



**CHAPTER – II**  
**COMPLIANCE AUDIT**



## Chapter – II Compliance Audit

### Panchayati Raj Department

#### 2.1 Loss of revenue

**Failure of Zila Parishad, Begusarai, to lease out newly constructed commercial buildings, shops, marriage halls and godowns, to generate income from own sources, led to loss of revenue, amounting to ₹ 2.40 crore.**

Rule 106 of the Bihar Panchayat Samiti & Zila Parishad (Budget & Accounts) Rules, 1964, stipulates maintenance of a separate register, showing details of all sources from which the periodic revenue of the Zila Parishad (ZP) is obtained. Further, a survey of all assets of the ZP, that are to be leased out in the next year, is required to be conducted, three months before the end of the financial year and the fixed demand of such assets is to be entered in the Demand Register.

Scrutiny (October 2021) of records of ZP, Begusarai, showed that the ZP Board, in its meeting, decided (August 2016) to construct commercial complexes, shops, office buildings, godowns and residential flats, on the land of the ZP, to augment its own sources of revenue, by leasing out these revenue generating assets. In view of the above decisions, the ZP executed 27 schemes<sup>19</sup> departmentally<sup>20</sup> and created 24 out of 27 assets (construction of three assets, viz. one godown and two shops was in progress, as of September 2021), between November 2017 and April 2019, by incurring expenditure of ₹10.08 crore, from the funds available under the 5<sup>th</sup> State Finance Commission grant and its own funds.

Audit observed that, although construction of the aforesaid revenue generating assets had been completed during the period from November 2017 to April 2019, the ZP had not started the process of allotment/ leasing out of these assets (as of October 2021). Further, it had not maintained a Demand Register, for exercising watch over the demand and collection of revenue, on account of leasing out these assets. As a result, these newly constructed assets were not put to productive use, for 29 to 46 months from their completion (as of September 2021) and the purpose for which they were constructed remained unfulfilled, even after incurring expenditure of ₹ 10.08 crore on their construction. Further, the ZP remained deprived of revenue of ₹2.40 crore<sup>21</sup> (*Appendix 2.1*), that would have accrued in the form of rental income, from these 24 assets.

On this being pointed out in audit, the District Engineer (DE) of the ZP replied (October 2021) that bids for allotment/ leasing out of the assets could not be

<sup>19</sup> Godowns: 6, Shops: 14, Meeting halls: 4, Commercial Complexes: 2 and Hall: 1

<sup>20</sup> 'Work to be done departmentally' implies that the execution of work would be carried out by the department/unit itself, by appointing one of its staff as the executing agent. The contractor's profit is to be excluded from the estimate of work in such cases.

<sup>21</sup> The ZP fixed a rent of ₹ 10 per square feet, for all the newly constructed assets. The loss of revenue has been worked out on this basis, in audit.

invited due to COVID-19, Assembly Elections-2020 and Panchayat Elections-2021. The Dy. Development Commissioner-cum-Chief Executive Officer of the ZP also stated that the process for allotment could not be done due to COVID-19 pandemic. He further stated (28 October 2022) that public notice for settlement of these assets had been issued on 6 September 2022 and the process of settlement would be concluded soon. In regard to the issue of non-maintenance of the Demand Register, the DE replied that demand register would be maintained, in future.

The reasons put forward by the authorities are not acceptable, as:(i) construction of these revenue generating assets had been completed during November 2017 to April 2019, while the restrictions on account of the COVID-19 pandemic had been put in place from March 2020 (ii) the Assembly Elections in the State were conducted in October-November 2020 and the Panchayat Elections were conducted between September 2021 and December 2021. As such, the ZP had ample time for carrying out the process of allotment/settlement of revenue generating assets, before the spread of COVID-19 and Assembly and Panchayat elections in the State. The assets were lying idle till 26 October 2022, as the process for allotment/leasing out of these assets was in progress.

Thus, the ZP authorities failed to put the newly constructed revenue generating assets to productive use, leasing them out, to loss of ZP revenue, amounting to ₹ 2.40 crore<sup>22</sup>.

The matter was reported to Government (December 2021) and reminder was also sent (February 2022 & October 2022) for compliance and updated status of the para; reply is awaited.

## 2.2 Misappropriation of government money

**Non-adherence to codal provisions, regarding grant and adjustment of advances, in regard to construction of a road, by Gram Panchayat, Patna, led to misappropriation of government money, amounting to ₹ 7.33 lakh.**

Rule 14 of the Bihar Gram Panchayat Accounts Rules, 1949, stipulates that:(i) in case of any work to be done by the Panchayat or a member of the executive committee, an advance may be sanctioned out of the Panchayat fund (ii) the advance holder is to render the adjustment accounts within three months from the date of payment of the advance and(iii)the second advance is not to be granted, unless accounts of the first advance have been submitted. Further, Rule 15 of the Gram Panchayat Accounts Rules, 1949, stipulates that the *Mukhiya* of the Gram Panchayat (GP) is to review the status of advances quarterly and ensure that advances are not pending for long periods. Rule 90 of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, stipulates that the amount of unspent advance, is to be refunded immediately. The Bihar Panchayat (Inspection of Officers and Enquiry into Affairs, Supervision, and Guidance) Rules, 2014, provides that:(i) the *Mukhiya* is responsible for the financial and

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<sup>22</sup> Revenue loss was determined by taking the per square feet rent to be ₹ 10. This rate was approved by the ZP Board.

executive administration of the GP (ii) the authorities<sup>23</sup> at the Block and District levels are responsible for inspection of GP offices at prescribed intervals<sup>24</sup> and (iii) cases of irregularities noticed in the accounts of the GP are to be reported to the higher authorities and the Panchayati Raj Department.

Scrutiny of records (July & August 2021) of GP, Patna under Panchayat Samiti Kalyanpur (East Champaran), showed that, the *Gram Sabha* had approved (October 2017) work<sup>25</sup> relating to construction of a PCC road, at an estimated cost of ₹ 10 lakh, under the 5<sup>th</sup> State Finance Commission Fund. The GP had nominated the then Panchayat Secretary of the GP, as the executing agency for this work and issued (May 2018) the work order, with the direction that the work be completed within six months. For execution of the work, the agency had been paid advances of ₹ 7,32,500, in four instalments, within a period of 18 days, as given in **Table 2.1**.

**Table 2.1: Advances paid to the executing agency**

Sl. No.	Date of payment of advances	Amount of advances paid (in ₹)
1.	15.05.2018	7,500
2.	28.05.2018	3,25,000
3.	01.06.2018	3,30,000
4.	02.06.2018	70,000
<b>Total</b>		<b>7,32,500</b>

(Source: Records provided by Gram Panchayats)

Despite Audit having requisitioned (July 2021) records<sup>26</sup> relating to construction of the road, for vouchsafing the expenditure incurred on the work, the agency did not make any records available to Audit. The present Panchayat Secretary intimated Audit (July 2021) that the then Panchayat Secretary had been transferred (August 2018) to another Block and had died later. Thereafter, in the presence of present Panchayat Secretary of the GP, the Audit conducted (August 2021) a joint physical verification of the site of work and it was observed that the work had not been commenced at all. The present Panchayat Secretary stated that this matter had not been in his knowledge at the time of his taking over charge and the matter had come to his notice when Audit conducted joint physical verification of the work site. The Panchayat Secretary further stated (August 2021) that the work could not be started due to land dispute at the site, but did not explain why the matter had not been brought before the Gram Sabha.

<sup>23</sup> Block Panchayat Raj Officer (BPRO), Block Development Officer (BDO), Sub-Divisional Officer (SDO)/District Panchayat Raj Officer (DPRO)/Divisional Deputy Director (Panchayat), Deputy Development Commissioner (DDC), District Magistrate (DM) and Divisional Commissioner

<sup>24</sup> At least one GP each month by the BDO, at least two GPs in each month by the BPRO, at least two GPs in three months by the SDO and DPRO, at least two GPs in every six months by the Divisional Deputy Director (Panchayat) and the DDC, at least two GPs in a year by the DM and, as per convenience, by the Divisional Commissioner.

<sup>25</sup> Construction of PCC road from the road passing through the bituminous road in Gawandari village in Ward No. 14 to the house of Shri Satlal Prasad.

<sup>26</sup> Measurement Book, Muster Roll, Vouchers etc.

The advances had been drawn from the GP fund under the joint signature of the *Mukhiya* and the Panchayat Secretary of the GP and had been paid to the executing agency in four instalments, on recommendation of the *Mukhiya*. Further, the *Mukhiya* had recorded (June 2018) in the scheme file that : (i) he had inspected the worksite (ii) the work was in progress and being executed satisfactorily and (iii) hence, the amounts were being released. This statement, later proved to be false, as evidenced during the joint physical verification, clearly indicating a nexus between the *Mukhiya* and the executing agency, in regard to withdrawal of the GP funds, in four instalments.

Thus, government funds amounting to ₹ 7.33 lakh, remained out of the GP funds and were under retention by the executing agency (as of July 2021). Further, the BPRO and the BDO of the Block, as well as the district level authorities, did not inspect the GP office, to monitor the progress of execution of works. The present Panchayat Secretary stated (July 2021) that action would be taken after investigation of the issue. Reply of the BDO of the Panchayat Samiti is awaited, despite reminder being issued on December 2021.

Retention of government money, amounting to ₹ 7.33 lakh, by the executing agency for more than three years, amounted to its misappropriation. Further, payments of second and subsequent advances, for the same purpose, without ensuring the adjustment of previous advances violated the Bihar PS and ZP (Budget and Accounts) Rules. In addition, the objective of the work, i.e. the provision of rural road connectivity, remained unfulfilled.

The matter was reported to Government (September 2021) and a reminder was issued on 13 October 2022; reply is awaited.

### **2.3 Undue favour to an individual through irregular allotment of shops/halls**

**Zila Parishad (ZP), Saran, extended undue favour to a bidder, by allotting it shops/halls, constructed on its land, despite the bidder not having followed the terms and conditions of allotment. Further, after allotment, the bidder did not deposit ₹ 96 lakh out of the tendered amount.**

Section 80(1) of the Bihar Panchayat Raj Act 2006, provides that the Zila Parishad (ZP) shall have the power to acquire, hold and dispose of property and to enter into contracts with regard to its property. Further, Rule 132(5) of the Bihar Panchayat Samiti and Zila Parishad (Budget and Accounts) Rules, 1964, provides that no work shall be started unless sufficient funds are available for that particular work during the year.

Scrutiny of records (December 2020 and status updated time to time) of ZP, Saran, showed that the District Engineer of the ZP had published (February 2016) an advertisement, for allotment of proposed shops/halls, on a vacant land near Harijan Hostel, owned by the ZP. The estimated cost of the shops/halls, to be constructed in a four-storey building (including the ground floor) was ₹ 1.49 crore. In addition, the allottee had to pay a development charge of ₹ 20.79 lakh. As per the ZP's approved map, construction of the proposed

shops/halls was to be done departmentally, through a self-financing scheme, and the successful bidder was required to deposit the tendered amount, through bank draft, to the Deputy Development Commissioner-cum-Chief Executive Officer (DDC-cum-CEO) of ZP, Saran, within 10 days from the date of issue of notice regarding allotment, failing which his claim was not to be considered and his security deposit was to be forfeited. Further, the allotment letter was to be issued only after deposit of bank draft of the tendered amount in one lump. After receiving the allotment letter, the allottee had to enter into an agreement with the ZP for 15 years, with an option for renewal.

The bidder who quoted the highest rate of ₹ 1.74 crore (including development charge) was declared as the successful bidder for all four floors, based on the rates quoted by all bidders. The District Engineer, ZP, directed (February 2017) the successful bidder to deposit the tendered amount *minus* the security deposit of ₹ 4.00 lakh (which had been deposited on 24 February 2016), so that the agreement could be executed. However, the allottee deposited (5 July 2016) only ₹ 5.00 lakh, against the tendered amount of ₹ 1.74 crore, with ₹ 1.65 crore remaining undeposited (even as of July 2021). Even though the allottee had not deposited the full tendered amount, the District Engineer (DE) of the ZP executed (18 March 2017) an agreement with him, for 30 years (as against the period of 15 years, stipulated in the terms and conditions for allotment), with effect from 02 January 2017, without assigning any reasons in this regard.

Further, scrutiny showed that the construction of shop/halls had been completed (04 April 2018) departmentally, through the Junior Engineer (JE) of the ZP. On the issue of the construction having been completed despite non-receipt of the requisite amount from the bidder, being raised in audit, the DE of the ZP replied (23 July 2021) that building materials had been procured on credit from the local market, by the JE of the ZP. However, the purchase of building materials on credit, as stated, could not be established in audit, as no credit invoices were found attached in the scheme file. As per the Measurement Book, the shops/halls had been constructed at a total cost of ₹1.15 crore, against which the JE had been paid an advance of only ₹6 lakh, from the ZP fund.

Further, as per the terms and conditions of the bid, in case of failure of the successful bidder to deposit the full tendered amount, the allotment was to be cancelled, the security deposit was to be forfeited and allotment was to be made to the next highest bidder. However, ZP, Saran, did not cancel the allotment, despite non-deposit of tendered amount of ₹ 1.65 crore, by the successful bidder, having, instead, handed over (1 January 2020) the hall/shops to the allottee. Further, in violation of the terms and conditions for allotment of shops/hall, the shops were being utilised by the allottee as a residential hotel (Hotel Mayur). Further, as of 18 November 2022, the allottee had paid a total rent of ₹ 8.54 lakh for the period January 2020 to June 2021 and ₹ 7.59 lakh was outstanding for the period July 2021 to October 2022.

On this being pointed out by Audit, the ZP realised an amount of ₹ 69.00 lakh (₹ 47.00 lakh in August 2021 and ₹ 22.00 lakh in February 2022), from the allottee, with ₹ 96.00 lakh remaining unrealised (as of 18 November 2022).

Thus, despite the allottee having repeatedly violated the terms and conditions for allotment, the ZP extended it undue favour, by failing to take action against the allottee and, instead, allotting it the constructed shops/hall.

The matter was reported (June 2022) to the Government and reminder was issued on 13 October 2022; reply is awaited.

#### 2.4 Irregular/fraudulent payment

**Two Panchayat Samitis and two Gram Panchayats failed to assess the actual physical status of works executed departmentally, under Finance Commissions grants and the Mahatma Gandhi National Rural Employment Guarantee Scheme, before making payment to the executing agents, resulting in irregular payment of ₹10.03 lakh.**

Section 244 of the Bihar Public Work Department Code provides that the Measurement Book (MB) must be looked upon as the most important record, since it is the basis of all accounts of quantities, whether of work done by daily labour or by the piece or by contract or of materials received which have to be counted or measured. The competent authority (not below the rank of Sub-divisional Officer) is required to ensure that not less than the quantity of work paid for has actually been done.

During the financial years 2017-18 to 2020-21, Panchayati Raj Institutions (PRIs) had received grants from the State Finance Commission (SFC), Central Finance Commission (CFC) and under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) etc., for execution of various development works, viz. Plantation, construction of roads and drains, providing basic services etc.

Scrutiny of records (March 2022 and April 2022), viz. scheme files, MBs, vouchers etc., of two Panchayat Samitis (PSs)<sup>27</sup> and Gram Panchayats (GPs)<sup>28</sup> thereunder, as also joint physical verification of the executed works, revealed instances of payment having been made to the executing agents without execution of the works; less quantity of work done, in comparison to the payments made; payments made for works which had already been executed etc., as discussed below:

- **Payments made without work being executed:** In PS, Athmalgola, 11 hand pumps, with an estimated cost of ₹ 1.17 lakh, were to be installed for plantation work, during FY 2020-21, under MGNREGS. From scrutiny of the scheme records, it was observed that installation of hand pumps was shown as having been completed, with entries for ₹ 1.17 lakh, having been made in the MB was made and payments to the executing agent (*Panchayat Rozgar Sewak*) having been made accordingly. However, joint physical verification of the aforesaid works showed that, the hand pumps had not been installed. The Programme Officer, MGNREGS, accepted the audit observation and stated (March 2022) that the hand pumps would be installed in future.

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<sup>27</sup> Athmalgola and Barh (District: Patna)

<sup>28</sup> Bahadurpur and Bhatgaon



- **Work not executed, despite payment of advance:** In GP, Bhatgaon, under PS, Barh, an advance payment of ₹ 2 lakh was made (November 2020) to the then Panchayat Secretary (executing agent), for earth filling and construction of drain, under scheme No. 4/ 2019-20 (14<sup>th</sup> FC). However, during joint physical verification (April 2022), it was found that the work had not been executed, even after a lapse of more than one year and five months of withdrawal of advance and, accordingly, the amount of advance was recoverable from the Panchayat Secretary. The present Panchayat Secretary replied that appropriate action would be taken, after enquiry into the matter.
- **Fraudulent payment to executing agent for the work already executed:** In GP, Bahadurpur, under PS, Athmalgola, scheme No. 1/ 2017-18<sup>29</sup>, with an estimated cost of ₹ 4.70 lakh, had been executed under 5<sup>th</sup> SFC and ₹ 4.08 lakh had been paid (September 2017 to November 2017) to the Panchayat Secretary (executing agent). Further, scrutiny of the Scheme Register and Bank Passbook, relating to 5<sup>th</sup> SFC funds, showed that the aforesaid work had again been undertaken as Scheme No. 1/2020-21, at an estimated cost of ₹ 7.70 lakh and an advance payment of ₹ 4.88 lakh had been made (April to June 2020), to the executing agent, for execution of the already executed work. It was further observed in audit that the executing agent, in both instances, was the same person (Panchayat Secretary). Thus, work already executed had been again undertaken and an irregular advance of ₹ 4.88 lakh paid to the executing agent, indicating that this was a case of fraudulent withdrawal from the GP fund, which was recoverable from the executing agent. The present Panchayat Secretary replied that appropriate action would be taken, after enquiry of the matter.
- **Less quantity of work executed, in comparison to payment made for the works:**
  - In PS, Athmalgola, construction of PCC road was to be executed, under 5<sup>th</sup> SFC (Scheme No. 2/2018-19) and 2,359 c.ft. work was recorded in the MB, as having been executed. Payment was made to the executing agent (Block Agriculture Officer), based on the aforesaid entries. However, in joint physical verification (March 2022), only 1,739.66 c.ft work was found to have been executed at the site. Thus, 619.34 c.ft (17.54 cubic meters) PCC work was shown in excess, in the MB, with irregular payment of ₹ 0.77 lakh<sup>30</sup> having been made to the executing agent. BDO, Athmalgola, did not furnish a specific reply in this regard.
  - In PS, Barh, work related to earth filling and brick soling, was executed under the 5<sup>th</sup> SFC (Scheme No. 20/2018-19), with the MB showing that 4,000 sq.ft of work had been executed and payment of ₹ 5.36 lakh having, accordingly, been made to the executing agent.

<sup>29</sup> Brick soling and construction of PCC road from the house of Ashok Thakur to Mahesh Tanti, Ganesh Thakur, Dashrath Ram in different streets of under Ward no. 9.

<sup>30</sup> 17.54 cubic meters @ ₹ 4,386.85 (composite rate of pcc road per cubic meter) = ₹76,945

In the joint physical verification, however, only 2,710 sq.ft work was found as having been completed at the site. Thus, irregular payment for 1,290 sq.ft (119.84 sq.m.) works, amounting to ₹ 0.33 lakh<sup>31</sup>, was made to the executing agent (Village Level Worker). Further, in Scheme No. 6/2020-21, executed under the 15<sup>th</sup> FC (Laying of hume pipe), hume pipe of 894 feet length was booked in the MB, while, in joint physical verification, only 597 feet of hume pipe work was found to have been executed at the site. Thus, irregular payment of ₹ 0.88 lakh<sup>32</sup> was made to the executing agent (Panchayat Secretary), for laying of 297 feet hume pipe.

Thus, measurement of the actual work, executed by the executing agents concerned, at the site, was not done and exaggerated entries were made in the MB. The Block Panchayat Raj Officer, Block Development Officer and Programme Officer (in case of MGNREGS), failed to monitor the implementation of work and the Junior Engineers, who were responsible for the entries in the MB, were responsible for excess/fake measurement of work, which led to irregular and fraudulent payment of ₹ 10.03 lakh, to the executing agents.

The matter was reported (June 2022) to the Government and reminder was issued on 13 October 2022; reply is awaited.

## 2.5 Deprivation of revenue due to realisation of rents at old rates

**Failure of the Zila Parishads to realise rents of Inspection Bungalows, from the officers of the State Government who were occupying the bungalows for residential or official use, resulted in loss of revenue, amounting to ₹ 73.49 lakh.**

The Panchayati Raj Department (PRD), Government of Bihar (GoB), had issued (July 2013) a direction to all the District Magistrates (DMs) and Deputy Development Commissioner-cum-Chief Executive Officers (DDC-cum-CEOs) of the Zila Parishads (ZPs), to assess, determine and realise the rents of ZP Inspection Bungalows (IBs) at the market rates, to increase the financial resources of ZPs for enabling them to carry out their mandated functions. PRD further directed that, after assessing the demand of rent of each IB, as per the prevailing market rates, the demand was to be submitted to the officers who occupied the IBs for residential or official use, with a copy to their controlling Departments, for payment of rent arrears, under intimation to the PRD. In case of non-acceptance of demand by the residing officers and their controlling Departments, to pay rents as per market rates, within three months of submission such demand, ZPs were to take action to get the IBs vacated from such occupants.

Scrutiny of the records of three ZPs<sup>33</sup> showed that IBs of these ZPs were being occupied by the officers of GoB, as their residence/office. However, two ZPs

<sup>31</sup> 119.84 square meters @ ₹ 277.50 (composite rate of brick soling per square meter)  
= ₹ 33,256

<sup>32</sup> 297 running feet @ ₹ 297.24 (composite rate of pipe laying work per running feet)  
= ₹ 88,280

<sup>33</sup> Banka, Begusarai and Supaul

(Begusarai and Supaul) had not revised rents, in terms of the market rates. ZP, Supaul and ZP, Begusarai had fixed the rents in the year 1992 and in November 2000, respectively and these rates were effective till May 2022. ZP, Banka, had, however, revised the rate of rents of IBs, in terms of the market rates, in November 2019 i.e. after a lapse of more than six years of the direction issued by the PRD in this regard. Further, the occupants were not paying rent in a timely manner and ₹ 73.49 lakh had remained outstanding (as of May 2022). Details of the outstanding rent is as given in **Table 2.2**:

**Table 2.2: Loss of revenue due to non-realisation of rents on IBs**

(Amount in ₹)

Sl. No.	Name of ZP	Name of the Tenant	Period of tenancy	Rent fixed by ZP (per month)	Rent to be realised	Rent realised	Outstanding rent
1	2	3	4	5	6	7	8 (6-7)
1.	Supaul	Superintendent of Police (SP), Supaul	April 1992 to May 2022 (362 months)	2,500 (Rate fixed by ZP)	9,05,000	8,97,500	7,500
2.	Banka	SP, Banka	January 2020 to May 2022 (29 months)	2,32,600 (Rate fixed by SDO)	67,45,400	00	67,45,400
3.	Begusarai	Sub-Divisional Officer (SDO), Teghra	May 1992 to November 2000 (103 months)	2,000 (Rate fixed by ZP)	2,06,000	10,000	1,96,000
			December 2000 to May 2022 (258 months)	2,200 (Rate fixed by SDO)	5,67,600	1,67,815	3,99,785
<b>Total</b>					<b>84,24,000</b>	<b>10,75,315</b>	<b>73,48,685</b>

(Source: Rent register and Cash Book of ZPs)

- ZP, Supaul, came into existence in March 1991 after being separated from ZP, Saharsha. The IB under ZP, Supaul (at district headquarters), was occupied by the SP, for use as residence, from April 1992 to May 2022. The rent of the IB (prior to 1992) had been fixed at ₹ 2,500 per month and ZP, Supaul, had not revised it (as of May 2022). The ZP wrote a letter (August 2017) to SDO, Supaul, after four years of receipt of the direction from the PRD, to fix the rent of the IB, as per market rates. However, the SDO had not fixed the rent as per market rates (as of May 2022). Consequently, the ZP failed to: (i) realise the rent of the IB, as per the market rates (ii) submit a copy of demand of rent, at the revised rate, to the Department of the occupant and (iii) intimate to the PRD, to realise the rent at the market rates. The direction for fixing the new rates of rent, as per the market rates, was issued in the year 2013. The new rent should, accordingly, have been effective from the year 2013. Non-realisation of rent at the market rates indicates a significant amount of loss.
- ZP, Banka, came into existence in year 2001, after being separated from ZP, Bhagalpur. Since then, the IB (at district headquarters) of ZP, Banka, was being occupied/used by the SP as his residence and the rent of the IB (₹ 2,000 per month), which had been fixed by ZP, Bhagalpur,

prior to the year 2001, continued till December 2019. Later, on request (June 2017) of the ZP, the SDO, Banka, fixed (November 2019) the rent of the IB at ₹ 2.33 lakh per month, effective from January 2020. Accordingly, the ZP submitted its demand of ₹ 67.45 lakh, for the period from January 2020 to May 2022, to the SP. The occupant, however, did not deposit the rent. Further, the ZP did not place its demand for rent to the controlling Department of the occupant and the rent remained unrealised till May 2022.

- In ZP, Begusarai, the IB at Teghra was occupied by the SDO, Teghra, from May 1992 and was being used as residence/office. The ZP had fixed (April 1992) the rent of the IB at ₹ 2,000 per month, for its use as residence-cum-office (the IB could be used for both purposes). The DDC-cum-CEO of the ZP instructed (July 1998) SDO, Teghra, to fix the rent of the IB and the SDO fixed (November 2000) the rent at ₹ 2,200 per month. However, the SDO did not deposit the outstanding rent, amounting to ₹ 5.96 lakh<sup>34</sup> (as of May 2022). As the rate of rent had been fixed for the combined use (office and residence) of the IB, the rent for use of IB as office and the rent for use as residence, could not be worked out separately.

Thus, ZP, Begusarai, failed to revise the rent of the IB in terms of the prevailing market rates and, thereby, lost an opportunity to raise its income from its own resources. The DDC-cum-CEO of the ZP stated (June 2022) that letters had been written to the SDO, Teghra, to deposit the due rent, but the rent had not been deposited by the SDO (as of 04 June 2022). On this being pointed out by Audit, the ZP communicated (July 2021) the matter to the PRD, GoB, but the rent remained unrealized. Further, the ZP did not take any action to get the IB vacated by the occupants.

Thus, owing to failure of the ZPs to revise and realise the rents of IBs at market rate as well as to raise the issue with the controlling Departments of the occupants, even after a lapse of more than eight years from the issue of directions by PRD in this regard, they remained deprived of revenue, amounting to ₹ 73.49 lakh<sup>35</sup> and also lost an opportunity to raise their income through their own sources.

## 2.6 Misappropriation of Government money

**Failure of Zila Parishad, Supaul, to adhere to financial rules regarding payment and adjustment of advances and lack of monitoring over the execution of development works, resulted in misappropriation of government money amounting to ₹ 71.95 lakh, in addition to infructuous expenditure of ₹ 82.44 lakh on incomplete works.**

Section 88(1) (A) of the Bihar Panchayat Raj Act, 2006, stipulates that the Chief Executive Officer (CEO) of Zila Parishad (ZP) shall implement the policies and directions of the ZP and take necessary steps for speedy execution of all works and developmental schemes. Rules 90 (b) and (f) of the Bihar Panchayat Samitis and Zila Parishads (Budget and Accounts) Rules, 1964, stipulate that

<sup>34</sup> ₹ 1,96,000 + ₹ 3,99,785 = ₹ 5,95,785

<sup>35</sup> ₹ 7,500 + ₹ 67,45,400 + ₹ 5,95,785 = ₹ 73,48,685

second and subsequent advances shall not be paid without adjustment of the previous advances paid for the purpose and unspent advance, if any, should immediately be refunded. Further, Rule 113(b) of the Rules *ibid* envisages that continuing schemes shall not be left in an incomplete state.

Scrutiny of records (April 2022) of ZP, Supaul, relating to execution of different development works, under the Thirteenth Finance Commission (13<sup>th</sup> FC), 4<sup>th</sup> State Finance Commission (4<sup>th</sup> SFC), Backward Region Grant Fund (BRGF) and from Own Sources of Receipts, revealed that the District Engineer (DE) of the ZP had paid advances of ₹ 1.93 crore, to five Assistant Engineers (AEs) of the ZP (presently retired or transferred to other places), between July 2009 and February 2016, in one to five instalments, for executing 40 development works, *viz.* construction of PCC roads, Aaganwadi Centres, Community Hall, Sheds, Brick Soling roads, etc. {*Appendix 2.2 (A, B&C)*}. In the ZP, the Dy. Development Commissioner (DDC-cum-CEO of the ZP transferred the amounts, for the implementation of various schemes, to the DE of the ZP and the DE, subsequently, made payment of advances, to the concerned AEs, for execution of these works.

Audit observed the following irregularities in the sanction and adjustment of advances paid for the execution of development works;

- **Works not executed by the AEs, despite receipt of advances:** The AEs of the ZP were appointed as executing agents for 17 works under the 13<sup>th</sup> FC, 4<sup>th</sup> SFC, BRGF etc. and advances amounting to ₹ 35.92 lakh {*Appendix 2.2(A)*} were paid to them, during July 2009 to February 2016, in one to two instalments. However, the AEs had not executed these works but had retained the advances, for periods ranging from 6 to 12 years. Further, despite the AEs having been transferred from the ZP, they had neither refunded the advances, nor executed the said works (as of May 2022). Thus, ₹ 35.92 lakh remained out of the ZP account, for periods ranging from 6 to 12 years, without utilisation. Had the ZP paid the second advances for the purpose, only after ensuring the adjustment of previous advances and monitored the progress of execution of works, misappropriation of government money could have been avoided. These works are still incomplete and were not covered by other schemes.
- **Excess amount lying with AEs in four completed works:** The DE of the ZP paid advances of ₹ 40.94 lakh, to the AEs, for execution of four works (construction of PCC roads, with a total estimated cost of ₹ 44.49 lakh), under the 13<sup>th</sup> FC and the BRGF scheme. However, as per the Measurement Book (MB), the aforesaid works had been completed, by incurring expenditure of ₹ 38.52 lakh. Thus, an amount of ₹ 2.42 lakh had been paid excess of the actual value of work done by the AEs {*Appendix 2.2(B)*}. The AEs had not refunded the amount (as of May 2022) and the amount was lying with them for periods ranging from 7 to 10 years.
- **Infructuous expenditure on incomplete works:** The ZP undertook 19 works, with an estimated cost of ₹ 1.44 crore, from the funds available

under the 13<sup>th</sup> FC, 4<sup>th</sup> SFC and BRGF grants. For execution of these works, the DE of the ZP made advances amounting to ₹ 1.16 crore, to the AEs, between July 2009 and February 2016, in one to three instalments. However, the AEs did not complete these works and left them in an incomplete state, after incurring expenditure of ₹ 82.44 lakh thereon {*Appendix 2.2(C)*}. These works are still incomplete. Thus, an excess amount of ₹ 33.61 lakh was paid in comparison to the value of works done and the AEs had not refunded the amount to the ZP (as of May 2022). Further, these works remained incomplete for periods ranging from 6 to 12 years and the expenditure incurred on these incomplete works became infructuous, as the entire scope of works was not covered and the intended objective of creation adequate infrastructure for rural areas could not be achieved.

On this being pointed out in audit, the Deputy Development Commissioner-cum-CEO of the ZP replied (April 2022) that action would be taken for adjustment/recovery of advances lying with the AEs.

The DE of the ZP failed to: (i) adhere to the financial rules regarding payment and adjustment of advances, by sanctioning second and subsequent advances to AEs, without ensuring the adjustment of previous advances and (ii) monitor the progress of execution of development works. The DDC-cum-CEO of the ZP, being the CEO of the ZP, was also responsible for ensuring proper utilisation of the Scheme funds but failed to monitor the utilisation of the scheme funds.

As a result, the AEs had retained ₹ 71.95 lakh<sup>36</sup> from the Scheme funds, for more than 6 to 12 years (as of May 2022), from the date of sanction of the advances. Out of the aforesaid ₹ 71.95 lakh (among five AEs), (₹ 58.38 lakh was lying with two AEs, ₹ 34.95 lakh with one AE and ₹ 23.43 lakh with another AE).

Thus, due to failure on the part of the DE and the DDC-cum-CEO of the ZP, the AEs retained government money for long periods, without utilisation for implementation of the schemes and ₹ 71.95 lakh is recoverable from them, along with the accrued bank interest. In addition, infructuous expenditure of ₹ 82.44 lakh was incurred on incomplete works.

The matter was reported to Government (June 2022) and reminder was issued on 13 October 2022; reply is awaited.

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<sup>36</sup> ₹35.92 lakh + ₹2.42 lakh + ₹33.61 lakh = ₹ 71.95 lakh