Report of the

Comptroller and Auditor General of India

on

Local Bodies

for the year ended March 2015

Government of Bihar

Report No. 1 of 2016

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PREFACE

This Report for the year ended March 2015 has been prepared for submission to the Governor of Bihar under the CAG's (DPC) 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 2014-15 as well as those issues which came to notice in earlier years, but could not be dealt within the previous Reports have also been included, wherever necessary.

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

OVERVIEW

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

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

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

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

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

(Paragraph 1.1 to 1.8)

2. Performance Audit

(i) Receipt and Utilisation of BRGF grants by PRIs

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

During Performance Audit it as was noticed that:

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

(Paragraph 2.1.7.1)

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

(Paragraph 2.1.6.1)

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

(Paragraph 2.1.6.1)

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

(Paragraph 2.1.6.1)

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

(Paragraph 2.1.8.1 to 2.1.8.10)

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

(Paragraph 2.1.8.3 to 2.1.8.5, 2.1.8.8 to 2.1.8.10)

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

(Paragraph 2.1.10)

3. Compliance Audit

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

(Paragraph 3.1)

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

(Paragraph 3.2)

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

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

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

(Paragraph 4.1 to 4.8)

5. Performance Audit

(i) Revenue Management by Urban Local Bodies

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

During Performance Audit it was noticed that:

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

(Paragraph 5.1.7.2, 5.1.7.3, 5.1.7.4)

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

(Paragraph 5.1.7.5)

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

(Paragraph 5.1.13.2)

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

(Paragraph 5.1.9.1)

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

(Paragraph 5.1.9.1)

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

(Paragraph 5.1.10.1)

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

(Paragraph 5.1.10.1)

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

(Paragraph 5.1.10.2, 5.1.10.3)

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

(Paragraph 5.1.9.3)

6. Compliance Audit

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

(Paragraph 6.1)

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

(Paragraph 6.2)

Chapter - I

An Overview of the Functioning of the Panchayati Raj Institutions (PRIs) in Bihar

1.1 Introduction

The Seventy Third Constitutional Amendment Act, 1992 gave constitutional status to the Panchayati Raj Institutions (PRIs) and established a system of uniform structure, elections, reservation of post for weaker sections of society and women and regular flow of funds through Finance Commissions etc. As a follow-up, the State Governments were required to entrust the PRIs with such powers, functions and responsibilities to enable them to function as institutions of local self-government. In particular, PRIs are required to prepare plans and implement schemes for economic development and social justice in various areas including those enumerated in the Eleventh Schedule of the Constitution.

Consequently, the Government of Bihar (GoB) enacted the Bihar Panchayat Raj Act (BPRA), 1993 (subsequently replaced by the BPRA, 2006) and established a three-tier system of PRIs ***viz***., Gram Panchayat (GP) at village level, Panchayat Samiti (PS) at Block level and Zila Parishad (ZP) at the district level in the State. As of March 2015, there were 8967 PRIs [1] having 21,061 elected representatives in the State. The last general election to the elected bodies of PRIs was held during April-May 2011.

The State of Bihar is the 13th largest State in the country with an area of 94,163 sq. km and constitutes 2.86 ***per cent*** of total geographical area of the country. The population growth in Bihar in the last decade was 25.4 ***per cent***. The rural population in the State was 9.23 crore (89 ***per cent***) whereas urban population was 1.18 crore (11 ***per cent***). Bihar has the highest population density (1106 persons ***per*** sq. km) and the lowest literacy rate (61.80 ***per cent)*** among the States of India. The sex ratio of Bihar at 918 is lower than the national average of 943. The comparative demographic and development statistics of the State are given in **Table 1.1** below:

Table 1.1: Important Statistics of the State

Indicators	Unit	State Value	National Value	Rank amongst all States
Population	Crore	10.41	121.06	3
Population Density	***per*** sq. km	1106	382	1
Rural Population	Crore	9.23	83.35	2
Urban Population	Crore	1.18	37.71	11
Gender Ratio	1000 males	918	943	23
Literacy	***Per cent***	61.8	73	28
Number of districts	Number	38	640	3
Number of PRIs	Number	8967	246076	10
Number of ULBs	Number	138	3842	9
Human Development Index (HDI), 2007-08	Value	0.367	0.467	21

***(Source*: *Census 2011, Thirteenth Finance Commission Report, Planning Commission, GoI*)**

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[1] ***38 ZPs, 531 PSs and 8398 GPs***

1.2 Organisational setup of PRIs

At the State level, Panchayati Raj Department (PRD) co-ordinates and monitors the functioning of PRIs. The ZP is headed by the ***Adhyaksha***, while the PS and the GP are headed by the ***Pramukh*** and the ***Mukhiya*** respectively who are elected representatives of the respective PRIs.

The Deputy Development Commissioner (DDC) and the Block Development Officer (BDO) are the executive heads of the ZP and the PS respectively. The Panchayat Secretary is in-charge of the office of the GP. The organisational structure of PRIs is depicted in **Chart - 1.1** & **1.2** below:

Chart – 1.1: Elected Bodies

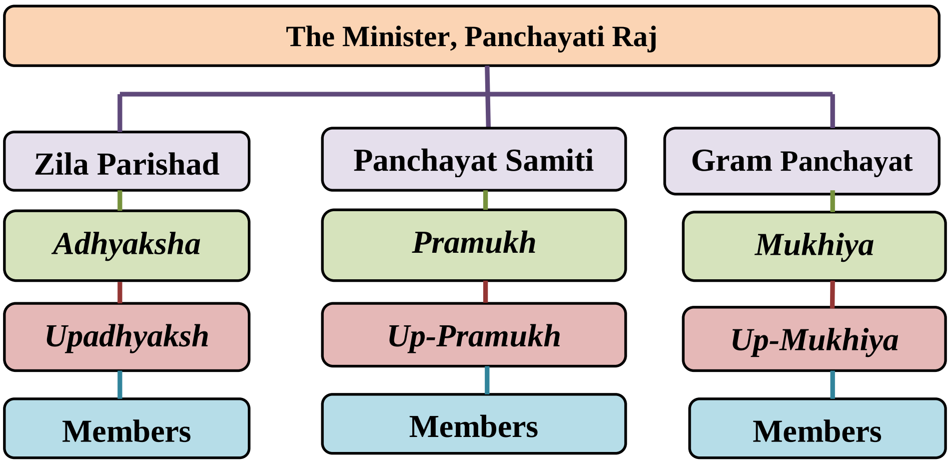
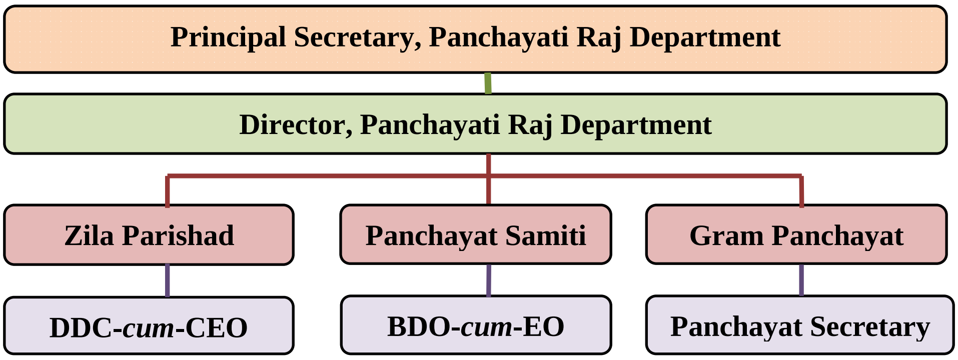


Chart – 1.2: Administrative set-up



(Source: BPRA, 2006 and www.biharprd.bih.nic.in)

1.3 Functioning of PRIs

1.3.1 Power and Functions of PRIs

Articles 243G and 243H of the Constitution of India stipulate that the State Government may endow the PRIs with the following powers, authority and responsibilities:

- Preparation of plans for economic development and social justice;
- Implementation of schemes for economic development and social justice as may be entrusted to them in relation to the matters listed in the Eleventh Schedule; and

- Powers to impose taxes and constitute funds for crediting all moneys of the panchayats.

Besides, Section 22, 47 and 73 of the BPRA, 2006 describe the nature of power and duties to be performed by the GPs, PSs and ZPs respectively.

1.3.2 Powers of the State Government

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

Table 1.2: Powers of the State Government

Authority	Powers of the State Government
Section 146 of BPRA, 2006	**Power to frame rules:** The State Government may, by notification in Official Gazette, make rules to carry out functions as specified in BPRA, 2006, subject to approval by the State Legislature.
Section 150, 152 and 153 of BPRA, 2006	**Power of Government to make model regulations and Inquiry:** The Government may make standard rules for the purposes of the BPRA, 2006 and has the power to inspect any office or records under the control of the PRIs.
Section 167 of BPRA, 2006	**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 of BPRA, 2006	**Finance Commission for Panchayats:** The State Government shall constitute in every five year, 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.
Section 27, 55 and 82 of BPRA, 2006	**Taxation**: The 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 of BPRA, 2006	**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.

(Source: BPRA, 2006)

1.3.3 Devolution of Functions, Funds and Functionaries to PRIs

The 73rd amendment to Constitution envisages transfer of functions listed in the Eleventh Schedule to PRIs, and funds and functionaries required for implementation of activities were to be devolved along with the transfer of functions. Accordingly, the GoB transferred (September 2001) 61 functions to ZPs, 60 functions to PSs and 79 functions to GPs which were related to its 20 functional departments ***(Appendix-1.1)***. A study conducted by the PRD in August 2014 revealed that the PRIs were entrusted 621 types of responsibilities by various departments from time to time which includes selection of beneficiaries, financial powers, preparation of plans, construction of infrastructure, management of programmes, monitoring works, maintenance of assets etc. Chief Secretary, Bihar stated (July 2014) that provisions of devolved functions and responsibilities to be performed by the panchayats were not made clear and practical and effective delegation was required to be done and one month time was given to frame clear guidelines for devolution of functions. But, the operational guidelines for implementation of functions devolved to PRIs was not framed (November 2015). Further, the ZPs in the State did not have adequate staff to discharge the devolved functions and 71 ***per cent***[2] of sanctioned posts were vacant as of November 2015. In two ZPs[3], men-in-position was less than 10 ***per cent*** of sanctioned strength.

Bihar is one of the weak performing States in the devolution of funds, functions and functionaries and stood third from the bottom (23rd rank) in the devolution index across Indian States.

1.4 Formation of various Committees

1.4.1 Standing Committees

As per Sections 25, 50 and 77 of BPRA, 2006, the PRIs shall constitute various Standing Committees for performance of the assigned functions. A GP may constitute six[4] Standing Committees from amongst its elected members and shall function under general guidance, supervision and control of the GP. Similarly, every PS and ZP shall constitute seven[5] Standing Committees from amongst its elected members. Roles and responsibilities of these Standing Committees are detailed in ***Appendix-1.2***.

1.4.2 District Planning Committee

In pursuance of article 243-ZD of the Constitution of India and Section 167 of the BPRA, 2006, the State Government notified (September 2008) the Constitution of Bihar District Planning Committee and Conduct of Business (BDPC) Rules, 2006 to constitute the District Planning Committee (DPC) at district level for consolidating the plans prepared by the Panchayats and the Municipalities in the district and for drafting the development plan for whole district. The Chairman of the ZP shall be the Chairman of the DPC and the Chief Executive Officer of the ZP shall be the Secretary of the Committee. The MPs, MLAs and MLCs who represent the district, District Magistrate, Chairman of the District Co-operative/Land Development Bank are the permanent invitees of the Committee. At least four-fifth members of the DPC shall be elected by elected members of the ZPs and the Municipal bodies in the district according to the ratio of the population of rural and municipal areas and rest of the members are nominated by the State Government.

After lapse of 15 years of passing the Constitutional amendment, the State Government had taken steps to achieve the objectives of Article 243-ZD of the Constitution regarding preparation of integrated development plan for the whole district. Further, neither the BPRA, 2006 nor the BDPC Rules, 2006

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[2] ***Total Sanctioned strength - 3440; Men-in-position - 987; Vacancy - 2453***

[3] ***Buxar and Supaul***

[4] ***Planning, Co-ordination and Finance Committee; Production Committee; Social Justice Committee; Education Committee; Committee on Public Health, Family Welfare and Rural Sanitation; and Public Works Committee***

[5] ***General Standing Committee; Finance, Audit and Planning Committee; Production Committee; Social Justice Committee; Education Committee; Committee on Public Health, Family Welfare and Rural Sanitation; and Public Works Committee***

prescribed time schedule for preparation and submission of annual plans by Local Bodies to the DPC and the district development plan for whole district by the DPC to the State Government. However, in test checked eight districts, inordinate delay in submission of Annual Action Plan to the State Government by DPCs was noticed.

The State Government intimated (August 2015) that DPCs have been constituted in all the districts and plans were passed by them as per Government instructions. However, it was noticed that the plans under BRGF scheme only was being consolidated by the DPC and development works taken under Centrally/State sponsored schemes by the PRIs and ULBs were not considered by it. Thus, the purpose of the Article 243-ZD was only partially fulfilled.

1.5 Audit Arrangement

1.5.1 Primary Auditor

Sections 31, 59 and 86 of BPRA, 2006 provide for audit of PRIs by an authority as may be prescribed by the State Government. The Government of Bihar declared (2006) the Examiner of Local Accounts (ELA), Bihar the prescribed ‘authority’ for audit of PRIs. The word ‘authority’ was replaced by the ‘CAG of India or an authority authorised by him’ through BPRA (Amendment) Act, 2011. Accordingly, audit of the accounts of PRIs in Bihar is being conducted by the ELA under supervision of the Accountant General (Audit), Bihar, as per provisions of the Bihar and Orissa Local Fund Audit (LFA) Act, 1925. During 2014-15, out of 8967 PRIs, audit of 1050 PRIs was conducted by ELA ***(Appendix – 1.3).***

1.5.2 Audit by Comptroller and Auditor General of India

The Eleventh Finance Commission had recommended that the Comptroller and Auditor General (CAG) of India should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and audit for all tiers of panchayats. The Thirteenth Finance Commission had also recommended that the CAG must be entrusted with Technical Guidance and Support (TGS) over the audit of all the Local Bodies (LBs) at every tier and his Annual Technical Inspection Report as well as Annual Report of Director of Local Fund Audit (DLFA) must be placed before the State Legislature. Fourteenth Finance Commission had also recommended that the initiatives made by the previous Finance Commissions regarding improvement in maintenance of accounts of LBs and their audit and TGS arrangement by the CAG should be continued.

In this regard, the State Government had created (October 2013) a cell[6] under the Finance Department for audit of LBs. Further, as per recommendations of Finance Commissions and continuous persuasion of the AG (Audit), Bihar, the State Government notified (June 2015) the establishment of Directorate of Local Fund Audit headed by the DLFA and it is functioning since 11 June 2015. The Finance Department, GoB intimated (December 2015) that the State Government had accepted the Standard Terms and Conditions under Regulations on Audit and Accounts, 2007 for audit of Local Bodies under TGS arrangement.

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[6] ***Comprising 39 senior auditors and one deputy Finance Controller***

1.6 Response to Audit Observations

1.6.1 Poor response to Inspection Reports

After completion of audit, Inspection Reports (IRs) containing audit findings were issued to the PRIs concerned with a copy to the State Government. The Executive Officers (EOs) of the ZPs and PSs and the ***Mukhiyas*** of GPs were required to respond to observations contained in the IRs and send compliance report to the ELA within three months. However, the EOs did not take effective steps to comply with the observations raised in the audit paragraphs as evident from increasing number of paragraphs outstanding as on 31 March 2015. Details of paragraphs outstanding are given in **Table 1.3** below:

Table – 1.3: Outstanding paragraphs in PRIs for the last five years

(₹ in crore)

Year	No. of IRs	No. of paras in IRs	Amount involved	No. of paras settled	Amount of settlement	No. of paras Outstanding	Money value of paras outstanding
1	**2**	**3**	**4**	**5**	**6**	**7 (3-5)**	**8 (4-6)**
2010-11	866	2365	178.80	1959	27.52	406	151.28
2011-12	518	5447	117.15	2694	0.38	2753	116.77
2012-13	416	7449	92.80	12	0.37	7437	92.43
2013-14	503	8748	128.12	1	0.00	8747	128.12
2014-15	574	8528	99.14	992	59.67	7536	39.47
Total	**2877**	**32537**	**616.01**	**5658**	**87.94**	**26879**	**528.07**

(Source: Inspection reports on the accounts of PRIs)

It is evident from the **Table 1.3** that a large number of paragraphs remained outstanding during 2010-15. Out of total 32,537 outstanding paragraphs only 5,658 (17 ***per cent***) paragraphs were settled and 26,879 paragraphs involving ₹ 528.07 crore were pending for settlement as of 31 March 2015.

Increasing trend of outstanding paragraphs indicated lack of efforts by authorities concerned in furnishing compliance to these paragraphs.

1.6.2 Compliance to the ELA's Annual Audit Reports

The Finance Department, GoB had constituted (March 2010) three tier Committees – High Level, Departmental Level and District Level for review /compliance of the ELA's Annual Audit Reports. The District level committee[7] has the responsibility to ensure compliance of audit paragraphs/ reports received from PRIs and ULBs of that district. The department level committee[8] had to review the status of compliance made by the district level committees. The High level Committee[9] was to meet once in six months to review the functioning of District and Department level committees.

It was observed that six district level committee meetings were held for PRIs during April 2014 to August 2015 and one meeting of Department Level committee was held in July 2015. High Level committee meeting was not

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[7] ***Headed by the District Magistrate/Deputy Development Commissioner***

[8] ***Headed by the Principal Secretary, Panchayati Raj Department, GoB***

[9] ***Headed by the Principal Secretary to the Finance Department, GoB and have the Pr. A.G. (Audit), Bihar as a member***

held since August 2013. Thus, the purpose of constituting three tier committees was defeated.

1.6.3 Status of Local Bodies Report

Sections 31(4), 59(4) and 86(4) of the BPR (Amendment) Act, 2011 stipulate that the Annual Report of the Comptroller and Auditor General of India or an authority authorised by him shall be laid before both the houses of the State Legislature. However, there is no provision for discussion of Annual Report of CAG of India/authorised authority on local bodies in Public Accounts Committee (PAC) or PAC like committee.

The Finance Department, GoB informed (July 2015) that the Hon'ble Chairman, Bihar Legislative Assembly had been requested to select a committee for discussion and review of CAG's report on Local Bodies. Meanwhile, the ELA's report on Local Bodies, GoB for the year ended 31 March 2014 was submitted (15 June 2015) to the State Government with copies to the Departments concerned, but the report was not laid before the State Legislature (November 2015).

Accountability Mechanism and Financial Reporting Issue

1.7 Accountability Mechanism

1.7.1 Ombudsman

As per Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) guidelines, in order to ensure transparency and responsibility, the State Government shall appoint an ombudsman and establish an office of ombudsman for redressal of complaints under MGNREGS. The State Government replied (December 2015) that out of 17 ombudsmen, tenure of seven ombudsmen was completed in November 2015 and appointment of ombudsman in 21 districts was under process.

1.7.2 Social Audit

The basic objective of social audit is to ensure public accountability in the implementation of projects, laws and policies. The Government of India (GoI) enacted Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA) Audit of Scheme Rules, 2011. The rules include social audit, audit of accounts and social audit facilitation by State Government and creation of independent organisation for conduct of social audits. It was noticed that 235 Social Audit of GPs were conducted in the State during 2014-15 under MGNREGA scheme in which cases of non-observance of rules such as wall paintings showing details of money paid to all Job Card holders not done, non-preparation of list of grievances that required redressal etc., were noticed.

The BRGF guidelines also prescribe for Social audit by Gram Sabha in rural areas. The High Powered Committee (HPC) approved (July 2012) Social Audit to be conducted under BRGF as per guidelines of MGNREGS. But, Social Audit was not conducted under BRGF scheme in 10 test checked districts[10] during 2010-15.

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[10] ***Aurangabad, Bhagalpur, Bhojpur, Katihar, Lakhisarai, Madhepura, Patna, Saharsa, Samastipur and Sitamarhi***

1.7.3 Submission of Utilisation Certificates

The instruction contained in the allotment letters of the funds released to the PRIs required furnishing of Utilisation Certificates (UCs) to the State Government within the prescribed date. It was noticed that the PRD released grants of ₹ 3,618.84 crore to PRIs during 2003-04 to 2012-13 under TFC, FSFCs, Third SFC, MMGY, furniture and equipment etc. But, the UCs for only ₹ 883.27 crore (24 ***per cent***) were submitted by the PRIs as of June 2015. Details are given in the **Table 1.4** below:

Table – 1.4: Utilisation against allotment under different heads

(₹ in crore)

Sl. No.	Head	Total Allotment	UCs submitted	UCs not submitted	Percentage of UCs submitted
1.	TFC	1624.00	198.97	1425.03	12
2.	FSFC	1252.72	636.07	616.65	51
3.	Third SFC	90.52	40.67	49.85	45
4.	MMGY	61.00	7.56	53.44	12
5.	Representative Allowance	357.80	0.00	357.80	0
6.	Furniture and equipment	224.38	0.00	224.38	0
7.	Others	8.42	0.00	8.42	0
Total		**3618.84**	**883.27**	**2735.57**	**24**

(Source: Information provided by the Panchayati Raj Department, GoB)

Non - submission of UCs of ₹ 2735.57 crore for such a long periods indicate weak internal control and possible misutilisation of funds.

1.7.4 Utilisation of grants under major Centrally Sponsored Schemes

Details of utilisation of grants under major Centrally Sponsored Schemes (CSSs) are given in **Table 1.5** below:

Table - 1.5: Utilisation of grants under major CSSs

(₹ in crore)

Sl. No.	Grant / Scheme	Year	Fund Available	Utilisation	Percentage of Utilisation
1	MGNREGS	2010-11	3193.84	2642.67	83
		2011-12	2566.45	1668.69	65
		2012-13	2377.68	1971.13	83
		2013-14	2344.22	2038.48	87
		2014-15	1374.24	1090.88	79
2	IWDP	2010-11	16.93	4.26	25
		2011-12	6.18	0.67	11
		2012-13	10.11	2.25	22
		2013-14	10.68	0.75	7
		2014-15	NA	NA	NA
3	BRGF	2010-11	1363.43	646.34	47
		2011-12	1172.08	457.88	39
		2012-13	1179.82	546.34	46
		2013-14	1162.36	786.80	68
		2014-15	740.00	280.23	38

(Source: Annual Report of RDD, GoB; data provided by the PRD, GoB)
NA- Not Available

The utilisation under BRGF decreased from 68 ***per cent*** (2013-14) to 38 ***per cent*** (2014-15). Status of utilisation of grants under IWDP scheme ranged between seven to twenty five ***per cent*** during 2010-14.

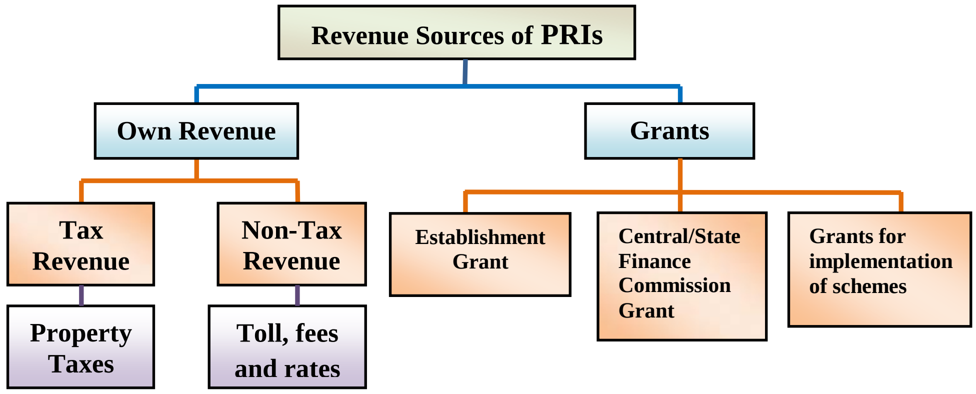
1.8 Financial Reporting Issues

1.8.1 Source of Funds

1.8.1.1 Sources of Finances

The resource base of PRIs consists of own revenue generated by collection of tax and non-tax revenues, devolution of funds from State and Central Finance Commission, Central and State Government grants for maintenance and development purposes and other receipts. As per sections 27, 55 and 82 of BPRA, 2006, the PRIs may impose taxes on holdings, professions and levy tolls, fees and rates subject to the maximum rates notified by the State Government. A flow chart of sources of finances of PRIs is depicted in the **Chart 1.3** below:

Chart – 1.3: Source of Finances



(Source: Section 27, 55 and 82 of BPRA, 2006)

But, the PRIs do not have any own tax revenue as the State Government had not yet notified the maximum rates of taxes, tolls and fees etc. However, the ZPs have some own non-tax revenue from rent of shops/Inspection Bungalow, settlement of ponds/bus-stand etc., whereas PSs and GPs do not have any revenue from own sources.

1.8.1.2 Fund Flow arrangement of Centrally/State Sponsored Schemes

Fund Flow arrangement for major Centrally/State Sponsored Schemes is given in **Table 1.6** below:

Table – 1.6: Fund Flow arrangement of Flagship schemes

Sl. No.	Name of Scheme	Fund flow arrangement
1.	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	The State receives MGNREGS fund from the Central Government. The scheme fund is managed through State Employment Guarantee Fund and transferred to the districts. The districts transfer the fund to ZP, implementing agencies, Programme Officers at block level and to the GPs.
2.	Backward Region Grant Fund (BRGF)	Grants are released to the DDC-cum-CEO (the DDO) of the ZPs with instruction to transfer the fund to the PRIs of the district in their core bank accounts without delay.
3.	Thirteenth Finance Commission (ThFC) grants	Grant is released in two installments to the DDC-cum-CEO (the DDO) of the ZPs with instruction to transfer the fund to the PRIs of the district in their core bank accounts without delay.
3.	Fourteenth Finance Commission (FFC) grants	Grants shall be released in two instalments in June and October every year which must be transferred to the GPs within 15 days of receipt from the Central Government. The GoB releases funds to ZPs with instruction to transfer the same to GPs concerned through core banking.
4.	Fourth State Finance Commission (FSFC) grants	Grant is released in two installments to the DDC-cum-CEO (the DDO) of the ZPs with instruction to transfer the fund to the PRIs of the district in their core bank accounts without delay.

(***Source: Scheme Guidelines and allotment letters of GoB)***

1.8.1.3 State Budget allocation vis-à-vis expenditure

The budget provisions of State Government to PRIs including State share towards GoI schemes and grants received under recommendations by Central Finance Commissions (CFCs) for the year 2010-15 is given in **Table 1.7** below:

Table – 1.7: Budget allocation vis-à-vis expenditure

(₹ in crore)

Sl. No.	Particulars	Head	2010-11	2011-12	2012-13	2013-14	2014-15
1	**Budgetary Allocation**	Revenue	1888.84	3299.79	3276.75	4074.14	4709.01
		Capital	177.00	250.00	250.00	0.00	100.50
		Total	**2065.84**	**3549.79**	**3526.75**	**4074.14**	**4809.51**
2	**Expenditure**	Revenue	1297.80	2179.80	2591.06	3003.35	2374.78
		Capital	0.00	210.31	0.00	0.00	0.00
		Total	**1297.80**	**2390.11**	**2591.06**	**3003.35**	**2374.78**
3	**Savings (1-2)**		768.04	1159.68	935.69	1070.79	2434.73
4	**Percentage of savings**		**37**	**33**	**27**	**26**	**51**

(***Source: Appropriation Accounts of Government of Bihar)***

It is evident from **Table 1.7** that the State Government did not transfer entire amount as provided in the budget to the PRIs and percentage of short-transfer ranged between 26 to 51 ***per cent***. The allocation under Capital head was less than nine ***per cent*** of the total allocation during 2010-15 while capital expenditure during 2010-11 and 2012-15 was nil.

1.8.2 Recommendations of the State Finance Commission (SFC)

In terms of Article 243-I of the Constitution, the GoB had constituted five State Finance Commissions[11] to assess the financial status and to determine

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[11] ***First SFC - April 1994, Second SFC - June 1999, Third SFC - July 2004, Fourth SFC - June 2007 and Fifth SFC - December 2013***

the principles on the basis of which adequate financial resources would be ensured to the Local Bodies (LBs). The first two SFCs did not submit its report. Third SFC made important recommendations (November 2004) to uplift the financial status of LBs which included devolution of three ***per cent*** of State's net own tax revenue to LBs, grant for salary payment and lump sum grant for infrastructure which were accepted and implemented by the State Government. The fourth SFC recommended (June 2010) devolution of 7.5 ***per cent*** of State's own tax revenue net of collection costs to LBs, grant for salary of employees of LBs by the State Government and grant for high priority sectors.

It was observed that in 2014-15, a sum of ₹ 1003.79 crore was to be released under fourth SFC to the PRIs but only ₹ 50.68 crore was released. Thus, there was short release of ₹ 953.11 crore. The Panchyati Raj Department, GoB replied (October 2015) that in light of instruction of Finance Department, GoB, the funds could not be released to PRIs.

The fifth SFC was constituted in December 2013 and had to submit its report by March 2015 but the report has not yet been submitted (November 2015).

1.8.3 Recommendations of the Central Finance Commission

Thirteenth Finance Commission

The Thirteenth Finance Commission (ThFC) recommended grants-in-aid to the Local Bodies as a percentage of the previous years' pool of taxes over and above the share of the states. The State Government for the period 2010-15 was eligible to get grants of ₹ 4,954.29 crore. It was observed that the State Government released (2010-15) ₹ 4,972.93 crore to the PRIs. Out of this amount, the PRIs could utilised only ₹ 704.05 crore (14 ***per cent***) leaving unspent balance of ₹ 4,268.88 crore as of June 2015.

1.8.4 Maintenance of Records

1.8.4.1 Budget

As per Rules 8, 11 and 14 of the Bihar Panchayat Samitis and Zila Parishads (Budget and Account) {BPS and ZP (B&A)} Rules, 1964, the annual budget estimates of the ZPs are to be prepared on the basis of the average of its last three years' actuals of income and expenditure. The budget of ZP is to be approved by the Parishad not later than 15 February. The budget so prepared and approved by the Parishad shall be sent to the State Government before 1st March. Further, Rule 16 of the Rules ***ibid*** prohibits the ZPs from incurring expenditure without budget provisions.

Scrutiny of records (May 2014 - November 2015) revealed that out of 38 ZPs, six ZPs[12] did not prepare budget for the period 2012-15, whereas ZP Nalanda prepared budget for 2013-14 by including only a few heads of income and expenditure without considering the previous years' data of income and expenditure. The ZP Banka prepared budget for 2014-15 with a delay of nine months.

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[12] ***Bhagalpur (2013 - 14), Khagaria (2013 - 15), Kishanganj (2013 - 15), Muzaffarpur (2012 - 15), Shiekhpura (2013 - 15) and Supaul (2013 - 14)***

The ZP Khagaria, Kishanganj and Bhagalpur replied (November 2014 - December 2015) that due to shortage of staff, the budget estimate could not be prepared. The ZP Muzaffarpur and Supaul replied (August - December 2014) that the budget estimate will be prepared in future while the ZP Shiekhpura replied (November 2014) that post facto approval of the Board for expenditure of 2013-14 would be obtained. The ZP Nalanda replied (May 2014) that complete budget will be prepared in future.

Incurring expenditure without budget is not a healthy financial practice as it undermines the importance of prioritisation of resources, besides diluting the exercise of control over receipt and expenditure.

1.8.4.2 Non-maintenance of records

Rule 40 of BPS and ZP (B&A) Rules, 1964 prescribe maintenance of basic records, registers and accounts for transparency and accountability. Scrutiny of records (2014-15) revealed that six ZPs did not maintain key records[13] viz., Grant Register, Asset Register, Daily Collection Register etc.

1.8.5 Reconciliation of Balances

As per Rule 80 (a) to (d) of BPS and ZP (B&A) Rules, 1964, at the end of each month, a statement indicating the reconciliation of balances should be prepared in the Cash Book. Scrutiny of records (September - November 2015) revealed that in ZP Bettiah and Shiekhpura, reconciliation statements were not prepared and there was a difference of ₹ 2.34 crore[14] (Bettiah) and ₹65.59 lakh in (Shiekhpura - ThFC) between Cash Book balance and Bank balance as on 31 March 2015. Non-reconciliation of difference was fraught with risk of misuse of funds.

1.8.6 Maintenance of Accounts by PRIs

1.8.6.1 Maintenance of Accounts by PRIs

The PRIs were maintaining accounts on cash basis in single entry system. The PSs and ZPs followed the BPS and ZP (B&A) Rules, 1964. These accounts rules have not been reviewed according to the contemporary best practices. In the High Level Committee meeting[15] (August 2013) the PRD, GoB intimated that revised Budget and Accounts rules for PRIs would be completed by September 2013 but, no action was taken for framing the Budget and Accounts rules for PRIs (November 2015).

1.8.6.2 Model Accounting System and PRIASoft

Model Accounting System (MAS) was prescribed (2009) by GoI in consultation with the CAG of India for exercising proper control and securing better accountability. Consequently, the PRD, GoB notified (July

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[13] ***Asset Register - ZP Sheohar and West Champaran; Daily Collection Register - ZP West Champaran; Grant Register - ZP Banka, Khagaria and West Champaran***

[14] ***ThFC - ₹0.10 crore, FSFC - ₹ 0.99 crore, BRGF - ₹1.25 crore***

[15] ***Headed by the Principal Secretary, Finance Department, GoB***

2010) that the accounts of PRIs would be maintained in the MAS formats[16] from 1 April 2010. In Bihar, the MAS was implemented through Panchayati Raj Institutions Accounting Software (***PRIASoft***) developed by the National Informatics Centre (NIC). It aims at computerisation of accounts of all the three levels of PRIs through MAS. However, it was observed that out of total eight MAS formats, only three formats[17] were being generated under ***PRIASoft***. The online entry of 12798 vouchers[18] was completed during the year 2014-15.

The PRD, GoB stated (August 2015) that due to cash basis system of accounting in PRD, absence of proper records of immovable and movable property, non-maintenance of inventories at panchayat level for schemes mapped in ***PRIASoft*** and non-imposition of taxes by the PRIs, the rest five MAS formats could not be generated. Thus, despite completion of five years, the decision to maintain PRIs accounts in MAS formats remained unimplemented.

1.8.7 Impact of Audit

Recoveries amounting to ₹ 10.82 lakh were made from the person(s) concerned in nine PRIs[19] at the instance of audit conducted during 2014-15.

1.8.8 Good Practices

With the objective of making the three tier PRIs inclusive, responsive and accountable, the GoB launched the Bihar Panchayat Strengthening Project aimed at infrastructure development and capacity building of the PRIs. The project is being implemented at a cost of ₹ 667.44 crore in 1304 GPs of six districts[20] of the State with credit aid from the World Bank since 2014-15.

The Bihar Panchayat (Inspection of offices and Inquiry into officers, Supervision and Guidance) Rules, 2014 have been framed (December 2014) for supervision and guidance over affairs of the PRIs.

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[16] ***Format-I: Annual Receipt and Payments Accounts; Format-II: Consolidated Abstract Register; Format-III: Monthly Reconciliation Statement; Format-IV: Statement of Receivables and Payables; Format-V: Register of Immovable Property; Format-VI: Register of movable property; Format-VII: Inventory Register; and Format - VIII: Register of Demand and Collection***

[17] ***Format-I, II and III***

[18] ***ZP - 489 vouchers, PS - 1658 vouchers and GPs - 10651 vouchers***

[19] ***ZP - Arwal (₹ 0.23 lakh), Gopalganj (₹ 0.88 lakh), Kaimur (₹ 1.42 lakh), Muzaffarpur (₹ 0.57 lakh) and Supaul (₹ 0.72 lakh); PS - Karai Pasurai (₹ 1.35 lakh); GP - Amauna (₹ 4.29 lakh), Berthu (₹ 0.36 lakh) and Jehana (₹ 1.00 lakh)***

[20] ***Bhojpur, Madhepura, Nalanda, Patna, Saharsa and Supaul***

Chapter - II
Performance Audit

Panchayati Raj Department

2.1 Receipt and Utilisation of BRGF grants by PRIs

Executive Summary

The Backward Regions Grant Fund (BRGF) programme was conceived in 2006-07 by Government of India (GoI) to redress regional imbalances. The programme was introduced in 37 districts of Bihar since 2006-07 except Siwan which received funds from 2012-13.

A Performance Audit on 'Receipt and Utilisation of BRGF grants by PRIs' covering period 2010-15 was conducted in 10 Zila Parishads, 30 Panchayat Samitis and 96 Gram Panchayats of ***10 test checked districts from April to August 2015 and the major findings are as follows:***

Financial Management

Out of total entitlement of Capability Building Grant of ₹ 186 crore to Bihar for the period 2010-15, Ministry of Panchayati Raj (MoPR), GoI released only ₹ 31.34 crore in 2010-11. This was due to non-receipt of utilisation certificates from Panchayati Raj Institutions (PRIs), non-submission of physical and financial progress reports authenticated by Chartered Accountants (CAs) by the Panchayati Raj Department about works executed by utilising the grants and non-submission of audit reports with Action Taken Reports by CAs during 2011-15, thereby depriving the State of ₹ 154.66 crore. ***(Paragraph 2.1.6.1)***

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

(Paragraph 2.1.6.1)

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

(Paragraph 2.1.6.1)

Ten test checked Zila Parishads failed to earmark funds of ₹ 32.44 crore (five ***per cent*** of the Development Grants) for providing essential staff to the panchayats for implementation of the Programme.

(Paragraph 2.1.6.1)

Grants of ₹ 168.74 crore were released by eight Zila Parishads to the lower level PRIs with delays of one to five months during 2010-15.

(Paragraph 2.1.6.2 to 2.1.6.5, 2.1.6.7, 2.1.6.8, 2.1.6.10, 2.1.6.11)

There was non-transfer of BRGF grants of ₹ 10.65 crore to lower level of Panchayati Raj Institutions by six Zila Parishads and excess transfer of ₹1.77 crore by three Zila Parishads.

(Paragraph 2.1.6.2, 2.1.6.4, 2.1.6.5, 2.1.6.8 to 2.1.6.11)

Planning

High Powered Committee constituted by the Government of Bihar failed to monitor the utilisation of Capability Building Grant.

(Paragraph 2.1.7.1)

Despite Baseline Survey and preparation of Vision document and Perspective plan in the 10 test checked Zila Parishads, Annual Action Plan was prepared on the basis of proposals of elected representatives of the Panchayati Raj Institutions. ***(Paragraph 2.1.7.1)***

Integrated District Plan was not prepared in the 10 test checked Zila Parishads. Only BRGF specific annual plans were prepared.

(Paragraph 2.1.7.1)

In four Zila Parishads, 102 works of ₹ 1.68 crore were included in the Annual Plans of Panchayat Samitis and Gram Panchayats for 2010-15 by the District Planning Committee/Zila Parishad.

(Paragraph 2.1.7.2, 2.1.7.3, 2.1.7.7, 2.1.7.10)

Out of 402 works executed for Scheduled Caste/Scheduled Tribe in the 10 test checked Zila Parishads, only 23 works were from the priority sector.

(Paragraph 2.1.7.2 to 2.1.7.11)

Utilisation of Development/Capability Building Grants

Works such as construction of roads, drains, community halls etc., were not undertaken in three Zila Parishads (2011-12 and 2014-15), nine Panchayat Samitis (2011-15) and 47 Gram Panchayats (2010-15) despite availability of grant of ₹ 8.29 crore and 1001 approved works under Annual Action Plan. ***(Paragraph 2.1.8.1 to 2.1.8.10)***

Though not included in the Annual Action Plan, 292 works costing ₹ 7.29 crore were executed by two Zila Parishads, 10 Panchayat Samitis and 26 Gram Panchayats. ***(Paragraph 2.1.8.1 to 2.1.8.8, 2.1.8.9 to 2.1.8.11)***

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

(Paragraph 2.1.8.3 to 2.1.8.5, 2.1.8.8 to 2.1.8.10)

Twenty four works of ₹ 1.54 crore were split into 111 works in two Panchayat Samitis and 18 Gram Panchayats to avoid sanction of higher authorities. ***(Paragraph 2.1.8.3, 2.1.8.4, 2.1.8.6, 2.1.8.8, 2.1.8.10)***

Advances of ₹ 6.20 crore were outstanding in eight Zila Parishads, 20 Panchayat Samitis and 23 Gram Panchayats for a period of one to seven years. ***(Paragraph 2.1.8.1 to 2.1.8.3, 2.1.8.5 to 2.1.8.10)***

Internal Control and Monitoring

In two Zila Parishads and two Panchayat Samitis, Cash Book balance was more than Bank Pass Book balance while in two Zila Parishads and 15 Panchayat Samitis, the Bank Pass Book balance was more than the Cash Book balance. ***(Paragraph 2.1.10)***

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

(Paragraph 2.1.10)

2.1.1 Introduction

The Backward Regions Grant Fund (BRGF) programme was conceived in 2006-07 by Government of India (GoI) to redress regional imbalances in development of the Country. The programme was introduced in 37 districts of Bihar since 2006-07 except Siwan which received funds from 2012-13.

BRGF consisted of Capability Building Grant (CBG) for planning, implementation, monitoring, accounting and improving accountability and transparency in Panchayati Raj Institutions (PRIs) and Development Grant (DG) to bridge the critical gaps in local infrastructure and other development requirements of the backward regions.

The CBG would be ₹ one crore per annum to each of the districts in the State. Under the DG, each of the districts would receive the entitled grant in two instalments subject to fulfilment of specified conditions. However, every district would receive a fixed minimum amount of DG of ₹ 10 crore per annum.

2.1.2 Audit Objectives

The objectives of the Performance Audit (PA) were to assess the:

- effectiveness of financial management of the Programme;
- adequacy and effectiveness of participatory and comprehensive planning process;
- effectiveness of utilisation of Development and Capability Building Grants to achieve the intended objectives;
- effectiveness of monitoring system existing at various levels.

2.1.3 Audit Criteria

The sources of criteria to review the programme were drawn from:

- BRGF Programme Guidelines and orders of GoI and Government of Bihar (GoB);
- Bihar Financial Rules (BFR), 2005/Bihar Treasury Code (BTC), 2011;
- Bihar Public Works Account Code;
- Bihar Panchayat Samitis and Zila Parishads (Budget and Account) Rules 1964; and
- Bihar Panchayati Raj Act (BPRA) 2006.

2.1.4 Audit Scope and Methodology

The PA on receipt and utilisation of BRGF grants by PRIs covering period 2010-15 was conducted during April to August 2015 in 10[21] out of 38 Zila Parishads (ZPs) of Bihar and 30 Panchayat Samitis (PSs) and 96 Gram Panchayats (GPs) under them selected through Simple Random Sampling Without Replacement (SRSWOR) method ***(Appendix - 2.1).***

The Entry Conference was held with the Principal Secretary, PRD, GoB in March 2015 where audit objectives, scope and methodology adopted for the PA were discussed. During PA, records viz., Cash Books, Bank Pass Books, work guidelines, Utilisation Certificates (UCs), works files/registers etc., were test checked besides joint physical verification of selected works. Audit

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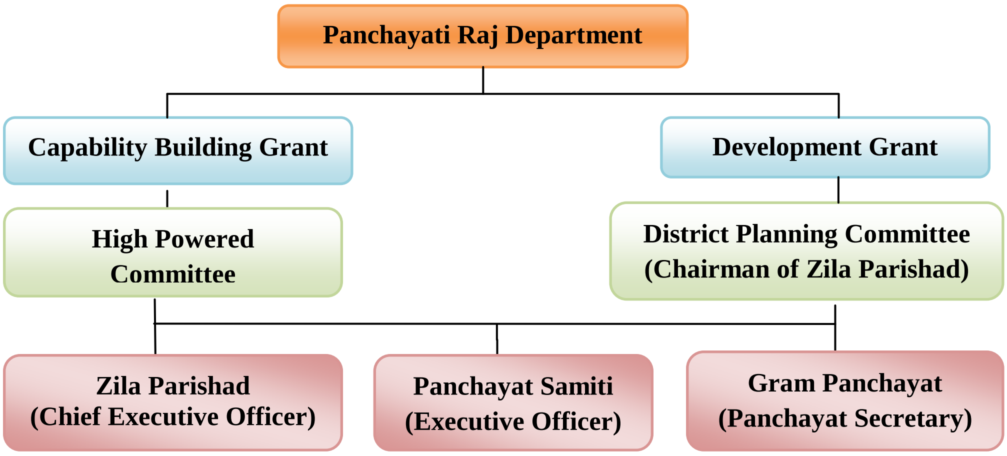
[21] ***Aurangabad, Bhagalpur, Bhojpur, Katihar, Lakhisarai, Madhepura, Patna, Saharsa, Samastipur and Sitamarhi***

findings were discussed with the Principal Secretary in Exit Conference held on 28 December 2015. The responses of the Department and audited entities have been incorporated at appropriate places in the report.

2.1.5 Organisational Structure

The BRGF programme was implemented in the State under the overall supervision of Principal Secretary, Panchayati Raj Department (PRD). The organisational structure for implementation of BRGF in the State is as follows:



(Source: BPRA, 2006 and BRGF guidelines)

2.1.6 Financial Management

2.1.6.1 Panchayati Raj Department

Entitlement, release and utilisation of grants

The status of entitlement and release of CBG and DG during 2010-15 is given in **Table 2.1** below:

Table - 2.1: Entitlement and release of Grants to PRIs

(₹ in crore)

Year	Grant Entitlement		Grant Released by MoPR		Grants short released	
	CBG	DG	CBG	DG	CBG (Percentage)	DG (Percentage)
2010-11	36.00	602.99	31.34	602.99	4.66 (13)	0.00 (0)
2011-12	36.00	652.05	0.00	454.99	36.00 (100)	197.06 (30)
2012-13	38.00	684.70	0.00	444.10	38.00 (100)	240.60 (35)
2013-14	38.00	839.80	0.00	485.80	38.00 (100)	354.00 (42)
2014-15	38.00	758.92	0.00	206.52	38.00 (100)	552.40 (73)
Total	**186.00**	**3538.46**	**31.34**	**2194.4**	**154.66**	**1344.06**

(Source: Information from MoPR and PRD)

As evident from **Table 2.1**, there was short release of CBG by 13 ***per cent*** during 2010-11 and CBG was not released during 2011-15. Further, there was short release of DG to the State in four out of five years ranging from 30 ***per cent*** (2011-12) to 73 ***per cent*** (2014-15).

The short release of CBG was due to non-receipt of utilisation certificates from Panchayati Raj Institutions (PRIs), non-submission of physical and financial progress reports authenticated by Chartered Accountants (CAs) by the Panchayati Raj Department about works executed by utilising the grants and non-submission of audit reports with Action Taken Reports by CAs during 2011-15, thereby depriving the State of ₹ 154.66 crore while short receipt of DG was due to late submission of demand and reduction of funds for BRGF programme in Revised Estimate stage by the MoPR.

Further, scrutiny revealed that out of the 37 ZPs, 29 ZPs during 2011-12 and out of 38 ZPs, 26 ZPs during 2012-13 did not receive the second instalment of DG of ₹ 437.66 crore. It was also noticed that out of 38 ZPs, three ZPs during 2013-14 and 24 ZPs during 2014-15 did not receive the first instalment of DG of ₹ 80.57 crore and ₹ 478.57 crore respectively while the second instalment of DG was not released to any of the ZPs during 2013-15.

Audit observed that out of ₹ 31.34 crore released under CBG during 2010-11, ₹15.03 crore was shown as expended as per the UCs of the State Government and ₹ 13.72 crore was deposited in the State treasury. The balance amount of ₹ 2.59 crore was lying in the accounts of PRIs concerned.

In the 10 test checked ZPs, against an entitlement of CBG of ₹ 50 crore for the period 2010-15, only ₹ 4.79 crore was received by the ZPs during 2010-11 and CBG was not released during subsequent years.

In 10 test checked ZPs, against an entitlement of DG of ₹ 971.13 crore during 2010-15, there was short/non-release of ₹ 381.93 crore ***(Appendix-2.2).***

Payment of interest for delay in transfer of grants

BRGF Guidelines stipulate that the BRGF funds made available to State/ Department by the MoPR should be transferred to the Implementing Agencies (IAs) within 15 days of receipt. In case of delay in transfer, penal interest at the Reserve Bank of India rates should be paid to the IAs.

In 10 test checked ZPs, the delay in transfer of DG of ₹ 370.97 crore by the GoB ranged from five days (Madhepura) to 157 days (Aurangabad). However, the State Government failed to pay the interest of ₹ 1.34 crore ***(Appendix-2.3)***.

The PRD attributed the delay in transfer of funds to model code of conduct during general elections. The reply was not tenable as general election was held in 2010-11 but the delay was noticed during the entire five year period.

Earmarking of five per cent of Development Grant

As per BRGF guidelines, five ***per cent*** of the DG should be allocated for providing essential staff to the panchayats for planning and implementation of Programme. But, 10 test checked ZPs failed to earmark five ***per cent*** of the DG of ₹ 648.91 crore i.e., ₹ 32.44 crore ***(Appendix-2.4).*** As a result, staff strength of functionaries at panchayat level could not be augmented, hampering the implementation of programme.

Release of Grants in anticipation of Central Grant

The PRD released (since 2012-13) grants to the districts in advance, on the basis of proposals received from them and in anticipation of release of funds from MoPR. These funds were adjusted from subsequent funds released from MoPR to the districts.

Audit noticed that due to delay in submission of proposals to the MoPR, the amount of grants earmarked in the budget was reduced at revised estimate stage (2012-15). As a result, ₹ 223.61 crore released in advance during 2013-15 by PRD remained unadjusted till 2014-15. The Principal Secretary, PRD replied during Exit Conference that assent of the Cabinet would be taken with the approval of Finance department to treat the unadjusted grant as aid from the State Government.

Allocation of works to lower level of PRIs

As per BRGF guidelines, if a higher level of Panchayat, such as a ZP or a PS sanctions work of a value less than the prescribed floor limit of ₹ five lakh per work, it should transfer the money allocated for that work to the GPs concerned for implementation.

However, none of the test checked ZPs transferred funds in respect of 1292 works (₹ 32.86 crore) of value less than the prescribed floor limit to GPs ***(Appendix-2.5).*** The Principal Secretary PRD replied during Exit Conference that the norms of financial subsidiarity were desirable and not mandatory. The reply was not tenable as guidelines specified that works of the prescribed floor limit were to be executed by the appropriate level of the panchayat.

2.1.6.2 Zila Parishad Aurangabad

Entitlement, release and utilisation of grants

As per MoPR directives the first instalment being 90 ***per cent*** of the entitlement of the district was to be released subject to Opening Balance not exceeding 40 ***per cent*** of the funds available in the preceding year and second instalments of remaining 10 ***per cent*** released after rreceipt of at least 60 ***per cent*** Utilisation Certificates along with Non-embezzlement, Non-diversion certificates, Audit Report and Physical and Financial report.

The MoPR released DG of ₹ 45.91 crore against allocation of ₹ 95.34 crore resulting in short receipt of ₹ 49.43 crore during 2010-15. This was due to non utilisation of 60 ***per cent*** of DG during the previous year.

Release of grants to the lower tier of PRIs

The DG sanctioning letters stipulated immediate transfer of grants to the lower level PRIs by the ZPs. However, Audit observed delay of one to five months in release of DG of ₹ 28.30 crore during 2010-15 ***(Appendix-2.6).*** The Principal Secretary, PRD replied it was procedural delay and steps were being taken to transfer the funds directly into the bank account of the Panchayats.

Transfer of grants

The ZPs should release funds to the lower level PRIs as per the grant sanctioning letters which clearly indicated the quantum of grants to be released including grants under Special Component for Scheduled Caste (SCPSC) and Scheduled Tribes Sub Plan (STSP).

The DG of ₹ 8.74 lakh pertaining to SCPSC and STSP was transferred to PS Rafigang, five GPs (Bhadwa, Chev, Chowara, Dhosila and Lohara) by the ZP but it was not credited into the account of the PRIs concerned even after lapse of one to three years ***(Appendix-2.7)***. The Executive Officer (EO) and the Panchayat Secretary (P.Sy) concerned replied that information would be sought from the bank and the ZP.

Utilisation of interest earned on deposits

As per BRGF guidelines, interest accrued on deposits should be treated as additional resources for the scheme. The ZP provided ₹ 5.93 crore (2010-15) to the District Engineer (DE) as implementing agency for execution of the works and interest of ₹ 6.60 lakh earned on it was to be refunded to the ZP. But, the DE did not refund the interest which remained unutilised in the accounts of the DE. The Principal Secretary, PRD replied that the instruction would be issued to refund the amount to ZP.

Utilisation Certificates

BRGF guidelines envisaged that the Nodal Department would be responsible for maintaining details of the UCs from each panchayat and UCs were required to be submitted within one year of the release of funds.

Scrutiny of UCs submitted to the MoPR and the Audit Report of Chartered Accountant (CA) revealed that during 2010-11 and 2013-14 (SCPSC), the ZP submitted UCs of DG for ₹ 22.03 crore against the expenditure of ₹ 18.06 crore and during 2013-14 (non-SCPSC/STSP) submitted UCs for ₹ 4.02 crore against an expenditure of ₹ 6.70 crore ***(Appendix-2.10)***. The Principal Secretary, PRD replied that the corrective measures would be taken.

2.1.6.3 Zila Parishad Bhagalpur

As per provisions discussed in ***paragraph 2.1.6.2 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 42.06 crore to the ZP against entitlement of ₹97.99 crore resulting in short receipt of ₹ 55.93 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants to the lower tier of PRIs

There was delay of one to two months in release of DG of ₹ 29.83 crore (2010-15) to the lower level PRIs by the ZP ***(Appendix-2.6).*** The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Transfer of grants

A sum of ₹ 10.89 lakh pertaining to DG of STSP component was irregularly transferred by the ZP to 48 non-ST populated GPs ***(Appendix- 2.9).*** Further, ₹ 43.77 lakh of SCPSC and STSP component was diverted to non-SC/ST components in two PSs and 119 GPs (2013-14).

Utilisation of grants

As per Rule 343 of BFR, 2005, the grant should be spent upon the object within a reasonable time. But, sum of ₹ 1.07 crore received during 2007-08 and 2009-10 was lying unutilised in the Personal Ledger Account of ZP for more than five years. The CEO, ZP replied that action would be taken to withdraw the amounts from treasury. The reply was not tenable as the BRGF Programme was closed in the State during 2015-16.

Utilisation Certificates

ZP submitted UCs of DG for ₹ 33.93 crore (2010-12) against expenditure of ₹ 28.33 crore and UCs of DG for ₹ 12.20 crore were not submitted during 2013-14 ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.4 Zila Parishad Bhojpur

As per provisions discussed in ***paragraph 2.1.6.2 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 67.30 crore to ZPs against entitlement of ₹94.74 crore resulting in short receipt of ₹ 27.44 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Accountal of grants

Rule 16 of BTC stipulates that every amount received or paid as well as all adjustments by transfer should be entered in the cash book.

The ZP was in the practice of recording only its own share in the Cash Book and share of PS and GP of ₹ 48.61 crore for 2010-15 (second instalment) was not entered in the Cash Book of ZP. The CEO, ZP replied that separate cash book for lower tiers of PRIs would be maintained.

Release of grants to the lower tier of PRIs

There was delay of one to five months in release of DG of ₹ 27.19 crore by the ZP to the lower level PRIs ***(Appendix-2.6).*** The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Transfer of grants

Out of DG of ₹ 3.34 crore for 2010-11, ₹ 2.62 crore only was transferred to lower tiers of PRIs by the ZP resulting in short transfer of ₹ 0.72 crore (July 2015). Further, out of ₹ 2.62 crore transferred by the ZP, ₹ 24.31 lakh was not transferred to two PSs and 17 GPs by bank ***(Appendix-2.7).*** The CEO, ZP replied that the non-transferred DG would be transferred to PRIs after verification.

Utilisation of interest earned on deposits

Interest of ₹ 7.56 lakh on grant of ₹ 5.13 crore was lying with the DE (2010-15). The DE replied that interest amount would be refunded to the ZP.

ZP earned interest of ₹ 57.70 lakh on DG meant for the three tier PRIs under the BRGF programme during 2010-15 out of which ₹ 22.30 lakh was irregularly transferred to EO Koilwar and ₹ 35.40 lakh remained unutilised (July 2015). The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation of grant

CBG of ₹ 5.65 lakh was not utilised by the ZP and two PSs (Piro and Tarari) and grants for preparation of Perspective plan of ₹ 3.88 lakh was not utilised by the ZP in the district for a period one to six years. The CEO, ZP and EO Piro replied that direction for utilisation/surrender of the grant would be sought from PRD.

Utilisation Certificates

UCs for DG of ₹ 40.65 crore for the period 2011-15 were not submitted ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.5 Zila Parishad Katihar

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 75.42 crore to the ZP against allocation of ₹99.57 crore resulting in short receipt of ₹ 24.15 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants to the lower tier of PRIs

There was delay of one to three months in release of DG of ₹ 39.80 crore to the lower level PRIs by the ZP ***(Appendix-2.6).*** The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Transfer of grants

DG of ₹ 2.12 lakh (2009-10) was not transferred to GP Simariya South (***Appendix-2.7).*** The CEO, ZP stated that if needed, the funds would be transferred.

Utilisation of interest earned on deposits

ZP provided ₹ 6.16 crore (2010-15) to the DE for execution of the works. However, the DE did not refund interest of ₹ 4.40 lakh and the amount could not be utilised for the BRGF programme. The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation Certificates

UCs for DG of ₹ 22.29 crore for the period 2011-12 and 2013-15 were not submitted ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.6 Zila Parishad Lakhisarai

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 53.44 crore to the ZP against allocation of ₹70.04 crore resulting in short receipt of ₹ 16.60 crore during 2010-15 due to utilisation of below 60 ***per cent*** of the grant received.

Transfer of grants

The STSP grants were to be disbursed to the GPs in proportion to their ST population but ₹ 6.30 lakh earmarked for 58 GPs was released equally to 80 GPs resulting in irregular transfer of ₹ 1.33 lakh to 17 GPs in three PS ***(Appendix-2.9)***. The CEO, ZP replied that action is being taken for recovery of the amount.

Utilisation of grants

CBG of ₹ 3.12 lakh was lying unutilised with ZP since April 2012.

Utilisation Certificates

The ZP submitted UCs of DG for ₹ 66.55 crore against expenditure of ₹45.29 crore during 2010-14 and UCs for ₹ 18.66 crore was not submitted for the period 2013-14 ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.7 Zila Parishad Madhepura

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 67.03 crore to the ZP against allocation of ₹82.27 crore resulting in short receipt of ₹ 15.24 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants

There was a delay of 23 to 37 days in release of DG of ₹ 14.75 crore to the lower level PRIs. ***(Appendix-2.6).*** The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Utilisation of interest earned on deposits

Interest of ₹ 2.17 lakh earned on deposits of ₹ 71.30 lakh provided to AE for execution of 52 works (2011-14) was not taken into the accounts of PS Alam Nagar. The EO replied that interest accrued would be transferred to the BRGF account.

Utilisation Certificates

ZP submitted UCs of DG for ₹ 17.69 crore against expenditure of ₹ 12.68 crore during 2011-12 and 2013-14. ***(Appendix-2.10)***. The Principal Secretary, PRD replied corrective measures would be taken.

2.1.6.8 Zila Parishad Patna

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 56.46 crore to the ZP against entitlement of ₹132.81 crore resulting in short receipt of ₹ 76.35 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants to the lower tier of PRIs

There was delay of one month in release of DG of ₹ five crore by the ZP to the lower level PRIs ***(Appendix-2.6)***. The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Transfer of grants

The GoB directed (July 2012) that in respect of merged GPs the share of merged GPs should either to be transferred to the Urban Local Bodies (ULBs) or should be distributed equally to those panchayats under whose jurisdiction the villages of the old GPs had merged.

But, DG of ₹ 76.49 lakh was not transferred by the ZP to one PS, three ULBs and four GPs ***(Appendix-2.7)*** while DG of ₹ 1.17 crore was released twice to eight PSs and six GPs ***(Appendix-2.8).*** The CEO, ZP replied that due to merger of four GPs into Nagar Panchayat, funds were not transferred and the release of grants twice was taken up with the bank.

Utilisation of interest earned on deposits

The ZP provided ₹ 7.80 crore (2010-15) to the DE for execution of the works and interest earned was to be refunded to the ZP but, DE did not refund interest of ₹11.89 lakh. The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation Certificates

There was a delay of two to three years in submission of UCs of ₹ 44.41 crore (2010-13) while UCs of DG for ₹ 31.88 crore (2012-14) was not submitted ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken accordingly.

2.1.6.9 Zila Parishad Saharsa

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 59.55 crore to the ZP against entitlement of ₹84.55 crore resulting in short receipt of ₹ 25 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Transfer of grants

The GPs Bakhtiyarpur North and Bakhtiyarpur south was merged into Nagar Panchayat (NP) Simri Bakhtiyarpur but, their share of ₹ 8.09 lakh DG was not transferred to NP by ZP in 2012-13. The DG of ₹ four lakh (2010-11) was also not transferred to two GPs (Murli Basantpur and Barsam) by the ZP ***(Appendix-2.7)***. The CEO, ZP replied that the said grant would be transferred to the GPs concerned after assessing their liabilities.

Utilisation of interest earned on deposits

ZP provided ₹ 5.87 crore (2010-15) to the DE for execution of works but, DE did not refund interest of ₹ 6.97 lakh. The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation of grant

A sum of ₹ 4.30 lakh CBG was unutilised by ZP and two PSs and grants for preparation of Perspective plan of ₹ 1.13 lakh was not utilised by the ZP in the district for the period of three to four years. The CEO, ZP and EO PS Banma Ithari replied that the unutilised grant would be utilised/ surrendered as per the directions of PRD.

Utilisation Certificates

UCs of DG for ₹ 19.01 crore for the period 2011-15 were not submitted ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.10 Zila Parishad Samastipur

As per provisions discussed in ***paragraph 2.1.6.2 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 61.21 crore to the ZPs against entitlement of ₹113.09 crore resulting in short receipt of ₹ 51.88 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants to the lower tier of PRIs

There was delay of four months in release of DG of ₹ 3.93 crore to the lower level PRIs by the ZP ***(Appendix-2.6)***. It was also noticed that there were delays of 11 to 282 days in transfer of funds to the PRIs by the bank. The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayat.

Transfer of grant

STSP grants of ₹ 33.75 lakh was transferred in excess to 17 PSs ***(Appendix-2.8)*** while ₹ 1.59 lakh was transferred (May 2012) in short to Nagar Parishad Samastipur**.** The CEO, ZP replied that the excess transfer was done by the bank and correspondence would be made in this regard with Bank and PS.

Utilisation of interest earned on deposits

Interest of ₹ 6.97 lakh was not taken into the accounts of the ZP while ₹ 1.09 crore interest earned from Central Bank account relating to different heads was not bifurcated and credited into the BRGF account. The ZP provided ₹8.10 crore (2010-15) to the DE for execution of the work but, DE did not refund interest of ₹ 10.81 lakh. The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation of grant

An amount of ₹ five lakh received as grants for preparation of Perspective plan was lying unutilised with the ZP since May 2008.

Utilisation Certificates

UCs of DG for ₹ 54.11 crore were not submitted for the period 2010-15 ***(Appendix-2.10).*** The Principal Secretary, PRD replied that corrective measures would be taken.

2.1.6.11 Zila Parishad Sitamarhi

As per provisions discussed in ***paragraph 2.1.6.1 and 2.1.6.4 ante,***

Entitlement, release and utilisation of grants

The MoPR released DG of ₹ 60.82 crore to the ZP against entitlement of ₹100.73 crore resulting in short receipt of ₹ 39.91 crore during 2010-15 due to non-fulfillment of eligibility conditions specified in the BRGF guidelines.

Release of grants to the lower tier of PRIs

There was delay of one to two months in release of DG of ₹ 19.94 crore to the lower level PRIs by the ZP ***(Appendix-2.6).*** The Principal Secretary, PRD replied that it was procedural delay and steps are being taken to transfer the funds directly into the bank accounts of the Panchayats.

Transfer of grant

DG of ₹ 9.41 crore (February 2015) was not transferred (May 2015) to the lower level PRIs ***(Appendix-2.7)***. Further, ₹ 26.56 lakh DG of non- SCPSC/ STSP was transferred twice to 11 GPs resulting in excess transfer ***(Appendix-2.8)***. The CEO, ZP replied that notice was sent to the concerned bank for ensuring early transfer of funds while action was being taken to recover the said amount from the GPs concerned.

Utilisation of interest earned on deposits

The ZP provided ₹ 5.73 crore (2010-15) to the DE for execution of works but, the DE did not refund interest of ₹ 15.32 lakh. The Principal Secretary, PRD replied that instruction would be issued to refund the amount to ZP.

Utilisation of grants

CBG of ₹ 5.53 lakh was unutilised by ZP and PS Runnisaidpur since 2013-14 while grants for preparation of Perspective Plan of ₹ 1.83 lakh was unutilised by ZP since 2011-12.

Recommendations:

State Government should take effective steps for optimal utilisation of grants by PRIs and submit demands to MoPR timely to get entitled share of grants and should earmark five per cent of grants for augmentation of functionaries.

The ZPs should adhere to the guidelines regarding timely transfer of grants to lower level of PRIs and submit UCs correctly and in time.

2.1.7 Planning

2.1.7.1 Panchayati Raj Department

As per guidelines, BRGF programme was to commence in each districts based on study of its backwardness including a baseline survey followed by preparation of a district development perspective plan. Programmes identified for implementation under the Fund was to be selected through people’s participation, particularly through Gram Sabhas. The plans so prepared by each Panchayat was to be consolidated into the district plan by DPC. The High Power Committee (HPC) headed by the State Chief Secretary was to consider and approve the proposed district plan.

High Power Committee

The GoB constituted (March 2007) the HPC for approval of the plans and its evaluation and monitoring under BRGF. Three meetings of the HPC were held (2010-15) where district plans upto 2010-11 were approved. Thereafter, the task was transferred to the DPC for DG and to HPC for CBG. Audit noticed that during 2011-15, HPC held two meetings only (September 2013 and August 2014). As a result, the HPC failed to monitor the utilisation of CBG and the State was deprived of CBG of ₹ 154.66 crore during 2011-15. The Principal Secretary, PRD accepted the views of audit in exit conference.

Baseline survey, Vision document and Perspective plan

The baseline survey was conducted in all the test checked districts by Technical Support Institutions (TSI) and the vision document and Perspective plan were also prepared. However, Annual Action Plan (AAP) was prepared on the basis of proposals from elected representatives of PRIs instead of from Perspective plan thereby rendering the Baseline survey, Vision Document and Perspective plan futile. The Principal Secretary, PRD accepted the views of audit in exit conference.

Integrated District Plan (IDP)

As per Para 2.1 of BRGF guidelines, an IDP should be prepared by DPC by taking into account all the available resources covering all the sectoral activities/works assigned to various levels of Governments in the district. During 2010-15, IDP was not prepared by DPC in all the 10 test checked districts and BRGF specific annual plans were only being prepared. The Principal Secretary, PRD accepted that IDP was not prepared, instead only BRGF specific annual plans were prepared and assured to look into it.

2.1.7.2 Zila Parishad Aurangabad

Top-down planning

The planning process under BRGF represents a major shift in approach from top-down plans to the plans prepared from the grassroots level upwards.

Without approval of the PS, the ZP included three BRGF works estimated at ₹ eight lakh in the AAP in PS Rafiganj ***(Appendix-2.1l)***.

The PS Goh submitted plan of ₹ 1.56 crore for inclusion in AAP of 2012-13 but the ZP arbitrarily limited the plan to ₹ 49.41 lakh. The Principal Secretary, PRD stated that steps are being taken to initiate the selection of development schemes from Ward Sabhas.

Execution of left over works of previous year

The PRD issued guidelines for preparation of AAP (May 2012) in which it was desired to review and include the incomplete and left over works of the previous year in the current year AAP.

However, the ZP executed 92 works of ₹ 2.88 crore (2012-15) without including in current year AAP ***(Appendix-2.12).***The CEO, ZP replied that due to time constraint the due process was not followed

Preparation of separate Scheduled Caste/Scheduled Tribe sub-plan

BRGF guidelines provide that District Plans should address issues relating to Scheduled Caste (SC)/ Scheduled Tribe (ST) development by preparation of a separate SC/ST sub-plan and ensure that funds were allotted at least in proportion to their population and should be utilised on prioritised sectors of work.

However, Audit observed that separate SC/ST sub-plan was not prepared in the ZP (2010-15). Out of 286 works of ₹ 6.15 crore executed in the test checked PRIs, only 60 works of ₹ 1.09 crore were executed for the SC/ST. As a result, only 17.72 ***per cent*** of the scheme funds were utilised for the benefit of the SC/ST against 24.52 ***per cent*** SC/ST rural population. Further, only two works out of the 60 works were executed as per the priority sectors. Thus, the SC/ST was not only deprived of the amenities in proportion to their population but priority sector works were also ignored. The Principal

Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.3 Zila Parishad Bhagalpur

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Top-down planning

In one PS and six GPs, 91 works of ₹ 1.32 crore was included in AAP without approval of PSs and GPs ***(Appendix-2.11).*** The Principal Secretary, PRD cited that steps are being taken to initiate the selection of development schemes from Ward Sabhas.

Execution of left over works of previous year

The ZP executed four works of previous year without including the same in current year AAP (2014-15) and incurring an expenditure of ₹ 11.56 lakh ***(Appendix-2.12).*** The CEO, ZP replied that works were executed on recommendation of the elected representatives of ZP and approvals of DPC would be obtained in next meeting.

Preparation of separate SC/ST sub-plan

During 2010-15, separate SC/ST sub-plan was not prepared by the ZP. Out of 402 works of ₹ 7.36 crore executed in the test checked PSs/GPs in the ZP, 25 works of ₹ 22 lakh only were executed for the SC/ST (including three prioritised sector works). As a result, only 2.93 ***per cent*** of the funds were utilised for the benefit of the SC/ST against rural SC/ST population of 12.8 ***per cent.*** The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.4 Zila Parishad Bhojpur

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous year

Two PSs and Six GPs executed 32 works of previous year without including the same in current year's AAP and an expenditure of ₹ 1.17 crore was incurred for the works ***(Appendix-2.12).*** The GP Bihta, Imadpur and Sandesh replied that works were executed in public interest.

Preparation of separate SC/ST sub-plan

The ZP executed 31 works of ₹ 75.14 lakh under SCSPC/STSP, but no work was executed from the priority sector. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.5 Zila Parishad Katihar

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous year

One PS and five GPs executed 18 works of previous year incurring an expenditure of ₹ 79.99 lakh (2012-14) without including the works in current year's AAP ***(Appendix-2.12)***. The EO, PS Kursela and the P.Sy, GP East and North Muradpur replied that it happened due to delay in approval of schemes.

Preparation of separate SC/ST sub-plan

The ZP executed 21 works of ₹ 1.11 crore for the SC/ST, out of which 19 works were beyond the priority sectors list of SC/ST. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.6 Zila Parishad Lakhisarai

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous year

PS Pipariya and GP Bhaluee executed six works of previous year without including in current year's AAP incurring an expenditure of ₹ 26.90 lakh during 2012-15 ***(Appendix-2.12).***

Preparation of separate SC/ST sub-plan

Separate SC sub-plan was not prepared in the district due to meager amount of grant. Out of 88 works of ₹ 4.61 crore executed by ZP only, seven works were executed for the SC involving an amount of ₹ 33.77 lakh. As a result, only 7.32 ***per cent*** of the funds were utilised for the benefit of the SC against 15.78 ***per cent*** of SC population. Out of seven works, no works of prioritised sector were executed. Further, works exclusively for the STSP component were also not executed during 2011-15 despite grant of ₹ 28 lakh received under the head. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.7 Zila Parishad Madhepura

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Top-down Planning

Four works estimated at ₹ 12.79 lakh in PS Alamnagar was included in AAP without approval of PS and subsequently executed ***(Appendix-2.11).*** District Panchayat plan was prepared by the DPC instead of ZP on the basis of list of works submitted by the ZP members. The Principal Secretary, PRD cited that steps are being taken to initiate the selection of development schemes from Ward Sabhas.

Preparation of separate SC/ST sub-plan

ZP executed 73 works with an expenditure of ₹ 2.76 crore for SC/ST but out of 73 works, only 14 works pertain to priority sector list. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.8 Zila Parishad Patna

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous years

During 2012-15, two PSs and three GPs executed 26 works of previous year having an expenditure of ₹ 30.23 lakh without including the works in current years AAP ***(Appendix- 2.12).***

Preparation of separate SC/ST sub-plan

ZP executed 38 works of ₹ 94 lakh under SC component but, only one out of the 38 works executed pertains to the priority sectors list. The CEO, ZP replied that works recommended by the ZP members were executed. No work exclusively for the STSP was executed (2011-15) despite grant of ₹eight lakh received under the head. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.9 Zila Parishad Saharsa

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous year

Four GPs executed 11 works of previous years incurring expenditure of ₹38.06 lakh without including the works in current year’s AAP ***(Appendix-2.12)***. The GP Patori replied that works were executed in public interest and the GP was ignorant about AAP.

Preparation of separate SC/ST sub-plan

ZP executed 18 works of ₹ 80 lakh under SC component but, none of the 18 works executed pertain to the priority sectors list. The CEO, ZP replied that only works approved by DPC were executed by ZP.

The ZP failed to execute any work for STSP during 2011-15 despite receipt of grant of ₹ 14 lakh. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.10 Zila Parishad Samastipur

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Top-down planning

Four BRGF works of ₹ 15.21 lakh were imposed by ZP on GP Raipur Bujurg ***(Appendix-2.11)***. The Principal Secretary, PRD cited that steps are being taken to initiate the selection of development schemes from Ward Sabhas.

Execution of left over works of previous year

During 2012-15, two PSs and four GPs executed 28 works costing ₹ 96.31 lakh pertaining to previous year without including in current year’s AAP ***(Appendix-2.12)***.

Preparation of separate SC/ST sub-plan

During 2010-15, separate SC/ST sub-plan was not prepared and included in the AAP of the ZP and the AAP showed only the amount released for the benefit of SC/ST.

Out of 142 works of ₹ 5.12 crore executed in the test checked units, nine works were executed for the SC/ST involving ₹ 30.31 lakh. As a result, only 5.92 ***per cent*** of the funds were used for the benefit of the SC/ST against

SC/ST rural population of 18.62 ***per cent***. Of the 142 works, only one work pertaining to the priority sector was executed in PS Mohiuddin Nagar. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

2.1.7.11 Zila Parishad Sitamarhi

As per provisions discussed in ***paragraph 2.1.7.2 ante***,

Execution of left over works of previous year

During 2012-15, two PSs and three GPs executed 75 works costing ₹ 1.41 crore pertaining to previous year without including the works in current year's AAP ***(Appendix-2.12).***

Preparation of separate SC/ST sub-plan

Separate SC sub plan was not prepared in the district. Out of 85 works of ₹3.73 crore executed during 2012-14 by ZP, only seven works of ₹ 23.18 lakh were executed for the SC. As a result, only 6.21 ***per cent*** of the funds were used for the benefit of the SC against 11.76 ***per cent*** of SC population. The CEO, ZP replied that the ZP submitted proposal according to component received from its three tier PRIs and ULBs in which these components were not received.

No work under the STSP component was executed during 2011-15 despite availability of grant of ₹ three lakh under the head. The Principal Secretary, PRD stated that if execution of priority works were not undertaken it would be looked into and corrective action would be taken urgently.

Recommendation: Works should be executed as per current years' approved Annual Action Plan and SC/ST component of grants should be utilised on priority sector works.

2.1.8 Utilisation of Development/Capability Building grant

BRGF guidelines envisage that the financial resources available in the ZP should be optimally utilised without delay and diversion.

2.1.8.1 Zila Parishad Aurangabad

Physical progress of works under the programme

In the ZP, two PSs and eight GPs test checked, 1516 works were approved by the DPC (2010-15) against which only 376 works (25 ***per cent***) were undertaken. However, 162 works (43 ***per cent***) involving an expenditure of ₹2.28 crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years. Further, in the ZP, no works such as construction of roads, drains, community halls etc., were executed during 2011-12 despite receipt of grants of ₹ 1.11 crore and availability of 116 approved works under AAP ***(Appendix-2.14).***

Execution of works beyond AAP

GoB issued directives (December 2011) that under BRGF, works approved by DPC should only be taken up for execution and no deviation should be allowed under any circumstance.

Contrary to the above provision, 214 works costing ₹ 4.71 crore were executed by ZP, two PSs and eight GPs ***(Appendix-2.15)*** without inclusion in AAP. Therefore, it could not be ensured that works of priority areas were undertaken and critical gaps were bridged. The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

The GoB issued directives (December 2012) that for departmental works, Government officials would be the Executing Agents (EAs) and a maximum of three works should be executed by each EA, subject to location of works within a circumference of five km. Balance works should be executed through tender.

Twenty eight works costing ₹ 1.43 crore were awarded during 2014-15 to three EAs (eight to ten works at a time) by ZP in violation of Government directives ***(Appendix-2.16).*** As a result, 16 works (57 ***per cent***) remained incomplete and 10 works (36 ***per cent***) were completed with a delay of one to four months. The CEO, ZP replied that directives would be followed in future.

Unadjusted advances

The BPS and ZP (B&A) Rules, 1964 stipulate that a second advance for any work should not be granted until the first advance was accounted for. Contrary to the provisions, advances of ₹ 42.90 lakh were paid (ZP, two PSs and five GPs) to the agencies during 2010-14 for 54 works. Out of this, 38 works were neither started by the agency nor the advances of ₹ 18 lakh refunded to the ZP and two PS despite lapse of one to four years ***(Appendix-2.19).*** Though the same works were allotted to other agency subsequently, the advance of ₹ 18 lakh remained to be recovered from the persons concerned. The Principal Secretary, PRD assured to take action in this regard.

2.1.8.2 Zila Parishad Bhagalpur

As per provisions discussed in the ***paragraph 2.1.8.1 ante***,

Physical progress of works under the programme

In the ZP, three PSs and 12 GPs test checked, 1555 works were approved by the DPC during 2010-15 against which only 401 works (26 ***per cent***) were undertaken. Out of this, 72 works (18 ***per cent***) involving expenditure of ₹1.16 crore ***(Appendix-2.13)*** remained incomplete for a period ranging from one to four years. Further, one PS, and two GPs failed to execute any works such as construction of roads, drains, community halls etc., were despite availability of ₹ 20.90 lakh during 2012-14 and 57 works approved in the AAP ***(Appendix-2.14).***

Execution of works beyond AAP

In contravention to the Government direction, 133 works not specified in the AAP and valued ₹ 1.89 crore were executed by three PSs and 12 GPs (***Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Unfruitful Expenditure

Rule 107 of BPS and ZP (B&A) Rules, 1964 states that no work should be left in incomplete stage.

However, expenditure of ₹ 7.30 lakh on incomplete works was rendered unfruitful due to disputed sites, transfer of EAs and insufficient fund in ZP, PS Rangra Chowk and GP Olapur.

Unadjusted advances

Advances of ₹ 7.85 lakh on 10 works were lying unadjusted even after lapse of one to four and half years in one PS and two GPs ***(Appendix-2.19).*** The Principal Secretary, PRD assured to take action in this regard.

2.1.8.3 Zila Parishad Bhojpur

As per provisions discussed in the ***paragraph 2.1.8.1 ante***,

Physical progress of works under the programme

In the ZP, three PSs and 11 GPs test checked, 1670 works were approved by the DPC during 2010-15 against which only 354 works (21 ***per cent***) were undertaken. However, 56 works (16 ***per cent***) involving an expenditure of ₹0.61 crore remained incomplete for the period ranging from one to four years ***(Appendix-2.13)***.

Further, ZP, three PSs and seven GPs did not execute any works (2011-15) such as construction of roads, drains, community halls etc., despite availability of ₹ 2.62 crore and 284 approved works in AAP ***(Appendix-2.14).***

The EO Sandesh replied that works were not executed due to dispute among the PS Members, while EO Tarari cited shortage of officials. GP Bihta, Imadpur, Ahpura and Sandesh replied that due to lack of co-ordination and difference of opinion in Gram Sabha, works were not executed.

Execution of works beyond AAP

Contrary to the Government direction, 51 works of ₹ 43.21 lakh were executed by two PSs and eight GPs beyond AAP ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

Eighty five works of ₹ 1.74 crore were awarded to nine EAs (four to 19 works at a time) by ZP and PS Tarari in violation of Government directives during 2012-15 ***(Appendix-2.16)***. As a result, 29 works (34 ***per cent***) remained incomplete (July 2015). The CEO, ZP replied that EAs were awarded more than three works by the then CEO, ZP.

Inadmissible expenditure

BRGF guidelines and State Government directives clearly indicated the purposes for which DGs were to be utilised.

However ZP and three GPs incurred an expenditure of ₹ 3.27 lakh on inadmissible item of works ***(Appendix-2.17)***. The CEO, ZP replied that due to non-availability of fund in concerned head, expenditure was made. GP Sedhan, Rajeyan and Katar replied that amount would be recouped.

Splitting of works to avoid sanction of higher authority

Rule 206 of BFR, 2005 provides that works should not be split to avoid sanction of higher authority. In violation of the provisions, eight works of ₹38.37 lakh were split into 43 works to avoid the sanction of higher authority by six GPs ***(Appendix-2.18).*** The Principal Secretary, PRD assured of non-repetition of the same.

Unadjusted advances

Advance of ₹ 62.97 lakh on 47 works were lying unadjusted for one and half years to four years in ZP, two PSs and one GP ***(Appendix-2.19).***

The GoB directed that sanction of the first advance in the work would be ₹15,000 or 25 ***per cent*** of the estimated cost whichever is less. But, in 177 works advances were sanctioned to the EAs by ZP and two GPs ranging from 10 to 95 ***per cent*** of the estimated cost ***(Appendix-2.20)***. The Principal Secretary, PRD assured to take action in this regard.

2.1.8.4 Zila Parishad Katihar

As per provisions discussed in the ***paragraph 2.1.8.1 and 2.1.8.3 ante***,

Physical progress of works under the programme

In the ZP, three PSs and eight GPs test checked, 589 works were approved by the DPC (2010-15) against which only 211 (36 ***per cent***) works were undertaken ***(Appendix-2.13)***. Further, six GPs did not execute any works (2010-15) such as construction of roads, drains, community halls etc., despite availability of ₹ 33.86 lakh in their account and 50 approved works in AAP ***(Appendix-2.14).***

The GP Bhatwara cited interruption by public for non- execution of work whereas GP East Muradpur stated that works of MLA fund were executed, hence no work was taken up from BRGF. Remaining four GPs replied that works were not executed due to difference of opinion among villagers.

Execution of works beyond AAP

Eight works of ₹ 32.80 lakh were executed beyond AAP by two PSs and three GPs ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Inadmissible expenditure

ZP incurred ₹ 3.09 lakh for payment to CA ***(Appendix-2.17).*** The Principal Secretary, PRD stated that for timely release of BRGF grant, submission of audit reports of the programme was one of the pre-requisites and as no separate fund was provided for payment of audit fee in respect of BRGF scheme hence, the payment to CAs was made from BRGF grant.

Avoidable expenditure

PS Pranpur incurred avoidable expenditure of ₹ 2.32 lakh due to non-completion of work within the stipulated time resulting in cost escalation from ₹ 9.78 to ₹ 12.10 lakh.

Splitting of works to avoid sanction from higher authorities

Three works of ₹ 32.50 lakh were split into seven works to avoid the sanction of higher authority in two PSs ***(Appendix-2.18).*** The Principal Secretary, PRD assured of non-repetition of the same.

Unadjusted advances

In 185 works advances were sanctioned to the EAs by ZP, two PSs and five GPs ranging from 10 to 44 ***per cent*** of the estimated cost ***(Appendix-2.20)***. The Principal Secretary, PRD assured to take action in this regard.

2.1.8.5 Zila Parishad Lakhisarai

As per provisions discussed in the ***paragraph 2.1.8.1 ante***,

Physical progress of works under the programme

In the ZP, two PSs and four GPs test checked, 627 works were approved by the DPC (2010-15) against which only 204 (32 ***per cent***) works were undertaken. However, 76 works (37 ***per cent***) involving an expenditure of ₹two crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years.

Further, PS Chanan and GP Lakhochak failed to execute any works such as construction of roads, drains, community halls etc., despite availability of ₹54.46 lakh (2012-15) and 52 works approved in the AAP ***(Appendix-2.14).***

Execution of works beyond AAP

Seventeen works of ₹ 22.52 lakh were executed by two GPs beyond AAP ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Inadmissible Expenditure

Two inadmissible works of construction of boundary wall costing ₹ 6.45 lakh were taken up by PS Pipariya (2010-15) under BRGF ***(Appendix-2.17)***. The EO replied that works were executed as per approval in PS meeting and passed by the DPC.

Excess/avoidable expenditure on installation of Solar Street Lights

As per the GoB directives, Solar Street Lights were to be procured at rate specified by the State Purchase Organisation (SPO).

But, one PS and four GPs procured 56 solar street lights (2010-12) from local suppliers at market rate ranging from ₹ 39,867 to ₹ 61,740 per unit whereas rate notified by the SPO was ₹ 26,684 per unit (2010-12) resulting in excess and avoidable expenditure of ₹ 15.13 lakh.

The GP/PS replied that no correspondence was made by the district regarding SPO rate. The reply was not tenable as all the units were provided the SPO rate.

Unadjusted advances

Advances of ₹ 1.06 crore on 42 works were lying unadjusted even after lapse of one to four years (July 2015) in ZP, two PS and two GP ***(Appendix-2.19).***

The Principal Secretary, PRD assured to take action in this regard.

2.1.8.6 Zila Parishad Madhepura

As per provisions discussed in the ***paragraph 2.1.8.1 and 2.1.8.5 ante***,

Physical progress of works under the programme

In the ZP, three PSs and seven GPs test checked, 849 works were approved by the DPC during 2010-15 against which only 326 works (38 ***per cent***) were undertaken. However, 106 works (33 ***per cent***) involving an expenditure of ₹3.39 crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years. Further, Six GPs did not execute any works such as construction of roads, drains, community halls etc., despite availability of ₹ 26.98 lakh and 13 works approved in the AAP ***(Appendix-2.14).***

Execution of works beyond AAP

Thirty four works of ₹ 92.58 lakh were executed during 2010-13 by the ZP, one PS and seven GPs beyond AAP ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

Seven to twenty four works (49 works) of ₹ 1.92 crore were awarded (2013-15) to two EAs by ZP in violation of Government directives ***(Appendix-2.16).*** As a result, 39 works (80 ***per cent)*** were incomplete as of June 2015**.**

Unadjusted advances

Advances of ₹ 1.09 crore on 37 works were lying unadjusted even after lapse of one to four years (June 2015) in ZP, two PS and three GPs ***(Appendix-2.19)***. The Principal Secretary, PRD assured to take action in this regard.

2.1.8.7 Zila Parishad Patna

As per provisions discussed in the ***paragraph 2.1.8.1, 2.1.8.3, 2.1.8.5 ante***,

Physical progress of works under the programme

In the ZP, five PSs and 13 GPs test checked, 1437 works were approved by the DPC (2010-15) against which only 656 works (46 ***per cent***) were undertaken. However, 184 works (28 ***per cent***) involving an expenditure of ₹1.39 crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years. Further, three PSs and seven GPs did not execute any works (2011-15) such as construction of roads, drains, community halls etc., despite availability of ₹ 85.57 lakh and 88 approved works in AAP ***(Appendix-2.14).***

Execution of works beyond AAP

Two hundred thirty works of ₹ 1.26 crore were executed by three PSs and seven GPs beyond AAP ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Unfruitful Expenditure

Four works involving expenditure of ₹ 16.19 lakh (2010-12) were rendered unfruitful due to non-completion of works. The CEO, ZP replied that works were left abandoned due to dispute at site.

Awarding of works in violation of Government directives

Four to six works (20 works) of ₹ 28.33 lakh were awarded (2013-14) to four EAs by ZP in violation of Government directives ***(Appendix-2.16)***. As a result, six works (30 ***per cent)*** remained incomplete as on April 2015.

Splitting of works to avoid sanction from higher authority

Three works of ₹ 9.78 lakh were split into six works to avoid the sanction of higher authority in GP Kumhara and Singhi while two works of ₹ 7.5 lakh and above of ₹ 17.48 lakh were executed by ZP instead of tendering ***(Appendix-2.18)***. The Principal Secretary, PRD assured of non-repetition of the same.

Refund of unspent balances

ZP provided funds to the DE against works approved in the AAP. The unspent amount was to be refunded to the ZP for utilisation under the programme. ZP released (2011-14) ₹ 20.05 lakh for 27 works but no work were done by the DE despite lapse of one to three years. The CEO, ZP replied that the DE had been directed to complete the works speedily.

Unadjusted advances

Advance of ₹ 89.92 lakh for 111 works was lying unadjusted (May 2015) for one to five years in ZP, four PS and four GPs ***(Appendix-2.19).*** The Principal Secretary, PRD assured to take action in this regard.

2.1.8.8 Zila Parishad Saharsa

As per provisions discussed in the ***paragraph 2.1.8.1, 2.1.8.3, 2.1.8.5 ante***,

Physical progress of works under the programme

In the ZP, two PSs and five GPs test checked, 412 works were approved by the DPC (2010-15) against which only 274 works (67 ***per cent***) were undertaken. However, 67 works (25 ***per cent***) involving an expenditure of ₹1.41 crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years. Further, PS Satar Katayia and GP Patori did not execute any works such as construction of roads, drains, community halls etc., in the year 2011-13 and 2014-15 despite availability of ₹45 lakh in their account and 49 approved works in AAP ***(Appendix-2.14)***.

The EO, Sattar Kataiya replied that to complete the works of previous year, new works were not taken up. The P.Sy, Patori replied that works were not taken up due to paucity of fund. The reply is not tenable as ₹ 9.13 lakh was lying in the Panchayat fund.

Execution of works beyond AAP

Twenty two works of ₹ 21.81 lakh were executed by three GPs beyond AAP ***(Appendix-2.15)***. The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

Four to sixty works (total 80 works) of ₹ 3.21 crore were awarded during 2012-15 to only one EA by ZP and two EAs by PS Satar Kataiya in violation of Government directives ***(Appendix-2.16)***. As a result, 42 works (52 ***per cent***) remained incomplete (May 2015).

The CEO, ZP replied that works had been executed in the light of the decision taken in the meeting of Board. The EO Sattar Katayia replied that P.Sy was awarded more than three works due to additional charge of more than one GP.

Inadmissible expenditure

The ZP incurred inadmissible expenditure of ₹ 3.58 lakh (2010-13) ***(Appendix-2.17)***. The CEO, ZP replied that as no separate fund was provided by PRD to make payment towards audit fee of BRGF, ₹ 3.40 lakh of Perspective Plan grant was utilised to meet the audit fee and the PRD was intimated in this regard.

Undue benefit under the scheme

In GP Ithari 12 hand pumps of ₹ 0.80 lakh were distributed irregularly twice to the 12 beneficiaries.

Splitting of works to avoid sanction of higher authority

Six works of ₹ 57.91 lakh were split into 39 works to avoid the sanction of higher authority by six GPs ***(Appendix-2.18)***. The Principal Secretary, PRD assured of non-repetition of the same.

Unadjusted advances

Advance of ₹ 68.25 lakh, on 28 works, were lying unadjusted for one to four years in ZP, two PSs and GP Itahari ***(Appendix-2.19).*** Further, in 130 works advances were sanctioned to the EAs by ZP and PS Satar Katayia ranging from 33 to 70 ***per cent*** of the estimated cost ***(Appendix-2.20).*** As a result AE of ZP parked the advance in his personal saving bank account which earned interest of ₹ 3.42 lakh during 2010-15 to the AE**.** The Principal Secretary, PRD assured to take action in this regard.

2.1.8.9 Zila Parishad Samastipur

As per provisions discussed in the ***paragraph 2.1.8.1 and 2.1.8.5 ante***,

Physical progress of works under the programme

In the ZP, four PSs and 14 GPs test checked, 912 works were approved by the DPC (2010-15) against which only 335 works (37 ***per cent***) were undertaken. However, 136 works (41 ***per cent***) involving expenditure of ₹ 2.78 crore ***(Appendix-2.13)*** remained incomplete for the period ranging from one to four years. Further, ZP and 10 GPs did not execute any works (2010-15) such as construction of roads, drains, community halls etc., despite availability of ₹ 1.71 crore in their account and 262 approved works in AAP ***(Appendix-2.14).***

Execution of works beyond AAP

Forty two works of ₹ 1.08 crore were executed by the four PS and eight GPs beyond AAP ***(Appendix-2.15).*** The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

Forty to seventy three works (total 155 works) of ₹ 4.87 crore were awarded to three EAs (2012-15) at a time by ZP in violation of Government directives ***(Appendix-2.16)*** out of which 52 works (34 ***per cent***) were incomplete (July 2015).

Inadmissible expenditure

ZP and two PS incurred ₹ 10.51 lakh on inadmissible purposes ***(Appendix-2.17)*** while, the DE made provision of one ***per cent*** Contingency in the estimate and deducted ₹ 6.94 lakh from the bills of the works against which ₹ 2.02 lakh was expended by the DE in contravention of BRGF guidelines. The CEO, ZP replied that the deductions were utilised for purchase of office stationery.

Refund of unspent balances

The ZP released ₹ 46.12 lakh for five works (2008-09) to the DE but despite lapse of one to six years, ₹ 21.73 lakh was lying with the DE.

Unadjusted advances

Advances of ₹ 1.20 crore on 93 works were lying unadjusted for one to seven years in ZP, four PS and four GPs ***(Appendix-2.19).*** The Principal Secretary, PRD assured to take action in this regard.

2.1.8.10 Zila Parishad Sitamarhi

As per provisions discussed in the ***paragraph 2.1.8.1, 2.1.8.3, 2.1.8.5 ante***,

Physical progress of works under the programme

In the ZP, three PSs and 14 GPs test checked, 1294 works were approved by the DPC (2010-15) against which only 600 works (46 ***per cent***) were undertaken ***(Appendix-2.13)***. Further, Seven GPs did not execute any works such as construction of roads, drains, community halls etc., despite availability of ₹ 17.80 lakh and 30 approved works in AAP of the year 2011-13 and 2014-15 ***(Appendix-2.14).***

Execution of works beyond AAP

In contravention to the Government direction, 114 works of ₹ 1.28 crore were executed by one PS and nine GPs beyond AAP ***(Appendix-2.15)***. The Principal Secretary, PRD stated that as works had already been executed by the PRIs, the expenditure of the same would be adjusted from the grants released to the districts, in advance.

Awarding of works in violation of Government directives

ZP executed 194 works costing ₹ 4.26 crore during 2010-14. Violating the Government directives, ZP awarded 162 works costing ₹ 3.34 crore to the AE out of which 34 works (21 ***per cent)*** were incomplete for one to four years ***(Appendix-2.16).***

Inadmissible expenditure

Inadmissible works costing ₹ 41.71 lakh were taken up by ZP and two PS (2010-14) under BRGF ***(Appendix-2.17)***. The EO, PS Runnisaidpur and Sursand replied that works were approved by DPC as such executed while the CEO, ZP replied that purchases in ZP were made by the then CEO, ZP.

Splitting of works to avoid sanction of higher authority

Four works of ₹ 15.27 lakh were split into 16 work avoid sanction of the higher authority in four GPs ***(Appendix-2.18).*** The Principal Secretary, PRD assured of non-repetition of the same.

Refund of unspent balances

ZP approved and released ₹ 56.62 lakh for 30 works (August 2010 to December 2013) but no works were done by the DE despite lapse of two to five years resulting in blockade of fund. The CEO, ZP stated that reply is being sought from the DE.

Unadjusted advances

Advances of ₹ 12.55 lakh on 17 works were lying unadjusted for one to four years in ZP, PS Nanpur and GP Giddha Phulwaria ***(Appendix-2.19).*** The Principal Secretary, PRD assured to take action in this regard.

Recommendation: The schemes should be executed by the PRIs as per the guidelines/Government directions on BRGF and advances should be adjusted as per rules.

2.1.9 Joint physical verification

Joint physical verification of 259 works viz., roads, hand pumps, toilets, community halls etc. executed under BRGF during 2010-15 in three ZPs, 11 PSs and 32 GPs were done with the Junior Engineers and Panchayat Secretaries of the PRIs concerned.

In two GPs (Rasalpur and Itahari) under Saharsa district, 185 hand pumps were distributed among the beneficiaries instead of being installed by the GPs. During joint physical verification, 78 hand pumps out of 185 hand pumps costing ₹ 2.65 lakh were found not received by the beneficiaries. In GP Sedhan Bhojpur 11 hand pumps of ₹ 0.65 lakh were not installed at the specified places recorded in the Measurement Book. Seventy seven hand pumps out of 225 hand pumps were installed ***(Appendix-2.21)*** and four toilets out of 13 toilets were constructed by PSs and GPs in private premises in violation of BRGF guidelines ***(Appendix-2.22).***

Seven works (road and platform construction) of ₹ 27.47 lakh were found damaged in Lakhisarai, Patna and Sitamarhi districts. Nine works of construction of ***Aanganwari Kendras***, Culverts etc., were abandoned in three districts (Madhepura, Patna and Samastipur) after incurring an expenditure of ₹ 42.65 lakh ***(Appendix-2.22).***

2.1.10 Internal control and Monitoring

For effective implementation of the BRGF work a strong and functional control and monitoring system was required. Audit observed the following:

Reconciliation of Cash Book with Bank

As per the provisions contained in BPS and ZP (B&A) Rules, 1964, the Cash Book should be balanced daily and signed by the Secretary and at the end of each month, a statement indicating the reconciliation of balances should be recorded in the Cash Book.

In two ZPs and two PSs, the Cash Books balance was more than the Bank Pass Book balance by ₹ 79.60 lakh ***(Appendix- 2.23)*** while in two ZPs and 15 PSs the bank Pass Book balance was more than the Cash Book balance by ₹ 3.60 crore ***(Appendix-2.24)***. This indicated non- reconciliation of the cash books by the PRIs.

Constitution of Peer review and Review Committee at District

Guidelines of BRGF provide for peer reviews of progress in implementation of programme by GPs and PSs. It also prescribed setting up of a Review committee by DPC to review such peer review reports. But, no peer reviews were conducted in any of the test-checked districts during 2010-15.

Institution of Quality Monitoring System

The State Government issued (September 2010) directives for quality monitoring system to maintain quality in implementation of works, which was to be reviewed regularly by the DPC. In none of the test checked districts, such reviews were done by the DPC.

Conduction of Social Audit

BRGF prescribed Social audit by Gram Sabhas in rural areas. HPC instructed (April 2010) that Social Audit be conducted and guidelines for the same were issued (September 2010). Subsequently, HPC approved (July 2012) Social audit as per guidelines of MGNREGS. But, in none of the 10 test checked districts, social audit was conducted (2010-15).

The Principal Secretary, PRD agreed with the audit findings and expressed his concern regarding the same.

Recommendation: State Government should initiate steps to constitute monitoring committees and ensure that reconciliation of accounts and Social Audits of works are conducted regularly by PRIs.

2.1.11 Conclusion

The State was deprived of substantial share of Development and Capability Building Grants due to delay in submission of demand and low spending. There were delays in release of fund to PRIs but the State Government did not pay any interest to the PRIs.

The planning process was not satisfactory as despite preparation of vision document and perspective plan, the PRIs executed works on the basis of recommendations of the elected representatives of ZPs and PSs.

Execution of works under the scheme was marred with violation of Government directives, scheme guidelines etc. Works could not be taken up despite availability of funds and approved works in Annual Action Plan.

Monitoring was not adequate as peer reviews and social audits were not conducted in any of the test checked Zila Parishads.

Chapter - III
Compliance Audit

Panchayati Raj Department

3.1 Fraudulent drawal of Government money

In violation of the provisions of the Bihar Financial Rules and Bihar Panchayati Raj Act, the Panchayat Secretary and the *Mukhiya* of Gram Panchayat, Singhi, misappropriated ₹ five lakh withdrawn by them from Bank by not recording the transaction in the cash book.

Rule 452 of Bihar Financial Rules (BFR) stipulates that every officer responsible for expenditure of Government money should see that proper accounts are maintained for all financial transactions with which he is concerned along with details fully recorded as satisfactory and convincing evidence of facts. Further, Bihar Panchayat Raj Act (BPRA), 2006 read with Bihar Gram Panchayat (Appointment of Secretary, Rights and Duties) Rules, 2011 provides that the ***Mukhiya*** shall have the general responsibility for the financial and executive administration of the Gram Panchayat (GP) and the Gram Panchayat Secretary shall be the office-in-charge of the GP and execute all its functions and works under the direction of ***Mukhiya***.

Scrutiny of records (June 2015) of the GP Singhi under Panchayat Samiti, Dulhin Bazar, Patna revealed that an amount of ₹ six lakh was withdrawn (May 2012 to April 2013) from the bank account[22] maintained for Thirteenth Finance Commission (ThFC) grant fund by the GP Singhi through cheques under joint signature of Panchayat Secretary (PS) and ***Mukhiya.*** However, an amount of ₹ one lakh only was entered in the cash book and recorded in the scheme register by the PS and countersigned by the ***Mukhiya*** and the balance amount of ₹ five lakh remained unaccounted for (July 2015).

Further, the closing balance of the cash book of ThFC grant fund maintained by the GP was ₹ 14.80 lakh as on 20 October 2013. However, the opening balance of the cash book as on 28 October 2013 was shown as ₹ 9.80 lakh (no transaction was noticed during 21-27 October 2013) to adjust the unaccounted withdrawal of ₹ five lakh from the bank account. Thus, the PS and the ***Mukhiya*** of GP Singhi violated the provisions of the BFR and the BPRA, 2006 while functioning for the GP Singhi and misappropriated ₹ five lakh from the accounts of the GP.

The ***Mukhiya*** of the GP Singhi replied (June 2015) that the earlier Panchayat Secretary withdrew the money from bank by forging the signatures on cheques and defalcated the money. The Principal Secretary, Panchayati Raj Department (PRD), GoB replied (September 2015) that an FIR was lodged (August 2015) against the Panchayat Secretary for established defalcation.

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[22] ***Canara Bank Account no. 0287101020567; Cheque no. 559287 (30 May 2012), 559288 (30 May 2012), 559289 (27 June 2012) and 559290 (27 June 2012) each amounting ₹one lakh and Cheque no. 559293 (22 April 2013) of ₹2 lakh***

3.2 Excess and avoidable expenditure on installation of Solar Street Lights

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

Under Rule 129 of the Bihar Financial Rules (BFR), 2005, the Government of Bihar (GoB) notified (February 2007) the Bihar State Electronics Development Corporation Limited (BELTRON) as State Purchase Organisation (SPO) to bring uniformity in supply/installation of solar energy equipment in all the districts of Bihar. Subsequently, the Bihar Renewable Energy Development Agency (BREDA) was notified (September 2012) as SPO in place of BELTRON and this was circulated to all Heads of Department, District Magistrates and Deputy Development Commissioners etc. The SPO circulated (February 2009) technical specification[23] and rate for procurement of solar street lights.

Scrutiny of records (February 2015) of Panchayat Samiti Begusarai revealed that 339 solar street lights were procured (January 2010 to March 2013) from local suppliers out of grants available under Backward Regions Grant Fund (BRGF) and Fourth State Finance Commission (FSFC) grant. Further scrutiny of records related to the aforesaid procurement of solar street lights and their comparison with the rate[24] and specification issued by the SPO revealed that the solar street lights of the same specification as notified by the SPO were procured at market rate of ₹ 43,700 per unit whereas rate notified by the SPO ranged from ₹ 29,352 to ₹ 30,217 per unit (including five years warrantee period) during 2009-13. Therefore, an excess and avoidable expenditure of ₹ 47.43 lakh was incurred on procurement and installation of 339 solar street lights by PS Begusarai during 2009-13**.**

The Principal Secretary, PRD, GoB replied (September 2015) that charge sheets against the then BDOs of PS Begusarai were forwarded to the Principal Secretary, Rural Development Department, GoB for approval.

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[23] ***Solar panel - 75w, Battery - 12v and 75 Ah, pole - 4.5m length, CFL - 11w***

[24] ***Rate of per unit solar street light with five years warranty having Solar Panel - 75w, Battery - 12v and 75 Ah, Pole - 4.5m length, CFL - 11w during September 2009 to December 2011 – ₹29,352 and during January 2012 to June 2013 - ₹30,217***

Chapter - IV

An Overview of the Functioning of the Urban Local Bodies (ULBs) in Bihar

4.1 Introduction

The Seventy Fourth Constitutional Amendment Act (CAA) gave constitutional status to Urban Local Bodies (ULBs) and established a system of uniform structure, regular election, reservation of posts for weaker section of society and women and regular flow of funds through Finance Commission etc. As a follow-up, the States were required to entrust these bodies with powers, functions and responsibilities to enable them to function as institutions of local self-government and to carry out the responsibilities conferred upon them including those listed in the Twelfth Schedule of the Constitution.

Accordingly, the Government of Bihar (GoB) enacted Bihar Municipal Act (BMA), 2007 by repealing the Bihar and Orissa Municipal Act, 1922 and framed Bihar Municipal Accounts Rules, 2014 and Bihar Municipal Budget Manual. As per Census 2011, the urban population of Bihar was 1.18 crore which constituted 11 ***per cent*** of the total population (10.41 crore) of the State. As of March 2015, there were 141 ULBs[25] in the State. The last election to the elected bodies of the ULBs was held on 16 May 2012.

Section 7 and 20 of the BMA, 2007 lay down the criteria for classification of municipal area by the State Government on the basis of last preceding census, as given in **Table 4.1** below:

Table 4.1: Classification of ULBs

Category of ULBs	Grade	Population
Municipal Corporation	Larger urban areas	More than 2 lakh
Municipal Council	Class 'A'	1.5 to 2 lakh
	Class 'B'	1 to 1.5 lakh
	Class 'C'	0.40 to 1 lakh
Nagar Panchayat	Transitional areas	0.12 to 0.40 lakh

(Source: Section 7 and 20 of BMA, 2007)

Besides, the State Government may determine separate size of population for municipal areas in any hill area, pilgrim centre, tourist centre or ***mandi*** town.

4.2 Organisational setup of ULBs

The ULBs are under administrative control of Urban Development and Housing Department (UD&HD), GoB. The Municipal Commissioner is the executive head of the Municipal Corporation while Municipal Council or Nagar Panchayat is headed by the Executive Officer appointed by the State Government.

The ULBs have an Empowered Standing Committee (ESC) comprising of Councillors/Members elected by the people and headed by the Mayor (for

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[25] ***11 Municipal Corporations, 42 Municipal Councils and 88 Nagar Panchayats***

Corporations)/Chairperson (for Councils and Nagar Panchayats) elected from members who preside over the meetings of the ESC. The organisational structure of ULBs is presented in **Chart 4.1** and **4.2** below:

Chart - 4.1: Elected Body

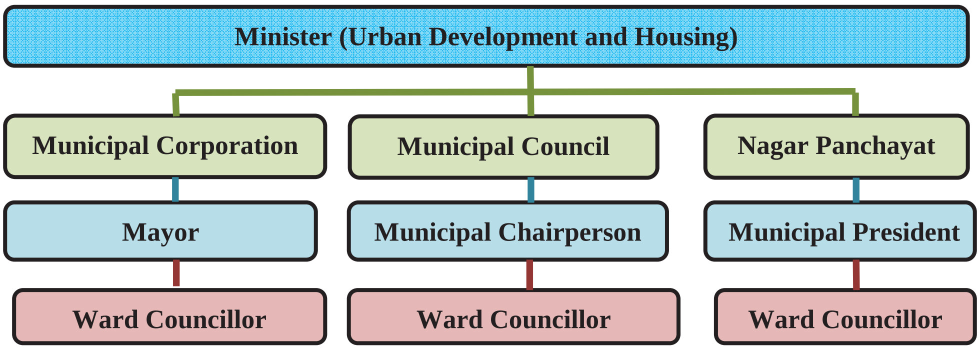
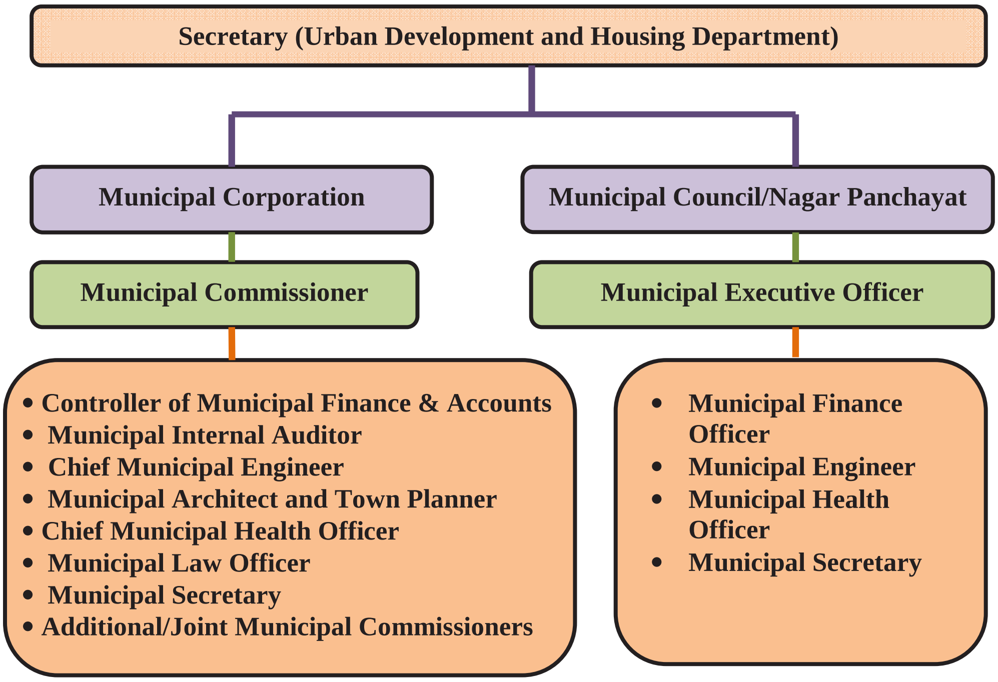


Chart - 4.2: Administrative Body



(Source: Section 36 of BMA, 2007 and www.urban.bih.nic.in)

4.3 Functioning of ULBs

4.3.1 Powers of the State Government

The BMA, 2007 entrusts the State Government with certain powers so as to enable it to monitor proper functioning of the ULBs. A brief summary of powers of the State Government is given in **Table 4.2** below:

Table - 4.2: Powers of the State Government

Authority	Powers of the State Government
Section 44 of BMA, 2007	**State Municipal Vigilance Authority:** The State Government may appoint ***Lok Praharis*** to inquire into any allegation of corruption, misconduct, lack of integrity or any kind of malpractice or mal-administration or misdemeanor of Chief/Deputy Chief councilor /officers and other employees of the municipality.
Section 65 and 66 of BMA, 2007	**Power to inspect office, call for records etc.:** The State Government may inspect any office or call for the records under the control of the ULBs.
Section 87 of BMA, 2007	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.
Section 419 of BMA, 2007	**Power to make Rules:** The State Government may, by notification, make rules to carry out the purpose of BMA, 2007 subject to approval by the State Legislature.
Section 421 and 423 of BMA, 2007	**Power to make regulations:** The Municipality may make regulations for the purpose of giving effect to the provisions of BMA, 2007 subject to approval of the State Government.
Section 487 of BMA, 2007	**Removal of difficulties:** If any difficulty arises in giving effect to the provisions of BMA, 2007, the State Government may do anything necessary to remove such difficulty.

4.3.2 Devolution of functions and funds

The Seventy fourth CAA, 1992 enables the State Government, under Article 243W of the Constitution of India to empower the ULBs with such powers and authority, by enacting law, to perform functions on 18 subjects enlisted in the Twelfth Schedule of the Constitution. But, the ULBs in Bihar were carrying out traditionally the functions on 13 subjects only as provided in Section 45 of the BMA, 2007 ***(Appendix - 4.1).*** No separate notification regarding devolution of functions in term of 74th CAA has been issued. The transfer of funds, functions and functionaries to ULBs related to the rest five subjects[26] was yet to be done by the State Government. The Government has created parastatal[27] organisations to facilitate the core functions of ULBs and funds are devolved to them to perform the functions assigned to ULBs.

4.3.3 Devolution of functionaries

Section 36 of BMA, 2007 provides a number of positions for ULBs but, most of these positions were vacant. The ULBs were short staffed and there was a freeze on recruitment since 1990. Efforts were not made for capacity building in ULBs.

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[26] ***Regulation of land use and construction of buildings; Fire services; Urban forestry, protection of the environment and promotion of ecological aspects; Safeguarding the interests of weaker sections of society, including the handicapped and mentally retarded persons; and Promotion of cultural, educational and aesthetic aspects***

[27] ***Bihar Urban Infrastructure Development Corporation Ltd (BUIDCO), Bihar Urban State Transport Ltd (BUSTL), Bihar Urban Development Agency (BUDA) and District Urban Development Agency (DUDA)***

4.4 Formation of Committees

4.4.1 Empowered Standing Committees

Section 21 and 22 of BMA, 2007 provide that in every municipality, there shall be an Empowered Standing Committee (ESC) and the executive powers of a Municipality shall vest in ESC. The Chief Councillor shall exercise such powers and functions as are delegated to him by the ESC. The composition of ESC is shown in **Table 4.3** below:

Table - 4.3: Empowered Standing Committees

Category of ULBs	Presiding officer	Composition of ESC	Remarks
Municipal Corporation	Mayor	Mayor, Deputy Mayor and seven other councillors	Other members of ESC shall be nominated by the Chief Councillor from amongst the elected Councillors.
Class 'A' or 'B' Municipal Council	Municipal Chairperson	Municipal Chairperson, Municipal Vice-Chairperson and five other Councillors	
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 BMA, 2007)

The ESC is collectively responsible to the Municipal Corporation or the Municipal Council or the Nagar Panchayat, as the case may be.

4.4.2 District Planning Committees

As per Section 275 of BMA, 2007, all schemes to be executed by the ULBs should be included in the Draft Development Plans (DDPs) of the district prepared by the District Planning Committees (DPCs) and approved by the State Government. It was noticed that the schemes executed during 2010-15 by the ULBs from their own sources were not included in the DDPs of the district prepared by the DPCs and approved by the State Government.

4.5 Audit Arrangement

4.5.1 Primary Auditor

The State Government declared (November 2007) the Examiner of Local Accounts (ELA), Bihar, as statutory auditor to conduct the audit of the accounts of Urban Local Bodies (ULBs). Accordingly, audit of the accounts of ULBs in Bihar is being conducted by the ELA under supervision of the Accountant General (Audit), Bihar. The audit is conducted under Bihar and Orissa Local Fund Audit Act, 1925. Out of total 141 ULBs in the State, the audit of the accounts of 44 ULBs[28] was conducted by ELA during 2014-15.

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[28] ***Municipal Corporation (10):** Ara, Bhagalpur, Biharsharif, Begusarai, Darbhanga, Gaya, Katihar, Munger, Muzaffarpur and Purnea; **Nagar Parishad (19):** Arwal, Aurangabad, Bagha, Barh, Buxar, Chhapra, Danapur, Dumrao, Hajipur, Jamalpur, Jehanabad, Khagaria, Lakhisarai, Masaurhi, Mokama, Nawada, Raxaul, Sasaram and Siwan; **Nagar Panchayat (15):** Belsand, Dighwara, Dumra, Haweli Kharagpur, Hisua, Islampur, Jagdishpur, Janakpur Road, Jhajha, Koilwar, Maharajganj, Mairawa, Maner, Parsa Bazar and Tikari*

4.5.2 Audit by Comptroller and Auditor General of India

The Eleventh Finance Commission had recommended that the CAG should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts and audit for all tiers/levels of panchayats. The Thirteenth Finance Commission had also recommended that the CAG must 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 as well as Annual Report of Director of Local Fund Audit (DLFA) must be placed before the State Legislature. Fourteenth Finance Commission had also recommended that the initiatives made by the previous Finance Commissions regarding improvement in maintenance of accounts of LBs and their audit and TGS arrangement by the CAG should be continued.

In this regard, the State Government had created (October 2013) a cell[29] under the Finance Department for audit of LBs. Further, as per recommendations of Finance Commissions and continuous persuasion of the AG (Audit), Bihar, the State Government notified (June 2015) the establishment of Directorate of Local Fund Audit headed by the DLFA and it is functioning since 11 June 2015. Finance Department, GoB intimated (December 2015) that the State Government had accepted the Standard Terms and Conditions under Regulations on Audit and Accounts, 2007 for audit of Local Bodies under TGS arrangement.

4.6 Response to Audit Observations

4.6.1 Poor response to Inspection Reports

After completion of audit, Inspection Reports (IRs) containing audit findings were sent to the ULBs. The Executive Officers (EOs) of the ULBs concerned were required to respond to observations contained in the IRs and send compliance report to the ELA within three months. The EOs did not take effective steps to comply with the observations contained in the IR's which was evident from increasing number of paragraphs outstanding. Details of paragraphs outstanding are given in **Table 4.4** below:

Table – 4.4: Outstanding paragraphs in ULBs for the last five years

(₹ in crore)

Year	No. of IRs	No. of paras in IRs	Amount involved	No. of paras settled	Amount of settlement	No. of paras outstanding	Money value of paras outstanding
1	**2**	**3**	**4**	**5**	**6**	**7 (3-5)**	**8 (4-6)**
2010-11	39	1043	71.57	386	3.04	657	68.53
2011-12	43	1237	52.94	230	2.81	1007	50.13
2012-13	61	1398	45.63	128	0.37	1270	45.26
2013-14	67	1141	75.35	82	3.52	1059	71.83
2014-15	93	1898	373.66	540	9.02	1358	364.64
Total	**303**	**6717**	**619.15**	**1366**	**18.76**	**5351**	**600.39**

(Source: Inspection reports on the accounts of ULBs)

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[29] ***comprising 39 senior auditors and one deputy Finance Controller***

It is evident from the **Table 4.4** that out of total 6,717 paragraphs, only 1,366 paragraphs (20 ***per cent***) were settled and 5351 paragraphs involving ₹ 600.39 crore were pending for settlement as of 31 March 2015.

Increasing trend of outstanding paragraphs (except 2013-14) indicated lack of efforts by authorities concerned in furnishing compliance.

4.6.2 Compliance to the ELA's Annual Audit Reports

The Finance Department, GoB constituted (March 2010) three tier Committees – High Level, Departmental Level and District Level for review /compliance of the ELA's Annual Audit Reports. The District level committee[30] has the responsibility to ensure compliance of audit paragraphs/ reports received from PRIs and ULBs of that district. The department level committee[31] had to review the status of compliance made by the district level committees. The High level Committee[32] was to meet once in six months to review the functioning of District and Department level committees.

It was observed that only one district level committee meeting was held for ULBs during April 2014 to August 2015. No meeting of Department Level and High Level committee was held during 2014-15 and as such, the purpose of constitution of these committees was defeated.

4.6.3 Status of Local Bodies Report

As per provisions of section 91(2) of the BMA, 2007 (as amended in January 2014), the Annual Report of ULBs prepared by the CAG shall be laid on both the Houses of State Legislature. However, there is no provision for discussion of CAG's report on local bodies in Public Accounts Committee (PAC) or PAC like committee. The Finance Department, GoB informed (July 2015) that the Hon'ble Chairman, Bihar Legislative Assembly has been requested to select a committee for discussion and review of CAG's report on LBs.

Accountability Mechanism and Financial Reporting issue

4.7 Accountability Mechanism

4.7.1 Ombudsman

Section 44(1) of BMA, 2007 provided for appointment of ***Lok Prahari*** (Ombudsmen) for looking into any allegation of corruption, lack of integrity, malpractice etc., of the authorities of the ULBs. But, the ***Lok Praharis*** had not been appointed by the State Government as of November 2015.

4.7.2 Property Tax Board

Section 138(A) of BMA, 2007 provides for putting in place a State level Property Tax Board for independent and transparent procedure for assessing property tax. Though the Bihar Property Tax Board Rules, 2013 was

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[30] ***Headed by the District Magistrate/Deputy Development Commissioner***

[31] ***Headed by the Principal Secretary, UD&HD, GoB***

[32] ***Headed by the Principal Secretary to the Finance Department, GoB and have the Pr. A.G. (Audit), Bihar as a member***

notified (April 2013) by the UD&HD, GoB, the Board was not constituted as of November 2015.

4.7.3 Service Level Benchmark

In pursuance of para 10.160(viii) of the Thirteenth Finance Commission (ThFC) recommendations, the UD&HD, GoB had fixed (February 2014) target for the years 2013-15 for ULBs to improve the level of service delivery in respect of water supply, sewerage, storm water drainage and Solid Waste Management on the basis of various indicators. But, status of implementation of Service Level Benchmark could not be monitored further and the department did not reply regarding their implementation by ULBs.

4.7.4 Fire hazard response

As per ThFC 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. The UD&HD, GoB had notified (March 2011) the Fire Hazard Response and Mitigation Plan for Patna Municipal Corporation.

4.7.5 Submission of Utilisation Certificates

The instruction contained in the allotment letters of the funds released to the ULBs required furnishing of the Utilisation Certificates (UCs) to the State Government within the prescribed date. It was noticed that the UD&HD released grants of ₹ 4,009.56 crore to ULBs during 2002-03 to 2014-15 under various assistance grant head. But, the UCs for only ₹ 1,978.44 crore (49 ***per cent***) were submitted and UCs for ₹ 2,031.12 crore was pending as of March 2015.

Non - submission of UCs of ₹ 2,031.12 crore for such a long periods indicate weak internal control and possible misutilisation of funds.

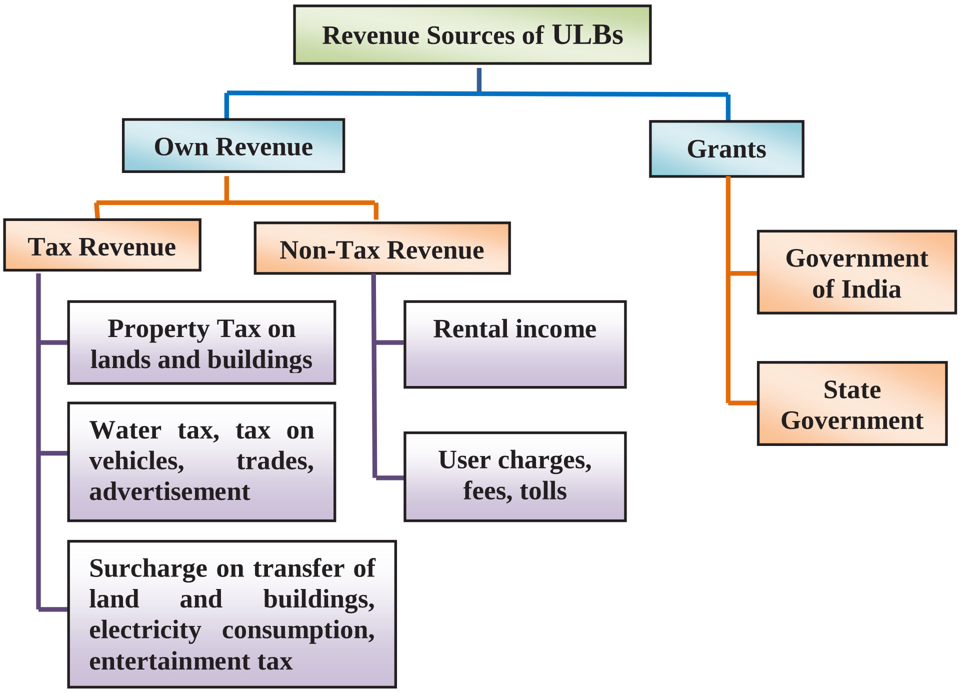
4.8 Financial Reporting Issues

4.8.1 Source of Funds

4.8.1.1 Sources of Finances

The ULBs receive funds for execution of development works from Government of India (GoI) and the State Government in the form of grants. The GoI grants include grants assigned under recommendation of the Central Finance Commission (CFC). The State Government grants are received through devolution of net proceeds of the total tax revenue on recommendations of the State Finance Commission (SFC) and grants for implementation of State Sponsored Schemes. Besides, the ULBs had its own resources of fund (tax and non-tax revenue). The property tax on lands and buildings was the mainstay of ULBs' own revenue. Flow chart of finances of ULBs is shown in **Chart 4.3**:

Chart - 4.3: Source of Funds



(Source: Section 127 BMA, 2007)

4.8.1.2 State Budget allocation vis-à-vis expenditure

The budget provisions made by the State Government to ULBs including State share towards GoI schemes and grants received under recommendations of CFCs for the year 2010-15 is given in **Table 4.5** below:

Table-4.5: Budget allocation *vis-à-vis* expenditure

(₹ in crore)

Sl. No.	Particulars	Head	2010-11	2011-12	2012-13	2013-14	2014-15
1.	**Budgetary Allocation**	Revenue	2143.46	1374.83	1668.44	2537.40	3300.59
		Capital	7.00	7.00	2.00	1.00	1.00
		Total	**2150.46**	**1381.83**	**1670.44**	**2538.40**	**3301.59**
2.	**Expenditure**	Revenue	611.56	661.37	1263.72	1717.44	1778.46
		Capital	0	0	2.00	1.00	0
		Total	**611.56**	**661.37**	**1265.72**	**1718.44**	**1778.46**
3.	Savings (1-2)		1538.90	720.46	404.72	819.96	1523.16
4.	**Percentage of savings**		**72**	**52**	**24**	**32**	**46**

(Source: Appropriation Accounts of Government of Bihar)

It is evident from **Table 4.5** that the State Government did not transfer entire amount as provided in the budget to the ULBs and percentage of short-transfer ranged between 24 to 72 ***per cent***. The allocation under Capital head was less than one ***per cent*** of the total allocation during 2010-15 while capital expenditure during 2010-12 and 2014-15 was nil.

4.8.1.3 Receipts and expenditure of ULBs

The consolidated position of receipts and expenditure of ULBs were not maintained at the State level. However, as per information furnished by the

UD&HD, status of funds received and expenditure of 28 ULBs[33] covered under Support Programme for Urban Reforms (SPUR) project[34] during the years 2012-15 is shown in **Table 4.6** below:

Table-4.6: Receipt and Expenditure of 28 ULBs

(₹ in crore)

Sl. No.	Particulars	2012-13	2013-14	2014-15
1	**Opening Balance**	326.98	430.08	641.89
2	**Receipts**	300.79	444.33	735.17
3	**Fund available (1+2)**	627.77	874.41	1377.06
4	**Expenditure**	201.66	296.60	589.40
5	**Percentage of Utilisation**	32	34	43

(Source: Data provided by UD&HD)

(Details in ***Appendix - 4.2***)

The above position indicated that only 32 to 43 ***per cent*** of available funds were utilised during 2012-14. The UD&HD provided (August 2015) figure of funds available/released and utilisation thereof for 28 ULBs only.

4.8.2 Recommendations of the State Finance Commission (SFC)

State Finance Commissions were constituted by GoB to review the financial position of local bodies (LBs) and recommend the principles to govern the distribution of net proceeds of taxes, duties ***etc.,*** between the State and the LBs. The GoB constituted (June 2007) the Fourth State Finance Commission (FSFC) which submitted its report in June 2010. Though recommended by FSFC to release in two installments, funds were released to ULBs by the UD&HD in one installment. Further, though the FSFC had recommended for release of funds on the basis of figures of receipts of the immediate preceding year, the UD&HD released funds on the basis of receipts of preceding two years**.** It was noticed that against the eligibility of ₹ 1250.12 crore, only ₹ 1247.61 crore was released (2010-15) to ULBs. Thus, there was a short release of ₹ 2.51 crore.

The fifth SFC was constituted in December 2013 and had to submit its report by March 2015 but the report has not yet been submitted (November 2015).

4.8.3 Maintenance of Records

Section 86, 88 and 89 of BMA, 2007 require the municipalities to prepare and maintain financial statements consisting of Income and Expenditure Account, Receipt and Payment account, and Balance Sheet. But, seven ULBs[35] did not prepare the annual accounts for the period 2011 to 2015. The

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[33] ***Ara, Aurangabad, Begusarai, Bettiah, Bhagalpur, Biharsharif, Bodhgaya, Chapra, Danapur, Darbhanga, Dehri, Gaya, Hajipur, Jamalpur, Katihar, Khagaul, Kishanganj, Motihari, Munger, Muzaffarpur, Nawada, Patna, Phulwarisharif, Purnea, Saharsa, Sasaram, Sitamarhi and Siwan***

[34] ***A GoB initiative funded by the United Kingdom's Department For International Development (DFID) to provide financial, technical and managerial support to enhance efficacy of ULBs***

[35] ***Bhagalpur, Darbhanga, Dumrao, Hisua, Jamui, Mairwa and Nawada***

Executive Officers of the ULBs concerned replied that the annual accounts would be prepared in future.

4.8.4 Maintenance of Accounts by ULBs

The Ministry of Urban Development, GoI in consultation with the Comptroller and Auditor General of India (CAG) prepared (2004) the National Municipal Accounts Manual (NMAM) for maintenance of accounts on accrual basis by the ULBs. Section 87 of the BMA, 2007 stipulates that the State Government shall prepare a Bihar Municipal Accounting Manual (BMAM) for implementation of accrual based Double Entry Accounting System (DEAS) containing details of all financial matters and procedures relating to the Municipalities. The Special Secretary, UD&HD stated that the BMAM has not been finalised as on December 2015.

Further, the UD&HD notified (January 2014) the 'Bihar Municipal Accounting Rules, 2014' for preparation and maintenance of financial statements[36] on accrual based Double Entry System in the municipalities from 1 April 2014. The Department issued (February 2014) instruction to all ULBs regarding migration from Cash System of accounting to accrual based DEAS from 1 April 2014.

The UD&HD stated (August 2015) that in 19 ULBs, first phase of implementation of DEAS including preparation of Fixed Assets Register (FAR), Opening Balance Sheet and Annual Financial Statement upto FY 2011-12 was completed and for other ULBs, appointment of competent Chartered Accountant firms for the purposes was underway.

4.8.5 Impact of Audit

Recoveries of ₹ 8.74 lakh were made from person(s) concerned in seven ULBs[37] in course of audit conducted during 2014-15.

4.8.6 Good Practices

The Geographic Information System (GIS) based property survey has been started and it was completed in Purnea and Katihar Municipal Corporations. In Purnea, the number of properties increased from 29,618 to 76,184 and the demand of property tax enhanced from ₹ 1.10 to ₹ 3.22 crore after GIS survey. In Katihar, the percentage increase in number of holdings and revenue from holding tax was 85 ***per cent*** and 158 ***per cent*** respectively after GIS survey.

A centralised Grievance Redress Cell had been operationalised to attend to complaints related to municipal services. The functioning of this Cell is based on a Citizen's Charter that defines the timeline for redressal of complaints.

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[36] ***Receipt and Payment Account, Income and Expenditure Account and Balance Sheet of Assets and liabilities***

[37] ***Aurangabad (₹0.29 lakh), Dumraon (₹2.39 lakh), Islampur (₹1.41 lakh), Jehanabad (₹2.04 lakh), Maner (₹0.38 lakh), Masaurhi (₹0.46 lakh) and Nawada (₹1.77 lakh)***

Chapter - V
Performance Audit

Urban Development and Housing Department

5.1 Revenue Management by ULBs

Executive Summary

Revenue management is the key to economic stability and development of urban infrastructure. In order to discharge their functions properly and to cater to the requirements of economic development, it is immensely important for the Urban Local Bodies (ULBs) to manage their revenues in the best possible way. Performance Audit on 'Revenue Management by ULBs' conducted during April to August 2015 covered 36 ULBs. Important findings are summarised below;

In test checked ULBs, the income from own sources was not sufficient to meet their establishment expenditure. The income from own sources was only 36 ***per cent*** to 76 ***per cent*** of the establishment expenditure during 2010-15. ***(Paragraph 5.1.7.2, 5.1.7.3, 5.1.7.4)***

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

(Paragraph 5.1.7.5)

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

(Paragraph 5.1.13.2)

Nagar Nigams (Nigams)

Schemes of ₹ 2.78 crore were executed by the Nigams during 2010-15 without including the same in the draft development plan prepared by the District Planning Committee and approved by the State Government.

(Paragraph 5.1.8.1)

Six to nine types of taxes and all the five types of user charges were not levied by the Nigams. ***(Paragraph 5.1.9.1)***

Due to non-imposition of user charges for water supply and door-to-door collection of solid waste, Nigams were deprived of revenue of ₹ 5.46 crore and ₹ 9.15 crore respectively during August 2013 to March 2015. ***(Paragraph 5.1.9.1)***

A sum of ₹ 17.88 crore remained unrealised under property tax, mobile tower tax and shop rent as on 31 March 2015. ***(Paragraph 5.1.10.1)***

Settlement amount of ₹ 52.45 lakh related to the year 2010-15 remained unrealised as on 31 March 2015. ***(Paragraph 5.1.10.1)***

Nagar Parishads (NPs)

Schemes of ₹ 12.64 crore were executed by the NPs without including the same in the Draft Development Plan prepared by the District Planning Committee and approved by the State Government.

(Paragraph 5.1.8.2)

Six to eleven types of taxes and all the five types of user charges were not levied by the NPs. ***(Paragraph 5.1.9.2)***

Due to non-imposition of user charges for water supply and door-to-door collection of solid waste, NPs were deprived of revenue of ₹ 1.44 crore and ₹ 5.38 crore respectively during August 2013 to March 2015**.**

(Paragraph 5.1.9.2)

A sum of ₹ 16.24 crore remained unrealised under property tax, mobile tower tax and shop rent as on 31 March 2015. ***(Paragraph 5.1.10.2)***

Instead of depositing the Collection money on the day of collection in Nagar Parishads, Cashiers/Tax Collectors of five Nagar Parishads retained the Collection money of ₹ 54.69 lakh (2010-15) on account of property tax, shop rent, bid money etc., for periods ranging from one to five years. ***(Paragraph 5.1.10.2)***

Nagar Panchayats (NPys)

Schemes of ₹ 1.87 crore were executed by eight NPys without including the same in the Draft Development Plan prepared by the District Planning Committee and approved by the State Government.

(Paragraph 5.1.8.3)

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

(Paragraph 5.1.9.3)

Due to non-imposition of user charges for door to door collection of solid waste, 14 NPys were deprived of revenue of ₹ 3.93 crore during August 2013 to March 2015. ***(Paragraph 5.1.9.3)***

A sum of ₹ 5.47 crore remained unrealised by 20 NPys under property tax, mobile tower tax and shop rent as on 31 March 2015.

(Paragraph 5.1.10.3)

5.1.1 Introduction

The 74th Constitutional Amendment Act, enacted in 1992, envisioned creation of local self-governments for the urban areas wherein municipalities were provided with constitutional status for governance. The amendment empowered the Urban Local Bodies (ULBs) to function efficiently and effectively for preparation of plans for economic development and social justice and to perform functions including those in relation to the matters listed in the Twelfth Schedule of the Constitution. In Bihar, 1.18 crore people (11 ***per cent*** of total population) live in urban areas and the State Government constituted 141 ULBs (11 Nagar Nigams, 42 Nagar Parishads and 88 Nagar Panchayats) on the basis of population to provide the civic services to the urban population. Last election for constitution of elected bodies in ULBs was held in the year 2012.

Revenue management is the key to economic stability and development of urban infrastructure. In order to discharge their functions properly and to cater to the requirements of economic development, the ULBs have to generate adequate resources. The ever increasing pressure on urban infrastructure due to rapid increase in urban population made it immensely important for the ULBs to manage their revenues in the best possible way and to explore new sources of revenues and utilise them effectively.

5.1.2 Sources of Municipal Funds

The ULBs in the State are financed by receipts from their own resources and grants and assistance received from the Central/State Government. The State Government implemented the Fourth State Finance Commission recommendations ***(Appendix- 5.1)*** and released grants-in-aid to the ULBs to compensate for their establishment expenditure. In accordance with the powers conferred by the Bihar Municipal (BM) Act, 2007, the ULBs were empowered to levy and collect 12 types of taxes, five types of user charges and four types of fees and fines ***(Appendix-5.2)*** and realise rent and fees from their land, buildings, shops, markets, vehicle stands etc.

5.1.3 Audit Objectives

The audit objectives were to assess whether:

- the sources of revenues as provided in Acts and Rules or otherwise were promptly assessed and levied by the ULBs;
- the levied revenues were promptly collected and timely deposited in the Municipal Fund;
- the collected revenues were economically, efficiently and effectively managed and utilised by the ULBs; and
- the revenues generated by the ULBs from their own sources were sufficient to meet core obligations.

5.1.4 Audit Criteria

The main sources of audit criteria for the Performance Audit were:

- Bihar Municipal Act, 2007
- Bihar Municipal Accounts Rules, 1928/2014
- Bihar Financial Rules, 2005
- Report of the Fourth State Finance Commission; and
- Circulars and orders issued by the State Government from time to time.

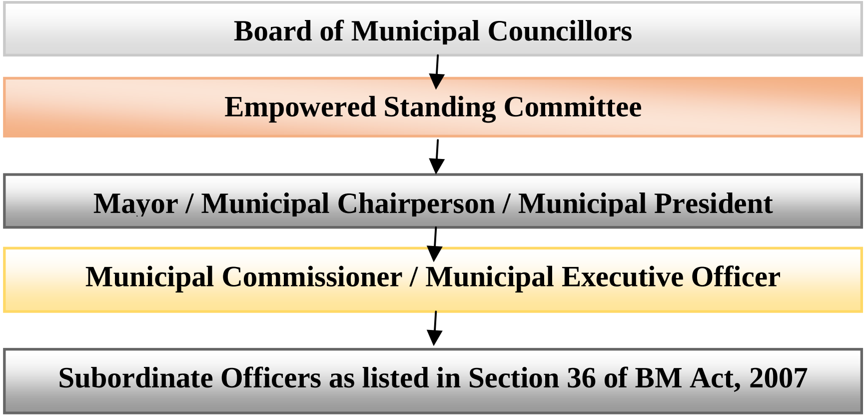
5.1.5 Audit Scope and Methodology

The Performance Audit (PA) on revenue management by ULBs covering the period 2010-15 was conducted during April to August 2015. Out of 141 ULBs, 36 units viz., 3 Nagar Nigams (Nigams), 11 Nagar Parishads (NPs) and 22 Nagar Panchayats (NPys) were test checked in this PA selected by applying Simple Random Sampling under Stratified Sampling Method ***(Appendix-5.3)***.

The entry conference was held with the Principal Secretary, Urban Development and Housing Department (UD&HD), Government of Bihar (GoB) in March 2015 where audit objectives, scope and methodology adopted for the PA were discussed. Audit findings were discussed with the Special Secretary, UD&HD in Exit Conference held on 23 December 2015. The responses of the UD&HD and audited entities have been incorporated at appropriate places in the report.

5.1.6 Organisational Structure

The UD&HD of the State Government headed by the Principal Secretary is the nodal department of the ULBs. The organisational set-up of ULBs is as follows:



Board of Municipal Councillors

Empowered Standing Committee

Mayor / Municipal Chairperson / Municipal President

Municipal Commissioner / Municipal Executive Officer

Subordinate Officers as listed in Section 36 of BM Act, 2007

(Source: Section 20 and 36 of BM Act, 2007)

Audit Findings

5.1.7 Financial Management

5.1.7.1 Revenue of ULBs of the State

Revenue from own sources

As per data provided by the UD&HD, GoB, the position of revenue from own sources of the ULBs during 2012-15 is given in **Table 5.1** below:

Table – 5.1: Revenue from own sources

(₹ in crore)

Particulars*	2012-13	2013-14	2014-15
Total Demand	125.54	129.58	149.97
Total Collection	72.75	52.15	53.78
Percentage of collection	57.95	40.25	35.86

(Source: Information provided by UD&HD)

* Data for the period 2010-12 was not available with the Department.

Analysis of the above data showed that there was gradual decrease in collection of revenue from own sources during 2012-15.

The Special Secretary, UD&HD replied in Exit Conference that due to shortage of staff at ULBs level, collection of revenue decreased. However, percentage of collection has been improved in the year 2015-16. He further stated that steps have been taken for compilation of data of revenue collected by ULBs at the State level.

Grants as per State Finance Commission recommendations

State Finance Commissions were constituted by GoB to review the financial position of local bodies and to recommend the principles to govern the distribution of net proceeds of taxes, duties etc**.,** between the State and the local bodies. GoB constituted the Fourth State Finance Commission (FSFC) in June 2007 which submitted its report in June 2010. The grants released as per FSFC recommendations during 2011-15 are given in **Table 5.2** below:

Table – 5.2: Release of FSFC Grants

(₹in crore)

year	Grants to be released as per FSFC recommendations	Grants actually released	Short release
1	**2**	**3**	**4 (2-3)**
2011-12	252.63	251.02	1.61
2012-13	264.77	264.27	0.50
2013-14	325.93	325.63	0.30
2014-15	406.79	406.69	0.10
Total	**1250.12**	**1247.61**	**2.51**

(Source: Allotment letters of UD&HD, GoB)

It is evident from **Table 5.2** that against the eligibility of ₹ 1250.12 crore during 2011-15, ₹ 1247.61 crore was released. Thus, there was a short release of grant of ₹ 2.51 crore only during 2011-15.

5.1.7.2 Revenue of test checked Nagar Nigams

Revenue from own sources

The revenue of the Nigams from their own sources and the establishment expenditure during 2010-15 is given in **Table 5.3** below:

Table – 5.3: Revenue from own sources

(₹in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	5.82	8.02	10.63	12.00	13.40	49.87
Establishment expenditure	14.53	19.94	27.30	25.64	31.60	119.01
Resource gap	8.71	11.92	16.67	13.64	18.20	69.14
Revenue from own sources as percentage of establishment expenditure	40.05	40.22	38.94	46.80	42.41	41.90

(Source: Information provided by the audited entities)

It is evident from **Table 5.3** that the income of the Nigams from their own sources was not enough to meet even their establishment expenditure and it ranged between 39 to 47 ***per cent*** of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the test checked Nigams amounting to ₹12.18 crore ***(Appendix-5.4)*** which was to be remitted into the Government account after retaining 10 ***per cent*** as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. This resulted in over statement of revenue from own sources.

Grants as per State Finance Commission recommendations

The details of grants received by the Nigams from FSFC during 2011-15 is given in **Table 5.4** below:

Table-5.4: Grants received by Nigams under FSFC

(₹in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	21.85	19.37	24.09	28.52	93.83
2.	Grants for salary/pension	4.65	6.70	10.93	13.70	35.98
3.	Revenue from own sources	8.02	10.63	12.00	13.40	44.05
4.	Establishment expenditure	19.94	27.30	25.64	31.60	104.48
5.	Resource Gap (4-3)	11.92	16.67	13.64	18.20	60.43

(Source: Information provided by the audited entities and grant sanctioning letters)

As evident from **Table 5.4** the resource gap for the period 2011-15 was ₹60.43 crore. Thus, even if grants for salary and pension were added to their own revenue, the Nigams not be able to meet their establishment expenditure.

5.1.7.3 Revenue of test checked Nagar Parishads

Revenue from own sources

The revenue of the NPs from their own sources and their establishment expenditure during 2010-15 is given in **Table 5.5** below:

Table – 5.5: Revenue from own sources

(₹in crore)

Particulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	6.06	7.62	6.77	9.48	9.46	39.39
Establishment expenditure	10.53	10.08	19.05	16.92	25.13	81.71
Resource gap	4.47	2.46	12.28	7.44	15.67	42.32
Revenue from own sources as a percentage of expenditure	57.55	75.60	35.54	56.03	37.64	48.21

(Source: Information provided by the audited entities)

It is evident from **Table 5.5** that the income of the NPs from their own sources was not enough to meet even their establishment costs and it ranged between 36 to 76 ***per cent*** of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the nine test checked NPs amounting to ₹ 5.32 crore ***(Appendix-5.4)*** which was to be paid into the Government account after retaining 10 ***per cent*** as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. As a result, revenue from own sources was overstated to that extent.

Grants as per State Finance Commission recommendations

The details of grants received by the NPs from FSFC during 2011-15 is given in **Table 5.6** below:

Table-5.6: Grants received under FSFC by NPs

(₹in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	27.85	24.66	30.19	36.96	119.66
2.	Grants for salary/pension	6.35	9.15	14.92	19.70	50.12
3.	Revenue from own sources	7.62	6.77	9.48	9.46	33.33
4.	Establishment expenditure	10.08	19.05	16.92	25.13	71.18
5.	Resource Gap (4-3)	2.46	12.28	7.44	15.67	37.85

(Source: Information provided by the audited entities and grant sanctioning letters)

As evident from **Table 5.6**, the NPs were dependent on FSFC grants to meet their establishment expenditure as there was resource gap of ₹ 37.85 crore during 2011-15 which could not have been met without FSFC grants.

5.1.7.4 Revenue of test checked Nagar Panchayats

Revenue from own sources

The revenue of the NPys from their own sources and their establishment expenditure during 2010-15 is given in **Table 5.7** below:

Table-5.7: Revenue from own sources

(₹in crore)

Pariticulars	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Revenue from own sources	2.17	2.83	2.99	3.24	3.97	15.20
Establishment expenditure	3.66	4.38	6.26	6.40	8.35	29.05
Resource gap	1.49	1.55	3.27	3.16	4.38	13.85
Revenue from own sources as a percentage of expenditure	59.28	64.61	47.76	50.62	47.54	52.32

(Source: Information provided by the audited entities)

It is evident from **Table 5.7** that the income of the NPys from their own sources was not enough to meet even their establishment expenditure and it ranged between 48 to 65 ***per cent*** of their establishment expenditure during 2010-15.

Audit further observed that Health Cess and Education Cess collected by the 14 test checked NPys amounting to ₹ 57.24 lakh ***(Appendix-5.4)*** which was to be paid into the Government account after retaining 10 ***per cent*** as collection charges, was not remitted into Government account and the amount was treated as own source of revenue. As a result, revenue from own sources was overstated to that extent.

Grants as per State Finance Commission recommendations

The details of grants received by the NPys from FSFC during 2011-15 is given in **Table 5.8** below:

Table-5.8: Grants received from FSFC by NPys

(₹in crore)

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	Total
1.	Grants received	14.50	16.72	21.29	26.38	78.89
2.	Grants for salary/pension	3.98	5.98	10.24	13.77	33.97
3.	Revenue from own sources	2.83	2.99	3.24	3.97	13.03
4.	Establishment expenditure	4.38	6.26	6.40	8.35	25.39
5.	Resource Gap (4-3)	1.55	3.27	3.16	4.38	12.36

(Source: Information provided by the audited entities and grant sanctioning letters)

As evident from **Table 5.8**, the NPys were dependent on FSFC fund to meet their establishment expenditure as there was resource gap of ₹ 12.36 crore during 2011-15 which could not have been met without FSFC funds.

The Special Secretary, UD&HD replied in Exit Conference that steps would be taken to improve the revenues of the ULBs and suitable instructions would be issued to ULBs to remit the Health and Education Cess into Government account.

5.1.7.5 Budget

Section 84 of BM Act, 2007 provides that the municipality shall by the 15th day of March each year adopt the budget estimates for the ensuing year and submit the budget estimates so adopted to the State Government. The Budget Estimates received shall be returned to the Municipality before the 31st day of March of that year with or without modifications of the provisions relating to subventions by the State Government. As per Government's instructions, variation between budgets and actuals should not be more than 10 ***per cent.***

Further, Section 75 of the Act ***ibid*** stipulates that payments not to be made out of Municipal Fund unless covered by Budget grant. Audit scrutiny disclosed following deficiencies:

Nagar Nigams

Unrealistic Budget Estimates

The comparison between the figures of the budgeted and actual expenditure of the test checked Nigams revealed that there was an excess of upto ₹ 30.88 crore (510 ***per cent***) and a savings of upto ₹ 173.42 crore (92 ***per cent***) in Nigams during 2010-15 ***(Appendix -5.5).***

Delay in adoption and submission of Budgets

Budgets were adopted by Nigams with a delay of upto three months (Darbhanga) and were submitted to the State Government with a delay of over four months (Darbhanga) during 2010-15 ***(Appendix-5.6).***

Municipal Commissioners (MCs) of the Nigams replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

Non-modifications by the State Government

During 2010-15, budgets of none of the test checked Nigams were returned by the State Government with or without modifications.

Nagar Parishads

Non-preparation of Budget

In Bagaha NP, budget for one year (2014-15) and in Madhepura NP, budget for four years (2010-14) were not prepared. Thus, expenditure of ₹ 37.55 crore incurred by the NPs during the aforesaid period was unauthorised.

Unrealistic Budget Estimates

The comparison between the figures of the budgeted and actual expenditure of the test checked NPs revealed that there was an excess of upto ₹ 5.32 crore (51 ***per cent***) and a savings of upto ₹ 273.06 crore (98 ***per cent***) in NPs during 2010-15 ***(Appendix-5.7).***

Delay in adoption and submission of Budgets

It was noticed that budgets were adopted by NPs with a delay of upto one year (Jamui) and were submitted to the State Government with a delay of upto 16 months (Jamui) during 2010-15 ***(Appendix-5.8).***

The Executive Officers (EOs) of the NPs replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

Non-modifications by the State Government

During 2010-15, budgets of none of the test checked NPs were returned by the State Government with or without modifications.

Nagar Panchayats

Non-preparation of Budget

In seven NPys, budgets were not prepared for three to five years during 2010-15 ***(Appendix-5.9)*** and therefore, expenditure amounting to ₹ 38.63 crore incurred by the NPys during aforesaid period was unauthorised.

Unrealistic Budget Estimates

The comparison between the figures of the budgeted and actual expenditure of the test checked units revealed that there was an excess of upto ₹ 14.80 crore (695 ***per cent***) and a savings of upto ₹ 70.44 crore (96 p***er cent***) in NPys during 2010-15 ***(Appendix-5.10)***.

Delay in adoption and submission of Budgets

It was noticed that budgets were adopted by NPys with a delay of upto one year (Koilwar) and submitted to the State Government with a delay of upto six months (Lalganj) during 2010-15 ***(Appendix -5.11).***

The Executive Officers (EOs) of the NPys replied that in future, budgets would be prepared on realistic basis and the time schedule for adoption and submission would be adhered to.

Non-modifications by the State Government

During 2010-15, budgets of none of the test checked NPys were returned by the State Government with or without modifications.

The Special Secretary, UD&HD replied in Exit Conference that action would be taken and guidelines would be issued to ULBs to prepare realistic budget.

Recommendation: Realistic budget estimates should be prepared by the ULBs and the State Government should intimate the comments about the budget proposals to the ULBs.

5.1.8 Planning

5.1.8.1 Nagar Nigams

As per Section 275 of BM Act, 2007, all schemes to be executed by the ULBs should be included in the Draft Development Plan (DDP) of the district prepared by the District Planning Committee (DPC) and approved by the State Government.

Audit scrutiny disclosed that out of three test checked Nigams, two Nigams executed 160 works from own sources involving expenditure of ₹ 2.78 crore (59 works of ₹ 1.13 crore in Biharsharif and 101 works of ₹ 1.65 crore in Darbhanga), though the works were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government.

The MCs of the Nigams stated that schemes other than Backward Regions Grant Fund (BRGF) were not submitted for approval by the DPC. However, it would be adhered to in future.

5.1.8.2 Nagar Parishads

In contravention of the provisions enumerated in ***paragraph 5.1.8.1 ante,*** in seven NPs, 446 development works undertaken from own sources involving expenditure of ₹ 12.64 crore were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government ***(Appendix-5.12).***

The EOs of the NPs stated that schemes other than BRGF were not submitted for approval by the DPC. However, it would be adhered to in future.

5.1.8.3 Nagar Panchayats

In contravention of the provisions enumerated in ***paragraph 5.1.8.1 ante,*** in eight NPys 147 works undertaken from own sources, involving expenditure of ₹ 1.87 crore were executed without inclusion of the same in the DDP prepared by the DPC and approved by the State Government ***(Appendix-5.13)***.

The Special Secretary, UD&HD replied in Exit Conference that suitable instructions would be issued to ULBs in this regard.

5.1.9 Levy of own revenue

5.1.9.1 Nagar Nigams

Taxes, user charges and fees/fines

Under Section 127 to 129 of the BM Act, 2007, 12 types of taxes, surcharge, toll etc., five types of user charges and four types of fees/fines were leviable by the ULBs ***(Appendix-5.2).***

Out of 12 types of taxes, property tax, water tax and communication tower tax were levied by all the three test checked Nigams while surcharge on transfer of lands and tax on advertisement were levied only in Darbhanga and Munger Nigams. Toll was levied only in Munger Nigam whereas, tax on deficit in parking space, fire tax, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked Nigams ***(Appendix-5.14).***

Further, despite being provided in the BM Act, 2007 to revise the rates once in every five years, the revision of property tax was done with a delay of 15 years in Biharsharif Nigam and five years in Munger Nigam while in Darbhanga Nigam, revision was not done (April 2015) though it was due since 2002-03.

Out of five types of user charges, none was imposed in any of the test checked Nigams.

Out of four types of fees/fines, fees for issue of municipal licences for various non-residential uses of lands and buildings was not levied in Biharsharif and Darbhanga Nigams ***(Appendix-5.14).***

The MCs of Darbhanga and Munger Nigam stated that taxes, user charges and fees/fines would be levied, if approved by the Board.

In Biharsharif and Munger Nigams, due to non-imposition of user charges for water supply and door-to-door collection of solid waste, the Nigams were deprived of revenue of ₹ 5.46 crore (Biharsharif - ₹ 4.02 crore and Munger - ₹ 1.44 crore) and ₹ 9.15 crore (Biharsharif - ₹ 7.20 crore and Munger - ₹ 1.95 crore) respectively under the two heads during August 2013 to March 2015.

The MC of the Biharsharif Nigam stated that collection of user charges for door-to-door collection of solid waste was put on hold by the Nigam Board and presently the service was being provided free of cost and levy of user charges for water supply was under consideration. The MC of Munger Nigam stated that efforts would be made to collect user charges for water supply and door-to-door collection of solid waste.

Revenue from assets

In Munger Nigam, despite Board's resolution (2007 and 2013) for construction of markets and stalls on vacant land of the Nigam, the Nigam failed to construct the market/stall due to inaction on the part of the then Executive Officer. The present MC of the Nigam stated that the matter would be placed before the Nigam Board again and action would be taken accordingly.

In Darbhanga Nigam, allotment of 28 shops was done in April 2015 ***i.e.,*** after seven years of its construction (April 2008) due to preparation of faulty notice for allotment by the Nigam and thereby cancellation of allotment by the Mayor without assigning any reason. The delay in allotment of shops resulted in loss of rent of ₹ 12.74 lakh during April 2008 to March 2015. The MC of the Nigam stated that the process of allotment of shops was postponed by the Board/Mayor.

Despite being requested by the lease holder, the Nigam failed to renew the lease of land for petrol pump which was due in February 2006. As a result, the Nigam sustained loss of ₹ 1.71 lakh during February 2006 to March 2015. The MC of the Nigam stated that the first notice for vacation of the land on lease had been given in February 2015.

In Darbhanga Nigam, the agreements done for letting out the shops did not contain specific provision for renewal of rent resulting in delay of more than 15 years in renewal of rent. MC, Darbhanga Nigam stated that the delay in renewal of rent was due to the failure of the Board to take a decision. The reply was not tenable as there was no provision in the agreement to renew the rent.

In Biharsharif Nigam, rent was not revised for the last 17 years. The delay in revision of rent resulted in loss of revenue to the Nigam. City Manager, Biharsharif replied that the shops were old and in dilapidated condition, hence the rent was not revised. The reply of the City Manager was not tenable as no such exemption was provided by the Competent Authority.

5.1.9.2 Nagar Parishads

Taxes, user charges and fees/ fines

In contravention of the provision enumerated in ***paragraph 5.1.8.2 ante;***

Out of 12 types of taxes, communication tower tax was levied by all the 11 test checked NPs, property tax was levied by 10 test checked NPs (except Arwal), water tax was levied by only six NPs, surcharge on transfer of land was levied by only four NPs and tax on advertisement was levied by only three NPs. Fire tax (Kishanganj), surcharge on electricity consumption (Kishanganj) and toll on heavy vehicle etc., (Jamalpur) were levied by only one NP each whereas, tax on deficit in parking space, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked NPs ***(Appendix-5.15)***.

Contrary to the provisions, in two NPs, revision of rates of property tax was done with a delay of 5 to 28 years and in eight NPs, revision had not been done even after lapse of 2 to 16 years ***(Appendix-5.16).***

Out of five types of user charges, none was imposed in any of the test checked NPs.

Out of four types of fees/fines, fees for the issue of birth and death certificates was levied in all the 11 test checked NPs, fee for sanction of building plans was levied in 10 NPs (except Barh), fees for various licenses was levied in only seven NPs and fees for issue of municipal licenses for various non-residential uses of lands and buildings was levied in only two NPs (Madhepura and Supaul) ***(Appendix-5.15)***.

The EOs of the NPs stated that taxes, user charges and fees/fines would be levied.

In seven NPs, due to non-imposition of user charges for door-to-door collection of solid waste ₹ 5.38 crore (Bagaha - ₹ 0.84 crore, Jamalpur- ₹ 1.37 crore, Jamui - ₹ 0.63 crore, Kishanganj - ₹ 0.95 crore, Madhepura - ₹ 0.50 crore, Mokama - ₹ 0.69 crore and Supaul - ₹ 0.40 crore) could not be recovered and in Mokama NP, due to non-imposition of user charges for water supply, ₹ 1.44 crore could not be collected during August 2013 to March 2015.

Revenue from assets

In Jamui NP, 15 shops constructed by District Urban Development Agency (DUDA) and handed over (September 2013) to the NP were not let out even after Board’s resolution in this regard resulting in loss of ₹ 1.43 lakh to the NP during 2013-15.

In three NPs, due to non-revision of rent of shop despite Board’s resolution /agreement, loss of ₹ 2.70 lakh (Jamui - ₹ 0.77 lakh, Kishanganj - ₹ 0.35 lakh and Supaul - ₹ 1.58 lakh) was incurred. Rate of shop rent was not revised in Madhepura and Sasaram NPs for the last thirteen to twenty and nine years respectively.

5.1.9.3 Nagar Panchayat

Taxes, user charges and fees/ fines

In contravention of provision enumerated in ***paragraph 5.1.8.2 ante***;

Out of 12 types of taxes, communication tower tax was levied in 21 NPys (except Kateya NPy), property tax was levied in 17 NPys, water tax was levied in four NPys, surcharge on transfer of land was levied in three NPys, toll on heavy vehicles etc., was levied in three NPys while surcharge on electric consumption (Nasariganj) and advertisement tax (Sherghati) was levied by one NPy each. However, tax on deficit in parking space, fire tax, surcharge on entertainment tax, tax on congregations and tax on pilgrims and tourist were not levied by any of the test checked NPs ***(Appendix-5.17)***.

In contravention of the provision enumerated in ***paragraph 5.1.8.2 ante***, in 13 NPys, revision of rates of property tax was not done even after lapse of 1 to 35 years and in Sherghati NPy, revision of rates of property tax was done with a delay of 31 years ***(Appendix-5.18).***

Out of five types of user charges, none was imposed in any of the test checked NPys.

Out of four types of fees and fines, fees for issue of birth and death certificates was levied by 21 NPys (except Areraj), fees for sanction of building plan was levied by only 16 NPys, fees for issue of various licenses was levied by five NPys and fees for various non-residential uses of lands was levied by only two NPys (Naubatpur and Sherghati) ***(Appendix-5.17).***

The EOs of the NPys stated that taxes, user charges and fees/fines would be levied.

In 14 NPys due to non-imposition of user charges for door-to-door collection of solid waste, ₹ 3.93 crore and in Banka and Lalganj NPys due to non-imposition of user charges for water supply ₹ 0.50 lakh and ₹ 1.16 lakh respectively could not be collected during August 2013 to March 2015 ***(Appendix-5.19).***

Revenue from Assets

Rate of shop rent was not revised in Bikramganj for 16 years and in Chanpatia and Motipur for seven years.

The Special Secretary, UD&HD replied in Exit Conference that due to lack of cooperation by the Municipal Board and local issues such as public protest etc., all the taxes, user charges, fees and fines could not be levied/collected and revision of rate of taxes could not be done.

Recommendation: ULBs should initiate effective steps to levy taxes and user charges as per BM Act, 2007 and revise the rates at regular intervals.

5.1.10 Collection of own revenue

5.1.10.1 Nagar Nigams

Property tax

Against total demand of ₹ 50.56 crore under property tax in respect of the three Nigams during 2010-15, only ₹ 36.73 crore was realised and ₹ 13.83 crore remained unrealised (March 2015). The collection of the property tax was 67, 64 and 88 ***per cent*** of the total demand during 2010-15 in Biharsharif, Darbhanga and Munger Nigam respectively ***(Appendix 5.20)***.

The MCs of the Nigams attributed the low collection of property tax to shortage of staff.

Mobile tower tax

Against total demand of ₹ 2.97 crore under mobile tower tax in respect of the three Nigams for the period 2010-15, only ₹ 0.80 crore was realised and ₹2.17 crore remained unrealised as on 31 March 2015. The collection of mobile tower tax was 26, 13 and 43 ***per cent*** of the total demand in Biharsharif, Darbhanga and Munger respectively ***(Appendix 5.20)***.

Shop rent

Against total demand of ₹ 2.83 crore under shop rent in respect of the three Nigams for the period 2010-15, only ₹ 0.95 crore was realised and ₹ 1.88 crore remained unrealised as on 31 March 2015. The collection of shop rents in Biharsharif, Darbhanga and Munger was 39, 38 and 21 ***per cent*** of the total demand respectively ***(Appendix-5.20).***

Procedure for recovery of taxes

Section 155 of BM Act, 2007 prescribes the procedures for recovery of taxes which include presentation of bill, serving notice of demand, sale and attachment of property, issue of warrants etc**.** But, none of the Nigams followed this provision for demand and collection of unrealised taxes amounting to ₹ 16 crore for the period 2010-15.

Non-deposit/delayed deposit of collected money

In violation of Bihar Municipal Accounts Rules (BMAR), 1928 read with BMAR, 2014, amount of ₹ 5.87 lakh collected on account of property tax and shop rent during 2010-15 was not deposited in the treasury/bank on the next day in Biharsharif Nigam (₹ 0.29 lakh) and Munger Nigam (₹ 5.58 lakh) as on April 2015. The MCs of the Munger Nigam stated that the employee concerned was terminated. However, the amount was not yet recovered.

As specified under section 20 of BMAR, 1928, the MCs also failed to ensure that the moneys collected were deposited in time. The collected money of ₹99.89 lakh on account of property tax etc. in respect of the three Nigams was deposited with delays of more than two months in Biharsharif (₹ 81.96 lakh), more than 19 months in Darbhanga (₹ 12.94 lakh) and more than seven months in Munger Nigams (₹4.99 lakh). The MCs of the Nigams replied that money would be deposited timely in future.

Outstanding bid moneys of settled sairats

As per GoB's instruction, certificate case should be filed where bid money of ***sairats*** was not realised. Further, as per terms and conditions of the settlements of ***sairats*** of the Nigams, the settlement amounts were to be realised immediately at the time of bid/within the year for which the settlement was made.

However, it was noticed that bid amount of ₹ 52.45 lakh in 18 ***sairats*** (Biharsharif - ₹ 12.86 lakh in 11 ***sairats***, Darbhanga - ₹ 36.33 lakh in four ***sairats*** and Munger - ₹ 3.26 lakh in three ***sairats***) for the period 2010-15 was outstanding as on 31 March 2015.

The MCs of Biharsharif and Darbhanga stated that certificate cases would be filed against the defaulters while MC, Munger replied that action would be taken to recover the amount.

Non-settlement of sairats

As per GoB's instructions, ***sairats*** should not be left unsettled. But it was noticed that neither settlement through bids nor departmental collections were made in nine ***sairats*** which caused loss of ₹ 3.79 lakh in Biharsharif Nigam.

Non-realisation of Development Permit Fee

As per Building Bye-Laws (modified in 1993), Patna Nigam (erstwhile Patna Regional Development Authority) had to levy development permit fee in urban agglomeration areas on any person who develop or re- develop any piece of land at the prescribed scale of fees. The fee was payable by the individual at the time of submission of the application for the development of land. Subsequently, Building Bye- Laws, 2014 was framed by GoB which was applicable from 29 January 2015 to all municipalities of Bihar.

Contrary to aforesaid provision, Ara Nigam did not realise development permit fee in respect of 133 cases during 2014-15 while granting building permission. As a result, the Nigam sustained loss of revenue of ₹ 13.30 lakh. The Commissioner accepted the audit findings and replied (May 2015) that development permit fee would be realised in future.

Non-realisation of Labour Welfare Cess

As per Building and Other Construction Workers' Welfare Cess Act, 1996 and instruction issued by the Government of Bihar (June 2008), those residential houses having construction cost of more than ₹ 10 lakh, one per cent of the cost of construction would be realised as labour welfare cess by the municipal bodies before sanctioning the building plans and the proceeds would be deposited in Other Construction Workers Welfare Board account after deducting collection charges at the rate of one ***per cent***.

Contrary to aforesaid provisions, labour cess to the tune of ₹ 1.18 crore was not realised in respect of 530 building plans sanctioned during 2014-15 by the Ara Nigam and the Nigam sustained loss of ₹ 1.18 lakh as collection charges. The MC replied (May 2015) that the labour cess would be realised in future.

5.1.10.2 Nagar Parishads

Property tax

Against total demand of ₹ 27.40 crore under property tax in respect of nine NPs, only ₹ 14.90 crore was realised and ₹ 12.50 crore remained unrealised as on 31 March 2015. The collection of property tax ranged between four and sixty eight ***per cent*** during 2010-15 ***(Appendix-5.21).***

Mobile tower tax

Against total demand of ₹ 3.03 crore under mobile tower tax, only ₹ 0.85 crore was realised and ₹ 2.18 crore remained unrealised as on

31 March 2015. The collection of mobile tower tax ranged between 18 and 66 ***per cent*** of the total demand ***(Appendix-5.22).***

Shop rent

Against total demand of ₹ 2.21 crore under shop rent, only ₹ 0.65 crore was realised and ₹ 1.56 crore remained unrealised as on 31 March 2015. The collection of shop rent ranged between one and sixty four ***per cent*** of the total demand ***(Appendix-5.23).***

Procedure for recovery of taxes

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, none of the test checked NPs exercised their powers for realisation of taxes despite there being huge unrealised taxes (₹ 14.68 crore).

Non-deposit/delayed deposit of collection money

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, collection money of ₹ 54.69 lakh on account of property tax, shop rent, bid money etc. (Arwal - ₹ 48.41 lakh, Jamui - ₹ 0.16 lakh, Kishanganj - ₹ 0.10 lakh, Madhepura - ₹ 5.33 lakh and Supaul - ₹ 0.69 lakh) collected during 2010-15 was not deposited in the Municipal Fund and retained by Cashiers/Tax Collectors in five NPs as on April 2015. The EOs of the NPs stated that the money would be deposited in the Municipal Fund.

In five NPs the collection money (₹ 1.13 crore) on account of property tax etc., was deposited with delay up to 23 months ***(Appendix-5.24)***. The EOs of the NPs replied that collected amount would be deposited timely in future.

In Madhepura NP, bank drafts of ₹ 2.82 lakh collected during 2010-15 for sanction of building plan (112 cases) were not deposited as on April 2015 in bank by the NP which resulted in loss of revenue.

Outstanding bid moneys of settled sairats

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, an amount of ₹ 9.19 lakh in 19 ***sairats*** for the period 2010-15 remained unrealised as on 31 March 2015 in five NPs ***(Appendix-5.25).***

Non-settlement of sairats

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, neither departmental collections nor settlement through bids were made in 22 ***sairats*** (one in Arwal and 21 in Bagaha) which caused loss of ₹ 10.65 lakh in two NPs (₹ 0.13 lakh in Arwal and ₹ 10.52 lakh in Bagaha).

Non-realisation of Development Permit Fee

Contrary to the provision enumerated in ***paragraph 5.1.10.1 ante***, Danapur, Khagaul and Phulwarisarif NPs did not realise development permit fee in respect of 1007 cases (Danapur - 766, Khagaul - 85 and Phulwarisarif - 156) during 2012-15 while granting building permission. As a result, these NPs sustained loss of revenue of ₹ 15.11 lakh (Danapur - ₹ 11.49 lakh, Khagaul - ₹ 1.28 lakh and Phulwarisarif - ₹ 2.34 lakh). The EOs accepted the audit findings and replied (December 2014 to June 2015) that development permit fee would be realised in future.

Non-realisation of Labour Welfare Cess

Contrary to the provisions enumerated in ***paragraph 5.1.10.1 ante,*** labour cess to the tune of ₹ 6.32 crore (Danapur - ₹ 5.49 crore and Phulwarisharif – ₹0.83 crore) was not realised in respect of 883 (Danapur - 720 and Phulwarsharif - 163) building plans by the NPs Danapur and Phulwarisharif resulting in loss of ₹ 6.32 lakh to the NPs on account of collection charges. The EOs replied (May and June 2015) that they were unaware about the provisions and it would be realised at the time of sanctioning the building plans in future.

5.1.10.3 Nagar Panchayats

Property tax

Against total demand of ₹ 5.29 crore under property tax in respect of 15 NPys during 2010-15, only ₹ 1.63 crore was realised and the rest amount of ₹ 3.66 crore remained unrealised as on 31 March 2015. The collection of property tax ranged from one to sixty two ***per cent*** of the total demand in 13 NPys ***(Appendix- 5.26)***.

Mobile tower tax

Against total demand of ₹ 1.54 crore under mobile tower tax in respect of 20 NPys, only ₹ 0.35 crore was realised and the rest amount of ₹ 1.19 crore remained unrealised as on 31 March 2015. The collection of mobile tower tax ranged between six to forty ***per cent*** of the total demand during 2010-15 ***(Appendix-5.27).***

Shop rent

Against total demand of ₹ 1.16 crore under shop rent in respect of six NPys only ₹ 0.54 crore was realised and the rest amount of ₹ 0.62 crore remained unrealised as on 31 March 2015**.** The collection of shop rent ranged between nine to seventy ***per cent*** of the total demand during 2010-15 ***(Appendix- 5.28).***

Procedure for recovery of taxes

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, none of NPys utilised their powers for realisation of taxes despite there being huge unrealised taxes (₹ 4.85 crore).

Non-deposit/delayed deposit of collection money

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, collection money of ₹ 46.86 lakh recovered during 2010-15 on account of property tax etc. was not deposited in Municipal Fund and retained by Cashiers/Tax Collectors of 12 NPys on April 2015 ***(Appendix-5.29)***. The EOs of the NPys stated that the money would be deposited in the Municipal Fund.

It was also noticed that out of the collection money mentioned above, a sum of ₹15.87 lakh was directly appropriated towards day to day expenditure by two NPys (₹ 15.74 lakh in Gogri Jamalpur NPy and ₹ 0.13 lakh in Simri Bakhtiyarpur NPy) in contravention of the provisions.

In four NPys the collected money (₹ 10.82 lakh) on account of property tax was deposited with a delay up to more than four years ***(Appendix-5.30).***

Outstanding bid moneys in settled sairats

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, an amount of ₹ 29.60 lakh on account of settlement of 35 ***sairats*** remained unrealised as on 31 March 2015 in nine NPys ***(Appendix-5.31).***

Non-settlement of sairats

In contravention of the provisions enumerated in ***paragraph 5.1.10.1 ante***, due to non-settlement of nine ***sairats,*** five NPys suffered loss of ₹ 18.87 lakh during 2010-14 ***(Appendix-5.32)***.

The Special Secretary, UD&HD replied in Exit Conference that due to shortage of staff, collection of property tax was poor and steps were being taken to strengthen human resources in ULBs. It was also stated that necessary instructions would be issued to ULBs to realise arrears of shop rent and bid money outstanding and to initiate action against the defaulters for non-deposit of collection money.

Recommendation: Action should be initiated by the ULBs to enhance the collection of various revenues and the collection moneys should be deposited timely in Municipal fund.

5.1.11 Utilisation of own revenue

5.1.11.1 Non-recoupment of expenditure on salary

Section 41 of BM Act, 2007 stipulates that the expenditure on salaries of the Municipal Executive Officers shall be borne by the State Government.

But, in the three test checked Nigams, expenditure of ₹ 1.76 crore (Biharsharif - ₹91.44 lakh, Darbhanga - ₹ 70.90 lakh and Munger - ₹ 13.19 lakh) was incurred during 2010-15 on account of salary of the Municipal Commissioners which was not recouped to the Nigams despite demands sent to GoB. Special Secretary, UD&HD replied in Exit Conference that recoupment would be made.

5.1.11.2 Irregular upgradation under ACP scheme

The GoB debarred (July 2010) the autonomous bodies from granting Assured Career Progression (ACP) scheme to their employees.

But, in Biharsharif Nigam, ACP was granted to two employees resulting in inadmissible payment of ₹ 16.76 lakh to them during 2010-15. The MC of Nigam stated that benefit of ACP was granted in the light of the decision of the Board.

In Supaul NP, ACP was granted to a Junior Engineer and his pay was also wrongly fixed at a higher stage which resulted in inadmissible payment of ₹1.95 lakh to the JE during 2012-15. The EO of the NP stated that the matter would be examined.

5.1.11.3 Irregularities in award and execution of contracts

Section 75 of BM Act, 2007 provided that the contract involving expenditure exceeding ₹ 12 lakh shall be made with the approval of the NP Board. Bihar Financial Rules (BFR), 2005 stipulates that the quantity of materials to be purchased shall be mentioned in the advertisement.

Audit scrutiny revealed that the rules and regulations were flouted in the award and execution of the contracts by NP Siwan and Sasaram as discussed below:

Purchase without approval of NP Board

In Siwan NP, 37 High Mast Lights and 50 Decorative Poles were purchased for ₹ 3.28 crore and 1100 LED Lights were purchased for ₹ 5.89 crore without approval of NP Board. The EO of the NP stated that approval of the Board would be taken in future.

Purchase without disclosure of quantity

In Sasaram NP, purchase of 39 High Mast Lights and 102 Decorative Poles costing ₹ 4.34 crore was made without disclosing the quantity in the advertisement published for the same. The EO of Sasaram NP stated that as per Board's decision, purchase was to be made as per requirement, so the quantity was not mentioned in the advertisement.

The Special Secretary, UD&HD replied in Exit Conference that enquiry is being made on the issue.

5.1.12 Human Resources Management

5.1.12.1 Shortage of staff

In test checked ULBs, the percentage of vacancy against the sanctioned strength ranged between 47 ***per cent*** (Munger) and 69 ***per cent*** (Darbhanga) in Nigams, 50 ***per cent*** (Bagaha) and 100 ***per cent*** (Arwal) in NPs and 11 ***per cent*** (Bargania) and 100 ***per cent*** (Kanti) in NPys ***{Appendix-5.33 (A), (B), (C)}.*** The shortage of staff adversely affected the revenue collection as discussed in **paragraph 5.1.10**.

The Special Secretary, UD&HD replied in Exit Conference that the matter was being discussed at the higher level and necessary action would be taken.

Recommendation: The State Government should initiate adequate steps to appoint more staff so that collection of revenue was not adversely affected.

5.1.13 Monitoring and Internal Control

5.1.13.1 State Level Monitoring

Lok Prahari

Section 44(1) of BM Act, 2007 provided for appointment of ***Lok Prahari*** (Ombudsmen) for looking into any allegation of corruption, lack of integrity, malpractice etc., of the authorities of the ULBs. But, the ***Lok Praharis*** had not been appointed by the State Government as of November 2015.

Urban Services Charges Advisory Board

Section 128(A) (1) of BM Act, 2007 provided for establishment of Urban Services Charges Advisory Board to advise the levy of User Charges by the ULBs. But, the Urban Services Charges Advisory Board had not been established as of November 2015.

Property Tax Board

Section 138(A) of BM Act, 2007 provided for putting in place a State level Property Tax Board for independent and transparent procedure for assessing property tax. Though the Bihar Property Tax Board Rules, 2013 was framed by the UD&HD, GoB (April 2013), the Board had not been constituted as of November 2015.

5.1.13.2 Unadjusted advances

Rule 76(f) of BMAR, 1928 envisaged that the advances should be adjusted regularly and promptly. But, a sum of ₹ 5.74 crore (₹ 4.20 crore prior to 2010-11) paid as advances for execution of schemes, contingency etc. remained unadjusted as of March 2015 is detailed in ***Appendix-5.34 (A), (B), (C)*** and summarised in **Table 5.9** below:

Table 5.9: Unadjusted Advances

(₹ in lakh)

ULBs	Prior to 2010-11	2010-11	2011-12	2012-13	2013-14	2014-15	Total
Nagar Nigam	352.76	1.49	0	0.97	1.06	50.42	406.70
Nagar Parishad	63.27	1.07	2.47	0.43	1.54	1.98	70.76
Nagar Panchayat	3.76	0.22	0.78	5.25	9.32	77.70	97.03
Total	**419.79**	**2.78**	**3.25**	**6.65**	**11.92**	**130.10**	**574.49**

(Source: Information provided by the audited entities)

Further, in Munger Nigam, an advance of ₹ 6.45 lakh paid prior to April 2010 was outstanding against five retired employees as of April 2015 even after adjustment of their retirement benefits**.** The MCs of Nigams, EOs of NPs and NPys replied that advances would be adjusted.

The Special Secretary, UD&HD replied in Exit Conference that direction would be issued to ULBs to adjust the advances on priority basis.

5.1.13.3 Non- remittance of Provident Fund Subscription

Model Rules for Management of Provident Fund provide that employees contribution shall be remitted into Provident Fund (PF) account between the 1st and 4th of each month so that interest may accrue for the month of deposit. In contrary to this provision, a total sum of ₹ 2.49 crore was deducted from the salary of the employees by two Nigams (Darbhanga and Munger) during the period 1981 to 2012 but, the same was not deposited in their PF account as of March 2015. Thus, MCs of the Nigams failed to ensure deposit of the PF subscription into individual accounts of the employees which caused considerable loss of interest to them.

5.1.13.4 Non-maintenance of key records

As per BM Act, 2007, the ULBs had to prepare, maintain and update key records viz., Financial Statements, Balance Sheet, Demand and Collection register of internal resources, inventories of properties etc., to watch the revenue collection and its management and to maintain transparency and accountability.

However, none of the test checked ULBs maintained these basic records and registers.

5.1.13.5 Non-constitution of Municipal Accounts Committee

Section 98 of BM Act, 2007 provided for constitution of Municipal Accounts Committee for examination of the accounts of the Municipality and submit report on such examination. But, the Committee was not constituted in any of the test checked ULBs.

5.1.13.6 Non-exercise of requisite checks

BMAR 1928 and 2014 provided for a number of checks to be exercised for proper accounting of receipts and one of such of checks enumerated in Rule 22 of BMAR 2014 provided that all receipts shall be credited to the treasury or bank account of the municipality latest before noon on the following working day.

But, this was not followed by the authorities which resulted in retaining of huge amounts by the tax collectors/cashiers as discussed in **paragraph 5.1.10.**

Recommendation: ULBs should augment the monitoring and internal control mechanisms envisaged under the relevant provisions so that instances of long pending advances and non-remittance of PF Subscriptions could be avoided.

5.1.14 Conclusions

Financial management of ULBs in the State was deficient as evidenced from non - maintenance of key records, preparation of un-realistic budgets, non/ delayed deposit of collected money, huge outstanding advances and improper management of revenue earning assets.

Income of the ULBs was not enough to meet their obligations. To meet establishment cost and for providing civic services, the ULBs continued to rely on Government grants.

Out of 12 different types of taxes, only six were imposed by the ULBs whereas, user charges were not at all levied by them. Further, taxes/rents/fees were neither revised at regular intervals nor collected in time resulting in accumulation of arrears.

There was considerable shortage of staff in ULBs which adversely affected its functioning.

Monitoring was inadequate as Financial Statement was not prepared, Municipal Accounts Committee was not constituted, mandatory checks over revenue management were not exercised and Urban Services Charges Advisory Board and Property Tax Board were not constituted.

Chapter - VI
Compliance Audit - ULBs

Urban Development and Housing Department

6.1 Unfruitful expenditure

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

The Bihar Rajya Jal Parshad (BRJP) prepared (August 2005) an estimate of ₹ 3.76 crore for construction of drain from Chowk Shikarpur (Railway Line) to Patna - Fatuha Bye-pass road to check the spread of sewage between Fatuha-Patna railway line and New Bye-pass area. Technical sanction of the work was accorded (August 2005) by the Chief Engineer, BRJP and administrative approval of ₹ 3.73 crore was given (February 2006) by the Urban Development and Housing Department (Department), Government of Bihar (GoB). The Department released (2006 - 09) a sum of ₹ 3.73 crore as grants-in-aid to the BRJP through the Patna Municipal Corporation.

Test check of records (September 2014) of the Office of the Executive Engineer (EE), Ganga Project Division - 4 (Division) of BRJP, Karmalichak Division, Patna revealed that during 2006-11, the BRJP released ₹ 2.25 crore to the Division for construction of the drain. As per detailed estimate, the work was to be executed in three parts[38] within a year of getting fund. However, out of total 2815 m length, the work was completed only in 2205 m length during June 2006 to May 2010 after which the work was abandoned. The work was executed in parts and there were many missing links in between as detailed in ***Appendix – 6.1***.

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[38] ***(i) Construction of drain from City chowk to Railway Station (ii) Construction of branch line from Mangal Talab area to Guru Govind Singh lane (iii) Construction of drain from Railway line to New Bye-pass road and New Bye-pass road to Pahari – Punpun drain***

As per original estimate, first part of the drain[39] was to be constructed in 1260 m length (₹ 1.26 crore) but, the estimate was revised for 'renovation and construction of RCC drain' only in 500 m length[40] due to technical reasons. The work was allotted (May 2009) to an agency for ₹ 1.40 crore with due date of completion in one year. The contractor constructed RCC drain in 435 m only with expenditure of ₹ 71.02 lakh and left the work in remaining portion unexecuted. The contractor cited (December 2010) damage of diversion by public and rain at work site as reasons for non-completion of the work.

The work of second part[41] of the drain was allotted (June 2006) to the agency for ₹ 40.56 lakh with due date of completion in May 2007. The work was completed (March 2009) with an expenditure of ₹ 38.41 lakh.

Third part of the drain (City chowk to Railway Line - 1700 m) was divided into three segments[42] for early completion of the work and agreements were executed separately with different agencies. The work of first segment (0 - 550 m) only was completed (September 2010) with an expenditure of ₹ 62.05 lakh. The work of second segment (550 - 1100 m) was allotted (June 2006) to the agency for ₹ 67.36 lakh with due date of completion as 31 May 2007. Against the entrusted work of construction of drain in 550 m, work of 275 m only was completed (May 2008) with the expenditure of ₹ 29.51 lakh. The work of third segment (1100 - 1700 m) was allotted (September 2006) to the agency for ₹ 61.65 lakh with due date of completion in February 2007. A length of 330 m of the drain was only constructed till May 2008 with an expenditure of ₹ 32.01 lakh. The contractor expressed (September 2009) his inability to continue the work due to hindrance in carriage of materials at work site.

During joint physical verification (October 2014) of the work, it was found that the drain was not constructed as per estimate and the sewage was spreading between residential area and Patna – Fatuha railway line. Besides, there were many missing links and unconstructed parts of drain between the works executed by the different agencies.

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[39] ***From City chowk to Railway Station***

[40] ***Estimated cost - ₹1.36 crore***

[41] ***Branch line from Mangal Talab area to Guru Govind Singh lane***

[42] ***First Segment - Near Patna City Railway line (0 - 550 m); Second Segment - From Punpun Nala towards Railway line (550-1100 m); Third Segment - From Patna City Railway line towards By Pass (1100-1700 m)***

On this being pointed out, the EE of the Division accepted (November 2014) the existence of missing links and stated that at present there was no plan to complete the drain as per original estimate. He further replied (May 2015) that the drain was connected to the Pahari – Punpun drain in 0-550 m segment and it was functioning well. The reply was not acceptable as the objective of checking the spread of sewage between Fatuha – Patna railway line and New Bye-pass area was not fulfilled due to non-completion of drain in 550 – 1100 m, 1100 – 1700 m and Patna City Chowk to Railway Station (500 m) segment and existence of missing links between the parts of constructed drain. Thus, the entire expenditure of ₹ 1.33 crore[43] made on the construction of drain (partially) did not serve the intended purpose and became unfruitful.

The matter has been reported to the Government (June 2015); their replies were awaited.

6.2 Idle vehicles/equipment

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

The Urban Development and Housing Department (UD&HD), Government of Bihar approved Solid Waste Management (SWM) scheme in Patna agglomeration area (Danapur, Khagaul and Phulwarisharif Nagar Parishads) under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for creating an efficient and effective garbage collection and transportation system in the designated area.

The State Government decided (December 2009) to execute the scheme through Bihar Urban Infrastructure Development Corporation (BUIDCO) and released ₹ 5.20 crore[44] in January 2010 to May 2013. The BUIDCO awarded the work for all the three Nagar Parishads (NPs) to a Concessionaire and a tripartite agreement was executed between December 2011 and January 2012[45] with the Executive Officer of the NPs and the Concessionaire who commenced the work in May 2012. Of the total amount of grant, the BUIDCO spent ₹ 3.09 crore during July – October 2012 over purchase of vehicles/equipment needed for SWM.

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[43] ***₹ 71.02 lakh + ₹ 29.51 lakh + ₹ 32.01 lakh***

[44] ***Central share - ₹2.31 crore and State share - ₹ 2.89 crore***

[45] ***Danapur NP – 25 January 2012; Khagoul NP – 5 December 2011 and Phulwarisharif NP – 6 January 2012***

As per the agreement, BUIDCO shall procure vehicles/equipment through Concessionaire and hand over the same to NPs for further transfer to the Concessionaire for use by them for performing services. However, the ownership of the vehicles and equipment would rest with the NPs. At the end of the contract period, the Concessionaire should handover these vehicles and equipment to the NPs in working condition. Further, the Concessionaire had to deposit Bank Guarantee[46] (BG) for an initial period of one year and renewable every year, until the contract is completed.

Audit scrutiny (July 2014 - July 2015) of the accounts of NPs Danapur, Phulwarisharif and Khagaul revealed that 1020 vehicles and equipment[47] worth ₹ 3.09 crore[48] were handed over to the Concessionaire during July to September 2012 ***(Appendix - 6.2)***. But, stock entry of the vehicles and equipment was not made by the NPs. As the services provided by the Concessionaire was not satisfactory, the NPs terminated the contracts during April to August 2013. However, the Concessionaire failed to hand over the vehicles and equipment to the NPs concerned.

The Concessionaire left 397 equipment and 4 vehicles in NPs premises and one vehicle in the Irrigation Department campus. Out of this, NPs Khagaul and Phulwarisharif utilised 78 vehicle/equipment[49]. The remaining, 324 equipment worth ₹ 1.58 crore were in damaged condition ***(Appendix - 6.3)*** and lying in the NPs campus. The balance 618 equipment out of 1020 vehicles/equipment handed over to concessionaire worth ₹ 93.41 lakh were not traceable ***(Appendix - 6.4).***

Audit further observed that the NPs failed to encash the BG worth ₹ 76 lakh deposited by the Concessionaire. Though, the conditions of the agreement were not adhered to by the Concessionaire, the NPs authorities did not take effective steps to take over the entire vehicles and equipment. Despite the vehicles/equipment being damaged/non-traceable, the NPs failed to encash the BGs also. As a result, the NPs could not recover the cost of the damaged and non-traceable equipment costing ₹ 2.51 crore from the Concessionaire and the NPs were deprived of an effective garbage transportation system.

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[46] ***Danapur - ₹39 lakh; Khagaul - ₹18 lakh and Phulwarisarif - ₹21 lakh***

[47] ***Danapur - 583, Khagaul - 205 and Phulwarisharif - 232***

[48] ***Danapur - ₹1.42 crore, Khagaul - ₹0.82 crore and Phulwarisharif - ₹0.86 crore***

[49] ***Phulwarisharif - 25 equipment (₹ 6.95 lakh) and one vehicle (₹ 24.18 lakh); Khagaul - 51 equipment (₹ 1.79 lakh) and one vehicle (₹24.18 lakh)***

On this being pointed out, the Executive Officers of the NPs replied that the Concessionaire was directed (July 2013 to July 2014) to hand over the vehicles and equipment but the same were not handed over till August 2015.

The matter was reported to the Government (July 2015); reminder issued (November 2015), their reply was awaited.

Patna **(PRAVEEN KUMAR SINGH)**
The **Accountant General (Audit), Bihar**

Countersigned

New Delhi **(SHASHI KANT SHARMA)**
The **Comptroller and Auditor General of India**