



**Annual Technical Inspection Report
on
Local Bodies**

For the year ended 31 March 2021



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest



Government of Bihar

Office of the Accountant General (Audit), Bihar

Annual Technical Inspection Report
on
Local Bodies
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Government of Bihar

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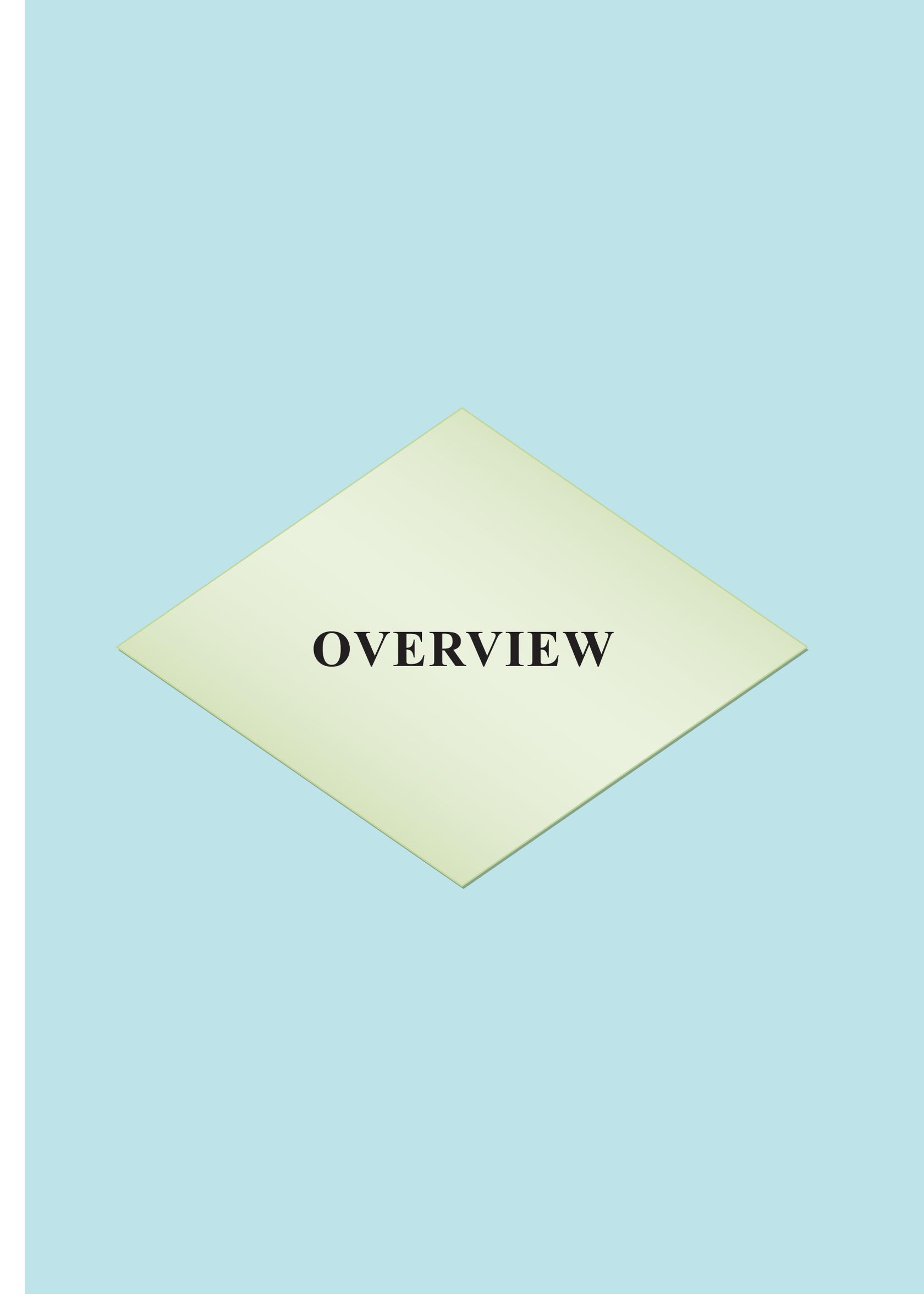
PREFACE

This Report, for the year ended March 2021, has been prepared for submission to the Government of Bihar, in terms of Technical Guidance and Support to audit of PRIs and ULBs, under Section 20(I) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

The Report contains significant results of the audit of the Panchayati Raj Institutions and Urban Local Bodies in the State, including the departments concerned.

The issues noticed in the course of test-audit, for the period April 2020 to March 2021, as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports, have also been included, wherever necessary.

The audit has been conducted in conformity with the auditing standards issued by the Comptroller and Auditor General of India.



OVERVIEW

OVERVIEW

This Report contains four chapters. The first and the third chapters contain an overview of the functioning, accountability mechanism and financial reporting issues of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs), respectively. The second and the fourth chapters contain observations arising out of compliance audits of PRIs and ULBs, respectively. A summary of the significant audit findings is presented in this overview.

1. An overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayati Raj Institutions

Devolution of functions, funds and functionaries

Twenty Departments of the Government of Bihar (GoB) transferred their respective functions (September 2001) to PRIs, in the light of subjects/ functions enlisted in the Eleventh Schedule of the Constitution and prepared tier-wise activity mapping of functions/ sub-functions. In this regard, Chief Secretary, Bihar, observed that the notifications issued by the Departments, regarding the devolution of functions and responsibilities to be performed by the three tiers of PRIs, were not clear and practical for adoption by PRIs and directed (July 2014 and April 2019) the Departments to frame clear operational guidelines for effective devolution of powers to PRIs. No progress was, however, observed in this regard.

PRIs were not able to levy and collect revenues from their own resources till August 2021, as GoB did not specify the rates at which the tax/non-tax revenues were to be collected, despite recommendation of the State Finance Commissions and relevant provisions in the BPR, 2006.

PRIs in the State did not have adequate staff to discharge the devolved functions. At the GP level, 6,055 posts (71.92 per cent of the sanctioned strength 8,419) of Panchayat Secretary were vacant, whereas, as of June 2022, 308 BPROs were working in 534 Blocks of the State.

(Paragraph 1.3.3)

Audit arrangements

The 13th Finance Commission had recommended that the Comptroller and Auditor General (CAG) of India be entrusted with the Technical Guidance and Support (TGS) over the audit of all the Local Bodies (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), be placed before the State Legislature. GoB accepted the terms and conditions for audit of the accounts of LBs, under the TGS arrangement, in December 2015. Thereafter, audit of LBs, by CAG, under the TGS system, commenced from January 2017. Since then, the DLFA has been functioning as the primary External Auditor for audit of the LBs.

DLFA conducted audit of the accounts of only 3,362 PRIs, out of 8,638 PRIs, during FYs 2016-17 to 2020-21. Against the target of online audit of 2,161

and 8,638 PRIs, for the financial years 2019-20 and 2020-21 respectively, 2,136 units (98.84 per cent) and 2,807 units (32.5 per cent), respectively, had been audited, as of March 2022. As of March 2022, only 69 audit personnel (22 per cent) were working under the DLFA, against the sanctioned strength of 314 posts.

(Paragraph 1.5)

Accountability Mechanism and Financial Reporting

The accountability mechanism and financial reporting were deficient, as the Draft Bihar Local Government Ombudsman Rules, 2011, for the appointment of *Lok Prahari* (Ombudsman) for Panchayats, had not been finalized till February 2022. Social audit of schemes in PRIs, other than the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), had not been conducted till March 2022.

(Paragraph 1.7.1 & 1.7.2)

Utilisation of funds

Audit observed that the Panchayati Raj Department had released grants of ₹42,940.69 crore to PRIs during FYs 2007-08 to 2020-21, under different scheme heads, but PRIs had submitted UCs for only ₹17,917.69 crore (42 per cent), till March 2022.

(Paragraph 1.7.3)

Internal Audit and Internal Control System of PRIs

The Panchayati Raj 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. Further, the Department had failed (as of February 2022) to appoint a State Level Audit and Financial Management Consultant, for: (i) reviewing the work of the CA firms (ii) supervising and compiling reports received from the districts, at the State level (iii) ensuring compliance of objections and (iv) other audit-related work, at the Department level.

(Paragraph 1.7.4)

Capacity Building & Training to elected representatives and functionaries of PRIs

As of February 2022, against the approved target of 5,32,283 units, PRD, Bihar, had imparted training at the State and District levels, to only 30,223 units (5.68 per cent), during the financial year 2019-20.

(Paragraph 1.8.4.2)

Issues related to Abstract Contingent (AC)/ Detailed Contingent (DC) Bills

As of July 2022, DC bills, amounting to ₹97.18 crore, withdrawn through AC bills, during the financial years 2002-2003 to 2021-2022 (up to 30 September 2021), remained pending for adjustment.

(Paragraph 1.8.5.1)

2. Compliance Audit- Panchayati Raj Institutions

Failure of Zila Parishad, Begusarai, to lease out newly constructed commercial buildings, shops, marriage halls and godowns, to generate income from own sources, led to loss of revenue, to the tune of ₹ 2.40 crore.

(Paragraph 2.1)

Non-adherence to codal provisions, regarding grant and adjustment of advances, in regard to construction of a road, by Gram Panchayat, Patna, led to misappropriation of government money, amounting to ₹ 7.33 lakh.

(Paragraph 2.2)

Zila Parishad (ZP), Saran, extended undue favour to a bidder, by allotting it shops/halls, constructed on its land, despite the bidder not having followed the terms and conditions of allotment. Further, after allotment, the bidder did not deposit ₹ 96 lakh out of the tendered amount.

(Paragraph 2.3)

Two Panchayat Samitis and two Gram Panchayats failed to assess the actual physical status of works executed departmentally, under Finance Commission grants and the Mahatma Gandhi National Rural Employment Guarantee Scheme, before making payment to the executing agents, resulting in irregular payment of ₹ 10.03 lakh.

(Paragraph 2.4)

Failure of the Zila Parishads to realise rents of Inspection Bungalows, from officers of the State Government who were occupying the bungalows for residential or official use, resulted in loss of revenue, amounting to ₹ 73.49 lakh.

(Paragraph 2.5)

Failure of Zila Parishad, Supaul, to adhere to financial rules regarding payment and adjustment of advances and its lack of monitoring over the execution of development works, resulted in misappropriation of government money, amounting to ₹ 71.95 lakh, in addition to infructuous expenditure of ₹ 82.44 lakh on incomplete works.

(Paragraph 2.6)

3. An overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

Devolution of functions, funds and functionaries

Only 13 out of the 18 functions specified in the 12th Schedule were being performed by ULBs, while the remaining five functions/activities were still being performed by concerned departments of the GoB. The functions of ULBs overlapped with those of the functional departments of the GoB and, even after a lapse of more than 28 years of the 74th CAA having entered into force, ULBs were not able to carry out their entire mandated functions.

The Central/ State Government had provided funds to ULBs under different heads such as Central Finance Commission, State Finance Commission, and State Plan etc., to carry out their mandated functions. The dependence of ULBs on government grants, to meet their establishment expenditure, was increasing.

ULBs in the State did not have adequate staff for discharging the devolved functions. As of April 2022, 2,982 posts had been sanctioned for ULBs, out of which, only 526 posts had been filled up and 2,456 posts (82 *per cent* of the total posts) were vacant.

(Paragraph 3.3.2)

Formation of various Committees

Municipal Accounts Committees, Subject Committees and Wards Committees, were not constituted in the Municipalities of the State.

(Paragraph 3.4)

Audit arrangements

In pursuance of the recommendations of the Central Finance Commissions, the State Government had notified (June 2015) the establishment of its Directorate of Local Fund Audit, headed by the Chief Controller of Accounts-cum-Director Local Fund Audit (DLFA), under the Finance Department of GoB, to conduct audit of LBs, which has been functioning since 11 June 2015. GoB had accepted (December 2015) the terms and conditions for audit of the accounts of LBs, under the Technical Guidance and Support (TGS) arrangement, as laid down in the Regulations on Audit and Accounts, 2007. Subsequently, audit of the accounts of LBs, by the CAG of India, under the TGS arrangement, commenced from January 2017. Since then, the DLFA had been functioning as the primary external auditor.

Although there were 142 ULBs in the State, the DLFA had conducted audit of the accounts of only 113 ULBs, during FYs 2016-17 to 2020-21.

(Paragraph 3.5)

Poor response to IRs issued by AG (Audit)

Out of a total of 4,829 audit paragraphs, contained in 179 IRs, only 935 paragraphs (19 *per cent*) had been settled, while 3,894 paragraphs, involving an amount of ₹ 8,669.35 crore, remained outstanding till March 2022.

(Paragraph 3.6.1)

Accountability mechanism and status of financial reporting

The Accountability mechanism and status of financial reporting were not adequate, as no *Lok Prahari* (Ombudsman) had been appointed; no Social Audit of the schemes implemented by ULBs had been conducted; and no Property Tax Board, for optimizing the collection of Property Tax, had been constituted.

(Paragraph 3.7.1, 3.7.2 & 3.7.3)

Utilisation Certificates

UD&HD had sanctioned grants of ₹ 10,952.92 crore, during FYs 2016-17 to 2020-21, but UCs of ₹ 4,984.78 crore (46 *per cent*) remained pending for adjustment, as of March 2022.

(Paragraph 3.7.5)

4. Compliance Audit- Urban Local Bodies

Failure of the Patna Municipal Corporation (PMC) to realise fines for non-assessment of holdings, by the owners of the holdings, under self-assessment scheme, resulted in loss of revenue, amounting to ₹ 0.60 crore.

(Paragraph 4.1)

Failure of the Patna Municipal Corporation (PMC) to realise user charges for providing door to door services for collection of garbage, resulted in loss of revenue, amounting to at least ₹ 8.92 crore.

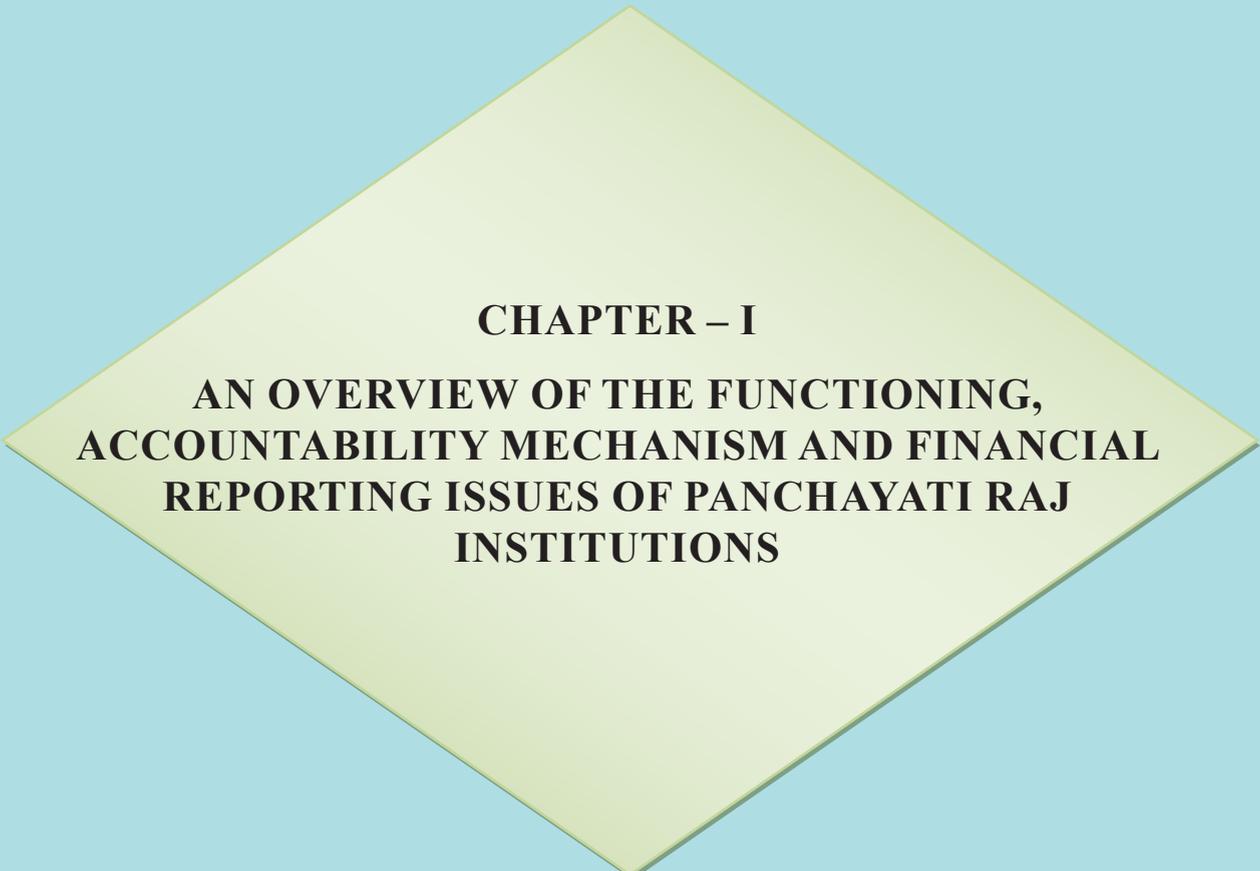
(Paragraph 4.2)

Patna Municipal Corporation failed to keep watch over the payment of consultancy charges made to the Project Management Unit (PMU), for facilitating the implementation of *Rajiv Awas Yojana*, resulting in: (i) excess payment of ₹ 46.19 lakh and (ii) irregular payment of service tax, amounting to ₹ 12.32 lakh, to the PMU.

(Paragraph 4.3)



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 (73rd 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 Sabha¹ at the GP level and Ward Sabha² at the Ward level were made.

As of March 2022, there were 8,638 PRIs³, having 2,47,684 elected representatives⁴ (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**:

¹ *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.*

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

³ 38 ZPs, 533 PSs and 8,067 GPs

⁴ *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
Section 11	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.
Section 146	Power to frame rules: 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.
Sections 150, 152 and 153	Power to make model Regulations, Inquiry, and Inspection: 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.
Section 167	District Planning Committee: 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.
Section 168	Finance Commission for Panchayats: 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.
Sections 27, 55 and 82	Taxation: PRIs may impose taxes on holdings, professions, and levy tolls, fees, and rates, subject to the maximum rates notified by the State Government.
Section 172	Removal of difficulties: 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.
Sections 18(5), 44(4), and 70 (5)	Removal from the post: The State Government may remove the <i>Mukhiya/Up-Mukhiya, Pramukh/Up-Pramukh, and Adhyaksha/Upadhyaksha</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 73rd 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 73rd 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
Total	33,654.7	2,036.6	2,660

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

Further, as per Sections 27, 55, and 82 of BPRA, 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 6th 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 73rd CAA, was not satisfactory.

1.4 Formation of various Committees

BPRA, 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 13th and 14th 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 15th 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
Total		3,362

(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 sought⁵ the IRs of 25 LB⁶ 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**:

⁵ January 2018, July 2018, October 2018 and January 2020

⁶ 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 returns⁷ and four registers⁸. 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:**

⁷ (i) Quarterly assessment report (ii) Consolidated performance report (A) (iii) Consolidated performance report (B).

⁸ (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
Total		314	69	245

(Source: Information received from DLFA)

DLFA stated (March 2022) that: (i) as per the recommendation of the 15th 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
Total	2,949	21,504	2,128.802	289	29.418	21,215	2,099.384

(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 Committee⁹ had the responsibility of ensuring compliance of audit paragraphs/ reports received from the PRIs and ULBs of that district. The Department Level Committee¹⁰ was expected to review the compliance of audit paragraphs/reports prepared by the District Level Committees. The High-Level Committee¹¹ 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.

⁹ *Headed by the District Magistrate/ Deputy Development Commissioner*

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

¹¹ *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 5th 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 th FC	2010-11 to 2015-16	4,978.56	4,752.11	226.45
3.	14 th FC	2015-16 to 2019-20	18,927.67	5,480.36	13,447.31
4.	4 th SFC	2011-12 to 2014-15	2,118.61	1,841.13	277.48
5.	5 th 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
Total			42,940.69	17,917.69	

(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 5th 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 14th 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 2nd 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.

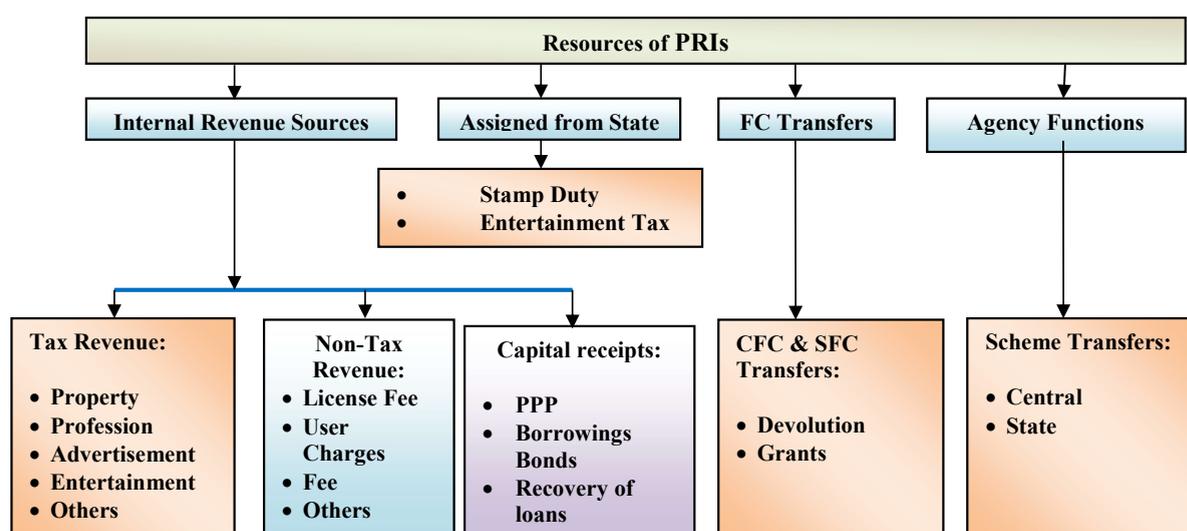
1.8 Financial Reporting Issues

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 5th 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
	Total	7,386.33	9,148.72	10,246.17	13,626.35	13,077.84	53,485.41
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
	Total	6,466.66	8,540.95	8,408.50	8,734.74	8,402.41	40,553.26
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 Commissions¹², 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 6th 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 5th SFC.

The 6th SFC recommended that, during the financial years 2021-22 to 2024-25, ₹29,876 crore¹³ 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
Total SFC transfer to LBs	6,008	7,014	7,883	8,971	29,876
Transfer to PRIs	3,905	4,559	5,124	5,831	19,419

(Source: Report of 6th SFC)

The State Government had decided (August 2021) to implement the important recommendations of 6th 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.

¹² 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

¹³ 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 6th 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 6th SFC head, for implementation of schemes, for this period.

1.8.3 Recommendations of the 15th 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 15th 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
Total		4,734.40		3,992.60		4,734.40		3,992.60

(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 PRIs¹⁴, 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 15th FC grants.

However, scrutiny of records of six PRIs¹⁵ 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 units¹⁶ of training for the financial year

¹⁴ 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.

¹⁵ ZPs (Arwal, Buxar), PSs (Athmalgola, Belaganj, Bihta, Tekari)

¹⁶ 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 5th 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, 1st floor and 2nd 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 agencies¹⁷, 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 6th SFC funds, through convergence from 15th FC, 6th 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.

¹⁷ 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 crore¹⁸, 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.

¹⁸ *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.*



CHAPTER – II
COMPLIANCE AUDIT

Chapter – II Compliance Audit

Panchayati Raj Department

2.1 Loss of revenue

Failure of Zila Parishad, Begusarai, to lease out newly constructed commercial buildings, shops, marriage halls and godowns, to generate income from own sources, led to loss of revenue, amounting to ₹ 2.40 crore.

Rule 106 of the Bihar Panchayat Samiti & Zila Parishad (Budget & Accounts) Rules, 1964, stipulates maintenance of a separate register, showing details of all sources from which the periodic revenue of the Zila Parishad (ZP) is obtained. Further, a survey of all assets of the ZP, that are to be leased out in the next year, is required to be conducted, three months before the end of the financial year and the fixed demand of such assets is to be entered in the Demand Register.

Scrutiny (October 2021) of records of ZP, Begusarai, showed that the ZP Board, in its meeting, decided (August 2016) to construct commercial complexes, shops, office buildings, godowns and residential flats, on the land of the ZP, to augment its own sources of revenue, by leasing out these revenue generating assets. In view of the above decisions, the ZP executed 27 schemes¹⁹ departmentally²⁰ and created 24 out of 27 assets (construction of three assets, viz. one godown and two shops was in progress, as of September 2021), between November 2017 and April 2019, by incurring expenditure of ₹10.08 crore, from the funds available under the 5th State Finance Commission grant and its own funds.

Audit observed that, although construction of the aforesaid revenue generating assets had been completed during the period from November 2017 to April 2019, the ZP had not started the process of allotment/ leasing out of these assets (as of October 2021). Further, it had not maintained a Demand Register, for exercising watch over the demand and collection of revenue, on account of leasing out these assets. As a result, these newly constructed assets were not put to productive use, for 29 to 46 months from their completion (as of September 2021) and the purpose for which they were constructed remained unfulfilled, even after incurring expenditure of ₹ 10.08 crore on their construction. Further, the ZP remained deprived of revenue of ₹2.40 crore²¹ (*Appendix 2.1*), that would have accrued in the form of rental income, from these 24 assets.

On this being pointed out in audit, the District Engineer (DE) of the ZP replied (October 2021) that bids for allotment/ leasing out of the assets could not be

¹⁹ Godowns: 6, Shops: 14, Meeting halls: 4, Commercial Complexes: 2 and Hall: 1

²⁰ 'Work to be done departmentally' implies that the execution of work would be carried out by the department/unit itself, by appointing one of its staff as the executing agent. The contractor's profit is to be excluded from the estimate of work in such cases.

²¹ The ZP fixed a rent of ₹ 10 per square feet, for all the newly constructed assets. The loss of revenue has been worked out on this basis, in audit.

invited due to COVID-19, Assembly Elections-2020 and Panchayat Elections-2021. The Dy. Development Commissioner-cum-Chief Executive Officer of the ZP also stated that the process for allotment could not be done due to COVID-19 pandemic. He further stated (28 October 2022) that public notice for settlement of these assets had been issued on 6 September 2022 and the process of settlement would be concluded soon. In regard to the issue of non-maintenance of the Demand Register, the DE replied that demand register would be maintained, in future.

The reasons put forward by the authorities are not acceptable, as:(i) construction of these revenue generating assets had been completed during November 2017 to April 2019, while the restrictions on account of the COVID-19 pandemic had been put in place from March 2020 (ii) the Assembly Elections in the State were conducted in October-November 2020 and the Panchayat Elections were conducted between September 2021 and December 2021. As such, the ZP had ample time for carrying out the process of allotment/settlement of revenue generating assets, before the spread of COVID-19 and Assembly and Panchayat elections in the State. The assets were lying idle till 26 October 2022, as the process for allotment/leasing out of these assets was in progress.

Thus, the ZP authorities failed to put the newly constructed revenue generating assets to productive use, leasing them out, to loss of ZP revenue, amounting to ₹ 2.40 crore²².

The matter was reported to Government (December 2021) and reminder was also sent (February 2022 & October 2022) for compliance and updated status of the para; reply is awaited.

2.2 Misappropriation of government money

Non-adherence to codal provisions, regarding grant and adjustment of advances, in regard to construction of a road, by Gram Panchayat, Patna, led to misappropriation of government money, amounting to ₹ 7.33 lakh.

Rule 14 of the Bihar Gram Panchayat Accounts Rules, 1949, stipulates that:(i) in case of any work to be done by the Panchayat or a member of the executive committee, an advance may be sanctioned out of the Panchayat fund (ii) the advance holder is to render the adjustment accounts within three months from the date of payment of the advance and(iii)the second advance is not to be granted, unless accounts of the first advance have been submitted. Further, Rule 15 of the Gram Panchayat Accounts Rules, 1949, stipulates that the *Mukhiya* of the Gram Panchayat (GP) is to review the status of advances quarterly and ensure that advances are not pending for long periods. Rule 90 of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, stipulates that the amount of unspent advance, is to be refunded immediately. The Bihar Panchayat (Inspection of Officers and Enquiry into Affairs, Supervision, and Guidance) Rules, 2014, provides that:(i) the *Mukhiya* is responsible for the financial and

²² Revenue loss was determined by taking the per square feet rent to be ₹ 10. This rate was approved by the ZP Board.

executive administration of the GP (ii) the authorities²³ at the Block and District levels are responsible for inspection of GP offices at prescribed intervals²⁴ and (iii) cases of irregularities noticed in the accounts of the GP are to be reported to the higher authorities and the Panchayati Raj Department.

Scrutiny of records (July & August 2021) of GP, Patna under Panchayat Samiti Kalyanpur (East Champaran), showed that, the *Gram Sabha* had approved (October 2017) work²⁵ relating to construction of a PCC road, at an estimated cost of ₹ 10 lakh, under the 5th State Finance Commission Fund. The GP had nominated the then Panchayat Secretary of the GP, as the executing agency for this work and issued (May 2018) the work order, with the direction that the work be completed within six months. For execution of the work, the agency had been paid advances of ₹ 7,32,500, in four instalments, within a period of 18 days, as given in **Table 2.1**.

Table 2.1: Advances paid to the executing agency

Sl. No.	Date of payment of advances	Amount of advances paid (in ₹)
1.	15.05.2018	7,500
2.	28.05.2018	3,25,000
3.	01.06.2018	3,30,000
4.	02.06.2018	70,000
Total		7,32,500

(Source: Records provided by Gram Panchayats)

Despite Audit having requisitioned (July 2021) records²⁶ relating to construction of the road, for vouchsafing the expenditure incurred on the work, the agency did not make any records available to Audit. The present Panchayat Secretary intimated Audit (July 2021) that the then Panchayat Secretary had been transferred (August 2018) to another Block and had died later. Thereafter, in the presence of present Panchayat Secretary of the GP, the Audit conducted (August 2021) a joint physical verification of the site of work and it was observed that the work had not been commenced at all. The present Panchayat Secretary stated that this matter had not been in his knowledge at the time of his taking over charge and the matter had come to his notice when Audit conducted joint physical verification of the work site. The Panchayat Secretary further stated (August 2021) that the work could not be started due to land dispute at the site, but did not explain why the matter had not been brought before the Gram Sabha.

²³ Block Panchayat 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

²⁴ At least one GP each month by the BDO, at least two GPs in each month by the BPRO, at least two GPs in three months by the SDO and DPRO, at least two GPs in every six months by the Divisional Deputy Director (Panchayat) and the DDC, at least two GPs in a year by the DM and, as per convenience, by the Divisional Commissioner.

²⁵ Construction of PCC road from the road passing through the bituminous road in Gawandari village in Ward No. 14 to the house of Shri Satlal Prasad.

²⁶ Measurement Book, Muster Roll, Vouchers etc.

The advances had been drawn from the GP fund under the joint signature of the *Mukhiya* and the Panchayat Secretary of the GP and had been paid to the executing agency in four instalments, on recommendation of the *Mukhiya*. Further, the *Mukhiya* had recorded (June 2018) in the scheme file that : (i) he had inspected the worksite (ii) the work was in progress and being executed satisfactorily and (iii) hence, the amounts were being released. This statement, later proved to be false, as evidenced during the joint physical verification, clearly indicating a nexus between the *Mukhiya* and the executing agency, in regard to withdrawal of the GP funds, in four instalments.

Thus, government funds amounting to ₹ 7.33 lakh, remained out of the GP funds and were under retention by the executing agency (as of July 2021). Further, the BPRO and the BDO of the Block, as well as the district level authorities, did not inspect the GP office, to monitor the progress of execution of works. The present Panchayat Secretary stated (July 2021) that action would be taken after investigation of the issue. Reply of the BDO of the Panchayat Samiti is awaited, despite reminder being issued on December 2021.

Retention of government money, amounting to ₹ 7.33 lakh, by the executing agency for more than three years, amounted to its misappropriation. Further, payments of second and subsequent advances, for the same purpose, without ensuring the adjustment of previous advances violated the Bihar PS and ZP (Budget and Accounts) Rules. In addition, the objective of the work, i.e. the provision of rural road connectivity, remained unfulfilled.

The matter was reported to Government (September 2021) and a reminder was issued on 13 October 2022; reply is awaited.

2.3 Undue favour to an individual through irregular allotment of shops/halls

Zila Parishad (ZP), Saran, extended undue favour to a bidder, by allotting it shops/halls, constructed on its land, despite the bidder not having followed the terms and conditions of allotment. Further, after allotment, the bidder did not deposit ₹ 96 lakh out of the tendered amount.

Section 80(1) of the Bihar Panchayat Raj Act 2006, provides that the Zila Parishad (ZP) shall have the power to acquire, hold and dispose of property and to enter into contracts with regard to its property. Further, Rule 132(5) of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, provides that no work shall be started unless sufficient funds are available for that particular work during the year.

Scrutiny of records (December 2020 and status updated time to time) of ZP, Saran, showed that the District Engineer of the ZP had published (February 2016) an advertisement, for allotment of proposed shops/halls, on a vacant land near Harijan Hostel, owned by the ZP. The estimated cost of the shops/halls, to be constructed in a four-storey building (including the ground floor) was ₹ 1.49 crore. In addition, the allottee had to pay a development charge of ₹ 20.79 lakh. As per the ZP's approved map, construction of the proposed

shops/halls was to be done departmentally, through a self-financing scheme, and the successful bidder was required to deposit the tendered amount, through bank draft, to the Deputy Development Commissioner-cum-Chief Executive Officer (DDC-cum-CEO) of ZP, Saran, within 10 days from the date of issue of notice regarding allotment, failing which his claim was not to be considered and his security deposit was to be forfeited. Further, the allotment letter was to be issued only after deposit of bank draft of the tendered amount in one lump. After receiving the allotment letter, the allottee had to enter into an agreement with the ZP for 15 years, with an option for renewal.

The bidder who quoted the highest rate of ₹ 1.74 crore (including development charge) was declared as the successful bidder for all four floors, based on the rates quoted by all bidders. The District Engineer, ZP, directed (February 2017) the successful bidder to deposit the tendered amount *minus* the security deposit of ₹ 4.00 lakh (which had been deposited on 24 February 2016), so that the agreement could be executed. However, the allottee deposited (5 July 2016) only ₹ 5.00 lakh, against the tendered amount of ₹ 1.74 crore, with ₹ 1.65 crore remaining undeposited (even as of July 2021). Even though the allottee had not deposited the full tendered amount, the District Engineer (DE) of the ZP executed (18 March 2017) an agreement with him, for 30 years (as against the period of 15 years, stipulated in the terms and conditions for allotment), with effect from 02 January 2017, without assigning any reasons in this regard.

Further, scrutiny showed that the construction of shop/halls had been completed (04 April 2018) departmentally, through the Junior Engineer (JE) of the ZP. On the issue of the construction having been completed despite non-receipt of the requisite amount from the bidder, being raised in audit, the DE of the ZP replied (23 July 2021) that building materials had been procured on credit from the local market, by the JE of the ZP. However, the purchase of building materials on credit, as stated, could not be established in audit, as no credit invoices were found attached in the scheme file. As per the Measurement Book, the shops/halls had been constructed at a total cost of ₹1.15 crore, against which the JE had been paid an advance of only ₹6 lakh, from the ZP fund.

Further, as per the terms and conditions of the bid, in case of failure of the successful bidder to deposit the full tendered amount, the allotment was to be cancelled, the security deposit was to be forfeited and allotment was to be made to the next highest bidder. However, ZP, Saran, did not cancel the allotment, despite non-deposit of tendered amount of ₹ 1.65 crore, by the successful bidder, having, instead, handed over (1 January 2020) the hall/shops to the allottee. Further, in violation of the terms and conditions for allotment of shops/hall, the shops were being utilised by the allottee as a residential hotel (Hotel Mayur). Further, as of 18 November 2022, the allottee had paid a total rent of ₹ 8.54 lakh for the period January 2020 to June 2021 and ₹ 7.59 lakh was outstanding for the period July 2021 to October 2022.

On this being pointed out by Audit, the ZP realised an amount of ₹ 69.00 lakh (₹ 47.00 lakh in August 2021 and ₹ 22.00 lakh in February 2022), from the allottee, with ₹ 96.00 lakh remaining unrealised (as of 18 November 2022).

Thus, despite the allottee having repeatedly violated the terms and conditions for allotment, the ZP extended it undue favour, by failing to take action against the allottee and, instead, allotting it the constructed shops/hall.

The matter was reported (June 2022) to the Government and reminder was issued on 13 October 2022; reply is awaited.

2.4 Irregular/fraudulent payment

Two Panchayat Samitis and two Gram Panchayats failed to assess the actual physical status of works executed departmentally, under Finance Commissions grants and the Mahatma Gandhi National Rural Employment Guarantee Scheme, before making payment to the executing agents, resulting in irregular payment of ₹10.03 lakh.

Section 244 of the Bihar Public Work Department Code provides that the Measurement Book (MB) must be looked upon as the most important record, since it is the basis of all accounts of quantities, whether of work done by 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 Sub-divisional Officer) is required to ensure that not less than the quantity of work paid for has actually been done.

During the financial years 2017-18 to 2020-21, Panchayati Raj Institutions (PRIs) had received grants from the State Finance Commission (SFC), Central Finance Commission (CFC) and under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) etc., for execution of various development works, viz. Plantation, construction of roads and drains, providing basic services etc.

Scrutiny of records (March 2022 and April 2022), viz. scheme files, MBs, vouchers etc., of two Panchayat Samitis (PSs)²⁷ and Gram Panchayats (GPs)²⁸ thereunder, as also joint physical verification of the executed works, revealed instances of payment having been made to the executing agents without execution of the works; less quantity of work done, in comparison to the payments made; payments made for works which had already been executed etc., as discussed below:

- **Payments made without work being executed:** In PS, Athmalgola, 11 hand pumps, with an estimated cost of ₹ 1.17 lakh, were to be installed for plantation work, during FY 2020-21, under MGNREGS. From scrutiny of the scheme records, it was observed that installation of hand pumps was shown as having been completed, with entries for ₹ 1.17 lakh, having been made in the MB was made and payments to the executing agent (*Panchayat Rozgar Sewak*) having been made accordingly. However, joint physical verification of the aforesaid works showed that, the hand pumps had not been installed. The Programme Officer, MGNREGS, accepted the audit observation and stated (March 2022) that the hand pumps would be installed in future.

²⁷ Athmalgola and Barh (District: Patna)

²⁸ Bahadurpur and Bhatgaon

- **Work not executed, despite payment of advance:** In GP, Bhatgaon, under PS, Barh, an advance payment of ₹ 2 lakh was made (November 2020) to the then Panchayat Secretary (executing agent), for earth filling and construction of drain, under scheme No. 4/ 2019-20 (14th FC). However, during joint physical verification (April 2022), it was found that the work had not been executed, even after a lapse of more than one year and five months of withdrawal of advance and, accordingly, the amount of advance was recoverable from the Panchayat Secretary. The present Panchayat Secretary replied that appropriate action would be taken, after enquiry into the matter.
- **Fraudulent payment to executing agent for the work already executed:** In GP, Bahadurpur, under PS, Athmalgola, scheme No. 1/ 2017-18²⁹, with an estimated cost of ₹ 4.70 lakh, had been executed under 5th SFC and ₹ 4.08 lakh had been paid (September 2017 to November 2017) to the Panchayat Secretary (executing agent). Further, scrutiny of the Scheme Register and Bank Passbook, relating to 5th SFC funds, showed that the aforesaid work had again been undertaken as Scheme No. 1/2020-21, at an estimated cost of ₹ 7.70 lakh and an advance payment of ₹ 4.88 lakh had been made (April to June 2020), to the executing agent, for execution of the already executed work. It was further observed in audit that the executing agent, in both instances, was the same person (Panchayat Secretary). Thus, work already executed had been again undertaken and an irregular advance of ₹ 4.88 lakh paid to the executing agent, indicating that this was a case of fraudulent withdrawal from the GP fund, which was recoverable from the executing agent. The present Panchayat Secretary replied that appropriate action would be taken, after enquiry of the matter.
- **Less quantity of work executed, in comparison to payment made for the works:**
 - In PS, Athmalgola, construction of PCC road was to be executed, under 5th SFC (Scheme No. 2/2018-19) and 2,359 c.ft. work was recorded in the MB, as having been executed. Payment was made to the executing agent (Block Agriculture Officer), based on the aforesaid entries. However, in joint physical verification (March 2022), only 1,739.66 c.ft work was found to have been executed at the site. Thus, 619.34 c.ft (17.54 cubic meters) PCC work was shown in excess, in the MB, with irregular payment of ₹ 0.77 lakh³⁰ having been made to the executing agent. BDO, Athmalgola, did not furnish a specific reply in this regard.
 - In PS, Barh, work related to earth filling and brick soling, was executed under the 5th SFC (Scheme No. 20/2018-19), with the MB showing that 4,000 sq.ft of work had been executed and payment of ₹ 5.36 lakh having, accordingly, been made to the executing agent.

²⁹ Brick soling and construction of PCC road from the house of Ashok Thakur to Mahesh Tanti, Ganesh Thakur, Dashrath Ram in different streets of under Ward no. 9.

³⁰ 17.54 cubic meters @ ₹ 4,386.85 (composite rate of pcc road per cubic meter) = ₹76,945

In the joint physical verification, however, only 2,710 sq.ft work was found as having been completed at the site. Thus, irregular payment for 1,290 sq.ft (119.84 sq.m.) works, amounting to ₹ 0.33 lakh³¹, was made to the executing agent (Village Level Worker). Further, in Scheme No. 6/2020-21, executed under the 15th FC (Laying of hume pipe), hume pipe of 894 feet length was booked in the MB, while, in joint physical verification, only 597 feet of hume pipe work was found to have been executed at the site. Thus, irregular payment of ₹ 0.88 lakh³² was made to the executing agent (Panchayat Secretary), for laying of 297 feet hume pipe.

Thus, measurement of the actual work, executed by the executing agents concerned, at the site, was not done and exaggerated entries were made in the MB. The Block Panchayat Raj Officer, Block Development Officer and Programme Officer (in case of MGNREGS), failed to monitor the implementation of work and the Junior Engineers, who were responsible for the entries in the MB, were responsible for excess/fake measurement of work, which led to irregular and fraudulent payment of ₹ 10.03 lakh, to the executing agents.

The matter was reported (June 2022) to the Government and reminder was issued on 13 October 2022; reply is awaited.

2.5 Deprivation of revenue due to realisation of rents at old rates

Failure of the Zila Parishads to realise rents of Inspection Bungalows, from the officers of the State Government who were occupying the bungalows for residential or official use, resulted in loss of revenue, amounting to ₹ 73.49 lakh.

The Panchayati Raj Department (PRD), Government of Bihar (GoB), had issued (July 2013) a direction to all the District Magistrates (DMs) and Deputy Development Commissioner-cum-Chief Executive Officers (DDC-cum-CEOs) of the Zila Parishads (ZPs), to assess, determine and realise the rents of ZP Inspection Bungalows (IBs) at the market rates, to increase the financial resources of ZPs for enabling them to carry out their mandated functions. PRD further directed that, after assessing the demand of rent of each IB, as per the prevailing market rates, the demand was to be submitted to the officers who occupied the IBs for residential or official use, with a copy to their controlling Departments, for payment of rent arrears, under intimation to the PRD. In case of non-acceptance of demand by the residing officers and their controlling Departments, to pay rents as per market rates, within three months of submission such demand, ZPs were to take action to get the IBs vacated from such occupants.

Scrutiny of the records of three ZPs³³ showed that IBs of these ZPs were being occupied by the officers of GoB, as their residence/office. However, two ZPs

³¹ 119.84 square meters @ ₹ 277.50 (composite rate of brick soling per square meter)
= ₹ 33,256

³² 297 running feet @ ₹ 297.24 (composite rate of pipe laying work per running feet)
= ₹ 88,280

³³ Banka, Begusarai and Supaul

(Begusarai and Supaul) had not revised rents, in terms of the market rates. ZP, Supaul and ZP, Begusarai had fixed the rents in the year 1992 and in November 2000, respectively and these rates were effective till May 2022. ZP, Banka, had, however, revised the rate of rents of IBs, in terms of the market rates, in November 2019 i.e. after a lapse of more than six years of the direction issued by the PRD in this regard. Further, the occupants were not paying rent in a timely manner and ₹ 73.49 lakh had remained outstanding (as of May 2022). Details of the outstanding rent is as given in **Table 2.2**:

Table 2.2: Loss of revenue due to non-realisation of rents on IBs

(Amount in ₹)

Sl. No.	Name of ZP	Name of the Tenant	Period of tenancy	Rent fixed by ZP (per month)	Rent to be realised	Rent realised	Outstanding rent
1	2	3	4	5	6	7	8 (6-7)
1.	Supaul	Superintendent of Police (SP), Supaul	April 1992 to May 2022 (362 months)	2,500 (Rate fixed by ZP)	9,05,000	8,97,500	7,500
2.	Banka	SP, Banka	January 2020 to May 2022 (29 months)	2,32,600 (Rate fixed by SDO)	67,45,400	00	67,45,400
3.	Begusarai	Sub-Divisional Officer (SDO), Teghra	May 1992 to November 2000 (103 months)	2,000 (Rate fixed by ZP)	2,06,000	10,000	1,96,000
			December 2000 to May 2022 (258 months)	2,200 (Rate fixed by SDO)	5,67,600	1,67,815	3,99,785
Total					84,24,000	10,75,315	73,48,685

(Source: Rent register and Cash Book of ZPs)

- ZP, Supaul, came into existence in March 1991 after being separated from ZP, Saharsha. The IB under ZP, Supaul (at district headquarters), was occupied by the SP, for use as residence, from April 1992 to May 2022. The rent of the IB (prior to 1992) had been fixed at ₹ 2,500 per month and ZP, Supaul, had not revised it (as of May 2022). The ZP wrote a letter (August 2017) to SDO, Supaul, after four years of receipt of the direction from the PRD, to fix the rent of the IB, as per market rates. However, the SDO had not fixed the rent as per market rates (as of May 2022). Consequently, the ZP failed to: (i) realise the rent of the IB, as per the market rates (ii) submit a copy of demand of rent, at the revised rate, to the Department of the occupant and (iii) intimate to the PRD, to realise the rent at the market rates. The direction for fixing the new rates of rent, as per the market rates, was issued in the year 2013. The new rent should, accordingly, have been effective from the year 2013. Non-realisation of rent at the market rates indicates a significant amount of loss.
- ZP, Banka, came into existence in year 2001, after being separated from ZP, Bhagalpur. Since then, the IB (at district headquarters) of ZP, Banka, was being occupied/used by the SP as his residence and the rent of the IB (₹ 2,000 per month), which had been fixed by ZP, Bhagalpur,

prior to the year 2001, continued till December 2019. Later, on request (June 2017) of the ZP, the SDO, Banka, fixed (November 2019) the rent of the IB at ₹ 2.33 lakh per month, effective from January 2020. Accordingly, the ZP submitted its demand of ₹ 67.45 lakh, for the period from January 2020 to May 2022, to the SP. The occupant, however, did not deposit the rent. Further, the ZP did not place its demand for rent to the controlling Department of the occupant and the rent remained unrealised till May 2022.

- In ZP, Begusarai, the IB at Teghra was occupied by the SDO, Teghra, from May 1992 and was being used as residence/office. The ZP had fixed (April 1992) the rent of the IB at ₹ 2,000 per month, for its use as residence-cum-office (the IB could be used for both purposes). The DDC-cum-CEO of the ZP instructed (July 1998) SDO, Teghra, to fix the rent of the IB and the SDO fixed (November 2000) the rent at ₹ 2,200 per month. However, the SDO did not deposit the outstanding rent, amounting to ₹ 5.96 lakh³⁴ (as of May 2022). As the rate of rent had been fixed for the combined use (office and residence) of the IB, the rent for use of IB as office and the rent for use as residence, could not be worked out separately.

Thus, ZP, Begusarai, failed to revise the rent of the IB in terms of the prevailing market rates and, thereby, lost an opportunity to raise its income from its own resources. The DDC-cum-CEO of the ZP stated (June 2022) that letters had been written to the SDO, Teghra, to deposit the due rent, but the rent had not been deposited by the SDO (as of 04 June 2022). On this being pointed out by Audit, the ZP communicated (July 2021) the matter to the PRD, GoB, but the rent remained unrealized. Further, the ZP did not take any action to get the IB vacated by the occupants.

Thus, owing to failure of the ZPs to revise and realise the rents of IBs at market rate as well as to raise the issue with the controlling Departments of the occupants, even after a lapse of more than eight years from the issue of directions by PRD in this regard, they remained deprived of revenue, amounting to ₹ 73.49 lakh³⁵ and also lost an opportunity to raise their income through their own sources.

2.6 Misappropriation of Government money

Failure of Zila Parishad, Supaul, to adhere to financial rules regarding payment and adjustment of advances and lack of monitoring over the execution of development works, resulted in misappropriation of government money amounting to ₹ 71.95 lakh, in addition to infructuous expenditure of ₹ 82.44 lakh on incomplete works.

Section 88(1) (A) of the Bihar Panchayat Raj Act, 2006, stipulates that the Chief Executive Officer (CEO) of Zila Parishad (ZP) shall implement the policies and directions of the ZP and take necessary steps for speedy execution of all works and developmental schemes. Rules 90 (b) and (f) of the Bihar Panchayat Samitis and Zila Parishads (Budget and Accounts) Rules, 1964, stipulate that

³⁴ ₹ 1,96,000 + ₹ 3,99,785 = ₹ 5,95,785

³⁵ ₹ 7,500 + ₹ 67,45,400 + ₹ 5,95,785 = ₹ 73,48,685

second and subsequent advances shall not be paid without adjustment of the previous advances paid for the purpose and unspent advance, if any, should immediately be refunded. Further, Rule 113(b) of the Rules *ibid* envisages that continuing schemes shall not be left in an incomplete state.

Scrutiny of records (April 2022) of ZP, Supaul, relating to execution of different development works, under the Thirteenth Finance Commission (13th FC), 4th State Finance Commission (4th SFC), Backward Region Grant Fund (BRGF) and from Own Sources of Receipts, revealed that the District Engineer (DE) of the ZP had paid advances of ₹ 1.93 crore, to five Assistant Engineers (AEs) of the ZP (presently retired or transferred to other places), between July 2009 and February 2016, in one to five instalments, for executing 40 development works, *viz.* construction of PCC roads, Aaganwadi Centres, Community Hall, Sheds, Brick Soling roads, etc. {*Appendix 2.2 (A, B&C)*}. In the ZP, the Dy. Development Commissioner (DDC-cum-CEO of the ZP transferred the amounts, for the implementation of various schemes, to the DE of the ZP and the DE, subsequently, made payment of advances, to the concerned AEs, for execution of these works.

Audit observed the following irregularities in the sanction and adjustment of advances paid for the execution of development works;

- **Works not executed by the AEs, despite receipt of advances:** The AEs of the ZP were appointed as executing agents for 17 works under the 13th FC, 4th SFC, BRGF etc. and advances amounting to ₹ 35.92 lakh {*Appendix 2.2(A)*} were paid to them, during July 2009 to February 2016, in one to two instalments. However, the AEs had not executed these works but had retained the advances, for periods ranging from 6 to 12 years. Further, despite the AEs having been transferred from the ZP, they had neither refunded the advances, nor executed the said works (as of May 2022). Thus, ₹ 35.92 lakh remained out of the ZP account, for periods ranging from 6 to 12 years, without utilisation. Had the ZP paid the second advances for the purpose, only after ensuring the adjustment of previous advances and monitored the progress of execution of works, misappropriation of government money could have been avoided. These works are still incomplete and were not covered by other schemes.
- **Excess amount lying with AEs in four completed works:** The DE of the ZP paid advances of ₹ 40.94 lakh, to the AEs, for execution of four works (construction of PCC roads, with a total estimated cost of ₹ 44.49 lakh), under the 13th FC and the BRGF scheme. However, as per the Measurement Book (MB), the aforesaid works had been completed, by incurring expenditure of ₹ 38.52 lakh. Thus, an amount of ₹ 2.42 lakh had been paid excess of the actual value of work done by the AEs {*Appendix 2.2(B)*}. The AEs had not refunded the amount (as of May 2022) and the amount was lying with them for periods ranging from 7 to 10 years.
- **Infructuous expenditure on incomplete works:** The ZP undertook 19 works, with an estimated cost of ₹ 1.44 crore, from the funds available

under the 13th FC, 4th SFC and BRGF grants. For execution of these works, the DE of the ZP made advances amounting to ₹ 1.16 crore, to the AEs, between July 2009 and February 2016, in one to three instalments. However, the AEs did not complete these works and left them in an incomplete state, after incurring expenditure of ₹ 82.44 lakh thereon {*Appendix 2.2(C)*}. These works are still incomplete. Thus, an excess amount of ₹ 33.61 lakh was paid in comparison to the value of works done and the AEs had not refunded the amount to the ZP (as of May 2022). Further, these works remained incomplete for periods ranging from 6 to 12 years and the expenditure incurred on these incomplete works became infructuous, as the entire scope of works was not covered and the intended objective of creation adequate infrastructure for rural areas could not be achieved.

On this being pointed out in audit, the Deputy Development Commissioner-cum-CEO of the ZP replied (April 2022) that action would be taken for adjustment/recovery of advances lying with the AEs.

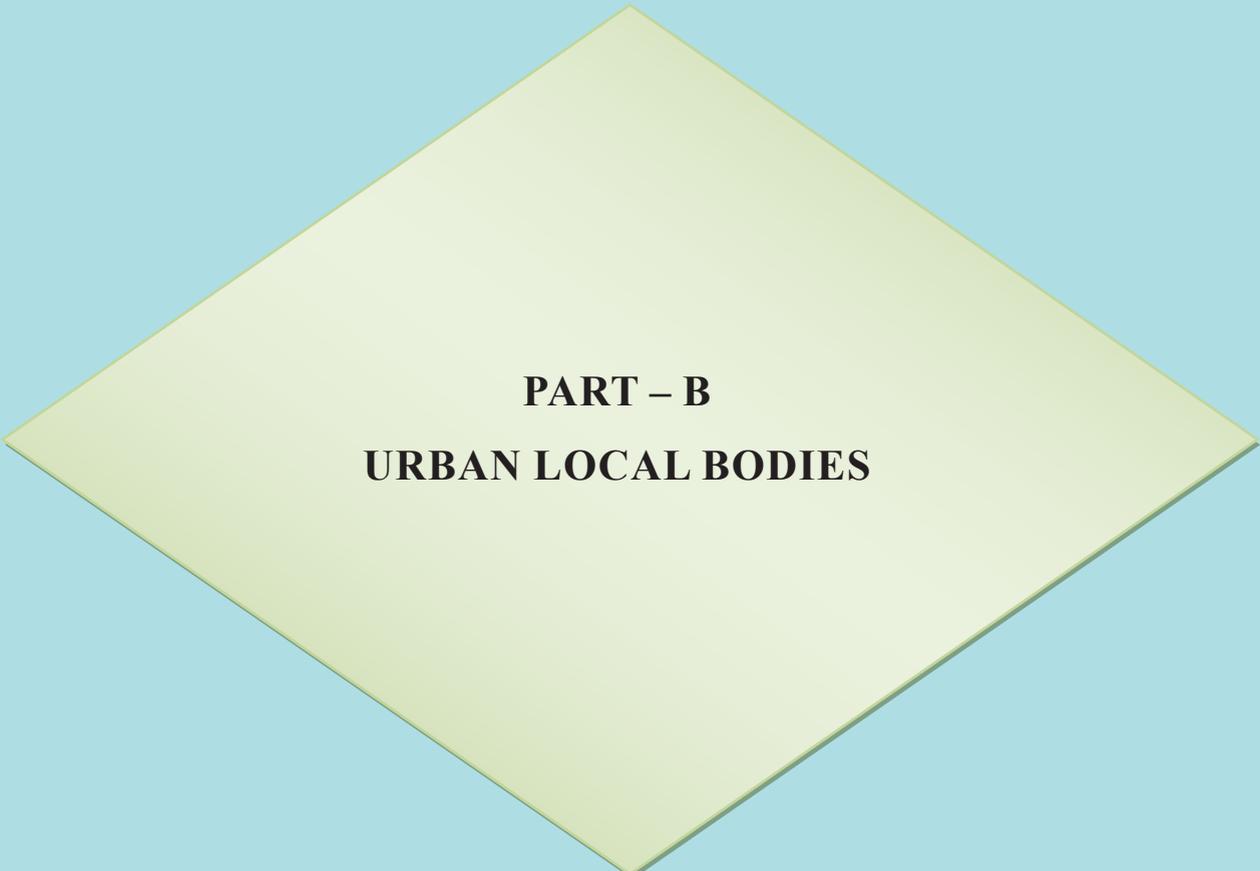
The DE of the ZP failed to: (i) adhere to the financial rules regarding payment and adjustment of advances, by sanctioning second and subsequent advances to AEs, without ensuring the adjustment of previous advances and (ii) monitor the progress of execution of development works. The DDC-cum-CEO of the ZP, being the CEO of the ZP, was also responsible for ensuring proper utilisation of the Scheme funds but failed to monitor the utilisation of the scheme funds.

As a result, the AEs had retained ₹ 71.95 lakh³⁶ from the Scheme funds, for more than 6 to 12 years (as of May 2022), from the date of sanction of the advances. Out of the aforesaid ₹ 71.95 lakh (among five AEs), (₹ 58.38 lakh was lying with two AEs, ₹ 34.95 lakh with one AE and ₹ 23.43 lakh with another AE).

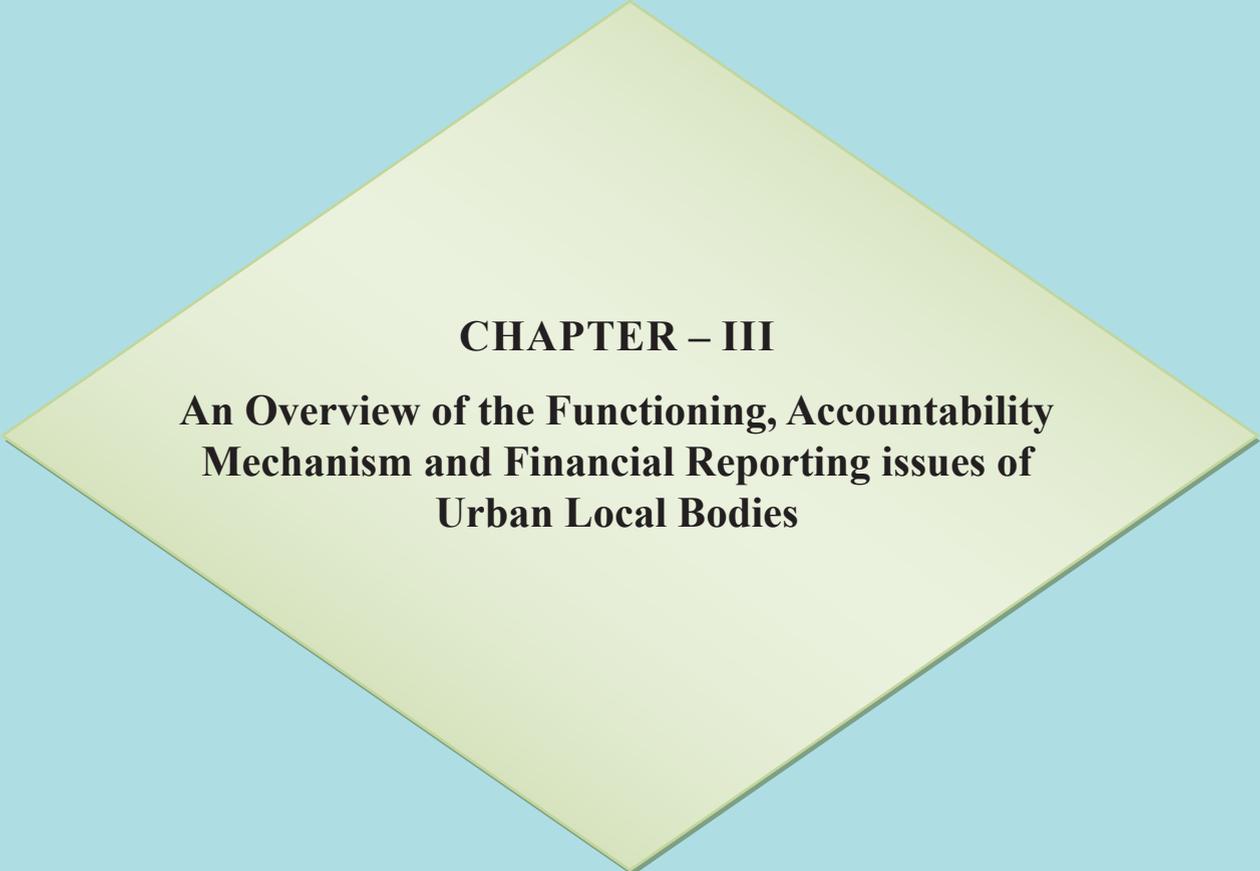
Thus, due to failure on the part of the DE and the DDC-cum-CEO of the ZP, the AEs retained government money for long periods, without utilisation for implementation of the schemes and ₹ 71.95 lakh is recoverable from them, along with the accrued bank interest. In addition, infructuous expenditure of ₹ 82.44 lakh was incurred on incomplete works.

The matter was reported to Government (June 2022) and reminder was issued on 13 October 2022; reply is awaited.

³⁶ ₹35.92 lakh + ₹2.42 lakh + ₹33.61 lakh = ₹ 71.95 lakh



PART – B
URBAN LOCAL BODIES



CHAPTER – III

**An Overview of the Functioning, Accountability
Mechanism and Financial Reporting issues of
Urban Local Bodies**

Chapter-III

An overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

An overview of the functioning of the Urban Local Bodies in Bihar

3.1 Introduction

The Seventy-Fourth Constitutional Amendment Act (74th CAA), 1992, had envisaged creation of local self-government for the population of urban areas. Accordingly, Municipalities were provided constitutional status for governance. As a follow up, the States were required to entrust Municipalities with powers, functions and responsibilities, in order to enable them to function as institutions of local self-government and carry out the responsibilities conferred upon them, including the 18 subjects listed in the Twelfth Schedule of the Constitution of India.

Government of Bihar (GoB) enacted the Bihar Municipal Act (BM Act), 2007 (subsequently amended from time to time), wherein Municipalities were devolved functions and responsibilities and the powers to carry out these functions. Further, GoB framed the Bihar Municipal Accounting Rules (BMAR), 2014, the Bihar Municipal Accounting Manual (BMAM) and the Bihar Municipal Budget Manual, for preparation and maintenance of accounts by the Municipalities of the State.

3.1.1 Urban Local Bodies (ULBs) in Bihar

Sections 7 and 20 of the BM Act, 2007, lay down the criteria for classification of municipal areas. As per Section 3 of the BM Act, 2007, the State Government may specify an area to be a larger, medium or a transitional urban area, subject to (i) the fulfillment of certain conditions³⁷ and (ii) the non-agricultural population (being seventy five *per cent* or more of the population, in these areas).

GoB changed (May 2020) the criteria of percentage of non-agricultural population, for classification of an area into an urban area, by enactment of the Bihar Municipal Amendment (Act), 2020. As per the amended Act, an area may be classified as an urban area, if the population of main cultivator workers and marginal cultivator workers is less than 50 *per cent* of total workers in the area. As a result, the number of ULBs in the State increased from 142 to 258. Due to this reclassification, the urbanisation³⁸ rate in the State rose from 11.3 *per cent* to 15.75 *per cent*³⁹ of the total population of the State.

³⁷ (a) Population in the case of a larger urban area should be two lakh or more (b) For a medium urban area, the population should be between forty thousand and two lakh and (c) in case of a transitional area, the population should be between twelve thousand and forty thousand.

³⁸ Urbanization is a complex socio-economic process that transforms the built environment, converting formerly rural into urban settlements, while also shifting the spatial distribution of a population from rural to urban areas. The degree or level of urbanization is typically expressed as the percentage of population residing in urban areas, defined according to criteria used by national governments for distinguishing between urban and rural areas. (Department of Economic and Social Affairs, United Nations).

³⁹ Source: Economic Survey, 2020-21, Government of Bihar

The numbers and classes of ULBs, on the basis of their population (as per Census 2011) and after constitution of the new Municipalities (as of February 2022), are given in **Table 3.1** below:

Table 3.1: Classification of ULBs

Category of ULBs	Grade	Population	No. of ULBs
Municipal Corporation	Larger urban area	More than two lakh	18
Municipal Council	Medium urban area	More than 0.40 lakh and less than two lakh	83
Nagar Panchayat	Transitional urban area	More than 0.12 lakh and up to 0.40 lakh.	157
Total			258

(Source: Information provided by UD&HD)

3.1.2 State Profile

Bihar is among the least urbanised States in the country. As per Census 2011, the urban population of Bihar was 1.64 crore, constituting 15.75 per cent of the total population (10.41 crore) of the State, while the national average for urbanisation stood at a much higher level of 31.2 per cent. Though Bihar has 8.6 per cent of India's total population, yet only 4.35 per cent of the total urban population of India lived in urban areas in the State and only one city (Patna) of the State had a population of more than one million. The comparative demographic and development statistics of the State are given in **Table 3.2**:

Table 3.2: Important statistics of the State

Sl. No.	Indicators	Unit	State	All over India
1.	Urban Population	Million	16.36	377.11
2.	Urban Population Density	Person per Sq. km	4,811	3,836
3.	Urban Literacy	Per cent	76.86	84.11
4.	Urban Sex ratio	females per thousand males	895	900
5.	Urban poverty level	Per cent	31.2	13.7
6.	Municipal per capita own revenue	₹	58	2,540
7.	Number of ULBs	Number	258	4,804
8.	Number of districts	Number	38	763

(Source: Sl. nos. 1 to 6 from Census 2011 and sl.nos. 7 & 8 from the Local Government Directory published by the Ministry of Electronics & Information Technology, GoI)

3.2 Organisational Set-up of ULBs

The ULBs are placed under the administrative control of the Urban Development and Housing Department (UD&HD), GoB headed by its Principal Secretary/Secretary. The Municipal Commissioner -cum- Chief Executive Officers are the executive heads of the Municipal Corporations, while Municipal Councils and

Nagar Panchayats are headed by their Executive Officers, who are appointed by the State Government. The Chief Municipal Officer is the Principal Executive Officer of the Municipality and all officers and other employees of the Municipality are subordinate to him. Executive functions for carrying out the administration of the Municipality are vested in the Chief Municipal Officer. Joint/Additional /Deputy Municipal Commissioners are appointed in Municipal Corporations, to assist the Municipal Commissioners. A City Manager is also appointed on contractual basis, in the Municipal Corporation and Municipal Council/ Nagar Panchayat, to assist the Chief Municipal Officer.

The executive power of the Municipality is exercised by an Empowered Standing Committee (ESC), headed by the Mayor (for Municipal Corporations), the Chairperson (for Municipal Councils) and the Municipal President (for Nagar Panchayats), elected from among the Ward Councillors.

3.3 Functioning of ULBs

3.3.1 Powers of the State Government

The BM Act, 2007, provides the State Government with certain powers, to monitor the functioning of the ULBs. Some powers were devolved to ULBs for delivery of services, as stipulated in the BM Act, 2007, but decisions on all key issues were being taken by the State Government. A brief summary of the powers of the State Government is given in **Table 3.3**:

Table 3.3: Powers of the State Government

Authority	Powers of the State Government
Sections 3 and 6	Constitution of Municipal Area: The State Government may, after making such enquiry as it may deem fit, and having regard to the population of any urban area, density of population therein, the revenue generated for the local administration of such area, may, by notification, constitute such large urban area, city, town or transitional area or any specified part thereof, as a municipal area under the Act.
Section 44	State Municipal Vigilance Authority: The State Government shall appoint a <i>Lok Prahari</i> to inquire into any allegation of corruption, misconduct, lack of integrity or any kind of malpractice or mal-administration or misdemeanour of Chief/Deputy Chief Councillor/ officers and other employees of the municipality.
Sections 65 and 66	Power to inspect office, call for records etc.: The State Government may depute an officer to inspect any office or call for the records under the control of the ULBs.
Section 87	Preparation of Manual: The State Government shall prepare and maintain a Manual viz., the Bihar Municipal Accounting Manual, for implementation of accrual based double entry accounting system, containing details of all financial and accounting matters and procedures in Municipalities.

Authority	Powers of the State Government
Section 419	Power to make Rules: The State Government may, by notification, make rules to carry out the purpose of BM Act, 2007 subject to approval by the State Legislature.
Sections 421 and 423	Power to make regulations: The Municipality may make regulations for the purpose of giving effect to the provisions of BM Act, 2007, subject to approval of the State Government.
Section 487	Removal of difficulties: If any difficulty arises in giving effect to the provisions of BM Act, 2007, the State Government may do anything necessary to remove such difficulty.

(Source: BM Act, 2007)

3.3.2 Devolution of functions, funds and functionaries

(i) Devolution of Functions

The 74th CAA, 1992 enables ULBs to perform functions relating to 18 subjects referred to in the Twelfth Schedule of the Constitution. Accordingly, GoB made provisions in the BM Act, 2007, for functions relating to 17 out of 18 subjects (i.e. except for fire services) which were to be carried out by the ULBs (**Appendix 3.1**). However, it was observed that only 13 out of 17 functions were being performed by ULBs, while the remaining four⁴⁰ functions/activities were still being performed by the concerned Departments, even after a lapse of more than 28 years of the 74th CAA having come into force.

With regard to devolution of functions, the Department stated (November 2021) that :**(i)** these four functions/ activities would be implemented after recruitment of the requisite manpower.**(ii)** the necessary recruitment is under process.

(ii) Devolution of Funds

Section 72(3) of the BMA 2007, provided that the State Government had to provide grants to Municipalities, for implementation, in full or in part of any scheme included in the Annual Development Plan of the Municipalities. The Central/State Governments had provided funds under different heads, such as the Central Finance Commission (CFC), State Finance Commission (SFC) and State Plan, Scheme specific grants etc., to assist ULBs in carrying out their mandated functions.

Details of funds released during the financial years 2015-16 to 2020-21, under CFC, SFC and State Plan etc., are given in **Table 3.4**:

⁴⁰ (1) Urban forestry, protection of the Environment and promotion of ecological aspects (2) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded (3) Promotion of cultural, educational and aesthetic aspects and (4) cattle pounds; prevention of cruelty to animals.

Table 3.4: Release of grants under CFC, SFC and CSS

Sl. No.	Grant Head	Financial Year(s)	Funds released (₹ in crore)
1.	15 th FC	2020-2021	1412.00
2.	5 th SFC	2015-16 to 2020-21	5,529.21
3.	Smart City	2015-16 to 2020-21	952.00
4.	SBM	2015-16 to 2020-21	1,009.36
5.	AMRUT	2015-16 to 2020-21	1,616.47
6.	NULM	2015-16 to 2019-20	197.95

(Source: 6th SFC report and allotment letters of UD&HD, GoB)

It was observed that ULBs in the State were substantially dependent on government grants for meeting even their establishment expenditure and they were not able to carry out their mandated functions from their own resources. The dependence of ULBs on government grants, for meeting their establishment expenditure, was increasing, as reflected in the projection of the own receipts of ULBs and the establishment expenditure incurred by the Department.

(iii) Devolution of functionaries

Section 36 of the BM Act, 2007, provided for a number of posts for ULBs, but most of these posts were vacant. As per information furnished by the Department, as of April 2022, 2,982 posts had been sanctioned for ULBs, out of which, only 526 posts had been filled up and 2,456 posts (82 per cent of the total posts) remained vacant. The status of sanctioned posts and persons-in-position in ULBs is given at *Appendix 3.2*.

The sixth SFC observed that the manpower at the disposal of the ULBs in the State was grossly inadequate for performing the mandated functions effectively.

In regard to the devolution of functionaries, the Department stated (November 2021) that there was acute shortage of manpower and necessary action was being taken to fill the vacant posts.

3.4 Formation of various Committees

3.4.1 Empowered Standing Committees

Sections 21 and 22 of BM Act, 2007, provided that: (i) there would be an Empowered Standing Committee (ESC) in every Municipality, (ii) the executive powers of a Municipality would be vested in the ESC and (iii) the Chief Councillor would exercise such powers and functions, as delegated to him/her, by the ESC. The composition of the ESCs is shown in **Table 3.5**:

Table 3.5: Empowered Standing Committees

Category of ULBs	Presiding Officer	Composition of ESC
Municipal Corporation	Mayor	Mayor, Deputy Mayor and seven other Councillors
Class 'A' or 'B' Municipal Council	Municipal Chairperson	Municipal Chairperson, Municipal Vice-Chairperson and five other Councillors

Category of ULBs	Presiding Officer	Composition of ESC
Class 'C' Municipal Council	Municipal Chairperson	Municipal Chairperson, Municipal Vice-Chairperson and three other Councillors
Nagar Panchayat	Municipal President	Municipal President, Municipal Vice-President and three other Councillors

(Source: Section 21 of the BM Act, 2007)

The ESCs were collectively responsible to the Municipal Corporation, the Municipal Council and the Nagar Panchayat, as the case may be. On constitution of the ESC, the UD & HD replied (January 2022) that ESCs had been constituted in all the Municipalities in the State, in the light of Section 21 of BMA, 2007.

3.4.2 Municipal Accounts Committee

Section 98 of the BM Act, 2007, provides that the Municipality shall, at its first meeting in each year or as soon as may be at any meeting subsequent thereto, constitute a Municipal Accounts Committee. The important functions of the Committee are as follows:

- to examine the accounts of the Municipality, showing the appropriation of sums granted by the Municipality for its expenditure and the annual financial accounts of the Municipality.
- to examine and scrutinise the report on the accounts of the Municipality, by the Auditor appointed under the BM Act, 2007; and
- to review and approve the Action Taken Report, following each report by the Auditor and the Internal Audit.

Audit observed that seven test-checked units⁴¹ had not constituted Municipal Accounts Committees. Further, while a Municipal Accounts Committee had been constituted in Nagar Parishad, Khagaul, it was not functional.

With regard to constitution of the Municipal Accounts Committees in ULBs, the Project Officer-cum-Additional Director, UD&HD stated (January 2022) that Municipal Accounts Committee had not been constituted in ULBs. However, the reason for non-constitution of the Municipal Accounts Committees was not mentioned.

Due to non-constitution of the Municipal Accounts Committees, necessary scrutiny of accounts of Municipalities could not be ensured.

3.4.3 Subject Committee

Rule 32 of BMA, 2007, provides that a Municipal Corporation or a Class 'A' Municipal Council, may, from time to time constitute Subject Committees, consisting of Councillors, to deal with matters such as (a) water-supply, drainage and sewerage and solid waste management (b) urban environment management and land use control and (c) slum up-gradation and basic services for the urban

⁴¹ Nagar Parishad- Bihiya, Mokama, Sherghati & Piro; Nagar Panchayat- Barhaiya, Kahalgaon & Shahpur

poor. The recommendations of a Subject Committee are to be submitted to the ESC, for its consideration.

The UD&HD stated (January 2022) that Subject Committees, to be constituted in the light of Section 32 of BMA, 2007, had not been constituted. However, the reason for non-constitution of the Subject Committee was not mentioned.

Due to non-constitution of Subject Committees, specialised advice/recommendations, on functions/matters to be entrusted to the Committees, remained unavailable to the ESCs.

3.4.4 Wards Committee

Section 30 of BMA, 2007, provided that every Municipal Corporation having a population of three lakh or more, may, at its first meeting after the election of Councillors thereto or as soon as may be thereafter, group the Wards of the Corporation in such manner that each group consists of not less than three Wards, and constitute a Wards Committee for each such group. Each Wards Committee is to consist of the Councillors elected from the Wards constituting the group.

Within the local limits of the group of Wards and subject to the general supervision and control of the ESC, a Wards Committee was expected to discharge, the functions of the Municipality relating to the provision of supply-pipes and drainage and sewerage connections to premises; removal of accumulated water on the streets or public places, due to rain and otherwise; collection and removal of solid waste; disinfection; provision of health immunisation services; slum services; provision of lighting etc. The Sixth SFC had, however, observed that Ward Committees were not functional in the State.

In this regard, the UD&HD replied (January 2022) that Wards Committees had not been constituted in the ULBs. However, the reason for non-constitution of the Wards Committees was not mentioned.

3.5 Audit Arrangements

3.5.1 Primary Auditor

Section 91(1) of the BM Act, 2007, provides that the accounts contained in the financial statements, including the accounts of special funds, if any, and the balance sheet, shall be examined and audited by the Director Local Fund Audit (DLFA), or his equivalent authority or auditor appointed by the State Government from the panel of professional Chartered Accountants. Further, as per Section 91(2) of BM Act, 2007 (amended in 2014): (i) the CAG of India shall provide Technical Guidance and Support (TGS) over proper maintenance of accounts and audit of the accounts of ULBs (ii) an Annual Report, prepared based on the TGS, shall be placed before the ESCs of the Municipalities and (iii) the CAG may, at his discretion, place the report before the State Legislature.

The State Government authorised (November 2007) the Examiner of Local Accounts of the office of the Accountant General (Audit), Bihar, to work as the

Director Local Fund Audit (DLFA). Accordingly, the ELA conducted audit of the ULBs, until adoption (December 2016) of the TGS system for audit of the accounts of Local Bodies (LBs).

Further, in pursuance of CFC recommendations, the State Government had notified (June 2015) establishment of a Directorate of Local Fund Audit, headed by the Chief Controller of Accounts -cum- DLFA, under the Finance Department, GoB, to conduct the audit of LBs. The Directorate has since been functioning (since 11 June 2015). 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 the GoB in December 2015 and subsequently, audit of the accounts of LBs, by the CAG, under the TGS system, commenced in the State from January 2017. Consequently, the DLFA has been performing the role of Primary External Auditor for LBs, since January 2017.

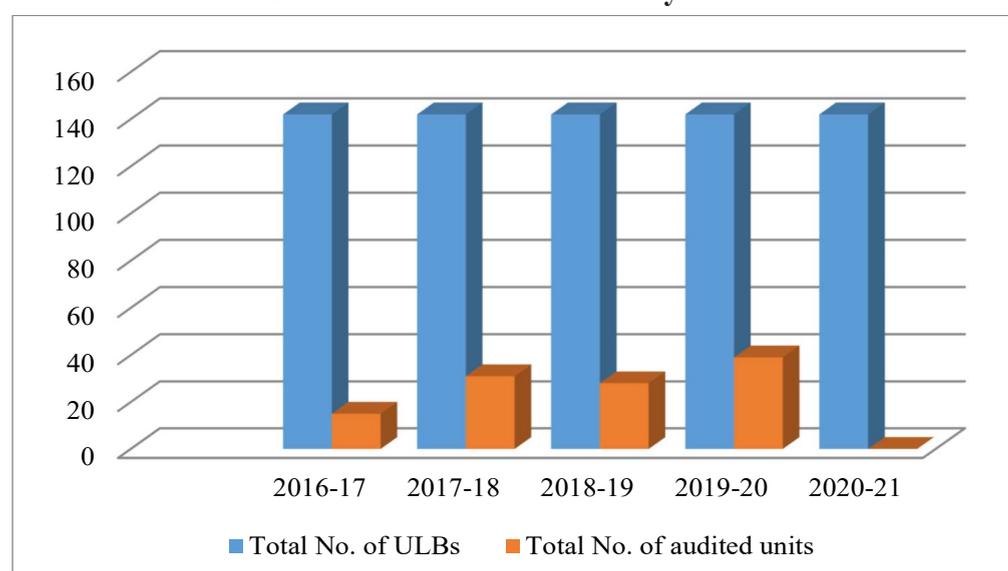
DLFA had conducted audit of the accounts of only 113 ULBs, against 101⁴² audits planned, as per the AAP, during the financial years 2016-17 to 2020-21, as detailed in **Table 3.6** and **Chart 3.1**.

Table 3.6: Audit conducted by DLFA

Financial Year	Total No. of ULBs	Audits conducted				Percentage of audits conducted
		Municipal Corporations	Municipal Councils	Nagar Panchayats	Total	
2016-17	142	11	4	0	15	11
2017-18	142	0	16	15	31	22
2018-19	142	0	15	13	28	20
2019-20	142	7	18	14	39	27
2020-21	142	0	0	0	0	00
Total		18	53	42	113	

(Source: Information furnished by DLFA)

Chart 3.1: Audit conducted by DLFA



⁴² **101** = 15(FY 2016-17)+31 (FY 2017-18)+28 (FY 2018-19)+ 27 (FY 2019-20)+0 (FY 2020-21)

It is evident from the table above that the DLFA had audited a very low number of ULBs units, ranging from nil to 27 *per cent* of the total number of ULBs in the State, during FYs 2016-17 to 2020-21. DLFA stated that the low coverage of units was due to acute shortage of manpower.

- **Poor response to Inspection Reports (IRs) issued by DLFA**

Audit observed that the status of compliance of audit paragraphs, contained in the IRs, was not satisfactory, as evident from the large numbers of audit paragraphs contained in the IRs, which had remained outstanding for settlement (as of August 2021), as shown in **Table 3.7:**

Table 3.7: Outstanding paragraphs in ULBs for the period 2014-21

(₹ in crore)

Financial Year	No of IRs issued	No. of paras in IRs	Amount involved	No of paras settled	Amount of settlement	No of Paras outstanding	Money value of paras outstanding
2014-15 to 2018-19	27	404	119.44	2	0.01	402	119.43
2019-20	6	112	556.52	2	0.06	110	556.46
2020-21	4	64	29.42	0	0	64	29.42
Total	37	580	705.38	4	0.07	576	705.31

(Source: Information furnished by the DLFA)

It is evident from the table above that, out of total 580 paragraphs contained in 37 IRs, issued by the DLFA, for the financial years 2014-15 to 2020-21, only four paragraphs (0.69 *per cent*) were settled, while 576 paragraphs, involving an amount of ₹ 705.31 crore remained pending for settlement (as of September 2022). DLFA attributed (March 2022) the reason for low settlement of audit paragraphs to indifference of the ULBs for compliance.

The large numbers of audit paragraphs pending for settlement indicated weak internal control in ULBs and inaction on the part of the authorities concerned in ensuring compliance of the audit paragraphs.

3.5.2 Audit by the Comptroller and Auditor General of India

The 11th Finance Commission had recommended that: (i) the CAG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and (ii) audit for all tiers/levels of LBs and his ATIR, as well as the Annual Report of the DLFA, must be placed before the State Legislature.

The Finance Department, GoB intimated (December 2015) the Accountant General (Audit), Bihar, that the State Government had accepted the Standard Terms and Conditions, under the Regulations on Audit and Accounts, 2007, for audit of LBs under the TGS arrangement. Consequently, audit under TGS arrangement commenced in the State, from January 2017. AG (Audit) Bihar conducted audit of 86 ULB units, during FYs 2017-18 to 2020-21, under the TGS arrangement.

3.6 Response to audit Observations

3.6.1 Poor response to IRs issued by AG (Audit)

Consequent upon the completion of field audit, IRs, containing audit findings, were to be sent to the audited entities, with a copy to the concerned Department of GoB. The Municipal Commissioners/ Executive Officers of the audited entities concerned were required to: (i) respond to observations contained in the IRs and (ii) submit compliance reports, within three months from the date of receipt of the IRs.

Audit observed that Municipal Commissioners/ Executive Officers did not take effective steps to furnish compliance of the audit observations contained in the IRs, which was evident from increasing number of outstanding audit paragraphs, year by year. Moreover, the Finance Department, GoB constituted (March 2010) three tiers of Committees viz. High level, Departmental level and District level for review/ compliance of audit paragraphs. But, for the last three years i.e. from 2019-20 to 2021-22, no District level Committee meeting was held. This was one of the reasons for non-compliance of audit paragraphs. The status of settlement of audit paragraphs, for the last five financial years (as of March 2022), is given in **Table 3.8:**

Table 3.8: Outstanding audit paragraphs for the last five financial years (2016-17 to 2020-21)

(₹ in crore)

Financial Year	No. of IRs	No. of paragraphs in IRs	Amount involved	No. of paragraphs settled	Amount of settlement	No. of paragraphs outstanding	Money value of paragraphs outstanding
1	2	3	4	5	6	7 (3-5)	8 (4-6)
2016-17	86	2,386	377.31	618	0.66	1,768	376.65
2017-18	32	884	957.61	315	3.36	569	954.25
2018-19	31	644	383.46	1	0.0039	643	383.46
2019-20	27	826	731.90	1	0.0072	825	731.89
2020-21	03	89	6,223.10	0	0	89	6,223.10
Total	179	4,829	8,673.38	935	4.0311	3,894	8,669.35

(Source: Inspection Reports of ULBs)

It is evident from the table above that, out of the 4,829 audit paragraphs contained in 179 IRs, only 935 paragraphs (19 per cent) were settled, whereas, 3,894 paragraphs, involving an amount of ₹ 8,669.35 crore, remained outstanding (as of March 2022).

On the issue of poor response to IRs, the Department stated (November 2021) that instructions had been given to all ULBs, for compliance of the outstanding IRs issued by AG (Audit).

Lack of action on compliance of IRs was fraught with the risk of perpetuating serious financial irregularities, as pointed out in these reports.

3.6.2 Compliance to the ELA's and CAG's Annual Audit Reports

In Bihar, ELA's reports were prepared for the period covered by the financial years 2005-06 to 2013-14, followed by CAG's Audit Reports on LBs, for the financial years 2014-15 and 2015-16. Thereafter, the first Annual Technical Inspection Report, for the financial years 2017-19, was prepared and submitted to the Governor of the State. The report has been placed before State Legislature (16 December 2022).

- **ELA's Annual Audit Report**

The Finance Department, GoB, constituted (March 2010) three-tiers of Committees, viz. High Level, Departmental Level and District Level, for review/ compliance of the Annual Audit Reports prepared by the ELA. The District Level Committee⁴³ had the responsibility of ensuring compliance of audit paragraphs/ reports received by the ULBs in that district. The Department Level Committee⁴⁴ was required to review the status of compliance made by the District Level Committees, while the High Level Committee⁴⁵ had to meet once in six months, to review the functioning of the District Level and Department Level Committees.

It was, however, observed that during the financial years 2020-21 and 2021-22, no District Level Committee meetings were held (against the proposed 69 meetings⁴⁶). As such, the audit paragraphs contained in the ELA's report remained unsettled. Further, no meetings of Departmental Level and High Level Committees were held during FYs 2020-21 and 2021-22. The last High Level Committee meeting and Department Level Committee meeting were held in August 2013 and July 2015, respectively.

Thus, the purpose behind the constitution of these three level Committees was defeated and the audit observations contained in the ELA's Annual Audit Report remained unattended.

- **Compliance to C&AG's Report on LBs**

As per provisions contained in Section 91(2) of the BM Act, 2007 (amended in January 2014), the Annual Report on account of ULBs, prepared by the CAG, may be laid before the State Legislature. However, as per amendment in the Act in the year 2014, the CAG of India shall provide TGS over the proper maintenance of accounts and audit thereof ULBs.

The first CAG's Report on LBs, GoB, for the financial year ended March 2015, was tabled in the State Legislature on 04 April 2016. Five paragraphs of the report were discussed in 12 meetings of Public Accounts Committee held during

⁴³ Headed by the District Magistrate/Deputy Development Commissioner

⁴⁴ Headed by the Principal Secretary/Secretary of the UD&HD, GoB

⁴⁵ Headed by the Principal Secretary to the Finance Department, GoB and with the Principal Accountant General (Audit), Bihar, as a member.

⁴⁶ Seven districts had proposed a total of 69 district level committee meetings, as follows: Arwal-14, Bihar Sharif- 11, Gopalganj- 06, Jamui- 09, Kaimur- 11, Kishanganj- 09, Vaishali- 09

April 2016 to February 2022 but no audit observation had been settled (as of February 2022).

Further, the CAG's Report on LBs, for the year ended March 2016, was tabled in the State Legislature on 23 August 2017.

In regard to compliance with C&AG's Report on LBs, the Department stated (November 2021) that suitable action has been taken, as instruction has been issued to all ULBs, for sending para-wise compliance reports to the AG.

Accountability Mechanism and Financial Reporting Issues

3.7 Accountability Mechanism

3.7.1 Lok Prahari (Ombudsman)

Section 44(1) of the BM Act, 2007, provides for appointment of a *Lok Prahari* (Ombudsman), for looking into any allegations of corruption, lack of integrity, malpractice *etc.*, of the authorities of the ULBs. As per the Act, the qualification; terms and conditions and tenure of appointment; and the powers and duties of the *Lok Prahari* (Ombudsman) shall be as prescribed by the Government. The 13th FC and the 5th SFC had also recommended putting in place an independent *Lok Prahari* (Ombudsman) for LBs. Further, the Ministry of Housing & Urban Affairs, GoI, issued (February 2018) a letter, to the Chief Secretary, GoB, regarding appointment of "*Lok Prahari* (Ombudsman)" for the ULBs in Bihar.

In regard to the issue of non-appointment of a *Lok Prahari* (Ombudsman), the UD&HD stated (April 2022) that appointment of *Lok Prahari* was still under process.

Thus, despite a specific provision in the BM Act, 2007 and recommendations made by the Central and State Finance Commissions, no *Lok Prahari* (Ombudsman) had been appointed (as of April 2022).

3.7.2 Social Audit

Social Audit primarily aims to ensure public accountability in the implementation of projects, laws and policies, through public participation. The 5th SFC had recommended that Social Audit be conducted in ULBs, as an accountability measure, with Social Audit for slum and poverty alleviation programmes being absolutely necessary. The sixth SFC had also recommended that the practice of carrying out Social Audit be introduced in ULBs.

However, no Social Audit of schemes implemented by ULBs had been conducted, (as of November 2021). The UD&HD did not furnish any reasons for non-conduct of Social Audit.

3.7.3 Property Tax Board

Section 138(A) of the BM Act, 2007, provides for putting in place a State level Property Tax Board, for providing independent and transparent procedures, to optimise the assessment, collection and recovery of Property Tax. The 13th FC

had also recommended the setting up of a State level Property Tax Board, to assist ULBs in putting in place an independent and transparent procedure for assessing Property Tax.

UD&HD, GoB, had framed and notified (May 2013) the Bihar Property Tax Board Rules, 2013, which necessitated the constitution of a Property Tax Board. However, the board had not been constituted (as of November 2021).

UD&HD replied (November 2021) that suitable action was under process. The reply was, however, not convincing, as the same reply has been received from the Department since the last five years.

Due to non-constitution of the Property Tax Board, even after a lapse of more than eight years since framing of the Property Tax Board Rules, widening of the tax net and collection and recovery of Property Tax in ULBs, could not be optimised. Further, the performance of each ULB could not be evaluated on a continuous basis, as had been envisaged.

3.7.4 Fire Hazard Response

As per the 13th FC's recommendation, all Municipal Corporations, with a population of more than one million (2001 census), must put in place a Fire Hazard Response and Mitigation Plan, for their respective jurisdictions. In Bihar, the population of only one ULB (i.e, the Patna Municipal Corporation) was more than one million, as per 2011 census.

UD&HD, GoB, had notified (March 2011) the Fire Hazard Response and Mitigation Plan, for the Patna Municipal Corporation (PMC). On the functioning & implementation of the Fire Hazard Response and Mitigation Plan in PMC, the Municipal Commissioner, PMC, replied (April 2019) that necessary compliance would be made at the earliest. On this being pointed out in audit, UD&HD stated (November 2021) that suitable action was under process.

3.7.5 Submission of Utilisation Certificates

Rule 342 (1) of the Bihar Financial Rules (BFR) provides that grantee entities are to submit Utilisation Certificates (UCs) for grants, within 18 months from the date of receipt of grants. Instructions contained in the allotment letters of the funds released to the ULBs also required furnishing of UCs to the State Government in a timely manner, to avoid delay in further release of grants.

As per data relating to UCs, compiled by the PAG (A&E), Bihar Patna, it was observed that UD&HD had sanctioned Grants-in-Aids (GIA) of ₹10,952.92 crore, during the period from FYs 2016-17 to 2020-21 (up to August 2020) but, UCs of ₹ 4,984.81 crore (46 *per cent*) were pending for adjustment (as of March 2022). Year wise details of UCs pending are given in **Table 3.9.**

Table 3.9: Percentage of pending UCs*(₹ in crore)*

Year	GIA Sanctioned	UCs submitted	Outstanding UCs	Percentage of Pending UCs
2016-17	3,228.73	2,391.64	837.09	26
2017-18	3,142.48	1,730.10	1,412.38	45
2018-19	3,764.09	1,846.37	1,917.72	51
2019-20	552.62	0.00	552.62	100
2020-21*	265.00	0.00	265.00	100
Total	10,952.92	5,968.11	4,984.81	46

*(Source: Information provided by O/o PAG (A&E), Bihar*** Up to 08/2020. GIA amount drawn up to 08/2020 is due in March 2022*

As evident from the preceding Table, 26 per cent to 100 per cent of UCs were pending, in regard to grants released during the period covered by the financial years 2016-17 to 2020-21.

The huge pendency of UCs for a long period was indicative of weak internal control and a poor monitoring mechanism and was fraught with the risk of mis-utilisation of funds.

3.7.6 Internal Audit and maintenance of accounts

• Internal Audit

The Department had engaged (April 2016) 17 CAs, for internal audit of the accounts of 140 Municipalities, for the financial years 2014-15 to 2016-17. For the financial years 2017-18 to 2019-20, the Department engaged (January 2019) six CA firms for this purpose. Audit of the accounts of ULBs was to be completed till September 2020. The status of audit, as of January 2022, is given in Table 3.10.

Table 3.10: Units audited and reports submitted by CA firms

Sl. No.	Financial Year	No. of audits to be conducted	Audits completed	Reports submitted by the CA firms	No. of reports uploaded
1.	2017-18	140	140	140	100
2.	2018-19	140	140	140	98
3.	2019-20	140	103	103	42
Total		420	383	383	240

(Source: Information provided by UD&HD, Bihar)

As evident from the preceding Table, out of the 420 internal audits to be conducted, 383 internal audits were actually conducted during FYs 2017-18 to 2019-20 and only 240 reports were finally uploaded (as of January 2022).

On this being pointed out, the Department stated (November 2022) that, due to Covid-19 and denial by one of the firms to perform the work, only 103 out of 140 ULBs units could be audited. The Department also stated that uploading of 143 internal audit reports is in the final stage.

• **Maintenance of accounts by ULBs in DEAS**

The Ministry of Urban Development, GoI, in consultation with the CAG, had prepared (2004) the National Municipal Accounts Manual, for maintenance of accounts by ULBs, on accrual basis. Sections 86, 87 & 88 of the BM Act, 2007, also stipulate that:(i) the State Government shall prepare a Municipal Accounting Manual for implementation of the accrual based Double Entry Accounting System and (ii) the Chief Municipal Officer shall, within four months of the close of a year, cause to prepare financial statements, consisting of a Fund Flow Statement, an Income and Expenditure Account, Receipt and Expenditure Account and a Balance Sheet, for the preceding year. UD&HD, GoB, notified (January 2014) the ‘Bihar Municipal Accounting Rules, 2014’ for preparation and maintenance of financial statements, based on the accrual based Double Entry System, in Municipalities, with effect from 1 April 2014. These Rules were, based on the National Municipal Accounts Manual (NMAM) issued by the Ministry of Urban Development, GoI.

Further, the UD&HD had engaged (January 2019 and November 2019) six CA firms, for maintenance of accounts of 124 (out of 140) ULBs, in the Double Entry Accounting System (DEAS), for the financial years 2012-13 to 2019-20. In 18 ULBs, accounts for the financial years 2012-13 to 2019-20; in 26 ULBs, accounts for the financial years 2014-15 to 2019-20 and, in 80 ULBs, accounts for the financial years 2016-17 to 2019-20, were to be prepared in DEAS. As per the agreement executed, the CA firms had to prepare and update Subsidiary Cash Books, Grants Register, Scheme Register, Fixed Assets Register (FAR), Property Tax Receivables (PTR) and various other returns. The maintenance of accounts was to be completed till July-August 2021, as per the details given in **Table 3.11**.

Table 3.11: Status of maintenance of accounts of ULBs in DEAS by CAs firms

Sl. No.	No. of ULBs	Scope of works	Date of award of work/ completion date	Remarks
1.	35	Updation of Property Tax Receivables and Fixed Asset Register, for the financial years 2016-17 to 2019-20 and Preparation of Financial Statements for the financial years 2016-17 to 2019-20.	January-November 2019/July-August 2021	Accounts compiled for the financial years 2014-15 and 2015-16.
2.	45	Updation of Property Tax Receivables and Fixed Asset Register for the financial years 2016-17 to 2019-20 and Preparation of Financial Statements for the financial years 2016-17 to 2019-20.	January-November 2019/July-August 2021	Accounts compiled for the financial years 2014-15 and 2015-16.
3.	18	Updation of Property Tax Receivables and Fixed Asset Register for the financial years 2012-13 to 2019-20 and Preparation of Financial Statement for the financial years 2012-13 to 2019-20.	January-November 2019/July-August 2021	Accounts compiled for the period up to the financial year 2011-12.

Sl. No.	No. of ULBs	Scope of works	Date of award of work/ completion date	Remarks
4.	26	Updation of Property Tax Receivables and Fixed Asset Register for the financial years 2014-15 to 2019-20 and Preparation of Financial Statement for the financial years 2014-15 to 2019-20.	January-November 2019/July-August 2021	
Total	124			

(Source: Information furnished by the PRD)

UD&HD stated (January 2022) that, out of the 124 selected units, full implementation of accounts in DEAS was done in only 62 units, while, in the remaining 62 units, it was partially implemented.

The CA firms had, however, not completed the task of maintenance of accounts in DEAS, in the selected ULBs (as January 2022).

- **Maintenance of database and preparation of Annual Accounts**

Central Finance Commissions had stipulated that the Urban and Rural local bodies were to give high priority to expenditure for the creation of a database on local body finances and maintenance of accounts, through the use of modern technology & management systems.

In regard to the present status of preparation of the database, UD&HD replied (January 2022) that the database was in the process of being updated and would be completed soon.

Further, in regard to the regulating & monitoring system at the Departmental level, for ensuring the quality, reliability and relevance of the data/ statistics in the database, UD&HD stated (January 2022) that a State Level Project Monitoring Unit (SLPMU) had been appointed for this purpose.

Moreover, in the test-checked units, Audit observed that, out of five ULBs, three ULBs⁴⁷ had not prepared their annual accounts. Further, while the two remaining ULBs⁴⁸ had prepared their annual accounts, the accounts so prepared were not compliant with the provisions of BMAR, 2014 and the 15th FC. The Executive Officers of the ULBs concerned replied that annual accounts would be prepared in future, while NP, Teghra, did not furnish any reply.

3.8 Financial Reporting Issues

3.8.1 Sources of Funds

3.8.1.1 Sources of Funds

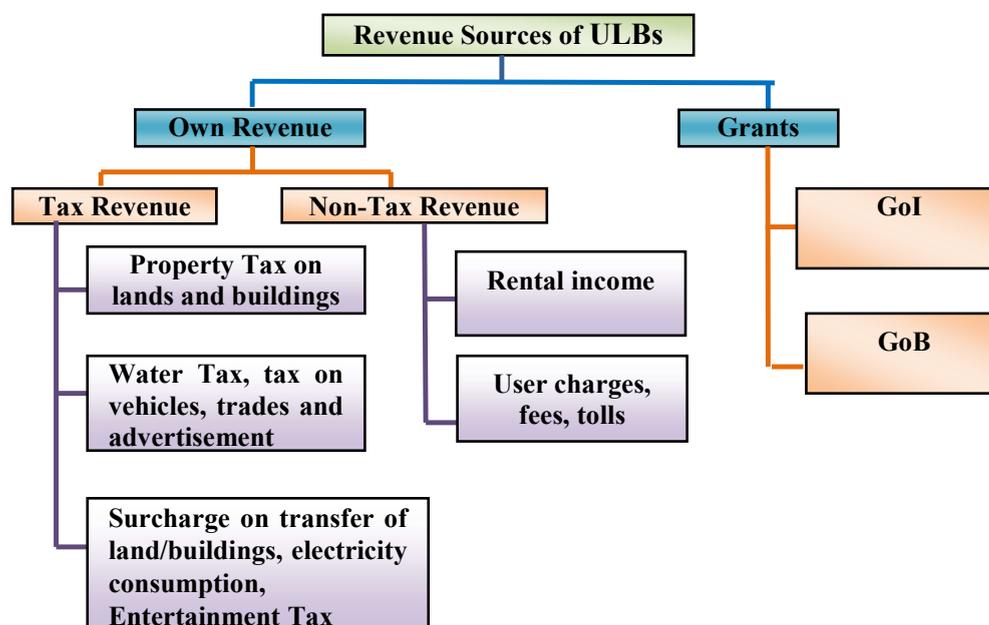
The Bihar Municipal Act, 2007, lists out the set of taxes which the Municipalities may levy for raising revenues. The Municipalities may additionally levy users-charges, for delivering the various services mentioned in the Act. Further, fees and fines are leviable on the sanction of building plans, issue of municipal

⁴⁷ *Nagar Panchayat:-Shahpur; Nagar Parishads:- Sherghati and Teghra*

⁴⁸ *Nagar Panchayat:- Barhaiya; Nagar Parishad:- Lakhisarai*

licenses for use of lands etc. The BM Act also provides for grants-in-aid for Municipalities, based on the recommendations of CFC and SFC. The sources of funds for ULBs are shown in **Chart 3.2**.

Chart 3.2: Sources of Funds



(Source: Section 127 of BM Act, 2007 and Economic Survey, GoB)

3.8.1.2 State Budget allocation vis-à-vis expenditure

The budget provisions made by the State Government for the UD&HD (including ULBs), the state share towards GoI Schemes and grants received under the recommendations of CFCs and SFCs for the financial years 2016-17 to 2020-21, are given in **Table 3.12**:

Table 3.12: Budget allocation vis-à-vis expenditure

(₹ in crore)

Sl. No.	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	4,622.75	5,047.93	5,361.29	6,235.04	9,343.20	30,610.21
		Capital	0.00	0.00	3.00	160.00	250.00	413
		Total	4,622.75	5,047.93	5,364.29	6,395.04	9,593.20	31,023.21
2.	Expenditure	Revenue	3,377.93	3,236.04	3,297.02	2,984.53	5,590.39	18,485.91
		Capital	0.00	0.00	3.00	160.00	50.00	213
		Total	3,377.93	3,236.04	3,300.02	3,144.53	5,640.39	18,698.91
3.	Saving (1-2)		1,244.82	1,811.89	2,064.27	3,250.51	3,952.81	12,324.30
4.	Percentage of saving		27	36	38	51	41	

(Source: Appropriation Accounts of Government of Bihar)

As evident from the preceding Table, UD&HD could not utilise its budgetary allocation fully and the percentage of savings ranged between 27 per cent and 51 per cent, during the financial years 2016-17 to 2020-21. Moreover, even though the total allocation under the Capital head was less than 1.5 per cent

of the total allocation during FYs 2016-17 to 2020-21, yet it was not fully utilized.

3.8.2 Recommendations of the 15th Finance Commission

The President of India constituted (27 November 2017) the 15th FC, under Article 280 of the Constitution, to make recommendations for a period of five financial years, commencing from 1st April 2020. The Commission submitted its report in two parts (i) an interim report for the financial year 2020-21 only, in December 2019 and (ii) the main report, for the financial years 2021-22 to 2025-26, in November 2020. For ULBs, the FFC recommended division of grants in two categories: (a) Million-Plus urban agglomerations/cities and (b) all other cities and towns with less than one million populations. For non-Million-Plus towns, 50 *per cent* of the grants were untied and the remaining 50 *per cent* were tied, with an equal share for drinking water and sanitation. The Commission did not recommend any conditions for ULBs in 2020-21, but two entry level conditions were recommended for release of grants in the subsequent years: (i) notifying the minimum rates of property tax, to improve own revenues and (ii) timely submission of audited accounts. The 15th FC recommended grants amounting to ₹ 2,416.00 crore⁴⁹, for ULBs of Bihar, for the financial year 2020-21. Bihar received grants of ₹ 2,416.00 crore (₹2,008 crore for Non-Million Cities, till 25 March 2021 and ₹408 crore for Million Plus City, till 31 March 2021) from the GoI and the same were released to ULBs, during May 2020 to April 2021.

3.8.3 Recommendations of the State Finance Commission

In terms of Article 243-Y, read with 243-I of the Constitution of India and as per provisions contained in Section 71 of the BM Act, 2007, GoB had constituted State Finance Commissions, to:(i) review the financial position of LBs and (ii) recommend the principles for governing the distribution of net proceeds of taxes, duties *etc.*, between the State and the LBs.

GoB constituted (February 2019) the 6th SFC, for the financial years 2020-21 to 2024-25, in pursuance of Article 243-Y, read with Article 243-I of the Constitution of India and Section 71 of the BM Act, 2007. The 6th SFC submitted its report in two parts. It submitted an interim report for the financial year 2020-21 on 8 January 2020 and then submitted its final report, for the period covered by the financial years 2021-22 to 2024-25, in April 2021. The final report was accepted by the GoB in August 2021. In terms of the recommendations of the 6th SFC, funds amounting to ₹ 10,457 crore were to be devolved to ULBs, during the period covered by the financial years 2021-22 to 2024-25, as given in **Table 3.13**.

⁴⁹ Million Plus Cities Grant- ₹ 408.00 crore; Non –Million Cities Grant- ₹ 2,008.00 crore

Table 3.13: Grants and devolution (projected) to be released to ULBs*(₹ in crore)*

Particulars	Projected				
	2021-22	2022-23	2023-24	2024-25	2021-25
Total SFC transfer to LBs	6,008	7,014	7,883	8,971	29,876
Transfer to ULBs	2,103	2,455	2,759	3,140	10,457

(Source: Report of 6th SFC)

Further, as per the recommendations contained in the interim report for the financial year 2020-21, funds were to be transferred to the LBs, as per the recommendations of the 5th SFC.

3.8.4 Maintenance of Records

Rules 12, 53, 69 and 84 of the Bihar Municipal Accounting Rules, 2014, prescribe the maintenance of basic records and registers, for transparency, accountability and proper watch over the accounts of ULBs. Audit observed that nine test-checked ULBs had not maintained key records⁵⁰.

The Executive Officers of the ULBs replied that the records would be maintained in future. However, the Department stated (November 2021) that all ULBs had been instructed to update the maintenance of records.

3.8.5 Non-preparation of Bank Reconciliation Statement

Section 13(5) of the BMAR, 2014, provides that the actual balance in the bank or treasury should be compared and reconciled with the bankbook balance periodically, at least once at the end of every month.

Audit observed that five test checked ULBs⁵¹ had not prepared a Bank Reconciliation Statement (BRS) (*Appendix 3.3*). On this being pointed out in audit, the Executive Officers of all test-checked ULBs (except Nagar Nigam, Gaya) replied that the BRS would be prepared, while Nagar Nigam, Gaya, did not furnish any reply.

Non-preparation of BRS on a regular basis, as required under BMAR, 2014, was fraught with risk of misappropriation of municipal funds and indicated poor monitoring of funds in ULBs.

3.8.6 Capacity Building

Full capacity building and 'reforms' in the ULBs were at the core of the 5th SFC recommendations. However, the 6th SFC observed that ULBs in Bihar were still

⁵⁰ *Accountant/ Cashier/ General/ Subsidiary Cash Book: Nagar Panchayat: Bihiya and Kahalgaon, Nagar Parishad: Lakhisarai and Sherghati, Nagar Nigam Sasaram; Advance Register: Nagar Panchayat Shahpur, Nagar Parishad: Aurangabad, Bihiya, Khagaul and Piro; Asset Register: Nagar Panchayat: Bodhgaya and Shahpur, Nagar Parishad: Aurangabad, Khagaul, Piro and Sherghati, Nagar Nigam Sasaram Daily Collection Register: Nagar Panchayat Shahpur, Nagar Parishad: Bihiya and Sherghati; Grant Register- Nagar Panchayat Shahpur, Nagar Parishad: Aurangabad and Sherghati.; Stock Register- Nagar Panchayat Shahpur, Nagar Parishad: Khagaul and Piro*

⁵¹ *Nagar Parishad: Buxar, Bakhtiyarpur, Dehri Dalmiyan Nagar and Piro; Nagar Nigam: Gaya*

suffering from capacity constraints, in terms of skilled manpower, IT facilities, equipment, office space etc., leading to meagre utilisation of available funds, inability to avail central resources, poor project implementation, as well as less than satisfactory delivery of services. However, the UD&HD did not organize any training programmes during the financial year 2019-20.

UD&HD stated (August 2021) that training programmes for the financial years 2019-20 and 2020-21 could not be conducted, due to Covid-19. The reply is partially acceptable, as restrictions on account of the Covid-19 pandemic were not in place during the financial year 2019-20.

3.8.7 Issues related to AC/DC Bills

Rule 177 of the Bihar Treasury Code (BTC), 2011, provides that a certificate is to be furnished by the Drawing and Disbursing Officer, to the effect that money withdrawn on the Contingent Bills shall be spent within the same financial year and the unspent amount shall be remitted to the Treasury before 31st March of the year. Further, as per Rule 194 of the BTC, 2011:(i) countersigned Detailed Contingent (DC) bills shall 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 shall be encashed after the end of this period of six months, unless the corresponding DC bills have been submitted. Details of unadjusted AC bills, along with reasons, are given in **Table 3.14**.

Table 3.14: Details of AC bills pending for adjustment (As on 15.12.2021)

(₹ in crore)

Financial Year (s)	Amount drawn through bills	Amount of DC bills submitted	Unadjusted AC bills	Remarks
2002-03 to 2018-19	13.12	0	13.12	Amount drawn through AC Bill, DDO names not clear
2009-10 and 2010-11	5.93	3.04	2.89	Amount drawn through AC Bills, DC Bills not submitted by DDOs.
2002-03 to 2018-19	14.82	6.56	8.26	Amount drawn through AC Bills, DC Bills pending against D.M.
2002-03 to 2018-19	18.13	5.50	12.63	Amount drawn through AC Bills, DC Bills pending against ULBs and Bihar Urban Infrastructure Development Corporation Ltd (BUIDCO)
Total	51.99	15.10	36.89	

(Source: Information furnished by UD&HD)

Note: During the financial years 2019-20 and 2020-21, amounts were not drawn through AC bills.

As evident from the preceding Table, AC bills amounting to ₹ 36.89 crore (71 per cent of the total amount drawn through AC bills) remained outstanding for adjustment (as of January 2022).

AC bills pending for adjustment/recovery for long periods indicated weak internal control and a poor monitoring mechanism.

3.8.8 Impact of Audit

In 12 test-checked ULBs⁵², Audit had suggested recovery of an amount of ₹ 5.74 crore, during FY 2020-21. Out of this, ₹ 5.42 lakh had been deposited by five ULBs⁵³ (as of December 2021) on account of registration fees, stamp duty, money receipts, miscellaneous receipts and property tax.

⁵² *Nagar Nigam- Bhagalpur and Gaya; Nagar Parishad- Aurangabad, Jamalpur, Khagaria, Khagaul, Sherghati and Teghra; Nagar Panchayat- Barihiya, Bihiya, Piro and Shahpur*

⁵³ *Nagar Parishad- Jamalpur(₹ 0.03 lakh), Khagaria (₹ 3.08 lakh), Teghra (₹ 0.14 lakh); Nagar Panchayat- Bihiya (₹ 0.15 lakh), Barihiya(₹ 2.02 lakh)*



CHAPTER – IV
COMPLIANCE AUDIT

Chapter – IV Compliance Audit

Urban Development and Housing Department

4.1 Loss of revenue due to non-realisation of fines

Failure of the Patna Municipal Corporation (PMC) to realise fines for non-assessment of holdings, by the owners of the holdings, under the self-assessment scheme, resulted in loss of revenue, amounting to ₹ 0.60 crore.

Rule 14 of the 'Bihar Municipal Property Tax (Assessment, Collection and Recovery) Rules, 2013, provides that: (i) every owner of a holding, whose holding has not been previously assessed for Holding tax, shall self-assess the holding within three months from the notification (08 May 2013) of the Rules, for calculation and payment of Holding Tax, to the municipality (ii) upon failure to complete the self-assessment of the holding within the stipulated time and to inform the municipality, a fine of ₹ 2,000 on residential holdings and ₹ 5,000 on other holdings, shall be realised from the owner of the holdings. As per Rule 10 of the Bihar Municipal Empowered Standing Committee (ESC) Conduct of Business Rules, 2010, the executive powers of the municipality shall vest with the ESC. Further, Rule 10(4) (a) of the above mentioned rules, states that the ESC shall not discuss and pass a resolution in any matter/issue which is against the Rules, laws and directives of the State Government.

Audit scrutiny of the records (February to July 2021) of the Patna Municipal Corporation (PMC) revealed the following:

- Patliputra colony in Patna was being treated as a rural area till August 2017. The PMC notified (September 2017) the colony as an urban area under its jurisdiction and constituted three new Municipal Wards (22A, 22B and 22C). As per the survey done by the PMC, there were 11,729 holdings (including vacant land) in these newly constituted Wards, during the financial years 2018-19 to 2020-21.
- The owners of these 11,729 holdings failed to self-assess their holdings within the stipulated time of three months from the notification regarding the constitution of Wards. Accordingly, PMC had to collect a fine of at least ₹ 2.35 crore⁵⁴ from the owners of these holdings. The PMC authorised Sparrow Soft Tech Pvt. Ltd. for collection of Holding Tax and fine, if any. As per agreement executed between

⁵⁴ 11,729 holdings X ₹ 2,000 per holding = ₹ 2,34,58,000

PMC and Sparrow, 6.5 per cent to 9.4 per cent of the revenue collected was to be paid to Sparrow Soft Tech Pvt. Ltd. as collection charge (commission). As of April 2021, PMC collected Holding Tax from 6,663 out of 11,729 holdings. Out of these 6,663 holdings (which had made the payments of holding tax due), the fine for delay in self-assessment of holdings was collected from 3,654 holdings only. Thus, PMC failed to collect the minimum fine of ₹ 60.18⁵⁵ lakh from 3,009 holdings.

On this being pointed out in audit, the firm⁵⁶, which had been assigned the task for collection of fine with Holding tax by the PMC replied (April 2021) that, fines could not be collected, as the Ward Councillor and officers of the PMC had decided not to collect fines from the owners of the holdings who had not self-assessed the holdings within the stipulated time.

The reply was not acceptable, as the PMC had no power to discuss and pass a resolution in any matter/issue which was against the Rules, laws and directives of the State Government. Municipal Commissioner, PMC, however, replied (July 2021) that the matter would be verified and action would be taken accordingly, under intimation to Audit. But, no further response/intimation was furnished to audit as of November 2022 despite reminder.

Thus, PMC failed to follow the provisions of the Municipal Property Tax Rules, regarding assessment and collection of Holding tax within the stipulated time, leading to loss of revenue, amounting to at least ₹ 60.18 lakh.

The matter was reported to Government (December 2021) and reminder was issued on 11 October 2022; reply is awaited.

4.2 Loss of revenue due to non-realisation of user charges

Failure of the Patna Municipal Corporation (PMC) to realise user charges for providing door to door services for collection of garbage, resulted in loss of revenue, amounting to at least ₹ 8.92 crore.

Sections 128 of the Bihar Municipal Act (BMA), 2007, states that Municipalities shall levy user charges for providing various types⁵⁷ of services

⁵⁵ ₹ 2,000 X 3,009 = ₹ 60,18,000

⁵⁶ Sparrow Softech Private Limited, Patna- The PMC authorised Sparrow Soft Tech Pvt. Ltd. for collection of Holding Tax and fine, if any.

⁵⁷ (i) Provision of water supply, drainage, and sewerage. (ii) Solid waste management (iii) parking of different types of vehicles in different areas and for periods (iv) Stacking of materials or rubbish on public streets, for construction, alteration, repair or demolition work of any type and (v) other specific services rendered in pursuance of the provision of the Act, at such rates as may be determined, from time to time, by the Municipality.

to the citizens. Further, Government may direct Municipalities to levy user charges, if they are not levied or postponed by the Municipalities.

Audit scrutiny of the records (February to July 2021) of the Patna Municipal Corporation (PMC) revealed the following:

PMC had fixed (April 2019) user charges within range of ₹ 30 to ₹ 5,000/ per month for 14 different types of holdings⁵⁸, including a 'nil' amount for those who were Below Poverty Line (BPL), for door to door collection of garbage, under Solid Waste Management (SWM) with effect from January 2019. There were a total of 2,06,570 holdings (798 holdings were vacant) in the PMC area, during the financial year 2018-19, and a total of 2,27,231 holdings in the financial year 2019-20, from whom user charges were to be collected. However, PMC did not collect user charges from all these holdings, for the period from January 2019 to March 2020. Since PMC did not furnish details of the number of residential, commercial and other types of holdings separately, to Audit, the actual demand on account of user charges could not be worked out. The minimum fixed user charge, i.e. ₹ 30 per holding per month, was considered, while working out the demand of user charges and it was observed that PMC would have received minimum of ₹ 10.04 crore⁵⁹ as user charges, for providing services of door to door collection of garbage, for the period January 2019 to March 2020. However, against the minimum demand of user charges of ₹ 10.04 crore, it could collect only ₹ 1.12 crore from April 2019 to March 2020.

Thus, PMC failed to realise user charges, even though it had been providing the door to door service of garbage collection from October 2018 onwards and sustained loss of revenue at least of ₹ 8.92⁶⁰ crore.

On this being pointed out in audit, Municipal Commissioner, PMC accepted (July 2021) the audit findings and stated that user charges, for door to door collection of garbage, had been started, from the financial year 2020-21.

Thus, PMC violated the provisions of the BMA, 2007, for collection of user charges, for providing the services of door to door collection of garbage, leading to loss of own revenue, amounting to at least ₹ 8.92 crore.

The matter was reported to Government (December 2021) and reminder was issued on 13 October 2022; reply is awaited.

⁵⁸ ₹ 30 for residential buildings, ₹ 100 for shops, ₹ 500 for restaurants, ₹ 5,000 for star hotels etc.

⁵⁹ 2,06,570 holdings X ₹ 30 per month X 3 months (January 2019 to March 2019) = ₹ 1,85,91,300 & 2,27,231 holdings x ₹ 30 per month x 12 months (April 2019 to March 2020) = ₹ 8,18,03,160, Hence, total = ₹ 10,03,94,460.

⁶⁰ ₹ 10.04 crore - ₹ 1.12 crore = ₹ 8.92 crore

4.3 Excess payment due to deficient internal control

Patna Municipal Corporation failed to watch over the payment of consultancy charges made to the Project Management Unit (PMU), resulting in: (i) excess payment of ₹ 46.19 lakh and (ii) irregular payment of Service tax, amounting to ₹ 12.32 lakh, to the PMU.

Rule 12 of the Bihar Financial Rules (BFR) stipulates that every controlling officer must satisfy himself that not only adequate provisions exist within the departmental organisation, for systematic internal checks, calculated to prevent and detect errors and irregularities in the financial proceedings of his subordinate officer and to guard against waste and loss of public money and store, but also that the prescribed checks are effectively applied. Rule 12 of the Bihar Municipal Accounting Rules (BMAR), 2014 provides that a Cash Book shall be maintained by the Accountant, wherein transactions pertaining to cash receipts and disbursements of the Municipality shall be recorded and the Chief Municipal Officer shall examine the entries and the closing balance in the Cash Book and affix his signature in token of such an examination. Further, as per Rule 10 of the BMAR, every municipality shall maintain its books of accounts, in respect of each fund, separately, for each financial year. As per notification (June 2012) of the Department of Revenue, Ministry of Finance, Service tax on construction, erection, commissioning etc., of low-cost houses, up to a carpet area of 60 square meters per house, was exempted, in public interest.

The Ministry of Housing and Urban Poverty Alleviation launched (June 2011) the *Rajiv Awaas Yojana* (RAY), a centrally sponsored scheme, with the objective of improvement and provisioning of housing (dwelling units having an area of 32 square meters), basic civic infrastructure and social amenities, in intervened slums of urban areas with the vision of “Slum free India”. The Scheme was to be implemented in a mission mode and the mission was to be completed by March 2022.

Scrutiny of records (July 2021) of the Patna Municipal Corporation (PMC) showed that PMC had received (April 2015 to September 2018) ₹ 26.50 crore⁶¹, for Phases I and II of the Scheme, through the Urban Development & Housing Department, Government of Bihar, for implementation of the Scheme, for 1,820 beneficiaries, residing in slum areas of the PMC. PMC had engaged Saryu Babu Engineers Pvt. Ltd. (SBENG),

⁶¹ ₹ 23.37 crore was for providing housing and ₹ 3.13 crore for providing infrastructures.

as the Project Management Unit (PMU), for facilitating the implementation of RAY. It executed (March 2016) an agreement with SBENG, for provision of assistance, in completion and facilitation of works in the entire course of affordable housing projects (instituted in three phases), till March 2018. As per directions of the Department (February 2015), Phase-III of the project was to be implemented by the Bihar Urban Infrastructure Development Corporation (BUIDCO). However, PMC had executed an agreement with the PMU also, for this Phase of the project.

As per the agreement executed with the PMU, PMC had to make payment of consultancy charges to the PMU, as per the project base cost (Table 4.1).

Table 4.1: Payment of consultancy charges to be made to the PMU

(₹ in lakh)

Name of project	Project base cost	Total consultancy charge (4.14 per cent of project base cost)
(1)	(2)	(3)
Patna Phase-I	2,583.33	106.95
Patna Phase-II	3,539.10	146.52
Patna Phase-III	4,504.50	186.49
Total	10,626.93	439.96

(Source: Records provided by the PMC)

As per the agreement, PMC had to pay consultancy charges to the PMU in five parts⁶², depending upon the progress of the works.

The PMU initiated the work but could not complete the entire scope of work under Phases-I and II of the projects. It claimed (March 2016 to April 2017) ₹ 328.87 lakh (including Service Tax) i.e. 65 per cent⁶³ of the total consultancy charges, for all the three phases of the project. However,

⁶² (1) At the time of agreement: **20 per cent** (2) On verification of beneficiaries and opening of account in Bank and providing the design of DUs on prorata basis: **20 per cent** (3) On completion of physical survey and verification of the infrastructure component of the DPR: **25 per cent** (4) On preparation of Drawing, Estimate EoI and RFP for infrastructure work: **20 per cent** and (5) On submission of the final measurement book of the infrastructure component to the Municipal Corporation: **15 per cent (Total: 100 per cent).**

⁶³ (1) At the time of agreement: **20 per cent** (2) On verification of beneficiaries and opening of account in Bank and providing the design of DUs on prorata basis: **20 per cent** (3) On completion of physical survey and verification of the infrastructure component of the DPR: **25 per cent.**

PMC accepted claim of ₹ 139.41 lakh⁶⁴ only, as works related to Phase-III of the project was assigned to BUIDCO. Against the accepted claim of ₹ 139.41 lakh⁶⁵ (including Income tax and Service tax), PMC paid ₹ 100.31 lakh in April 2016 and ₹ 46.19 lakh in October 2016. Thus, against the accepted claims of ₹ 139.41 lakh, the PMC paid a total sum of ₹ 146.50 lakh to the PMU (including taxes) till October 2016 and thereby, made excess payment of ₹ 7.09 lakh.

Further, PMC could not watch over the payment of consultancy charges and made (July 2017) another payment of ₹ 39.10 lakh, to the PMU, overlooking the payment of ₹ 46.19 lakh made in October 2016, resulting in double payment. Thus, a total sum of ₹ 185.60 lakh⁶⁶ was paid to the PMU (including taxes⁶⁷), against the accepted claims of ₹ 139.41 lakh, which was ₹ 46.19 lakh more than the accepted claims. PMC relinquished (July 2018) the PMU from all the works assigned to it, as agreement was ended on March 2018.

It was further observed that the Accountant of the PMC had not maintained a Cash Book/Bank Book for the aforesaid transactions, although this was required under Rule 10 of the BMAR. Consequently, the municipal authorities had failed to verify the expenditure incurred. Further, as per notification of the Department of Revenue and also as per the opinion of the Legal Advisor of the PMC, Service Tax was not payable to the PMU, as the area of the dwelling units under the project was less than 60 square meters. However, PMC had paid (April 2016) Service Tax, amounting to ₹ 12.32 lakh, to the PMU, which was irregular.

On this being pointed out by Audit, the Municipal Commissioner replied (July 2021) that follow-up action would be taken and the progress in this regard would be intimated to Audit. Further reply from the Municipal Commissioner is, however, awaited (as of November 2022), despite reminder.

⁶⁴ 55 per cent of the total amount of consultancy charge of Patna phase-I and Patna phase-II, i.e. ₹ 253.47 lakh (₹ 106.95 lakh + ₹ 146.52 lakh). Accepted claim of 55 per cent was 20 per cent for executing agreement, 20 per cent for verification of beneficiaries and opening of accounts in bank and 15 per cent for completion of physical survey and verification of the infrastructure component of the DPR.

⁶⁵ PMU: ₹ 114.38 lakh, Service Tax: ₹ 12.32 lakh (to PMU) and Income Tax: ₹ 12.71 lakh

⁶⁶ ₹ 100.31 lakh in April 2016 (₹ 79.19 lakh to PMU + ₹ 12.32 lakh as Service Tax to PMU and ₹ 8.80 lakh to Income Tax), ₹ 46.19 lakh in October 2016 (₹ 41.79 lakh to PMU and ₹ 4.40 lakh to Income Tax) and ₹ 39.10 lakh in July 2017 (₹ 35.19 lakh to PMU and ₹ 3.91 lakh to Income Tax)

⁶⁷ PMU: ₹ 156.17 lakh, Service Tax: ₹ 12.32 lakh (to PMU) and Income Tax: ₹ 17.11 lakh

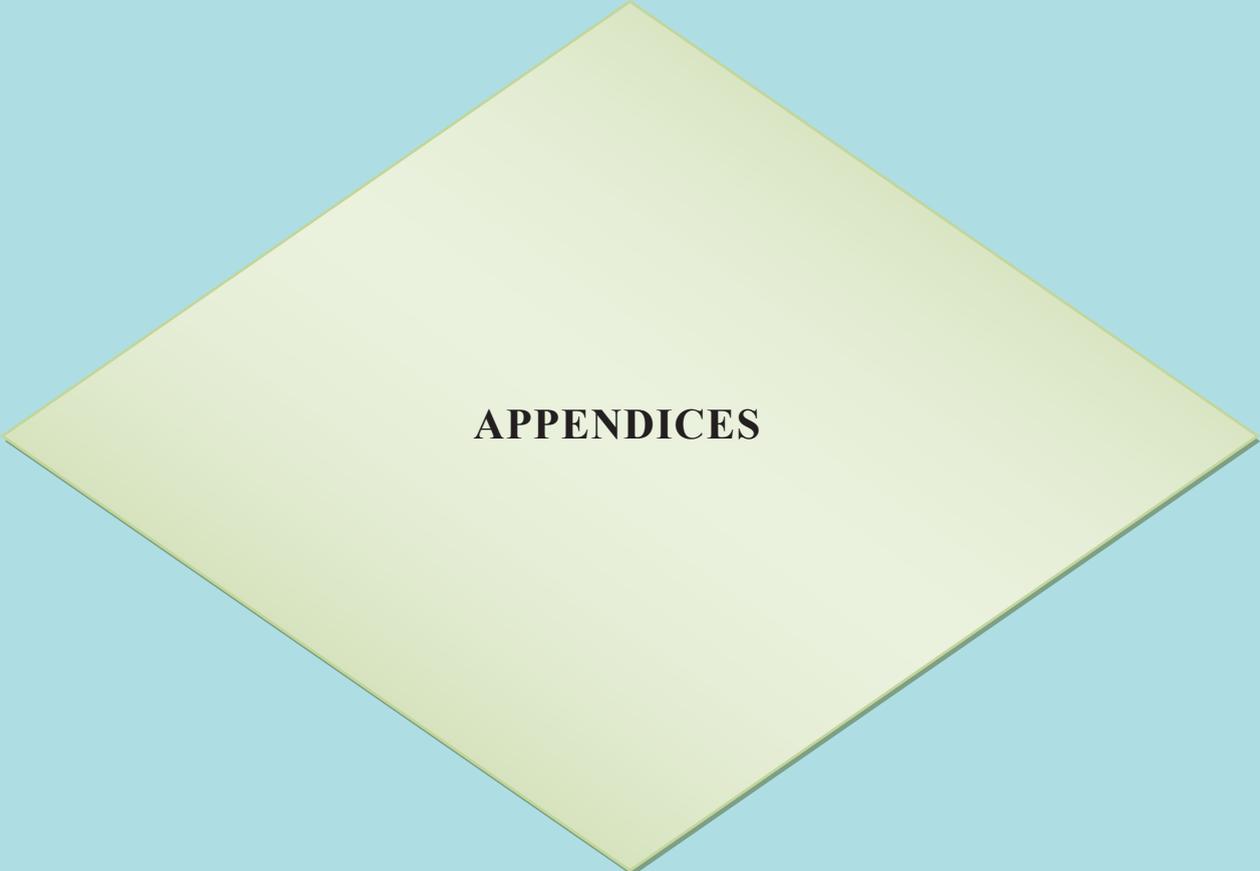
Thus, failure to watch over the payments made out of Scheme funds, non-maintenance of Cash Book/Bank Book and non-exercising of necessary checks before payment of consultancy charges to the PMU, by the municipal authorities, indicated serious lapses in internal control, as a result of which, PMC made an excess payment of ₹ 46.19 lakh to the PMU, as also irregular payment of ₹ 12.32 lakh, on account of Service Tax, from Scheme funds.

The matter was reported (December 2021) to the Department and reminder was issued on 11 October 2022; reply is awaited.

Patna
The 13 April 2023



(RAMAWATAR SHARMA)
Accountant General (Audit)
Bihar, Patna



APPENDICES

Appendix 2.1
(Refer: Paragraph-2.1; Page- 22)
Loss of revenue to ZP, Begusarai

Sl. No.	Scheme No./ Year	Expenditure incurred (₹)	Date of completion	Area of shop/hall as per MB	No. of assets (shop/ hall) constructed	Expected rent of shop on market price	Period of remaining vacant (since completion)	Calculation of expected rent (5 x 6 x 7 x 8) (₹)	Loss of revenue due to non-allotment (₹)
1	2	3	4	5	6	7	8	9	10
Head - Own Resources									
1	01/2017-18	79,64,000	28.01.2019	15' x 10' = 150 sft	30	₹ 10 per sft	February 2019 to September 2021 (32 months)	150 sft x 30 no.x ₹ 10 x 32 months = 14,40,000	14,40,000
2	03/2017-18	79,64,000	19.04.2018	15' x 10' = 150 sft	30	₹ 10 per sft	May 2018 to September 2021 (41 months)	150 sft x 30 no.x ₹ 10 x 41 months=18,45,000	18,45,000
3	04/ 2017-18	32,49,000	10.05.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	June 2018 to September 2021 (40 months)	1750 sft x 01 no.x ₹ 10 x 40 months=7,00,000	7,00,000
4	05/ 2017-18	32,49,000	14.05.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	June 2018 to September 2021 (40 months)	1750 sft x 01 no.x ₹ 10 x 40 months = 7,00,000	7,00,000
5	06/ 2017-18	32,49,000	11.05.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	June 2018 to September 2021 (40 months)	1750 sft x 01 no.x ₹ 10 x 40 months=7,00,000	7,00,000
6	08/ 2017-18	32,49,000	16.05.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	June 2018 to September 2021 (40 months)	1750 sft x 01 no.x ₹ 10 x 40 months =7,00,000	7,00,000
7	09/ 2017-18	61,64,076	20.11.2018	96'-8" x 42' = 4060.14 sft	01	₹ 10 per sft	December 2018 to September 2021 (34 months)	4060 sft x 01 no.x ₹ 10 x 34 months =13,80,400	13,80,400
8	10/ 2017-18	66,43,285	20.11.2018	96'-8" x 66' = 6380.22 sft	01	₹ 10 per sft	December 2018 to September 2021 (34 months)	6380 sft x 01 no.x ₹ 10 x 34 months = 21,69,200	21,69,200
Head – Fifth State Finance Commission									
9	06/ 2017-18	24,23,000	05.11.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	December 2018 to September 2021 (34 months)	1750 sft x 01 no.x ₹ 10 x 34 months = 5,95,000	5,95,000
10	07/ 2017-18	27,27,000	30.12.2018	15' x 10' = 150 sft	15	₹ 10 per sft	January 2019 to September 2021 (33 months)	150 sft x 15 no.x ₹ 10 x 33 months=7,42,500	7,42,500
11	08/ 2017-18	25,35,000	15.12.2017	15' x 10' = 150 sft	13	₹ 10 per sft	January 2018 to September 2021 (45 months)	150 sft x 13 no.x ₹ 10 x 45 months= 8,77,500	8,77,500
12	09/ 2017-18	35,61,000	10.11.2017	15' x 10' = 150 sft	20	₹ 10 per sft	December 2018 to September 2021 (34 months)	150 sft x 20 no.x ₹ 10 x 34 months=10,20,000	10,20,000

Annual Technical Inspection Report (Local Bodies) for the year ended 31 March 2021

Sl. No.	Scheme No./ Year	Expenditure incurred (₹)	Date of completion	Area of shop/hall as per MB	No. of assets (shop/ hall) constructed	Expected rent of shop on market price	Period of remaining vacant (since completion)	Calculation of expected rent (5 x 6 x 7 x 8) (₹)	Loss of revenue due to non-allotment (₹)
13	11/ 2017-18	17,89,000	25.11.2017	15' x 10' = 150 sft	08	₹ 10 per sft	December 2018 to September 2021 (34 months)	150 sft x 08 no.x ₹ 10 x 34 months= 4,08,000	4,08,000
14	12/ 2017-18	36,59,000	20.05.2018	15' x 10' = 150 sft	16	₹ 10 per sft	June 2018 to September 2021 (40 months)	150 sft x 16 no.x ₹ 10 x 40 months=9,60,000	9,60,000
15	25/ 2017-18	81,12,000	08.02.2018	15' x 10' = 150 sft	30	₹ 10 per sft	March 2018 to September 2021 (43 months)	150 sft x 30 no.x ₹ 10 x 43 months=19,35,000	19,35,000
16	29/ 2017-18	40,11,000	30.12.2018	15' x 10' = 150 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	150sft x 01 no.x ₹ 10 x 33 months =49,500	49,500
17	30/ 2017-18	44,24,000	18.04.2019	15' x 10' = 150 sft	10	₹ 10 per sft	May 2019 to September 2021 (29 months)	150 sft x 10 no.x ₹ 10 x 29 months= 4,35,000	4,35,000
18	31/ 2017-18	32,49,000	14.05.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	June 2018 to September 2021 (40 months)	1750 sft x 01 no.x ₹ 10 x 40 months =7,00,000	7,00,000
19	33/ 2017-18	26,05,000	29.12.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	1750 sft x 01 no.x ₹ 10 x 33 months =5,77,500	5,77,500
20	34/ 2017-18	26,05,000	29.12.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	1750sft x 01 no.x ₹ 10 x 33 months=5,77,500	5,77,500
21	35/ 2017-18	26,05,000	25.12.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	1750 sft x 01 no.x ₹ 10 x 33 months =5,77,500	5,77,500
22	36/ 2017-18	26,05,000	29.12.2018	70' x 25' = 1750 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	1750 sft x 01 no.x ₹ 10 x 33 months = 5,77,500	5,77,500
23	38/ 2017-18	56,75,000	20.12.2018	103'-6" x 52'-7" =5442.03 sft	01	₹ 10 per sft	January 2019 to September 2021 (33 months)	5442 sft x 01 no.x ₹ 10 x 33 months =17,95,860	17,95,860
24	39/ 2017-18	64,46,000	28.04.2018	103'-6" x 60'-2" = 6226.56 sft	01	₹ 10 per sft	May 2018 to September 2021 (41 months)	6226 sft x 01 no.x ₹ 10 x 41 months = 25,52,660	25,52,660
Total		10,07,62,361	Total						2,40,15,620

(Source: Information furnished by the ZP)

Appendix 2.2 (A)
(Refer: Paragraph- 2.6; Page-33)
Non-execution of schemes despite grant of advances

Sl. No.	Scheme No.	Nature of work	Estimated Cost (in ₹)	Advance (in ₹)	Excess payment (in ₹)	Status of work	Head
1	07/2013-14	Aanganwadi construction	5,96,500	2,14,800	2,14,800	Work not started	13 th FC
2	08/2013-14	Aanganwadi construction	5,96,500	2,14,000	2,14,000	Work not started	13 th FC
3	53/2013-14	PCC Construction	7,02,100	2,52,600	2,52,600	Work not started	13 th FC
4	55/2013-14	Aanganwadi construction	6,26,400	2,25,000	2,25,000	Work not started	13 th FC
5	01/2015-16	PCC Construction	7,39,800	7,500	7,500	Work not started	13 th FC
6	35/2015-16	PCC Construction	5,87,870	35,000	35,000	Work not started	13 th FC
7	43/2015-16	PCC Construction	7,21,800	4,30,000	4,30,000	Work not started	13 th FC
8	56/2015-16	PCC Construction	6,73,500	4,00,000	4,00,000	Work not started	13 th FC
9	14/2013-14	Brick on Edge Soling	5,51,500	1,98,600	1,98,600	Work not started	4 th SFC
10	17/2013-14	Brick on Edge Soling	5,73,800	2,06,400	2,06,400	Work not started	4 th SFC
11	02/2012-13	Maintenance of Dakbunglow	2,00,000	2,00,000	2,00,000	Work not started	Private Head
12	01/2012-13	Shed Construction	3,92,500	1,41,300	1,41,300	Work not started	B.R.G.F.
13	02/2012-13	Shed Construction	3,92,500	1,41,300	1,41,300	Work not started	B.R.G.F.
14	01/2008-09	Community Hall Construction	5,24,900	2,52,000	2,52,000	Work not started	B.R.G.F.
15	04/2008-09	Community Hall Construction	5,21,400	2,51,000	2,51,000	Work not started	B.R.G.F.
16	07/2009-10	Kisan Bhawan Construction	5,85,800	2,11,000	2,11,000	Work not started	B.R.G.F.
17	08/2009-10	Community Hall Construction	5,85,000	2,11,000	2,11,000	Work not started	B.R.G.F.
Total			95,71,870	35,91,500	35,91,500		

(Source: Information furnished by the ZP, Supaul)

Appendix 2.2 (B)
(Refer: Paragraph- 2.6; Page-33)
Excess payment in completed works

Sl. No.	Scheme No.	Nature of work	Estimated Cost (in ₹)	Advance (in ₹)	M.B. Amount (in ₹)	Excess payment (in ₹)	Status of work	Head
1	17/2013-14	PCC Construction	7,50,000	6,75,000	6,54,732	20,268	Completed	13 th FC
2	27/2013-14	PCC Construction	4,38,500	3,94,500	3,65,155	29,345	Completed	13 th FC
3	36/2013-14	PCC Construction	2,83,300	2,55,300	2,53,806	1,494	Completed	13 th FC
4	09/2009-10	PCC Construction	29,76,900	27,68,914	25,77,561	1,91,353	Completed	B.R.G.F.
Total			44,48,700	40,93,714	38,51,254	2,42,460		

(Source: Information furnished by the ZP, Supaul)

Appendix 2.2 (C)
(Refer: Paragraph- 2.6; Page-33)

Infructuous expenditure and excess payment in incomplete schemes

Sl. No.	Scheme No.	Nature of work	Estimated Cost (in ₹)	Advance (in ₹)	M.B. Amount (in ₹)	Excess payment (in ₹)	Status of work	Head
1	09/2012-13	Aanganwadi construction	5,40,600	1,94,600	1,38,745	55,855	incomplete	13 th FC
2	12/2012-13	Aanganwadi construction	5,40,600	4,44,400	2,95,322	1,49,078	incomplete	13 th FC
3	04/2013-14	Aanganwadi construction	5,96,500	3,58,000	2,50,512	1,07,488	incomplete	13 th FC
4	52/2013-14	PCC Construction	7,49,600	6,74,600	5,53,464	1,21,136	incomplete	13 th FC
5	57/2013-14	PCC Construction	7,48,000	6,73,000	1,94,802	4,78,198	incomplete	13 th FC
6	07/2014-15	PCC Construction	3,70,400	2,23,000	2,06,844	16,156	incomplete	13 th FC
7	21/2014-15	Aanganwadi construction	7,48,000	4,48,000	1,94,802	2,53,198	incomplete	13 th FC
8	28/2015-16	PCC Construction	5,87,870	5,28,000	3,34,497	1,93,503	incomplete	13 th FC
9	36/2015-16	PCC Construction	7,48,140	4,40,000	4,06,143	33,857	incomplete	13 th FC
10	5/2012-13	PCC Construction	2,83,000	3,30,383	2,82,633	47,750	incomplete	4 th SFC
11	08/2013-14	Brick on Edge Soling	6,52,500	6,07,500	5,91,922	15,578	incomplete	4 th SFC
12	03/2012-13	Shed Construction	3,92,500	1,41,300	1,11,066	30,234	incomplete	B.R.G.F.
13	06/2008-09	PCC Construction	5,72,200	2,75,000	1,30,405	1,44,595	incomplete	B.R.G.F.
14	08/2008-09	PCC Construction	5,70,500	2,74,000	1,18,285	1,55,715	incomplete	B.R.G.F.
15	09/2008-09	PCC Construction	7,10,500	7,10,500	5,20,720	1,89,780	incomplete	B.R.G.F.
16	15/2008-09	Community Hall Construction	5,21,400	3,13,000	2,67,800	45,200	incomplete	B.R.G.F.
17	02/2009-10	RCC Culvert	16,21,100	16,05,050	10,00,737	6,04,313	incomplete	B.R.G.F.
18	04/2009-10	RCC Culvert	21,24,168	21,03,140	15,01,571	6,01,569	incomplete	B.R.G.F.
19	06/2009-10	Boundary Wall Construction	12,74,200	12,61,584	11,44,039	1,17,545	incomplete	B.R.G.F.
Total			1,43,51,778	1,16,05,057	82,44,309	33,60,748		

(Source: Information furnished by the ZP, Supaul)

Total No of Schemes = 17+4+19=40

Advances to Executing agents = 35,91,500+40,93,714+1,16,05,057= ₹ 1,92,90,271

Money retained by the Executing agents = 35,91,500+2,42,440+33,60,748= ₹ 71,94,688

Appendix - 3.1
(Refer: Paragraph-3.3.2(i); Page-38)
List of 18 functions/subjects to be carried out by ULBs

Sl. No.	Section of BMA, 2007	Functions/Subjects
1.	290	Urban Planning, including Town Planning
2.	274A & 275	Regulation of land use and construction of buildings
3.	45	Planning for economic and social development
4.	45	Roads and bridges
5.	45 & 169-192	Water supply for domestic, industrial and commercial purposes
6.	45; 193-203 & 220-230	Public health, sanitation conservancy and solid waste management
7.	45; 250-261 & 262-268	Urban forestry, protection of the environment and promotion of ecological aspects
8.	287	Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded
9.	287&289	Slum improvement and up-gradation
10.	287	Urban Poverty Alleviation
11.	Chapter XXXII	Provision of urban amenities and facilities such as parks, gardens, playgrounds
12.	45	Promotion of cultural, educational and aesthetic aspects
13.	269-272 & 421	Burials and burial grounds; cremations, cremation grounds and electric crematoriums
14.	249 & 421	Cattle pounds; prevention of cruelty to animals
15.	352-353	Vital statistics, including registration of births and deaths
16.	45	Public amenities, including street lighting, parking lots, bus stops and public conveniences
17.	245 & 421	Regulation of slaughter houses and tanneries
18.	-	Fire Services

(Source: Bihar Municipal Act, 2007 and Twelfth schedule of the Constitution)

Appendix 3.2
(Refer: Paragraph- 3.3.2 (iii); Page- 39)
Vacant posts of Executive and technical staff in ULBs

Sl. No.	Designation	Sanctioned Post	Men- in position	Vacancy	Percentage of vacant posts	Remarks
1.	Municipal Commissioner	18	06	12	66	MC, Bhagalpur; MC, Madhubani; MC, Betiah; MC, Sasaram; MC, Motihari; MC, Samastipur; MC, Sitamarhi; MC, Darbhanga; MC, Purnea MC, Ara; MC, Gaya; & MC, Munger, are in additional charge
2.	Sr. Additional Municipal Commissioner	01	00	01	100	The post is in the PMC
3.	Additional Municipal Commissioner	20	00	20	100	Three (03) posts for PMC and one (01) post for other MCs
4.	Joint Municipal Commissioner	02	00	02	100	
5.	Deputy Municipal commissioner	51	18	33	65	Four (04) posts for PMC and three (03) posts for other MCs
6.	Executive Officers +Secretary to authority	253 (246 +7)	130	123	49	83 posts for Nagar Parishad; 157 posts for Nagar Panchayat and 06 posts for the PMC circle
7.	City Manager	391	62 (3 regular & 59 on contract)	329	84	
8.	Project Officer- cum- Additional/Deputy director	18	07	11	61	Project officer -cum- Additional (09)/Deputy (09) Director
9.	Officer posts under the Sanitation & Waste Management section	392	00	392	100	Assistant (286)/Deputy (83)/Public Sanitation & Waste Management officer (23)
10.	Officer posts under the Welfare & Registration section	388	00	388	100	Assistant (281)/ Deputy (83)/Public Welfare & Registration officer (24)
11.	Officer posts under the Revenue & Audit section	388	00	388	100	Assistant (281)/ Additional (83)/ Revenue & Audit officer (24)
12.	Supervisory posts under the Town Planning section	124	00	124	100	Assistant (107) /Deputy town-planning supervisor (17)
13.	Engineer-in-Chief	01	00	01	100	
14.	Chief Engineer (CE)	05	03	02	40	Out of three (03) men-in-position, one (01) is on contractual basis
15.	Superintending Engineer (SE)	21 (Civil-19; Mechanical-02)	15 (Civil-14; Mechanical-01)	06 (Civil-05; Mechanical- 01)	29	Out of 15 men-in-position, 11 posts are on contractual basis
16.	Executive Engineer (EE)	86 (Civil-70; mechanical-06; Electrical-10)	50 (Civil-45; Mechanical-03; Electrical-02)	36 (Civil-25; Mechanical-03 Electrical-08)	42	Both EEs (Electrical) are on deputation
17.	Assistant Engineer (AE)	264 (Civil-193; Mechanical-67; Electrical-04)	164 (Civil-120; Mechanical-42; Electrical-02)	100 (Civil-73; Mechanical-25; Electrical-02)	38	
18.	Junior Engineer (JE)	549 (Civil-429; Mechanical-70; Electrical-50)	71 (Civil-67; Mechanical-04; Electrical-00)	478 (Civil-362; Mechanical-66; Electrical-50)	87	
19.	Assistant Town Planner	10	00	10	100	
Total		2,982	526	2,456	82	

(Source: Information provided by UD&HD, GoB)

Appendix 3.3
(Refer: Paragraph- 3.8.5; Page-53)
Non-preparation of BRS

(₹ in lakh)

Sl. No.	Unit	Whether BRS was Prepared	Difference b/w cash book & pass book	Reply of the unit
1	Nagar Parishad, Buxar	No	₹ 124.61 (as on 31.03.21)	BRS would be prepared in the light of audit objection.
2	Nagar Parishad, Dehri Dalmiyan Nagar	No	₹ 397.49 (as on 31.03.21)	BRS would be prepared in light of audit objection.
3	Nagar Parishad, Piro	No	₹ 46.75 (as on 31.03.21)	BRS would be prepared.
4	Nagar Parishad, Bakhtiyarpur	No	-	BRS would be prepared and communicated to this office.
5	Nagar Nigam, Gaya	No	₹ 136.60 (as on 31.03.21)	No reply was furnished
Total			₹ 705.45	

(Source: Records of Audited units)



GLOSSARY OF ABBREVIATIONS

Glossary of Abbreviations

4 th SFC	Fourth State Finance Commission	GOI	Government of India
5 th SFC	Fifth State Finance Commission	GP	Gram Panchayat
6 th SFC	Sixth State Finance Commission	GPDP	Gram Panchayat Development Plan
13 th FC	Thirteenth Finance Commission	GPMS	Gram Panchayat Management System
14 th FC	Fourteenth Finance Commission	IB	Inspection Bungalow
15 th FC	Fifteenth Finance Commission	IFMIS	Integrated Financial Management Information System
AAP	Annual Audit Plan	IRs	Inspection Reports
AC	Abstract Contingent	IA & AD	Indian Audit & Accounts Department
AE	Assistant Engineer	LB	Local Bodies
AG	Accountant General	LFA	Local Fund Act
ARV	Annual Rental Value	MAS	Model Accounting System
ATIR	Annual Technical Inspection Report	MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
BDO	Block Development Officer	MMP	Mission Mode Project
BFR	Bihar Financial Rules	MIP	Men In Position
BGSY	Bihar Gram Swaraj Yojna	MSPNY	Mukhyamantri Shahari Payjal Nishchay Yojna
BG	Basic Grant	MoPR	Ministry of Panchayati Raj
BM Act	Bihar Municipal Act	MPR	Monthly Progress Report
BMAR	Bihar Municipal Accounting Rules	NCBF	National Capability Building Framework
BPRA	Bihar Panchayat Raj Act	PAC	Public Accounts Committee
BPRO	Block Panchayat Raj Officer	PES	Panchayat Enterprises Suit
BPS and ZP (B&A) Rule	Bihar Panchayat Samiti and Zila Parishad (Budget & Accounts) Rule	PG	Performance Grant
BRGF	Backward Region Grant Fund	PMC	Patna Municipal Corporation
BTC	Bihar Treasury Code	PRD	Panchayati Raj Department
CA	Chartered Accountant	PRI	Panchayati Raj Institutions
CAA	Constitutional Amendment Act	PRIA Soft	Panchayati Raj Institutions Accounting Software
CAG	Comptroller and Auditor General of India	PS	Panchayat Samiti
CEC	Central Empowered Committee	PSB	Panchayat Sarkar Bhawan
CEO	Chief Executive Officer	RGPSA	Rajeev Gandhi Panchayat Sashaktikaran Abhiyaan
CFC	Central Finance Commission	RAY	Rajeev Awas Yojna
DC	Detailed Contingent	RGSA	Rashtriya Gram Swaraj Abhiyan
DDC	Deputy Development Commissioner	SAS	Social Audit Society
DE	District Engineer	SFC	State Finance Commission
DM	District Magistrate	SLB	Service Level Benchmark
DPRO	District Panchayat Raj Officer	SOTR	State Own Tax Revenue
DPRC	District Panchayat Resource Center	SPRC	State Panchayat Resource Centre

DLFA	Director of Local Fund Audit	SWM	Solid Waste Management
DPC	District Planning Committee	TGS	Technical Guidance and Support
ELA	Examiner of Local Accounts	UC	Utilisation Certificate
ESC	Empowered Standing Committee	UD&HD	Urban Development & Housing Department
EO	Executive Officer	ZP	Zila Parishad
GoB	Government of Bihar		

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