

CHAPTER – II

ANNUAL TECHNICAL INSPECTION REPORT OF THE PANCHAYATI RAJ INSTITUTIONS

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

2.1 Introduction

Goa along with Daman & Diu was liberated in December 1961 from the Portuguese rule. After liberation, the President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. The said Regulation provided for setting up of a single tier Panchayati Raj system in the Union Territory of Goa, Daman & Diu. Thus, for the first time the Panchayati Raj Institutions (PRIs) came into existence in Goa in 1962.

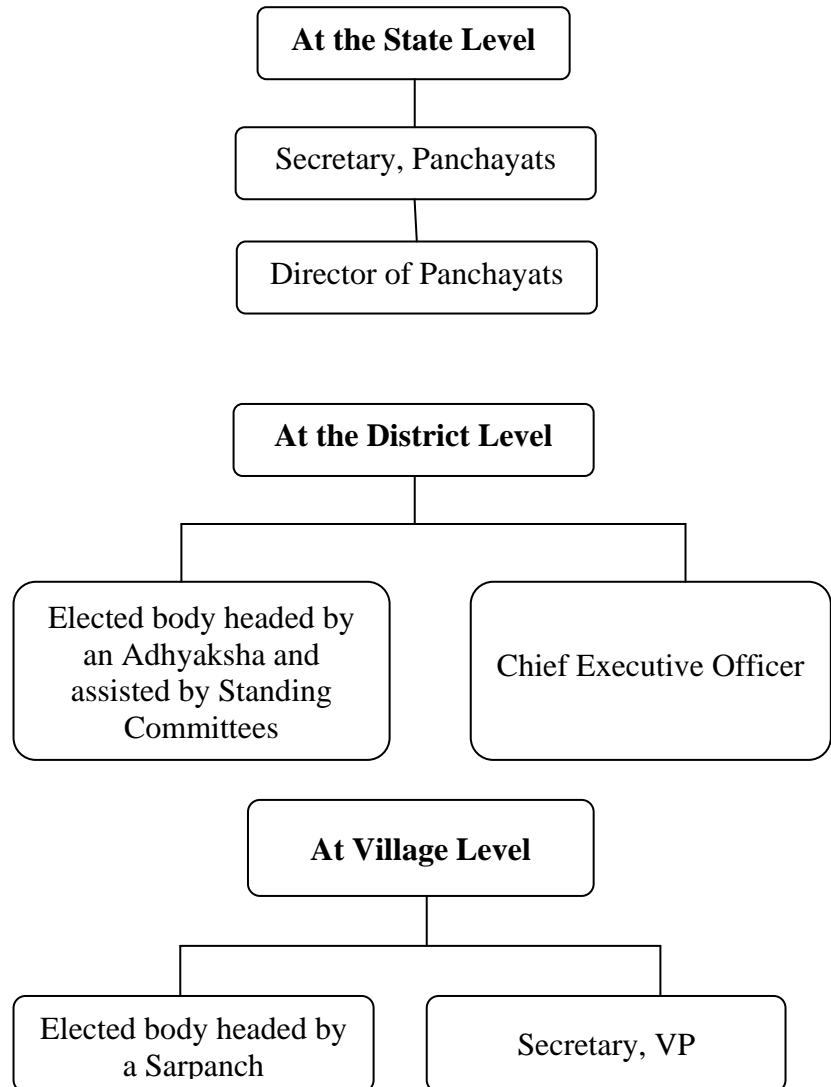
The 73rd Constitutional amendment, 1992, prescribed a three-tier structure (two tiers in case of states with population less than 20 lakh) for Panchayati Raj Institutions. The Legislature of a State was required to endow the Panchayats by law, with such powers and authority as was necessary to enable them to function as institutions of self-government. Accordingly, the Goa Panchayat Raj Act was enacted in 1994 to establish a two-tier Panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

The State of Goa consists of two Districts namely ‘North Goa’ and ‘South Goa’, comprising six Blocks and five Blocks respectively. Each Block is headed by a Block Development Officer (BDO) who is assisted by the respective Extension Officers and their staff. As of March 2008, there were two ZPs and 189 VPs in the State of Goa.

Last elections for ZPs were held in March 2005 and those of VPs were held in December 2007.

2.2 Organisational set-up

The organizational set-up of PRIs in the State is shown below:



The Secretary, Panchayats is the Administrative Head of the Panchayat Department. The Director of Panchayats (DoP) exercises control and supervision over the PRIs and also acts as the Appellate Authority under the Goa Panchayat Raj Act.

Adhyakshas head the ZPs having a full time Chief Executive Officers besides other staff. Sarpanchs head the VPs and are provided with Secretaries and other staff. As per sections 142 and 63 of the Goa Panchayat Raj Act 1994, various Standing Committees are set up in ZPs and VPs respectively for governing their functions.

2.3 District Planning Committees

The ZPs are responsible for preparation of plan for development and overall supervision, co-ordination and implementation of developmental schemes. Similarly, the VPs are also required to prepare annual plans for the development of Panchayat areas, maintain essential statistics, remove encroachment on public property and undertake implementation of assigned schemes/works.

As per section 239 of Goa Panchayat Raj Act, 1994 the Government shall constitute District Planning Committees (DPC) for the districts in the State. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same along with ZP plan to the DPC who would prepare a draft development plan for the district as a whole and forward to the Government.

The First DPCs were set up by Government of Goa in October 2003, in North and South Goa Districts. These committees were reconstituted in September 2006. North Goa DPC conducted only one meeting in November 2003 and no further activity has been carried out so far (February 2009). In respect of South Goa DPC, no meeting has been conducted and no activity has been carried out so far (February 2009). The Director of Panchayats stated (February 2009) that although the DPCs have been constituted, no district plan has been prepared by the Committees for want of Annual Development Plans from the VPs and the ZPs.

Scrutiny of 29 VPs test checked under TGS during 2008-09 revealed that only six VPs⁹ had prepared their Annual Development Plans and submitted to the ZPs. In respect of remaining 23 VPs, the respective Secretaries stated that these Plans would henceforth be prepared and submitted to the ZPs.

The Director of Panchayats stated (February 2009) that the Rules under Goa Panchayat (Constitution, Powers and Functions of Ward Development Committees and preparation of Annual Development Plan) Rules, 2008 have been framed by the Directorate so as to guide the Village Panchayats in preparation of Annual Development Plans (ADP). As this is the first time that the VPs will undertake this exercise, assistance has been sought from Goa Institute of Rural Development & Administration (GIRDA) to train the VPs in formulating these plans. GIRDA has also identified four VPs¹⁰ for imparting training in preparation of ADP.

2.4 Functions

2.4.1 Devolution of Functions

The XIth Schedule appended to the Constitution of India gives a list of the 29 functions and responsibilities which may be devolved to the PRIs. The Schedules-I and II appended to the Goa Panchayat Raj Act, 1994 envisaged entrustment of 28 and 25 functions to VPs and ZPs respectively **Appendix 2.1**

⁹ Morlem, Poriem, Honda, Bhironda, Nagargao and Bercem

¹⁰ Old Goa, Anjuna, Ambavelim and Majorda

and 2.2. However, only the following 13 and five functions have been devolved partly to the VPs and ZPs respectively.

Functions devolved to VPs

Sr. No.	Sr. No. of Schedule XI	Name of Function /Scheme
1	1	Agriculture including Agricultural extension
2	4	Animal Husbandry, Dairying & Poultry
3	5	Fisheries
4	9	Khadi, Village & Cottage Industries
5	11	Drinking Water
6	13	Roads, Buildings, Culverts, Bridges, Ferries, Waterways & other means of communication
7	20	Libraries
8	21	Cultural Activities
9	23	Rural Sanitation
10	25	Women & Child Development
11	26	Social Welfare
12	29	Maintenance of Public Parks & Playgrounds
13		Transport, State Rural Employment Guarantee Scheme, IAY, SSA Construction, Gymnasium/Vyayamshala, Financial Assistance to Sportsmen

Functions devolved to ZPs

Sr. No.	Sr. No. of Schedule XI	Name of Function /Scheme
1	3	Minor Irrigation, Water Management & Watershed Management
2	17	Education including Primary school
3	23	Health & Family Welfare
4	26	Welfare of the weaker sections, in particular of handicapped & mentally retarded
5		Merger of DRDA's with Z.P., Financial Assistance to VPs & SGRY

The State Government had set up two Finance Commissions (FCs) to review the financial position of Local Bodies. The Second State Finance Commission (SSFC) was set up in August 2005. The Commission was required to submit the recommendations within a period of three months during which it had to thoroughly examine the devolution of functions along with funds to the ZPs and VPs.

The SSFC recommended (December 2007) devolution of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in the Ist and IInd Schedules respectively of the Goa Panchayat Raj Act, 1994.

The Government is yet to consider the recommendations of the SSFC. The Director of Panchayats stated (March 2009) that the same is under consideration of the Government.

2.5 Transfer of Funds

2.5.1 Sources of Funds

The Government of Goa sanctions grants-in-aid to the VPs/ZPs in the State for financing developmental works, administrative expenses, matching grants, compensation in lieu of Octroi, etc. During the year 2007-08, the amount of grants-in-aid released to the ZPs and VPs (including the amount received from the Centre) was Rs.6.27 crore and Rs.18.69 crore respectively.

The details of own revenue and grants-in-aid for the years 2004-05 to 2007-08 were as under:

(Rupees in crore)

Year	ZPs			VPs			
	Own Revenue	Grants-in-aid	Total	Own Revenue	Grants-in-aid directly to VPs	Grants-in-aid sanctioned through DRDA	Total
2004-05	0.05	6.37	6.42	9.01	18.11	3.92	31.04
2005-06	0.11	6.93	7.04	11.48	23.35	6.18	41.01
2006-07	0.12	7.40	7.52	16.61	23.16	9.30	49.07
2007-08	0.04	6.27	6.31	20.99	18.69	8.51	48.19

Note: Grants-in-aid include grants received from Central as well as State Government.

DRDA: District Rural Development Agency

There was a decrease of Rs.7.82 lakh in own revenue and Rs.1.13 crore in Grants-in-aid of ZPs during 2007-08 as compared to the previous year. The Director of Panchayats stated (February 2009) that the ZPs have no source of income except the sale of tender forms. Therefore, the revenue being generated by ZPs are likely to vary from year to year. Further, regarding the reduction in release of grants-in-aid to ZPs for the year 2007-08, it was stated that the Government had reduced the plan outlay proportionately against all the existing schemes including the new schemes implemented from the year 2007-08.

Though the VPs have improved the collection of own revenue during the year 2007-08 there was a decrease in release of grants-in-aid to VPs amounting to Rs.5.26 crore during 2007-08 compared to the previous year. The decrease was mainly attributed to the non-release of TFC grants during 2007-08.

The grants-in-aid paid by the State government (including that received from Centre) to the PRIs decreased from Rs.39.86 crore in 2006-07 to Rs.33.47 crore in 2007-08.

Audit noticed that there were differences in the figures of Directorate of Panchayats regarding the grants-in-aid released to PRIs as compared to the

figures appeared in the Audit Report (Civil) Goa, of the Comptroller and Auditor General of India for the year 2007-08 as follows:

(Rupees in crore)

Year	Figures as per Audit Report (Civil) ¹¹	Figures furnished by Director of Panchayats	Difference
2004-05	32.75	28.40	4.35
2005-06	39.70	36.46	3.24
2006-07	41.98	39.86	2.12
2007-08	35.68	33.47	2.21

There were differences ranging from Rs.2.12 crore during 2006-07 to Rs.4.35 crore in 2004-05. The Director of Panchayats stated (August 2009) that the Directorate would reconcile the differences and the actual position would be communicated to audit.

2.5.2 Recommendations of the Second State Finance Commission

The Second State Finance Commission (SSFC) recommended an amount of Rs.722.81 crore for the 21 core functions as well as Rs.1131.03 crore for 17 Consultative functions for VPs and Rs.284.51 crore for 10 Core functions and Rs.459.61 crore for 11 Consultative functions for ZPs for a period of five years 2007-08 to 2011-12.

The SSFC also recommended (December 2007) the creation of following posts in various offices, which will entail an annual expenditure of Rs.11.01 crore.

Sr. No.	Name of Office	No. of Posts
1.	Directorate of Panchayats	603
2.	ZPs	21
3.	District Rural Development Agency	19
4.	District Planning Committee	13
5.	Town & Country Planning Department	10
6.	Animal Husbandry	06
7.	Agriculture Department (Soil Conservation)	03
8.	Health Services	06

The Government is yet (March 2009) to consider the recommendations in the report, which was submitted in December 2007.

2.6 Twelfth Finance Commission (TFC) grants

The Directorate of Panchayats prepared a project proposal of Rs.18 crore for utilizing the funds under the TFC Grants in the State of Goa for the period from 2005-06 to 2009-10. The grants under TFC released by the Centre were required to be directly placed at the disposal of the Village Panchayats (VPs) and the Zilla Panchayats (ZPs) and same had to be spent exclusively for the operation and maintenance of the schemes envisaged in the TFC guidelines. The PRIs were required to take over the assets related to water supply and

¹¹ Table 1.20 (Para 1.5.4) of Civil Audit Report

sanitation and utilize the grants for the repair/rejuvenation and the operation and maintenance costs and to recover at least 50 per cent of the recurring costs in the form of user charges. The VPs were also required to send proposals to the Block Development Officer (BDO) along with the estimated cost of the works duly approved by the PWD. The respective BDO should recommend the proposals for according the sanction of the expenditure. In the case of ZPs the proposals were to be sent directly to the Directorate. The Director of Panchayats, based on the recommendation of the BDOs, was to accord sanction to the projects. After approval, the VPs/ZPs were to execute the works and submit the utilization certificate in the prescribed format so as to enable the Directorate to obtain and release further grants to VPs/ZPs.

As against the total TFC outlay of Rs.18 crore to the PRIs, the Government of Goa received Rs.7.20 crore during 2005-06 and 2006-07 between February 2006 and July 2007. Out of the above grants, the Directorate sanctioned grants to the extent of Rs.6.43 crore to VPs and Rs.77 lakh to ZPs and funds to the extent of Rs.3.99 crore and Rs.77 lakh respectively remained unutilised as of August 2008. There was a delay of 27 days in releasing Rs.1.80 crore to the PRIs for which interest of Rs.0.67 lakh was released. As there was delay in producing utilization certificates for the grants released for the years 2005-06 and 2006-07, there was consequential delay in release of grants for the year 2007-08. Subsequently, the Government of India released both the installments of TFC grants for the year 2007-08 amounting to Rs.3.60 crore in December 2008 which were released to the VPs in February 2009. Audit further observed that due to inordinate delay in implementing the approved schemes and producing the utilization certificates in respect of grants already released, the Government of India had not released (March 2009) grants to the extent of Rs.3.60 crore pertaining to the year 2008-09.

As such, the grants earmarked for the PRIs in the state of Goa for the years 2007-08 and 2008-09 could not be availed of in time and thereby the benefits envisaged by TFC could not be passed on to the beneficiaries of the VPs/ZPs. This has, in turn, resulted in denial of the social and economic justice to the public. The Finance Department, Government of Goa stated (November 2008) that further grants to the State would be released only after utilization of at least 70 *per cent* of the grants already released.

Audit further noticed that out of TFC grants of Rs.98.51 lakh sanctioned to 29 VPs test checked during the period from April 2008 to March 2009, 18 VPs utilized Rs.23.90 lakh for clearing the water bills of the public water taps. In addition to this, an amount of Rs.15.02 lakh was spent for sanitation by 14 VPs, Rs.9.60 lakh by five VPs for the repairs and maintenance of wells and Rs.6.33 lakh by 19 VPs for creation and maintenance of data base. Audit also noticed that the recovery of at least 50 per cent of the recurring cost in the form of user charges, as envisaged in the TFC guidelines, was not collected by the test checked VPs from the beneficiaries.

2.7 Transfer of Functionaries

The Government of Goa has provided one VP Secretary to each VP whose salaries and allowances are paid directly by the Government. The VPs have

also employed their own staff like clerks-cum-typists and peons. The State Government has undertaken to sanction grants to economically weaker Panchayats from 1st April 2001 in order to enable them to make payment of the salaries and dearness allowance to the staff employed by them.

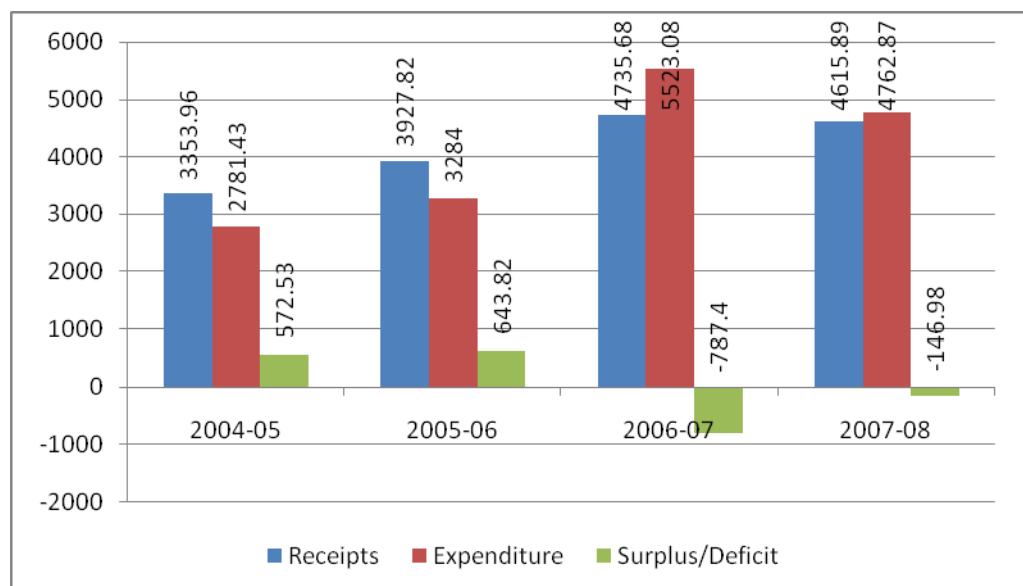
As far as ZPs are concerned, the Government has appointed a Sr. Grade Officer of the Goa Civil Service in each ZP as the Chief Executive Officer. The Government has also appointed an officer of the cadre of Deputy Director of Accounts as an Accounts Officer in each ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of Executive Engineers, Assistant Engineers and Junior Engineers from the PWD of the State have been placed at the disposal of the ZP for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

2.8 Financial Position of ZPs and VPs

The financial position of the two ZPs and 189 VPs as aggregated from their accounts and information furnished by Director of Panchayats for the four years upto 2007-08 was as exhibited in the table and the chart below:

(Rupees in lakh)

Year	Receipt			Expenditure			Surplus/ (-)Deficit
	ZPs	VPs	Total	ZPs	VPs	Total	
2004-05	641.74	2712.22	3353.96	148.37	2633.06	2781.43	572.53
2005-06	691.16	3236.66	3927.82	1065.00	2219.00	3284.00	643.82
2006-07	751.99	3983.69	4735.68	810.32	4712.76	5523.08	(-)787.40
2007-08	691.38	3924.51	4615.89	982.18	3780.69	4762.87	(-)146.98



The decrease in receipt of ZPs and VPs during 2007-08 as compared to 2006-07 was due to reduction of Plan Outlay and release of less grants to the VPs. Similarly, the short release of Grants-in-aid resulted in decrease in expenditure during 2007-08.

2.9 Audit coverage

By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, the Comptroller and Auditor General of India is the sole auditor for ZPs. The audit is conducted under Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The accounts and transactions of North Goa Zilla Panchayat (NGZP) for the year 2004-05 were test checked during 2008-09. The audit of accounts of both the ZPs were in arrears from 2005-06 as these accounts have not been received (February 2009). The transaction audits of NGZP and South Goa Zilla Panchayat (SGZP) were in arrears from 2005-06 to 2007-08 respectively.

The Director of Accounts is the statutory auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The audit of all the VPs was carried out upto the year 2007-08 by the Director of Accounts.

As per the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of the Eleventh Finance Commission (EFC), the State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of PRIs to the CAG. Accordingly, in respect of 29 VPs audited by the Accountant General for the year 2008-09 under TGS, certain shortcomings in the VPs such as Loss of interest, Variation in Budget Estimates, Short-recovery of rent and taxes, Non-preparation of Annual Development Plan, etc. not reported in the Audit Reports of the Director of Accounts were communicated to them through the Inspection Reports on the accounts of these VPs audited during 2008-09. Further, training programme for the accounts staff of PRIs was also conducted under TGS in August 2008.

2.9.1 Internal Control/Audit

It was observed that there was no internal audit set up in both the ZPs. The transactions of the Offices were not checked from time to time by any person other than the Accounts staff who actually passes the bills for payments. The records were also not inspected by the Inspection staff of the Director of Accounts/Director of Panchayats even though substantial grants were paid to the Zilla Panchayats by the Government of Goa.

The Director of Panchayats stated (August 2009) that the proposal for creation of Audit Cell in the Directorate of Panchayats was under consideration and was being put up to the Government.

2.9.2 Delay in finalization of accounts.

As per section 191 of the Goa Panchayat Raj Act, 1994, the accounts of the income and expenditure of the ZP Funds have to be kept in accordance with the prescribed rules and the ZPs shall pass the accounts within a period not exceeding three months from the close of the financial year. However, the

NGZP and SGZP have not yet finalized their accounts for the years 2005-06, 2006-07 and 2007-08 (January 2009).

However, the accounts of VPs were completed up to 2007-08.

2.9.3 Impact of audit and response to audit

Consequent to audit observations during the previous year regarding non-submission of Utilisation Certificates (UCs) by the VPs, the Director of Panchayats issued (May 2008) Circular to all Block Development Officers to be more vigilant to ensure that the grants were utilized within stipulated time limit for the purpose for which it was granted without any diversion of funds to other works. Further, the BDOs were also instructed to put personal efforts with the help of Extension Officer to ensure the timely submission of Utilization Certificates to the Directorate for onward submission to Directorate of Accounts. The Department of Finance, Government of Goa also issued (October 2008) an Office Memorandum directing all departments to issue instructions to the concerned officials to furnish the UCs which were pending for more than two years. On being pointed out in audit regarding the short realization of compensation in lieu of Octroi, the Finance (Rev & Cont.) Department, Government of Goa made (August 2008) an additional allotment of Rs.3.22 crore to the VPs and Rs.2.38 crore to the ZPs in the supplementary/revised budget for the year 2008-09. The recovery of revenue arrears has also improved. The amount recoverable by the VPs which was Rs.10.50 crore as of March 2007 have come down to Rs.10.44 crore as of March 2008.

However, response to the Audit Paras of the Inspection Reports was not satisfactory as replies to 102 paras in 13 inspection reports pertaining to the period from 2004-05 to 2007-08 in respect of eight VPs and two ZPs were awaited as of December 2008 from concerned VPs and ZPs. As an initiative to reduce the number of outstanding paragraphs, an Audit Committee meeting was held (January 2009) wherein 11 paragraphs were settled based on replies received from the auditee organizations.

2.9.4 Compliance of Audit Reports of Director of Accounts

Scrutiny of accounts of 29 VPs revealed that 905 paras pertaining to the period 1970-71 to 2006-07 in Audit Reports of Director of Accounts were outstanding as on 31 March 2008. Even though it was stated during 2008-09 that the Panchayats were regularly complying with the observations no correspondence in this connection was shown to audit.

2.10 Accounting Procedures

2.10.1 Format of Accounts

The 'Guidelines for utilization of Local Bodies Grants recommended by EFC' issued by MoF, GOI in June 2001, provided that the format for preparation of budgets and accounts for the local bodies shall be as prescribed by CAG. The State Government is yet to adopt the formats prescribed by CAG which was forwarded in April 2004. The Director of Panchayats stated (December 2008)

that for adopting the revised accounting formats devised by CAG, the existing Rules under which the present accounting formats are in operation were required to be amended suitably. The Directorate has drafted the new Rules incorporating the Accounting Formats prescribed by CAG and the same has been pre-published in the Official Gazette and are now pending for approval of final publication with the Law Department. After publication of the new Rules, the Accounting Formats shall be made applicable immediately.

The eight draft formats prescribed by CAG for creation of database of finances of PRIs were sent to the Finance Secretary in September 2003 for examination and suggestion, if any, within a month time for obtaining final approval from CAG. Though the matter was pursued regularly, no action has been taken in the matter by the State Government.

2.10.2 Non-submission of Utilisation Certificates

As per terms and conditions under which State Government grants are sanctioned, the entire amount of the grant shall be utilized within a period of one year from the date of drawal of the grant and a utilization certificate (UC) is to be submitted to the DoP and BDO by the ZPs and VPs respectively within 18 months of drawal of the grant. It is also provided that no grant shall be sanctioned unless the previous grants are fully utilized and utilization certificate furnished. Further, in the orders sanctioning matching grants, the BDOs were empowered to recover the amount of unutilized grants which was sanctioned under GIA, for more than 12 months, if any, from the defaulting VPs from the matching grants payable to them.

In spite of all these provisions, the Directorate failed to obtain the UCs from the ZPs/VPs promptly, resulting in accumulation of unsettled amounts. It was observed from records that 2157 utilization certificates (UCs) in respect of grants amounting to Rs.58.33 crore were outstanding from the ZPs and VPs as of June 2008 **Appendix 2.3**. However, the Directorate has been sanctioning further grants without adhering to the above conditions.

2.10.3 Non-maintenance of Reserve Fund for provident fund and pensionary benefits

As per Rule 4 of the Goa Panchayat Raj (Application of Panchayat and Zilla Panchayat Funds) (Conditions and Limitations) Rules, 2006 every Panchayat or Zilla Panchayat shall reserve an amount equal to 2.5 per cent of the total income of the Panchayat excluding loans obtained for remunerative scheme and donations or public contribution as reserve fund for contributing provident fund and pensionary benefits to the staff working in the Panchayat or Zilla Panchayat.

Audit noticed during test check of 29 VPs that Director of Panchayats had not initiated action to implement the said Rules and 2.5 *per cent* of the income has not been transferred to the reserve fund as required under the Rules *ibid*.

2.10.4 Bank Reconciliation

The North Goa Zilla Panchayat has been operating three Bank Accounts. The balances shown as per the Cash Book of the Unit and those of the respective banks were as under:

(In rupees)

Sr. No.	Name of Bank/Account No.	Balance as per Pass Book as on 31.3.2005	Balance as per Cash Book as on 31.3.2005	Difference
1.	State Bank of India 01100005277	3,23,95,993.87	3,22,36,817.87	1,59,176.00
2.	Punjab National Bank 0100081985	1,70,065.00	1,59,319.00	10,746.00
3.	Corporation Bank 1016488	62,03,227.06	82,27,613.66	(-)20,24,386.60

The above differences between the cash book bank balances and pass book bank balances had not been reconciled from the date of constitution (March 2000) of the North Goa Zilla Panchayat. In spite of the huge differences between the cash book and bank being pointed out during the local audit, the North Goa Zilla Panchayat had not taken any action to reconcile the differences and the above difference remained unreconciled as on 31.3.2009.

2.10.5 Outstanding Loans

An amount of Rs.154.14 lakh was outstanding (Rs.48.09 lakh principal and Rs.106.05 lakh interest) as on 31 March 2007 from VPs being loans paid by Government of Goa under Remunerative Scheme and interest thereof. Further, an amount of Rs.386.86 lakh was outstanding (Rs.258.20 lakh principal and Rs.128.66 lakh interest) as on 31 March 2007 from VPs being loans paid under Rural Housing Scheme and interest thereof. The year-wise break up of outstanding loans was not available with the Director of Panchayats. The Director of Panchayats sent a proposal (February 2009) to the Government for waiver of principal and interest outstanding under both the Rural Housing and Remunerative Schemes upto 31 March 2007.

2.11 Implementation of Schemes

The Government of Goa sanctions grants-in-aid to the VPs in the State for financing development works in their respective areas. The Schemes undertaken by the PRIs as part of the development works include construction and repairs of drinking water wells and tanks, rural roads, public toilets, bus stands/shelters, playgrounds, etc.

2.11.1 Irregular sanction of Development Grants

In pursuance of sub section (1) of section 160 of the Goa Panchayat Raj Act, 1994, the Government of Goa issued Notification in November 1997 prescribing the terms and conditions and the purposes for sanctioning the grants to the Village Panchayats (VPs). As per the Notification, based on the income of the VPs, grants shall be sanctioned for execution of such

items/works whose estimated cost does not exceed Rs.5 lakh. The eligibility criteria for getting grants were revised in August 2007 as detailed below:

As per Notification of November 1997		As per Notification of August 2007	
Panchayats whose annual income is up to Rs. one lakh	100 per cent of the project cost	Panchayats whose annual income does not exceed Rs. five lakh	100 per cent of the project cost
Panchayats whose annual income is above Rs. one lakh but not exceeding Rs. two lakh	75 per cent of the project cost	Panchayats whose annual income is above Rs. five lakh but not exceeding Rs.seven lakh	75 per cent
Panchayats whose annual income is above Rs. two lakh but not exceeding Rs.five lakh	50 per cent of the project cost	Panchayats whose annual income exceeds Rs. seven lakh but not exceeding Rs.10 lakh	50 per cent of the project cost
Panchayats whose income is above Rs. five lakh	No grants	Panchayats whose income is above Rs. 10 lakh	No grants

Audit scrutiny (December 2008) of the sanction orders and the related records of Directorate of Panchayats revealed that grants for infrastructural developmental works amounting to Rs.30.74 lakh were sanctioned to five ineligible VPs whose annual income exceeded the eligibility limit of Rs.5/10 lakh prescribed by the Government. Further, development grants amounting to Rs.1.18 crore were sanctioned during 2007-08 to 14 eligible VPs in excess of the eligibility percentage of the project costs. Thus, sanctioning of grants without considering the prescribed limit of income and percentage of the estimated cost of the project resulted in sanctioning of grants in contravention to the Government Orders which in turn resulted in irregular sanction of grants to the extent of Rs.1.49 crore to 19 Village Panchayats. Whereas no grant was sanctioned to 80 VPs whose annual income was less than Rs.5/10 lakh and thereby depriving the benefits to these VPs.

The Director of Panchayats (DoP) stated (December 2008) that the discrepancy occurred due to release of grants to the Panchayats in accordance with the pattern of assistance after taking into consideration the consolidated income from taxes and fees but excluding the income by way of grants under Octroi and matching grants.

The reply of DoP was not acceptable as the income of the Panchayats by way of Octroi and matching grants were to be considered for arriving at the annual income of the Panchayats as per the terms and conditions of sanctioning the development grants. Further, even after excluding the income by way of Octroi and matching grants, the total income of the 19 VPs were on higher side and were not eligible for the grants. The disparity in sanctioning of development grants indicated that grants were sanctioned arbitrarily and not based on the laid down terms and conditions with a view to achieve the sustainable development of the Village Panchayats. The arbitrary allotment of grants-in-aid disregarding the eligibility criteria resulted in release of inadmissible grants to 19 VPs to the tune of Rs.1.49 crore and depriving of grants to 80 VPs whose annual income was less than Rs.5/10 lakh.

2.12 Other Topics of Interest

2.12.1 Short release of grants in lieu of Octroi to the extent of Rs. 21.8 crore

A reference is invited to Para 1.12.2 under Chapter I wherein comments on ULBs has been made.

The position of additional two *per cent* sales tax/VAT collected on petrol and petroleum products, the share of compensation in lieu of octroi and the short release to ZPs/VPs for two years was as follows:

(Rs in crore)

Year	2% additional sales tax/VAT payable to Local Bodies	Share payable to ZPs/VPs		Amount released to ZPs/VPs		Short release to ZPs/VPs	
		ZPs	VPs	ZPs	VPs	ZPs	VPs
2006-07	22.55	5.63	8.46	Nil	3.75	5.63	4.71
2007-08	24.60	6.14	9.23	Nil	3.91	6.14	5.32

As against the entitlement of Rs.5.63 crore for the year 2006-07 and Rs.6.14 crore for 2007-08, Director of Panchayats (DoP) has not released any grants to ZPs during the above period. Similarly, as against the entitlement of Rs.8.46 crore and Rs.9.23 crore to VPs for the years 2006-07 and 2007-08 respectively, DoP released only Rs.3.75 crore and Rs.3.91 crore respectively. This has resulted in short/non release of compensation to the extent of Rs.11.77 crore to ZPs and Rs.10.03 crore to VPs for the years 2006-07 and 2007-08.

2.13 Recommendations

- Norms for distribution of grants to ZPs/VPs should be formulated and implemented so that there is no disparity in sanctioning grants.
- Utilisation Certificates in respect of grants received should be submitted at the earliest for obtaining subsequent grants.
- Internal Control Mechanism should be strengthened and Bank Reconciliation Statements prepared regularly.

Deputy Accountant General

Countersigned by

Accountant General