

OVERVIEW

The report has nine chapters which bring out the status of Panchayat Raj Institutions (PRIs), Accounting and Audit arrangements, role of District Planning Committee in Chapter I, budget and financial management in Chapter II, major lapses in revenue management in Chapter III. Chapter IV deals with several irregularities in execution of schemes / works and mounting unadjusted advances. A review on transfer of functions, functionaries and funds to PRIs is given in Chapter V. Various cases of recovery at the instance of audit is dealt in Chapter VI. Proposals for recovery by surcharge proceedings, non-settlement of outstanding paras and conclusions and recommendations are given in Chapter VII, VIII & IX respectively.

Some of the important highlights are given below :-

1. Sources of Revenue, Accounting & Planning

- State Govt. yet to notify minimum and maximum rates of taxes to be imposed by PSs and GPs so as to enable them to augment their sources of revenue. (Para 1.4)
- PRIs yet to start preparation of Annual Accounts. Hence utilisation of grants and other funds could not fully vouched. (Para 1.5)
- District Planning Committees required to consolidate the development plans of PRIs to prepare a draft development plan for the district remained non-functional.(Para 1.6)

2. Budget and financial management in PRIs

- State Govt. yet to frame rules regarding time and process to be followed for preparation of budget estimates. (Para 2.1)
- 7 out of 12 ZPs test checked did not prepare budget estimates though an expenditure of Rs. 188.27 crore was incurred. (Para 2.1)
- Budget estimates prepared in 5 ZPs were also not realistic as wide variation persisted between the provisions and the actuals. (Para 2.1)
- PRIs maintained several cash books without codifying and classifying the nature of transactions and reconciling the balance with Bank/Treasury. In 6 ZPs the unreconciled difference was Rs. 8.02 crore. (Para 2.2.1 to 2.2.2)
- EFC grants meant for repair and maintenance of existing assets, maintenance of accounts and development of database was not found utilized. One ZP misutilised Rs. 8.33 lakh towards other purposes and the State Govt. blocked Rs. 5.72 crore by

depositing in Civil Deposits which was meant for the purpose of development of database. (Para 2.3.1.2)

- The State Govt. submitted Utilization Certificate for Rs. 325.88 crore released to PRIs under Twelfth Finance Commission grants. However, audit observed that the full amount of grant was not utilized and there was unutilized balance of Rs. 35.86 crore in 272 PRI units. (Para 2.3.2)
- In 272 units (ZP 12, PS 65 and GP 195) Rs. 81.75 crore (14.19 percent of all funds) remained unutilised. (Para 2.5.1 to 2.5.3)
- PRIs received substantial amount of development grants and executed various schemes but did not maintain any asset registers, in the absence of which the position of assets created together with the cost involved remained unascertainable. (Para 2.6)

3. Major lapses in revenue management.

- A deposit of Rs. 2.84 crore made by 2 ZPs (Supaul Rs. 2.64 crore and Darbhanga Rs. 0.20 crore) in non-nationalised Banks (Co-operative Banks) had become unrealizable as the banks were closed on 5th June 2003 due to cancellation of licence by RBI. (Para 3.1)
- The collection of receipts and timely deposits of the same was not monitored and supervised by executives of ZPs. In 9 ZPs the collecting staff retained Rs. 25.05 lakh without depositing it in PRI accounts as per rules. (Para 3.2)
- In 10 ZPs Rs. 219.79 lakh on account of rent of shops / IB/DB remained unrecovered as of March 2006. (Para 3.3)
- In 8 ZPs dues of Rs. 29.25 lakh remained unrecovered on account of settlement of sairats. The ZPs neither cancelled the settlement nor took legal action to recover the same.
- DDC cum CEO of ZP Jehanabad allowed a rebate of Rs. 9.40 lakh without approval of the ZP Board which was irregular and it resulted in loss of revenue. (Para 3.5)
- Ex-Nazir of Ladania P.S. of Madhubani district defalcated Rs. 5.45 lakh. It could not be recovered as he passed away resulting in loss of revenue. (Para 3.6)

4. Major irregularities in execution of schemes/works

- Despite advance payment of Rs. 74.05 crore, 9116 works (32.72 percent) (3210 in 12 ZPs, 3549 in 60 PSs and 2357 in 195 GPs) remained incomplete due to lack of proper monitoring and supervision of works by ZP authorities. (Para 4.2.1 to 4.2.3)
- In 2 PSs (Chhatapur and Barharia) the executing agents partially executed the work relating to SGRY and an excess advance of Rs. 8.84 lakh was not yet recovered. (Para 4.3)
- There was overlapping in execution of work under Hulasganj PS as an expenditure of Rs. 0.46 lakh was incurred by GP and Rs. 0.76 lakh by the PS for the same work which was avoidable. (Para 4.4)
- DRDA Darbhanga did not release the share of allotment, under SGRY, of Rs. 25.02 crore to ZP Darbhanga, rather directly released it to the Executive Engineer of NREP and special division undermining the role and position of ZPs. (Para 4.5.1)
- The ZP Madhubani undertook execution of 223 SGRY works (34 in 2004-05 and 189 in 2005-06) estimated to Rs. 6.96 crore without ensuring availability of funds and all the works remained incomplete as of March 2006 due to paucity of fund. The entire expenditure of Rs. 3.80 crore is likely to become wasteful as the SGRY scheme was withdrawn from February 2006. (Para 4.6)
- An expenditure of Rs. 24.48 lakh on execution of 12 SGRY works by 2 ZPs (ZP Lakhisarai 7 works Rs. 16.53 lakh and ZP Supaul 5 works Rs. 7.95 lakh) had been rendered wasteful as the works were abandoned in midway due to various reasons.(Para 4.7)
- Under SGRY, 22.5 percent fund was to be utilized on the schemes for personal benefit of SC/ST Communities. A test check of six ZPs revealed diversion of Rs. 5.41 crore for the execution of general schemes of SGRY which deprived the SC/ST communities of the benefits of the scheme. (Para 4.10.3)
- Scrutiny of muster rolls relating to 6 SGRY works in ZP Arwal revealed doubtful distribution of 665 quintals food grains valuing Rs. 4.16 lakh. (Para 4.11(IV))
- Despite payment of Rs. 9.93 lakh as advances to two Asstt Engineers for 5 works under MLA/MLC/MP funds, 4 works remained unexecuted in PS/ZP/GP and the advance of Rs. 6.84 lakh was still not recovered from them. (Para 4.15)
- Frequent advances were paid to executing agents for execution of works but the basic records viz. advance ledger and list of outstanding advances were not prepared by the ZP, PS and GP. (Para 4.16)

- In 12 ZPs, 60 PS and 195 GP, Rs. 58.01 crore, Rs. 26.71 crore and Rs. 7.96 crore respectively aggregating to Rs. 92.68 crore was the unadjusted amount of advances as of March 2006. (Para 4.16)

5. *Review on "Transfer of functions, functionaries and funds to PRIs"*

- Works relating to functions devolved to various tiers were not covered in the Annual Action Plan prepared for SGRY/NREGA by 41 PRIs. (Para 5.6 (iii))
- There was overlapping of functions as the works to be performed by GP& PS were executed by other agencies and even by Zila Parishads. (Para 5.6 (iv))
- No norms were finalized nor the requirement of staff assessed for transfer of functionaries to PRIs and there was no transfer of staff of 20 departments too. Scrutiny of proceedings of Boards and files relating to grant of CL and station leave permission disclosed that there was poor or no participation of district and block level officers of some departments in the Board meetings or there were only few cases of recommendation for grant of CL and station leave permission by the chairmen of Boards. (Para 5.7 (i) to (iv))
- The departments which transferred functions to PRIs did not transfer funds out of their budgetary allotments in order to cope with enhanced requirements at PRIs end. (Para 5.8 (i))

6. *Recovery at the instance of audit*

- During the course of audit in 2006-07, Rs. 8.59 lakh was recovered at the instance of audit on account of excess payment of advances, excess drawal through self cheques and non deposit of sale proceeds. (Para 6.1)

7. *Recovery by surcharge proceedings*

- The ELA is vested with special powers under Local Fund Audit Act, 1925 to propose recovery by Surcharge in case of losses sustained by the local authorities due to grant of payment contrary to law, act of negligence, non accounting and deposit of revenue collected. During 2006-07 recovery of Rs. 1.76 lakh was proposed through the process of surcharge.

8. *Non-settlement of outstanding paras*

- The PRIs were required to take follow up action on the Audit Reports (AR) issued to them which however remained wanting due to which irregularities pointed out in AR still continued unchecked. Up to 2006-07, 33608 paras in respect of 2125

ARs involving money value of Rs. 206.20 crore remained outstanding for compliance.

(Para 8.1)