

Immediate Release



PRESS BRIEF



SUPREME AUDIT INSTITUTION OF INDIA
लोकहितार्थ सत्यनिष्ठा
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**REPORT OF THE
PRINCIPAL ACCOUNTANT GENERAL (AUDIT) BIHAR, PATNA
(ANNUAL TECHNICAL INSPECTION REPORT ON LOCAL BODIES
FOR THE YEAR ENDED 31 MARCH 2020)**

Government of Bihar



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Press Brief

This Annual Technical Inspection Report on Local Bodies, relating to the Government of Bihar (GoB), for the year ended 31 March 2020, covering the period 2019-20, was presented to the Bihar Legislature on 13.07.2023.

This Report of the Accountant General (Audit), Bihar, for the year ended 31 March 2020, includes findings on the Functioning, Accountability Mechanism and Financial Reporting issues of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs). It also contains findings relating to Compliance Audit of PRIs & ULBs. A summary of the important audit findings is given below.

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

❖ *Audit arrangements*

The Director of Local Fund Audit (DLFA) had conducted audit of the accounts of only 1,498 PRIs, during 2014-20. Out of these, Inspection Reports (IRs) of only 407 PRIs (27 per cent) were issued, due to serious manpower constraints. As of August 2021, only 62 audit personnel (20 per cent) were working under the DLFA, against the sanctioned strength of 314 posts.

(Paragraph 1.5)

❖ *Devolution of functions, funds and functionaries*

Although Departments of the GoB had transferred their respective functions to PRIs in September 2001 and prepared tier-wise activity mapping of functions/ sub-functions, provisions regarding the devolution of functions and responsibilities, to be performed by the three tiers of Panchayats, were not made clear and practical. Hence, devolution of functions could not be implemented effectively.

PRIs were unable to levy and collect taxes due to non-framing of the Bihar Panchayat (Gram Panchayat, Audit, Budget and Taxation) Rules, despite the recommendation of the State Finance Commissions and relevant provisions in the Bihar Panchayat Raj Act (BPRA), 2006.

PRIs in the State did not have adequate staff to discharge the devolved functions. At the GP level, 6,055 posts (72 per cent of the total sanctioned strength of 8,419 posts) of Panchayat Secretary were vacant, whereas 413 posts (20 per cent of the sanctioned strength) of Accountant-cum-IT Assistants and 561 posts (27 per cent of the sanctioned strength) of Technical Assistants, were vacant in PRIs, as of August 2021. There was no separate staff for performing the functions of Panchayat Samitis.

(Paragraph 1.3.3)

❖ *Utilisation of funds*

As of October 2020, Utilisation Certificates (UCs) of only ₹ 16,285.93 crore (41 per cent) were submitted by the PRIs, against total grants of ₹ 39,788.16 crore, released for the period up to FY 2018-19.

(Paragraph 1.7.3)

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

As of October 2020, DC bills amounting to ₹ 91.08 crore had not been submitted, against the total amount of ₹ 1,275.78 crore, drawn through AC bills, by PRIs, during the financial years 2002-19.

(Paragraph 1.8.6.1)

2. Compliance Audit of PRIs

❖ ***Implementation of recommendations of the Fifth State Finance Commission in Panchayati Raj Institutions***

The GoB accepted all recommendations of the 5th SFC, with modifications in four major recommendations, related to the finances of LBs. Out of the total 47 major recommendations, the GoB implemented only six recommendations fully. As such, the purpose of strengthening of PRIs towards self-reliance, as envisaged by the 73rd Constitutional Amendment and recommended by the Central and State Finance Commissions, could not be achieved satisfactorily. The GoB did not transfer any funds to PRIs for the year 2015-16 under the 5th SFC recommendation. Therefore, the 5th SFC recommendations were not implemented for the year 2015-16. Non-tapping of sources to improve revenue from own resources, transfer of funds to PRIs with delays, non-receipt of UCs, irregularities in execution of schemes etc., indicated lack of financial management and inadequate monitoring by the responsible functionaries. The model staffing pattern, as recommended by the 5th SFC, was not implemented and all the PRIs had an acute shortage of manpower at all levels.

(Paragraph 2.1)

❖ ***Loss of revenue***

Zila Parishad, Gopalganj, failed to realise the settlement amount in respect of three sairats from the bidders, which resulted in a loss of revenue, amounting to ₹ 10.11 lakh.

(Paragraph 2.2)

❖ ***Misappropriation of Government money***

Non-adherence to the codal provisions, by the Gram Panchayat, Mohanpur, regarding grant and adjustment of advances made for the execution of development works, led to misappropriation of ₹ 43.62 lakh, in addition to unfruitful expenditure of ₹ 18.60 lakh on incomplete works.

(Paragraph 2.3)

3. An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of ULBs in Bihar

❖ ***Devolution of functions, funds and functionaries***

Of the 18 subjects referred to in the Twelfth Schedule of the Constitution added after the Seventy Fourth Amendment Act, 1992, functions relating to 13 subjects were being performed by the ULBs and functions of five remaining subjects were still

being performed by the concerned Departments of the GoB. Thus, even after a lapse of more than 28 years of the enactment of Seventy-Fourth Constitutional Amendment Act, ULBs were not able to carry out their entire mandated functions.

The Central/State Government had provided funds to ULBs under different heads, such as Central Finance Commission, State Finance Commission, State Plan etc., to carry out the mandated functions of ULBs. ULBs were not able to meet their establishment expenditure from their own sources of revenue and were substantially dependent on the government grants, for performing their mandated functions.

ULBs in the State did not have adequate staff to discharge the devolved functions. As of August 2021, 2,982 posts had been sanctioned for ULBs, out of which, only 599 posts were filled up and 2,383 posts (80 *per cent* of the total posts) were vacant.

(Paragraph 3.3.2)

❖ ***Formation of various Committees***

The District Planning Committees were constituted in February 2018, with delays and did not exist during the period between 2016 and 2017. Further, Municipal Accounts Committees, Subject Committees and Wards Committees, were not constituted in the Municipalities of the State.

(Paragraph 3.4.2)

❖ ***Poor response to Inspection Reports (IRs) issued by AG (Audit)***

As of September 2021, out of the total 5,679 audit paragraphs, contained in 209 Inspection Reports (IRs), only 1,276 audit paragraphs (22 *per cent*) were settled and 4,403 audit paragraphs, involving an amount of ₹ 2,511.49 crore, remained outstanding for settlement.

(Paragraph 3.6.1)

❖ ***Utilisation Certificates***

As of January 2020, UCs of only ₹ 5,840.63 crore (61 *per cent*) had been submitted by the ULBs, against total grants of ₹ 9,648.86 crore released to them, for the period up to 2018-19.

(Paragraph 3.7.6)

4. Compliance Audit of ULBs

❖ Failure of the Nagar Panchayat, Banmankhi, to assess the requirement of submersible pumps, before laying of water supply pipes and provision of connections to households, resulted in unfruitful expenditure of ₹ 2.78 crore.

(Paragraph 4.1)

❖ Failure of the Patna Municipal Corporation to realise Property Tax on accurate classification of the holdings and non-initiation of any action to realize the penalty amount from the owners of the holdings for suppressing material information essential for the calculation of Property Tax, resulted in loss of tax revenue, amounting to ₹ 1.06 crore.

(Paragraph 4.2)

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