

Annual Technical Inspection Report
on
Local Bodies
For the year ended 31 March 2019

Government of Bihar

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PREFACE

This Report for the year ended March 2019 has been prepared for submission to the Government of Bihar in terms of Technical Guidance and Support to audit to PRIs and ULBs under Section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971.

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

The issues noticed in the course of test audit for the period January 2017 to March 2019 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

OVERVIEW

This Report contains four chapters. The first and the third chapters contain an overview of the functioning, accountability mechanism and financial reporting issues of 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 (13th FC) and Fourteenth Finance Commission (14th 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 74th 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)



PART – A
PANCHAYATI RAJ INSTITUTIONS



CHAPTER – I

**AN OVERVIEW OF THE FUNCTIONING,
ACCOUNTABILITY MECHANISM AND FINANCIAL
REPORTING ISSUES OF PANCHAYATI RAJ
INSTITUTIONS**

Chapter – I

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

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 (three tiers of PRIs), elections, reservation of seats for Scheduled Caste, Scheduled Tribes and women and devolution of fund, functions and functionaries to PRIs. The PRIs aim to promote the participation of people and effective implementation of rural development schemes for economic development and social justice in various areas including those in relation to the functions (29 subjects) referred to 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 system of three-tiers of PRIs viz., Gram Panchayat (GP) at the village level, Panchayat Samiti (PS) at the Block level and Zila Parishad (ZP) at the District level to enable them to function as institutions of self-government. For decentralization at the grassroots level, GPs were divided into Wards and provisions of Gram Sabha¹ at the GP level and Ward Sabha² at the Ward level had been made.

As of January 2020, there were 8,958 PRIs³ having 1,35,783 elected representatives (declared as public servant by the GoB) in the State. Fifty *per cent* horizontal reservation was provided to women. The last general election to the elected bodies of PRIs was held in the State during the year 2021.

1.1.1 State Profile

Bihar is one of the largest States in the country with an area of 94,163 sq. km. and constitutes 2.86 *per cent* of the total geographical area of the Country. The population growth in Bihar in the last decade was 25.4 *per cent*. The rural population was 9.23 crore (89 *per cent*) out of a total population of 10.41 crore in the State. The 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
Population	Crore	10.41
Population Density	Per sq. km.	1,106
Rural Population	Crore	9.23
Gender Ratio	Females per thousand males	918

¹ Gram Sabha means a body consisting of persons registered in the electoral rolls relating to a village comprised within the area of the Panchayat at the village level.

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

³ 38 ZPs, 534 PSs and 8,386 GPs

Indicators	Unit	State Value
Literacy	Per cent	61.80
Number of districts	Number	38
Number of PRIs	Number	8958
Decadal growth rate	Per cent	25.42
Rural Sex Ratio	Females per thousand males	921

(Source: Census 2011)

1.2 Organisational set-up

At the State level, the Panchayati Raj Department (PRD) coordinates 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. *Mukhiya* is responsible for financial and executive administration of GP.

The Chief Executive Officer (at the rank of District Magistrate or Additional District Magistrate) and the Block Development Officer-cum-Executive Officers are the executive heads of the ZP and the PS respectively. The Panchayat Secretary is in charge of the office of the GP and is also responsible for the maintenance of books of account and records at the GP level. The organizational structure of PRIs is depicted in **Chart - 1.1 & 1.2** below:

Chart-1.1: Elected Bodies

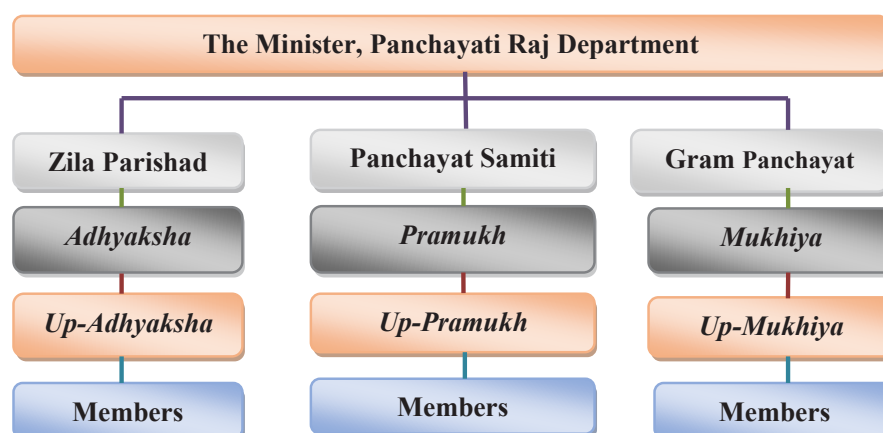
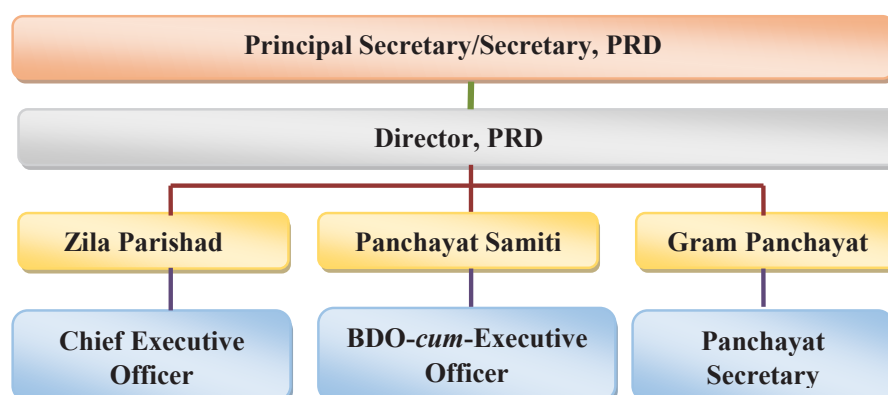


Chart-1.2: Administrative set-up



(Source: BPRA, 2006 and information provided by PRD, GoB)

1.3 Functioning of PRIs

1.3.1 Powers and Functions of PRIs

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

- preparation of plans and implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters referred to in the Eleventh Schedule of the Constitution; and
- powers to impose taxes and constitute funds for crediting all moneys of the Panchayats.

Besides, Section 22, 47 and 73 of the BPR, 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 BPR, 2006 entrusts the State Government with the following powers to enable it to monitor the proper functioning of the PRIs. A 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	Power to frame rules: The State Government may, by notification in Official Gazette, make rules to carry out functions as specified in BPR, 2006, subject to approval by the State Legislature.
Section 150, 152 and 153	Power to make model Regulations, Inquiry and Inspection: The State Government may make standard rules for the purposes of the BPR, 2006 and has the power to inspect any office or records under the control of the PRIs.
Section 167	District Planning Committee: The State Government shall constitute in every district a District Planning Committee to consolidate plans prepared by the Panchayats and the Municipalities in the district and to prepare a Draft Development Plan for the district as a whole.
Section 168	Finance Commission for Panchayats: The State Government shall constitute in every five years, a Finance Commission to review the financial position of PRIs, and to make recommendations for devolution of funds and measures to improve the financial position of PRIs.
Section 27, 55 and 82	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.

Authority	Powers of the State Government
Section 172	Removal of difficulties: If any difficulty arises in giving effect to the provisions of the Act, the State Government, may by order, do anything necessary to remove the difficulty.
Section 18(5), 44(4) and 70 (5)	Removal from the post: The State Government may remove <i>Mukhiya/Up-Mukhiya, Pramukh/Up-Pramukh and Adhyaksha / Upadhayksha</i> from their post on the ground of absence from the meeting, lack in performing duties as per BPR, 2006, misusing their powers and convicted and absconded for more than six months after allowing them to represent themselves.

(Source: BPR, 2006)

1.3.3 Devolution of Functions, Funds and Functionaries to PRIs

The Seventy-third Constitutional Amendment Act (CAA) envisages that all 29 subjects as listed in Eleventh Schedule of the Constitution along with funds and functionaries would be eventually transferred to the PRIs through suitable legislation of the State Government.

Devolution of Functions

Twenty Departments of the GoB transferred their respective functions to the PRIs in September 2001 and prepared tier-wise activity mapping of functions/sub-functions. However, the Chief Secretary, GoB observed (July 2014 and April 2019) that provisions regarding devolution of functions and responsibilities to be performed by the three tiers of Panchayats were not made clear and practical and directed to review the previous resolutions issued by the Departments regarding devolution of functions and instructed to frame clear Operational guidelines within one month for effective devolution of powers to PRIs. In first phase 12 Departments were identified for framing the Operational guidelines, but only two Departments framed the guidelines till January 2017. The Fifth State Finance Commission (5th SFC) had also observed that the progress so far on Department wise and subject wise activity mapping was unsatisfactory. It was also observed that functions⁴ already devolved to PRIs were also carried out by the functional Departments of the GoB.

On this being pointed out by Audit, the Joint Secretary of PRD replied (January 2020) that all 29 subjects mentioned in the Eleventh Schedule of the Constitution were devolved to all three tiers of PRIs by the respective Departments but due to lack of interest of the Departments, devolution of functions could not be implemented effectively.

Thus, the actual devolution of functions to PRIs could not be done even after a lapse of more than 28 years of the 73rd CAA and proper Operational guidelines to carry out the devolved functions were not framed by 18 out of 20 Departments of the GoB.

Devolution of Funds

As per Sections 27, 55 and 82 of BPR, 2006, the PRIs were authorised to impose taxes on holdings, professions and levy tolls, fees and rates subject

⁴ Supply of drinking water, irrigation, social forestry etc.

to maximum rates notified by the State Government. Further, 4th and 5th State Finance Commission recommended that the State Government was to notify maximum limits of taxes to enable the PRIs to raise resources.

The PRIs were not able to realize tax due to the absence of relevant rules for collection of taxes. However, framing of Bihar Panchayat (Gram Panchayats, Audit, Budget and Taxation) Rules was under process for the last five years. As a result, PRIs were not able to levy and collect taxes till January 2021 despite recommendation of the SFCs and relevant provisions in the BPRA, 2006.

Thus, due to the non-framing of Bihar Panchayat Rules, PRIs failed to raise their revenue through taxation *etc.* and remained primarily dependent upon Government Grants received through Central Finance Commissions, State Finance Commissions and State Plan for the execution of the schemes.

Devolution of Functionaries

The manpower position in ZPs of the State was not available with the PRD. At GP level, Panchayat Secretary was the only government employee to facilitate GP in performing its mandated function but 4,751 posts (57 *per cent* of the sanctioned strength) of the Panchayat Secretary were vacant as of December 2020. Block Panchayati Raj Officer (BPRO) at Block level was responsible for monitoring and supervision of GPs. At the Block level, 455 posts of BPRO (64 *per cent* of the total sanctioned strength of 716) were vacant as of November 2019. The fifth SFC while observing the acute shortage of staff at all levels of PRIs, recommended model panchayat cadre for PRIs consisting of seven posts for each GP⁵ and PS and 20 to 29 posts for ZPs.

The PRD replied (January 2020) that Technical Assistant (2,096 posts) and Accountant-cum-IT Assistant (2,096 posts) were being recruited in GPs (one post for four GPs) on a contractual basis and the recruitment process of 4,751 vacant posts of Panchayat Secretaries through Bihar Staff Selection Commission was under process. The PRD further added that action was being taken for contractual appointment of Executive Assistant in each GPs, BPRO Office and District Panchayati Raj Officer (DPRO) office. However, audit observed that appointment of Panchayat Secretaries was under process for the last seven years.

1.4 Formation of various Committees

The BPRA, 2006 provides that PRIs shall constitute the various committees by election from among its members for effective discharge of its function.

1.4.1 Standing Committees

As per Sections 25, 50 and 77 of BPRA, 2006, the PRIs shall constitute various Standing Committees for the performance of the assigned functions. Standing Committees to be constituted at three-tier PRIs are given in **Table 1.3** below:

⁵ Six regular posts (One Panchayat Development Officer, one JE for five GPs, one GP Sachiv, one LDC-cum-Tax Collector, one Accountant, one IT Assistant-cum-DEO) and one MTS on contractual/outsourced.

Table-1.3: Standing Committees in PRIs

Committees	GP	PS	ZP
General Standing Committee	No	Yes	Yes
Planning, Co-ordination & Finance Committee/ Finance, Audit & Planning Committee	Yes	Yes	Yes
Production Committee	Yes	Yes	Yes
Social Justice Committee	Yes	Yes	Yes
Education Committee	Yes	Yes	Yes
Committee on Public Health, Family Welfare & Rural Sanitation	Yes	Yes	Yes
Public Works Committee	Yes	Yes	Yes

(Source: Section 25, 50 and 77 of BPR 2006)

The Department had no information regarding status of functioning of Standing Committees in PRIs. However, the Chief Secretary, GoB and also the PRD issued (May 2019 to December 2019) letters to all District Magistrates to ensure the effective functioning of Standing Committees as per the provisions of BPR 2006 in all the three tiers of PRIs.

1.4.2 District Planning Committee

Article 243ZD of the Constitution of India and Section 167 of the BPR, 2006, envisage the formation of a District Planning Committee (DPC) for consolidation of the plans prepared by the PRIs and ULBs of the district and to finalize a draft development plan for the whole District. The Department also prepared and notified (August 2008) 'The Constitution of Bihar District Planning Committee and Conduct of Business Rules, 2006' for the effective functioning of DPC. Further, the Chairperson of every DPC should forward the development plan as recommended by such Committee to the State Government.

The Department intimated (December 2019) that DPC had been constituted (February 2018) in all districts of Bihar. Therefore, the plans for execution of development works approved by the GPs and Municipalities could not be consolidated at the district level by the DPC for the period 2016 to 2018 and Article of the Constitution and provisions of the BPR was violated.

1.5 Audit Arrangements

1.5.1 Primary Auditor

Sections 31, 59 and 86 of BPR, 2006 (amended in May 2011) provide for an audit of GP, PS and ZP respectively by the Comptroller and Auditor General (CAG) of India or its authorised authority and a copy of the Report will be forwarded to respective PRIs within a month from the date of completion of the audit.

The GoB declared (2006) the Examiner of Local Accounts (ELA), Bihar as the prescribed authority for the audit of PRIs. Accordingly, the audit of the accounts of PRIs in Bihar was conducted by the ELA as a primary auditor under the supervision of the Accountant General (Audit), Bihar, as per provisions contained in the Bihar and Orissa Local Fund Audit (LFA) Act, 1925.

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 (13th FC) and Fourteenth Finance Commission (14th FC) 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 (ATIR) as well as Annual Report of Director of Local Fund Audit (DLFA) must be placed before the State Legislature.

Accordingly, the terms and conditions for the audit of the accounts of LBs under TGS arrangement as laid in the Regulations on Audit and Accounts, 2007 were accepted by the GoB in December 2015 and subsequently audit of the accounts of LBs under TGS was commenced by the CAG from January 2017 and post of the ELA, Bihar was re-designated as the Deputy Accountant General (Social Sector-1/Local Bodies).

Consequently, the Directorate of Local Fund Audit started audit of the LBs performing the role of primary external auditor for audit of the LBs from January 2017. Issues related to the functioning of DLFA as the primary auditor for Local Bodies have been highlighted in the following paragraphs:

(i) Preparation of Annual Audit Plan /Perspective Plan

As per clause 2 (i) of the Standard Terms & Conditions of TGS as accepted (December 2015) by the State Government, the DLFA was to prepare by the end of September every year, an Annual Audit Plan (AAP) for the audit of local bodies for the next financial year and forward it to the Accountant General (Audit), Bihar, Patna. Audit observation regarding the Preparation of AAP and their submission to the Accountant General (Audit) has been shown in **Table 1.4** below:

Table-1.4: Delays in preparation of AAP

Sl. No.	AAP- Year	The due date for Preparation of AAP	Preparation of AAP by DLFA on (Date)	Delay (in Months)	Submission to the office of AG (Audit) (Date)
1.	2017-18	30 September 2016	20 March 2017	6 Months	20 March 2017
2.	2018-19	30 September 2017	27 November 2017	2 Months	27 November 2017
3.	2019-20	30 September 2018	12 July 2019	9 Months	12 July 2019

(Source: Information received from DLFA)

It is evident from the table above that delays in the preparation of AAP ranged from two to nine months during the period 2017-2020. The Chief Controller of Accounts-cum-Director (DLFA) replied (February 2020) that the delay in AAP was due to shortage of manpower.

Thus, due to the delay in the preparation of AAP, the DLFA could not identify/prioritize its key focus areas of the audit in time.

(ii) Low coverage of Audit and less issuance of Inspection Reports (IRs)

Audit observed that DLFA had conducted audit of the accounts of only 1,255 PRIs during 2014-19 which ranged from 1.42 per cent to 6.71 per cent only. Further, out of the aforesaid 1,255 audited PRIs, IRs of only 289 units (23 per cent) were issued. Details of units audited by the DLFA and status of IRs issued during 2014-19 have been given in **Table 1.5** below:

Table-1.5: Details of year-wise units audited

Units	Total no. of units	Unit Audited by the DLFA						Total IRs issued
		2014-15	2015-16	2016-17	2017-18	2018-19	Total	
Zila Parishad	38	11	11	-	10	15	47	289
Panchayat Samiti	534	20	19	12	46	31	128	
Gram Panchayat	8386	114	97	148	545	176	1080	
Total	8958	145	127	160	601	222	1255	289

(Source: Information furnished by DLFA)

On being asked about the reason for the non-issuance of IRs, the DLFA furnished category-wise status of non-issued IRs and stated that reports were in vetting, comparison, examination and typing stage and adequate infrastructural facilities (including accommodation) were not available.

(iii) Audit of Local Bodies under TGS arrangement

As per clause 2 (iii) of the accepted Standard terms and conditions of TGS, copies of IRs in respect of selected LBs were to be forwarded by the local fund auditor to the Accountant General (AG) to obtain necessary advice for system improvements. The AG was to review the same to make necessary suggestions for the improvement of existing systems of the Directorate of Local Fund Audit and also to monitor the quality of the IRs issued by the DLFA.

Accordingly, 26 IRs were provided (September 2015 and May 2017) to the office of AG (Audit) and necessary advice for system improvement was rendered (January 2016 and August 2017). Further, IRs of 25 Units of LBs which were audited from April 2017 to December 2017 had been sought⁶ by the office of AG (Audit), Bihar, however, the same was not provided by the DLFA till July 2020. Further, it was also requested to provide IRs of 10 per cent of the number of units audited in respect of Zila Parishad and Municipal Corporations and 5 per cent of the total number of units audited in respect of other LBs which were audited by DLFA during January 2018 to December 2018 but the same was also not received till January 2020 from the DLFA.

Thus, due to non-submission of required IRs by the DLFA to AG (Audit), the quality of IRs issued by the DLFA could not be monitored by the AG (Audit) and DLFA was deprived of TGS despite provisions made under Standards term & Conditions for entrustment of TGS.

⁶ January 2018, July 2018, October 2018 and January 2020

(iv) Poor response to IRs issued by DLFA

Status of compliance of audit paragraphs contained in the IRs was not satisfactory as evident from huge number (almost 100 *per cent*) of audit paragraphs remained outstanding for settlement as of 31 March 2019 as detailed in **Table-1.6** below:

Table-1.6: Outstanding paragraphs in PRIs for the period 2014-19

Year	No of IRs issued	No. of paras in IRs	Amount involved (₹ in lakh)	No of paras settled	Amount of settlement (₹ in lakh)	No of Paras outstanding	The money value of paras outstanding (₹ in lakh)
2014-15 to 2018-19	289	1677	8027.43	2	0.13	1675	8027.30

(Source: Information furnished by DLFA)

It is evident from the table above that out of a total of 1677 paragraphs contained in 289 IRs, only two paragraphs (0.11 *per cent*) valued ₹ 0.13 lakh were settled and 1675 paragraphs involving ₹ 80.27 crore were pending for settlement as of 31 March 2019. Thus, huge outstanding audit paragraphs indicated weak internal control in PRIs and inaction at the part of the authorities concerned to ensure compliance of outstanding audit paragraph.

(v) Submission of Returns

As per clause 2 (iv) of the accepted Standard terms and conditions of TGS, the DLFA is to furnish returns in such format as may be prescribed by the CAG for obtaining advice and monitoring purpose. Accordingly, the office of the AG (Audit) prescribed three returns⁷ and four registers⁸. But, required returns and registers were not furnished by the DLFA. Later on, the AG (Audit) proposed (February 2018) to submit the Annual Return (Implementation of Annual Audit Plan due on 15 April of each year for the preceding year), Quarterly Return (Serious irregularities due on 15th of the month following each quarter), Annual Progress report of IRs/Paras (due on 15th April for the preceding year), Half-yearly return (Consolidated Performance Report due on 15th of the month following each half-year). But, no returns as prescribed were furnished by DLFA.

The DLFA replied (February 2020) that the returns were not submitted as a very few audit reports could be issued. He further stated that unless the pending reports were issued and provisions were made for timely issue of current reports, most of the columns in the return would be blank.

(vi) Reporting of Audit findings of serious irregularities to AG (Audit)

As per clause 2 (vi) of the accepted Standard terms and conditions of TGS, irrespective of the money value of the objections, any serious irregularities such

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

⁸ (i) Scheme register (ii) Department wise Budget allocation and Expenditure register (iii) Outstanding IR/Para register and (iv) Annual Programme register

as system deficiencies, a serious violation of rules and fraud noticed by local fund auditor was to be intimated to the AG (Audit).

On this being pointed out, DLFA replied (February 2020) that a sizeable number of serious irregularities (fraud, defalcation and misappropriation) were noticed but the reports were not finally issued therefore, it could not be reported to the AG (Audit).

(vii) Internal Control

As per clause 2 (vii) of the accepted Standard terms and conditions of TGS, the local fund auditor was to develop in consultation with the AG (Audit), a system of internal control in his organization.

On this issue, DLFA replied (February 2020) that due to a lack of infrastructural facilities and technical know-how, the system of internal control could not be initiated.

(viii) Training and Capacity building

As per clause 2 (viii) of the accepted Standard Term & Conditions of TGS, the AG (Audit) shall undertake training and capacity building of the local fund audit staffs.

In this regard, the DLFA replied (February 2020) that training of auditors of the Directorate of Local Fund Audit was conducted once in 2015 only since its inception. In 2017 ten more auditors joined DLFA and practical training was imparted to them by attaching them in Audit teams. The DLFA replied (February 2020) that no written request was made to the AG (Audit) to impart training to the auditors of the Directorate of Local Fund Audit.

(ix) Status of provision of TGS in BPRA, 2006

As per the recommendation of the Central Finance Commissions, the GoB had entrusted (December 2015) TGS to the audit of the accounts of LBs to the CAG and that was accepted by the CAG in November 2016 and consequently the role of the primary auditor was assigned to the DLFA established under Finance Department, GoB.

However, provision regarding entrustment of TGS to CAG for the audit of PRIs had still not been made in the Bihar Panchayati Raj Act (BPRA) 2006 by the GoB. The DLFA replied (February 2020) that revision in the BPRA 2006 in this regard is under process.

(x) Inadequate manpower with DLFA

To ensure the functioning of DLFA efficiently and effectively, sufficient Manpower of DLFA was required to be put in place. Sanctioned strength and men in position under different cadres of DLFA as of February 2020 is shown in **Table-1.7** below;

Table-1.7: Sanctioned strength and Men-in-position of DLFA

Sl. No.	Name of post	Sanctioned strength	MIP	Vacancy
1	Joint Director	1	0	1
2	Deputy Director	3	0	3
3	Sr. A.O/ Asst. Director	34	6	28
4	Audit Officer	45	25*	20
5	Assistant Audit Officer	50	1	49
6	Senior Auditor	56	-	56
7	Auditor	125	13	112
Total		314	45	269

(Source: Information received from DLFA)

* Indicated persons were Senior Auditor-2. Since the post of Senior Auditor-2 was surrendered and the Promotion Committee had approved their promotion to the post of Audit Officer as per the new cadre rule, their number was mentioned against the post of Audit Officers.

It is evident from table above that DLFA had serious manpower constraint and only 45 audit personnel were working against the sanctioned strength of 314 as of October 2019. Due to shortage of manpower audit coverage was very poor as discussed in preceding paragraphs.

The DLFA replied (February 2020) that requisition for recruitment of 465 Auditors and 137 Assistant Audit Officers was being made to the Commission and other remaining posts would be filled in due course through promotion from lower posts as per cadre rules.

1.6 Response to Audit Observations

1.6.1 Poor response to AG's Inspection Reports

After completion of the audit, IRs containing audit findings were to be issued to the PRIs concerned with a copy to the State Government. The CEOs of the ZPs, the EOs of PSs and the *Mukhiyas* of GPs were required to respond to audit observations contained in the IRs and send compliance report within three months. But, the status of compliance of audit paragraphs was not satisfactory as evident from the increasing number of paragraphs outstanding as of 31 March 2019. Details of paragraphs outstanding for compliance for the last five years (2014-19) are given in **Table-1.8** below;

Table-1.8: Outstanding audit paragraphs for the last five years (2014-19)

Year	No. of IRs	No. of paragraphs in IRs	Amount involved (₹ in crore)	No. of paragraphs settled	Amount of settlement (₹ in crore)	No. of paragraphs outstanding	The money value of paragraphs outstanding (₹ in crore)
1	2	3	4	5	6	7 (3-5)	8 (4-6)
2014-15	253	2813	54.59	188	0.30	2625	54.29
2015-16	421	2024	164.10	30	7.46	1994	156.64
2016-17	317	1339	253.37	6	1.23	1333	252.14
2017-18	381	1992	889.04	4	0.45	1988	888.59
2018-19	24	149	20.46	0	0	149	20.46
Total	1396	8317	1381.56	228	9.44	8089	1372.12

(Source: Inspection Reports)

It is evident from the Table that out of the total 8,317 paragraphs contained in 1,396 IRs, only 228 paragraphs (2.74 per cent) were settled and 8089 paragraphs involving ₹ 1,372.12 crore remained outstanding as of March 2019.

A large number of outstanding paragraphs indicated a lack of internal control and lukewarm attitude of PRIs authorities in furnishing compliance to audit observations.

1.6.2 Compliance/status of Annual Audit Reports

In the State, reports of the ELA was prepared for the period 2005-06 to 2013-14 and after that CAG's Audit Reports on LBs for the period 2014-15 and 2015-16 were prepared.

(i) ELA's Annual Report

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 Committee⁹ had the responsibility to ensure compliance of audit paragraphs/ reports received from PRIs and ULBs of that district. The Department Level Committee¹⁰ was to review the compliance of audit paragraphs/ reports made by the District Level Committees. The High-Level Committee¹¹ was to meet once in six months to review the functioning of District and Department Level Committees.

Audit observed that 17 District Level Committee meetings were held for PRIs during 2018-2019, but matters relating to ELA's Annual Reports were not discussed. Further, the Departmental Level Committee meeting was not held since July 2015 and the High-Level Committee meeting was not held since August 2013.

The Department accepted (January 2020) that there was laxity in the convening meeting by the District Level Committee. PRD further added that due to the non-receipt of minutes of the meeting held at District level committees, meetings could not be convened at the Departmental level.

Further, the ELA's Annual Audit Reports on LBs for the year ended March 2013 and March 2014 were placed before State Legislature in March 2016, but, no arrangement for discussion of the ELA's report in Public Accounts Committee (PAC) or in PAC like Committee had been made.

Thus, the purpose of constituting three-tier Committees was not fulfilled and the audit observations contained in the Annual Audit reports of ELA were not discussed.

(ii) CAG's Audit Report on LBs

Sections 31(4), 59(4) and 86(4) of the BPR (Amendment) Act, 2011 stipulate that the Annual Report of the CAG of India or an authority authorized by him shall be laid before both the houses of the State Legislature.

⁹ Headed by the District Magistrate/Deputy Development Commissioner

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

¹¹ Headed by the Principal Secretary to the Finance Department, GoB and the Pr. A.G. (Audit), Bihar as a member

The first CAG report on LBs, GoB for the period 2014-15 was laid before the State Legislature on 4 April 2016. Three paragraphs of the report related to PRD were discussed in the PAC but audit observations were not settled till June 2020.

Further, the CAG report on LBs, GoB for the period 2015-16 was laid before the State Legislature on 23 August 2017, however, the same was not discussed in the PAC till December 2020.

1.7 Accountability Mechanism

1.7.1 Lok Prahari (Ombudsman)

As per Section 152(5) of BPR 2006, *Lok Prahari* (Ombudsman) is to be appointed by the State Government for Panchayats and *Gram Kutchahary* and State Government was to frame service conditions, duties and powers *etc.* of *Lok Prahari*. As per the recommendation of the 2nd Administrative Reform Commission, the Ombudsman should have the authority to investigate cases and submit reports to the competent authority for taking actions.

However, Draft Bihar Local Government Ombudsman Rules 2011 for the appointment of *Lok Prahari* (Ombudsman) for Panchayats and *Gram Kutchahary* was not finalized. Therefore, *Lok Prahari* (Ombudsman) for PRIs could not be appointed by PRD till January 2021.

Thus, the complaints regarding issues of Panchayats and *Gram Kutchahary* could not be addressed by *Lok Prahari* (Ombudsman) as envisaged in the BPR, 2006.

1.7.2 Social Audit

Rule 2 (A) of Bihar Gram Sabha (Co-ordination of meeting & Procedure for conduct) Rules, 2012 provides for Social Audit of all the development work executed in the village by the Gram Sabha. Further, Para 2.1.7 of 5th SFC prescribed that accountability through Social Audits should be pursued to make the PRIs institutions of 'Smart' self-governments. The basic objective of Social Audit was to ensure public accountability in the implementation of projects, laws and policies.

GoB had sanctioned the constitution of an independent Social Audit Society with 69 different posts (July 2015) to conduct Social Audit of works under Mahatma Gandhi National Rural Employment Guarantee Schemes (MGNREGS).

The Joint Secretary, PRD had stated that there was no separate mechanism for social audit in PRIs for schemes other than MGNREGS. So, the department had requested Rural Development Department to conduct the social audit with the help of the Social Audit Society.

Thus, Social Audit for the schemes other than MGNREGS was not carried out in absence of such a mechanism and public accountability in the implementation of projects, compliance of laws and policies could not be ensured.

1.7.3 Submission of Utilisation Certificates

As per the instruction of GoB read with provisions contained in Section 342 of Bihar Financial Rules (BFR), the time limit for submission of Utilisation Certificates (UCs) for the grants sanctioned for specific purposes was 18 months from the date of allotment of the grants. Audit observed that the PRD had released grants of ₹ 29319.83 crore to PRIs during 2007-08 to 2017-18 under Backward Region Grant Fund (BRGF), 13th FC, 14th FC, 3rd SFC, 4th SFC, 5th SFC, *Mukhya Mantri Gramodaya Karyakram (MMGK)*, *Pratinidhi Bhatta*, *Gram Kutchahary Nyaymitra/Sachiv ke Mandey & Kiraya*, *Upaskar*, *Mukhya Mantri Nischay Yojana (Payjal)*, *Mukhya Mantri Nischay Yojana (Gali-Nali)*. But, the UCs for only ₹ 13695.45 crore (46.71 per cent) were submitted by the PRIs as of November 2019 as detailed in **Table-1.9** below:

Table-1.9: Submission of Utilisation certificates by PRIs for funds allotted during 2007-18

(₹ in crore)

Head	Period	Total Allotment	UCs submitted	Percentage of UCs submitted
BRGF	2007-08 to 2014-15	3973.98	3776.08	95.02
13 th FC	2010-11 to 2015-16	4978.56	4697.20	94.35
14 th FC	2015-16 to 2017-18	9049.77	2218.62	24.52
3 rd SFC	2007-08 to 2012-13	85.52	60.02	70.18
4 th SFC	2011-12 to 2014-15	2118.61	1778.06	83.93
5 th SFC	2016-17 to 2017-18	4578.27	186.35	4.07
<i>MMGK</i>	2012-13 to 2014-15	267.70	220.43	82.35
<i>Pratinidhi Bhatta</i>	2008-09 to 2017-18	1491.08	482.07	32.33
<i>Gram Kachahari Nyaymitra/Sachiv ke Mandey & Kiraya, Upaskar</i>	2008-09 to 2017-18	584.34	250.37	42.85
<i>Mukhya Mantri Nischay Yojana (Payjal)</i>	2016-17 to 2017-18	1282	9.16	0.71
<i>Mukhya Mantri Nischay Yojana (Gali-Nali)</i>	2016-17 to 2017-18	910	17.08	1.88
Total		29319.83	13695.44	

(Source: Information provided by the PRD, GoB)

Department replied (March 2019) that amount allotted by PRD was utilized by altogether 1,31,382 units¹². These units were being audited scheme-wise/ year-wise; thereafter, UCs were received by the PRD. Department further added that the district wise roster was prepared every month for adjustment and progress of outstanding UCs.

Reply of the Department was not acceptable since pending of UCs for a longer period indicated weak internal control and poor monitoring mechanism.

1.7.4 Internal Audit and Internal Control System of PRIs

As per the recommendation of the 5th SFC for sustainable improvements, qualified Accountants were to be appointed regularly apart from contracting Chartered Accountants (CAs) as internal Auditor as an interim measure. Further,

¹² 38 ZPs, 38 District Panchayat Raj Office, 534 PSs, 8,386 GPs, 8,386 Gram Kachahari and 1,14,000 Wards

the Finance Department, GoB, in the light of 14th FC recommendations made it mandatory (February 2016) for LBs to submit the expenditure accounts and internal audit report along with UCs of previous year's grants for release of 2nd and subsequent instalment.

The PRD intimated (December 2019) that Panchayat wise and Scheme wise audit of the accounts of PRIs and *Gram Kachahari* for the year 2016-17 to 2018-19 was being conducted by CAs selected by the PRD. The status of the internal audit conducted by the CAs in PRIs and *Gram Kachahari* during 2016-19 has been given in **Table- 1.10** below:

Table-1.10: Status of Internal Audit by Chartered Accountants

Units	Year	Total internal audit to be conducted	Internal audit conducted	Total audit report submitted (District wise*)
PRIs	2016-17	8386+534+38	8231+507+38	35+1 (partial)
	2017-18	8386+534+38	7869+438+38	13+2 (partial)
	2018-19	8386+534+38	459+124+0	Nil
Gram Kachahari	2016-17	8386	8068	35+1 (partial)
	2017-18	8386	7795	13+2 (partial)
	2018-19	8386	823	Nil

(*District wise report had been submitted by CAs)

(Source: Progress report related to audit work maintained at Department level)

It was evident from the table above that audit reports were not submitted by the CA firms for the year 2018-19, whereas audit reports for only 15 districts (39 per cent) were submitted by the CA firms for the year 2017-18, out of which report in respect of two districts (Patna and Begusarai) were submitted partially. Further, audit reports of 36 districts were submitted by the CA firms for the year 2016-17, out of which audit report of Sheohar district was submitted partially.

1.8 Financial Reporting Issues

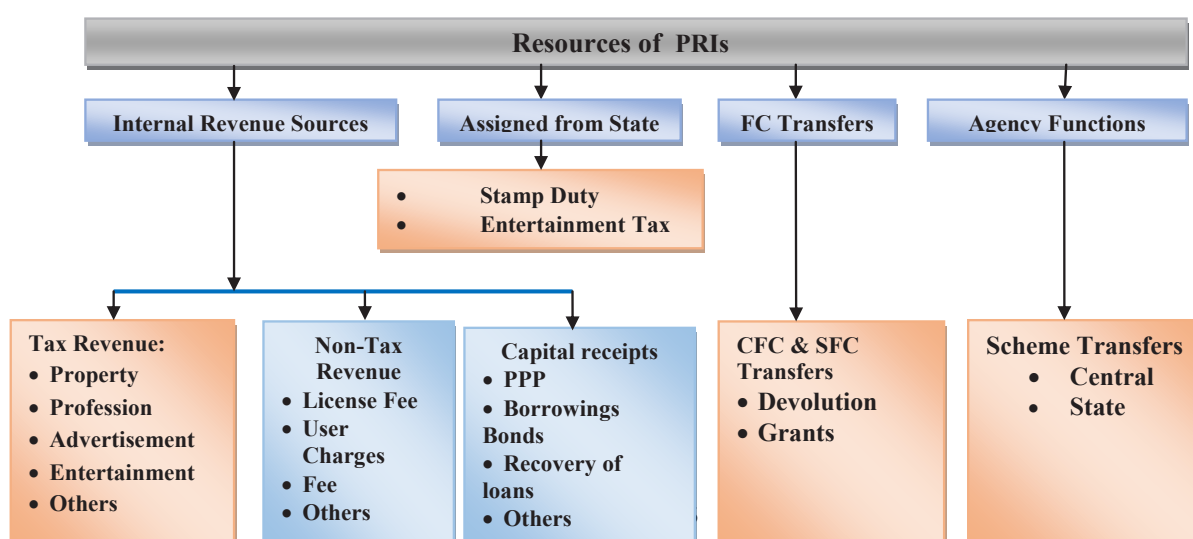
1.8.1 Sources of Funds

The resource base of PRIs consisted of its own revenue generated by the collection of tax and non-tax revenues, devolution of funds as per recommendations of 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 BPR, 2006, the PRIs were authorised to impose taxes on holdings, professions and levy tolls, fees and rates subject to a maximum rate notified by the State Government. A flow chart of sources of finances of PRIs is depicted in **Chart- 1.3** below:

Out of the three-level of PRIs only the ZPs had some own source of revenue viz. rent of shops/Inspection Bungalow, leasing of ponds/bus-stand *etc.*, whereas PRIs did not levy taxes and fees as the State Government had not yet notified the maximum rates of taxes, tolls and fees *etc.*, as of January 2021. However, the framing of Bihar Panchayat (Gram Panchayat, Audit, Budget and Taxation) Regulation was under process at the State level.

Chart-1.3: Sources of Finances



(Source: 5th State Finance Commission)

1.8.1.1 Fund Flow arrangement of Centrally/State Sponsored Schemes

Fund Flow arrangement for major Centrally/State Sponsored Schemes is given in **Table 1.11** below:

Table-1.11: Fund Flow arrangement of Centrally/ State sponsored schemes

Sl. No.	Name of Scheme	Fund flow arrangement
1.	14 th FC	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 amount of grant was to be transferred directly into the account of GPs.
2.	5 th SFC	The 5 th SFC grants will be released directly into the bank account of PRIs concerned through electronic fund transfer and core banking system. For the year 2015-16, the grant is to be released in one instalment based on Revised/Actuals of 2014-15. In the subsequent years, the first allocation of 50 per cent of the devolved funds would be released in April and the second instalment by October of the year based upon RE/Actuals of the previous year subject to the submission of account of the previous year.

Sl. No.	Name of Scheme	Fund flow arrangement
3.	<i>Mukhya Mantri Gramin Peyjal Nishchay Yojna & Mukhya Mantri Gramin Gali-Nali Pakkikaran Nischay Yojna</i>	The GoB launched <i>Mukhya Mantri Gramin Peyjal Nishchay Yojna & Mukhya Mantri Gramin Gali-Nali Pakkikaran Nischay Yojna</i> in the State from the year 2016-17. The funding of the schemes was 40 per cent of 14 th FC grants and 45 per cent of devolution portion of 5 th SFC and remaining (if required) from State Plan for each scheme. The funds were credited directly into the bank accounts of GPs by the PRD through PFMS.
4.	<i>Rajiv Gandhi Panchayat Sasaktikaran Abhiyan</i>	This is a Centrally Sponsored Scheme and fund sharing between Central and State government was in the ratio of 75:25.

(Source: Scheme Guidelines and allotment letters of GoB)

1.8.1.2 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 2014-19 is given in **Table-1.12** below:

Table-1.12: Budget allocation vis-à-vis expenditure

(₹ in crore)

Particulars	Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
1	2	3	4	5	6	7	8 (3 to 7)
1. Budgetary Allocation	Revenue	4709.01	5465.11	7386.33	9148.71	10245.17	36954.33
	Capital	100.50	2.00	0.00	0.01	1.00	103.51
	Total	4809.51	5467.11	7386.33	9148.72	10246.17	37057.84
2. Expenditure	Revenue	2374.78	2893.01	6466.66	8540.95	8408.50	28683.90
	Capital	0.00	0.00	0.00	0.00	0.00	0.00
	Total	2374.78	2893.01	6466.66	8540.95	8408.50	28683.90
3. Savings (1-2)		2434.73	2574.10	919.67	607.77	1837.67	8373.94
4. Percentage of savings		51	47	12	7	18	23

(Source: Appropriation Accounts for the year 2014-15 to 2017-18 and draft Appropriation Accounts for 2018-19 GoB)

It is evident from **Table 1.12** above that the PRD could not fully utilise budgetary allocation and the percentage of savings ranged between seven per cent and 51 per cent during 2014-19. Further, total allocation under Capital head was less than one per cent of the total allocation during 2014-19 while capital expenditure during 2014-19 was nil.

1.8.2 Recommendations of the State Finance Commission

In terms of Article 243-I of the Constitution of India and as per provisions contained in Section 168 of the BPR, 2006, GoB had constituted State Finance Commissions¹³ to assess the financial status and to determine the principles based on which adequate financial resources would be ensured to the LBs.

The 5th SFC was constituted in December 2013 for the period 2015-20 and its report was due on 31 March 2015; however, it was submitted in February 2016 with a delay of 10 months.

As per recommendations of the 5th SFC, two types of amount (i) share of net tax revenue of the State (ii) amount in shape of grants is to be released to the PRIs. The amount was to be spent on water supply, sanitation, e-governance, *Panchayat Sarkar Bhawan etc.* The devolution amount was to be distributed among GPs, PSs and ZPs in the ratio of 70:10:20 respectively. GoB had made a provision of ₹ 2,335 crore to be released to PRIs during 2015-16 but grants were not released. The first instalment of 2016-17 was to be released in April but it was observed that the same was released on 23 December 2016. Grants were released to PRIs with delays ranging from 98-252 days during 2016-17 to 2019-20 as detailed in **Table-1.13** below:

Table-1.13: Delay in Release of Grants

Year	Particulars of 5 th SFC Grant	Grant to be released to PRIs	Date of release to PRIs (Sanction order with date)	Delay in release of grants (in days)	Amount released with delays
2016-17	1 st instalment	April 2016	13/23.12.16	236	1081.16
	2 nd instalment	October 2016	18/29.03.17	148	1081.14
2017-18	1 st instalment	April 2017	27/08.01.18	252	1215.65
	2 nd instalment	October 2017	34/26.03.18	145	1215.65
2018-19	1 st instalment	April 2018	17/05.09.18	127	1300.29
	2 nd instalment	October 2018	30/08.02.19	99	1300.30
2019-20	1 st instalment	April 2019	11/07.08.19	98	1491.87
	2 nd instalment	October 2019	Under Process		1485.25
Total					10171.31

(Source: Information furnished by the Department)

Important recommendations of the 5th SFC in respect of PRIs and the present status of its implementation has been detailed in **Appendix-1.1**

1.8.3 Recommendations of the Central Finance Commission

Article 280(3)(bb) and 280(3)(c) of the Constitution of India mandate the Finance Commission to recommend measures to augment the Consolidated Fund of a State to supplement the resource of Panchayats and Municipalities.

(i) Fourteenth Finance Commission

The Fourteenth Finance Commission (14th FC) was constituted in January 2013 to make recommendations on specified aspects of Centre-State fiscal relations

¹³ First SFC - April 1994, Second SFC - June 1999, Third SFC - July 2004, Fourth SFC - June 2007 and Fifth SFC - December 2013

for the award period 2015-20 and it submitted its report on 15 December 2014. The 14th FC had recommended the assured transfer of funds to LBs for delivery of basic services¹⁴ only. In the light of 14th FC recommendations, the grants were to be disbursed to Local Bodies using the formulae recommended by the respective SFCs for distribution of resources.

The 14th FC had recommended Grants-in-Aid to duly constituted GPs in two parts viz., (i) Basic Grant¹⁵ (BG) and (ii) Performance Grant¹⁶ (PG) and prescribed two eligibility conditions¹⁷ for GPs to become eligible for PG. Further, GoI had prescribed (September 2017) two additional eligibility criteria¹⁸ for receiving PG by the GPs. The ratio of BG to PG is 90:10 in respect of GPs

The details of grants recommended by 14th FC and received by GPs during 2015-20 are given in **Table- 1.14** below:

Table-1.14: Grants recommended and released

(₹ in crore)

Year	Basic Grant			Performance Grant		
	Recommended	Released by GoI to GoB	Released by GoB to GPs	Recommended	Released by GoI to GoB	Released by GoB to GPs
2015-16	2269.18	2269.18	2269.18	0	0	0
2016-17	3142.08	3142.08	3142.08	412.15	0	0
2017-18	3630.39	3630.39	3630.39	466.41	0	0
2018-19	4199.71	4199.71	4199.71	529.67	0	0
Total	13241.36	13241.36	13241.36	1408.23	0	0

(Source: 14th FC report, grant sanctioning and allotment letters and UCs of PRD and UD&HD, GoB)

Further, GoB could not receive PG of ₹ 1408.23 crore for the period 2016-19 as the GPs could not fulfil the mandatory conditions viz., availability of audited accounts and improvement in own sources of revenue.

The PRD stated (March 2019) that steps had been taken for compliance with the mandatory conditions for PG. The reply is not acceptable as the consolidated audited accounts could not be prepared and the regulation for taxation by the GPs has not yet been framed.

(ii) Delay in release of grants

As per 14th FC recommendations, the State should release the grants to LBs within 15 days of it being credited to their account by GoI failing which the

¹⁴ Water supply, sanitation including septic management, sewage, stormwater, drainage, street lighting, LB roads and footpaths, park etc.

¹⁵ Basic grants are provided to LBs for supporting and strengthening the delivery of basic services.

¹⁶ Performance grants are designed to serve the purpose of ensuring reliable audited accounts and data of receipt and expenditure and improvement of own revenue.

¹⁷ The LBs will have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which the LBs seek to claim the PG, and they will have to show an increase in their revenues over the preceding year as reflected in the audited accounts. Further, the municipalities must measure and publish the Service Level Benchmarks (SLB) relating to basic urban services each year.

¹⁸ (i) Uploading of GPPD on Plan Plus portal of MoPR; and (ii) uploading of sector-wise expenditure on MoPR website.

State would be liable to pay penal interest to LBs at RBI bank rate from its funds.

Audit observed that the instalments for the year 2018-20 were released with a delay of 4 to 515 days. Due to delay in the release of the grants to GPs concerned, the GoB incurred a liability of ₹ 33.30 crore as detailed in **Table-1.15** below:

Table-1.15: Delay in the release of grants

(₹ in crore)

Year	Particulars of 14 th FC grants	Date of receipt by the Department	Date of release to LBs	Delay in release of grants (in days)	Amount released with delays	Penal interest at RBI rate (@ 6.75 per cent)
2018-19	1 st Instalment	6 September 2018	3 October 2018-18 February 2020	12-515	2099.79	13.58
	2 nd Instalment	9 January 2019	8 February 2019-18 February 2020	16-391	2099.63	16.18
2019-20	1 st Instalment	3 September 2019	13 September 2019 – 7 February 2020	34-142	54.01	1.05
	2 nd Instalment	25 October 2019	6 November 2019-7 February 2020	4-90	2291.08	2.49
Total						33.30

(Source: Sanctioning letter, Bank advice and cash book of PRD)

On this being pointed out by audit, the Joint Secretary of PRD replied (June 2020) that there was no delay in releasing grants to GPs as the entire amount was made available to the nodal bank at State level, but due to discrepancies in the bank accounts of GPs and technical faults in PFMS, amount of grants was released with delays.

Reply of the Department was not acceptable as the Department had to ensure release of grants directly into the accounts of the GPs within 15 days of receipt of a grant from the GoI.

Further, Audit observed that the 2nd instalment of 2018-19 and 1st and 2nd instalments of 2019-20 had not been transferred to a GP {Nari (PS Gourabouram under Darbhanga District)} till February 2020. However, the PRD had submitted the UCs for the period 2018-20 to MoPR, GoI certifying that the money had been electronically transferred to elected local bodies within 15 days of receipt of grants from the Central Government. On this being pointed out by audit, no specific reply was furnished by the Department.

1.8.4 Maintenance of records

Rule 40 of Bihar Panchayat Samitis and Zila Parishads (Budget and Account) Rules, 1964 prescribes maintenance of basic records, registers and accounts for transparency and accountability.

Scrutiny of records of four test checked ZPs¹⁹ revealed that ZPs did not maintain key records viz., Asset Register, Grant Register, Stock Register, Advance Register, Investment Register, Register of Registers, Daily Collection Register etc. As pointed out during the audit, the ZPs replied that said registers would be maintained in future.

¹⁹ Arwal, Banka, Begusarai and West Champaran, Bettiah

Failure to maintain key records was indicative of a poor monitoring mechanism and the actual financial position of the entities was not ascertainable.

1.8.5 Reconciliation of Balances as per Cashbook with Bank Passbook

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.

However, test check of two GPs²⁰ disclosed that reconciliation statements were not prepared and there was a difference of ₹ 0.62 lakh (MGNREGA account) and ₹ 0.84 lakh (13th FC and 12th FC accounts) between Cash Book balance and Bank balance as on 31 March 2016 and 31 March 2017 respectively. Further, two ZPs (Aurangabad and Buxar) also did not prepare bank reconciliation statement for the year 2016-17 and there was a difference of ₹ 0.89 lakh and ₹ 0.09 lakh respectively. Non-reconciliation of difference was fraught with the risk of misuse of funds.

1.8.6 Maintenance of Accounts by PRIs

1.8.6.1 Maintenance of Accounts by PRIs

The Panchayats were required to maintain accounts as per Section 30, 58 and 85 of the BPRA, 2006. No separate rules were framed under the existing BPRA and at the best, the provisions of the BPRA 1947 and Panchayat Samiti and Zila Parishads (Budget and Accounts) Rules, 1964 were being followed. The revised Budget and Accounts Rules for PRIs were to be framed but, the Budget and Accounts Rules for PRIs were not framed by January 2020. The PRIs were maintaining accounts on a cash basis in a single entry system.

1.8.6.2 Annual Accounts

Rule 94 of Bihar Panchayat Samitis and Zila Parishads (Budget and Account) Rules, 1964 stipulates that as soon as possible after the close of the year and not later than 15 April, the total of the receipts and expenditure of the year shall be posted in the prescribed formats of Annual Accounts.

However, the Audit observed that Annual Accounts were not prepared by the five tests checked ZPs²¹ during the period 2017-19. As a result, head-wise receipts as well as expenditure, were not ascertainable and its comparison with the budget estimate was also not possible. On this being pointed out by audit, test checked units replied that the Annual Accounts would be prepared in future.

1.8.6.3 Non-preparation of Budget

Rule 29 of Bihar Panchayat Raj Act, 2006 stipulates that every Gram Panchayat shall, at such time and in such manner as may be prescribed, prepare in each year, corresponding to the financial year of the State Government, a budget of its estimated receipts and disbursements for the following year and shall get it approved in its meeting by a majority of members present and for which the quorum should not be less than 50 per cent of its total numbers of members.

²⁰ GP Dumraith, Babhua and GP Gaundwara Patkaili, Bhawanipur Block (Purnea)

²¹ Arwal, Aurangabad, Gaya, Samastipur and Supaul.

However, the Audit observed that the budget was not prepared by the eight test checked GPs²² during the period 2017-19.

On this being pointed out in the audit, Panchayat Secretary of the GP, Bhauradah replied that due to shortage of staff, the budget could not be prepared whereas other test-checked units replied that the budget would be prepared in future as no direction was issued by the Department in this regard. Replies were not acceptable as preparation of budget was the main component of financial discipline/propriety.

Further, Rule 84 of Bihar Panchayat Raj Act, 2006 provides that every Zila Parishad shall at such time and in such manner as may be prescribed, prepare in each year a budget of its estimated receipts and disbursements for the following year and the same would be passed by the majority of members present in the meeting and quorum for such meeting shall not be less than 50 *per cent* of the total number of members.

However, the audit observed that the Budget was not prepared in two test checked ZPs²³ during the period 2016-17 while two test checked ZPs²⁴ had prepared budget for the period 2016-17 but could not get it passed from the competent authority. Further, ZP Saran had prepared the budget and also get it passed in the ZP meeting but not sent it to the State Government.

On this being pointed out, ZPs replied that the Budget would be prepared and get it passed timely in future. The reply is not acceptable as preparation of the budget is the main component of financial propriety.

1.8.6.4 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 2010) that the accounts of PRIs would be maintained in the MAS formats²⁵ 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 the computerization of accounts of all three levels of PRIs through MAS. It was observed that accounting work was done in PRIASoft till 2014-15 and out of a total of eight MAS formats, only three formats²⁶ were being generated. However, accounting work in PRIASoft was discontinued on 17 April 2015 and State-based GPMS (Gram Panchayat Management System) was adopted as a pilot project in 330 GPs for maintenance of accounts

²² *Bhauradah, Bibi bankatava, Gangi, Jimri Nautanva, Jitwarpur, Musapur, Rewra and Sainchak*

²³ *ZP West Champaran, Bettiah and ZP Lakhisarai*

²⁴ *ZP Jamui and ZP Patna*

²⁵ *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*

²⁶ *Format-I, II and III*

(May 2018). Accounts of aforesaid 330 panchayats for 2018-19 and 2019-2020 have been updated in GPMS.

Thus, after a lapse of nine years since the adoption of MAS formats, maintenance of accounts in MAS formats could not be implemented.

1.8.7 Issues related to AC/DC Bills

Rule 177 of Bihar Treasury Code (BTC), 2011 provides that a certificate would be furnished by the Drawing and Disbursing Officer to the effect that money withdrawn on the contingent bills would be spent within the same financial year and that the unspent amount would be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC, 2011 countersigned Detailed Contingent (DC) bills would be submitted to the AG (A&E) within six months following the month in which the Abstract Contingent (AC) bill was drawn and no AC bill would be encashed after the end of this period of six months unless DC bill was submitted.

However, DC bills amounting to ₹ 91.51 crore was not adjusted as of October 2019 against ₹ 1,275.78 crore drawn through AC bills during 2002-18.

The PRD stated (November 2019) that the roster of pending AC Bills was prepared by PRD and was sent to every district for review at the department level. In accordance with the directions issued in the meeting held on 20 November 2019 under the chairmanship of Pr. Secretary, Finance Department, the letter was sent to all DDOs for submission of pending DC bills.

1.8.8 Impact of Audit

The audit suggested for recovery of ₹ 65.83 lakh²⁷ in 20 cases in course of audit of nine tests checked ZPs and one GP during 2016-18 and ₹ 11.07 lakh²⁸ has since been recovered from the person(s) concerned as of August 2017 at the instance of audit.

²⁷ ZP:- Bhabua ₹ 1.00 lakh; Gopalganj ₹ 7.05 lakh; East Chmaparan, Motihari ₹ 11.79 lakh; Munger ₹ 4.17 lakh; Muzaffarpur ₹ 0.83 lakh; Nalanda ₹ 0.62 lakh; Patna ₹ 1.22 lakh; Rohtas ₹ 1.12 lakh and Vaishali ₹ 35.30 lakh. and GP Modanganj (District- Jehanabad)- ₹ 2.73 lakh.

²⁸ ZPs:-Bhbhaha- ₹ 0.60 lakh; Gopalganj- ₹ 0.81 lakh; East Chmaparan, Motihari- ₹ 0.22 lakh; Munger- ₹ 0.93 lakh; Muzaffarpur- ₹ 0.14 lakh; Nalanda- ₹ 0.62 lakh; Patna- ₹ 0.19 lakh; Rohtas- ₹ 1.12 lakh; Vaishali- ₹ 3.71 lakh and GP Modanganj (District- Jehanabad) - ₹ 2.73 lakh.



CHAPTER – II
COMPLIANCE AUDIT

Chapter – II
Panchayati Raj Department

2.1 Unfruitful expenditure on incomplete works

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

Section 61 (c) and (d) of Bihar Panchayat Raj Act, 2006 stipulate that the Executive Officer (EO) of Panchayat Samiti (PS) shall supervise and control the execution of all works under PS and take necessary measures for speedy execution of works and developmental. Rule 90 and 113 (b) of Bihar Panchayat Samitis and Zila Parishads (Budget and Accounts) Rules, 1964 envisaged that no continuing schemes shall be left in an incomplete state and the second advance for any work shall not be granted until the first advance has been accounted for and unspent balance of advance should be refunded immediately by the executing agencies.




As per direction issued (December 2011) by the Panchayati Raj Department, Government of Bihar, grants under the 13th Finance Commission (13th FC) recommendations were to be utilised for the construction of *Aanganwadi* Centres (AWCs) on a priority basis. The objectives for the construction of AWCs were to provide food, pre-school education, primary health care *etc.*, to children less than six years of age.

Scrutiny (August 2014 and status updated in September 2017 and February 2019) of records relating to construction of AWCs in seven PSs²⁹ revealed that staff³⁰ of the Gram Panchayats and the Panchayat Samitis were made the executing agents for construction of AWCs departmentally. As per work order, the work was to be completed within three to six months from the date of issue of work order. A total number of 137 AWCs with estimated cost of ₹ 9.15 crore were taken up for construction under the 13th FC grant head during 2010-11 to 2015-16 and out of that 42 AWCs (31 *per cent*) remained incomplete and left abandoned till January 2021.

The executing agents were paid a total sum of ₹ 1.62 crore as advance (May 2012 to March 2017) in two to ten instalments for execution of the aforesaid 42 works but only ₹ 1.27 crore was spent on these works and an amount of ₹ 0.35 crore (22 *per cent* of advance made) was lying with them for the last three to eight years (*Appendix-2.1*).

²⁹ Barahaiya, Bihta, Dobhi, Gurua, Maner, Pakribarawan and Ramgarh Chowk

³⁰ Panchayat Secretaries/Technician/ Jan Sewak/ Block Cooperative Officer

		
<p>Scheme no. 02/12-13 (PS-Bihta) Estimated Cost: ₹ 6.06 lakh Expenditure: ₹ 3.09 lakh Date of JPV: 23/01/2021</p>	<p>Scheme no. 04/14-15 (PS-Bihta) Estimated Cost: ₹ 7.48 lakh Expenditure: ₹ 3.37 lakh Date of JPV: 25/01/2021</p>	<p>Scheme no. 17/14-15 (PS-Maner) Estimated Cost: ₹ 7.48 lakh Expenditure: ₹ 3.94 lakh Date of JPV: 29/01/2021</p>

(JPV: Joint Physical Verification)

The EOs had attributed the reasons for not completing the works mainly to shortage of funds and transfer/death of executing agents. However, the audit observed that EOs of the PSs paid second and subsequent advances to the executing agents without adjusting the previous ones and did not supervise and monitor the execution of works. Also, EOs did not take the necessary measures to complete the works and recover the outstanding amount lying with the executing agents except issuing a few reminders to the executing agents concerned. Besides, in four PSs³¹, construction of AWCs was undertaken without ensuring the availability of funds.

Thus, due to improper planning, weak internal control and lack of effective monitoring of the works by EOs, 42 works of seven PSs remained incomplete for three to eight years which led to unfruitful expenditure of ₹ 1.27 crore besides outstanding advance of ₹ 35.36 lakh lying with the executing agents as of January 2021. Further, it resulted in non-fulfilment of the objective of construction of AWCs.

The matter was reported (25 March 2021) to the Department and reminder was issued on 1 September 2021. The reply was not received (May 2022).

³¹ Barahaiya, Gurua, Maner and Pakribarawan



PART – B
URBAN LOCAL BODIES



CHAPTER – III

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

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

3.1 Introduction

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

Accordingly, the Government of Bihar (GoB) enacted the Bihar Municipal Act (BM Act), 2007 by repealing the Bihar and Orissa Municipal Act, 1922 and framed Bihar Municipal Accounting Rules, 2014, the Bihar Municipal Accounting Manual and the Bihar Municipal Budget Manual for preparing and maintenance of accounts in the Municipalities of the State.

Sections 7 and 20 of the BM Act, 2007 lay down the criteria for classification of municipal areas by GoB. As of March 2019, there were 142 Urban Local Bodies (ULBs) in the State. The last election to the ULBs was held in May 2017.

The number and class of ULBs on the basis of population as ascertained in Census 2011 as of December 2019 have been given in **Table 3.1** below:

Table-3.1: Classification of ULBs

Category of ULBs	Grade	Population	No. of ULBs
Municipal Corporation	Larger urban areas	More than 2 lakh	12
Municipal Council	Class 'A'	1.5 lakh to 2 lakh	0
	Class 'B'	1 lakh to 1.5 lakh	14
	Class 'C'	0.40 lakh to 1 lakh	35
Nagar Panchayat	Transitional small urban areas	0.12 lakh to 0.40 lakh	81
Total			142

(Source: Information provided by UD&HD)

Municipal areas of the State were divided into a number of Wards on the basis of population that were determined and notified by the State Government. There were minimum 10 Wards and maximum 75 Wards across different classes of Municipalities in the State. As of December 2019, there were 3,398 Wards in the State.

3.1.1 State Profile

The State of Bihar is among the least urbanized States in the country. As per Census 2011, urban population of Bihar was 1.18 crore constituting 11.29 per cent of the total population (10.41 crore) of the State. The national average for urbanization stands at a much higher level at 31.2 per cent. Though, Bihar

has 8.6 per cent of India's total population, yet only 3.1 per cent of the total population of India lives in urban areas of Bihar and only one city (Patna) of the State has more than one million population. The comparative demographic and development statistics of the State have been given in **Table 3.2** below:

Table-3.2: Important statistics of the State

Sl. No.	Indicators	Unit	State	All India
1	Urban Population	Million	11.76	377.11
2	Urban Population Density	Person per Sq. km	4811	3836
3	Urban Literacy	Per cent	76.86	84.11
4	Urban Sex ratio	females per thousand males	895	900
5	Urban poverty level	Per cent	31.2	13.7
6	Municipal per capita own revenue	₹	58	2540
7	Number of ULBs	Number	142	4526
8	Number of districts	Number	38	734

(Source: Sl. no. 1 to 6 from Census 2011 and sl. no. 7 & 8 from Local Government Directory published by Ministry of Electronics & Information Technology, GoI)

3.2 Organisational set up in ULBs

The ULBs are under administrative control of Urban Development and Housing Department (UD&HD), GoB and headed by the Principal Secretary/Secretary. The Municipal Commissioner-cum-Chief Executive Officer is the executive head of the Municipal Corporation while Municipal Council and Nagar Panchayat are headed by the Executive Officers appointed by the State Government. The Chief Municipal Officer is the Principal Executive Officer of the Municipality and all officers and other employees of the Municipality are subordinate to him. Executive functions for carrying out the administration of the Municipality are vested in the Chief Municipal Officer. Joint/Additional/Deputy Municipal Commissioner is appointed in Municipal Corporation to assist the Municipal Commissioner and City Manager is appointed on contractual basis in Municipal Corporation and Municipal Council/ Nagar Panchayat to assist the Joint/Additional/Deputy Municipal Commissioner and Municipal Executive Officers respectively.

The ULBs have an Empowered Standing Committee (ESC) comprising Councilors elected by the people and headed by the Mayor (for Municipal Corporations), the Chairperson (Municipal Councils) and the Municipal President (Nagar Panchayats) elected among Ward Councilors who preside over the meetings of the ESC. The Chief Councilor is the head of the ESC and executive power of a Municipality is exercised by the ESC. The Municipal Administration functions under its supervision and control and the Chief Councilor exercises such powers and functions as are delegated to him by the ESC and conferred on him by or under BM Act, 2007. The organisational structure of ULBs is presented in **Chart-3.1** and **Chart-3.2** below:

Chart-3.1: Elected Body

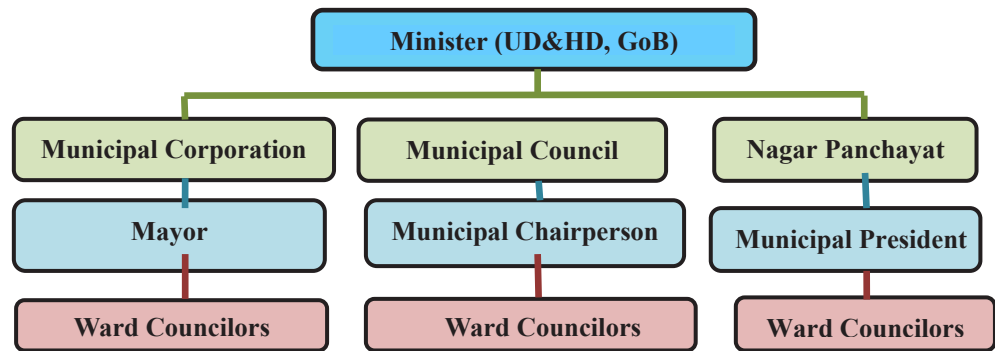
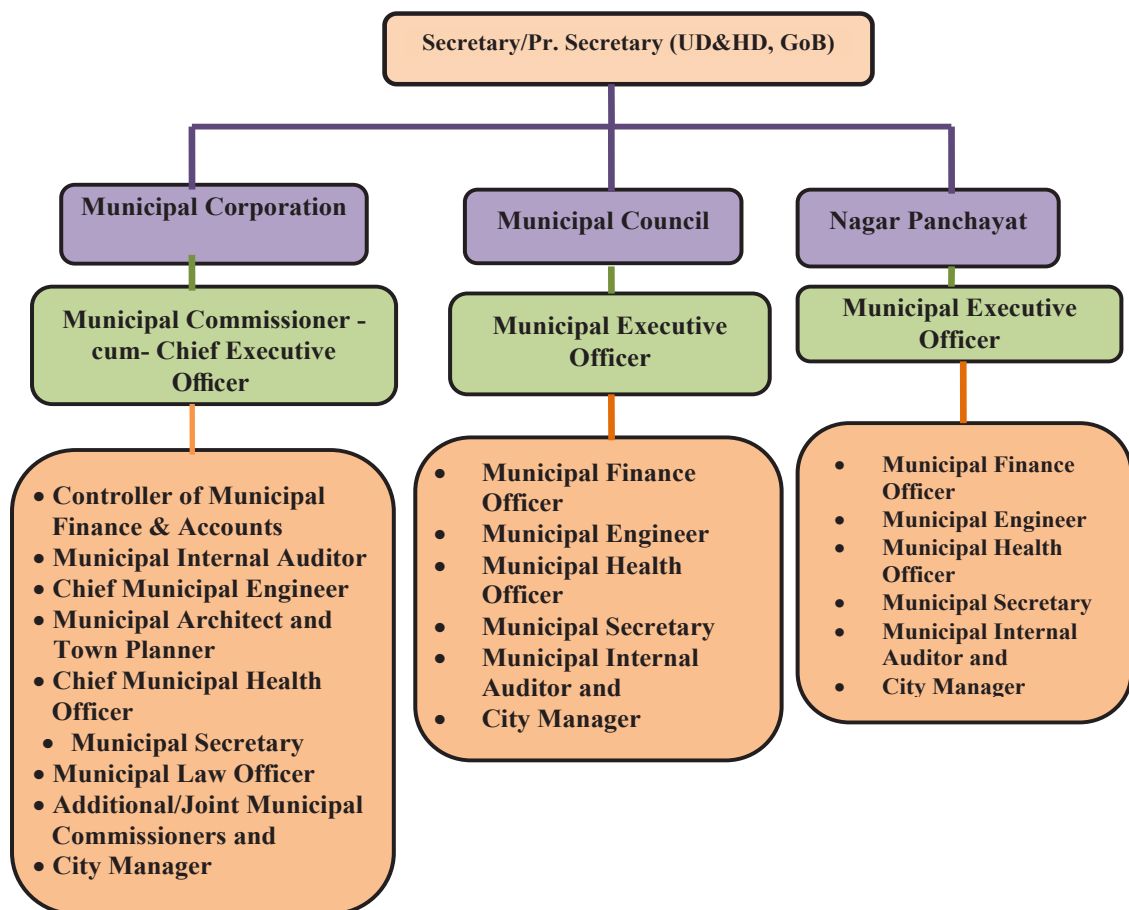


Chart-3.2: Administrative Body



(Source: Section 36 of BM Act, 2007 and information provided by UD&HD)

3.3 Functioning of ULBs

3.3.1 Powers of the State Government

The BM Act, 2007 entrusts the State Government with certain powers so as to enable it to monitor proper functioning of the ULBs. The ULBs have been devolved some powers for delivery of services as stipulated in BM Act, 2007, but decision on all key issues rests largely with the State Government. A brief summary of powers of the State Government is given in **Table-3.3** below:

Table-3.3: Powers of the State Government

Authority	Powers of the State Government
Section 3 and 6	Constitution of Municipal Area: The State Government may, after making such enquiry as it may deem fit, and having regard to the population of any urban area, density of population therein, the revenue generated for the local administration of such area may by notification constitute such large urban area, city, town or transitional area or any specified part thereof as a municipal area under this Act.
Section 44	State Municipal Vigilance Authority: The State Government shall appoint <i>Lok Prahari</i> 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	Power to inspect office, call for records etc.: The State Government may depute officer inspect any office or call for the records under the control of the ULBs.
Section 87	Preparation of Manual: The State Government shall prepare and maintain a Manual <i>viz.</i> , 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	Power to make Rules: The State Government may, by notification, make rules to carry out the purpose of BM Act, 2007 subject to approval by the State Legislature.
Section 421 and 423	Power to make regulations: The Municipality may make regulations for the purpose of giving effect to the provisions of BM Act, 2007 subject to approval of the State Government.
Section 487	Removal of difficulties: If any difficulty arises in giving effect to the provisions of BM Act, 2007, the State Government may do anything necessary to remove such difficulty.

(Source: BM Act, 2007)

3.3.2 Devolution of functions, funds and functionaries

(i) Devolution of Functions

The 74th Constitutional Amendment Act (74th CAA), 1992 enables the ULBs to perform functions related to 18 subjects referred to in the Twelfth Schedule of the Constitution. Accordingly, GoB made provisions in BM Act, 2007 for functions relating to 17 subjects (except fire services) to be carried out by the ULBs (*Appendix – 3.1*).

Audit observed that out of 17 subjects, functions relating to 12 subjects were carried out directly by the ULBs and functions relating to remaining five³² subjects were performed by the functional departments³³/ Parastatal Bodies (PBs)³⁴ of the GoB. Separate notification regarding devolution of functions in

³² (1) Water supply by Public Health Engineering Department except in Patna (2) Urban forestry and protection of environment by Forest & Environmental Change Department (3) Flood, draught and other disaster by Disaster Management Department (4) Primary education by Education Department (5) Land resource and revenues by the Revenue and Land Reform Department.

³³ Public Health Engineering Department, Forest & Environment Department, Art & Culture Department and Education Department.

³⁴ A company or agency owned or controlled wholly or partly by the government (Bihar Urban Infrastructure Development Corporation, Bihar Urban State Transportation Ltd, Bihar Urban Development Agency, District Urban Development Agency and Bihar Rajya Jal Parshad).

terms of 74th CAA was not issued and activity mapping for clarification of roles and responsibilities to be carried out by ULBs was also not done.

Due to poor staffing and technical incapability of the ULBs, a number of PBs were created for performing various function of ULBs and funds were accordingly devolved to them. On this being pointed out by audit, Assistant Director-cum-Joint Secretary of the Department replied (December 2019) that devolution could not be done completely due to shortage of infrastructure and manpower.

Thus, the functions of ULBs were overlapped by the functional departments of GoB/PBs and even after a lapse of more than 27 years of the 74th CAA, ULBs were not able to carry out their mandated functions.

(ii) Devolution of Funds

Section 72(3) of BMA 2007 provided that the State Government to provide grants to the Municipalities for implementation in full or in part of any scheme included in the Annual Development Plan of the Municipality. The Central/ State Government had provided funds under different heads such as Central Finance Commission (CFC), SFC and Sate Plan *etc.* to carry out the mandated functions related to 18 subjects listed in the Twelfth Schedule of the Constitution to ULBs.

Details of grants released under 14th FC, 4th SFC and 5th SFC are given in **Table-3.4** below:

Table-3.4: Release of grants under 14th FC, 4th SFC and 5th SFC

Sl. No.	Grant Head	Period	Grant Released (₹ in crore)
1.	14 th FC	2014-2019	1489.86
2.	4 th SFC	2014-2015	406.79
3.	5 th SFC	2015-2019	3431.72

(Source: Information provided by UD&HD)

Details regarding short receipt/release, non-release and delay in release of grants related to 14th FC and 5th SFC have been discussed in the succeeding paragraphs.

(iii) Devolution of functionaries

Section 36 of BM Act, 2007 provided a number of posts for ULBs but most of these posts were vacant. On being asked by audit to provide data related to men-in-position in respect of all categories of posts in all ULBs, UD&HD furnished only the details of posts of Municipal Commissioners/Executive Officers, Assistant and Junior engineers and City Managers (as of October 2019) as detailed in **Table-3.5** below:

Table-3.5: Vacant posts of Executive and technical staff in ULBs

Sl. No.	Designation	Sanctioned Post	Men- in position	Vacancy	Percentage of vacant posts
1.	Municipal Commissioner	12	11	01	8
2.	Executive Officers	137	110	27	20
3.	City Manager	227	64	163	72
4.	Assistant Engineer (AE)	256	1	255	100
5.	Junior Engineer (JE)	517	54	463	90
Total		1149	240	909	79

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

It was evident from the table above that out of total 1,149 sanctioned posts, 909 posts (79 per cent) belonging to different categories were vacant especially shortage of technical manpower (AE-100 per cent and JE-90 per cent) and City Manager (72 per cent) who had to play very important role in carrying out the functions of ULBs.

Audit observed that the State Government framed Bihar Municipal Officers (Appointment and Service Conditions) Rules, 2008 for appointment of regular Municipal Executive Officer in Municipalities and 5,813 posts of various categories were sanctioned (March 2019) by the Department for the ULBs.

Thus, there was acute shortage of manpower which adversely affected its functioning.

3.4 Formation of various Committees

3.4.1 Empowered Standing Committees (ESC)

Section 21 and 22 of BM Act, 2007 provided that in every Municipality, there would be an ESC and the executive powers of a Municipality would be vested in the ESC. The Chief Councilor would exercise such powers and functions as delegated to him/her by the ESC. The composition of ESC is shown in Table-3.6 as below:

Table-3.6: Empowered Standing Committees

Category of ULBs	Presiding Officer	Composition of ESC	Remarks
Municipal Corporation	Mayor	Mayor, Deputy Mayor and seven other Councilors	Other members of ESC shall be nominated by the Chief Councilor from amongst the elected Councilors.
Class 'A' or 'B' Municipal Council	Municipal Chairperson	Municipal Chairperson, Municipal Vice-Chairperson and five other Councilors	
Class 'C' Municipal Council	Municipal Chairperson	Municipal Chairperson, Municipal Vice-Chairperson and three other Councilors	
Nagar Panchayat	Municipal President	Municipal President, Municipal Vice-President and three other Councilors	

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

The ESC was collectively responsible to the Municipal Corporation, the Municipal Council and the Nagar Panchayat as the case may be. On current status of the constitution of ESC, UD & HD replied (December 2019) that ESC had been constituted in every municipality.

3.4.2 District Planning Committees

Article 243 ZD of the Constitution envisaged formation of a District Planning Committee (DPC) to consolidate the plans prepared by both the panchayats and Municipalities in the district and to prepare a Draft Development Plan (DDP) for the district as a whole. Accordingly, GoB made provisions in BM Act, 2007 and framed constitution of Bihar District Planning Committee and Conduct of Business Rules, 2006. Section 275 of BM Act, 2007 also provides that all development plans to be executed by the ULBs should be included in the DDP of the district consolidated by the DPCs and approved by the State Government.

Audit observed that DPC was constituted in February 2018 after election of Panchayats and Municipalities in the year 2016 and 2017 respectively. Thus, DPC did not exist during the period between 2016 and 2017. As a result, the

plans for execution of development works approved by the GPs and Municipalities could not be consolidated at district level and therefore the DDP could not be prepared and submitted to the Departments.

On being asked by Audit in respect of constitution of DPC in every district, Assistant Director-cum-Joint Secretary of UD&HD replied (December 2019) that DPCs had been constituted by the PRD.

3.4.3 Municipal Accounts Committees

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

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

On constitution of the Municipal Accounts Committee in ULBs, the Assistant Director-cum-Joint Secretary of UD&HD stated (February 2020) that Municipal Accounts Committee had not been constituted in ULBs and its constitution was under process.

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

3.4.4 Subject Committee

Rule 32 of BMA 2007 Provided that a Municipal Corporation or a Class 'A' Municipal Council, from time to time to constitute Subject Committees consisting of Councilors to deal with the matters (a) water-supply, drainage and sewerage and solid waste management; (b) urban environment management and land use control; and (c) slum up-gradation and basic services for urban poor. The recommendations of a Subject Committee were to be submitted to the ESC for its consideration. In this regard the Assistant Director-cum-Joint Secretary of UD&HD stated (December 2019) that information regarding constitution of Subject Committee was not available in Department.

3.4.5 Wards Committee

Rule 30 of BMA, 2007 provided that every Municipal Corporation having a population of three lakh or more, at its first meeting after the election of Councilors thereto or as soon as may be thereafter, group the Wards of the Corporation in such manner that each group consists of not less than three Wards, and constitute a Wards Committee for each such group. Each Wards Committee was to be consisting of the Councilors elected from the Wards constituting the group. A Wards Committee was subject to the general supervision and control of the ESC, discharge, within the local limits of the group of Wards, the functions of the Municipality relating to the provision of supply-pipes and drainage and sewerage connections to premises, removal of accumulated water on the streets or public places due to rain to otherwise, collection and removal of solid wastes, disinfection, provision of health immunization services and slum services, provision of lighting *etc.* In this regard the Assistant Director-cum-Joint Secretary of UD&HD replied (December 2019) that system of Wards Committee had been established in the all ULBs.

3.5 Audit Arrangement

3.5.1 Primary Auditor

Section 91(1) of BM Act, 2007 provides that the accounts contained in the financial statement, including the accounts of special funds, if any, and the balance sheet shall be examined and audited by the Director Local Fund Audit (DLFA) or his equivalent authority or auditor appointed by the State Government from the panel of professional Chartered Accountants. Further, as per section 91(2) of BM Act, 2007 (amended in 2013) the CAG of India shall provide Technical Guidance and Support (TGS) over proper maintenance of accounts and audit of the accounts of ULBs and an Annual Report prepared by the CAG shall be laid before both the Houses of State Legislature.

The State Government authorised (November 2007) the ELA of the office of the Accountant General (Audit), Bihar to work as Director Local Fund Audit (DLFA). Accordingly, audit of ULBs was conducted by the ELA till adoption (December 2016) of TGS System for audit of the accounts of Local Bodies.

Further, in pursuance 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-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 LBs under TGS arrangement as laid in the Regulations on Audit and Accounts, 2007 were accepted by the GoB in December 2015 and subsequently, audit of the accounts of LBs under TGS was commenced by the CAG since January 2017 and since then the DLFA started functioning the role of primary external auditor.

The DLFA had conducted audit of the accounts of only 82 ULBs during 2015-16 to 2018-19 as detailed in **Table- 3.7** below:

Table-3.7: Audit conducted by DLFA

Year	Total No. of ULBs	Audit conducted				Percentage of audit conducted
		Municipal Corporation	Municipal Council	Nagar Panchayat	Total	
2015-16	142	0	7	1	8	6
2016-17	142	11	4	0	15	11
2017-18	142	0	16	15	31	22
2018-19	142	0	15	13	28	20
Total		11	42	29	82	

(Source: Information furnished by DLFA)

It is evident from the table above that DLFA had audited very less number of units ranging from six *per cent* to 22 *per cent* during 2015-19. On this being pointed out in audit, the DLFA replied (February 2020) that out of sanctioned post of 314 for local fund audit, men in position was only 44 (14 *per cent*). Out of aforesaid 44 posts, 13 auditors were on deputation to various Departments and only 31 auditors were available for audit.

Thus, due to manpower constraints, DLFA was not able to perform completely the function of primary auditor in respect of audit of accounts of LBs.

(i) Poor response to Inspection Reports (IRs) issued by DLFA

Audit observed that status of compliance of audit paragraphs contained in the IRs was not satisfactory as evident from huge number (almost 100 *per cent*) of audit paragraphs were outstanding for settlement as of February 2020 as detailed in **Table - 3.8** below:

Table-3.8: Outstanding paragraphs in ULBs for the period 2014-19

Year	No of IRs issued	No. of paras in IRs	Amount involved (in lakh)	No of paras settled	Amount of settlement	No of Paras outstanding	Money value of paras outstanding (₹ in lakh)
2014-15 to 2018-19	27	404	11943.83	2	0.79	402	11943.06

(Source: Information furnished by DLFA)

It is evident from the table above that out of total 404 paragraphs contained in 27 IRs, only two paragraphs (0.50 *per cent*) were settled and 402 paragraphs involving ₹11943.06 lakh were pending for settlement as of February 2020.

Thus, huge paragraphs outstanding for settlement indicated weak internal control in ULBs and inaction at the part of the authorities concerned to ensure compliance of outstanding audit paragraphs.

(ii) Preparation of Annual Reports by DLFA

As per the recommendations of 13th FC, Annual Technical Inspection Report (ATIR) prepared by the CAG and Annual Report prepared by the DLFA were to be placed before State Legislature.

On this being pointed out by audit, Assistant Director, DLFA replied (April 2020) that due to lack of technical expertise, less coverage of units audited and less availability of manpower required for audit, DLFA was not able to prepare Annual Report.

3.5.2 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 (13th FC) had also recommended that the CAG must be entrusted with the TGS over the audit of all the LBs at every tier/category and his ATIR as well as Annual Report of DLFA must be placed before the State Legislature. Fourteenth Finance Commission (14th FC) 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 cell³⁵ under the Finance Department for audit of Local Bodies. 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 had been 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 LBs under TGS arrangement.

Audit under TGS arrangement was commenced in the State from January 2017. The DLFA conducted audit of the accounts of 882 LBs units during 2017-19 but they did not forward any IR for TGS till August 2020 to AG (Audit) despite the requisition made to provide 25 IRs.

Thus, technical guidance and quality improvement in IRs could not be suggested by this Office and therefore the objective to provide TGS to audit of LBs could not be fulfilled.

3.6 Response to audit Observations

3.6.1 Poor response to IRs issued by AG (Audit)

Consequent upon completion of field audit, IRs containing audit findings were to be sent to the audited entities with a copy to the Department concerned of

³⁵ Comprising 39 Senior Auditors and one Deputy Finance Controller

GoB. The Municipal Commissioners/Executive Officers of the audited entities concerned were required to respond to observations contained in the IRs and submit compliance report within three months from the date of receipt of the IRs.

Audit observed that Municipal Commissioners/Executive Officers did not take effective steps to furnish compliance of the audit observations contained in the IRs which was evident from increasing number of outstanding audit paragraphs year by year. Details of paragraphs outstanding for the last five years as of October 2019 are given in **Table -3.9** below:

Table-3.9: Outstanding audit paragraphs for the last five years (2014-19)

Year	No. of IRs	No. of paragraphs in IRs	Amount involved (₹ in crore)	No. of paragraphs settled	Amount of settlement (₹ in crore)	No. of paragraphs outstanding	Money value of paragraphs outstanding (₹ in crore)
1	2	3	4	5	6	7 (3-5)	8 (4-6)
2014-15	89	2887	348.16	728	5.64	2148	342.53
2015-16	33	939	68.5	346	3.27	586	65.23
2016-17	86	2386	377.31	616	0.66	1763	376.65
2017-18	32	884	957.61	314	3.36	568	954.25
2018-19	31	644	383.46	0	0	644	383.46
Total	271	7740	2135.04	2004	12.93	5709	2122.12

(Source: Inspection Reports of ULBs)

It is evident from the table above that out of total 7,740 audit paragraphs contained in 271 IRs, only 2,004 paragraphs (26 per cent) were settled and 5,709 paragraphs involving ₹ 2,122.12 crore remained outstanding as of October 2019.

Thus, a large number of paragraphs outstanding for settlement indicated lack of efforts by the Municipal authorities in furnishing compliance to audit observations. Lack of action on compliance of IRs was fraught with the risk of perpetuating serious financial irregularities pointed out in these reports.

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

In the State, report of the ELA was prepared for the period 2005-06 to 2013-14 and thereafter CAG's Audit Reports on LBs for the period 2014-15 and 2015-16 were prepared.

(i) ELA's Annual Audit Report

The Finance Department, GoB constituted (March 2010) three-tier Committees – High Level, Department Level and District Level for review/ compliance of the Annual Audit Reports prepared by the ELA. The District Level Committee³⁶ has the responsibility to ensure compliance of audit paragraphs/ reports received by ULBs of that district. The Department Level Committee³⁷ has to review the status of compliance made by the District Level Committees. A High Level

³⁶ Headed by the District Magistrate/Deputy Development Commissioner

³⁷ Headed by the Principal Secretary/Secretary of the UD&HD, GoB

Committee³⁸ has to meet once in six months to review the functioning of District Level and Department Level Committees.

Audit observed that during the period 2018-19, only 17 District Level Committee meetings were held against proposed 129 meetings but no para contained in the ELA report was discussed. On this being pointed out by audit, UD&HD replied (January 2020) that the District Magistrates were reminded repeatedly by the Department for convening the meeting at their levels and the Executive Officers/Municipal Commissioners of the ULBs were directed to participate in these meetings. Further, it was decided that Public Account Committee would discuss on the ELA reports placed before State Legislature.

Audit further observed that last Department Level Committee meeting was held in July 2015 while no High Level Committee meeting was held since August 2013. On this being pointed out, Finance Department intimated (January 2020) that despite constant pursuance, no review report had been submitted by UD&HD to Finance Department which led to non-conduction of Department Level Committee meeting. Due to non-holding of meetings of Department level Committee (since July 2015) and High Level Committee (since August 2013) and holding of a few meetings (13 *per cent*) of District Level Committee, the compliance of ELA's annual report could not be ensured even after lapses of ten years since constitution of these Committees.

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

(ii) Compliance to C&AG's Report on LBs

As per provisions contained in Section 91(2) of the BM Act, 2007 (amended in January 2014), the Annual Report on account of ULBs Prepared by the CAG shall be laid before both the Houses of State Legislature.

The first CAG's report on LBs, GoB for the year ended March 2015 was tabled in the State Legislature on 4 April 2016. Four paragraphs of the report were discussed in the Public Accounts Committee and out of that only one audit observation was settled till June 2020.

Further, the CAG's report on LBs, GoB for the year ended March 2016 was tabled in the State Legislature on 23 August 2017. Discussion on the report had not been started in the Public Accounts Committee till June 2020.

3.7 Accountability Mechanism

3.7.1 Lok Prahari (Ombudsman)

Section 44(1) of BM Act, 2007 provides for appointment of *Lok Prahari* (Ombudsman) for looking into any allegation of corruption, lack of integrity, malpractice *etc.*, of the authorities of the ULBs. The qualification, terms and conditions and tenure of appointment and the powers and duties of the *Lok*

³⁸ Headed by the Principal Secretary to the Finance Department, GoB and the Principal Accountant General (Audit), Bihar as a member.

Prahar (Ombudsman) shall be as may be prescribed by the Government. The 13th FC and the 5th SFC had also recommended to put in place a system of independent LB *Lok Prahar* (Ombudsman). Further, a letter was communicated (February 2018) from Ministry of Housing & Urban Affairs, GoI to the Chief Secretary, GoB regarding appointment of “*Lok Prahar* (Ombudsman)” for the Urban Local Bodies in Bihar.

Audit observed that a common *Lok Prahar* (Ombudsman) for both PRIs and ULBs was to be appointed. The UD&HD had written letters (January 2015 and September 2018) to get the opinion of PRD in this context, but no response was received from PRD.

Thus, despite provision in BM Act 2007 and the recommendations of 13th FC & 5th SFC in addition to the instruction of Ministry of Housing & Urban Affairs, GoI, *Lok Prahar* (Ombudsman) who was required for looking into any allegation of corruption, lack of integrity, malpractice *etc.*, of the authorities of the ULBs, was not appointed by GoB.

3.7.2 Social Audit

The basic objective of the Social Audit is to ensure public accountability in the implementation of projects, laws and policies through public participation. The 5th SFC had recommended that social audit was to be conducted in ULBs as an accountability measure and social audit for slum and poverty alleviation programmes should be a must though the BM Act, 2007 does not provide for Social Audit in ULBs.

One society registered under Society Registration Act 1862 namely *Samajik Ankechhan* Society has been persuaded (October 2018) for conducting Social Audit of schemes executed by ULBs as per the directive of Rural Development Department (RDD).

Further, UD&HD requested (November 2018) Social Audit Society (SAS) for social audit of the five Schemes³⁹ as per RDD’s directives. But, the SAS had recommended for training of the officials for this purpose and social audit was not conducted in ULBs.

Thus, despite recommendation of 5th SFC, arrangement for conducting social audit was not made. As a result, public accountability in implementation of projects, laws and policies through public participation could not be ensured by ULBs.

3.7.3 Property Tax Board

Section 138(A) of BM Act, 2007 provides for putting in place a State level Property Tax Board for independent and transparent procedure to optimize assessment, collection and recovery of Property Tax. The 13th FC had also recommended setting up of a State Level Property Tax Board to assist the ULBs to put in place an independent and transparent procedure for assessing Property Tax.

³⁹ *Pradhan Mantri Shahri Aawas Yojana, Shauchalya Nirman Yojana (Shahri), Mukhyamantri Shahri Nali-Gali Pakkikaran Nischay Yojana, Mukhyamantri Shahri Peyjal Nischay Yojana and Deendayal Antyodaya Yojana-National Urban Livelihoods Mission (DAY-NULM)*

Further, UD&HD, GoB had framed and notified (May 2013) the Bihar Property Tax Board Rules, 2013. Roles and responsibilities of Property Tax Board were envisaged in Property Tax Board Rules, 2013 as follows:

- a) to undertake directly or through an agency, enumeration of all lands and buildings in each municipality once in five years to widen the tax net and maintain an updated database of properties in the ULBs in the state;
- b) suggest the State Government methods and procedures for review and updating the rental values or market values of lands and buildings every 5 years or earlier;
- c) suggest measures for making the Holding Tax system more buoyant; and
- d) to review and evaluate performance of each ULB in regard to assessment of land from Holding Tax against a pre-determined target and suggest improvements on a continuous basis.

Regarding the present status of constitution of Property Tax Board, the UD&HD replied (January 2020) that Property Tax Board was not constituted and appointment of the Chairman/members of the Board was still under process.

Thus, due to non-constitution of Property Tax Board even after lapses of more than seven years since framing of the Property Tax Board Rules, assessment, collection and recovery of Property Tax in ULBs could not be optimized.

3.7.4 Service Level Benchmarks

The 13th FC recommended that State Government must gradually put in place standards for delivery of all essential services provided by Local Bodies. State Governments must notify or cause all the Municipalities to notify by the end of a fiscal year (31 March) the service standards for four service sectors-water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year.

Accordingly, UD&HD had notified (March 2011) Service Level Benchmarks (SLBs) for services provided by the ULBs. Department had provided data related to achievements against the target set by the twelve Municipal Corporations (MCs) in case of Solid Waste Management indicator and partially data of water supply indicator.

Audit observed that none of the 12 MCs achieved the target set against the indicators under Solid Waste Management. Extent of segregation of Municipal Solid Waste (MSW) was nil in five MCs⁴⁰, coverage of scientific disposal of MSW was also nil in eight MCs (except in Gaya, Muzaffarpur, Munger and Darbhanga where achievement ranged between 15 and 50 *per cent*). Besides, data related to the achievement of coverage of household for water supply connections were not provided by four MCs⁴¹ and in seven MCs⁴², achievement ranged from eight to 34 *per cent* against the target of 100 *per cent* while in MC Munger it was under tender (**Appendix-3.2**). Thus, the target set for the service level benchmark by the Department was partially achieved.

⁴⁰ Ara, Biharsharif, Chhapra, Katihar and Patna

⁴¹ Bhagalpur, Gaya, Muzaffarpur and Patna

⁴² Ara, Begusarai, Biharsharif, Chhapra, Darbhanga, Katihar and Purnea

3.7.5 Submission of Utilisation Certificates

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

As per the UCs compiled by the PAG (A&E), Bihar Patna 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 ₹ 5,443.55 (52 per cent) were pending for adjustment as of June 2020. Year wise details of UCs pending are given in **Table-3.10** below:

Table-3.10: Year wise details of UCs pending

(₹ in crore)

Year	Grant sanctioned	Adjusted UC amount	Pending UC amount	percentage of Pending UC amount
2015-16	2239.53	1347.56	891.97	40
2016-17	3097.21	2055.38	1041.83	34
2017-18	3010.27	1078.26	1932.01	64
2018-19 (up to November 2018)	2161.77	584.03	1577.74	73
Total	10508.78	5065.23	5443.55	52

{Source: Information provided by O/o PAG (A&E)}

However, Assistant Director-cum-Joint Secretary of the Department intimated (December 2019) that UCs amounting to ₹ 9526.72 crore for the period April 2015 to January 2020 were submitted to O/o PAG (A&E) and out of that ₹ 7189 crore was adjusted and ₹ 2337.72 crore was pending for adjustment. He further stated that continuous efforts were being made for obtaining UCs.

Thus, huge pending UCs for a long period of time indicated weak internal control and poor monitoring mechanism as well as fraught with risk of mis-utilisation of funds.

3.7.6 Internal Audit by Chartered Accountant

The Department had engaged (April 2016) 17 CAs for internal audit of the accounts of 140 Municipalities for the years 2014-17. Present status of audit by CA is under **Table - 3.11** as below:

Table-3.11: Units audited and reports submitted

Sl. No.	Period	Audit to be conducted	Audit completed	Reports submitted by the CA firms
1.	2014-15	140	140	138
2.	2015-16	140	140	138
3.	2016-17	140	140	138
4.	2017-18	140	140	Final report not submitted
5.	2018-19	140	125	
Total		700	685	

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

It is evident from the above table, out of 700 internal audits was to be conducted, 685 internal audits were actually conducted during 2014-19 but only 414 reports were submitted by CA firms till January 2020. On non-submission of reports for the period 2017-19 by CA firms, Assistant Director-cum-Joint Secretary of UD&HD replied (January 2020) that it was due to lack of regular follow-up at ULB level, however, Department was regularly monitoring the issue.

Further, scrutiny of internal audit report revealed that the CAs did not cover the entire scope of works as stipulated in the Terms of Reference (ToR) viz. no comments on procurement of materials including e-tendering and e-auction, Trial balance, monthly Receipt and payment accounts *etc.*

Thus, non-submission of internal audit report in due time and not addressing the entire issue relating to accounts/finance indicated deficient internal audit mechanism.

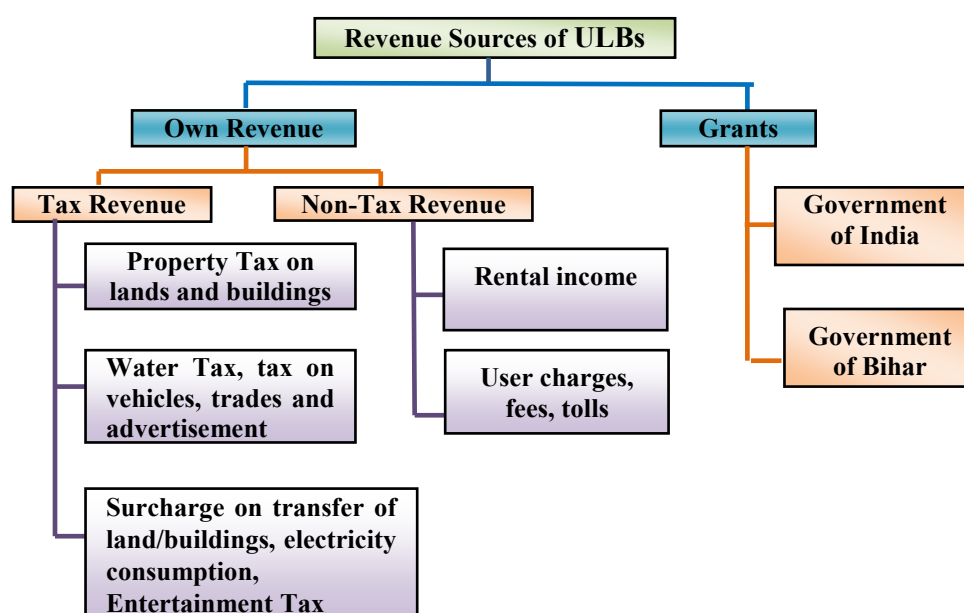
3.8 Financial Reporting Issues

3.8.1 Sources of Funds

3.8.1.1 Sources of Funds

The Bihar Municipal Act, 2007 lists out the set of taxes which the Municipalities may levy for raising revenues. The Municipalities may levy users-charges additionally for delivering various services as mentioned in the Act. The fees and fines are also leviable on the sanction of building plans, municipal license for uses of lands *etc.* The BM Act also provides for a grant in aid for them on recommendation of Central Finance Commission (CFC) and State Finance Commission (SFC). Sources of funds of ULBs are shown in **Chart-3.3** below:

Chart-3.3: Sources of Funds



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

3.8.1.2 State Budget allocation vis-à-vis expenditure

The budget provisions made by the State Government to ULBs including State share towards GoI Schemes and grants received under recommendations of CFCs for the year 2014-19 are given in **Table- 3.12** below:

Table-3.12: Budget allocation vis-à-vis expenditure

(₹ in crore)

Sl. No.	Particulars	Head	2014-15	2015-16	2016-17	2017-18	2018-19	Total
	1	2	3	4	5	6	7	8 (3 to 7)
1.	Budgetary Allocation	Revenue	3300.59	3111.15	4622.75	5047.93	5361.29	21443.71
		Capital	1.00	37.73	0	0	3.00	41.73
		Total	3301.59	3148.88	4622.75	5047.93	5364.29	21485.44
2.	Expenditure	Revenue	1778.46	1977.47	3377.93	3236.04	3297.02	13666.92
		Capital	0	0	0	0	3.00	3.00
		Total	1778.46	1977.47	3377.93	3236.04	3300.02	13669.92
3.	Saving (1-2)		1523.13	1171.41	1244.82	1811.89	2064.27	7815.52
4.	Percentage of saving		46	37	27	34	38	36

(Source: Appropriation Accounts of Government of Bihar)

It is evident from **Table 3.12** above that the UD&HD could not utilise budgetary allocation fully and percentage of saving ranged between 27 per cent and 46 per cent during 2014-19. Total allocation under Capital head was less than one per cent of the total allocation during 2014-16 and 2018-19 while capital expenditure during 2014-18 was nil.

3.8.1.3 Receipts and Expenditure of ULBs

The consolidated position of receipts and expenditure of grants by all ULBs under various schemes was not provided by UD&HD. However, UD&HD provided receipts and expenditure for the period 2014-15 to 2018-19 only in respect of 35 ULBs where Double Entry Accounting System (DEAS) was introduced in 2015-16 as indicated in **Appendix-3.3**.

Audit observed that revenue grants were the major component (70 per cent) of the revenue income in ULBs throughout the period from 2014-15 to 2018-19. These 35 ULBs failed to incur capital expenditure (except for period 2018-19) despite continuous capital grants allotted to ULBs during period 2014-19. Further, establishment expenditure comprised a very large part (46 per cent) of total revenue expenditure and self-generated income of ULBs was not sufficient to meet even their establishment expenses.

3.8.2 Recommendations of Central Finance Commission

(i) Fourteenth Finance Commission (14th FC)

As per recommendations of the 14th FC, grants were released under two components i.e. Basic Grant (BG) and Performance Grant (PG). The BG were to be utilised for providing basic services viz. water supply, sanitation, sewerage, storm water drainage, solid waste management *etc.* while PG were designed to serve the purpose of ensuring reliable audited accounts and data of receipt and expenditure and improvement of own revenue.

The GoI had to release BG for a year to the State in two installments in June and October. The division of grants between BG and PG should be in the ratio of 80:20 for Municipalities. The 14th FC had laid the following three conditions which would enable the ULBs to become eligible of PG for the Municipalities:

- ULBs will have to submit audited annual accounts that relate to a year not earlier than two years preceding the year in which it seeks to claim the Performance Grant.
- It will also have to show an increase in own revenues over the preceding year, as reflected in these audited accounts; and
- It must publish the service level benchmarks relating to basic urban services each year for the period of the award and make it publically available.

The grants recommended and released to GoB during the period 2015-19 are given in the **Table 3.13** below:

Table-3.13: Entitlement and Receipt of 14th FC grant in Bihar

(₹ in crore)

Year	Basic Grant					Performance Grant		
	Entitled	Released			Short receipt	Entitled	Released	Short receipt
		1 st Inst.	2 nd Inst.	Total				
2015-16	256.83	128.41	126.59	255.00	1.83	0	0	0
2016-17	355.63	176.55	175.30	351.85	3.78	104.96	104.22	0.74
2017-18	410.90	202.55	202.55	405.11	5.79	118.78	0	118.78
2018-19	475.34	237.67	236.01	473.68	1.66	134.89	0	134.89
Total	1498.70	745.18	740.45	1485.64	13.06	358.63	104.22	254.41

(Source: 14th FC report Grant Sanctioning letters, allotment letters)

The State Government received a total sum of ₹1589.86 crore in forms of BG (₹1485.64 crore) and PG (₹104.22 crore) against the entitlement of ₹1857.33 crore (BG - ₹1498.70 crore and PG- ₹358.63 crore). Thus, the GoB received less BG amounting to ₹13.06 crore than its entitled BG for the period 2015-19 for Municipalities. The Reason of short-receipt of BG by GoB was not furnished by the Department. Further, GoB could not receive PG of ₹ 0.74 crore for the period 2016-17 and ₹253.67 crore for the period 2017-19 as State Government could not fulfill the mandatory conditions as laid by 14th FC for the release of PG.

As per 14th FC recommendations, the State should release the grants to LBs within 15 days of it being credited to their account by GoI failing which the State would be liable to pay penal interest to LBs at RBI bank rate from its own funds.

The UD&HD did not transfer the first instalment of grants for the year 2015-16 directly into the bank accounts of municipalities and instead released it through Bihar Urban Development Authority (BUDA) and the BUDA made available the amounts to municipalities through RTGS. Thus, the State failed to adhere to the timeline for transferring of funds to LBs despite recommendations of the 14th FC in this regard. Due to delays (21-39 days) in receipt of first instalment

of grant in 2015-16 amounting to ₹128.42 crore by Municipalities, liability of penal interest of ₹ 0.59 crore was incurred by GoB.

3.8.3 Recommendations of State Finance Commission (SFC)

(i) 5th State Finance Commission

State Finance Commissions were constituted by GoB to review the financial position of LBs and recommended the principles to govern the distribution of net proceeds of taxes, duties *etc.*, between the State and the LBs.

The GoB constituted (December 2013) the 5th SFC for the period 2015-20 in pursuance of the Article 243-Y read with Article 243-I and Section 71 of BM Act, 2007 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. Though the report of the Commission was due on 31 March 2015, it was however submitted in February 2016. Consequently, the State Government had decided to implement the recommendations of the 5th SFC from the year 2015-16 with some minor amendments. Status of release of grants to ULBs is given in **Table 3.14** below:

Table-3.14: Status of release of grants under Fifth SFC recommendations

Year	Due month for release of amount		En-titlement amount	Amount released and month of release			Delay		Short release
	1 st inst.	2 nd Inst.		1 st inst.	2 nd Inst.	Adarsh Nagar Nikay	1 st inst.	2 nd Inst.	
2015-16	Grants to be released in one lump.		781.32	434.64 (March 2016)		00	-		346.68
2016-17	April 2016	October 2016	925.85	462.93 (October 2016)	449.93 (March 2017)	13.00	Six months	Five months	0
2017-18	April 2017	October 2017	1041.45	509.60	497.25	11.12	Five months	Eight months	23.48
2018-19	April 2019	October 2019	1114.54	508.53	541.89	2.83	four months	Ten months	61.19
Total									431.35

(Source: Information provided by UD&HD)

It is evident from the above table that there was a short release of grant of ₹ 431.35 crore for the period 2015-16 and 2017-19. Further, grants were released with a delay of four to ten months for the period 2016-17, 2017-18 and 2018-19.

(ii) Non withdrawal of grant under 14th FC and 5th SFC

Audit observed that ₹ 13.78 crore allotted during 2015-20 to 11 ULBs⁴³ under 14th FC and ₹ 19.76 crore allotted to five ULBs⁴⁴ during 2017-19 under 5th SFC were not withdrawn as detailed in **Appendix- 3.4 (A)** and **3.4(B)**.

⁴³ **Municipal Council-** Aurangabad, Gopalganj, Jehanabad, Masaurahi, Surshand; **Nagar Panchayat-** Dumara, Gogri Jamalpur, Marhaura, Mairwa, Mehsi, Mohaniya

⁴⁴ **Municipal Corporation-** Munger; **Municipal Council:** Hajipur and Masaurahi; **Nagar Panchayat-** Hisua and Parsa Bazar

On this being pointed out by audit, UD&HD replied (January 2020) that some of the ULBs had not submitted the UCs of the previous allotment so they were not allowed to withdraw the fund and eventually not been reallocated to these ULBs.

3.8.4 Maintenance of Records

Rules 12, 53, 69 and 84 of Bihar Municipal Accounting Rules, 2014 prescribe maintenance of basic records, registers for transparency, accountability and proper watch over of accounts of ULBs.

Audit observed that 18 test checked ULBs did not maintain⁴⁵ key records viz., Accountant Cash book, Asset Register, Grant appropriation Register, Demand Register and Grant Register.

The Executive Officers of Nagar Parishad Narkatiganj and Nagar Panchayat Bodhgaya & Dumra replied that due to shortage of staff, the records could not be maintained, while Executive Officers of the remaining ULBs replied that the records would be maintained in future.

3.8.5 Maintenance of Accounts by ULBs

The Ministry of Urban Development, GoI in consultation with the CAG had prepared (2004) the National Municipal Accounts Manual for maintenance of accounts on accrual basis by the ULBs. Section 86, 87 & 88 of the BM Act, 2007 also stipulate that the State Government shall prepare a Bihar Municipal Accounting Manual for implementation of accrual based Double Entry Accounting System (DEAS) and the Chief Municipal Officer shall within four months of the close of a year, cause to prepare a financial statements consisting of a Fund Flow Statement, an Income and Expenditure Account, Receipt and Expenditure Account and a Balance Sheet for preceding year.

The UD&HD notified (January 2014) the 'Bihar Municipal Accounting Rules, 2014' for preparation and maintenance of financial statements on accrual based Double Entry System in the municipalities' w.e.f. 1 April 2014.

On acceptance of National Municipal Accounts Manual (NMAM) as prescribed by Ministry of Urban Development (GoI), department replied (January 2020) that the Government had prepared Bihar Municipal Accounts Manual.

On being asked by audit in respect of implementation of DEAS, the Department replied (January 2020) that Single Entry System on cash basis was in process of migration into DEAS on Tally based system of Accounting.

3.8.6 Non-Preparation of Bank Reconciliation Statement

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

⁴⁵ **Cash Book-** Municipal Council Jamui; **Asset Register-**Nagar Panchayat Amarpur, Bahadurganj, Belsand and Manihari, Municipal Council- Bhabhua, Khagaul and Sitamarhi; **Demand Register-** Nagar Panchayat Bahadurganj, Municipal Council Bhabhua and Mokama; **Grant Register-** Nagar Panchayat Belsand, Dumra, Mehnar, Nasriganj, Parsa Bazar, Municipal Council- Aurangabad, Hilsa, Narkatiyaganj and Sheikhpura; **Grant Appropriation Register-** Nagar Panchayat Bodhgaya and Nasriganj

Audit observed eight test checked ULBs⁴⁶ did not prepare Bank Reconciliation Statements (BRS) (**Appendix - 3.5**).

On this being pointed out in audit, Municipal Commissioner of Muzaffarpur and Executive Officer of Narkatiyaganj replied (December 2018) that BRS could not be prepared due to short-staff whereas Municipal Commissioner, Ara and Executive Officers of remaining ULBs replied (February 2017- February 2019) that it would be prepared and presented to next audit. Non-preparation of BRS on regular basis as required under BMAR 2014 indicated financial mismanagement and poor monitoring of funds.

Further, on preparation of BRS at Department level, Assistant Director-cum-Joint Secretary of UD&HD replied that BRS had been prepared as per need.

3.8.7 Issues related to AC/DC Bills

Rule 177 of Bihar Treasury Code (BTC), 2011 provides that a certificate shall be furnished by the Drawing and Disbursing Officer (DDO) to the effect that money withdrawn on the contingent bills shall be spent within the same financial year and that the unspent amount shall be remitted to the Treasury before 31 March of the year. Further, as per Rule 194 of the BTC, 2011 countersigned Detailed Contingent (DC) bills shall be submitted to the AG (A&E) within six months following the month in which the Abstract Contingent (AC) bill was drawn and no AC bill shall be encashed after the end of this period of six months unless DC bill has submitted.

Audit observed that ₹ 52 crore was withdrawn through AC bill during the period 2013-19, out of which ₹ 13.37 crore was adjusted by AG (A&E) and ₹ 38.62 crore (74 per cent) remained outstanding for adjustment as of December 2019 (**Appendix-3.6**). Audit further observed that unadjusted AC bills ranged from 38 to 100 per cent mainly related to the period from 2003-04 to 2009-10. Thus, a large part of amount was unadjusted even after the lapse of 10 to 15 years.

On this being pointed out in audit, the Assistant Director-cum Joint Secretary of the Department replied that action was being taken to adjust the amount of ₹ 38.63 crore by the Department and letters and reminders (latest on December 2019) were issued to units concerned. Departmental review meeting was being organized and monitored at Department level. Further State Level PMU (Finance) was also constituted to keep watch on the issue.

Thus, AC bills pending for adjustment/recovery since long indicated weak internal control and poor monitoring mechanism.

3.8.8 Impact of Audit

In 12 test checked ULBs⁴⁷ ₹ 42.76 lakh was suggested for recovery by audit during February 2016 to September 2017 and out of which only ₹ 11.34 lakh (**Appendix-3.7**) were recovered from person(s) concerned which indicated poor recovery at the instance of audit.

⁴⁶ **Municipal Corporation- Ara, Begusarai and Muzaffarpur Municipal Council- Aurangabad, Khagaria, Narkatiyaganj and Samastipur Nagar Panchayat- Kasba**

⁴⁷ **Municipal Council- Bettiah, Forbisganj, Hilsa, Nawada, Saharsa and Sheikhpura; Nagar Panchayat- Amarpur, Kanti, Katya, Murliganj, Nawgachhia and Teghra**



CHAPTER – IV
COMPLIANCE AUDIT

Chapter – IV

Compliance Audit

Urban Development and Housing Department

4.1 Loss of Property Tax revenue

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

Section 127 (13) (i) of the Bihar Municipal Act (BM Act), 2007 (amended in 2011) stipulates that Municipality shall carry out upward revision of Annual Rental Value (ARV)⁴⁸ of holdings once in every five years. Further, Sections 127 (7) (iii) (amended in 2013) and 127 (8) of the BM Act provide that Property Tax shall be levied by the Municipality within a minimum of 9 per cent and a maximum of 15 per cent of ARV. The rental value per square feet of the built-up area for different classes of holdings shall be increased by a minimum of 15 per cent every five years. Further, a Municipality may increase ARV and rates at any time during the five years' period with the prior approval of the State Government. Section 138(A) of the BM Act provides for putting in place a State Level Property Tax Board for the independent and transparent procedure to optimize assessment, collection and recovery of Property Tax.

Scrutiny of records (June 2017-December 2018) of six Municipal Corporations⁴⁹ (MCs) revealed that, MCs did not revise ARV of holdings for the last one to twenty years and sustained a total loss of Property Tax of ₹ 52.03 crore as detailed in *Appendix-4.1* and a summary is given in the **Table-4.1** below:

Table-4.1: Status of revision of ARV of holdings by six MCs

(₹ in crore)

Sl. No.	Name of MCs	Last revision of ARV of holdings	Revision Due	ARV Revised	Loss of Property tax
1.	Begusarai	2010-11	2015-16	1 April 2017	0.65
2.	Chhapra	2001-02	2006-07	Not revised	1.92
3.	Darbhangha	1997-98	2002-03	1 April 2016	0.84
4.	Munger	2011-12	2016-17	Not revised	3.41
5.	Patna	1995-96	2000-01	Not revised	45.07
6.	Purnea	2006-07	2011-12	1 April 2015	0.14
	Total				52.03

(Source: Information and records furnished by MCs concerned)

On this being pointed out in the audit, Municipal Commissioners, Begusarai and Purnea replied (July- November 2017) that revision of ARV got delayed due to a delay in the survey of holdings based on Geographical Information System

⁴⁸ ARV= Carpet area X Rental value X Occupancy factor X Multiplying factor

⁴⁹ Begusarai, Chhapra, Darbhanga, Munger, Patna and Purnea

(GIS). Replies of both the MCs were not acceptable as GIS mapping was being carried out to assess the actual number and status of holdings under municipal areas and revision of ARV in respect of existing holdings was possible. Moreover, both the MCs revised ARV (MC Begusarai revised in 2017-18 and MC Purnea revised in 2015-16) even though the survey of holdings was incomplete.

The Municipal Commissioner, Chhapra and the Controller of Municipal Finance and Accounts Patna replied (December 2018-January 2019) that Department had instructed (October 2013) to collect Property Tax at the old rate. However, both the MCs further replied (January 2021) that the Empowered Standing Committee had approved revision of ARV and after approval of the Municipal Board, the proposed revision would be sent to the Department for approval.

Replies of Municipal Commissioners were not acceptable as the Department had issued (December 2013 and July 2015) instructions to all the Municipal Commissioners/Executive Officers of Municipalities in the State to revise the rate of Property Tax as per provisions of the BM Act immediately by enhancing the rate of ARV by a minimum 15 *per cent*.

The Municipal Commissioner, Munger replied (January 2021) that after approval of the Municipal Board, the proposed revision was sent (January 2021) to the Department for approval. After approval of the Department, it would be implemented. Municipal Commissioner, Darbhanga replied (June 2017) that Municipal Board approved the revision of ARV in June 2014 and the same was sent (August 2014 and September 2015) to the Department for approval but approval was not communicated as of May 2019, however, the ARV was revised from 2016-17.

The Department stated (March 2020) that Municipalities were directed (October 2013) to submit their proposals of revision of holding tax before Property Tax Board at State level. The reply of the Department was not acceptable as it failed to establish the Property Tax Board to optimize assessment, collection and recovery of Property Tax by the Municipalities.

Thus, the failure of the MCs to follow the provisions of the BM Act and instructions of the Department regarding revision of ARV every five years by a minimum of 15 *per cent* resulted in the loss of Property Tax amounting to ₹ 52.03 crore.

4.2 Idle expenditure on development of Website and Software

Website and software developed for the use of the public and office of the Nagar Parishad, Siwan remained unused for more than five years resulted in idle expenditure of ₹ 50.66 lakh.

Rule 10 of Bihar Municipal Empowered Standing Committee Conduct of Business Rules, 2010 stipulates that the executive power of the Municipality shall vest in the Empowered Standing Committee (ESC) and all development activities undertaken and to be undertaken by the Municipal body are to be placed before the ESC by the Chief Municipal Officer for approval. Further, all the issues passed by the ESC shall be placed before the Municipality in the next meeting.

Rule 131H of Bihar Financial Rules (BFR) provides that procurement of goods and services worth up to ₹ 25 lakh and more should be done through advertised tender enquiry instead of limited tender enquiry. Further, Rule 69 (2) (d) of Bihar Municipal Accounting Rules, 2014 provides that the grants received for a specific purpose shall not be diverted for any other purpose.

The Nagar Parishad (NP) Board, Siwan had decided in its general meeting (10 September 2012) to utilize the funds available under Information Technology (IT) head by inviting limited tender as per provisions contained in BFR.

The Executive Officer (EO) of the NP, without approval of the ESC, invited (19 September 2012) Request For Proposal (RFP) from four firms for the development of Dynamic Content Management Server (DCMS) Website with web applications and awarded (5 October 2012) the work to a firm⁵⁰ for development of DCMS Website with web applications having two categories of web pages, namely, 'Public pages' for public use and 'Admin pages' containing four modules⁵¹ for internal use of the NP office. The work was awarded to the firm at ₹ 6,85,000 plus applicable taxes and at ₹ 1,71,600 plus taxes per annum for hosting, maintenance *etc.* of the Website.

Further, the EO decided (October 2012 to May 2013) to add four⁵² new modules/pages to existing DCMS Website involving the cost of ₹ 14.72 lakh (including tax) and issued work orders (December 2012 to August 2013) to the same firm who was awarded (October 2012) the work of developing DCMS. Thus, the total cost for the development of the DCMS Website including these eight modules along with annual maintenance charges reached ₹ 36.82 lakh⁵³.

The firm developed the Website with eight modules (December 2012 to September 2013) and to operate the Website, it imparted training to four employees of the NP. However, of these eight modules, only one module "Event Management System including SMS facilities" was operated in the year 2014 and since then this module along with the other seven modules remained unused till February 2019.

The EO of the NP again invited (August 2013) RFP for the development of software 'File Tracking and Management System' for the NP from four⁵⁴ firms and awarded (5 October 2013) the work without approval of the ESC to a firm⁵⁵ that quoted the lowest rate of ₹ 9,85,000 plus taxes and ₹ 2,46,250 plus taxes for annual maintenance. The firm developed the software (January 2014) but the same also could not be operated and remained idle since its installation.

⁵⁰ R.V. Solutions (Pvt.) Ltd., Noida-201301 (U.P.)

⁵¹ (i) Staff Management System, (ii) Salary Management System, (iii) MIS Reports Generation up to 10 reports; and (iv) Content Management and User access related features

⁵² (i) Fund Management Software (ii) Event Management System including SMS facilities (iii) Sanitation & Mobile Tower Management; and (iv) Development/adding some new pages relating to Ward Parsad/Ward Councillor

⁵³ The total cost of eight modules including tax-₹ 22.41 lakh and maintenance Charges including tax-₹ 14.41 lakh

⁵⁴ (i) Agile Tech Solutions Pvt. Ltd., Vasundhara, Ghaziabad (U.P.) (ii) Mantra IT Systems Pvt. Ltd., Gurgaon (iii) John Info Tech Pvt. Ltd., New Delhi; and (iv) Adaptive Business Affairs Pvt. Ltd., Aliganj

⁵⁵ Agile Tech Solutions Pvt. Ltd. Ghaziabad (U.P.)

The NP incurred (July 2013 - November 2015) a total expenditure of ₹ 50.66 lakh⁵⁶ on aforesaid works (including annual maintenance charge) of developing Website with eight modules and one software from funds available under Twelfth Finance Commission (12th FC), Fourth State Finance Commission (4th SFC) and from own source of revenue of the NP.

Audit observed that the Board had approved the utilisation of funds available under IT head and only ₹ 5.29 lakh was available⁵⁷ for the purpose but the EO utilized ₹ 2.69 lakh of the 12th FC grant in excess to permissible limit for IT head while diverted the 4th SFC grant of ₹ 25.37 lakh which was earmarked for providing basic services⁵⁸ and also utilized own source of revenue of the NP without approval of the ESC and the matter was never placed before the NP Board.

On this being pointed out by Audit, the EO stated (October 2017) that out of eight modules, only one module (Event Management System including SMS facility) added in the Website was utilised during the year 2014 and other modules along with File Tracking and Management System software could not be utilised due to lack of work plan and unavailability of trained manpower (four persons have imparted training but they were not able to run the Website and Software). It was also stated by the EO that the Website developed by the Department was being used by the NP since 2016.

The reply of the EO was not acceptable as the EO of the NP incurred the expenditure without adequate work planning, assessment of need and without ensuring the availability of trained manpower. Moreover, RFP for selection of firms and development of Website and Software were not approved by the ESC and all the decisions including payment from 4th SFC and own source of revenue heads were taken by the EO.

Further, the contract cost for the development of eight modules was ₹ 36.82 lakh, and therefore advertised tender enquiry was to be invited instead of a limited tender. However, in its reply (March 2020), the Department justified the steps taken by the EO but the justification was not tenable as the EO violated the codal provisions regarding procurement of goods and also the facts and figures furnished by the Department were different⁵⁹ from what the EO of the NP stated and transpired from the records in the audit.

Thus, due to lack of proper planning, the Website with modules and software developed for the NP remained unutilised for more than five years and there was no plan to use the module/software in future and therefore intended objectives for the development of websites could not be achieved despite incurring an expenditure of ₹50.66 lakh.

⁵⁶ ₹ 33,48,328 on procurement (R.V. Solutions Pvt. Ltd. – ₹ 22,41,582 and Agile Tech Solutions Pvt. Ltd. – ₹ 11,06,746) and ₹17,17,319 on their annual maintenance (R.V. Solutions Pvt. Ltd. – ₹ 14,40,633 and Agile Tech Solutions Pvt. Ltd. – ₹ 2,76,686)

⁵⁷ The amount was received for procurement of IT under 12th FC only.

⁵⁸ Construction of road, water supply, public health and sanitation, street light etc.

⁵⁹ Department replied (March 2020) that eight modules were tested again in October 2017 and modules/websites remained unused sometimes during 2015-16 but the EO replied that modules were tested in February 2014 and only one module was used in the year 2014 whereas the rest modules/websites were not used from installation to till date.

4.3 Irregular Purchase of Solar Street Lights

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

Rule 129 of Bihar Financial Rules (BFR) provides that the State Government can designate one or more organizations as State Purchase Organization (SPO) for procurement of any particular class of goods keeping in view the expertise developed or to be developed. Accordingly, the Government of Bihar (GoB) nominated (February 2007) the Bihar State Electronics Development Corporation Limited (BELTRON) as State Purchase Organization (SPO) to bring uniformity across the districts in supply and installation of standard quality of solar energy equipment. Subsequently, the Bihar Renewable Energy Development Agency (BREDA) was nominated (September 2012) as SPO in place of BELTRON and the Urban Development & Housing Department (Department) circulated the rate notified by the SPO for procurement of SSL. Further, Rule 131 N of BFR, 2005 stipulates that equipment or machinery is to be maintained free of charge by the supplier during its warranty period or such other extended periods as the contract terms may provide and the paid maintenance should commence only thereafter.

A test check of records of Nagar Parishad (NP), Sasaram revealed that the NP procured (during December 2011 to February 2014) and installed (during January 2012 to February 2014) 1,610 Solar Street Lights (SSL) from a firm⁶⁰ at a cost of ₹ 27,200 each SSL and incurred a total expenditure of ₹ 4.38 crore⁶¹ from January 2012 to February 2014. The NP did not procure SSLs from BELTRON/BREDA rather procured based on a two to five years old rate of SSL fixed (September 2009) by the District Purchase Committee (DPC), Sasaram. Further, as per the agreement executed, the firm had to maintain SSLs free of cost for two years from the date of its installation. However, the warranty period of the solar panel and the solar battery was five years and three years respectively. The audit further observed that aforesaid SSLs were procured at ₹ 27,200 per unit of SSL, whereas, the rate notified by the SPO during the aforesaid period ranged from ₹ 22,818 to ₹ 26,684 per unit of SSL.

The Empowered Standing Committee (ESC) of the NP in its meeting (September 2014) decided to undertake the maintenance work of SSL as the warranty and maintenance period of most of the SSLs were ending. The NP invited tender (December 2014) for repair and maintenance of aforesaid procured SSLs and awarded (30 January 2015) the work to the same firm⁶², who had supplied SSLs earlier, at the rate of ₹ 16,175 for repair and maintenance of each SSL. The NP issued work orders (February & July 2015) to the firm for repair and maintenance of 1,485⁶³ SSLs without assessing the validity of warranty period

⁶⁰ M/s Raj Electronics, Sasaram, Rohtas.

⁶¹ $1610 \times ₹ 27200 = ₹ 4,37,92,000$

⁶² M/s Raj Electronics, Sasaram, Rohtas - ₹ 16,175 each for repairing & maintenance and ₹ 27,200 for new installation.

⁶³ On 13 February 2015- 1,250 no. and on 13 July 2015- 235 no= 1,485 nos

of various components of SSLs. The firm replaced batteries of all 1485 SSLs and 71 Solar panels and ₹ 2.45 crore⁶⁴ was paid (April - August 2015) towards maintenance and replacement of batteries and solar plates.

Scrutiny of records further disclosed that 1240⁶⁵ out of 1485 replaced batteries and 47 out of 71 replaced solar plates were within the warranty period and the same were to be replaced by the firm free of cost. Besides, payment on the maintenance of 361 SSLs was also made even though these were within the free maintenance period. As a result, an irregular payment of ₹ 1.23 crore⁶⁶ was made to the firm (April 2015 to August 2015) towards replacement and maintenance cost of SSLs within warranty/free maintenance period.

On this being pointed out by audit, the Executive Officer (EO) of the NP accepted the facts and replied (June 2017) that NP Board had passed the resolution to purchase the SSL from BREDA approved *Akshay Urja* shop at the rate fixed by DPC, hence, no tender was invited. It was also stated that due to unavailability of skilled staffs in the NP, register or document relating to the monitoring of warranty period of SSL could not be maintained. He further stated that NP did not receive the rate of SSL from the SPO (BELTRON/ BREDA) or the Department.

The reply was not acceptable as the agreement for the procurement and installation of SSLs was signed by the EO wherein the provisions of warranty and free maintenance period were mentioned. Before the issue of the work order to the firm for replacement of solar panels and solar batteries, the EO had to ensure the maintenance of the control register to watch the warranty/free maintenance period of SSLs procured. Further, the NP failed to procure SSLs as per rate fixed by the SPO and communicated to ULBs during February 2009 and October 2013. Moreover, *Akshay Urja* Shop, Sasaram from where the SSLs were procured, was not registered under the SPO.

On the matter being reported to the Government (March 2019), the Assistant Director-cum-Joint Secretary of the Department replied (March 2020) that the rate decided in 2009 was still applicable and there was no need to go for another proposal in 2011 under rule 131 L of BFR for obtaining fresh rates. However, the Department did not reply on the issue related to the replacement of batteries and solar panel within the warranty period. The reply of the Department was not acceptable as the above-referred rule was related to the procurement of goods through a single tender enquiry and the rate (₹ 27200 per unit of SSL) on which SSLs were procured during November 2011 to February 2014 by the NP was much higher than the rate quoted⁶⁷ by the SPO and the DM, Rohtas (Sasaram) itself procured (2011) SSLs for different Blocks of the district from the SPO.

Thus, due to failure of the EO of the NP to observe the relevant financial rules and procurement procedure, non-maintenance of procurement register and non-procurement of solar lights from SPO resulted in the irregular purchase of SSLs worth ₹4.38 crore besides an irregular payment of ₹ 1.23 crore.

⁶⁴ $1,485 \text{ no.} \times ₹ 16,175 + 71 \text{ no.} \times ₹ 7,000 = ₹ 2,45,16,875.$

⁶⁵ $1,485 - 218 - 27 = 1,240 \text{ bateries}$

⁶⁶ $1240 \times 7000 + 47 \times 7000 + 361 \times 9175 = 12321175 \text{ i.e. } ₹ 1.23 \text{ crore}$

⁶⁷ ₹ 26684 from November 2011 to December 2011, ₹ 22,355 from January 2012 to September 2013 and 22,818 from September 2013 to February 2014.

4.4 Avoidable expenditure on the procurement of dustbins

Non-adherence to financial rules by Municipal Corporation, Muzaffarpur in the procurement of dustbins resulted in an avoidable expenditure of ₹ 74.25 lakh.

Rule 131 R (xiv) of Bihar Financial Rules (BFR) provides that a contract should ordinarily be awarded to the lowest evaluated bidder whose bid has been found to be responsive and who is eligible and qualified to perform the contract satisfactorily as per terms and conditions incorporated in the corresponding bidding documents. Further, rule 126 of BFR stipulates that every authority delegated with the financial power to procure goods in the public interest shall have the responsibility and accountability to bring efficiency, economy, and transparency in matters relating to public procurement.

Scrutiny of records (August 2018) of Municipal Corporation (MC), Muzaffarpur disclosed that the Empowered Standing Committee of the MC in its special meeting (14 December 2016) approved a proposal for purchase of 50,000 green coloured and 50,000 red coloured plastic dustbins of 10 litre capacity. Consequently, tender for purchase of 50,000 dustbins of 10-litre capacity was advertised (3 March 2017) with detailed specifications⁶⁸ of the dustbin in the daily newspaper. Further, in the technical bid, seven bidders participated and out of that, six were qualified for technical bid. As per the comparative statement, the rate of ₹ 111 per piece of dustbin as quoted by M/s Quality Enviro Engineers Pvt. Ltd. (the firm) was minimum but without recording any reason, the rate of ₹ 210 per piece of dustbin quoted by M/s Nilkamal, was approved. Audit observed that tender was invited for procurement of 50,000 dustbins but work order was issued (20 March 2017 and 4 October 2017) for the supply of 75,000 dustbins in two phases⁶⁹ to the selected firm. The firm supplied (April 2017 to November 2017) 75,000 dustbins and a total payment of ₹ 1.58 crore was made (May 2017 to December 2017) to the firm. Though the specification of the dustbin was as per the requirement of the MC the decision of the Municipal Commissioner for not considering the lowest rate quoted by the firm led to an avoidable expenditure of ₹ 74.25 lakh⁷⁰ over the purchase of 75,000 dustbins. Besides, the issue of work order for the supply of 25,000 dustbins to the same firm without inviting tender was irregular.

On this being pointed out (August 2018) in audit, the Municipal Commissioner replied (August 2018) that the rate of M/s Nilkamal, a branded company, was approved by the then Municipal Commissioner. The reply of the Municipal Commissioner was not acceptable as the procurement of dustbins was not made from M/s Quality Enviro Engineers Pvt. Ltd. who quoted the lowest rate and fulfilling all the terms and conditions incorporated in the bidding documents. Thus, the failure of the Municipal Commissioner to observe the financial rules led to avoidable expenditure of ₹ 74.25 lakh by the MC.

⁶⁸ Plastic-type ISO Certified, Material-HDPE, Copolymerized with impact copolymers

⁶⁹ Order letter no. 195 dated 2 March 2017 for supply of 25,000 dustbins and order letter no. 660 dated 04 October 2017 for the supply of 50,000 dustbins.

⁷⁰ $99 \times 75,000 = 74.25 \text{ lakh } (210-111=99)$

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

4.5 Avoidable payment

Municipal Corporations failed to pay electricity bills by due dates resulted in avoidable payment of delayed payment surcharge of ₹ 3.97 crore.

Tariff regulation of Bihar Electricity Regulatory Commission provides that in case a consumer does not pay energy bills in full within 10 days of grace period after the due date specified in the bill, Delayed Payment Surcharge (DPS) of one and a half *per cent* per month or part thereof on the outstanding principal amount of bill will be levied from the due date for payment until the payment is made in full. The Urban Development and Housing Department (the Department) forwarded (July 2013) the instruction of the Chief Secretary to all Urban Local Bodies (ULBs) in which all the Departments were directed to pay the electricity bills without any delay. The Department further instructed that if sufficient funds were not available with the heads of the office then they had to demand the same before the competent authority well in advance to avoid payment of DPS.

Scrutiny of records (April 2017-February 2018) relating to the payment of electricity bills by the Patna Municipal Corporation (PMC) in respect of one consumer account⁷¹ revealed that the PMC did not pay the electricity bills⁷² for March 2016 in full by the due dates despite the availability of funds⁷³. Consequently, PMC paid (March 2017) DPS of ₹ 71.20 lakh to the South Bihar Power Distribution Company Limited (SBPDCL) on electricity bills outstanding for payment for the period April 2016 to March 2017. Further, the PMC did not pay the electricity bills of ₹ 11.07 crore (including ₹ 4.00 crore payable as DPS) for April 2017 to January 2021. Thus, the PMC had incurred liability of ₹4 crore on account of DPS till January 2021.

On this being pointed out, Accounts Officer, PMC stated (April 2017) that due to delay in completion of official procedure, the payment of electricity bills got delayed. Municipal Finance and Accounts Controller, PMC stated (September 2018) that electric bills were not received on monthly basis from the energy department rather for the whole year for which they had to pay heavy DPS. Both the replies were contradictory. However, the General Manager, Patna Electric Supply Unit (PESU) stated (December 2018) that bills were submitted regularly on monthly basis to PMC and had the payment was made in full no DPS would have been levied in next bill whether it was generated on monthly basis or for a whole year. However, on outstanding principal amount, DPS is chargeable for the whole period.

Similarly, scrutiny (June 2017 and updated in September 2018 and January 2021) of records relating to the payment of electricity bills of Katihar Municipal

⁷¹ Consumer ID-010205053350

⁷² ₹ 5.98 crore

⁷³ ₹ 3.02 crore under Fourteenth Finance Commission head and ₹ 30.95 crore under 5th State Finance Commission in March 2016.

Corporation (KMC) revealed that electricity bills for May 2015 to February 2019 were not paid in full. This resulted in arrear accumulation of DPS amounting to ₹ 3.26 crore which was paid (May 2015- March 2019) by the KMC.

The Municipal Commissioner, KMC while accepting (June 2017) the audit findings stated (June 2017) that it would be taken care of in future. He further attributed (September 2018) delay in payment of electricity bills to insufficient fund with KMC, defective bills raised by North Bihar Power Distribution Company Limited (NBPDC) and delay in the adjustment process of electricity bills with the receivable holding tax from the NBPDC.

In a recent reply, KMC stated (January 2021) that payment of electricity bill is being made as per bill in time. The contention of the Municipal Commissioner, KMC was not acceptable, as the department had already instructed that in case of insufficiency of funds demands for the same well in advance was to be placed to the Department, which had not been done by the KMC. Further, there is an extant provision stipulated in the Bihar Electricity Supply Code, 2007 that in the event of any objection in respect of the billed amount, an amount equal to the sum claimed was to be deposited under the protest and the consumer may lodge a complaint before the designated officer to avoid penalty. Moreover, the practice of payment of DPS was continued after March 2019.

On the matter being reported (March 2019), the Department replied (March 2020) that electricity bills were never submitted in time to respective ULBs and Revenue Officers of power distribution companies never pursue the Executive Officers of ULBs for making payment of electricity bills. It was further stated that to stop the unwanted flow of money, which could have been used for the betterment of the living standard of common people, responsibility may also be fixed against erring officials of ULBs.

Thus, due to lack of promptness, delay in the official procedure and failure in seeking the fund from the Department, these MCs could not pay the electricity bills by the due date and avoidable payment of ₹ 3.97 crore⁷⁴ was made to the power distributions companies towards DPS payment.

4.6 Allocation of Dwelling Units to ineligible beneficiaries

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

The basic objective of the Integrated Housing and Slum Development Programme (IHSDP) was to strive for holistic slum development with a healthy and enabling urban environment by providing adequate shelter with basic infrastructure facilities to slum dwellers under the identified urban areas. Under the Programme, the poorest among the poor who were not in a position to build houses on their own were to be provided Dwelling Units (DUs) with necessary infrastructures.

⁷⁴ ₹ 0.71 crore + ₹ 3.26 crore = ₹ 3.97 crore

In Bihar, 32 IHSDP projects were approved by the Ministry of Housing and Urban Poverty Alleviation (MoHUPA) for 28 Urban Local Bodies (ULBs). Out of these 32 projects, 14 projects were executed by the Hindustan Prefab Limited (HPL), a Government of India (GoI) undertaking appointed by the Government of Bihar (GoB), 16 projects were executed by the ULBs while two projects were cancelled. The estimated cost of construction of a DU ranged between ₹ 0.80 lakh and ₹ 2.53 lakh.

Scrutiny of records (August 2018) of Municipal Corporation (MC), Ara revealed that the HPL was made the executing agency for construction of DUs in the municipal area. As per the Detail Project Report (DPR) of the Programme, 754 beneficiaries were identified in 17 slum clusters of the MC. It was transpired from the DPR that 64 out of 754 beneficiaries were government employees with pay ranged ₹ 4,000 to 10,000 per month and out of the aforesaid 64 beneficiaries, 14 beneficiaries were employees of the MC Ara. As of February 2021, 46 out of 64 beneficiaries were handed over (from April 2015 to November 2019) the DUs under the programme. The DUs were to be constructed for the poorest of the poor/slum dwellers and therefore government employees were not eligible under the Programme. Thus, a total expenditure of ₹ 1.10 crore⁷⁵ was incurred over the construction of DUs allotted to 46 ineligible beneficiaries.

The Municipal Commissioner of the MC, Ara accepted (February 2021) the audit contention and stated that selection of beneficiaries was done by the HPL and they concealed the fact regarding selection of government employees as beneficiaries under the programme. The reply was not acceptable as the list of selected beneficiaries prepared by the HPL was approved by the MC Board and therefore, the MC was responsible for such lapses.

In Municipal Council Mokama, 52 beneficiaries having 'pucca house', were paid a total amount of ₹ 1.16 crore for construction of DUs to beneficiaries already having pucca houses at the rate of ₹ 2.25 lakh per DU. The beneficiaries having a pucca house were not eligible under the Programme. Thus, payment of ₹ 1.16 crore⁷⁶ was made to the ineligible beneficiaries for the construction of DUs.

On this being pointed out in the audit, the Executive Officer while accepting the audit observation replied (February 2021) that the selection of beneficiaries was done by the Project Management Unit (PMU)⁷⁷ and accepted that benefit of this programme was extended to only 52 beneficiaries having pucca houses. The reply was not acceptable as the list of selected beneficiaries was approved (March 2015) in Municipal Board and PMU was working under its supervision. Therefore, Municipal Council was responsible for allocating DUs to ineligible beneficiaries.

While agreeing with the audit observation, the Department expressed its views (February 2018) that benefits of the Programme were provided to the families who were having a large number of members also.

⁷⁵ $46 \times 2,39,705$

⁷⁶ $50 \times 2,25,000 + 2 \times 1,80,000 = 1,16,10,000$

⁷⁷ A unit of private consultants working under Municipality.

The contention of the Department was not acceptable as allocation of DUs involving the cost of construction of ₹ 2.26 crore⁷⁸ to the government employees and the persons already having *pucca* houses were in contrary to the provisions made in the Programme guidelines and intent of the programme to cover the poorest among the poor was defeated.

4.7 Misappropriation of Municipal revenue

Non-deposit of revenue collected by municipal staff into the Municipal fund and failure of internal controls led to misappropriation of ₹ 30.72 lakh.

Rule 22(1) of Bihar Municipal Accounting Rules (BMAR), 2014, provides that all moneys received shall be lodged in a treasury or nationalized bank account to the credit of the Municipality on same day or at least before noon on the following working day. Further, Rule 29(5) of BMAR provides that Executive Officer shall at least once a week examine the memorandum of collection so as to satisfy himself that all money received has really been remitted to the treasury/banks without delay. It shall be the duty of the Accountant to get bank statement on a monthly basis and confirm that remittances have been fully credited into bank account. Further, rule 33 of BMAR provides that if misappropriation of municipal moneys is discovered /suspected, the Executive Officer (EO) within 24 hours shall inform to the Empowered Standing Committee (ESC) about such misappropriation and lodge a First Information Report (FIR) with authorization of ESC.

Scrutiny of records⁷⁹ (August 2017 to September 2017 & updated in February 2021) of four⁸⁰ Urban Local Bodies (ULBs) for the period 2014-15 to 2017-18 revealed that Collecting Staff/Cashiers of the ULBs collected municipal revenue amounting to ₹ 1.91 crore during February 2013 to August 2017 on account of Property Tax and other miscellaneous heads of receipts. Out of which, ₹ 1.60 crore was deposited (April 2013 to February 2021) into Municipal Fund and ₹ 30.72 lakh remained to be deposited till February 2021 and amounts were out of accounts and retained by the staff for more than three to seven years (*Appendix-4.2*). It was also noticed that out of ₹ 30.72 lakh, ₹ 8.34 lakh was retained by the employee who was already retired from service of the Nagar Panchayat Koilwar.

Audit observed that the Executive Officers did not exercise necessary checks⁸¹ to ensure that all sums received are actually deposited into Municipal Fund. On this being pointed out in audit, the EOs of the ULBs accepted the audit contentions and stated (February 2021) that balance amount of ₹ 30.72 lakh would be recovered from the concerned officials.

⁷⁸ ₹ 1.10 crore – Municipal Corporation, Ara and ₹ 1.16 crore –Municipal Council, Mokama

⁷⁹ Holding Receipt Book Miscellaneous Receipt Books, Daily collection registers, Cashier/ Accountant Cash Book, bank accounts etc.

⁸⁰ Nagar Panchayat – Belsand, Jhajha and Koilwar, Nagar Parishad – Jamui

⁸¹ Memorandum of collection, collection register and Cash Book with all the subsidiary forms and registers

The reply of the EOs is not acceptable as the entire municipal revenue collected was to be deposited into the Municipal Fund without delay and the Executive Officers had to ensure its timely remittance.

Thus, a total sum of ₹ 30.72 lakh was misappropriated by the collecting Staff of ULBs and this was rendered possible as the Accountants and the EOs of the ULBs failed to exercise the necessary checks over accounts of the ULBs. Besides, EOs failed to take necessary measures to recover the collected amount retained by the staff and also did not initiate action against the erring officials and violated the provisions contained in BMAR.

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

4.8 Unproductive expenditure on procurement of machines

Improper planning and non-adherence of financial rules in the procurement of sweeping machines by Nagar Nigam, Begusarai resulted in machines worth ₹ 83 lakh lying idle and not being put to use for more than five years.

As per rule 126 of Bihar Financial Rules (BFR), 2005 every authority delegated with the financial powers of procuring goods in the public interest shall have the responsibility and accountability to ensure that the specifications in terms of quality, type *etc.* and as also quantity of goods to be procured, should be clearly spelt out keeping in view the specific needs of the procuring organizations. Further, care should also be taken to avoid purchasing quantities in excess of the requirement to avoid inventory carrying costs.

Scrutiny of records of Begusarai Nagar Nigam (NN) for the year 2015-16 (January 2017 and status updated in February 2021) revealed that on the basis of the decision taken (November 2014) by the Empowered Standing Committee (ESC), the NN invited tender for procurement of two Mini Sweeping Machines in August 2015 and supply order was given (September 2015) to M/s SG Constructions (the firm), being the lowest bidder. The firm supplied two sweeping machines to the NN in December 2015. Against the invoice amount of ₹ 83 lakh, payment of ₹ 69.47 lakh was made to the firm after statutory deductions of taxes and security deposit (*Appendix – 4.3*). But, the sweeping machines were not put to use and remained idle since its supply to till 17 February 2021.

On this being pointed out (January 2017) in Audit, the Municipal Commissioner (MC) replied that keeping in view of the development of the city, sweeping machines were procured for future use. Both the machines were used for some days in the year 2016 and thereafter these were not being used. The Vehicle In-charge reported (February 2021) to the MC, after being pointed out the issue by Audit, that the machines were out of order and repairing was required. The

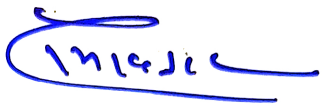
MC stated that action was being taken on the report of Vehicle In-charge for repairing the machines.

The reply of the MC was not verifiable in the audit as the logbook of both the machines were blank and no entries were found regarding the use of these machines for some period in 2016 and also no effort was made by the MC to put the machines in use further.

It is evident from the above that both the machines were lying idle for the last five years. The NN procured the sweeping machines without assessing the immediate requirement of the NN. Thus, non-assessment of requirement and failure to put the machines in use resulted in unproductive expenditure of ₹ 69.47 lakh on procurement of sweeping machines.

The matter was reported (25 March 2021) to the Department. The reply was not received (May 2022).

Patna
The 02 November 2022


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



APPENDICES

Appendix-1.1

(Refer: Paragraph-1.8.2; page-18)

Statement showing important recommendations of 5th SFC in respect of PRIs and present status of its implementation by the GoB

Sl. No.	Para No.	Recommendations	Status of acceptance by the State Government	The action was taken by the Department in light of the acceptance.
1	8.11.1	Inter-se distribution of Devolved funds among the GP: PS: ZP would be in the ratio of 70:10:20.	Accepted.	Inter-se distribution of Devolved funds among the GP: PS: ZP is being done in the same ratio of 70:10:20.
2.	9.13.1	Salaries of at least the existing staffs of the ZPs must come from their own revenues. State Government could at best meet the arrears.	Accepted	The amount has been allotted in this head.
3.	9.13.2	Funds earmarked for Manpower is only for sanction of new and filling of the vacant positions as per the Model Panchayat Cadre and not for payment of salary <i>etc.</i> , to the existing staff.	Accepted.	Gram Panchayat executive assistant has been appointed on a contractual basis.
4.	9.13.3	Funds for e-Governance must be used for operationalizing e-Panchayat modules in a Mission Mode.	Accepted	Instructions are being given for expenditure of Funds for e-Governance through sanction order.
5	9.6.4	The amount of overall performance grant for the PRIs would supplement " <i>Mukhyamantri Panchayat Protsahan Yojana</i> " and be divided among GPs, PSs and ZPs in the ratio of 70:20:10.	Accepted.	It is under process.
6	10.5.5	Strengthen Directorate of Local Fund Audit.	Accepted.	DLFA Bihar, Patna is working under Finance (audit) department, Bihar, Patna. The work of strengthening DLFA is to be done by Finance (audit) department. PRD has requested vide departmental letter no 4255 dated 04.07.2019 & no. 88 dated 04.01.2019 considering the large no of PRIs and for planning to strengthen the PRIs so that timely audit work of a large no of PRIs can be done.
7	10.9.13	Levy Surcharge of 10 <i>per cent</i> on behalf of the LBs on Entertainment Tax and share a reasonable share of the surcharge with the PRIs.	Accepted.	It is under process.
8	10.19.4	Urgently operationalise Ombudsmen separately for the Panchayats to enquire into allegations of corruption, misconduct <i>etc.</i>	Accepted.	Ombudsman has not been appointed but the arrangement of inspection and monitoring is available at the departmental level.

Sl. No.	Para No.	Recommendations	Status of acceptance by the State Government	The action was taken by the Department in light of the acceptance.
9	10.6.6	<ul style="list-style-type: none"> PRD to prepare and circulate a Manual of Panchayat Finance Necessary Rules and Guidelines for the collection of taxes by the PRIs be framed and circulated. Collection of Own Revenue by the Panchayats be incentivized. 	Accepted.	Draft Bihar Panchayat (Gram Panchayat, Audit, Budget & Taxation) Rules is under process
10	2.4.9	<ul style="list-style-type: none"> Overall supervision of Panchayat revenue collection is done by PRD. The proposed TSSP to monitor revenue enhancement steps along with improving the capacity of collection of both tax and non-tax revenues. 	Accepted.	It is under process.
11.	6.2.1	GPs to begin levying Property Tax even at a nominal rate.	Accepted.	It is under process.
12.	10.9.1	Revenue target to be fixed for the PRIs and monitored by PRD.	Accepted.	It is under process.
13.	10.9.11	State Govt. to empower the Panchayats to collect tax on the advertisement.	Accepted.	It is under process.
	Non-Taxes	Net proceeds of land revenue collected from a GP be transferred to the GP.	Accepted.	It is under process.
14.	2.3	Model Panchayat Cadres as recommended by the 5 th SFC be implemented to have requisite professional & technical manpower.	Accepted.	Gram Panchayat executive assistant has been appointed on a contractual basis.
15.	2.3.2 (c)	The PDO (and till PDO is in place, the <i>Panchayat Sachiv</i>) to have control over all GP level contractual staff (like <i>Vikas Mitra, Tola Sahayak, IAY Sahayak etc.</i>). Further, such staff to sign master attendance register kept in PSB.	Accepted.	Letters issued in respect of Panchayat level staffs.
16.	2.2.5.4	Make DPCs effective and functional with the full complement of professional staff and use of Plan Plus & GIS modules of e-Panchayat for planning.	Accepted.	Plan plus is being used for planning through GPDP
17.	10.3.4	<p>The PRIs to prepare outcome-based budget timely as per the Manual, which must be consistent with the long and short term plans that promote the strategic priorities of the communities and be uploaded on the website for citizen's feedback.</p> <ul style="list-style-type: none"> Approved budgets not to show any deficits. 	Accepted.	GPs do not have their own source of revenue as such a budget could not be prepared. However, GPDP is being prepared now and uploaded on the website.

Sl. No.	Para No.	Recommendations	Status of acceptance by the State Government	The action was taken by the Department in light of the acceptance.
18.	10.4.10	<ul style="list-style-type: none"> PRD to have a robust system of supervision and facilitation for maintenance of accounts by the Panchayats. For sustainable improvements, qualified Accountants be appointed regularly apart from contracting CAs (internal auditor) as an interim measure 	Accepted.	<p>PRD has sanctioned 373 posts of Auditors in the Bihar Panchayat Audit service in September 2019.</p> <p>Accountant-cum-IT assistant has been appointed on a contractual basis</p>
19.	10.4.9	All PRIs to use <i>PRIA Soft</i> for accounting urgently and to enable this, State Govt. to urgently provide IT facility and regular Accountants in all the PRIs.	Accepted.	At present, PRIASOFT has been discontinued and state-based GPMS has been adopted as a pilot project in 12 districts of Bihar. Accountant-cum-IT assistant has been appointed on a contractual basis
20.	10.19.1	<ul style="list-style-type: none"> Community be involved in setting key performance indicators (PIs) and actual performances reported back to the community. SLBs be publicized for various services, Citizen's Charter be updated and disseminated regularly 	Accepted.	Complied with GOI plan of GPDP
21.	2.5 & 2.5.1 (ii)	<p>Regular and purposeful meetings of Gram Sabha, Ward Sabha, Standing Committees <i>etc.</i>, be ensured.</p> <p>Social Audit by the Gram Sabha is ensured.</p>	Accepted.	PRD has requested RDD to conduct the social audit with the help of the Social Audit Society and a pilot social audit is being done in the Nalanda district.

(Source: 5th SFC Report and Information furnished by the Department)

Appendix-2.1
(Refer: Paragraph-2.1; Page- 25)

Statement showing status of incomplete Aanganwadi Centres (AWCs)

Sl. No.	Name of PS	Year	No. of total AWCs scheme undertaken	No. of incomplete AWCs scheme	Estimated cost of total schemes	Estimated cost of incomplete scheme	Advance paid on incomplete schemes	Value of work done as per MB
1.	Pakribarawan (Nawada)	2010-16	24	6	12554600	3253200	2212000	2331858
2.	Ramgarhchowk (Lakhisarai)	2010-16	4	1	1175600	587800	357500	243833
3.	Bihta (Patna)	2010-16	36	15	22679000	9522000	6334936	4079386
4.	Maner (Patna)	2010-16	9	4	5946800	2618800	1127894	953170
5.	Gurua (Gaya)	2010-16	32	9	17920350	5357450	3455688	2948593
6.	Barhaiya (Lakhisarai)	2010-16	12	2	6673200	1048800	765000	444050
7.	Dobhi (Gaya)	2010-16	20	5	24543200	2906700	1982500	1698437
Grand Total					91492750	25294750	16235518	12699327
Advance pending					16235518-12699327=3536191			

(Source: Information provided by test checked units)

Appendix-3.1
(Refer: Paragraph-3.3.2; Page-30)

Statement showing a list of 18 functions/subjects to be carried out by the ULBs

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

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

Appendix-3.2
(Refer: Paragraph- 3.7.4; Page-40)
Statement showing Target and achievement as indicated in the Service Level Benchmarks by Municipal Corporations of Bihar

Indicator	Target Benchmark	Achievement of Twelve Municipal Corporations (in per cent)*											
		1	2	3	4	5	6	7	8	9	10	11	12
WATER SUPPLY													
Coverage of water supply connections	100%	**NP	22	30	NP	NP	14	under tender	9	18	34	8	NP
Extent of metering	100%	Not Provided											
Continuity of water supplied	24 hrs	Not Provided											
Efficiency in collection of water use charges	90%	Not Provided											
Efficiency in redressal of customer Complaints	80%	Not Provided											
SEWERAGE													
Coverage of Toilets	100%	Not Provided											
Coverage of sewerage Network	100%	Not Provided											
Efficiency in redressal of customer Complaints	80%	Not Provided											
STORM WATER DRAINAGE													
Coverage of storm water drainage network	100%	Not Provided											
Incidence of water logging/flooding	0%	Not Provided											
SOLID WASTE MANAGEMENT													
Household Level Coverage	100%	89	82	65	92	95	62	92	74	62	67	72	78
Efficiency in collection of solid waste	100%	80	62	45	72	75	42	72	54	42	47	52	58
Extent of segregation of Municipal Solid Waste (MSW)	100%	0	0	0	23	60	22	67	24	0	0	15	24
Extent of Scientific Disposal of MSW	100%	0	0	0	22	50	0	40	0	0	0	15	0
Efficiency in redressal of customer Complaints	80%	38	20	15	27	25	25	32	12	15	18	22	42

(Source: Information furnished by UD&HD)

* 1. Patna 2. BiharSharif 3. Arrah 4. Gaya 5. Muzaffarpur 6. Begusarai 7. Munger 8. Purnia 9. Katihar 10. Chhapara 11. Darbhanga 12. Bhagalpur

** NP - Not Provided

Appendix-3.3
(Refer: Paragraph-3.8.1.3; Page-43)
Statement showing receipt and expenditure of 35 ULBs

(₹ in lakh)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue Income					
(a) Self-generated Income	1522.07	2179.63	12850.65	14784.76	3426.88
(b) Assigned Income	284.66	176.31	10823.83	17075.03	917.62
(c) Revenue Grants	11885.73	11192.65	57913.36	71007.31	20395.74
(d) Other Income/Receipt	361.97	863.26	2315.49	5063.70	1222.20
Total	14054.43	14411.85	83903.33	107930.80	25962.44
Revenue Expenditure					
(a) Establishment	4206.79	5270.40	27311.26	27165.33	4016.24
(b) Programme	1811.09	2936.65	0	0	417.49
(c) Operation and Maintenance	1095.85	1925.97	5316.37	17727.53	2028.42
(d) Finance/Interest	0.68	0.55	0.02	0.05	0.38
(e) Others	7330.70	9474.68	14798.24	12847.37	1886.70
Total	14445.11	19608.25	47425.89	57740.28	8349.23
Capital Grants	32216.58	34418.31	46637.67	139337.05	26757.05
Capital Expenditure					36275.74

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

Appendix-3.4 (A)
(Refer: Paragraph-3.8.3; Page-45)
Statement showing non-withdrawal amount of 14th FC grants

Year	Name of ULBs	Allotment No./date	letter no./date	Allotted amount (in ₹)	Non withdrawal amount (in ₹)	Department letter no./date to ULBs
2016-17	Municipal Council, Aurangabad	191/26.12.2016	167,168/2016-17	16295810	16295810	574/31.05.2017
	Municipal Council, Jehanabad	120/75/25.01.2016	-	10945927	10945927	1298/17.08.19
		120/75/25.01.2016	-	10945927	10945927	
		82/32/31.10.2018	-	11023015	11023015	
		82/32/31.10.2018	-	11023015	11023015	
2017-18	Municipal Council, Mashaurhi	82/31.10.18	-	6248836	6248836	398/30.06.2019
		82/31.10.18	-	6248836	6248836	
2018-19		120/25.01.2019	-	6205136	6205136	
		120/25.01.2019	-	6205135	6205135	
2017-18	Nagar Panchayat, Mohaniya	82/31.10.2018	-	1972877	1972877	396/06.05.2019
		82/31.10.2018	-	1972876	1972876	
2018-19	Nagar Panchayat, Dumara	82/31.10.2018	-	3252383	3252383	428/25.05.2019
		120/25.01.2019	-	3229639	3229639	
2018-19	Nagar Panchayat Gogri Jamalpur	82/31.10.18	-	8317662	8317662	205/03.07.2019
		120/25.1.19	-	8259494	8259494	
2018-19	Nagar Panchayat, Madhaura	120/25.1.19	-	7160802	7160802	393/24.07.2019
2015-16	Nagar Panchayat Mehsi	75,76/23.12.2015	-	2849004	2849004	1067/30.08.2019
2015-16	Municipal Council, Gopalganj	75/23.12.2015	-	2576041	2576041	952/14.06.2017
		191/26.12.2015	-	4129063	4129063	
2015-16	Nagar Panchayat Mairwa	75/23.12.2015	-	2422625	2422625	800/25.10.2016
2019-20	Municipal Council, Surshand	120/25.01.2019	-	6559622	6559622	2016/29.11.2019
Total				137843725	137843725	

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

Appendix-3.4 (B)
(Refer: Paragraph-3.8.3; Page-45)
Statement showing non-withdrawal amount of 5th SFC grants

Name of ULBs	Year	Allotment No./date	Allotted amount (in ₹)	Non withdrawal amount (in ₹)	Department letter no./date to ULBs
Municipal Corporation Munger	2017-18	354/29.03.2017	42266800	42266800	511/06.03.2018
		353/29.03.2017	6122361	6122361	
Municipal Council, Mashaurhi	2017-18	21/10.07.2018	13242912	13242912	398/03.06.2019
			13242911	13242911	
	2018-19	15/03.07.2018	12949026	12949026	
			12949025	12949025	
Nagar Panchayat Hisua	2017-18	15/03.07.2018	11459129	11459129	905/07.05.2019
		21/10.07.2018	11719201	11719201	
Municipal Council Hajipur	2017-18	353,354/29.03.2017	58938705	58938705	651/28.03.2018
Nagar Panchayat, Parsa Bazar	2017-18	353/29.03.2017	8054594	8054594	450/20.09.2017
		354/29.03.2017	1054722	1054722	
			5615713	5615713	
Total			197615099	197615099	

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

Appendix-3.5

(Refer: Paragraph- 3.8.6; Page-46)

Statement showing unit-wise difference between Cashbook and Passbook

(₹ in lakh)

Sl. No.	Unit	Cashbook Balance	Passbook Balance	Difference	Remarks
1	2	3	4	5(4-3)	6
1.	Municipal Corporation Ara	4159.64	4450.22	290.58	As on 31 March 2016
2.	Municipal Corporation Begusarai	7084.14	7203.70	119.56	As on 31 March 2017
3.	Municipal Corporation Muzaffarpur	1551.66	1956.82	405.16	As on 31 March 2018
4.	Municipal Council Aurangabad	-	-	-	BRS not Prepared
5.	Municipal Council Khagaria	1896.04	1917.62	21.58	As on 31 March 2017
6.	Municipal Council Narkatiyaganj	2416.11	2459.38	43.27	As on 31 March 2017
7.	Municipal Council Samastipur	2297.18	2318.83	21.65	As on 31 March 2017
8.	Nagar Panchayat Kasba	-	-	112.95	As on 23 March 2017
Total difference				1014.75	

(Source: Inspection Reports)

Appendix-3.6
(Refer: Paragraph- 3.8.7; Page-47)

Statement showing year-wise details of Adjusted & Unadjusted AC bills

Year	Amount drawn under AC bills (in ₹)	Amount Adjusted by AG (in ₹)	Unadjusted Amount (in ₹)	percentage of unadjusted amount
2003-04	917000	0	917000	100
2004-05	1078000	0	1078000	100
2005-06	200000	0	200000	100
2006-07	2852000	245752	2606248	91
2007-08	151337181	8121840	143215341	95
2008-09	238580	0	238580	100
2009-10	47084160	923562	46160598	98
2010-11	191259853	74187821	117072032	61
2011-12	2683400	0	2683400	100
2012-13	24854190	10553110	14301080	58
2013-14	625000	0	625000	100
2014-15	0	0	0	-
2015-16	0	0	0	-
2016-17	95850723	39047497	56803226	59
2017-18	1000000	619100	380900	38
2018-19	0	0	0	-
Total	519980087	133698682	386281405	74

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

Appendix-3.7
(Refer: Paragraph- 3.8.8; Page-47)
Statement showing recovery at the instance of audit

Sl. No.	Unit	Type of receipt	Recovery suggested (in ₹)	Amount actually recovered (in ₹)	Recovery period
1.	Municipal Council Bettiah	M-receipt (Miscellaneous Receipt)	1,10,780	1,10,780	September 2017
2.	Municipal Council Farbisganj	M-receipt	7,515	6,885	November 2016
3.	Municipal Council Hilsa	M-receipt	43,522	43,522	September 2017
4.	Municipal Council Nawada	M-receipt	1,44,475	1,44,475	May 2016
5.	Municipal Council Saharsa	M-receipt & H-receipt	2,39,384	2,39,384	April 2016
6.	Municipal Council Sheikhpura	M-receipt	2,04,259	2,04,259	August 2017
7.	Nagar Panchayat Amarpur	H-receipt	64,540	64,540	April 2016
8.	Nagar Panchayat Kanti	M-receipt	10,074	10,074	May 2016
9.	Nagar Panchayat Kateya	H-receipt	38,561	38,561	June 2016
10.	Nagar Panchayat Murliganj	Disaster Advance	33,17,770	1,75,500	February 2016
11.	Nagar Panchayat Nawgachhia	M-receipt & H-receipt	74,685	74,685	April-May 2016
12.	Nagar Panchayat Teghra	M-receipt & H-receipt	20,840	20,840	February 2016
Total			42,76,405	11,33,505	

(Source: Inspection Reports)

Appendix-4.1
(Refer: Paragraph 4.1; Page-49)
Statement showing loss of tax revenue due to non-revision of ARV of holdings
in every five years

(₹ in crore)

Sl. No.	Name of Municipal Corporations	Year	No. of holdings	Collection of the property tax during the year	Property Tax after revision of 15 per cent	Loss of property Tax
1	2	3	4	5	6	7 (6-5)
1.	Begusarai	2015-16	25,478	1.49	1.7135	0.2235
		2016-17	25,478	2.83	3.2545	0.4245
2.	Chhapra	January 2014 to March 2014	29,337	0.50	0.575	0.075
		2014-15	30,151	1.35	1.5525	0.2025
		2015-16	30,246	2.12	2.438	0.318
		2016-17	31,000	1.51	1.7365	0.2265
		2017-18	34,495	2.39	2.7485	0.3585
		2018-19	34,839	2.21	2.5415	0.3315
3.	Darbhanga	January 2014 to March 2014	12,709	0.41	0.4715	0.0615
		2014-15	17,743	2.54	2.921	0.381
		2015-16	16,980	2.62	3.013	0.393
4.	Munger	2016-17	25,438	5.90	6.785	0.885
		2017-18	25,438	4.51	5.1865	0.6765
		2018-19	25,643	6.67	7.6705	1.0005
		2019-20	25,905	5.65	6.4975	0.8475
5.	Patna	January 2014 to March 2014	NA	8.24	9.476	1.236
		2014-15	NA	23.22	26.703	3.483
		2015-16	208981	34.27	39.4105	5.1405
		2016-17	223437	43.82	50.393	6.573
		2017-18	228808	48.01	55.2115	7.2015
		2018-19	186789	82.15	94.4725	12.3225
6.	Purnea	January 2014 to March 2014	33,218	0.15	0.1725	0.0225
		2014-15	35,056	0.81	0.9315	0.1215
Total						52.0335

(Source: Information furnished by test checked MC)

Appendix-4.2

(Refer: Paragraph- 4.7; Page-59)

Statement showing non-deposit of municipal revenue in different ULBs

(Amount in ₹)

SL. No.	Name of ULBs	Period of Collection	Total Amount collected	Amount Deposited	Period of deposit	Short Deposit	Head of Collection
1	2	3	4	5	6	7 (4-5)	8
1.	Nagar Panchayat Jhajha	22.07.2016 to 21.08.2017	261296	216782	01-12-17 to 19-01-18	44514	Holding Receipt
2.	Nagar Panchayat Belsand	08.05.2014 to 14.04.2017	3426576	2902536	14-09-15 to 11-02-21	524040	Holding Receipt & Misc. Receipt
3.	Nagar Panchayat Koilwar	18.02.2013 to 28.01.2017	2033395	1199550	02-04-13 to 24-09-14	833845	Misc. Receipt
4.	Nagar Parishad Jamui	27.03.2015 to 30.08.2017	13291165	11657716	27-03-15 to 27-04-17	1633449	Holding Receipt & Misc. Receipt
		17.03.2016 to 03.10.2016	35995	0	-	35995	Misc. Receipt
Total			19048427	15976584		3071843	

(Source: Inspection Report and information furnished by test checked MCs)

Appendix-4.3
(Refer: Paragraph-4.8; Page-60)
Statement showing unproductive expenditure on procurement of machines

Sl. No.	Date	Cheque No.	Amount (in ₹)	Remarks
1.	24.09.2015	000022	2490000	
2.	23.12.2015	A732534	2490000	
3.	25.01.2016	A732598	1967137	
4.	23.02.2016	A731936	987225	Amount of VAT
5.	09.03.2017	-	365638	5 per cent SD
Total			8300000	

(Source: Inspection Report and information furnished by test checked unit)



GLOSSARY OF ABBREVIATIONS

Glossary of Abbreviations

4 th SFC	Fourth State Finance Commission	DU	Dwelling Unit
5 th SFC	Fifth State Finance Commission	ELA	Examiner of Local Accounts
12 th FC	Twelfth Finance Commission	ESC	Empowered Standing Committee
13 th FC	Thirteenth Finance Commission	GIS	Geographical Information System
14 th FC	Fourteenth Finance Commission	GPMS	Gram Panchayat Management System
AAP	Annual Audit Plan	HPL	Hindustan Prefeb Limited
AC	Abstract Contingent	IHSDP	Integrated Housing and Slum Development Plan
AE	Assistant Engineer		
AG	Accountant General	LB	Local Bodies
ARV	Annual Rental Value	LFA	Local Fund Act
ATIR	Annual Technical Inspection Report	MAS	Model Accounting System
AWC	Aanganwadi Centres	MGNREGS	Mahatma Gandhi National Rural Employment Guarantee Scheme
BELTRON	Bihar State Electronics Development Corporation	MMGK	<i>Mukhya Mantri Gramodaya Karyakram</i>
BREDA	Bihar Renewal Energy Development Agency	MNY	<i>Mukhyamantri Nishchay Yojna</i>
BFR	Bihar Financial Rule	MoHUPA	Ministry of Housing and Urban Poverty Alleviation
BG	Basic Grant	MoPR	Ministry of Panchayati Raj
BM Act	Bihar Municipal Act	NBPDCL	North Bihar Power Distribution Company Limited
BMAR	Bihar Municipal Accounting Rules	PAC	Public Accounts Committee
BPRA	Bihar Panchayat Raj Act	PMC	Patna Municipal Corporation
BPRO	Block Panchayati Raj Officer	PMU	Project Management Unit
BPS and ZP (B&A) Rule	Bihar Panchayat Samiti and Zila Parishad (Budget & Accounts) Rule	PRD	Panchayati Raj Department
BRGF	Backward Region Grant Fund	PRI	Panchayati Raj Institutions
BTC	Bihar Treasury Code	PRIA Soft	Panchayati Raj Institutions Accounting Software
CAA	Constitutional Amendment Act	RFP	Request for Proposal
CAG	Comptroller and Auditor General of India	SBPDCL	South Bihar Power Distribution Company Limited
CEO	Chief Executive Officer	SLB	Service Level Benchmark
CFC	Central Finance Commission	SLMPU	State Level Project Management Unit
DDP	District Development Plan	SPO	State Purchase Organization
DLFA	Director of Local Fund Audit	SSL	Solar Street Light
DPC	District Planning Committee	TGS	Technical Guidance and Support
DPRO	District Panchayati Raj Officer	ToR	Terms of Reference

