

CHAPTER – III

TRANSACTIONS AUDIT

Revenue Receipts:

Eleventh Finance Commission (EFC):

3.1 Blocking up of fund under EFC:

The EFC recommended a sum of Rs.116.72 crore during 2002-05 to supplement the resources of PRIs in the State. Out of total grants of Rs.116.72 crore an amount of Rs.6.50 crore was earmarked for creation of data base relating to finances of Local Bodies. From Rs.6.50 crore, Rs. 2.17 crore was spent by the Director, P&RD, Assam towards procurement of computer, development of software etc and balance amount of Rs.4.33 crore were retained for a period ranging from 15th to 28th months without utilization. Information furnished by the Directorate revealed that Rs.4.33 crore were transferred to ZPs in June 2006 and March 2008 which remained un-utilized at ZPs level till April 2009.

Thus un-authorized retention of funds resulted in blocking up of Government money amounting to Rs.4.33 crore which also frustrated the basic objective of the scheme and non-achievement of intended benefits.

Against the total grants of Rs.6.50 crore for computerization, creation of data base and networking, an expenditure of Rs.2.17 crore was incurred on providing computers, training and development of software. The exact status of application of software and details of computerization work done, if any, were not made available by the Directorate of P&RD to audit.

3.1.1 Diversion of fund under EFC earmarked for up keep of accounts:

EFC recommended grants of Rs.4000/- per panchayat per annum on an average for up-keep of accounts of GPs and APs which did not have exclusive staff for that purpose. The State Government had also earmarked Rs.3.23 crore to PRIs in respect of maintenance of accounts.

Test check of records of Nagaon ZP revealed that out of Rs.20.32 lakh released by the Director, P&RD, Assam in respect of maintenance of accounts during 2004-06 an amount of Rs.19.32 lakh was spent by 237 GPs and 13 APs under the jurisdiction of Nagaon ZP on purchase of stationery, furniture etc defeating the very purpose of the grant. The matter was reported to the Government but reply is yet to be received.

Twelfth Finance Commission (TFC):

3.2 Delay in crediting of TFC Grant:

Based on the recommendation of TFC, the Government of India (GOI), awarded grant of Rs.526.00 crore to PRIs in Assam to be released during 2005-10.

The position of receipt and released of TFC grants during 2006-08 were as under:

(Rupees in core)

Year of grant	Amount of grant	Date of receipt by the State Govt	Date of release of grants to PRIs	Number of days delayed in release of grant	Interest payable
2006-07	52.60	22.6.2007	13.01.2009	552 days	4.37

As envisaged in Para 6.1 and 6.4 of guidelines, on release and utilization of TFC grants circulated vide, GOI, Ministry of Finance, Department of Expenditure (June 2005), States were mandatorily required to transfer to the grants released by the GOI to PRIs within 15 (fifteen) days of the same being credited to the State Accounts concerned. In case of delayed transfer of funds to the respective bank accounts of PRIs, interest is chargeable. However, interests amounting to Rs.4.37 crore have not been re-imbursed by the State Government till April 2009. Non-payment of interest on delayed transfer of grants was communicated to the Government but no reply was received till May 2009.

3.2.1 Locking up of fund due to non-implementation of schemes:

Out of total grants of 157.80 crore released during 2005-08, an amount of Rs.9.50 crore was earmarked for creation of data base on finances of PRIs. The Director, P&RD Assam transferred Rs.9.50 crore to the ZPs during December 2006 to January 2009 with instructions not to spend the fund till further orders. The entire amount of Rs.9.50 crore remained locked up in banks at the ZP level for the period raging from five month to two years or more.

3.2.2 Diversion of TFC grant:

TFC provided Rs.5.92 crore for maintenance of accounts in ZP, AP and GP level and Rs.6.07 crore for O&M cost. The guidelines issued by the TFC stipulated that the funds for maintenance of accounts was recommended in view of lack of staff for up keep of accounts at PRI level and to clear the arrear of accounts, an amount of 15000/- per panchayat per annum was recommended to get the job done on contract basis. The fund placed under O&M cost was required to be utilized on operation and maintenance cost of Water Supply and Sanitation.

Test check of records of 317 GPs revealed that these GPs received an amount aggregating Rs.42.63 lakhs (for Maintenance of accounts Rs.13.53 and O&M cost Rs.29.10 lakhs) during 2006-07 as grants under TFC.

It was noticed that GPs utilized the entire fund of Rs.42.63 lakhs earmarked for maintenance of accounts and O&M cost towards purchase of stationeries, furniture, repairing of GP office building etc thereby violating the provisions of the guidelines and defeating the real purpose of the grants.

3.3 Sampoorna Gramin Rojgar Yojana (SGRY):

SGRY was launched in September, 2001 by merging the ongoing schemes of Jawahar Gram Samridhi Yojana (JGSY) and Employment Assurance Scheme (EAS). The objective of the programme is to provide additional wage employment and food security along with creation of durable community assets social and economic infrastructure in rural areas to rural poor. The SGRY is open to all rural poor who are in need of wage employment and desire to do manual and unskilled work in and around the village/habitat. The cost of each component of the programme is shared by the Central and State in the ratio 75:25.

3.3.1 Execution of schemes beyond the purview of Annual Action Plan (AAP):

It was mandatory under SGRY scheme that each AP/GP shall independently prepare and approve an AAP before the beginning of the financial year. No work can be executed/taken up unless it forms part of the AAP.

It was seen that 6 APs executed works outside AAP during 2004-07. APs have spent a total amount of Rs.35.08 lakh for works taken up outside AAP in violation of the guidelines of the scheme as given below:

(Rupees in lakh)

Sl. No.	Name of unit	Period	Amount
1.	Rupahihat	2004-05	11.92
2.	Dhalpukhuri AP	2004-05	5.09
3.	Saikhowa AP	2004-05	6.98
4.	North Lakhimpur	2004-05	2.65
5.	Barhampur AP	2004-05	5.52
6.	Nowboicha AP	2004-05	2.92
Total			35.08

Due to taking up of work beyond AAP, it could not be ascertained whether the works were undertaken on priority basis as per requirement of the area and there was no overlapping of the scheme.

3.3.2 Utilization of SGRY fund for creation of ineligible asset:

As per Para 6.7.1 of scheme guidelines, construction of building for religious purposes, Higher Secondary Schools, Colleges, monuments, memorials, statues, idols, bridges, black topping of roads etc were prohibited.

Test check of records revealed that 7 APs, 2 ZPs and 18 GPs had utilized Rs 96.75 lakh (Rs.69.90 + 26.85 lakhs) from SGRY fund during 2005-06 to 2006-07 for constructions of colleges, temples, bridges etc in violation of the scheme guidelines as detailed in **Appendix –III**

3.3.3 Irregular expenditure towards transportation of food grains (FG):

The guidelines of SGRY prohibited the use of cash component of SGRY for transportation charges of FG. As per the guidelines the transportation cost under SGRY is to be borne by the State Government exclusively. But violation of the said norm was noticed in several occasions.

It was observed from the records of Nagaon and North Lakhimpur ZP that Rs.24.49 lakhs was spent irregularly towards transportation charges of FG out of the Cash Components of SGRY to be spent on wages during 2005-07.

Similarly, 8 APs and 55 GPs incurred expenditure of Rs.57.96 lakh in transporting the foodgrains (FG) out of the cash component of SGRY meant for wages during the 2004-07. The entire payment of Rs.82.45 lakh from the cash component of SGRY towards transportation charges was, thus, not only irregular but also caused short generation of mandays by 79790

(82.50 lakh x 60 percent, divided by Rs.62/-), depriving the rural poor of the benefits from the same (detailed in **Appendix-IV**).

3.3.4 Diversion of SGRY fund towards lifting of Mid Day Meal (MDM):

Test check of records revealed that 6 APs diverted Rs.16.21 lakh from SGRY scheme fund for lifting of food grain of MDM scheme as detailed below. Matter has been reported to the State Government but reply is awaited (June 2009).

(Rupees in lakh)

Sl. no.	Name of Unit	Name of fund against which advance made	Period of Advance	Unadjusted advance	Advance paid to whom
1	Karunabari AP	SGRY	3/03 to 4/04	3.60	Lifting charges of MDM
2	Bihpuria AP	-do-	10/03 to 11/03	0.42	E.O. (P)
3	Guijan AP	-do-	11/03 to 3/06	2.09	Lifting charges of MDM
4	Sipajhar AP	-do-	3/03 to 10/06	5.30	3
5	Dalgaon Sialmari AP	-do-	2002 to 2007	4.30	Lifting charges of MDM
6	Saikhowa AP	SGRY	24/2/04	0.50	A. Saikia
Total				16.21	

3.3.5 Non-release of matching shares by the State Government:

As appeared from records furnished to audit by the Director, P&RD Assam, 25 per cent matching state share relating to SGRY for the year 2007-08 were not released by the State Government as detailed below:

(Rupees in lakh)

Name of Scheme SGRY					
Name of Scheme	Total allocation of CSS 2007-08	Released 75% of CSS by the GOI 2007-08	25% of amt due from state share 2007-08	Amt. released for state share 2007-08	Amt. not received as state share
SGRY	25702.52	19276.89	6425.63	Nil	6425.63

Non-release of State Share or failure to release in time led to loss of developmental works or timely completion of developmental works thereby depriving the deserving beneficiaries of benefits in terms of aims and objective of programme.

Employment Assurance Scheme (EAS):

3.4 Inadmissible expenditure:

The primary objective of the EAS and SGRY is to provide additional wage employment and creation of durable community, social and economic assets in rural areas.

Test check of records of two APs revealed that BDO, Dalgaon Sialmari AP/Block took up construction of Godown at block headquarter from EAS fund during 2001-02 and SGRY during 2003-05 at a total cost Rs.11.28 lakh (EAS Rs.4.50 and SGRY Rs.6.78 lakhs) and Batradraba AP spent Rs.1.47 lakh towards repairing of Navodya Vidyalaya.

It was also noticed that there was no provision under the guidelines regarding construction/extension/repairing of godown at block headquarter and Navodya Vidyalaya. Moreover the above work did not link with the durable community assets as envisaged in the guidelines.

In view of the above, the expenditure of Rs.11.28 lakh was outside of the purview of the scheme guidelines and hence un-authorized.

3.5 Loss of Revenue due to non-realization of Registration Fee and Stamp Duty:

As per terms and conditions of the Notice Inviting Tender and Article 35(ii) of the Assam Gazette Notification dated 5th July 1989, the successful bidder should mortgage a deed of land of the same value (bid value) or more by executing a registered deed at own cost and Stamp Duty at the rate of 3 per cent of demand should also be borne by the Lessee (bidder) concerned in addition to Registration Fee.

Test check of records of 10 APs and 2 ZPs revealed that 559 markets/par-ghats/fisheries were leased during 2002-2007 but no agreement was registered between the Panchayat Authorities and the Lessee. Thus due to non-registration of agreement deed and non-mortgage of plot of land of the same value and non-deduction of Stamp Duty during last 5 years, the State Government was put to a loss of Rs. 70.38 lakh (Registration Fee Rs.48.84 plus Stamp Duty Rs.21.54 lakh). Details in **Appendix -V**.

3.6 Outstanding Kist Money

As per procedure under Sub-Rule 14 and 15 of Rule 47 of the Assam Panchayat (Financial) Rules 2002, Panchayats are required to recover the outstanding Kist money from the defaulter Lessees.

Test check of records of 21 APs and two ZPs revealed that Kist money amounting to Rs. 246.63 lakh were yet to be realized (31st March 2008) as detailed in **Appendix - VI**.

Inaction in realization of Kist money from the properties assigned to PRIs reduced the revenue of these PRIs to that extent thereby widening the resource gap.

3.7 Loss of Revenue due to settlement of markets to the bidder with less value:

Test check of records relating to settlement of markets under 2 ZPs (Lakhimpur and Nagaon) revealed that Markets/parghats/fisheries etc were not leased out to the highest bidder. The highest bidders were rejected without assigning any reason and other bidders who quoted lower bid value were allowed lease right of markets. Thus 2 ZPs incurred a loss of revenue of Rs.190.67 lakh by violating the provision of Section 47 (10) of the Assam Panchayat (Financial) Rules 2002 ad detailed in **Appendix - VII**. No prior approval in accepting the tenders other than the highest bidder was obtained by the PRI units from the Government.

Reply from concerned PRI units are awaited.

3.8 Non-distribution of Sale Proceeds of Hat-Ghats among ZPs, APs and GPs:

As per sub-section 6 of section 105 of the Assam Panchayat Act 1994, out of Sale Proceeds of Hat/Ghats in any ZPs/APs, 20 per cent to be devolved to the ZP, 40 per cent shall be equally distributed to all the GPs under the AP and balance 40 per cent be retained by the AP.

Test check of records of 13 APs and 1 ZP revealed that the above ratio of devolution was not adhered to depriving the PRIs of their due shares. Thus ZP retained Rs.116.03 lakh and AP retained Rs.82.85 lakh totaling Rs.198.88 lakh in excess of their allocation during the period from 2002-07 as detailed in **Appendix-VIII**.

3.9 Non-recovery of advances from the individuals

Temporary advances were paid to the staff/officials as TA/execution of works etc. The accounts of the same should be closed as soon as possible as un-utilized cash balance should be refunded/recovered. In respect of 9 APs and 1 ZP a sum of Rs.19.61 lakh paid to officials/staff for various purposes were still outstanding (April 2009) against bank as detailed in **Appendix-IX**.

Action to recover/adjust the advances needs to be initiated immediately and the monitoring mechanism should be strengthened to ensure speedy and timely recovery/adjustment

so that the old outstanding advances may not lead to loss due to non-recovery over long period of time.

3.10 Un-authorized expenditure

An amount of Rs.6.84 lakh was spent towards payment of telephone bills of President and telephone allowances of members of Lakhimpur ZP from the Own Source of Revenue (OSR) in contravention of provisions of the Assam Panchayat (Financial) Rules 2002 as per which there were no provision for payment of house rent, TA bill, telephone allowances to the President and Members of ZP except monthly remuneration, Traveling Allowances, Sitting Allowances subject to availability of fund from their own sources.

3.11 Un-authorized expenditure out of SGSY fund:

According to the guidelines of SGSY, infrastructural assets created under the programmes were to be utilized exclusively for the Swarozgaries for production, processing quality testing and storage or marketing.

Test check of records of Dalgaon Sialmari AP revealed that the BDO had spent an amount of Rs.10.00 lakh towards construction of Farmers Training Centre and Food processing unit at Block Headquarter violating the provision of the guidelines.

3.12 Short utilization of fund for Centrally Sponsored Scheme (CSS):

The details of fund received and utilized during 2002-08 for CSS implemented by PRIs are given below:

(Rupees in crore)

Authority/ Agency who disbursed the fund	Name of scheme	Opening balance	Fund received (Central & State)	Total fund available	Fund utilized by PRIs	Balance	Percentage of utilization
DRDA	SGRY	1.57	230.61	232.18	226.41	5.77	97.51
-do-	IAY	19.26	259.17	278.43	133.33	145.10	47.88
-do-	SGSY	3.85	141.31	145.16	137.77	7.39	94.90
-do-	NREGS	88.53	468.03	556.56	333.97	222.59	60.00
Total		113.21	1099.12	1212.33	831.48	380.85	68.58

PRIs received Rs.1099.12 crore as Central and State assistance out of which Rs.831.48 crores was utilized. At the end of the year there was a unspent balance of Rs.380.85 crore including unspent balance of previous year. The implementation of IAY and NREGS were poor in comparison of assistance received by the PRIs, the financial achievement of IAY and NREGS being over 47.88 per cent and 60 per cent respectively. No reasons were on record for short utilization of scheme funds.

3.13 Diversion of NSAP Fund:

The National Social Assistance Programme (NSAP) fully financed by the Government of India came into effect from 15th August 1995. The programme provides for direct financial assistance to the beneficiaries under the components mainly National Old-Aged Pension and National Family Benefit Schemes. Till 2002-03, the programme was implemented by the Social Welfare Department of the State Government and thereafter from June 2003 the State Government transferred the schemes to the P&RD Department for implementation. The guidelines of the NSAP do not provide for deduction of any administrative charges from the earmarked funds.

Test check of records made available by the Director of P&RD Assam revealed that during 2006-07 an amount of Rs.249.93 lakh was released to the districts as administrative expenses for implementation of the programme which was not permissible under the guidelines of the NSAP details given below:

(Rupees in lakh)

Sl No	Name of sub-scheme of NSAP	Rate of pension per beneficiary	Number of beneficiary deprived of	Diverted amount
1	NOAP	Rs.200/-per month	113150	226.30
2	NFBS	Rs.10000/-in lump	236	23.63
Total			113386	249.93

Thus, due to non-adherence to the guidelines, the benefits offered under the programme could not be extended to 113386 numbers of deserving beneficiaries.

3.14 Diversion of scheme fund towards contingent expenditure:

Lakhimpur ZP and Sipajhar AP had incurred an expenditure of Rs.22.62 lakh (LZP Rs.21.17 and SAP Rs.1.45 lakh) out of EFC, NOAP, NFBA, and SGRY during 2004-07 towards payment of TA bills of Chief Executive Officer (CEO), repairing/renovation of DC's chamber of circuit house, purchase of Air Conditioner, Audit Fee, purchase of computers, purchase of Photostat Machine, hire charges of vehicles, POL, payment of honorarium to ZP members and president etc. This was done under the order of the CEO of the ZP who was responsible for operating ZP fund. Sipajhar AP had incurred an expenditure of Rs.1.45 lakh on repairing of vehicles diverting from SGRY fund. None of the items of expenditures were within the purview of the guidelines of the schemes. Thus the above expenditures were unauthorizedly diverted.

Conclusion and Recommendation:

3.15 Internal Control:

Sizeable amounts advanced by the PRIs were found to have been lying unadjusted. Laxity on the part of the PRIs in respect of timely monitoring and adjustment of advances should be ensured.

Large amount of funds transferred to PRIs were found to have remained unutilized for years together. The need to institute an adequate internal control and monitoring mechanism should be urgently addressed by the P&RD Department of the State Government.

Necessary amendment in the PRI Act to empower the DLFA as primary/statutory auditor of PRI/ULBs under the Technical Guidance and Supervision (TGS) of the C&AG of India is to be done in accordance with the Assam Panchayat Act, 1994 and as recommended by the EFC.

PRISOM software should be made operational at all level of PRIs..

Function, functionaries and funds should be transferred to PRIs by the concerned department. Availability of information of Receipts and Expenditures of all PRIs at State level should be made for easy analysis of PRIs data.

Asset Registers should be maintained by the ZPs, APs and GPs and physical verification of assets should be conducted by responsible officers.

Best practices recommended by the TFC for augmentation of resources of PRIs should be followed.