




**PART – A**  
**PANCHAYATI RAJ INSTITUTIONS**





**CHAPTER – I**

**AN OVERVIEW OF THE FUNCTIONING,  
ACCOUNTABILITY MECHANISM AND FINANCIAL  
REPORTING ISSUES OF PANCHAYATI RAJ  
INSTITUTIONS**



## Chapter-I

### An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayati Raj Institutions

#### An Overview of the Functioning of the Panchayati Raj Institutions in the State of Bihar

##### 1.1 Introduction

The Seventy-Third Constitutional Amendment Act (73<sup>rd</sup> CAA), 1992, vested Panchayati Raj Institutions (PRIs) with constitutional status and established the following in their regard: (i) a three-tier uniform structure (ii) system for elections (iii) reservation of seats for Scheduled Castes, Scheduled Tribes and Women (iv) system for devolution of funds to PRIs and (v) functions to be devolved to PRIs. As a follow-up, States were required to entrust PRIs with such powers, functions and responsibilities that would enable them to function as institutions of local self- government. PRIs aim to promote: (a) participation of people and (b) effective implementation of rural development schemes for economic development and social justice, including those in relation to the 29 subject matters listed in the Eleventh Schedule of the Constitution of India.

Government of Bihar (GoB) enacted the Bihar Panchayat Raj Act (BPRA), 1993 (subsequently replaced by the BPRA, 2006, as amended from time to time) and established a system of three-tiers of PRIs, *viz.* Gram Panchayats (GPs) at the village level, Panchayat Samitis (PSs) at the Block level and Zila Parishads (ZPs) at the District level. For effective decentralization at the grassroots level, GPs were further divided into Wards and provisions of Gram Sabha<sup>1</sup> at the GP level and Ward Sabha<sup>2</sup> at the Ward level were made.

As of March 2022, there were 8,638 PRIs<sup>3</sup>, having 2,47,684 elected representatives<sup>4</sup> (including *Panchs* and *Sarpanchs*) in the State. Fifty *per cent* horizontal reservation of the total seats of the elected bodies of PRIs, was provided for women. The last general elections, to the elected bodies of PRIs in the State, were held during September-December 2021.

##### 1.1.1 State Profile

Bihar is one of the largest States in the country, with an area of 94,163 sq. km. (2.86 *per cent* of the total geographical area). The population growth rate in Bihar, in the last decade (2001-2011), was 25.4 *per cent*. As per Census 2011, out of the total population of 10.41 crore in the State, the rural population was 8.77 crore (84 *per cent*). The demographic and development statistics of the State are given in **Table 1.1**:

<sup>1</sup> *Gram Sabha means a body consisting of persons registered in the electoral rolls, relating to a village comprised within the area of the Panchayat, at the village level.*

<sup>2</sup> *All persons registered under the electoral roll of the Ward shall be members of the concerned Ward Sabha.*

<sup>3</sup> 38 ZPs, 533 PSs and 8,067 GPs

<sup>4</sup> *Mukhiyas: 8,067; Ward members: 1,09,642; Members of PSs: 11,098; Members of ZPs: 1,168; Panchs: 1,09,642 and Sarpanchs: 8,067*

**Table 1.1: Important statistics of the State**

Indicators	Unit	State Value
Population	Crore	10.41
Population Density	Per sq. km.	1,106
Rural Population	Crore	8.77
Gender Ratio	Females per thousand males	918
Literacy	Per cent	61.80
Number of districts	Number	38
Number of PRIs	Number	8,638
Decadal growth rate	Per cent	25.42
Rural Sex Ratio	Females per thousand males	921

(Source: Census 2011, Economic Survey, GoB, for the financial year 2020-21 and information provided by the Department)

## 1.2 Organisational Set-up

At the State level, the Panchayati Raj Department (PRD) coordinates and monitors functioning of the PRIs. The ZP is headed by *Adhyaksha*, while the PS and the GP are headed by *Pramukh* and *Mukhiya*, respectively, who are elected representatives of the respective PRIs. The *Mukhiya* is responsible for the financial and executive administration of the GP.

The Chief Executive Officer (at the rank of District Magistrate or Additional District Magistrate) and the Block Development Officer-cum-Executive Officer are the executive heads of ZPs and PSs, respectively. Further, since June 2022, the District Panchayat Raj Officer is the Additional Chief Executive Officer of the ZP, while, in those Blocks where Block Panchayat Raj Officers are posted, they perform the roles and responsibilities of Executive Officer of the Panchayat Samiti. The Panchayat Secretary is in-charge of office of the GP and is also responsible for maintenance of the books of account and other records at the GP level.

## 1.3 Functioning of PRIs

### 1.3.1 Powers and Functions of PRIs

Articles 243G and 243H of the Constitution of India stipulate that the Legislature of a State may, by law, endow PRIs with the following powers, authority, and responsibilities, to enable them to function as institutions of self-government:

- preparation of plans and implementation of schemes for economic development and social justice, as may be entrusted to them, including those concerning the matters referred to in the Eleventh Schedule of the Constitution; and
- powers to impose taxes and constitute funds for crediting all moneys of the Panchayats.

Besides, Sections 22, 47, and 73 of the BPR, 2006, describe the nature of powers and duties to be performed by the GPs, PSs, and ZPs, respectively.

### 1.3.2 Powers of the State Government

The BPR, 2006, entrusts the State Government with the following significant powers, to enable it to monitor the proper functioning of the PRIs. A summary of powers and roles of the State Government, with regard to PRIs, is given in **Table 1.2:**

**Table 1.2: Powers of the State Government**

Authority	Powers of the State Government
<b>Section 11</b>	Subject to the general or special orders of the Government, the District Magistrate may, by notification in the District Gazette, declare any local area, comprising a village or a group of contiguous villages or part thereof, to be a Gram Panchayat area, with a population within its territory as nearly as seven thousand.
<b>Section 146</b>	<b>Power to frame rules:</b> The State Government may, by notification in Official Gazette, make rules to carry out functions, as specified in BPR, 2006, subject to approval of the State Legislature.
<b>Sections 150, 152 and 153</b>	<b>Power to make model Regulations, Inquiry, and Inspection:</b> The State Government may make standard rules for the purposes of the BPR, 2006 and has the power to inspect any office or records under the control of the PRIs.
<b>Section 167</b>	<b>District Planning Committee:</b> The State Government shall constitute, in every district, a District Planning Committee, to consolidate plans prepared by the Panchayats and the Municipalities in the district and to prepare a Draft Development Plan for the district as a whole.
<b>Section 168</b>	<b>Finance Commission for Panchayats:</b> The State Government shall constitute, in every five years, a Finance Commission, to review the financial position of PRIs and to make recommendations for devolution of funds and measures to improve the financial position of PRIs.
<b>Sections 27, 55 and 82</b>	<b>Taxation:</b> PRIs may impose taxes on holdings, professions, and levy tolls, fees, and rates, subject to the maximum rates notified by the State Government.
<b>Section 172</b>	<b>Removal of difficulties:</b> If any difficulty arises in giving effect to the provisions of the Act, the State Government, may, by order, do anything necessary to remove the difficulty.
<b>Sections 18(5), 44(4), and 70 (5)</b>	<b>Removal from the post:</b> The State Government may remove the <i>Mukhiya/Up-Mukhiya, Pramukh/Up-Pramukh, and Adhyaksha/Upadhayaksha</i> , from their posts, on the ground of absence from the meeting, lack in performing duties as per BPR, 2006, misusing their powers or being convicted and absconding for more than six months, after allowing them to represent themselves.

(Source: BPR, 2006)

### 1.3.3 Devolution of Functions, Funds, and Functionaries to PRIs

The 73<sup>rd</sup> CAA envisages that all the 29 functions, listed in Eleventh Schedule of the Constitution, along with funds and functionaries would be eventually transferred to the PRIs, through suitable legislation of the State Government.

#### Devolution of Functions

Twenty Departments of GoB transferred (September 2001) their respective functions to PRIs, in terms of the subjects/functions listed in the Eleventh Schedule of the Constitution and prepared a tier-wise activity mapping of these functions/sub-functions. PRIs were entrusted with 621 types of responsibilities, by various departments of the State Government, from time to time. Chief Secretary, Bihar, however, observed that the notifications issued by the Departments, in regard to the devolution of functions and responsibilities to be performed by the three tiers of PRIs, were not clear and practical for adoption by the PRIs and directed (July 2014 and April 2019) the Departments concerned to frame clear operational guidelines for effective devolution of powers to PRIs. However, no progress was observed in this respect as of May 2022. Further, it was observed that functional Departments concerned had continued to receive budgetary allocations for carrying out the functions which had been devolved to PRIs. Thus, the functions devolved to PRIs overlapped with the functions being performed by the related Departments of the State Government. The Sixth State Finance Commission also observed that: (i) only a few functions were being performed by PRIs and (ii) activity mapping of most functions remained on paper and had not been acted upon. As such, the concerned Departments of the State Government had not transferred operational control, in regard to most of the devolved functions, to PRIs.

#### Devolution of Funds

The basic objective of the 73<sup>rd</sup> CAA was to empower Local Bodies (LBs), through functional and financial devolution, to enable them to function as vibrant units of self-government. Accordingly, PRIs were receiving funds in the form of grants/devolution from the Central/State Government, State Plan heads etc., through PRD, to carry out developmental works in rural areas. The total financial resources of PRIs in the State increased from ₹ 6,192.20 crore in FY 2016-17 to ₹ 7,842.40 crore in FY 2020-21. Funds released to PRIs, during the financial years 2016-17 to 2020-21, are as given in **Table 1.3**:

**Table 1.3: Grants to PRIs at different Levels (FY 2016-17 to FY 2020-21)**

(₹ in crore)

Head	GP	PS	ZP
Rajiv Gandhi Panchayat Sashaktikaran Aabhiyan	82.6	0	0
Central Finance Commission Grants	20,163.0	1,003.6	501.8
State Finance Commission Grants	6,803.7	909.4	2,134.1
Mukhya Mantri Saat Nischay Yojana	5,304.5	0	0
Construction of Panchayat Sarkar Bhawan	612.7	0	0
Contingency Grants	132.4	0	0
Payment and allowance to elected members/ functionaries	555.8	123.6	24.1
<b>Total</b>	<b>33,654.7</b>	<b>2,036.6</b>	<b>2,660</b>

(Source: Economic Survey for the financial year 2021-22, GoB)



Further, as per Sections 27, 55, and 82 of BPR, 2006, PRIs were authorised to impose taxes on holdings, professions and levy tolls, fees, and rates, subject to the maximum rates specified by the State Government. The SFCs had also recommended that the State Government was to specify the maximum rates of taxes, to enable PRIs to raise resources on a priority basis. However, GoB did not specify the rates at which the tax/non-tax revenues were to be collected. In the absence of these rates, PRIs had not been able to levy and collect revenues from their own resources (as of August 2021).

On this being pointed out, the Department stated (August 2021) that framing of the Bihar Panchayat (Gram Panchayat, Account, Audit, Budget and Taxation) Rules was under process. Audit, however, observed in this regard, that framing of the aforesaid Rules had been in process for more than 10 years. Thus, due to the apathy of the GoB, PRIs could not raise revenues from their own resources and remained substantially dependent upon government grants, for meeting their establishment expenditure, as also for carrying out their mandated functions.

### ***Devolution of Functionaries***

At the GP level, the Panchayat Secretary was the only full-time government employee, available to facilitate GPs in performing their mandated functions. It was, however, noted that: (i) 6,055 posts (71.92 per cent of the sanctioned strength of 8,419) of Panchayat Secretaries were vacant, as of August 2021 (ii) Block Panchayat Raj Officers (BPROs) had been appointed, in Blocks, to work as Executive Officers of the Panchayat Samities and (iii) the staff of the Blocks were also performing functions relating to the PSs. As of June 2022, 308 BPROs were working in 534 Blocks of the State. The status of sanctioned strength and persons-in-position of ZPs was not available at the Department level.

PRD replied that recruitment process, for filling up the vacant posts of Panchayat Secretaries, through the Bihar Staff Selection Commission (BSSC), was under process. Audit observed, in this regard, that the Department had made (February 2013) a proposal, to the Bihar Staff Selection Commission (BSSC), for filling up 4,751 posts. Further, an examination, for this purpose, had also been held in December 2018. The appointment of Panchayat Secretaries had, however, remained in process, since the last eight years.

Thus, PRIs had not been provided with adequate staff and were constrained to function with deficient manpower. The 6<sup>th</sup> SFC had observed that, although Departments had issued activity mapping orders regarding devolution of functions, they had not transferred the services of functionaries handling these activities (except for limited administrative control over *Aanganwadi* workers, health workers, and teachers) to PRIs.

Thus, the devolution of functions, funds, and functionaries to PRIs, as envisaged in the 73<sup>rd</sup> CAA, was not satisfactory.

## **1.4 Formation of various Committees**

BPR, 2006, provides that PRIs shall constitute various Committees, by election among their members, for effective discharge of their functions.

### 1.4.1 Standing Committees

As per Sections 25, 50, and 77 of BPRA, 2006, PRIs are required to constitute various Standing Committees, for performing assigned functions. The Standing Committees, to be constituted at three-tier PRIs and the functions of these Committees, are given in **Table 1.4**:

**Table 1.4: Standing Committees in PRIs**

Committees	GP	PS	ZP	Functions
General Standing Committee	No	Yes	Yes	General functions, co-ordination of the works of other Committees and all residuary functions not under the charge of other Committees.
Planning, Co-ordination & Finance Committee	Yes	No	No	General functions relating to GPs, co-ordination of the works of other Committees and all residuary functions not under the charge of other Committees.
Finance, Audit & Planning Committee	No	Yes	Yes	Functions relating to finance, audit, and budget & planning.
Production Committee	Yes	Yes	Yes	Functions relating to agriculture; land improvement; minor irrigation & water management; animal husbandry; dairy, poultry & fisheries; forestry-related areas; <i>khadi</i> , village & cottage industries; and poverty alleviation programmes.
Social Justice Committee	Yes	Yes	Yes	Functions relating to educational, social, cultural and economic promotion and protection of SCs, STs and weaker sections, from social injustice and all forms of exploitation besides welfare of child & women.
Education Committee	Yes	Yes	Yes	Functions relating to education, including primary, secondary and mass education, libraries and cultural activities.
Committee on Public Health, Family Welfare & Rural Sanitation	Yes	Yes	Yes	Functions relating to public health, family welfare and rural sanitation.
Public Works Committee	Yes	Yes	Yes	Functions relating to all kinds of construction and maintenance, including rural housing, sources of water supply, roads & other means of communication, rural electrification and related works.

(Source: Sections 25, 50 and 77 of BPRA, 2006)

The Department had no information about how many PRIs had constituted the above mentioned Standing Committees and how many Committees were actually functional. In the test checked PRIs, the Standing Committees were not constituted and the related functions were being performed by the Executive Bodies of the respective PRIs.

## **1.5 Audit Arrangements**

### **1.5.1 Primary Auditor**

The Eleventh Finance Commission (FC) had recommended that CAG should be entrusted with the responsibility of exercising control and supervision over proper maintenance of accounts and audit, for all tiers/levels of Panchayats. The 13<sup>th</sup> and 14<sup>th</sup> FCs had also recommended that CAG must be entrusted with the function of Technical Guidance and Support (TGS) over the audit of all LBs, at every tier/category and his Annual Technical Inspection Report (ATIR), as well as the Annual Report of the Director of Local Fund Audit (DLFA), must be placed before the State Legislature.

Accordingly, the terms and conditions for audit of the accounts of LBs, under the TGS arrangement, as laid in the Regulations on Audit and Accounts, 2007, were accepted by GoB, in December 2015. Subsequently, audit of the accounts of LBs under TGS, by the CAG, commenced from January 2017. Consequently, the Directorate of Local Fund Audit started performing the role of the primary external auditor for audit of the LBs, from January 2017.

The 15<sup>th</sup> FC recommended the timely availability of accounts, both before and after the audit, of local self-governments, online, in the public domain, from the financial year 2021-22, as the entry level condition, for both rural and urban local bodies, to qualify for its recommended grants.

Issues relating to the functioning of DLFA as the primary auditor for LBs in the State have been highlighted in the following paragraphs:

#### **1.5.1.1 Preparation of Annual Audit Plan by DLFA**

As per clause 2 (i) of the Standard Terms & Conditions of TGS, as accepted (December 2015) by the State Government, the DLFA was to prepare, by the end of September every year, an Annual Audit Plan (AAP), for audit of LBs, for the next financial year and forward it to the Accountant General(Audit), Bihar.

DLFA, however, did not prepare Annual Audit Plans for the financial years 2020-21 and 2021-22 and stated (March 2022) that that these AAPs had not been prepared because the Ministry of Panchayati Raj, GoI, had already fixed the targets for online audit (for the accounting years 2019-20 and 2020-21, as being 25 *per cent* and 100 *per cent* of the PRI units, respectively). Further, the target fixed for the accounting year 2019-20, was to be achieved in the year 2020-21 and, similarly, the target fixed for the accounting year 2020-21, was to be achieved during the year 2021-22. In this regard, Audit observed that, against the target of online audit of 2,161 and 8,638 PRI units, for the financial years 2019-20 and 2020-21, 2,136 units (98.84 *per cent*) and 2,807 units (32.5 *per cent*) respectively, had been audited, as of March 2022.

#### **1.5.1.2 Low coverage of Audit and less issuance of Inspection Reports (IRs)**

In the year 2019-20, the target was to cover 2,161 auditee units through online audit and, against this target, 98.84 *per cent* (2,136 units) was achieved by the

DLFA. In the year 2020-21, the target was to cover 8,638 units i.e. 100 per cent of the PRI units in the State. Against this target, however, only 2,807 units were audited, which was 32.5 per cent of the total PRI units.

The target fixed for the accounting year 2019-20, was achieved in the year 2020-21 and, similarly, the target fixed for the accounting year 2020-21, was achieved in the year 2021-22.

The DLFA had conducted audit of the accounts of only 3,362 PRIs, during the financial years 2016-17 to 2020-21. The numbers of units audited by the DLFA, from FY 2016-17 to FY 2020-21, are given in **Table 1.5**:

**Table 1.5: Year-wise units audited by DLFA**

Year	Total PRIs	Units audited by DLFA
2016-19	8,958	983
2019-20	8,644	243
2020-21	8,638	2,136
<b>Total</b>		<b>3,362</b>

(Source: Information furnished by DLFA)

The DLFA replied (March 2022) that the audit coverage was low due to serious manpower constraints.

#### **1.5.1.3 Audit of LBs under TGS arrangement**

As per clause 2 (iii) of the accepted standard terms and conditions of TGS, the Local Fund Auditor was to forward copies of IRs, in regard to selected LBs, to the Accountant General (AG), to obtain necessary advice, for system improvements. The AG was to : (i) review these IRs, with a view to making necessary suggestions for improvement of the existing systems in the Directorate of Local Fund Audit and (ii) monitor the quality of the IRs issued by the DLFA.

Accordingly, DLFA provided (September 2015 and May 2017) 26 IRs, to the office of AG (Audit) and AG (Audit) rendered (October 2016 and August 2017) advice for system improvement. Further, the office of AG (Audit), Bihar sought<sup>5</sup> the IRs of 25 LB<sup>6</sup> units, which had been audited from April 2017 to December 2017. DLFA had, however, not provided these IRs (as of March 2022). In regard to the non-submission of these IRs, DLFA replied (March 2022) that, due to scarcity of basic infrastructure, space and Data Entry Operators, these IRs had not been typed and issued and were, therefore, not submitted to the AG office, for TGS. Due to non-submission of IRs by the DLFA, AG (Audit) was unable to effectively monitor the quality of IRs issued by the DLFA. Consequently, DLFA remained deprived of TGS on IRs.

#### **1.5.1.4 Poor Response to IRs issued by DLFA**

The status of compliance of audit paragraphs, contained in the IRs issued by the DLFA, was not satisfactory, as evident from the significant number (almost 100 per cent) of audit paragraphs that remained outstanding for settlement (as of August 2021), as detailed in **Table 1.6**:

<sup>5</sup> January 2018, July 2018, October 2018 and January 2020

<sup>6</sup> 20 GPs, two PSs, one ZP and two ULBs

**Table 1.6: Outstanding paragraphs in PRIs, for the period from FY 2014-15 to FY 2020-21**

Financial Year	No. of IRs issued	No. of paras in IRs	Amount involved (₹ in lakh)	No. of paras settled	Amount of settlement (₹ in lakh)	No. of Paras outstanding	Money value of paras outstanding (₹ in lakh)
2014-15* to 2020-21	541	3,025	13,339.68	2	0.13	3,023	13,339.55

(Source: Information furnished by DLFA)

\* DLFA had conducted audit of LBs in the financial year 2014-15, on pilot basis.

It is evident from the table above that, out of a total of 3,025 paragraphs, contained in 541 IRs issued by the DLFA, only two paragraphs, involving an amount of ₹ 0.13 lakh only, were settled, while 3,023 paragraphs, involving an amount of ₹133.40 crore, remained pending for settlement (as of March 2022). The large number of outstanding audit paragraphs indicated weak internal control and inaction on the part of the authorities concerned, to ensure compliance of the outstanding audit paragraphs.

#### 1.5.1.5 Submission of Returns

As per clause 2 (iv) of the accepted standard terms and conditions of TGS, the DLFA is to furnish returns, in such format as may be prescribed by the CAG, for obtaining advice and for monitoring purposes. Accordingly, the office of the AG (Audit) prescribed three returns<sup>7</sup> and four registers<sup>8</sup>. However, DLFA did not furnish the required returns and registers.

DLFA replied (March 2022) that: (i) the Register of outstanding IRs/paras and Annual Programme Register was being maintained in soft copy in excel format and (ii) guidance had been sought (February 2020), from AG (Audit), for the maintenance of the remaining registers and returns. The reply furnished by the DLFA was not acceptable, as the letter mentioned in the reply did not relate to seeking guidance and neither the soft copy, nor the hard copy, of the return related to the Register of outstanding IRs/para, was furnished, by the DLFA, to Audit.

#### 1.5.1.6 Training and Capacity building

As per clause 2 (viii) of the accepted standard terms & conditions of TGS, AG (Audit) shall undertake training and capacity building of the local fund audit staff.

In this regard, DLFA replied (March 2022) that three training programmes had been conducted, during September 2014 to February 2020, as detailed in **Table 1.7:**

<sup>7</sup> (i) Quarterly assessment report (ii) Consolidated performance report (A) (iii) Consolidated performance report (B).

<sup>8</sup> (i) Scheme register(ii) Department-wise Budget allocation and Expenditure register(iii) Outstanding IR/Para register and (iv) Annual Programme register

**Table 1.7: Training to the Auditors of DLFA**

Sl. No.	Training conducted during	Days of training	Training imparted by	No. of Auditors attended the training
1.	September 2014	7	IA&AD	40 Sr. Auditors
2.	October 2016	10	BIPARD (Bihar Institute of Public Administration and Rural Development)	41 Auditors
3.	December 2019 and January-February 2020	30		87 Auditors

(Source: Information furnished by the DLFA)

DLFA had further requested (March 2022) AG (Audit) to impart training for one week, to the auditors of the Directorate of Local Fund Audit, on rotation basis. The topics to be covered, number of participants and venue of training, were under finalisation.

#### 1.5.1.7 Inadequate manpower with DLFA

DLFA requires adequate manpower, in order to ensure effective and efficient functioning. The sanctioned strength and persons-in-position, under different cadres of DLFA, as of March 2022, are shown in **Table 1.8**:

**Table 1.8: Sanctioned strength and persons-in-position of DLFA**

Sl. no.	Name of post	Sanctioned strength	MIP	Vacancy
1.	Joint Director	1	0	1
2.	Deputy Director	3	0	3
3.	Assistant Director	8	1	7
4.	Sr. A.O.	26	3	23
5.	Audit Officer	45	15	30
6.	Assistant Audit Officer	50	00	50
7.	Senior Auditor	56	0	56
8.	Auditor	125	50	75
<b>Total</b>		<b>314</b>	<b>69</b>	<b>245</b>

(Source: Information received from DLFA)

DLFA stated (March 2022) that: (i) as per the recommendation of the 15<sup>th</sup> FC, 25 per cent and 100 per cent of PRIs were to be audited, for the financial years 2019-20 and 2020-21, respectively (ii) for achievement of this target, 59 Auditors /Audit Officers had been hired on contractual/deputation basis (iii) the recruitment process of 138 Assistant Audit Officers was under process (iv) posts of 370 Auditors had been sanctioned but the advertisement had not yet been published. As evident from the preceding Table, DLFA had serious manpower constraints and only 128 audit personnel were working against the sanctioned strength of 314. Due to the shortage of manpower, audit coverage of LBs, by the DLFA, was very low.

## 1.6 Response to Audit Observations

### 1.6.1 Response to AG's Inspection Reports on LBs

After completion of audit by the office of AG (Audit), IRs, containing audit findings, were issued to the PRIs concerned, with a copy to the Department



concerned. The DDC-cum-CEOs of the ZPs, the EOs of PSs and the *Mukhiyas* of GPs, were required to respond to the audit observations contained in the IRs and send compliance reports within three months. However, the status of compliance of audit paragraphs was not satisfactory, as evident from the increasing number of outstanding paragraphs. Details of paragraphs outstanding for compliance, for the last five financial years (2016-17 to 2020-21), are given in **Table 1.9:**

**Table 1.9: Audit paragraphs outstanding for the last five financial years (2016-17 to 2020-21)**

Financial Year	No. of IRs	No. of Paragraphs in IRs	Amount involved (₹ in crore)	No. of paragraphs settled	Amount of settlement (₹ in crore)	No. of paragraphs outstanding	The money value of paragraphs outstanding (₹ in crore)
1	2	3	4	5	6	7(3-5)	8(4-6)
2016-17	1,301	10,873	501.369	240	5.824	10,633	495.545
2017-18	1,365	8,476	1,173.853	23	1.301	8,453	1,172.552
2018-19	156	1,069	72.88	0	0	1,069	72.88
2019-20	113	874	222.57	26	22.293	848	200.277
2020-21	14	212	158.13	0	0	212	158.13
<b>Total</b>	<b>2,949</b>	<b>21,504</b>	<b>2,128.802</b>	<b>289</b>	<b>29.418</b>	<b>21,215</b>	<b>2,099.384</b>

(Source: Inspection Reports)

As evident from the Table above, out of the total number of 21,504 paragraphs contained in 2,949 IRs, only 289 paragraphs (1.34 per cent) had been settled, while 21,215 paragraphs, involving an amount of ₹ 2,099.384 crore, had remained outstanding (as of March 2022).

On this being pointed out in audit, the Monitoring Officer, PRD, replied (March 2022) that: (i) letters were written from time to time (May 2019, August 2019, February 2020 and February 2021), to the DMs, for compliance of the paragraphs and taking action against the erring officials (ii) PRD had also instructed (November 2021) all the DDCs-cum-CEOs of the State, to ensure settlement of the outstanding audit paragraphs.

The large number of audit paragraphs remaining outstanding for settlement was indicative of inaction by the PRIs and the Department.

### **1.6.2 Compliance/status of Annual Audit Reports**

The Examiner of Local Accounts (ELA, Bihar, an IA&AS officer, in the rank of Deputy Accountant General), was the sole auditor for conducting audit of the accounts of the Local Bodies in Bihar, before entrustment (December 2015) of the audit of Local Bodies, to the CAG of India, by the Government of Bihar, under the TGS arrangement. Annual Reports of the ELA, on the audit findings of Local Bodies, had been prepared till 2013-14, for submission to the State Government.

Thus, prior to January 2017, the audit of Local Bodies in Bihar, was conducted by the ELA, under the overall control of the Accountant General (Audit). This

audit was conducted (by the ELA) under the Local Fund Audit Act, 1925. Annual Reports, consolidating the audit findings contained in the Inspection Reports, had been prepared for the period 2005-06 to 2013-14 and these reports were titled as ELA's Reports on Local Bodies. Preparation of ELA's Reports was discontinued from 2014-15 onwards.

Thereafter, Audit Reports on Local Bodies, countersigned by the CAG, were prepared for the period 2014-15 and 2015-16. These were separate Audit Reports. This system was discontinued from 2016-17 onwards.

Audit of the accounts of Local Bodies, under the TGS arrangement, commenced under the TGS arrangement, from January 2017 onwards. Consequently, the role of 'primary auditor' was shifted from the CAG of India, to the DLFA, functioning under the Finance Department, (GoB). Thereafter, an Annual Technical Inspection Report (ATIR) for the period 2017-19, was prepared by the Accountant General (Audit), Bihar, Patna, and submitted to the Governor of the State. The report has been placed before the State Legislature (16 December 2022).

**(i) ELA's Annual Report**

Finance Department, GoB, had constituted (March 2010) three-tier Committees – High Level, Departmental Level, and District Level - for review/ compliance of the audit paragraphs contained in the ELA's Annual Audit Reports. The District Level Committee<sup>9</sup> had the responsibility of ensuring compliance of audit paragraphs/ reports received from the PRIs and ULBs of that district. The Department Level Committee<sup>10</sup> was expected to review the compliance of audit paragraphs/reports prepared by the District Level Committees. The High-Level Committee<sup>11</sup> was required to meet once in six months, to review the functioning of the District and Department Level Committees.

The Monitoring Officer, PRD, replied (March 2022) that: (i) meetings of the District Level Committee were held in two districts, in the year 2020 and in six districts, in the year 2021 (ii) the Department Level Committee meetings would be held after receiving the proceedings of the meetings of District Level Committees from all the Districts.

Audit observed that no Departmental Level Committee meetings had been held since July 2015 and no High-Level Committee meetings had been held since August 2013.

Thus, the purpose of constituting three-tier committees was not fulfilled. The ELA's Annual Audit Reports on LBs, for the years ended March 2013 and March 2014, were placed before State Legislature in March 2016.

Thus, the purpose of constituting three-tier Committees was not fulfilled and the audit observations contained in the ELA's Reports were not discussed.

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<sup>9</sup> *Headed by the District Magistrate/ Deputy Development Commissioner*

<sup>10</sup> *Headed by the Principal Secretary/ Secretary of the Panchayati Raj Department, GoB*

<sup>11</sup> *Headed by the Principal Secretary to the Finance Department, GoB, and the Pr. A.G. (Audit), Bihar, as a member*



## **(ii) CAG's Audit Report**

Sections 31(4), 59(4), and 86(4) of the BPR (Amendment) Act, 2011, stipulate that the Annual Report of the CAG of India or an authority authorized by him, shall be laid before both Houses of the State Legislature.

The first CAG Report on LBs in Bihar, for the financial year 2014-15, was laid before the State Legislature on 04 April 2016. Three paragraphs of the report, related to PRD, were discussed in the PAC and, recommendations of the PAC thereon were awaited (as of December 2022). Further, the CAG Report on LBs in Bihar, for the financial year 2015-16, was laid before the State Legislature on 23 August 2017.

### **Accountability Mechanism and the Financial Reporting Issue**

#### **1.7 Accountability Mechanism**

##### **1.7.1 Lok Prahari (Ombudsman)**

As per Section 152(5) of BPR 2006, a *Lok Prahari* (Ombudsman) was to be appointed by the State Government for the Panchayats. The GoB was required to frame the service conditions, duties, and powers etc., for the *Lok Prahari*.

However, the Draft Bihar Local Government Ombudsman Rules, 2011, for appointment of the *Lok Prahari* (Ombudsman) for the Panchayats, had not been finalized (as of March 2022).

##### **1.7.2 Social Audit**

Rule 2(A) of the Bihar Gram Sabha (Co-ordination of meeting & Procedure for conduct) Rules, 2012, provides for Social Audit of all the development work executed in the village by the Gram Sabha. Further, Para 2.1.7 of the 5<sup>th</sup> SFC recommends that accountability through Social Audits should be pursued, to make the PRIs institutions of 'smart' self-governments.

The basic objective of Social Audit is to ensure public accountability in the implementation of social projects, laws, and policies.

GoB had created (June 2015) various posts, on contractual basis, for functioning of the Social Audit Society (SAS) and constituted the SAS in April 2017. The SAS was assigned social audit of MGNREGS in PRIs and various other schemes, such as the *Pradhan Mantri Aawaas Yojana*, *Lohiya Swachh Bihar Abhiyan*, Public Distribution System, *NirNirmal* Project, and National Social Assistance Programme (implemented by Blocks and Districts). However, apart from the audit of MGNREGS, no Social Audits had been conducted for the Schemes implemented by the PRD, GoB (as of March 2022). PRD, GoB, did not, however, approach SAS, for conducting the audit of other schemes. Reasons for the same were not pointed out by the Department.

##### **1.7.3 Submission of Utilisation Certificates**

As per GoB instructions, read with provisions contained in Section 342 of the Bihar Financial Rules (BFR), the time limit for submission of Utilisation

Certificates (UCs), for grants sanctioned for specific purposes, is 18 months from the date of allotment of the grants.

Audit observed that PRD had released grants amounting to ₹ 42,940.69 crore, under different scheme heads, to PRIs, during the financial years 2007-08 to 2020-21, but PRIs had submitted UCs for an amount of ₹17,917.69 crore (42 per cent) only (as of March 2022), as depicted in **Table 1.10**:

**Table 1.10: Submission of UCs by PRIs for funds allotted till FY 2019-20**

(₹ in crore)

Sl. No.	Head	Financial Year/(s) of release of grant	Total Allotment Upto March 2021	UCs submitted till March 2022	UCs yet to be submitted
1.	BRGF	2007-08 to 2014-15	3,973.98	3,808.05	165.93
2.	13 <sup>th</sup> FC	2010-11 to 2015-16	4,978.56	4,752.11	226.45
3.	14 <sup>th</sup> FC	2015-16 to 2019-20	18,927.67	5,480.36	13,447.31
4.	4 <sup>th</sup> SFC	2011-12 to 2014-15	2,118.61	1,841.13	277.48
5.	5 <sup>th</sup> SFC	2016-17 to 2019-20	8,749.87	1,738.40	7,011.47
6.	MMNY, PeyJal	from 2016-17	2,432.00	146.05	2,285.95
7.	MMNY Nali-Gali	from 2016-17	1,760.00	151.59	1608.41
<b>Total</b>			<b>42,940.69</b>	<b>17,917.69</b>	

(Source: Information furnished by PRD, GoB)

PRD stated (March 2022) that: (i) the amounts released by PRD, under various heads, had been utilized by 1,31,382 units, including 1,14,000 Wards (ii) funds under the *Mukhyamantri Nishchay Yojana* were transferred in the bank accounts of 1,14,000 Ward Implementation Management Committees (at the ward level) of Gram Panchayats (iii) the district level office has to submit UCs to the Department after receiving audited accounts of the expenditure incurred by all units (iv) submission of UCs got delayed, as the works had been carried out at different levels.

#### **1.7.4 Internal Audit and Internal Control System of PRIs**

As per the recommendation of the 5<sup>th</sup> SFC for sustainable improvements, qualified Accountants were to be appointed regularly, apart from contracting CAs as internal Auditors, as an interim measure. Further, the Finance Department, GoB, in the light of 14<sup>th</sup> FC recommendations, made it mandatory (February 2016) for LBs to submit the expenditure accounts and internal audit report, along with UCs of the previous year's grants, for release of the 2<sup>nd</sup> and subsequent instalments. This necessitated the setting up of an internal audit mechanism in the Department.

As per the PRD instructions (May 2020), District Level Committees, under the Chairmanship of the concerned District Magistrates, were authorised for the selection of CA firms eligible for the audit of the accounts of the PRIs and *Gram Kachahari*.

The status of audit of PRIs and *Gram Kachahari*, conducted by CA firms, during FY 2016-17 to FY 2020-21, is given in **Table 1.11**:

**Table 1.11: Status of Internal Audit by Chartered Accountants**

Financial Year	Total no. of GPs	No. of GPs audited	Total no. of Gram Kachaharies	No. of Gram Kachaharies audited	Total no. of PSs	No. of PSs audited	Total no. of ZPs	No. of ZPs audited
2016-17	8,391	8,302	8,391	8,138	534	512	38	38
2017-18	8,391	8,164	8,391	8,132	534	509	38	38
2018-19	8,387	8,290	8,387	7,622	534	500	38	37
2019-20	8,387	4,409	8,387	3,885	534	233	38	16
2020-21	8,387	1,365	8,387	1,278	534	42	38	4

(Source: Information furnished by the Department)

The Department instructed (January 2020) all District Magistrates to complete audit of the accounts of the PRIs and *Gram Kachaharies* up to the financial year 2018-19, by January 2020. However, audit for the financial years 2017-18 and 2018-19 had not been completed (as of February 2022), as evident from the Table above. The Department replied (23 November 2022) that the coverage of audit, by CAs, was low, due to the Covid-19 pandemic.

The Monitoring Officer of PRD stated (March 2022) that directions had been issued (November 2021) to take stern action in cases of non-cooperation in audit work or negligence in performance of duties and to intimate the same to the Department.

Further, a State Level Audit and Financial Management Consultant was to be appointed for: (i) reviewing the work of the CAs (ii) supervision (iii) compilation of reports received from the district, at the State level (iv) compliance of objections and (v) other audit-related work, at the Department level. However, the Department had not appointed any Consultant for this work (as of February 2022). Accordingly, review of the work of the CA, supervision, compilation of reports received from the district at the State level, compliance of objections and other audit-related work, could not be ensured.

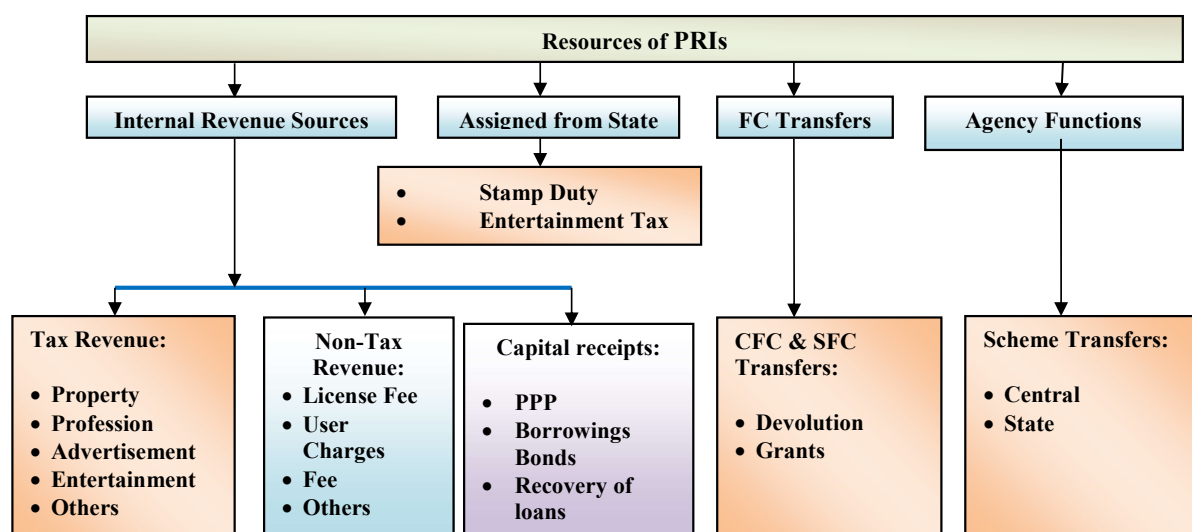
## 1.8 Financial Reporting Issues

### 1.8.1 Sources of Funds

The resource base of PRIs comprises of: (i) their 'own revenue', generated by way of collection of tax and non-tax revenues (ii) devolution of funds, in terms of the recommendations of the State and Central Finance Commissions (iii) Central and State Government grants for maintenance and other development purposes, including grants for provision of basic services and (iv) other receipts.

As per Sections 27, 55, and 82 of BPR, 2006, PRIs were authorised to impose taxes on holdings, professions and levy tolls, fees, and rates, subject to a maximum rate, as notified by the State Government. A flow chart of the sources of finances of PRIs, is depicted in **Chart 1.1**:

Chart 1.1: Sources of Finances



(Source: Provisions in the BPR, 2006 and the 5<sup>th</sup> State Finance Commission Report)

Out of the three-levels of PRIs, only the ZPs had their own sources of non-tax revenue, viz. rent of shops/Inspection Bungalows, leasing of ponds/ bus-stand, etc., while PRIs did not levy taxes and fees, as the State Government had not yet (March 2022) notified the maximum rates of taxes, tolls, and fees etc.

#### 1.8.1.1 State Budget allocation vis-à-vis expenditure

The budget provisions of the State Government for PRD, including the State share towards GoI schemes and grants received under recommendations by the Central Finance Commissions (CFCs), for the financial years 2016-17 to 2020-21, is given in **Table 1.12**:

**Table 1.12: Budget allocation vis-à-vis expenditure**

(₹ in crore)							
Particulars	Head	2016-17	2017-18	2018-19	2019-20	2020-21	Total
1	2	3	4	5	6	7	8 (3 to 7)
1. Budgetary Allocation	Revenue	7,386.33	9,148.71	10,245.17	13,376.35	12,597.84	52,754.40
	Capital	0.00	0.01	1.00	250	480.00	731.01
	<b>Total</b>	<b>7,386.33</b>	<b>9,148.72</b>	<b>10,246.17</b>	<b>13,626.35</b>	<b>13,077.84</b>	<b>53,485.41</b>
2. Expenditure	Revenue	6,466.66	8,540.95	8,408.50	8,689.62	8,236.01	40,341.74
	Capital	0.00	0.00	0.00	45.12	166.40	211.52
	<b>Total</b>	<b>6,466.66</b>	<b>8,540.95</b>	<b>8,408.50</b>	<b>8,734.74</b>	<b>8,402.41</b>	<b>40,553.26</b>
3. Savings (1-2)		919.67	607.77	1,837.67	4,891.61	4,675.43	12,932.15
4. Percentage of savings		12	7	18	36	36	

(Source: Appropriation Accounts, GoB, for the financial years 2016-17 to 2020-21)

It is evident from **Table 1.12** that PRD could not fully utilise its budgetary allocation and the percentage of savings ranged between seven *per cent* and thirty-six *per cent* during the financial years 2016-17 to 2020-21. Further, the total expenditure under the Capital head was only 29 *per cent* of the total allocation under the head. Non/low utilisation of funds allocated under the ‘Capital head’

resulted in non-creation of assets like *Panchayat Sarkar Bhawan*, Resource Centres etc., which were to be used as GP offices and resource centres. This adversely affected the PRIs in discharging their devolved functions, such as issue of certificates, permits and licenses, as well as for use as a central point for functions, like holding of *Gram Sabhas*, providing information to public, delivery of various types of services, imparting training to large number of public representatives, officials etc.

### 1.8.2 Recommendations of the State Finance Commission

In terms of Article 243-I of the Constitution of India and as per the provisions contained in Section 168 of the BPR, 2006, GoB had constituted State Finance Commissions<sup>12</sup>, from time to time, with the mandate of assessing the financial status of LBs in the State and to determine the principles based on which adequate financial resources would be ensured to these LBs. The 6<sup>th</sup> SFC first submitted an interim report in January 2020, covering the financial year 2020-21 and then submitted its final report, for the period covered by the financial years 2021-22 to 2024-25, in April 2021. The interim report recommended that, for the financial year 2020-21, funds may continue to be transferred to the LBs as per the recommendations of the 5<sup>th</sup> SFC.

The 6<sup>th</sup> SFC recommended that, during the financial years 2021-22 to 2024-25, ₹29,876 crore<sup>13</sup> may be devolved to LBs, with the share of PRIs being ₹19,419 crore and the financial year-wise allocation being as given in **Table 1.13**:

**Table 1.13: Grants and devolution recommended for release to PRIs**

(₹ in crore)

Particulars	Projected				
	2021-22	2022-23	2023-24	2024-25	2021-25
<b>Total SFC transfer to LBs</b>	6,008	7,014	7,883	8,971	29,876
<b>Transfer to PRIs</b>	3,905	4,559	5,124	5,831	19,419

(Source: Report of 6<sup>th</sup> SFC)

The State Government had decided (August 2021) to implement the important recommendations of 6<sup>th</sup> SFC, for the period covered by the financial years 2021-22 to 2024-25, in the following manner:

- The amounts of devolution would be 10 *per cent* of the State's Own Tax Revenue (SOTR).
- The amounts of grants would be 2.5 *per cent* of the actual expenditure of the State for previous financial year. Out of the total amounts of grants, 50 *per cent* would be released directly to LBs and the remaining 50 *per cent* would be released to the functional Departments of the State Government, with the aim of executing schemes for development of LBs.

<sup>12</sup> First SFC: April 1994, Second SFC: June 1999, Third SFC: July 2004, Fourth SFC: June 2007, Fifth SFC: December 2013 and Sixth SFC: February 2019

<sup>13</sup> Devolution: ₹11,713 crore and Grants: ₹18,163 crore

- Funds under devolution and grants would be allocated to PRIs and ULBs in the ratio of 65:35, respectively.
- The *inter se* distribution of funds, among ZPs, PSs and GPs, would be in the ratio of 15:15:70, respectively.
- The grants and devolution would be transferred to PRIs under the following three heads (i) Development Fund (30 *per cent*) (ii) Maintenance Fund (20 *per cent*) and (iii) General Fund (50 *per cent*).
- The horizontal distribution of funds, under the 6<sup>th</sup> SFC, to LBs, would be based on population and area, in the weightage of 90 *per cent* and 10 *per cent*, respectively.

Audit observed that, for the financial year 2020-21, while the State Government had released ₹130 crore to LBs, for payment of remuneration to Executive Assistants of GPs, no funds had been released, under the 6<sup>th</sup> SFC head, for implementation of schemes, for this period.

### 1.8.3 Recommendations of the 15<sup>th</sup> Finance Commission

Articles 280(3)(bb) and 280(3)(c) of the Constitution of India mandate the Finance Commission (FC) to recommend measures to augment the Consolidated Fund of a State, to supplement the resources of Panchayats and Municipalities.

The President of India had constituted (27 November 2017) the 15<sup>th</sup> FC, under Article 280 of the Constitution, to make recommendations for a period of five years, commencing 01 April 2020. The Commission submitted its report in two parts: (i) an interim report, covering the financial year 2020-21, in November 2019 and (ii) the main report, covering the financial years 2021-22 to 2025-26, in October 2020. Vide its interim report, the Commission recommended that 50 *per cent* of the grants to rural local bodies may be untied, while the remaining 50 *per cent* (i.e. grants for sanitation and water supply) may be tied.

For rural local bodies, no conditions were prescribed for release of grants in FY 2020-21. However, from FY 2021-22 onwards, the entry level condition, for rural local bodies receiving these grants, would be the timely submission of audited accounts. Details of the grants received from GoI and released to PRIs during FYs 2020-21 and 2021-22 (up to 11 March 2022), are given in **Table 1.14:**

**Table 1.14: Details of grants received from GoI and released to units**

(Amount in ₹)

Financial Year	Receipt from GoI				Grant released to units			
	Tied Grant		Untied Grant		Tied Grant		Untied Grant	
	Date	Amount	Date	Amount	Date	Amount	Date	Amount
2020-21	15.07.20	1,254.50	17.06.20	1,254.50	16.07.20	1,254.50	18.06.20	1,254.50
	26.03.21	1,254.50	27.01.21	1,254.50	27.03.20	1,254.50	30.01.21	1,254.50
2021-22	27.08.21	1,112.70	10.05.21	741.80	06.09.21	1,112.70	18.05.21	741.80
	11.03.22	1,112.70	23.12.21	741.80	15.03.22	1,112.70	28.12.21	741.80
<b>Total</b>		<b>4,734.40</b>		<b>3,992.60</b>		<b>4,734.40</b>		<b>3,992.60</b>

(Source: Information furnished by PRD, GoB)



#### **1.8.4 Maintenance of Accounts by PRIs**

##### **1.8.4.1 Maintenance of Accounts by PRIs/Model Accounting System**

GoI, in consultation with the CAG, prescribed (2009) the Model Accounting System (MAS) for the maintenance of accounts of PRIs. Consequently, PRD notified (July 2010) that the account of PRIs would be maintained in the MAS format, from April 2010 onwards. The MAS contained eight formats and data was to be entered in PRIASoft (an accounting software developed by MoPR).

The Department decided (August 2018) to implement e-Panchayat in PRIs<sup>14</sup>, based on the Panchayat Enterprises Suit (PES) application, containing 10 application softwares for different purposes, developed by MoPR, with PRIASoft being one of these Applications. E-Panchayat was, however, not implemented and MoPR launched e-GramSwaraj (April 2020), in which e-Panchayat was merged. E-GramSwaraj is a single platform, which intends to incorporate the entire gamut of the planning and accounting needs of Panchayats. However, in Bihar, online accounting was implemented in regard to only the 15<sup>th</sup> FC grants.

However, scrutiny of records of six PRIs<sup>15</sup> revealed that they were not maintaining their accounts in the MAS format. These PRI units stated that: (i) due to lack of training in regard to maintenance of accounts in the MAS format, they had not been able to prepare their accounts in the proper format and (ii) in future, accounts would be prepared in the MAS format.

##### **1.8.4.2 Capacity Building & Training to elected representatives and functionaries of PRIs**

With the primary aim of strengthening PRIs, GoI launched the *Rashtriya Gram Swaraj Abhiyan* (RGSA), for implementation from April 2018 to March 2022. MoPR brought out (September 2014) a detailed National Capability Building Framework (NCBF), which lays down a comprehensive framework for the capacity building of PRIs and provides flexible guidelines for training infrastructure, resource persons, logistics of implementation, monitoring & evaluation etc.

States were required to develop their annual plans, following a process of needs assessment, after extensive consultation with elected representatives, panchayat functionaries and other stakeholders.

The 3rd meeting of the Central Empowered Committee (CEC) of the RGSA was held in February 2019, wherein the CEC considered Bihar State Annual Action Plan and approved 5,32,283 units<sup>16</sup> of training for the financial year

<sup>14</sup> The MoPR has undertaken the e-Panchayat Mission Mode Project (MMP), with a view to introducing and strengthening e-Governance in Panchayati Raj Institutions (PRIs) across the country and building associated capacities of the PRIs, for effective adoption of the e-Governance initiative. The Panchayat Enterprise Suite (PES), which comprises 11 Core Common applications, has been conceptualised under this project.

<sup>15</sup> ZPs (Arwal, Buxar), PSs (Athmalgola, Belaganj, Bihta, Tekari)

<sup>16</sup> The term 'units' indicates the training courses to be imparted to the concerned stakeholders, working at various levels of PRIs.

2019-20, with the training duration ranging from one to seven days. Further, for the year 2020-21, it was planned to impart training to 55,930 functionaries and public representatives during the period 17 June 2020 to 20 February 2021.

However, against the approved target of 5,32,283 units, PRD imparted training, at the State and District levels, to only 30,223 units (5.68 *per cent*), incurring expenditure of ₹ 6.35 crore. Thus, PRD failed to organize sufficient numbers of training programmes for the elected representatives and functionaries of PRIs. PRD did not furnish a reply in regard to the reasons for not achieving its set target of trainings, although Audit had sought for the same.

#### **1.8.4.3 Inadequate institutional arrangement**

- **State Panchayat Resource Centre (SPRC)**

The GoB had decided to construct SPRC at State level to improve the development and management capacity of the PRIs to bring transparency and to ensure public participation in the activities of panchayats. The MoPR, GoI, had approved (2013-14) ₹one crore, for establishment of one SPRC, for conducting training and building strong institutional capability in terms of infrastructure, provision of training equipment and tools, as well as faculty, resource pools etc. Out of ₹one crore, ₹10.00 lakh was released as a token amount, during FY 2013-14 and the balance fund of ₹90.00 lakh was approved for FY 2014-15. It was, however, seen that PRD had not utilized ₹10.00 lakh even up to August 2021 and the entire amount was lying unspent in the bank account of the Department.

PRD replied (March 2022) that the fund had remained unutilised as the work on design of the SPRC building was under process. It was further stated that identification of land for the SPRC building was also under process. A delay and dispute observed in selection of the site of construction had been acting as a bottleneck. The work had not been commenced till the end of November 2022.

- **Construction of District Panchayat Resource Centres (DPRC)**

Under the RGSA Scheme, funds were provided to construct DPRCs for strengthening institutions for capacity enhancement of PRIs at various levels, in order to enable them to achieve adequate quality standards in infrastructure, facilities, human resources, and outcome-based training. Under this Scheme, the existing DPRCs were to be strengthened or new centres were to be established. These centres were expected to be focal points for the conduct and coordination of training, research and analysis, documentation, communication and were expected to develop training networks with academic and research institutions.

PRD, in the light of 5<sup>th</sup> SFC recommendations, released ₹ 194.05 crore to ZPs of the State, for construction of DPRCs during September 2018 and February 2019. The estimated cost for the DPRCs, was ₹ 5.1479 crore per unit for 24 districts and ₹ four crore per unit, for the remaining 14 districts. Thus, the total estimated cost, for all DPRCs of the State, was ₹ 179.55 crore. The ZPs were to execute the construction of the DPRCs, through an e-tender process. Three



floors (ground floor, 1<sup>st</sup> floor and 2<sup>nd</sup> floor) were to be constructed. However, as of March 2022, in 29 districts, construction work had not commenced; in three districts, construction of the first and second floors had been completed; and, in the remaining six districts, construction work was at the beginning stages.

On this being pointed out in audit, the Department replied (March 2022) that, due to Panchayat elections, COVID-19 and delay in identification of land for construction of DPRCs, these DPRCs could not be established in time.

- **Construction of Panchayat Sarkar Bhawans**

GoB had decided to construct a *Panchayat Sarkar Bhawan* (PSB) in every Panchayat of the State, with the intention that each PSB would function as the office of the concerned GP, for discharging assigned functions, such as issue of certificates, permits and licenses, as well as for use as a central point for functions like holding of *Gram Sabhas*, providing information etc.

During FYs 2012-13 to 2018-19, GoB had sanctioned construction of 3,200 PSBs, to be executed by three different implementing agencies<sup>17</sup>, i.e. the PRD, *Bihar Gram Swaraj Yojana Society* (BGSYS) and GPs. Thereafter, 244 PSBs were sanctioned for construction. GoB plans to eventually construct 8,058 PSBs in the State. Against the sanctioned target of 3,444 PSBs, however, only 1,488 PSBs were constructed and, out of these, 1,399 had been made functional (till 23 November 2022).

PRD replied (March 2022) that a proposal for construction of PSBs has been prepared out of 6<sup>th</sup> SFC funds, through convergence from 15<sup>th</sup> FC, 6<sup>th</sup> SFC, RGSA and MGNREGS funds, in the remaining GPs.

### **1.8.5 Issues related to AC/DC Bills**

#### **1.8.5.1 Issues related to AC/DC Bills**

Rule 177 of the Bihar Treasury Code (BTC), 2011, provides that the Drawing and Disbursing Officer is to furnish a certificate to the effect that: (i) money withdrawn on the contingent bills would be spent within the same financial year and (ii) the unspent amount would be remitted to the Treasury, before 31 March of the year. Further, as per Rule 194 of the BTC, 2011: (i) countersigned Detailed Contingent (DC) bills are to be submitted to the AG (A&E), within six months following the month in which the related Abstract Contingent (AC) bills were drawn and (ii) no AC bills are to be encashed after the end of this period of six months, unless the corresponding DC bills have been submitted.

<sup>17</sup> The *Bihar Gram Swaraj Yojana Society* (BGSYS), a society under the PRD; *Local Area Engineering Organisation* (LAEO); and GPs, were the implementing agencies for construction of PSBs. Accordingly, the PSBs were being constructed by these three designated agencies. BGSYS had undertaken the construction of PSBs from funds received from the World Bank, while LAEO had also been engaged, by the PRD, for construction of PSBs. GPs were also executing construction works.

As of July 2022, DC bills, in regard to an amount of ₹ 97.18 crore<sup>18</sup>, withdrawn through AC bills, during the financial years 2002-03 to 2021-22 (up to 30 September 2021), were pending for adjustment. Of these, the maximum amounts (DC bills amounting to ₹ 22.65 crore) were pending from the East Champaran and West Champaran districts of the State.

Thus, PRD failed to ensure utilisation of entire amounts drawn through AC bills, as well as timely submission of DC bills.

#### **1.8.6 Impact of Audit**

The ZP, Saran, accepted a bid amount of ₹ 1.74 crore, for allotment of shops/halls, proposed to be constructed on the land owned by the ZP, under the self-financing scheme. As per the agreement executed between the bidder and the ZP, the entire bid amount was to be deposited by the successful bidder, before allotment of the shop/hall by the ZP. The bidder, however, deposited only ₹ 9 lakh (including Security Deposit of ₹ 4 lakh), against the bid amount of ₹ 1.74 crore, within the stipulated time of 10 days. The ZP, in violation of the agreement, allotted the shops/halls to the bidder.

On this being pointed out in audit, ₹ 69 lakh was deposited by the allottee and ₹ 96 lakh was still to be recovered from the allottee.

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<sup>18</sup> *The total amount drawn by the PRIs, through AC Bills, was ₹1,292.19 crore. Against these AC Bills, the State Government had submitted DC Bills of ₹1,195.01 crore, to the AG (A&E), for adjustment. DC bills against the remaining AC Bills, amounting to ₹97.18 crore, were pending for adjustment, as of July 2022.*