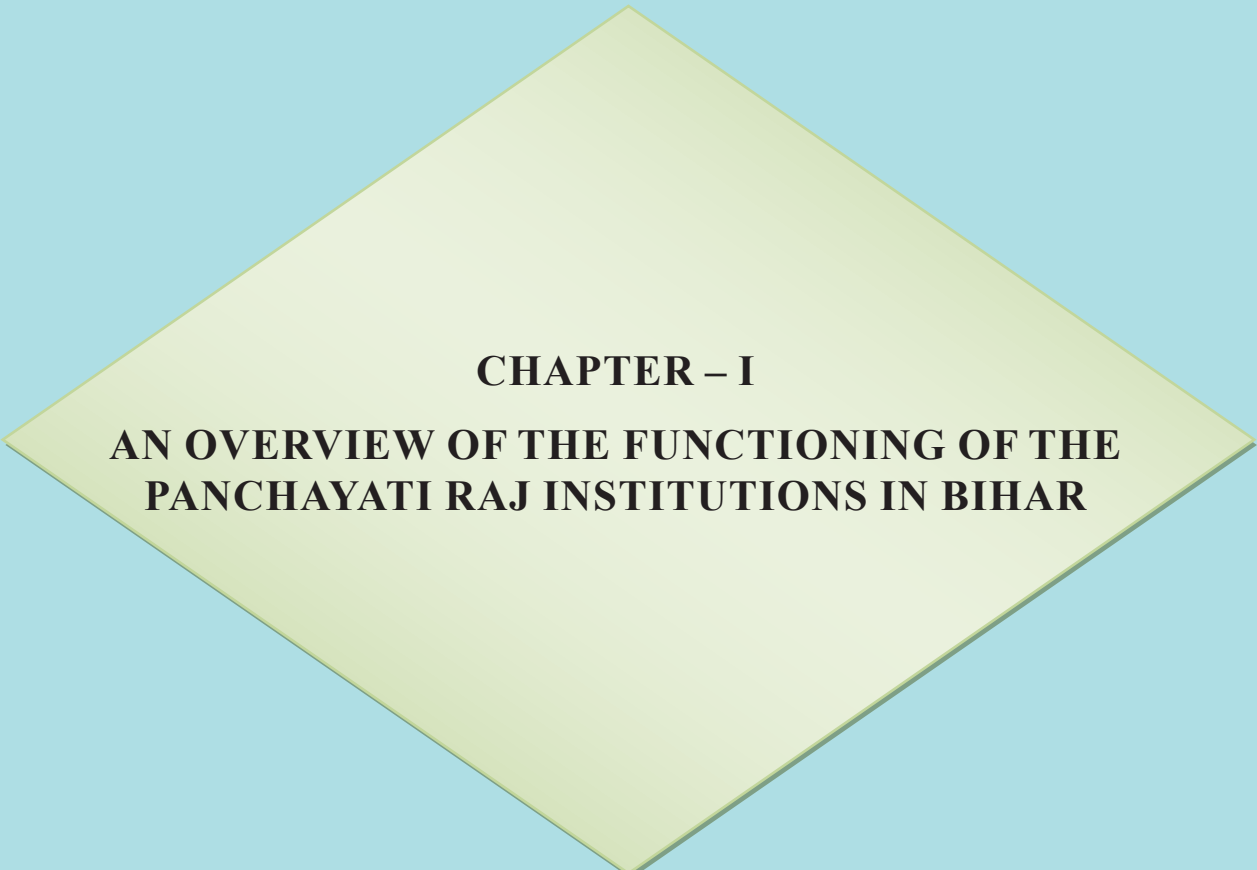




PART – A
PANCHAYATI RAJ INSTITUTIONS



CHAPTER – I
AN OVERVIEW OF THE FUNCTIONING OF THE
PANCHAYATI RAJ INSTITUTIONS IN BIHAR

Chapter – I

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

An Overview of the Functioning of the Panchayati Raj Institutions in the State of Bihar

1.1 Introduction

The Seventy-Third Constitutional Amendment Act, 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 funds, functions, and functionaries to PRIs. 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 concerning 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. The Ward Sabha, through the Ward Implementation and Management Committee, implements several schemes of public importance, assigned to the Ward, by the GP.

As of August 2021, there were 8,644 PRIs³, having 1,33,643⁴ elected representatives (declared as a public servant by the GoB), in the State. Fifty *per cent* horizontal reservation, of the total seats of elected bodies of PRIs, was provided for women. The last general election to the elected bodies of PRIs was held in the State during April-May 2016 and its tenure expired in June 2021. Due to COVID - 19 pandemic, elections for PRIs could not be conducted in time and Advisory Committees were constituted, in place of the dissolved PRIs, till the completion of the elections of PRIs, for carrying out the mandated functions.

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 rate in Bihar, in the last decade, was 25.4 *per cent*. The rural

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 8,072 GPs*

⁴ *Mukhiya-8,072, Member of GP-1,13,307, Member of PS-11,104, and Member of ZP-1,160.*

population was 8.77 crore (84 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	8.77
Gender Ratio	Females per thousand males	918
Literacy	Per cent	61.80
Number of districts	Number	38
Number of PRIs*	Number	8,644
Decadal growth rate	Per cent	25.42
Rural Sex Ratio	Females per thousand males	921

(Source: Census 2011, Economic Survey, GoB for the year 2020-21 and information provided by the Department)

*Note: The number of GPs reduced from 8,387 to 8,072 (August 2021) due to the formation of new Urban Local Bodies, after the conversion of rural areas into urban areas.

1.2 Organisational set-up

At the State level, the Panchayati Raj Department (PRD) coordinates and monitors the functioning of the 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 the 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 Officer are the executive heads of the ZP and the PS, respectively. The Panchayat Secretary is incharge of the office of the GP and is also responsible for the maintenance of books of account and records at the GP level. The organisational structure of PRIs is depicted in **Charts - 1.1 & 1.2** below:

Chart – 1.1: Elected Bodies

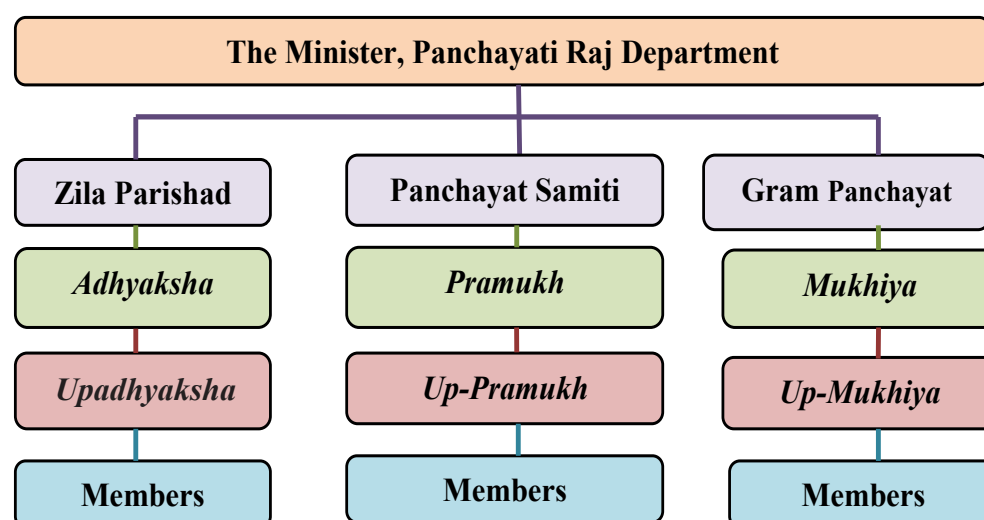
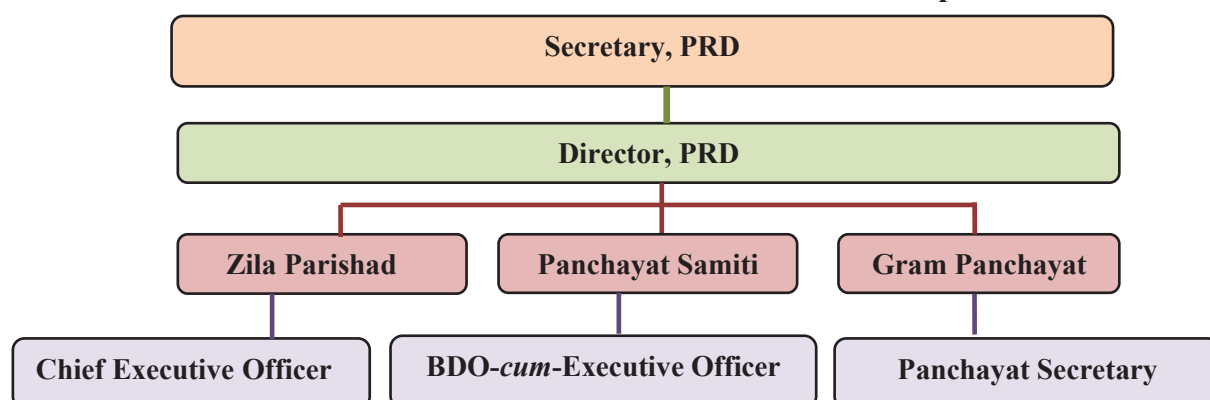


Chart – 1.2: Administrative Set-up



(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 to enable them to function as institutions of self-government:

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

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

1.3.2 Powers of the State Government

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

Table - 1.2: Powers of the State Government

Authority	Powers of the State Government
Section 11	Subject to the general or special orders of the Government, the District Magistrate may, by notification in the District Gazette, declare any local area comprising a village or a group of contiguous villages or part thereof, to be a Gram Panchayat area, with a population within its territory as nearly as seven thousand.
Section 146	Power to frame rules: The State Government may, by notification in Official Gazette, make rules to carry out functions as specified in BPRA, 2006, subject to approval by the State Legislature.

Authority	Powers of the State Government
Sections 150, 152 and 153	Power to make model Regulations, Inquiry, and Inspection: The State Government may make standard rules for the purposes of the BPR, 2006 and has the power to inspect any office or records under the control of the PRIs.
Section 167	District Planning Committee: The State Government shall constitute, in every district, a District Planning Committee, to consolidate plans prepared by the Panchayats and the Municipalities in the district and to prepare a Draft Development Plan for the district as a whole.
Section 168	Finance Commission for Panchayats: The State Government shall constitute in every five years, a Finance Commission, to review the financial position of PRIs, and to make recommendations for devolution of funds and measures to improve the financial position of PRIs.
Sections 27, 55 and 82	Taxation: The PRIs may impose taxes on holdings, professions, and levy tolls, fees, and rates, subject to the maximum rates notified by the State Government.
Section 172	Removal of difficulties: If any difficulty arises in giving effect to the provisions of the Act, the State Government, may by order, do anything necessary to remove the difficulty.
Sections 18(5), 44(4), and 70(5)	Removal from the post: The State Government may remove <i>Mukhiya/Up-Mukhiya, Pramukh/Up-Pramukh, and Adhyaksha/Upadhayksha</i> , from their posts, on the ground of absence from the meeting, lack in performing duties as per BPR, 2006, misusing their powers and being convicted and absconding for more than six months, after allowing them to represent themselves.

(Source: BPR, 2006)

1.3.3 Devolution of Functions, Funds and Functionaries to PRIs

The Seventy-third Constitutional Amendment Act (CAA) envisages that all 29 functions as listed in the 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

Eighteen Departments of the GoB transferred their respective functions (September 2001) to PRIs, in the light of subjects/functions enlisted in the Eleventh Schedule of the Constitution and prepared tier-wise activity mapping of functions/sub-functions. However, provisions regarding the devolution of functions and responsibilities, to be performed by the three tiers of Panchayats, were not made clear and practical. The Chief Secretary, Bihar directed (July 2014) Departments to frame clear Operational guidelines for effective devolution of powers to PRIs. However, no progress was observed in this respect. The 5th SFC and 6th SFC had also observed that, though the activity mapping orders were

issued by the Departments, they were not acted upon and, therefore, activity mapping was not effective. It was also observed that the functional Departments concerned had continued to receive budgetary allocations in respect of the transferred functions and the functions devolved to PRIs overlapped with those of the departments.

On this being pointed out by Audit, the Joint Secretary, PRD, replied (January 2020) that all 29 functions, mentioned in the Eleventh Schedule of the Constitution, had been devolved to the three tiers of PRIs, by the respective Departments of the GoB, 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 carried out, and even after a lapse of more than 28 years of the implementation of 73rd CAA, proper Operational guidelines for carrying out the devolved functions were not framed.

Devolution of Funds

The basic objective of the 73rd CAA was to empower the Local Bodies (LBs), through functional and financial devolution, to enable them to function as vibrant units of Self Government. PRIs received funds, in the form of grants/ devolution from the Central/ State Government, through PRD. Funds released to PRIs, during the financial years 2015-16 to 2019-20, are given in **Table-1.3** below:

Table-1.3: Grants to PRI at different Levels (2015-16 to 2019-20)

(₹ in Crore)

Head	GP	PS	ZP
Backward Region Grant Fund	0.00	0.00	2.27
<i>Rajiv Gandhi Panchayat Sashaktikaran Aabhiyan</i>	50.91	0.00	0.00
<i>Mukhya Mantri Saat Nishchay Yojna</i>	4360.38	0.00	0.00
Central Finance Commission	19026.64	28.29	14.14
State Finance Commission	5682.75	775.02	1860.95
<i>Panchayat Sarkar Bhawan</i>	564.14	NA*	NA*
Contingency Grant	135.55	NA*	NA*
Payment to PRIs' elected representative	519.46	117.52	23.53
Total	30339.83	920.83	1900.89

(Source: Economic Survey for the year 2019-20, GoB)

NA- Not Applicable

Further, as per Sections 27, 55, and 82 of BPR, 2006, PRIs were authorised to impose taxes on holdings, professions, and levy tolls, fees, and rates, subject to maximum rates specified by the State Government. The SFCs had also recommended that the State Government was to specify the maximum rates of taxes, to enable PRIs to raise resources on a priority basis. However, the rates, at which the tax/non-tax revenues were to be collected, were not specified by the GoB. Therefore, PRIs were not able to levy and collect revenues from their own resources, till August 2021. Increase of revenue from the internal resources of

PRIs was one of the mandatory conditions imposed by the Fourteenth Finance Commission (14th FC), for receiving the Performance Grants. As PRIs could not raise revenue from their internal resources, they could not receive Performance Grants for the period 2016-20.

On this being pointed out in Audit, the Department stated (August 2021) that framing of the Bihar Panchayat (Gram Panchayat, Audit, Budget and Taxation) Rules, was under process. Audit observed that the GoB could not frame the rules, even after a lapse of 15 years of enactment of the BPRA, 2006.

Thus, due to apathy of the GoB, PRIs could not raise revenues from their own resources and remained primarily dependent upon government grants, for carrying out their mandated functions.

Devolution of Functionaries

The 5th SFC, while observing acute shortage of staff at all levels of PRIs, recommended a model Panchayat cadre staffing pattern norms for PRIs, which provided seven posts⁵ for each GP and PS and 20 to 29 posts for ZP. However, the model staffing pattern norms were implemented only partially in PRIs. For four to five GPs, one post of Accountant-cum-IT Assistant and one post of Technical Assistant was created (July 2018). Further, all posts were not filled in and, against the sanctioned post of 2,096 posts (for each of the aforesaid cadres), 1,683 Accountant –cum- IT Assistants and 1,535 Technical Assistants had been appointed, till August 2021 on contractual basis.

Further, at the GP level, the Panchayat Secretary was the only full-time government employee, to facilitate the GP in performing its mandated functions. However, 6,055 posts (72 *per cent* of the total sanctioned strength of 8419 posts) of Panchayat Secretary were vacant, as of August 2021. However, no post was sanctioned for Panchayat Samiti, the status of sanctioned strength and persons-in-position of ZPs was not available at the Department level.

The PRD replied that the recruitment process for filling the vacant posts of Panchayat Secretaries, through the Bihar Staff Selection Commission, was under process. However, Audit observed that proposals had been made by the department, on 21.02.2013, 22.09.2016 and 30.12.2016, to the Bihar Staff Selection Commission (BSSC), for a total number of 4,751 posts, with the examination having been held in December 2018, but the appointment of Panchayat Secretaries continues to be under process, since the last seven years.

It is evident from above that PRIs were not being provided with adequate staff and were therefore, functioning with deficient manpower. The 6th SFC also observed that Departments had issued activity mapping orders regarding devolution of functions but did not transfer services of functionaries handling those activities to PRIs and *Aaganwadi* workers, health workers, and teachers appointed by the PRIs did not report to them.

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 contract/outsourced.

Thus, the devolution of functions, funds and functionaries to PRIs, as envisaged in the 73rd CAA, was not satisfactory. Further, Bihar was among the weak performing States in the country, in regard to the devolution of funds, functions and functionaries and stood second from the bottom (25th rank) in the devolution index across States.

1.4 Formation of various Committees

The BPRA, 2006, provides that PRIs shall constitute various Committees, by election from among their members, for effective discharge of their functions.

1.4.1 Standing Committees

As per Sections 25, 50, and 77 of BPRA, 2006, PRIs shall constitute various Standing Committees for the performance of their assigned functions. Standing Committees, to be constituted at three-tier PRIs, are given in **Table 1.4** below:

Table - 1.4: 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 BPRA, 2006)

The Department had no information about how many PRIs had constituted the above mentioned Committees and how many Committees were actually functional. 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 BPRA, 2006, in all tiers of PRIs.

The Department replied (January 2021) that District Panchayat Raj Officers had been instructed to send reports regarding the constitution and functioning of various committees in PRIs, but no response had been received till August 2021.

1.4.2 District Planning Committee

Article 243ZD of the Constitution and Section 167 of the BPRA, 2006, envisages the formation of a District Planning Committee (DPC), for consolidation of the plans prepared by the PRIs and ULBs of the district and finalization of a Draft Development Plan (DDP) for the District, as a whole. 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 the DPC. Further, the Chairperson of the DPC was to forward the development plan, as recommended by the DPC, to the State Government.

Though DPCs were re-constituted in February 2018, in all districts of the State, the Department did not receive any District plans and, hence, was not aware of the status of functioning of the DPCs in the districts. It was also observed that though Panchayat elections were held in May 2016, DPCs were re-constituted, with delays, in February 2018.

1.4.3 Gram Panchayat Development Plan

The 14th FC recommended the creation of convergent plans at the level of Panchayats, as also leadership by Panchayats in providing basic amenities and services to the people. The Ministry of Panchayati Raj (MoPR), GoI, directed States to develop State-specific guidelines for Gram Panchayat Development Plans (GPDPs), which would converge all the resources over which the Panchayats had command, including 14th FC funds, Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) funds, *Swachh Bharat* funds, etc.

GPs were mandated for the preparation of GPDPs, for economic development and social justice, by utilization of the resources available to them. The GPDP planning process, had to be comprehensive and based on a participatory process involving full convergence with Schemes of all related Central Ministries/Line Departments, related to the 29 subjects listed in the Eleventh Schedule of the Constitution. The main elements/objectives of formulation of GPDPs, which also need to be captured in the GPDPs, were: (i) poverty reduction (ii) human development (iii) social development with special emphasis on SC/ST, persons with disabilities, women and vulnerable groups (iv) economic development (v) ecological development etc.

Details of GPDP prepared and approved by PRIs, are not made available, by the Department, to Audit. However, as per the Plan Plus Report at gdpd.nic.in, out of 8,387 GPs in the State, only 7,563 GPs had uploaded the final GPDPs, till 30 January 2021.

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, by the Comptroller and Auditor General (CAG) of India or its authorised authority, and a copy of the report is to be forwarded to the respective PRIs, within a month from the date of completion of the audit.

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 14th FC had also recommended that the CAG must be entrusted with the Technical Guidance and Support (TGS) over the audit of all LBs at every tier/category and his Annual Technical Inspection Report (ATIR), as well as the Annual Report of 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 the TGS arrangement, as laid in the Regulations on Audit and Accounts, 2007, were accepted by the GoB in December 2015 and, subsequently, audit of the accounts of LBs, under TGS, by the CAG, commenced from January 2017.

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

1.5.1.1 Preparation of Annual Audit 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 LBs for the next financial year and forward it to the Accountant General (AG) (Audit), Bihar.

The DLFA prepared the AAP for the year 2019-20, with a delay of nine months⁶, while no plan was prepared for the year 2020-21. The DLFA stated (August 2021) that delays in the preparation of AAP were due to shortage of manpower, while, owing to the COVID-19 pandemic, the plan could not be prepared for the year 2020-21. The reply was not acceptable, as the plan for the year 2020-21 had to be prepared till September 2019 and, at that time, there was no COVID-19 case.

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

The DLFA had conducted audit of the accounts of only 1,498 PRIs, during the financial years 2014-15 to 2019-20. Further, out of the aforesaid 1,498 audited PRIs, IRs of only 407 units (27 per cent) had been issued. Details of the units audited by the DLFA and the status of IRs issued during FYs 2014-15 to 2019-20 (as of February 2020), have been given in **Table 1.5** and **Chart 1.3** below:

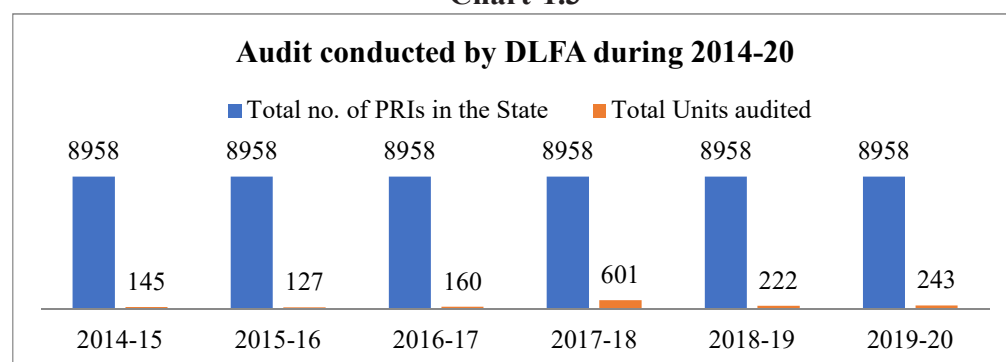
Table-1.5: Details of year-wise units audited by DLFA

Units	Total No. of units	Units Audited by the DLFA							IRs issued
		2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	Total	
Zila Parishad	38	11	11	-	10	15	00	47	407
Panchayat Samiti	534	20	19	12	46	31	40	168	
Gram Panchayat	8,386	114	97	148	545	176	203	1,283	
Total	8,958	145	127	160	601	222	243	1,498	407

(Source: Information furnished by DLFA)

⁶ AAP was to be prepared till September 2018 but it was prepared on 12 July 2019.

Chart-1.3



DLFA replied (February 2020) that, due to serious manpower constraints, audit coverage was very low. On the non-issuance of IRs, the DLFA furnished category-wise status of non-issued IRs and stated that the reports were in the vetting, comparison, examination, and typing stages and adequate infrastructural facilities (including accommodation) were not available.

1.5.1.3 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 AG, to obtain necessary advice for system improvements. The AG was to review these IRs, 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.

Further, IRs of 10 per cent of the number of units audited, in respect of ZPs and Municipal Corporations and five per cent of the total number of units audited, in respect of other LBs, which were audited by DLFA, were to be forwarded by the DLFA, to the AG (Audit). However, the same had not been forwarded after August 2017. Letters were written to the DLFA and also to the Finance Department (controlling Department), to submit the IRs for TGS, but no IR was received till August 2021.

Thus, due to non-submission of required IRs by the DLFA, to the AG (Audit), the quality of IRs issued by the DLFA could not be monitored by the AG (Audit) and DLFA was remained deprived of TGS on IRs. This defeats the purpose of establishing a mechanism of Technical Guidance for the rural local bodies.

1.5.1.4 Poor response to IRs issued by DLFA

The status of compliance of audit paragraphs contained in the IRs was not satisfactory as evident from a huge number (almost 100 per cent) of audit paragraphs that remained outstanding for settlement, as of 31 March 2020, as detailed in **Table 1.6** below:

Table –1.6: Outstanding paragraphs in PRIs for the FYs 2014-15 to 2019-20

Financial Year	No of IRs issued	No. of paras in IRs	The amount involved (₹ in lakh)	No of the paras settled	Amount of settlement (₹ in lakh)	No of Paras outstanding	The money value of paras outstanding (₹ in lakh)
2014-15 to 2019-20	407	2,354	9,845.61	2	0.13	2,352	9,845.48

(Source: Information furnished by DLFA)

It is evident from the table above that out of a total of 2,354 paragraphs contained in 407 IRs, only two paragraphs involving ₹ 0.13 lakh, were settled, while 2,352 paragraphs involving ₹ 98.45 crore, remained pending for settlement, as of August 2021. Thus, huge number of outstanding audit paragraphs indicated weak internal control in PRIs and inaction on the part of the authorities concerned, to ensure compliance of outstanding audit paragraphs.

1.5.1.5 Submission of Returns

As per clause 2 (iv) of the accepted Standard Terms and Conditions of TGS, the DLFA is to furnish returns, in such format as may be prescribed by the CAG for obtaining advice and monitoring purposes. Accordingly, the office of the AG (Audit) prescribed three returns⁷ and four registers⁸. However, the required returns and registers were not furnished by the DLFA. Subsequently, the AG (Audit) proposed (February 2018) submission of the Annual Return (Implementation of Annual Audit Plan, due on 15th 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). However, no return as prescribed, had been furnished by DLFA, till July 2021.

The DLFA replied (August 2021) that the returns and registers were not maintained and direction may be sought from the AG (Audit). The reply was not acceptable, as the DLFA did not consult the AG (Audit) to get necessary guidelines, even after a lapse of more than six years of its establishment.

1.5.1.6 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 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 by audit, the DLFA stated (August 2021) that out of 1,551 PRIs units audited by DLFA during 2015-20, only 537 reports were issued (as of August 2021), and therefore, the same could not be reported to the AG (Audit). It was further stated that in these 537 units, cases (in 56 audit paras) of defalcation/probable defalcation/misappropriation of ₹ 1.01 crore, ₹ 80.35 lakh, and ₹ 4,000 relating to GPs, PSs, and ZPs respectively, were noticed. However, action taken on these audit findings was not pointed out to Audit by the DLFA.

1.5.1.7 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.

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

On this issue, the DLFA replied (August 2021) that the steps were to be taken for internal control, were not clear. The reply was not acceptable, as the DLFA had to chalk out the strategy for sound internal control and non-establishment of a mechanism of internal control, resulted in deficient planning, less coverage of auditable units, non-issue of IRs within time, non-preparation of reports and returns etc.

1.5.1.8 Training and Capacity building

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

In this regard, the DLFA replied (August 2021) that auditors who had joined in 2016 and 2019 were imparted training for one month, at the Bihar Institute of Public Administration and Rural Development. Further, online training was also imparted, for one day, on conduct of online audit. The DLFA had not made any written request to the AG (Audit), for imparting training to the auditors of the Directorate of Local Fund Audit.

1.5.1.9 Status of enlistment of the provision of TGS in BPR, 2006

As per the recommendations of the clause 10.161(ii) of the 13th FC and clause 9.61 of the 14th FC, the GoB had entrusted (December 2015) TGS, to the audit of the accounts of LBs, to the CAG, which was accepted by the CAG in November 2016. Consequently, the role of the primary auditor was assigned to the DLFA, established under the Finance Department, GoB.

However, provision regarding entrustment of TGS to CAG for the audit of PRIs had still not been made in the BPR, 2006, by the GoB. The DLFA replied (August 2021) that revision in the BPR, 2006, in this regard was under process.

1.5.1.10 Inadequate manpower with DLFA

To ensure the efficient and effective functioning of the DLFA, sufficient Manpower of DLFA was required to be put in place. The sanctioned strength and persons-in-position, under different cadres of DLFA, as of August 2021, are shown in **Table-1.7** below:

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

Sl. No.	Name of post	Sanctioned strength	MIP	Vacancy
1	Joint Director	1	0	1
2	Deputy Director	3	0	3
3	Sr. A.O/ Asst. Director	34	4	30
4	Audit Officer	45	16	29
5	Assistant Audit Officer	50	00	50
6	Senior Auditor	56	-	56
7	Auditor	125	#42	83
Total		314	62	252

(Source: Information received from DLFA)

The total number of the regular auditor was 42 and besides, 10 auditors were on deputation, and 32 were working on a contractual basis.

It is evident from the table above that the DLFA had serious manpower constraints and only 62 audit personnel were working against the sanctioned strength of 314, as of August 2021. Due to the shortage of manpower, audit coverage was very poor as discussed in the preceding paragraph (Table-1.5).

1.6 Response to Audit Observations

1.6.1 Poor response to AG's Inspection Reports on LBs

After completion of the audit, IRs containing audit findings, were to be issued to the PRIs concerned, with a copy to the Department concerned. The DDC-cum-CEOs of the ZPs, the EOs of PSSs, and the *Mukhiyas* of GPs, were required to respond to audit observations contained in the IRs and send compliance reports within three months. But, the status of compliance of audit paragraphs was not satisfactory, as evident from the increasing number of paragraphs outstanding. Details of paragraphs outstanding for compliance, for the last five years (2015-20), are given in Table-1.8:

Table - 1.8: Outstanding audit paragraphs for the last five financial years (2015-16 to 2019-20)

Financial Year	No. of IRs	No. of Paragraph 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)
2015-16	1,454	18,586	337.096	6,314	9.56	12,272	327.536
2016-17	1,301	10,873	501.369	68	5.824	10,805	495.545
2017-18	1,365	8,476	1,173.853	20	1.183	8,456	1,172.67
2018-19	156	1,069	72.88	0	0	1,069	72.88
2019-20	113	874	222.57	5	8.01	869	214.56
Total	4,389	39,878	2,307.768	6,407	24.577	33,471	2,283.191

(Source: Inspection Reports)

It is evident from the Table that, out of the total 39,878 paragraphs contained in 4,389 IRs, only 6,407 paragraphs (16 per cent) were settled, while 33,471 paragraphs, involving an amount of ₹ 2,283.19 crore, remained outstanding, as of March 2021.

Further, Audit observed that six IRs, relating to the PRD, for the period 2013-14 to 2019-20, containing 119 audit paragraphs, were issued (March 2017 to March 2021) to PRD for compliance, but, no audit paragraph was settled till July 2021.

The large number of outstanding paragraphs indicated a lack of internal control and inaction on the part of the authorities of PRIs and the Department, in furnishing compliance to audit observations.

1.6.2 Compliance/status of Annual Audit Reports

In the State, the report of the Examiner of Local Accounts (ELA) was prepared for the financial years 2005-06 to 2013-14. Therefore, CAG's Audit Reports on LBs, for the financial years 2014-15 and 2015-16, were prepared.

1.6.3 ELA's Annual Reports

The Finance Department, GoB, had constituted (March 2010) three-tier Committees – High Level, Department Level, and District Level- for review/ compliance of the audit paragraphs contained in the ELA's Annual Audit Reports. The District Level Committee⁹ had the responsibility of ensuring compliance of audit paragraphs/ reports received from the PRIs and ULBs of that district. The Department Level Committee¹⁰ was expected to review the compliance of audit paragraphs/ reports made by the District Level Committees. The High-Level Committee¹¹ was to meet once in six months, to review the functioning of the District and Department Level Committees.

Audit observed that 84 District Level Committee meetings were proposed for the year 2019-20, but no meeting was held. Further, the Department Level Committee meeting had not been held since July 2015 and the High-Level Committee meeting had not been held since August 2013.

Thus, the purpose of constituting three-tier Committees was not fulfilled. The ELA's Annual Audit Reports on LBs, for the year ended March 2013 and March 2014, were placed before the State Legislature, in March 2016.

1.6.4 Placement of CAG's Audit Report before the State Legislature

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.

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.

Further, the CAG Report on LBs, GoB, for the period 2015-16, was laid before the State Legislature on 23 August 2017.

Accountability Mechanism and the Financial Reporting Issues

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 the State Government was to frame service conditions, duties, and powers, etc. of the *Lok Prahari*.

However, the Draft Bihar Local Government Ombudsman Rules, 2011, for the appointment of *Lok Prahari* (Ombudsman) for Panchayats, are not finalized till January 2021. The process for appointment of the Ombudsman had been in progress. Consequently, the *Lok Prahari* (Ombudsman) for PRIs could not be appointed by PRD.

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

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

1.7.2 Social Audit

Rule 2 (A) of the Bihar Gram Sabha (Co-ordination of meeting & Procedure for conduct) Rules, 2012, provides for Social Audit of all the development work executed in the village by the Gram Sabha. Further, Para 2.1.7 of the 5th SFC recommended 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 social projects, laws, and policies.

The GoB had created (June 2015) various posts, on contractual basis, for the functioning of the Social Audit Society (SAS) and constituted the SAS in April 2017. But, no appointment was made on key posts and the SAS was functioning with deficient manpower, as per the details given in **Table-1.9** below:

Table-1.9: Sanctioned strength and Persons-in-position to facilitate social audit

Sl. No.	Posts	Sanction Strength	Persons-in-position
1	Director	1	0 [#]
2	Social Audit Advisor	1	0 [#]
3	State Resource Person	5	1
4	District Resource Person (DRP)	62	31
5	Block Resource Person (BRP)	534	0
6	Accountant	5	0
7	Office Assistant	3	0
	Total	611	32

(Source: Information obtained from SAS, GoB) # The officers of the RDD held an additional charge.

The Rural Development Department (RDD), GoB, had decided to fill in the vacant posts at the State and District levels and an advertisement was published (December 2020) for the hiring of a recruiting agency, but was later cancelled and the posts remained vacant till August 2021.

The Joint Secretary, PRD, had stated (January 2020) that there was no separate mechanism for social audit in PRIs, for schemes other than MGNREGS. Accordingly, the Department had requested (July 2018) the Rural Development Department to conduct the social audit of the schemes conducted by the PRD with the help of the Social Audit Society and the Nalanda district was selected (January 2020) for the pilot study. The pilot study was, however, not conducted.

Further, the SAS was assigned the social audit work of MGNREGS in PRIs and *Pradhan Mantri Awaas Yojana, Lohiya Swachh Bihar Abhiyan*, Public Distribution System, *Nir Nirmal* Project, and National Social Assistance Programme (implemented by Blocks and Districts), but only five *per cent* of the sanctioned posts for SAS were filled in and the SAS was functioning with serious manpower constraints.

Thus, social audit of schemes, other than MGNREGS, in PRIs, was not conducted till August 2021.

1.7.3 Submission of Utilisation Certificates

As per the instruction of GoB, read with provisions contained in Section 342 of the Bihar Financial Rules (BFR), the time limit for submission of Utilisation Certificates (UCs), for grants sanctioned for specific purposes, is 18 months from the date of allotment of the grants.

Audit observed that the PRD had released grants of ₹ 39,788.16 crore, to PRIs, during the financial years 2007-08 to 2018-19 (till October 2020), under different heads, but, the UCs for only ₹16,285.93 crore (41 per cent) were submitted by the PRIs, as of January 2021, vide summary given in **Table 1.10** below:

Table – 1.10: Submission of UCs by PRIs for funds allotted till FY 2018-19.

(₹ in crore)

Sl. No.	Head	Total Allotment till FY 2018-19	UCs submitted till Oct 2020	Percentage of UCs submitted
1.	RGPSA	42.45	22.95	54.06
2.	IAP	175.00	75.00	42.86
3.	BRGF	4,045.92	3,843.29	95.00
4.	12 th FC	1,625.12	1,055.11	64.92
5.	13 th FC	4,978.56	4,747.25	95.35
6.	14 th FC	13,249.48	3,072.44	23.19
7.	3 rd SFC	85.52	60.02	70.18
8.	4 th SFC	2,118.61	1,812.22	85.54
9.	5 th SFC	7,182.92	346.03	4.82
10.	Mukhyamantri Gramodaya Karyakram	267.70	229.22	85.63
11.	Pratinidhi Bhatta	1,841.08	580.23	31.52
12.	Gram Kachahari Nyaymitra/Sachiv ke Mandey & Kiraya, Upaskar	687.19	292.80	42.61
13.	MMNY (Peyjal)	1,882.00	13.85	0.74
14.	MMNY (Gali-Nali)	1,210.00	23.38	1.93
15.	MMNY (Administrative Expenditure)	48.10	0.58	1.21
16.	Gram Panchayat Upaskar	154.59	5.89	3.81
17.	Vaivevik Anudan	0.15	0.15	100.00
18.	Gram Swaraj Society	189.21	105.52	55.57
19.	Data Entry Operator Karyapalak Sahayak ka Mandey	4.56	0.00	0.00
Total		39,788.16	16,285.93	

(Source: Information provided by the PRD, GoB)

Note: Utilisation for funds under the RSVY scheme (subsumed in BRGF), amounting to ₹ 59.49 crore, was not submitted by 16 districts of the State.

On this being pointed out in audit, the PRD stated (January 2021) that the amounts released by PRD, under various heads, were utilised by a huge number

of implementing units and the utilisation was to be submitted after the audit of the accounts by CAs and that this was the reason for the delay in receiving the UCs.

1.7.4 Non-release of RGPSA/RGSA grant

The MoPR, GoI, had implemented the *Rajiv Gandhi Panchayat Sashaktikaran Abhiyaan* (RGPSA), during the financial years 2012-13 to 2015-16, for strengthening of the Panchayati Raj System across the country and addressing the critical gaps constraining the functioning of Panchayats. Further, GoI had launched the restructured Centrally Sponsored Scheme of *Rashtriya Gram Swaraj Abhiyan* (RGSA), for the period April 2018 to March 2022, with the primary aim of strengthening PRIs for achieving Sustainable Development Goals, with the main thrust being on convergence with Mission *Antyodaya* and also to emphasize strengthening of the PRIs.

The sharing of funds for the Schemes, between the Centre and State, was in the ratio of 75:25 (for RGPSA) and 60:40 (for RGSA). Funds for the aforesaid Schemes were to be provided in two equal instalments, by the GoI. In the first instalment, 50 per cent of the central share, approved as per the approved annual plan, was to be released after adjusting the unspent balance of the Schemes out of the previous year's release lying with the State, while the second instalment (i.e. remaining 50 per cent) was to be released after incurring an expenditure of 60 per cent of the total available funds, subject to regular reporting of progress in implementation of the Schemes.

GoI sanctioned ₹ 814.40 crore for RGPSA/RGSA during the financial years 2013-14 to 2020-21, in which ₹ 520.94 crore was the central share. However, GoI released only the first instalment of central share of ₹ 76.53 crore, after adjustment of the unspent balance lying with the State during the financial years 2013-14 to 2014-15 and 2018-19 to 2020-21, as detailed in Table 1.11 below:

Table: 1.11: Status of receipt of Central share for RGPSA/RGSA during the FYs 2013-14 to 2020-21

(₹ in crore)

Name of scheme	Financial Year	Sanctioned amount	Central Share	State Share	Central Share released	Adjustment done by the GoI	Non-release of central share
RGPSA	2013-14	22.98	17.24	5.74	8.61	Nil	8.63
	2014-15	192.31	144.23	48.08	63.67	8.45	80.56
RGSA	2018-19	367.10	220.26	146.84	4.25	54.26	216.01
	2019-20	126.30	75.78	50.52	0.00	Nil	75.78
	2020-21	105.71	63.43	42.28	0.00	Nil	63.43
Total		814.40	520.94	293.46	76.53	62.71	444.41

(Source: Allotment files and UCs)

The State Government had to furnish the Monthly Progress Reports (MPR) of activities and expenditure incurred on implementation of the Schemes, as per the approved plan, UCs and Audited Statements of Accounts, year wise, for funds released under the programme, along with outcomes indicating component-

wise utilization, as per the funding norms, both under the Central and State shares, for release of the 2nd instalment of Central share for the Schemes.

Audit observed the following deficiencies in the implementation of the Schemes:

- GoB did not furnish the MPR and Audited Statements of Accounts, for release of the 2nd instalments and, thereby, did not comply with the conditions imposed by the GoI.
- The first time, a financial year wise Expenditure Report of RGPSA & RGSA for the financial years 2013-14 to 2020-21 (up to November 2020), was prepared by Chartered Accountants, in December 2020, after six years of receipt of funds, and, on that basis, UCs of ₹ 53.72 crore¹² were prepared by the Department and sent to MoPR, in December 2020. However, the Department replied (February 2021) that expenditure of the balance amount to ₹ 22.81 crore was under process and reminders for utilising the balance amount was issued to the units concerned.
- Against the due State share of ₹ 26.92 crore, in respect of the central share released by GoI, during the period 2013-15 and 2018-19, the GoB released ₹ 24.56 crore only, till 2021 (2014-20- ₹ 1.34 crore and 2020-21- ₹ 23.22 crore).

A total sum of ₹ 6.54 lakh was released by the GoI, during the financial years 2015-16 to 2018-19, for capacity building and training of elected representatives, Panchayat functionaries, and other stakeholders under “Capacity Building – Panchayat Sashktikaran Abhiyan” but the said amounts were not accounted for in the Scheme accounts and credit of the amounts was not traceable.

Thus, due to non-fulfilment of conditions for sanctioning of grants, non-utilisation of available funds, and non-submission of UCs in time, GoI, could not release ₹ 444.41 crore to the State and the State was deprived of grants to that extent. The Department did not furnish a reply to the audit observations.

1.7.5 Internal Audit and Internal Control System of PRIs

As per the recommendation of the 5th SFC for sustainable improvements, qualified Accountants were to be appointed regularly, apart from contracting CAs as internal Auditors, as an interim measure. Further, the Finance Department, GoB, in the light of 14th FC recommendations, made it mandatory (February 2016) for LBs to submit the expenditure accounts and internal audit report, along with UCs of the previous year’s grants, for release of the 2nd and subsequent instalments. This necessitated the setting up of an internal audit mechanism in the department.

The PRD issued tender for empanelment of CA firms to conduct an audit of the accounts of PRIs, for the period 2016-18, and audit of the previous year was to be completed till September next year. However, audit was not completed on time and the delays, in this regard, ranged from one to four years. Further,

¹² Final Utilization for ₹ 31.23 crore and Provisional UCs for ₹ 22.49 crore.

the PRD invited tender (June 2020) for selection of CA firms for internal audit of PRIs and *Gram Kachahari*, for the period 2019-20 to 2021-22, and audit of 2019-20 was to be completed till September 2020. Audit observed that audit of all units had not been completed. The status of the internal audit, conducted by the CAs, in PRIs and *Gram Kachahari*, during FYs 2017-18 to 2019-20, as of August 2021, is given in **Table-1.12** below:

Table-1.12: Status of Internal Audit by Chartered Accountants

Financial Year	Total No. of GPs	No. of GPs audited	Total No. of Gram Kachahari	No. of Gram Kachahari audited	Total No. of PS	No. of PS audited	Total No. of ZPs	No. of ZPs audited
2017-18	8,391	8,164	8,391	8,132	534	509	38	38
2018-19	8,387	8,128	8,387	7,405	534	465	38	35
2019-20	8,387	2,507	8,387	1,860	534	149	38	10

(Source: - Annual report of the Department and information furnished by the Department)

The Department instructed (January 2020) all the District Magistrates to complete the audit of the accounts of the PRIs and *Gram Kachahari*, up to the period 2018-19, by January 2020. However, the audit for the years 2017-18 and 2018-19, was not completed, as of August 2021, as evident from the table above.

Action taken against CA firms for non-completion of audit within the stipulated timelines was not provided. The CA firms, however, submitted a memorandum to the Department, stating that all necessary accounts, bank pass-books, scheme register, etc. were neither maintained, nor produced by PRIs, for audit.

Further, a State Level Audit and Financial Management Consultant was to be appointed for review of the work of the CA, supervision, compilation of reports received from the district at State level, compliance of objections, and other audit-related work of the Department level. However, **the Department failed to appoint the Consultant**. As such, review of work of the CA, supervision, compilation of reports received from the district at the State level, compliance of objections, and other audit-related work, could not be ensured.

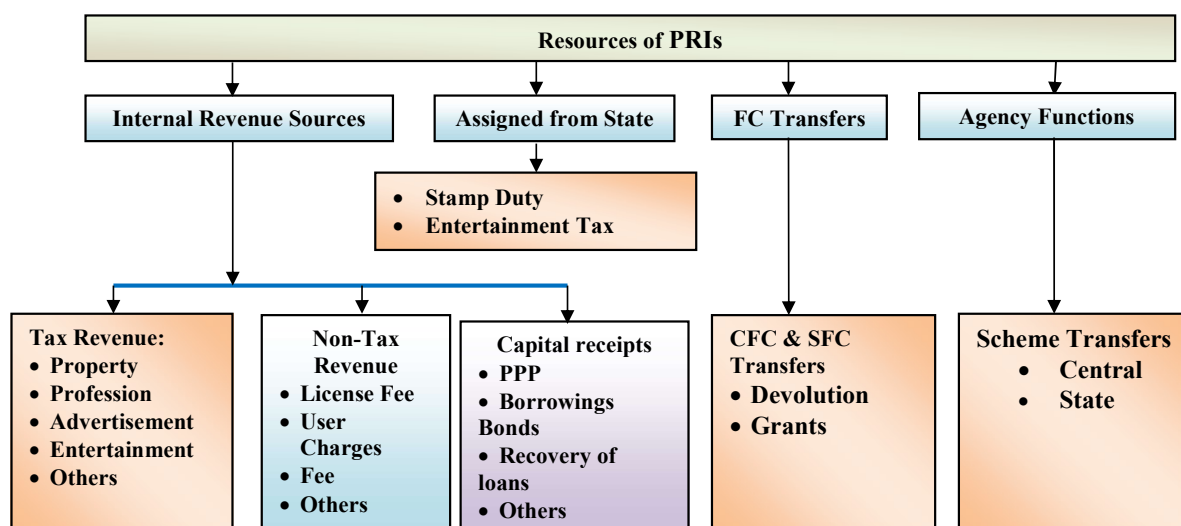
1.8 Financial Reporting Issues

1.8.1 Sources of Funds

The resource base of PRIs comprised of own revenue, generated by the collection of tax and non-tax revenues; devolution of funds, as per recommendations of State and Central Finance Commissions; Central and State Government grants for maintenance and development purposes; and other receipts.

As per Sections 27, 55, and 82 of BPR, 2006, PRIs were authorised to impose taxes on holdings, professions, and levy tolls, fees, and rates, subject to a maximum rate, as notified by the State Government. A flow chart of the sources of finances of PRIs, is depicted in **Chart 1.4** below:

Chart – 1.4: Source of Finances



(Source: Provisions in the BPR, 2006 and the 5th State Finance Commission Report)

Out of the three-levels of PRIs, only the ZPs had their own sources of 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, framing of the Bihar Panchayat (Gram Panchayat, Audit, Budget and Taxation) Rules, was under process at the State level.

1.8.1.1 State Budget allocation vis-à-vis expenditure

The budget provisions of the State Government, to PRD, including the State share towards GoI schemes and grants received under recommendations by Central Finance Commissions (CFCs), for the financial years 2015-16 to 2019-20 are given in **Table 1.13** below:

Table-1.13: Budget allocation vis-à-vis expenditure

(₹ in crore)

Particulars	Head	2015-16	2016-17	2017-18	2018-19	2019-20	Total
1	2	3	4	5	6	7	8 (3 to 7)
1. Budgetary Allocation	Revenue	5,465.11	7,386.33	9,148.71	10,245.17	13,376.35	45,621.67
	Capital	2.00	0.00	0.01	1.00	250.00	253.01
	Total	5,467.11	7,386.33	9,148.72	10,246.17	13,626.35	45,874.68
2. Expenditure	Revenue	2,893.01	6,466.66	8,540.95	8,408.50	8,689.62	34,998.74
	Capital	0.00	0.00	0.00	0.00	45.12	45.12
	Total	2,893.01	6,466.66	8,540.95	8,408.50	8,734.74	35,043.86
3. Savings (1-2)		2,574.10	919.67	607.77	1,837.67	4,891.61	10,830.82
4. Percentage of savings		47	12	7	18	36	24

(Source: Appropriation Accounts, GoB for the year 2015-16 to 2019-20)

It is evident from **Table 1.13** above that the PRD could not fully utilise budgetary allocation and the percentage of savings ranged between seven *per cent* and forty-seven *per cent* during the financial years 2015-16 to 2019-20. Further, the total expenditure under the Capital head was only 18 *per cent* of the total allocation under the head.

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 Commissions,¹³ to assess the financial status and to determine the principles based on which adequate financial resources would be ensured to the LBs. Recommendations made by the 5th SFC and the status of their implementation, are discussed in para 2.1 of the report.

The 6th SFC was constituted in February 2019, for the period 2020-25, and its report was due on 31 March 2020. However, the 6th SFC submitted its report in two parts. An interim report, for the period 2020-21, was submitted by the Commission, on 8 January 2020, while the final report, for the period 2021-25, was submitted in April 2021, and was accepted by the GoB in August 2021. As per the recommendations of the 6th SFC, total funds of ₹ 19,419.40 crore¹⁴ were to be devolved to PRIs, during 2021-25, as per details given in **Table-1.14** below:

Table-1.14 Grants and devolution (projected) for release to LBs

(₹ in crore)

Particulars	Projected				
	2021-22	2022-23	2023-24	2024-25	2021-25
Devolution	1,428.05	1,725.10	2,051.40	2,408.90	7,613.45
Grant	2,477.15	2,834.00	3,072.55	3,422.25	11,805.95
Total SFC Transfer	3,905.20	4,559.10	5,123.95	5,831.15	19,419.40

(Source: Report of 6th SFC)

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

1.8.3 Recommendations of the 14th 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 resources of Panchayats and Municipalities.

Fourteenth Finance Commission

The Fourteenth Finance Commission was constituted in January 2013, to make recommendations on specified aspects of Centre-State fiscal relations, for the award period 2015-20. It submitted its report on 15 December 2014. The 14th FC had recommended the assured transfer of funds to LBs for delivery of basic services¹⁵ only. In the light of the 14th FC recommendations, the grants were to be disbursed to LBs using the formulae recommended by the respective SFCs for the distribution of resources.

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

¹⁴ Devolution - ₹ 7,613.45 crore and grants - ₹ 11,805.40 crore

¹⁵ Water supply, sanitation including septic management, sewage, storm water, drainage, street lighting, LB roads and footpaths, parks, etc.

The 14th FC had recommended Grants-in-Aid to duly constituted GPs, in two parts viz. (i) Basic Grant (BG) and (ii) Performance Grant (PG). The Basic grant was to be provided to LBs for supporting and strengthening the delivery of basic services, whereas the Performance grant was designed to serve the purpose of ensuring reliable audited accounts and data of receipt and expenditure and improvement of 'own revenue'. The 14th FC had prescribed two eligibility conditions¹⁶ for GPs to become eligible for PG. Further, GoI had prescribed (September 2017) two additional eligibility criteria¹⁷ for the GPs to receive PG. The ratio of BG to PG is 90:10, in regard to GPs. The details of grants released by GoI, under the 14th FC, and subsequently released by GoB, to GPs, during the financial years 2015-16 to 2019-20, are given in **Table- 1.15** below:

Table-1.15: Grants recommended and released

(₹ in crore)

Financial 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	2,269.18	2,269.18	2,269.18	0.00	0.00	0.00
2016-17	3,142.08	3,142.08	3,142.08	412.15	0.00	0.00
2017-18	3,630.39	3,630.39	3,630.39	466.41	0.00	0.00
2018-19	4,199.71	4,199.71	4,199.71	529.67	0.00	0.00
2019-20	5,674.70	5,674.70	5,674.70	693.55	0.00	0.00
Total	18,916.06	18,916.06	18,916.06	2,101.78	0.00	0.00

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

GoB could not receive PG of ₹ 2,101.78 crore for the period 2016-20, as the mandatory conditions, viz., availability of audited accounts and improvement in own sources of revenue, were not fulfilled by the State.

The PRD stated (January 2021) that the Department had requested the GoI to release Performance Grants, as the State had taken steps for audit of the accounts of PRIs and issued instructions to PRIs, to increase their own sources of revenue. The reply was not acceptable, as the audit of accounts of PRIs was not completed in respect of all units and framing of regulations for taxation, to enable PRIs to levy and collect taxes and non-tax revenue, was under process till the end of the 14th FC award period (March 2020). Thus, the GoB failed to fulfil mandatory conditions to become eligible for getting Performance Grants, which resulted in deprivation of the State from the grants.

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

¹⁶ LBs will have to submit audited annual accounts that related to a year not earlier than two years preceding the year in which the LBs sought to claim the PG. Further, they would have to show an increase in their revenues over the preceding year, as reflected in the audited accounts. Further, the municipalities were to measure and publish the Service Level Benchmarks (SLBs), relating to basic urban services, each year.

¹⁷ (i) Uploading of GPDP on the Plan Plus portal of MoPR and (ii) uploading of sector-wise expenditure on the MoPR website.

the instalments for the financial years 2018-19 to 2019-20 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-1.16** below:

Table- 1.16: Delay in the release of grants

(₹ in crore)

Financial Year	Particulars of 14 th FC grants	Date of receipt by the Department	Date of release to GPs	Delay in release of grants (in days)	Amount released with delays	Penal interest at RBI rate
2018-19	1 st instalment	6 September 2018	3 October 2018- 18 February 2020	12-515	2,099.79	13.58
	2 nd Instalment	9 January 2019	8 February 2019-18 February 2020	16-391	2,099.63	16.18
2019-20	1 st Instalment	3 September 2019	13 September 2019 – 24 April 2020	34-219	54.01	0.85
	2 nd instalment	25 October 2019	6 November 2019- 24 April 2020	4-167	2,291.08	2.00
Total						32.61

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

On this being pointed out by Audit, the Joint Secretary, 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 the State level, but due to discrepancies in the bank accounts of GPs and technical faults in PFMS, the amount of grants was released with delay. The reply of the Department was not acceptable, as the Department had to ensure the 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 the 1st and 2nd instalments of 2019-20, had not been transferred to GP, Nari (PS Goura Bouram under Darbhanga District), till February 2020. However, PRD had submitted UCs for the period 2018-20 to MoPR, GoI, certifying that the money had been electronically transferred to LBs 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.

• **Non-Deposit of the interest earned into the Consolidated Fund of India**

Rule 230(8) of the General Financial Rules, 2017, issued by the Department of Expenditure, Ministry of Finance, provides that if any organisation is given a grant in aid or advance, the interest earned is to be deposited in the Consolidated Fund of India, immediately after finalising of the accounts. During the audit of the Department, it was noticed that the State could not release 14th FC grants, for the period 2015-20, to GPs, within the stipulated period of 15 days from the date of receipt of the same from the GoI. Instead, the funds were parked in the Department's bank account¹⁸ in the designated bank.

Due to parking of the funds in the bank, the Department earned bank interest of ₹ 32.37 crore till December 2020, and the same was deposited (December 2019 to December 2020) into the Consolidated Fund of the State instead, of being deposited into the GoI account. The Department did not reply on the issue.

¹⁸ HDFC Bank Account No. 50100188126888

1.8.4 Maintenance of Records

Non-maintenance of Cash-Books and reconciliation of accounts

PRD received allotment under 24 heads of grants/funds. However, cash books of only eight heads¹⁹ were maintained by the Department. No cash book, regarding the allotment of ₹ 63.67 crore, received for RGPSA, was maintained by the Department. It was stated by the Department that the cash book was maintained for only those heads for which amounts were drawn at the Department level. The Department did not furnish any reply regarding the maintenance and production of other cash books related to the remaining 16 heads. (*Appendix-1.1*)

Further, scrutiny of the records of PRD revealed that reconciliation statements were not prepared by the PRD and there was a difference of ₹ 32.82 crore²⁰, between the cash books and the bank accounts, as of 31 March 2020.

The Deputy Secretary, PRD, stated (August 2021) that the list of the Panchayats and bank accounts of beneficiaries, with advice, had been made available to the bank. However, many Gram Panchayats did not provide the correct details of their bank accounts. Due to this, the amounts were not credited to such incorrect accounts of the Gram Panchayats and these amounts were lying in the Department's account. Hence, there was a difference between the cash book and bank accounts, at the end of the year. The total number of Gram Panchayats in Bihar was 8,387 and, it was difficult to trace the Gram Panchayats for whom the amounts had not been credited to their bank accounts. For this purpose, the name of those Gram Panchayats are traced, by the department, from time to time, in coordination with the bank and, sometimes, it was also being inquired from the Gram Panchayats and districts about the Gram Panchayats that had not received the amount. In such cases, the advices were again being made and presented, to the bank, to release the amounts pertaining to such Gram Panchayats. Records related to the release of amount were maintained separately. Deputy Secretary added that, after issuing the advice, tracing the Gram Panchayats/units for whom the amount had remained lying in their accounts, was difficult to monitor and no system for tracing this had yet been developed. For this, efforts are being made to make a dashboard in the department, so that such cases could be detected early and the amounts could be sent to the Gram Panchayats/units concerned, without delay. Due to this reason, there was a difference between the Cash Book and the Pass Book and the Department did not maintain a bank reconciliation statement. It was also stated that the prescribed format of the Bank Reconciliation Statement was not available with the Department and, after receiving the prescribed format, the same would be prepared. Details are given in **Table-1.17** below:

¹⁹ (1) Mukhyamantri Nischay Yojana, (2) 14th FC, (3) 5th SFC, (4) Salary, office expense, vehicle, earlier schemes, etc main head (2515), (5) Salary, office expense, vehicle fuel, legal items, etc. (3415) (6) Salary, office expense, vehicle fuel legal items, etc (2013) (7) PHED and (8) RGSA (partly) for the amount ₹ 8.61 crore.

²⁰ Balance as per cash book and bank passbook, as of 31st March 2020, was ₹ 80.18 crore and ₹ 113 crore, respectively.

Table-1.17: Details of the balance of Cash Book and Bank passbook as of 31 March 2020

Sl. No.	Major Head	Details of Items	Bank Account No.	Cash Book balance	Passbook balance
1	2515	Mukhyamantri Nischay Yojana	50100188122505 (HDFC Bank)	75,20,80,034.00	102,35,91,807.00
2	2515	14 th FC	35628359887 (SBI) and 50100188126888 (HDFC Bank)	2848322.00	2,15,97,150.56
3	2515	5th SFC	50100188127125 (HDFC Bank)	1,59,34,820.00	8,44,36,077.00
4	2515	Salary, office expense	36314233682 (SBI)	3,09,38,481.00	3,52,490.50
Total Amount				80,18,01,657.00	112,99,77,525.06

(Source: Details provided by PRD)

Reply of the Department was not acceptable, because, due to the non-preparation of the bank reconciliation statement by the Department, Audit could not ascertain the reasons for the difference of ₹ 32.82 crore between the Cash Book and the Passbook. Non-reconciliation of the difference was fraught with the risk of misuse of funds.

1.8.5 Maintenance of Accounts by PRIs

1.8.5.1 Maintenance of Accounts by PRIs/Model Accounting System

PRIs had to maintain accounts as per the provisions contained in Sections 30, 58, and 85 of the BPR, 2006, no separate rules have been framed, and the existing provisions of the Bihar Gram Panchayat Accounts Rules, 1949 and Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964 are being followed for maintaining the accounting structure of three tiers of PRIs. The revised Budget and Accounts Rules for PRIs were to be framed in the light of the 73rd CAA, but the same had not been framed till August 2021.

Further, the Model Accounting System (MAS) was prescribed (2009) by the GoI, in consultation with the CAG, for the maintenance of accounts of PRIs. Consequently, PRD notified (July 2010) that the account of PRIs would be maintained in the MAS formats, from April 2010. The MAS contained eight formats and data were to be entered in PRIASoft (an accounting software developed by MoPR). However, data entry was done in only three formats till 2014-15, while the remaining five formats were not maintained, as the PRIs were maintaining accounts on cash basis, in the single entry system.

The Department decided (August 2018) to implement e-Panchayat in PRIs, based on the Panchayat Enterprises Suit (PES) Application, containing 10 Application softwares, for different purposes, developed by MoPR, in which PRIASoft was one of the Applications. But, e-Panchayat was not implemented and, in the meantime, MoPR launched eGramSwaraj (April 2020), in which e-Panchayat was merged. The status of implementation of the PES Application is given in *Appendix-1.2*.

Out of 10 applications in PES, GoB implemented three applications fully and one application partially, while the status of implementation of six applications

was not furnished by the Department. Thus, the progress in implementation of the Mission Mode Project (MMP), for effective functioning of governance, service delivery and maintenance of accounts at the Panchayat level, was not satisfactory.

1.8.5.2 Implementation of eGramSwaraj

To strengthen eGovernance in PRIs across the country, MoPR had launched (24 April 2020) eGramSwaraj, a web-based portal. eGramSwaraj aims to bring in better transparency and strengthen e-Governance in PRIs across the country, through decentralized planning, progress reporting, and work-based accounting. eGramswaraj was a single platform for all planning and accounting needs of the Panchayats. It had been developed amalgamating the functionalities of all the applications under the e-panchayat Mission Mode Project. Analysis of the data available at the eGramSwaraj portal revealed the following:

- **Panchayat Profile:** The Panchayat profile displays only details of GPs of the PRIs. Bihar had 2,46,156²¹ representatives at GPs level, but details of only 1,37,021 representatives were available in the profile.
- **Planning & Reporting:** Although, there were 19²² types of reports displayed under this head, only six²³ types of reports were available, just partially.
- **Accounting:** The accounting part of eGramSwaraj consisted of four parts, namely the All India Report, MAS Registers (8 formats), Accounting Entity Wise Report, and Miscellaneous Report. Scrutiny of all these formats, available on the eGramSwaraj portal, revealed that there were 41 schemes listed under Centrally Sponsored schemes, but accounting of only the 15th FC schemes was displayed while accounting of other schemes of the Central Government was not displayed, on this portal.

The PRD, GoB, instructed (March 2021) all District Magistrates of Bihar to obtain digital signature certificates of the Maker & Checker of district and block panchayats, for the RGSA scheme and to ensure their registration on the e-Gram Swaraj Application/PRIASoft-PFMS Interface system (March 2021). However, none of the districts and block panchayats were registered with the digital certificate signatures of their Maker & Checker, at the eGramSwaraj portal (August 2021).

- **Audit:** AuditOnline was one of the generic and open source applications developed as a part of PES, under the e-Panchayat Mission Mode Project,

²¹ Mukhiya-8,387, Members of GP- 1,14,691, Sarpanch-8,387 and Panch- 1,14,691

²² **Planning (11 reports):** Village Wise Gaps of Gram Panchayat Report, Asset Category Wise Activity Report, Approved Action Plan Report, Pending Action Plan Report, Sector Wise Activity Status Report, Activity Wise Expenditure Details Report, Plan Size Report-Scheme Wise, List of Activities, Resource Envelope List, Report on Sector Wise Mission Antyodaya Gaps Addressed and Mission Antyodaya Survey (State Wise).

Reporting (Six Reports): Activity Status Report, Scheme Wise Activity Status Report, Geo Tagged Asset Count Report, M-ActionSoft Photo Uploaded Plan Year Wise Report, Activity Analysis Report and, Panchayat Wise Expenditure Report.

Asset (Two Reports): List of Asset Panchayat Wise and, Asset Data Entry Report.

²³ Village wise Gaps of Gram Panchayat Report, Asset Category wise Activity Report, Plan size Report-Scheme Wise, Geo Tagged Asset Count Report, M-ActionSoft Photo uploaded Plan Year Wise Report, Activity Analysis Report

initiated by the MoPR. AuditOnline facilitated the financial audit of accounts at all the three levels of the Panchayats and Line Department, by Auditors. Due to the unavailability of accounts of PRIs on PRIASoft, or its alternative application in the State, online audit of entities was not being conducted and only soft copies of Draft Audit Reports of audited entities were being uploaded on the eGramSwaraj portal. Out of 1,710 audit plans of GPs for the year 2019-20, DLFA audited 1,689 GPs during 2019-20.

1.8.5.3 AuditOnline in PRIs

In light of the Fifteenth Finance Commission (15th FC) recommendation, regarding timely availability of audited accounts of LBs, MoPR had conceptualized and developed (15 April 2020) the application of AuditOnline for the online financial audit of Panchayat Accounts, wherein various actionable items, with their timelines, relating to the roll-out of AuditOnline, were discussed, to ensure timely completion of the audit of PRIs.

Further, for ensuring the success of the rollout of AuditOnline, MoPR had requested States to ensure the execution of following actions, in a time-bound manner;

- closure of account books for the year 2019-20, in PRIASoft
- registration of Auditors on AuditOnline Application
- preparation of Audit Plan
- completion of training of officials involved in the audit
- completion of the entire exercise of online audit of Panchayat accounts.

The entire audit process was expected to be completed by the end of a calendar year. The AuditOnline application was envisaged to streamline the process of audit inquiries, draft local audit reports, draft audit paras etc., and further enhance transparency and accountability. The status of implementation of Audit Online, in PRIs, was as follows;

Closure of account books for the year 2019-20 in PRIASoft: PRD maintained three (Format I to III) out of eight formats of MAS in PRIASoft, up to 2014-15 and entry of data in PRIASoft was stopped on 17 April 2015. Further, the State-based Gram Panchayat Management System (GPMS) was implemented (May 2018) in the State, as a pilot project, in place of PRIASoft, and data of 330 Panchayats were entered in GPMS, during 2018-20. Data in PRIASoft and GPMS in the State were not integrated or linked with the Integrated Financial Management Information System (IFMIS) of the State Governments. Later, the GPMS was discontinued (December 2020) and PRD again initiated the implementation of PRIASoft.

Registration of Auditors on AuditOnline: The Finance Department, GoB, had notified (May 2015), constitution of the Directorate of Local Audit Fund, under the Finance Department, for audit of LBs. GoB entrusted (August 2020) AuditOnline of PRIs to DLFA. However, the DLFA had an acute shortage of manpower and, against the sanctioned strength of 314, only 62 audit personnel were posted and all audit personnel were registered on the AuditOnline application.

Preparation of Audit Plan: As per the recommendation of 15th FC, implementation of Audit Online in PRIs was a mandatory condition for receipt of grants under the 15th FC. For the year 2019-20, out of total 8,959 units of PRIs in the State, only 8,244 GPs were registered for AuditOnline while only 1,710 GPs were planned for AuditOnline, against which 1,684 GPs units were covered in the audit as of May 2021.

Completion of training of officials involved in the audit: Master Trainers of DLFA were provided training for one day (September 2020), through video conferencing, by the trainer of NIC, which was not sufficient for Audit Online, as stated by the DLFA.

1.8.5.4 Non-preparation of Budget

Rule 29 of BPR, 2006, stipulates that every GP 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 fifty *per cent* of its total number of members. Further, Rule 3 of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964 provides that BDO/*Pramukh* shall prepare the budget of the Panchayat Samiti for each year.

However, Audit observed that budgets were not prepared by the three test-checked GPs²⁴, for the period 2018-19. Further, budgets were also not prepared by the three test-checked PSs (Jehanabad Sadar, Ram Nagar and Ratnifariapur), for the period 2017-19, 2014-19 and 2017-19, respectively. These cases are test checked and hence are illustrative. Non-preparation of budget for five years indicates a huge negligence on the part of GPs which needs to be monitored.

On this being pointed out in audit, the Panchayat Secretaries of GPs and BDO-cum-EO of the PSs, replied (July 2019 to November 2019) that budgets would be prepared in the future.

1.8.5.5 Capacity Building & Training to elected representatives and functionaries of PRIs

GoI had launched the *Rashtriya Gram Swaraj Abhiyan* (RGSA), for implementation from April 2018 to March 2022, with the primary aim of strengthening PRIs. MoPR had issued a detailed National Capacity Building Framework (NCBF), which laid down a comprehensive framework for building the capacity of PRIs and provided flexible guidelines for training infrastructure, resource persons, logistics of implementation, monitoring & evaluation etc.

The Work Plans, prepared by the States, were to be confirmed by the NCBF and States were required to prepare detailed Annual State Capacity Building Plans for PRIs, in accordance with the guidelines and the same were to be submitted to the MoPR, for appraisal and approval. The annual plans were to be developed by the States, following needs assessment and a process that

²⁴ *Gonauli (PS-Bettiah), Laxmannagar (PS-Gayaghat) and Loma (PS-Gayaghat)*

was necessary to include extensive consultation with elected representatives, panchayat functionaries, and other stakeholders.

The 3rd meeting of the Central Empowered Committee (CEC) of RGSA was held in February 2019, wherein the CEC considered the Bihar State Annual Action Plan and approved 5,32,283 units²⁵ of training, with a duration of training from one to seven days, for the financial year 2019-20.

However, against the approved target of 5,32,283 units, the PRD, Bihar imparted the training to only 15,231 units (2.86 per cent), at the State and District levels. Thus, a sufficient training programme was not organized by the Department for elected representatives and functionaries of PRIs. PRD, Bihar, did not furnish a reply as to why the target of training was not achieved.

1.8.5.6 Inadequate institutional arrangements

- **State Panchayat Resource Centre (SPRC)**

The MoPR, GoI, had approved (2013-14) ₹ one crore for establishment of one SPRC, for conducting training and building strong institutional capability in terms of infrastructure, provision of training equipment and tools, as well as faculty, resource pools etc. Out of ₹ one crore, ₹ 10.00 lakh was released as a token amount during 2013-14. A balance fund of ₹ 90.00 lakh was approved for 2014-15. However, PRD did not utilize ₹ 10.00 lakh, up to August 2021 and the entire amount was lying unspent in the bank account of the Department.

- **Construction of District Panchayat Resource Centers (DPRC)**

Under the RGSA Scheme, funds were provided to construct DPRCs for strengthening institutions for capacity enhancement of PRIs at various levels and enabling them to achieve adequate quality standards in infrastructure, facilities, human resources, and outcome-based training. Under this Scheme, the existing DPRCs were to be strengthened, or new centers were to be established. These centers were expected to be focal points for the conduct and coordination of training, research and analysis, documentation, communication, and development as training networks with academic and research institutions.

PRD, in the light of the 5th SFC recommendations, released ₹ 194.05 crore to ZPs of the State, for construction of DPRCs, during September 2018 and February 2019. The estimated cost of DPRCs, for 24 districts, was ₹ 5.14 crore per unit and for the remaining 14 districts, it was ₹ 4.00 crore per unit, with the total estimated cost, for all DPRCs of the State, being ₹ 179.55 crore. Construction of DPRCs was to be executed by ZPs, through an e-tender. However, only four²⁶ out of 38 districts of the State had started construction of DPRCs till August 2021. Out of the remaining 34 districts, four²⁷ districts could not start the work, due to non-availability of land while the process of tendering, technical sanction, preparation of DPRs, etc. was at the beginning stage, in 30 districts. Further, the Department did not furnish a reply, in regard to the reason for the excess

²⁵ Units indicated training to be imparted to concerned stakeholders at various levels of PRIs.

²⁶ Gopalganj, Muzaffarpur, Nalanda and Purbi Champaran

²⁷ Arwal, Patna, Paschim Champaran and Samastipur

release of ₹ 14.50 crore, in comparison to the estimate for the DPRC buildings in the State.

Audit observed that no steps had been taken by the district authorities, to make available the requisite land for the DPRCs. Further, the Department released an excess of ₹14.50 crore to the districts, for the purpose. Reply of the Department in regard to the poor implementation of the Scheme was awaited.

On this being pointed out in audit, the Department replied that DPRCs were not established, as no decision could be taken on the work plan.

- **Construction of Panchayat Sarkar Bhawan**

The GoB had decided to construct a *Panchayat Sarkar Bhawan* (the *Bhawan*) in every Panchayat of the State, in phases (starting from the FY 2012-13), with the objective of functioning as the office of the GPs for discharging assigned functions, such as issue of certificates, permits, licenses, usage as a central point for functions like holding of *Gram Sabhas*, providing information, etc.

The Department had prepared the design of the *Bhawan* with places for elected representatives and functionaries of the Panchayat, judiciary room for *Gram Kachahari*, record room, hall for Panchayat Standing Committee, reception for citizens, service center for computerized services, store, pantry and toilets etc.

There were 8,386 GPs in the State and the GoB had sanctioned the construction of 3,183 *Bhawans*,²⁸ to be executed by PRD, Bihar *Gram Swaraj Yojana* Society (BGSYS) and GPs, during the financial years 2012-13 to 2018-19. The Department had instructed (August 2019) all District Magistrates to earmark land for construction of the *Bhawans* and send details within a week, so that construction of the building could be started. Against the target of 3,183 *Bhawans*, only 1,392 *Bhawans* had been constructed and, out of them, only 1,091 *Bhawans* had been made functional (till November 2020).

The Department replied (December 2020) that the construction of *Panchayat Sarkar Bhawans* would be completed in a phase-wise manner.

1.8.6 Issues related to AC/DC Bills

1.8.6.1 Issues related to AC/DC Bills

Rule 177 of the 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 were to be submitted to the AG (A&E), within six months following the month in which the corresponding Abstract Contingent (AC) bills were drawn and no AC bill is to be encashed after the end of this period of six months, unless the DC bill has been submitted.

In audit, it was disclosed that DC bills, amounting to ₹ 91.08 crore, had not been adjusted, as of December 2020, against ₹1,275.78 crore drawn through AC bills

²⁸ Construction to be done by PRD: 1,435 *Bhawans*; by BGSYS: 313 *Bhawans*; and by GPs: 1,435 *Bhawans*

during FYs 2002-19. Year-wise details of AC bills, pending for adjustment, as of October 2020, are given in **Table-1.18** below:

Table-1.18: Year-wise AC bills pending for adjustment

(₹ in lakh)

Sl. No.	Financial Year	Amount of AC bills pending for adjustment
1.	2002-09	1,724.03
2.	2009-10	1,225.58
3.	2010-11	251.16
4.	2011-12	386.61
5.	2012-13	2.42
6.	2013-14	5.24
7.	2014-15	314.57
8.	2015-16	3,784.65
9.	2016-17	1,413.49
10.	2017-19	0.00
Total		9,107.75

(Source: Information provided by the Department)

PRD stated (February 2021) that the Additional Chief Secretary, PRD, directed the District Magistrates, DDC-cum-CEOs, and DPROs for adjustment of the pending DC Bills.

The reply of the Department was not acceptable, as delays in submission of DC bills made the expenditure opaque and proper action was to be ensured by fixing accountability of the responsible officers/officials, who did not comply with the guidelines of the Bihar Treasury Code (BTC), 2011. Further, it was to be ensured by the Department that the AC Bills had not been drawn just to avoid lapse of the budget.

