



CHAPTER – II
COMPLIANCE AUDIT



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PANCHAYATI RAJ DEPARTMENT

2.1 Fraudulent payment

Gram Panchayat, Budhua, failed to monitor the execution of works to be financed out of Finance Commissions grants and paid ₹ 12.50 lakh to the executing agent for works which were not carried out.

Section 244 of the Bihar Public Works Department Code, provides that the Measurement Book (MB) shall be considered as the most important record, since it is the basis of all accounts of quantities, whether of work done by the daily labour or by the piece or by contract or of materials received, which have to be counted or measured. The competent authority (not below the rank of a Sub-divisional Officer (SDO)) is required to ensure that the payments made are not more than the quantity of work actually executed. Further, Section 17 (1) of the Bihar Panchayat Raj Act (BPRA), stipulates that the *Mukhiya* of the Gram Panchayat (GP) is responsible for financial and executive administration of the GP and is to exercise administrative control and supervision over the work of the employees and officers of the GP, as well as employees whose services may be placed at the disposal of the GP by any other authority. Further, according to the Bihar Panchayat (Inspection of Offices and Inquiry into Affairs, Supervision, and guidelines) Rules (BPR) 2014, the Block and District levels authorities¹⁵ were responsible for inspection of GP offices at prescribed intervals¹⁶.

Audit scrutiny (July 2022) of records of the GP, Budhua under the Panchayat Samiti, Akbarpur (Nawada), for the financial years 2016-17 to 2021-22 (updated as on March 2023), revealed that the GP had undertaken (February 2020 to July 2020) works relating to construction of drain¹⁷, from 5th State Finance Commission grants and construction of a PCC Road¹⁸, from 14th Central Finance Commission grants, at total estimated cost of ₹ 15.93¹⁹ lakh. The GP nominated (April & May 2019) the then Panchayat Secretary of the GP, as the executing agent, for execution of both the aforesaid works, with

¹⁵ Block Panchayati Raj Officer(BPRO), Block Development Officer(BDO), Sub-divisional Officer (SDO)/District Panchayat Raj Officer (DPRO)/Divisional Deputy Director (Panchayat), Deputy Development Commissioner(DDC), District Magistrate(DM), and Divisional Commissioner

¹⁶ At least one GP each month by BDO, at least two GPs in each month by BPRO, at least two GPs in three months by SDO and DPRO, at least two GPs in every six months by Divisional Deputy Director (Panchayat) and the DDC, at least two GPs in a year by DM and, as per convenience, by the Divisional Commissioner.

¹⁷ Scheme number 01/19-20 (5th State Finance Commission Grants) Construction of drain and cover from the residence of Rajesh Thakur to the residence of Ravindra Yadav in Telbhadro.

¹⁸ Scheme number 02/19-20 (14th Central Finance Commission Grants) Construction of PCC road from residence of Pintu Yadav to the residence of Sunil Yadav in Telbhadro.

¹⁹ The estimated cost of Scheme no. 1/2019-20 was ₹ 5.95 lakh and the estimated cost of Scheme no. 2/2019-20 was ₹ 9.98 lakh. Thus, the estimated cost of the two works was ₹ 5.95 lakh + ₹ 9.98 lakh = ₹ 15.93 lakh.

the direction that these works be completed within one year from the date of issuance of the work order²⁰ (May and April 2019, respectively).

Against the value of work of ₹ 13.05 lakh²¹, booked in the Measurement Book (MB) by the Junior Engineer (JE), the executing agent was made payment of ₹ 12.50 lakh²², during May to July 2020. However, in joint physical verification, conducted by Audit (July 2022) along with the Technical Assistant and the present Panchayat Secretary of the GP, it was observed that, works had not been executed by the executing agent.

The amount had been paid to the executing agent by the *Mukhiya* (the Panchayat Secretary was the joint signatory for withdrawing amounts from GP funds), on the basis of the measurements in the MB, as booked by the Junior Engineer (JE) and countersigned by the Executive Engineer, DRDA, Nawada. The *Mukhiya* of the GP did not monitor the actual execution of works and paid ₹ 12.50 lakh to the then Panchayat Secretary, without verifying the work at site. Besides, contrary to the provisions of BPR, 2014, there was no evidence of inspection by the Block and District level authorities.

On this being pointed in audit (March 2023), the present Panchayat Secretary replied that explanation would be called for from the then Panchayat Secretary, who had retired from service.

Payment, without actual execution of the works, was rendered possible, as the authorities, viz. the *Mukhiya* and Block level officers, responsible for monitoring and inspection of the execution of work, did not monitor the work, the JE made false entries of the works in the MB and the Executive Engineer countersigned the MB, resulting in fraudulent payment of ₹ 12.50 lakh from the GP Fund.

The matter had been reported to the State Government, no reply had been received (as on October 2023).

²⁰ *The date of issuance of work order for Scheme no. 01/19-20 was 1/5/2019, whereas the date for 02/2019-20 was 1/4/2019.*

²¹ *The value of work done (as per MB) in Scheme no. 1/2019-20 was ₹ 5.95 lakh and the value of work done in Scheme no. 2/2019-20 was ₹ 7.10 lakh. Thus the value of work done, as per the measurement recorded in MB, was ₹ 5.95 lakh + ₹ 7.10 lakh = ₹ 13.05 lakh.*

²² *Payment made for Scheme no. 1/2019-20 was ₹ 5.50 lakh and payment made for Scheme no. 2/2019-20 was ₹ 7.00 lakh. Thus, total payment made was ₹ 5.50 lakh + ₹ 7.00 lakh = ₹ 12.50 lakh.*