Department replied (March 2020) that the rate decided in 2009 was still applicable and there was no need to go for another proposal in 2011 under rule 131 L of BFR for obtaining fresh rates. However, the Department did not reply on the issue related to the replacement of batteries and solar panel within the warranty period. The reply of the Department was not acceptable as the above-referred rule was related to the procurement of goods through a single tender enquiry and the rate (₹ 27200 per unit of SSL) on which SSLs were procured during November 2011 to February 2014 by the NP was much higher than the rate quoted[67] by the SPO and the DM, Rohtas (Sasaram) itself procured (2011) SSLs for different Blocks of the district from the SPO.

Thus, due to failure of the EO of the NP to observe the relevant financial rules and procurement procedure, non-maintenance of procurement register and non-procurement of solar lights from SPO resulted in the irregular purchase of SSLs worth ₹4.38 crore besides an irregular payment of ₹ 1.23 crore.

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[64] *1,485 no. X ₹ 16,175 + 71 no. X ₹ 7,000 = ₹ 2,45,16,875.*

[65] *1,485-218-27= 1,240 bateries*

[66] *1240 x 7000+ 47 x 7000 + 361 x 9175 =12321175 i.e. ₹ 1.23 crore*

[67] *₹ 26684 from November 2011 to December 2011, ₹ 22, 355 from January 2012 to September 2013 and 22,818 from September 2013 to February 2014.*

4.4 Avoidable expenditure on the procurement of dustbins

Non-adherence to financial rules by Municipal Corporation, Muzaffarpur in the procurement of dustbins resulted in an avoidable expenditure of ₹ 74.25 lakh.

Rule 131 R (xiv) of Bihar Financial Rules (BFR) provides that a contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per terms and conditions incorporated in the corresponding bidding documents. Further, rule 126 of BFR stipulates that every authority delegated with the financial power to procure goods in the public interest shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to public procurement.

Scrutiny of records (August 2018) of Municipal Corporation (MC), Muzaffarpur disclosed that the Empowered Standing Committee of the MC in its special meeting (14 December 2016) approved a proposal for purchase of 50,000 green coloured and 50,000 red coloured plastic dustbins of 10 litre capacity. Consequently, tender for purchase of 50,000 dustbins of 10-litre capacity was advertised (3 March 2017) with detailed specifications[68] of the dustbin in the daily newspaper. Further, in the technical bid, seven bidders participated and out of that, six were qualified for technical bid. As per the comparative statement, the rate of ₹ 111 per piece of dustbin as quoted by M/s Quality Enviro Engineers Pvt. Ltd. (the firm) was minimum but without recording any reason, the rate of ₹ 210 per piece of dustbin quoted by M/s Nilkamal, was approved. Audit observed that tender was invited for procurement of 50,000 dustbins but work order was issued (20 March 2017 and 4 October 2017) for the supply of 75,000 dustbins in two phases[69] to the selected firm. The firm supplied (April 2017 to November 2017) 75,000 dustbins and a total payment of ₹ 1.58 crore was made (May 2017 to December 2017) to the firm. Though the specification of the dustbin was as per the requirement of the MC the decision of the Municipal Commissioner for not considering the lowest rate quoted by the firm led to an avoidable expenditure of ₹ 74.25 lakh[70] over the purchase of 75,000 dustbins. Besides, the issue of work order for the supply of 25,000 dustbins to the same firm without inviting tender was irregular.

On this being pointed out (August 2018) in audit, the Municipal Commissioner replied (August 2018) that the rate of M/s Nilkamal, a branded company, was approved by the then Municipal Commissioner. The reply of the Municipal Commissioner was not acceptable as the procurement of dustbins was not made from M/s Quality Enviro Engineers Pvt. Ltd. who quoted the lowest rate and fulfilling all the terms and conditions incorporated in the bidding documents. Thus, the failure of the Municipal Commissioner to observe the financial rules led to avoidable expenditure of ₹ 74.25 lakh by the MC.

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[68] *Plastic-type ISO Certified, Material-HDPE, Copolymerized with impact copolymers*

[69] *Order letter no. 195 dated 2 March 2017 for supply of 25,000 dustbins and order letter no. 660 dated 04 October 2017 for the supply of 50,000 dustbins.*

[70] *99 X 75,000 = 74.25 lakh (210-111=99)*

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

4.5 Avoidable payment

Municipal Corporations failed to pay electricity bills by due dates resulted in avoidable payment of delayed payment surcharge of ₹ 3.97 crore.

Tariff regulation of Bihar Electricity Regulatory Commission provides that in case a consumer does not pay energy bills in full within 10 days of grace period after the due date specified in the bill, Delayed Payment Surcharge (DPS) of one and a half *per cent* per month or part thereof on the outstanding principal amount of bill will be levied from the due date for payment until the payment is made in full. The Urban Development and Housing Department (the Department) forwarded (July 2013) the instruction of the Chief Secretary to all Urban Local Bodies (ULBs) in which all the Departments were directed to pay the electricity bills without any delay. The Department further instructed that if sufficient funds were not available with the heads of the office then they had to demand the same before the competent authority well in advance to avoid payment of DPS.

Scrutiny of records (April 2017-February 2018) relating to the payment of electricity bills by the Patna Municipal Corporation (PMC) in respect of one consumer account[71] revealed that the PMC did not pay the electricity bills[72] for March 2016 in full by the due dates despite the availability of funds[73]. Consequently, PMC paid (March 2017) DPS of ₹ 71.20 lakh to the South Bihar Power Distribution Company Limited (SBPDCL) on electricity bills outstanding for payment for the period April 2016 to March 2017. Further, the PMC did not pay the electricity bills of ₹ 11.07 crore (including ₹ 4.00 crore payable as DPS) for April 2017 to January 2021. Thus, the PMC had incurred liability of ₹4 crore on account of DPS till January 2021.

On this being pointed out, Accounts Officer, PMC stated (April 2017) that due to delay in completion of official procedure, the payment of electricity bills got delayed. Municipal Finance and Accounts Controller, PMC stated (September 2018) that electric bills were not received on monthly basis from the energy department rather for the whole year for which they had to pay heavy DPS. Both the replies were contradictory. However, the General Manager, Patna Electric Supply Unit (PESU) stated (December 2018) that bills were submitted regularly on monthly basis to PMC and had the payment was made in full no DPS would have been levied in next bill whether it was generated on monthly basis or for a whole year. However, on outstanding principal amount, DPS is chargeable for the whole period.

Similarly, scrutiny (June 2017 and updated in September 2018 and January 2021) of records relating to the payment of electricity bills of Katihar Municipal

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71 *Consumer ID-010205053350*

72 *₹ 5.98 crore*

73 *₹ 3.02 crore under Fourteenth Finance Commission head and ₹ 30.95 crore under 5th State Finance Commission in March 2016.*

Corporation (KMC) revealed that electricity bills for May 2015 to February 2019 were not paid in full. This resulted in arrear accumulation of DPS amounting to ₹ 3.26 crore which was paid (May 2015- March 2019) by the KMC.

The Municipal Commissioner, KMC while accepting (June 2017) the audit findings stated (June 2017) that it would be taken care of in future. He further attributed (September 2018) delay in payment of electricity bills to insufficient fund with KMC, defective bills raised by North Bihar Power Distribution Company Limited (NBPDCL) and delay in the adjustment process of electricity bills with the receivable holding tax from the NBPDCL.

In a recent reply, KMC stated (January 2021) that payment of electricity bill is being made as per bill in time. The contention of the Municipal Commissioner, KMC was not acceptable, as the department had already instructed that in case of insufficiency of funds demands for the same well in advance was to be placed to the Department, which had not been done by the KMC. Further, there is an extant provision stipulated in the Bihar Electricity Supply Code, 2007 that in the event of any objection in respect of the billed amount, an amount equal to the sum claimed was to be deposited under the protest and the consumer may lodge a complaint before the designated officer to avoid penalty. Moreover, the practice of payment of DPS was continued after March 2019.

On the matter being reported (March 2019), the Department replied (March 2020) that electricity bills were never submitted in time to respective ULBs and Revenue Officers of power distribution companies never pursue the Executive Officers of ULBs for making payment of electricity bills. It was further stated that to stop the unwanted flow of money, which could have been used for the betterment of the living standard of common people, responsibility may also be fixed against erring officials of ULBs.

Thus, due to lack of promptness, delay in the official procedure and failure in seeking the fund from the Department, these MCs could not pay the electricity bills by the due date and avoidable payment of ₹ 3.97 crore[74] was made to the power distributions companies towards DPS payment.

4.6 Allocation of Dwelling Units to ineligible beneficiaries

Non-adherence to the guidelines regarding selection of beneficiaries under the Integrated Housing and Slum Development programme by two Municipalities resulted in allocation of Dwelling Units to 98 ineligible beneficiaries involving cost of construction of ₹ 2.26 crore.

The basic objective of the Integrated Housing and Slum Development Programme (IHSDP) was to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter with basic infrastructure facilities to slum dwellers under the identified urban areas. Under the Programme, the poorest among the poor who were not in a position to build houses on their own were to be provided Dwelling Units (DUs) with necessary infrastructures.

[74] *₹ 0.71 crore + ₹ 3.26 crore = ₹ 3.97 crore*

In Bihar, 32 IHSDP projects were approved by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) for 28 Urban Local Bodies (ULBs). Out of these 32 projects, 14 projects were executed by the Hindustan Prefab Limited (HPL), a Government of India (GoI) undertaking appointed by the Government of Bihar (GoB), 16 projects were executed by the ULBs while two projects were cancelled. The estimated cost of construction of a DU ranged between ₹ 0.80 lakh and ₹ 2.53 lakh.

Scrutiny of records (August 2018) of Municipal Corporation (MC), Ara revealed that the HPL was made the executing agency for construction of DUs in the municipal area. As per the Detail Project Report (DPR) of the Programme, 754 beneficiaries were identified in 17 slum clusters of the MC. It was transpired from the DPR that 64 out of 754 beneficiaries were government employees with pay ranged ₹ 4,000 to 10,000 per month and out of the aforesaid 64 beneficiaries, 14 beneficiaries were employees of the MC Ara. As of February 2021, 46 out of 64 beneficiaries were handed over (from April 2015 to November 2019) the DUs under the programme. The DUs were to be constructed for the poorest of the poor/slum dwellers and therefore government employees were not eligible under the Programme. Thus, a total expenditure of ₹ 1.10 crore[75] was incurred over the construction of DUs allotted to 46 ineligible beneficiaries.

The Municipal Commissioner of the MC, Ara accepted (February 2021) the audit contention and stated that selection of beneficiaries was done by the HPL and they concealed the fact regarding selection of government employees as beneficiaries under the programme. The reply was not acceptable as the list of selected beneficiaries prepared by the HPL was approved by the MC Board and therefore, the MC was responsible for such lapses.

In Municipal Council Mokama, 52 beneficiaries having '*pucca* house', were paid a total amount of ₹ 1.16 crore for construction of DUs to beneficiaries already having *pucca* houses at the rate of ₹ 2.25 lakh per DU. The beneficiaries having a *pucca* house were not eligible under the Programme. Thus, payment of ₹ 1.16 crore[76] was made to the ineligible beneficiaries for the construction of DUs.

On this being pointed out in the audit, the Executive Officer while accepting the audit observation replied (February 2021) that the selection of beneficiaries was done by the Project Management Unit (PMU)[77] and accepted that benefit of this programme was extended to only 52 beneficiaries having *pucca* houses. The reply was not acceptable as the list of selected beneficiaries was approved (March 2015) in Municipal Board and PMU was working under its supervision. Therefore, Municipal Council was responsible for allocating DUs to ineligible beneficiaries.

While agreeing with the audit observation, the Department expressed its views (February 2018) that benefits of the Programme were provided to the families who were having a large number of members also.

[75] *46 x 2,39,705*

[76] *50 x 2,25000+ 2 x 1,80,000 = 1,16,10,000*

[77] *A unit of private consultants working under Municipality.*

The contention of the Department was not acceptable as allocation of DUs involving the cost of construction of ₹ 2.26 crore[78] to the government employees and the persons already having *pucca* houses were in contrary to the provisions made in the Programme guidelines and intent of the programme to cover the poorest among the poor was defeated.

4.7 Misappropriation of Municipal revenue

Non-deposit of revenue collected by municipal staff into the Municipal fund and failure of internal controls led to misappropriation of ₹ 30.72 lakh.

Rule 22(1) of Bihar Municipal Accounting Rules (BMAR), 2014, provides that all moneys received shall be lodged in a treasury or nationalized bank account to the credit of the Municipality on same day or at least before noon on the following working day. Further, Rule 29(5) of BMAR provides that Executive Officer shall at least once a week examine the memorandum of collection so as to satisfy himself that all money received has really been remitted to the treasury/banks without delay. It shall be the duty of the Accountant to get bank statement on a monthly basis and confirm that remittances have been fully credited into bank account. Further, rule 33 of BMAR provides that if misappropriation of municipal moneys is discovered /suspected, the Executive Officer (EO) within 24 hours shall inform to the Empowered Standing Committee (ESC) about such misappropriation and lodge a First Information Report (FIR) with authorization of ESC.

Scrutiny of records[79] (August 2017 to September 2017 & updated in February 2021) of four[80] Urban Local Bodies (ULBs) for the period 2014-15 to 2017-18 revealed that Collecting Staff/Cashiers of the ULBs collected municipal revenue amounting to ₹ 1.91 crore during February 2013 to August 2017 on account of Property Tax and other miscellaneous heads of receipts. Out of which, ₹ 1.60 crore was deposited (April 2013 to February 2021) into Municipal Fund and ₹ 30.72 lakh remained to be deposited till February 2021 and amounts were out of accounts and retained by the staff for more than three to seven years ***(Appendix-4.2)***. It was also noticed that out of ₹ 30.72 lakh, ₹ 8.34 lakh was retained by the employee who was already retired from service of the Nagar Panchayat Koilwar.

Audit observed that the Executive Officers did not exercise necessary checks[81] to ensure that all sums received are actually deposited into Municipal Fund. On this being pointed out in audit, the EOs of the ULBs accepted the audit contentions and stated (February 2021) that balance amount of ₹ 30.72 lakh would be recovered from the concerned officials.

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78 *₹ 1.10 crore – Municipal Corporation, Ara and ₹ 1.16 crore –Municipal Council, Mokama*

79 *Holding Receipt Book Miscellaneous Receipt Books, Daily collection registers, Cashier/Accountant Cash Book, bank accounts etc.*

80 *Nagar Panchayat – Belsand, Jhajha and Koilwar, Nagar Parishad – Jamui*

81 *Memorandum of collection, collection register and Cash Book with all the subsidiary forms and registers*

The reply of the EOs is not acceptable as the entire municipal revenue collected was to be deposited into the Municipal Fund without delay and the Executive Officers had to ensure its timely remittance.

Thus, a total sum of ₹ 30.72 lakh was misappropriated by the collecting Staff of ULBs and this was rendered possible as the Accountants and the EOs of the ULBs failed to exercise the necessary checks over accounts of the ULBs. Besides, EOs failed to take necessary measures to recover the collected amount retained by the staff and also did not initiate action against the erring officials and violated the provisions contained in BMAR.

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

4.8 Unproductive expenditure on procurement of machines

Improper planning and non-adherence of financial rules in the procurement of sweeping machines by Nagar Nigam, Begusarai resulted in machines worth ₹ 83 lakh lying idle and not being put to use for more than five years.

As per rule 126 of Bihar Financial Rules (BFR), 2005 every authority delegated with the financial powers of procuring goods in the public interest shall have the responsibility and accountability to ensure that the specifications in terms of quality, type *etc.* and as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organizations. Further, care should also be taken to avoid purchasing quantities in excess of the requirement to avoid inventory carrying costs.

Scrutiny of records of Begusarai Nagar Nigam (NN) for the year 2015-16 (January 2017 and status updated in February 2021) revealed that on the basis of the decision taken (November 2014) by the Empowered Standing Committee (ESC), the NN invited tender for procurement of two Mini Sweeping Machines in August 2015 and supply order was given (September 2015) to M/s SG Constructions (the firm), being the lowest bidder. The firm supplied two sweeping machines to the NN in December 2015. Against the invoice amount of ₹ 83 lakh, payment of ₹ 69.47 lakh was made to the firm after statutory deductions of taxes and security deposit (***Appendix – 4.3***). But, the sweeping machines were not put to use and remained idle since its supply to till 17 February 2021.

On this being pointed out (January 2017) in Audit, the Municipal Commissioner (MC) replied that keeping in view of the development of the city, sweeping machines were procured for future use. Both the machines were used for some days in the year 2016 and thereafter these were not being used. The Vehicle In-charge reported (February 2021) to the MC, after being pointed out the issue by Audit, that the machines were out of order and repairing was required. The

MC stated that action was being taken on the report of Vehicle In-charge for repairing the machines.

The reply of the MC was not verifiable in the audit as the logbook of both the machines were blank and no entries were found regarding the use of these machines for some period in 2016 and also no effort was made by the MC to put the machines in use further.

It is evident from the above that both the machines were lying idle for the last five years. The NN procured the sweeping machines without assessing the immediate requirement of the NN. Thus, non-assessment of requirement and failure to put the machines in use resulted in unproductive expenditure of ₹ 69.47 lakh on procurement of sweeping machines.

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

Patna **(RAMAWATAR SHARMA)**
The 02 November 2022 **Accountant General (Audit),**
Bihar, Patna