



# **OVERVIEW**



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This Report contains four chapters. The first and the third 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 the fourth chapters contain compliance audit paragraphs relating to PRIs and ULBs respectively. Significant audit findings are given below:

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

#### *Audit arrangements*

Thirteenth Finance Commission (13<sup>th</sup> FC) and Fourteenth Finance Commission (14<sup>th</sup> FC) had 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 its Annual Technical Inspection Report (ATIR) as well as Annual Report of Director of Local Fund Audit (DLFA) must be placed before the State Legislature. Audit of the accounts of LBs under TGS was commenced by the CAG in the State from January 2017 after acceptance of the Standard Terms and Conditions by GoB and since then the Directorate of Local Fund Audit started performing the role of primary external auditor for audit of the Local Bodies.

The DLFA had conducted audit of the accounts of 1,255 PRIs during 2014-19 which was only 14.04 *per cent* of the total PRIs in the State. Further, out of the aforesaid 1,255 audited PRIs, Inspection Reports of only 289 units (23 *per cent*) were issued.

*(Paragraph 1.5)*

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

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

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

The PRIs in the State did not have adequate staff to discharge the devolved functions. At GP level, 4,751 posts (56 *per cent* of the sanctioned strength) of the Panchayat Secretary were vacant whereas 455 posts of Block Panchayati Raj Officer (BPRO) (64 *per cent* of the total sanctioned strength) were vacant at the Block level and there was no separate staff for Panchayat Samiti.

*(Paragraph 1.3.3)*

### ***Utilisation of funds***

As of November 2019, Utilisation Certificates of only ₹ 13,695.45 crore (46.71 per cent) were submitted by the PRIs against total grant of ₹ 29,319.83 crore for the period up to 2017-18.

*(Paragraph 1.7.3)*

## **2. Compliance Audits**

### ***Unfruitful expenditure on incomplete works***

Construction of 42 *Aanganwadi* Centres remained incomplete for a period ranging from four to eight years resulting in an unfruitful expenditure of ₹ 1.27 crore.

*(Paragraph 2.1)*

## **3. An overview of the functioning of ULBs in Bihar**

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

Of the total 18 subjects referred to in the Twelfth Schedule of the 74<sup>th</sup> Constitutional Amendment Act, functions relating to 17 subjects (except fire services) were devolved to ULBs through provisions made in the BM Act, 2007. Out of these 17 subjects, functions relating to 12 subjects were carried out directly by the ULBs and functions relating to remaining five subjects were performed by the functional departments/ Parastatal Bodies of the Government of Bihar.

The Central/State Government had provided funds under different heads such as Central Finance Commission, State Finance Commission and State Plan *etc.* to carry out the mandated functions of ULBs. The ULBs were not able to meet its establishment expenditure from own source of revenue.

*(Paragraph 3.3.2)*

### ***Functioning of District Planning Committee (DPC)***

The DPC was constituted with delays in February 2018 and did not exist during the period between 2016 and 2017. As a result, the Annual Plans for execution of development works approved by the Municipalities could not be consolidated at District level and therefore, a consolidated District Development Plan was not prepared and submitted to the Department.

*(Paragraph 3.4.2)*

### ***Audit arrangements***

In pursuance of recommendations of the Central Finance Commissions, the State Government had notified (June 2015) the establishment of Directorate of Local Fund Audit headed by the Chief Controller of Accounts-cum-Director Local Fund Audit (DLFA) under Finance Department of GoB to conduct the audit of Local Bodies and it had been functioning since 11 June 2015. Terms and conditions for audit of the accounts of Local Bodies under Technical Guidance and Support (TGS) arrangement as laid in the Regulations on Audit and Accounts, 2007 was accepted by the GoB

in December 2015 and subsequently audit of the accounts of Local Bodies under TGS was commenced by the Comptroller and Auditor General of India since January 2017 and since then the DLFA started functioning the role of primary external auditor.

*(Paragraph 3.5)*

***Poor response to IRs issued by AG (Audit)***

Out of total 7,740 audit paragraphs contained in 271 Inspection Reports, only 2,004 audit paragraphs (26 *per cent*) were settled and 5,709 audit paragraphs involving ₹ 2,122.12 crore remained outstanding for settlement as of October 2019.

*(Paragraph 3.6.1)*

***Utilisation Certificates***

As per the Utilisation Certificates (UCs) compiled by the PAG (A&E), Bihar, it was observed that the UD&HD had sanctioned grants of ₹ 10,508.78 crore during the period 2015-16 to 2018-19 (up to November 2018) but, UCs of ₹ 5443.55 crore (52 *per cent*) were pending for adjustment as of June 2020.

*(Paragraph 3.7.5)*

#### **4. Compliance Audits**

Failure of Municipal Corporations to follow codal provisions regarding revision of Annual Rental Value of holdings by a minimum 15 *per cent* every five years led to a loss of Property Tax revenue of ₹ 52.03 crore.

*(Paragraph 4.1)*

Non-adherence to the codal provisions, instructions of the Department and clause of the agreement executed with the supplier regarding procurement of Solar Street Lights by the Nagar Parishad resulted in irregular purchase worth ₹ 4.38 crore besides an irregular payment of ₹ 1.23 crore.

*(Paragraph 4.3)*

Two Municipal Corporations (Katihar and Patna) failed to pay electricity bills by due dates resulted in avoidable payment of delayed payment surcharge of ₹ 3.97 crore.

*(Paragraph 4.5)*

Non-adherence to the provisions of the guidelines of the Integrated Housing and Slum Development programme by two Municipalities resulted in allocation of Dwelling Units involving the cost of construction of ₹ 2.26 crore to 98 ineligible beneficiaries.

*(Paragraph 4.6)*

