CHAPTER – II

COMPLIANCE AUDIT

Chapter – II
Panchayati Raj Department

2.1 Implementation of the recommendations of the Fifth State Finance Commission in Panchayati Raj Institutions.

The Fifth State Finance Commission (5th SFC) was constituted by the Governor of Bihar, in December 2013, in compliance of Article 243-I, read with Article 243- Y of the Constitution of India and as per the provisions of the Bihar Panchayat Raj Act (BPRA), 2006.

The objective of the constitution of SFC was to review the financial position of Panchayats and Municipalities and make recommendations in respect of (a) the principles that should govern the distribution between the State Government and Local Bodies (LBs), of net proceeds of taxes, duties, tolls and fees leviable by the State and inter-se allocation between different Panchayats and Municipalities (b) the determination of the taxes, duties, tolls and fees which may be assigned to or appropriated by the LBs (c) the grants-in-aid to the LBs from the Consolidated Fund of the State (d) the measures needed to improve the financial position of LBs and (e) any other matter in the interest of sound finances of the Panchayats.

The 5th SFC submitted its report in January 2016, for the period 2015-20 and made 47 major recommendations. The State Government accepted (February 2016) these recommendations, with modifications in four recommendations.

Audit test-checked records related to 5th SFC, maintained by Panchayati Raj Department (PRD), Government of Bihar (GoB) and 21 PRI units, including District Panchayat Raj Offices[29] (DPROs) for the period 2015-20, during November 2020 to March 2021. A list of the test-checked units is given in ***Appendix2.1***. The Audit evidence was obtained through audit observations/ questionnaires/physical verification of works and also from records, replies, documents furnished by the test-checked units. Entry meetings at the commencement of audit and exit meetings on conclusion of audit, were held with the appropriate authorities of the test-checked units and their replies have been suitably incorporated in the report.

Audit findings

2.1.1 Status of implementations of the recommendations

2.1.1.1 Acceptance of the 5th SFC recommendations by GoB

The 5th SFC made four major recommendations regarding transfer of funds to LBs, which were accepted by the GoB, with modifications, as given in **Table 2.1** below:

[29] *Four ZPs, five DPROs, four PSs and eight GPs*

Table 2.1: Recommendations accepted with modifications

Recommendation made by the 5th SFC	Recommendation accepted with modifications
The total SFC transfers (Devolution + Grants) would be 2.75 *per cent* in 2015-16, 3 *per cent* in 2016-17 & 2017-18 and 3.25 *per cent* in 2018-19 & 2019-20 of the State Budget.	In each financial year, 2.75 *per cent* of the total expenditure (actual) of the State during the last financial year would be transferred to the LBs, as Devolution and Grant, effective from the year 2015-16.
Devolution for 2015-16 to 2019-20: Based on the scenarios of varying *per cent* of devolution, devolution of 8.5 *per cent* in 2015-16 and 9 *per cent* in 2016-17 to 2019-20 of the divisible pool.	In each financial year, 8.5 *per cent* of the net State's Own Tax Revenue, during the last financial year, would be transferred to the LBs, as Devolution.
The devolved funds would be shared among the PRIs and the ULBs in the ratio of 70:30 for the year 2015-16 and 60:40 for the subsequent years (2016-17 to 2019-20).	During the financial years 2015-16 to 2019-20, inter LB stransfer, between the PRIs and the ULBs, would be made, in the ratio of 70:30.
Devolved funds in 2015-16 would be released to LBs in one instalment based on the R.E/ Actuals of 2014-15. In the subsequent years, 1st allocation of 50 *per cent* of the devolved funds would be released in April and second instalment by October of the year subject to the submission of accounts of the previous year, even internally audited.	Prior to release of the 2nd instalment of total transferable amounts to LBs, submission of accounts of expenditure incurred in the previous year, internal audit report and Utilisation Certificate would be mandatory.

*(**Source**: Government notification dated 24 February 2016)*

Audit observed that, due to modifications in the major recommendations, by the GoB, while accepting the 5th SFC recommendations, funds could not be released to PRIs as estimated and envisaged by the 5th SFC, as detailed in subsequent paragraphs of the report. Audit also observed that the State Government did not release funds to LBs as per the accepted recommendations, which resulted in deprivation of funds to PRIs, as discussed below:

- As per the accepted recommendation, the GoB had to transfer funds in each financial year, to LBs at the rate of 2.75 *per cent* of the total expenditure of the State during the last financial year, as devolution and grant. In the year 2019-20, a total amount of ₹ 2,983.75 crore was to be transferred, against which only ₹ 2,884.04 crore was released, resulting in short release of funds of ₹ 99.71 crore, for the year 2019-20.
- The 5th SFC recommended that funds for the year 2015-16 would be released to LBs in one instalment, based on the Revised Estimate/ Actuals of 2014-15. A total sum of ₹1,822.94[30] crore was to be released to PRIs, for the year 2015-16, but the GoB did not release the funds. Audit further observed that, due to procedural delays, and lack of coordination between the Finance Department and PRD, the amount could not be released and PRIs were deprived of these funds. Thus, the recommendations of the 5th SFC could not be implemented in the year 2015-16.

[30] *Grants under 5th SFC are 2.75 per cent of the total actual expenditure of the state in the last financial year. Share of PRIs is 70 per cent and ULBs is 30 per cent. (₹ 94698.05*2.75 per cent *70 per cent =₹ 1,822.94 crore)*

2.1.1.2 Status of implementation of the recommendations

On the basis of audit scrutiny of records related to implementation of the 5th SFC recommendation, at the PRD and test-checked PRIs units and as per the information furnished by them, only 6 (13 *per cent*) out of 47 recommendations were implemented fully by the GoB. A summary ofthestatus of implementation of the 5th SFC recommendations is given in **Table 2.2** below, while details of implementations of recommendations are given in ***Appendix 2.2***.

Table 2.2: Status of implementation of recommendations

Total recommendations	Recommendations implemented fully	Recommendations implemented partly	Recommendations not implemented	Status not ascertained
47	**6**	**10**	**26**	**5#**

*(**Source**: Information received from Department and test checked units)*

 # Status of five recommendations could notbe ascertained in audit, as related records not produced to Audit.

- **Recommendations implemented fully**

Audit observed that six accepted recommendations were fully implemented by the GoB. These recommendations were (i) devolution of 8.5 *per cent* of the divisible pool of taxes, for the period 2019-20 (ii) devolved funds shared among the PRIs and the ULBs in the ratio of 70:30, for the year 2015-20 (iii) devolved funds to the PRIs were distributed among GP: PS: ZP in the ratio of70:10:20 (iv) allocation of the devolved funds among different tiers of the PRIs (v) total transfers (Devolution + Grants) recommended by the 5th SFC being over and above the normal State budgetary provisions for the LBs.

- **Recommendations not implemented**

Some of the important 5th SFC recommendations that were non/partly implemented by the GoB, were (i) the LBs must make all efforts to raise their own resources (tax & non-tax), to increase their own revenues, to enhance their autonomy and accountability(ii) no rule was framed by GoB to enable PRIs for imposition of tax on Profession, Trade, Callings and Employment, Property taxes, fees etc. (iii) net proceeds, collected from rural and urban areas, should be divided between urban and rural in the ratio 2:1 (iv) Funds earmarked for Manpower by the 5th SFC are only for the sanction of new posts and filling of the vacant positions, as per the Model Panchayat Cadres (v) Sufficient manpower and its allocation has been recommended by this Commission to ensure that the working of District Planning Committee (DPC) is effective (vi) To restructure staffing urgently and equip all LBs with relevant, adequate and skilled manpower, as per the model staffing pattern (vii) Putting in place an Ombudsman separately, for PRIs, to deal with, the complaints of corruption and maladministration (viii) effective Social Audit by the Gram/Ward Sabha etc.

Audit observed that, due to non-implementation of the aforesaid recommendations, the PRIs were unable to impose and collect tax and non-tax revenue, as provided in the BPRA 2006 and, therefore, could not generate revenue from their own sources. Thus, they remained substantially dependent on Government grants for carrying out their mandated functions, including establishment expenditure. The DPC, which had key role in planning and was responsible for consolidation of the District Development Plan for the district as a whole, was not provided with sufficient manpower and, therefore was not effective. Budget and Accounts Rules for PRIs, in the light of the 73rd Constitution Amendment Act, were not framed and the Gram Panchayat Accounting Rules, 1949, along with the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, were being followed. Transparency and accountability in the implementation of schemes was not satisfactory, due to non-appointment of Ombudsman and non-conduct of Social Audit in PRIs. Further, 72 *per cent* of the sanctioned posts of Panchayat Secretary, at GP level, were vacant and no posts were created for Panchayat Samitis.

2.1.2 Finance

2.1.2.1 Fund flow mechanism

As per the recommendation of the 5th SFC, GoB had to transfer the funds from the Consolidated Fund of State, to LBs, as grants and devolution. The transfers of funds were over and above the normal State budgetary provisions for the LBs. Further, funds were to be transferred directly into the bank accounts of the PRIs concerned, through electronic fund transfer and the core banking system. Where such a facility was unavailable, another mode of expeditious transfer was to be notified by the State Government.

Audit observed that funds were transferred directly into the account of GPs and ZPs but the Department failed to transfer funds directly into the accounts of Panchayat Samitis (PSs). Test-check of records of two ZPs, Siwan and ZP, Darbhanga, revealed that, funds amounting to ₹ 2.51 crore, had not been transferred to nine PSs, up to 18 March 2021 by the ZP, Siwan and there was delay in transfer of funds to PSs, ranging from 12 days to eight months, by ZP, Darbhanga ***(Appendix 2.3)***. The ZP, Siwan, replied (March 2021) that, due to technical problem in transferring of fund through RTGS, amounts could not be transferred to PSs.

2.1.2.2 Receipt and Expenditure

The State Government released funds of ₹ 10,064.85 crore[31] to the PRIs, for the financial years 2016-17 to 2019-20 as per the details given in **Table 2.3** below:

Table 2.3: Funds sanctioned, released during the financial years 2015-16 to 2019-20

(₹ in crore)

Sl. No.	Financial Year	Entitlement of PRIs	Fund Sanctioned	Less Sanction	Fund released	Less release
1.	2016-17	2,162.30	2,162.30 (1st + 2nd)	00	2,156.64	5.66
2.	2017-18	2,431.30	2,431.30 (1st + 2nd)	00	2,423.58	7.72
3.	2018-19	2,600.60	2,600.60 (1st + 2nd)	00	2,600.59	0.01
4.	2019-20	2,983.75	2,893.04 (1st + 2nd)	90.71	2,884.04	99.71
Total		**10,177.95**	**10,087.24**	**90.71**	**10,064.85**	**113.10**

*(**Source**: UCs furnished by PRD)*
Note: *In 2015-16, funds were not allocated and released to PRIs.*

[31] *Devolution ₹ 5,908.16 crore and Grant ₹ 4,156.69 crore.*

It is evident from the table above that, the GoB did not release the entitled funds (as per the accepted recommendations of the 5th SFC) to PRIs and there was short release of ₹ 113.10 crore to PRIs, during FYs 2016-17 to 2019-20.

2.1.2.3 Delayed Sanction of funds to PRIs

As per the 5th SFC recommendations, the PRD had to transfer devolved funds to PRIs in April (1st instalment) and in October (2nd instalment). However, funds were released with delays, ranging from four to nine months, in all the financial years from 2016-17 to 2019-20, as given in **Table 2.4** below:

Table 2.4: Delays in sanction of funds to PRIs

(₹ in crore)

Sanction date	Installment	Released Amount	Delays in months
23-12-2016	1st of 2016-17	1.081.16	8
29-03-2017	2nd of 2016-17	1,081.14	5
08-01-2018	1st of 2017-18	1,215.65	9
26-03-2018	2nd of 2017-18	1,215.65	5
05-09-2018	1st of 2018-19	1,300.29	5
08-02-2019	2nd of 2018-19	1,300.30	4
07-08-2019	1st of 2019-20	1,491.87	4
13-04-2020	2nd of 2019-20	1,401.17	6

*(**Source**: Allotment letters)*

Thus, the Department did not adhere to the timeline recommended by the 5th SFC. On this being pointed out by Audit, the PRD replied (23 July 2021) that, due to procedural[32] delays, release of funds to PRIs got delayed. The reply furnished by the PRD was not acceptable, as the Department had to ensure timely release of funds to PRIs and a mechanism for expeditious transfer of funds was to be devised accordingly.

2.1.2.4 Utilisation of grants under Capacity Building

The 5th SFC recommended that grants available to the PRIs should focus on Capacity Building and were to be utilized for the specified purposes[33]. An item-wise comparison of distribution of grants, as recommended by the 5th SFC and the actual distribution of grants, as sanctioned by the PRD, is given in ***Appendix 2.4*** of the report. Audit observed the following;

(i) The PRD did not sanction any grants under three major items *viz*. *Panchayat Sarkar Bhavan/Zila Parishad Bhavan*, District Planning Committees and Ombudsman Case Disposal, Dispute Free Village and Additional Resource Mobilization. The PRD replied (July 2021) that, as the priority (90 *per cent* funds of devolution portion of 5th SFC were transferred for

[32] *Time taken in working out the figure of State Own Tax Revenue, approval from the Council of Ministers, approval from Finance Department etc.*

[33] *(a) Manpower, Training, e-Governance, Office Space, (b) GK, (c) Preparation of Master Plans/CDPs/DPRs/GIS Maps, (d) Developing Divisional and District Headquarters on the lines of Smart and AMRUT Cities, (e) SPUR Type Professional Services to the ULBs and the PRIs, (f) Promoting PPP, (g) Incentive for ARM and Performance Grants, (h) Regulatory Bodies including Ombudsman, State Property Tax Board, Urban Regulator, (i) DLFA and internal audit (j) Professionalizing the SFC Cell in Finance Department.*

Mukhymantri Nischaya Yojana (MMNY)) was given for the MMNY scheme, funds could not be released under the aforesaid heads. Thus, the recommendation of 5th SFC, to focus on capacity building measures, was not implemented.

(ii) The PRD sanctioned grants, amounting to ₹ 62.75 crores[34] for establishment of an SFC Cell, for monitoring and effective implementation of the recommendations of the 5th SFC; video conferencing facilities; and providing laptops to Block Panchayat Raj Officers (BPROs). Audit observed that a total grants of ₹ 16.09 crore[35] were released to five test-checked DPROs and PRD, for establishment of these SFC Cells during 2017-18 but SFC Cells were established only in DPRO, Motihari and four other DPROs, PRD failed to establish the Cell. Further, the DPRO, Patna, utilized ₹1.27 crore for purposes[36] other thanthe establishment of anSFC Cell.

The PRD replied that the Department had sufficient manpower for management of 5th SFC funds while the test-checked DPROs (Patna, Saran and Siwan) replied that, after taking approval from the Department, the funds would either be refunded to the Department, or would be spent on the SFC Cell. The reply furnished by the Department was not acceptable, as the reply was not relevant to the audit observation and the Department failed to establish the SFC Cell, despite receipt of funds for the same. Replies of the DPROs of the test-checked units were also not acceptable as separate approval for utilisation of funds was not required.

Further, there were serious inconsistencies and imbalances between the figures projected by the 5th SFC and the figures of actual grants released by the PRD for PRIs.The Department failed to ensure the implementation of the 5th SFC recommendations, for disbursement of item-wise grants among the PRIs.

2.1.2.5 Status of utilisation of funds

The 5th SFC recommended that the first allocation of 50 *per cent* of the devolved funds would be released in April, while the second instalment was to be released by October of the year, subject to submission of accounts of the previous year having been audited even by Internal Audit. However, the Finance Department, under itsresolution (February 2016), provided that it would be compulsory to submit the accounts of the expenditure made during the last financial year and the internal audit report, along with the UCs, before release of the second instalment of the total amounts to be transferred to the LBs. Further, as per provision contained in BFR, the UCs of the amount of grant-in-aid are to be submitted within 18 months from the date of its sanction.

The position of submission of UCs, of the amounts of grants and devolution released during the financial years 2016-17 to 2019-20, is given in **Table 2.5** below:

34 *₹ 9.41 crore for the SFC Cell in PRD, ₹ 43.84 crore for the SFC Cell in District Panchayat Offices ₹ 9.50 crore for video conferencing facility and providing laptops for Block Panchayati Raj Officers.*

35 *₹ 7.38 crore- PRD, ₹ 1.68 crore- Patna, ₹ 1.69 crore- Darbhanga. ₹ 1.69 crore Saran, ₹ 1.53 crore-Siwan and ₹ 2.12 crore-East Champaran (Motihari)*

36 *Purchase of battery, printer, tent etc.*

Table 2.5: Status of utilisation of funds released under 5th SFC

(₹ in crore)

Financial Year	Grants 1st	Grants 2nd	Devolution 1st	Devolution 2nd	Total sanctioned	Total released	Remarks
2016-17	342.60	342.58	738.56	738.56	2,162.30	2,156.68	UCs for only ₹ 431.61 crore were obtained till May2021.
2017-18	530.00	530.00	685.65	685.65	2,431.30	2,423.58	
2018-19	621.71	621.72	678.58	678.58	2,600.59	2,600.60	
2019-20	628.42	562.04	863.45	839.13	2,893.04	2,884.04	
Total	**2,122.73**	**2,056.34**	**2,966.24**	**2,941.92**	**10,087.23**	**10,064.90**	

*(**Source**: sanctioning Letter by the PRD)*

As of May 2020, UCs for ₹ 5,893.89 crore[37] (₹ 2,366.89 crore grants and ₹ 3,527.00 crore devolution amount) were required to be submitted. However, againstthis amount, UCs for ₹ 431.61 crore only were obtained from the PRIs. Further, the second and subsequent instalments were released without receiving the accounts of previous years and UCs of previously released grants. This was in violation ofthe recommendation of the 5th SFC and instruction issued by the Finance Department, GoB.

Thus, as of May 2020, UCs of at least ₹ 5,462.28 crore had not been received from the PRIs and, accordingly, utilisation of the amounts was not verifiable.

2.1.2.6 Lapse of Grant

The PRD released (January 2018) a total sum of ₹1.76 crore[38] to the DPRO, Patna, for *Gram Kachahari* and establishment of the SFC cell in the DPRO. The DPRO, Patna, failed to withdraw the amount from the Treasury, that resulting in lapse of grant of ₹ 1.76 crore. On this being pointed out in audit, the DPRO Patna, stated (29 June 2021) that, due to non-receipt of allotment letter, the amount could not be withdrawn. The reply furnished by the DPRO was not acceptable, as the Department had released the allotment through electronic means and information was given on website of the Department. Thus, due to lapse on part of the DPRO, PRIs were deprived of grant of ₹ 1.76 crore.

2.1.3 Execution of schemes

As per direction issued by the Department, funds released under the devolution head were to be utilised for strengthening of PRIs, internal audit, timely submission of accounts, operation and maintenance of old infrastructure and services, and for the two schemes, "*Mukhyamantri Gramin Peyjal Nischay*" and "*Mukhyamantri Gramin Gali-Nali pakkikaran",* out of the seven schemes that are a part of the "*Saat Nischay Yojna"* to be implemented by GPs in Bihar. Funds released under the grant head were to be utilised for capacity building, e-governance, re-enforcement of office space and State Finance Commission Cell, etc. Irregularities in execution of schemes noticed in audit have been discussed below:

---

37 *Up to first instalment of 2018-19.*

38 *₹1.61 crore for Gram Kachahari and ₹ 14.59 lakh for SFC Cell at DPRO*

2.1.3.1 Misappropriation of Government money

Rule 90 of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, stipulated that the second and subsequent advances, for a purpose, should not be paid, unless accounts of the 1st advance were rendered.

Scrutiny of records, relating to works taken up under the 5th SFC of Panchayat Samiti, Dariyapur revealed that Panchayat Secretaries of the GPs were made the executing agents for execution of three works undertaken during the financial year 2019-20. The works were to be completed within three months from the date of the issue of the work order. Further, for execution of these works, a total advance of ₹ 16.23lakhwaspaid to the agencies in February 2020, in two to three instalmentsas per the details given in **Table 2.6** below:

Table 2.6: Details of advance paid to the Executing agents

(Amount in ₹)

Sl. No.	Scheme No.	Name of scheme	Executing agents	Dates of payment	Amount of advance	Total advance	Status of work.
1.	14/18-19	Construction of road from south of *Simrahiya Dhala* at GP Muzauna.	Sunil Kumar Roy.	12.2.19 06.03.2019	7,500 (1st) 3,00,000 (2nd)	3,07,500	Not started
2.	1/19-20	Construction of road from house of Madan Bhagat at GP Balbahiya under GP Muzauna.	Ashok Kumar Singh.	8.2.20 12.02.20 26.02.20	7,500 (1st) 3,00,000 (2nd) 2,00,000 (3rd)	5,07,500	Not started
3.	2/19-20	Construction of road from *Mahi bandh* to Yadunandan Bhagat at GP Muzauna.	Ashok Kumar Singh	8.2.20 12.02.20 26.02.20	7,500 (1st) 5,00,000 (2nd) 3,00,000 (3rd)	8,07,500	Not started
Total						**16,22,500**	

*(**Source**: Scheme files)*

Audit physically verified the the work in presence of the Junior Engineer (JE) of the PS and observed that all the aforesaid three works had not been executed. The amount of advance was paid to the agencies in two to three instalments, on the recommendation of the JE, which clearly indicated that the JE recommended for payment of the advance, without assessing the actual progress of the works. The amount was lying with the agencies till January 2021.

On the matter being pointed out by audit, the Block Development Officer-cum-Executive Officer (BDO-cum-EO) of the PS replied (December 2020) that the notice had been issued to the executing agencies and the amount would be recovered from them. However, reply regarding non-starting of scheme number 14/2018-19 was not furnished by the BDO–cum-EO of the PS.

Retention of ₹ 16.23 lakh,by the executing agents, for one to two years, was tantamount to temporary misappropriation of PS funds. During this period, the amounts were out of PS accounts. Further, the recommendation by the JE, for subsequent advance, without the assessment of the actual progress, shows a nexus of the JE with the executing agents. Payment of second and subsequent advances, for the same works, was in violation of the Bihar PS and ZP (Budget and Accounts) Rules and the objective of the works, i.e. providing rural connectivity, remained unfulfilled.

2.1.3.2 Non-construction of DPRC building

PRD provided funds to ZPs for construction of District Panchayat Resource Centres (DPRCs)/*Mukhia, Sarpanch Prasikshan Sansthan*, during 2018-19, for the purpose of training of elected members of PRIs.The Department did not prescribe the timeline for construction of DPRC building. But, the units where construction work was started had been given a stipulated time of one year (as per work order) for completion of the construction work.

Audit observed that the PRD released (FY 2018-19) ₹ 24 crore to four ZPs[39], for construction of DPRC buildings but construction work had not been started in three out of four ZPs till March 2021.

Audit further observed, that non-availability /delay in identification of land, for construction of DPRC, was the reason for delay in commencement of work in ZPs Saran and Siwan. Whereas, in ZP, Darbhanga, the tender could not be finalized, as the Finance, Audit and Planning Committee (Standing Committee), empowered to finalize the tender, was not constituted by the ZP. Hence, the funds remained unutilized in the ZPs bank accounts.

The matter was being reviewed by the Department through monthly meetings with the DPROs of the districts and the matter of non-availability of land was in the knowledge of the Department.

On this being pointed out in audit, PRD stated that tender had been invited in three ZPs (Darbhanga, Saran and Siwan), while work was in progress in Motihari. This clearly indicated that the progress of construction was very slow and there were lapses in monitoring by the DDC-cum-CEOs of the ZPs.

2.1.3.3 Irregularities in purchase of goods

The Bihar Financial (Amendment) Rules, 2017, stipulate that generally payment should not be made to the supplier in advance and if it is necessary to make advance payment, it should not be more than 30 *per cent* of the value of the goods, in case of a private supplier. Further, the goods and services available on GeM portal should be mandatorily procured through the portal and works should not be split into pieces to avoid taking sanction from higher authorities for acquisition of goods through the required tender process.

The ZP, Siwan, approved (23 December 2017) procurement of various types of goods for furnishing, to ensure a proper seating arrangement in the meeting hall of the ZP. Work order was issued between October 2018 and January 2020, with the instruction that goods were to be supplied within one/two months from the issuance of the work orders, failing which the security deposits of the tenderers were to be forfeited.

The goods were procured during October 2018 to March 2019, for office use and a total payment of ₹ 1.98 crore was paid to the suppliers, during October 2018 to August 2020 vide details given in **Table 2.7** below:

[39] *Darbhanga, East Champaran (Motihari), Saran and Siwan*

Table 2.7: Details of procurement of goods by ZP

(Amount in ₹)

Sl. No.	Item of goods	Tender value	Payment made	Remarks
1.	AC & Electrification	21,69,145	19,51,000	Tender was invited in four parts and works were awarded to two separate firms.
	Wifi & IP camera	9,98,516	9,58,576	
	Integrating Networking wi-fi & videowall	24,06,753	23,10,483	
	Videowall TV, Air conditioner, mike system, tables, chairs and almirahs	24,26,333	22,53,144	
2.	False ceiling, wall paneling, projectors, fire extinguishers, roller blinds, wall and ceiling screens	18,94,559	16,50,000	Tender was invited in two parts and works were awarded to two separate firms.
	False ceiling & wall panelling	24,64,639	22,17,000	
3.	Soundless Gen. &Electrification, DG set	26,89,625	19,39,000	Tender was invited in two parts and works were awarded to two separate firms.
	Modular Furniture	23,53,942	23,53,940	
	Roller blinds, addl. furniture	24,85,504	22,36,000	
4.	One Lift/Elevator	39,60,000	19,80,000 (Advance 1)	Estimated cost mentioned in the tender was only ₹ 24.90 lakh but work order was given for ₹ 39,60,000/-
Total		**2,38,49,016**	**1,98,49,143**	

*(**Source**: Purchase files)*

Audit observed the following discrepancies in procurement of the aforesaid goods;

- The total value of goods were to be procured was split into two to four parts to bring the estimated value of the goods to be procured below ₹ 25 lakh, to avoid calling advertised tender. On this being pointed out in audit, the District Engineer (DE), ZP, stated that, to complete the work in a time bound manner, procurement works were split into parts.
- Procurement was not done through GeM portal, despite Government direction. The DE, ZP, stated that, due to non-receipt of direction of the government regarding procurement of goods through GeM, goods were not procured through GeM.
- It was observed that, for supply and installation of lift in the building under construction, initially, an estimate of ₹ 24.90 lakh was prepared for procurement and installation of lift and tender was invited accordingly on 23 February 2019. Against this, however, two bidders quoted the rates of ₹ 44.15 lakh and ₹ 39.60 lakh. Instead of retendering the work, the ZP accepted the quoted price of ₹ 39.60 lakh for the complete job (cost of lift and fabrication cost), with the approval of the Purchase Committee and the Chairperson, ZP, on 6 March 2019, and the DDC-cum-CEO of the ZP issued work order to M/s SKN Creative Private Limited on the same day. But, this work order was later cancelled, due to change in the installation site for the lift.

  The work order was issued again on 10 January 2020, to M/s SKN Creative Private Limited and an advance of ₹ 19.80 lakh (50 *per cent* of the tender amount) was paid to the contractor.The lift was to be supplied by the firm within two months from the date of award of the work. The lift had, however, not been supplied till March 2021, i.e. even after a lapse of more than one year.

Further, sanctioning of advance of more than 30 *per cent* of the value of the goods was inviolation of the BFR and the work was awarded beyond approved tender value. On this being pointed out in audit, the District Engineer, ZP, accepted that lifthad not been supplied till 18 March 2021 and replied that the minimum quoted rate was ₹ 39.60 lakh and, therefore, the work order was issued on that rate.

- No Stock register for receipt of goods was being maintained and quality checks of the goods procured were also not being done at the ZP level.

Thus, the ZP, Siwan, did not adhere to financial rules regarding procurement of goods, leading to irregular purchase amounting to ₹ 1.98 crore.

2.1.3.4 Irregularities in Muster Rolls

The Bihar Treasury Code 2011, Rule 248 (a), provides that wages of labourers, engaged departmentally, shall be drawn on Muster Roll, showing the name of labourers, number of days they had worked and the amount due to each labourer, with the Muster Roll being written up daily. However, in test checked 19 works of ZP, Darbhanga, Muster Rolls were not maintained for works and payment of wages, amounting to ₹ 21.60 lakh was made to labourers on plain paper, without any details. Thus, a total wage payment of ₹ 21.60 lakh was doubtful. The ZP did not furnish any reply.

2.1.4 Conclusion

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

2.2 Loss of revenue

Zila Parishad, Gopalganj, failed to realize the settlement amount in respect of three *sairats*[40] from the bidders, resulting in a loss of revenue, amounting to ₹ 10.11 lakh.

Rules 106 and 109 of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, stipulate that, three months before the close of the

[40] 'Sairat'means 'haats', roadside land, bus stand, pond, ferries, etc., which are sources of income of the ZP.

financial year, the properties of the Zila Parishad (ZP) shall be surveyed and the items fit for settlement for the following year shall be entered in the register of fixed demand. Further, the fixed demand register shall be laid before the Secretary of ZP/Block Development Officer, who shall compare the total for each month with the classified abstract of receipts and, as far as possible with the Challan. He shall also carefully compare the credit with the particulars of the demand and take necessary action for the recovery of settlement of the outstanding amounts.

Scrutiny (audit conducted in July 2017 and the status updated in February 2021) of records of ZP, Gopalganj, revealed that three *Sairats*[41] were settled (February 2016 and February 2017) by the ZP, with the highest bidders at ₹ 14.20 lakh, for one year period and agreement was executed with them. As per conditions laid in the Auction Notice for the settlement, the entire amount of the bid was to be deposited by the successful bidder, just after the end of the bidding process. However, the ZP realized only ₹ 4.09 lakh, against the total demand of ₹ 14.20 lakh.

The Chief Executive Officer (CEO) of the ZP failed to collect the entire amount of bid in one lump just after the finalization of the bid and irregularly allowed the bidders to collect the amount from *sairats*. Further, the CEO failed to maintain the fixed demand register, to keep a watch on realisation of the settlement amount. In case of non-receipt of entire amount of settlement in one lump, the CEO of the ZP was required to take action for cancellation of the settlement at first and realization of full amount of bid was to be ensured before executing the agreement with the lessee. Further, as per condition laid down in the agreement, if the lessee failed to deposit the amount of bid in full, the remaining amount was to be recovered from him by lodging a Certificate Case, under Bihar and Orissa Public Demands Recovery Act, 1914. But, the CEO of the ZP did not lodge Certificate Cases against the bidders and failed to protect the financial interest of the ZP. As a result, even after a lapse of three to four years of settlement of *sairats*, settlement amount, to the tune of ₹ 10.11 lakh[42], could not be realized from the lessee, till July 2021(***Appendix 2.5)***.

On this being pointed out in audit, the District Engineer of the ZP replied (February 2021) that notices were issued (September 2016 to July 2019) to the lessees, to deposit the outstanding amount. Had the CEO of the ZP followed the conditions laid in the Auction Notice and in the agreement regarding settlement of *sairat,* the financial interest of the ZP could have been protected. The matter was regularly followed up by Audit and, as a result, in one case, FIR was lodged (3 July 2021) against the lessee, after more than four years of the settlement of the *sairats*. In the other two cases, neither a Certificate Case, nor an FIR was lodged to recover the amount.

Thus, failure of the CEO of ZP to follow the laid down conditions for settlement of *sairats* and in taking effective steps for recovery of the outstanding settlement amount, resulted in a loss of revenue, to the tune of ₹10.11 lakh, to the ZP.

---

[41] *Baghipatti Jheel Taxi Stand (₹ 11 lakh),Gopalganj Gudri Bazaar (₹ 2.90 lakh) and Line Bazaar (0.30 lakh)*

[42] *₹ 14.20 lakh- ₹ 4.09 lakh= ₹ 10.11 lakh*

The matter was reported to Government (July 2021); and reminder was issued on 21 September 2021. Reply is awaited.

2.3 Misappropriation of Government Money

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

Rule 14 of the Gram Panchayat Accounts Rules, 1949, stipulated that, in case of any work to be done by the Panchayat, an advance may be sanctioned out of the Panchayat fund and the advance holder is to render the adjustment accounts within three months from the date of payment of the advance. Further, the second advance is not to be granted, unless accounts of the first advance were submitted and the *Mukhiya* of the Gram Panchayat (GP) had to ensure that advance was not pending for a long period. The Bihar Panchayat (Inspection of Officers and Enquiry into Affairs, Supervision, and Guidance) Rules, 2014, provided that the *Mukhiya* was responsible for financial and executive administration of GP, Block and District levels authorities[43] Were made responsible for inspection of GP officesat prescribed intervals[44]. The Block Panchayati Raj Officer had to inspect, in detail, the offices of at least two GPs per month and ensure that all the GPs under the Block area were inspected compulsorily, at least once in a year and submit a report to the BDO, especially drawing the attention of the BDO towards irregularities noticed in the Cash Book/Scheme Register.

Audit of the accounts of GP, Mohanpur, for the financial years 2008-09 to 2015-16, was conducted in December 2016 and it was observed that the then Panchayat Secretary (PS) of the GP, was made the executing agent for the execution of 34 works undertaken out of the Backward Region Grant Fund (BRGF) and State/Central Finance Commission grants. The estimated cost of these works was ₹ 1.13 crore[45] and a total sum of ₹ 99.56 lakh was paid as advance, to the PS, for execution of these works, from March 2010 to March 2016. The works were to be completed within two to three months from the date of awarding the works.

During the audit, only scheme details were produced and scheme files, Measurement Books (MBs), vouchers, etc., related to the aforesaid 34 works, were not produced. Regarding non-production of records, the present PS replied (December 2016) to Audit that the then PS did not hand over the scheme files to him at the time of his transfer (30 July 2016) to Tariyani Block, despite

[43] *Block Panchayati Raj Officer (BPRO), Block Development Officer (BDO), Sub-Divisional Officer (SDO)/District Panchayati Raj Officer (DPRO)/Divisional Deputy Director (Panchayat), Deputy Development Commissioner (DDC), District Magistrate (DM), and Divisional Commissioner*

[44] *At least one GP each month by BDO, at least two GPs in each month by BPRO, at least two GPs in three months by SDO and DPRO, at least two GPs in every six months by Divisional Deputy Director (Panchayat) and the DDC, at least two GPs in a year by DM and, as per convenience, by the Divisional Commissioner.*

[45] *The estimated cost of 33 works only. The estimated cost of scheme no. 7/2015-16 was not available.*

issuance of notices by the BDO, Piprahi and direction of the District Panchayat Raj Officer (DPRO), Sheohar.

The matter regarding non-production of records to Audit was brought to the notice (April 2017) of the BDO of the Block, District Magistrate of the District, and the Secretary, Panchayati Raj Department (PRD). In response, the BDO replied that the then PS had been instructed several times to hand over the records to the present PS, but the charge was not handed over, even after the instruction of the DM, Sheohar.

As per the direction (June 2018) of the DM, Sheohar, Prapatra 'क' (initiation of disciplinary proceedings) was prepared by the BDO and sent (August 2018) to the DM, Sheohar for further action. The BDO, on the direction of DPRO, also instructed (August 2018) the present PS to lodge an FIR against the then PS. However, neither were the disciplinary proceedings initiated, nor the FIR lodged. The matter was reported (November 2018 and June 2019) again to the DM, Sheohar with a copy to the Pr. Secretary, PRD, to intimate the action taken against the then PS. However, no response was received, either from the DM Sheohar or from the PRD.

As a follow-up, an audit party visited (February 2021) the Panchayat Samiti, Piprahi, for an update on the status of the case. The then PS handed over records related to 19 out of 34 works to the present PS, by stating that no records were available with then PS, in respect of the remaining 15 works. On Scrutiny (February 2021) of the records (Measurement Books, vouchers, and muster rolls) of 19 works, it was observed that only MBs were available in seven works (incomplete), while all records were available in respect of the other 12 works (11 works were complete and one was incomplete). A brief status of these 34 works has been shown in **Table 2.8** below:

Table 2.8: Status of 34 schemes

(₹ In lakh)

Sl. no	Number of works	Status of works	Estimated cost of works	Advance paid	Value of work done as per MB	Advance outstanding	Remarks
1.	7	Incomplete	21.32	18.52	21.23	-	Only MB made available.
2.	11	Complete	39.77	37.34	37.74	2.02*	Schemes were shown complete but the process in the scheme file was not completed.
	1	Incomplete	2.05	0.08	1.66	-	The scheme was shown incomplete.
3.	15	Incomplete	49.55	43.62	Not Available	43.62	No records were made available.
Total	**34 works**		**112.69**	**99.56**			

*(*Excess payment of ₹ 2.02 lakh in two schemes)* ***(Annexure-2.6(A) and 2.6(B))***

It is evident from the table above that eight out of 34 works, involving an advance of ₹ 18.60 lakh, were incomplete, after a lapse of five to 10 years of awarding the works and no records were available in respect of 15 works, involving advance of ₹ 43.62 lakh.

Audit further observed that the *Mukhiya* and the PS, Joint signatory for withdrawal of amounts from GP funds, paid the second and subsequent advances to the PS, for execution of these aforesaid works, without ensuring the adjustment of the previous advances. The *Mukhiya* of the GP did not monitor the execution of works and also did not watch utilization of funds. Further, the Block and District level authorities did not conduct inspection of GP office and failed to assess the progress of work by supervision. Meanwhile, the PS was transferred to another Block (Tariyani) and his Last Pay Certificate was not issued by the BDO of the Block, to ensure recovery of the advances lying with the PS, at the new place of posting. Further, the BDO of the Block replied (February 2021) that the matter would be investigated and amounts lying with PS would be recovered. The then PS accepted (17 September 2021) the audit observation and requested the District Magistrate, Sheohar, to recover ₹ 43.62 lakh from his due salary.

Thus, the PS retained the money for a long period, which was tantamount to misappropriation of government money. This was rendered possible, as the BPRO and BDO of the Block, as well as district level authorities, did not inspect the GP office, did not monitor the progress of execution of works and also failed to take action for recovery of the amounts, which led to misappropriation of government money, amounting to ₹ 43.62 lakh, in addition to unfruitful expenditure (in the form of advance) of ₹ 18.60 lakh, on incomplete works.

The matter was reported to Government (July 2021) and reminder was issued on 21 September 2021.Reply is awaited.