

Chapter-III

PERFORMANCE REVIEW AND AUDIT OF TRANSACTIONS

3.1 Internal Control System in Sabarkantha District Panchayat

Highlights

Internal control is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. The Gujarat Panchayats Act (Act), 1993 and rules framed there under provide directives for internal controls for the Panchayati Raj Institutions (PRIs). The internal controls in Sabarkantha District Panchayat were found to be weak, as rules regarding various control measures were not complied with or were inadequately complied. The system could not ensure economy and effectiveness in operations, efficiency in fund management and led to weak monitoring.

Budget estimates were not prepared realistically leading to big gap between estimates and actual in income and expenditure.

(Paragraph 3.1.6.1)

Unclaimed deposits of ₹4.20 Crore, over three financial years, were not treated as lapsed and were not transferred to Panchayat funds.

(Paragraph 3.1.6.2)

Non-monitoring of the funds in implementation of the programmes resulted in accumulation of funds of ₹21.84 lakh during 2006-09.

(Paragraph 3.1.6.3)

Poor implementation of schemes by Agriculture branch indicated lack of proper monitoring

(Paragraph 3.1.6.6)

Lack of monitoring in implementation of works by Irrigation branch resulted in delayed completion of works.

(Paragraph 3.1.7.1)

Basic registers such as Deposit registers, Agreement registers and Grant registers were not maintained properly.

(Paragraph 3.1.7.2)

Though inspection programme was framed, inspection of Village Panchayats was not conducted by district and talukas authorities during 2006-09.

(Paragraph 3.1.8.1)

Inspection reports paragraphs issued by District Local Fund Auditor and Accountant General (Civil Audit) Gujarat, remained outstanding due to tardy action by Panchayat authorities

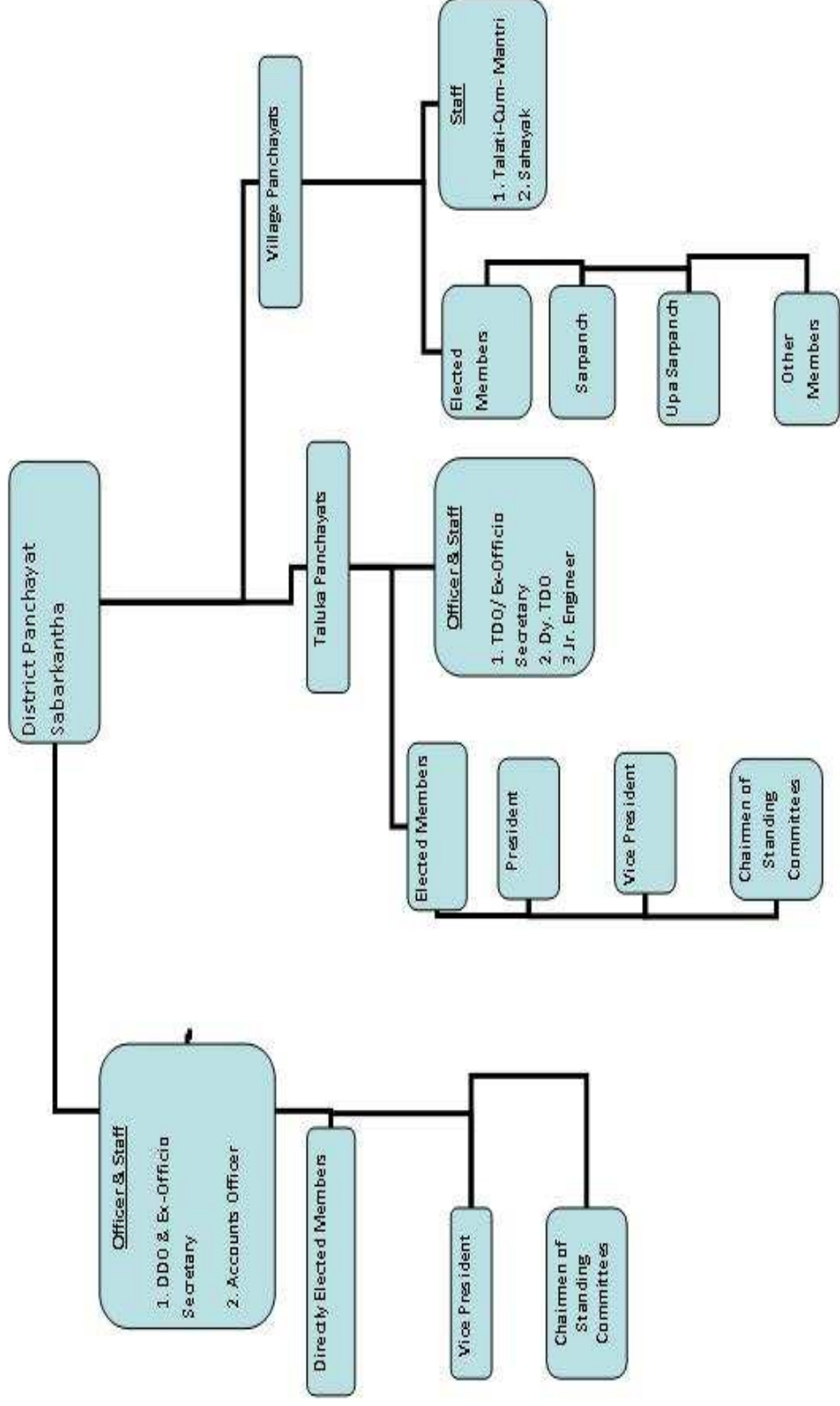
(Paragraph 3.1.9)

3.1.1 Introduction

Internal control system is an integral mechanism of an organization to give a reasonable assurance to the management that its functions are carried out according to laid down rules and regulations and in economic, effective and efficient manner. District Panchayat Sabarkantha (DPSK) has been delegated the power to monitor the activities of Taluka Panchayats (TPs) and Village Panchayats (VPs) of the district under the provisions of Gujarat Panchayats Act, 1993 and Gujarat Taluka and District Panchayats Financial, Accounts and Budget Rules, 1963 (Rules)

3.1.2 Organisational Set up

District Panchayat (DP) under the chairmanship of President is the key organization at district level and assisted by District Development Officer (DDO) as Secretary to the DP, who is in overall charge of the execution of all the DP activities. He is assisted by Deputy District Development officers and other officers (Head of the offices) of various branches of the DP at district level, Taluka Development officers (TDOs), and Village Talati cum Mantrees as secretaries of TPs and VPs respectively for execution and implementation of works at Taluka and Village levels. The development works are planned and implemented through committees of elected members at three tier levels of the PRI.



3.1.3 Audit Objectives

The audit objectives were to assess whether:

- adequate and effective budgetary and financial controls were in place
- expenditure control mechanism were effective, inventory operational controls were adequate to achieve the objectives economically, effectively and efficiently in planning and implementation of the functions
- Monitoring and inspection system and internal audit were in operation and effective.

3.1.4 Audit Criteria

Audit criteria adopted for the evaluation of control were:

- Provisions of the Gujarat Panchayat Act, 1993
- Orders and instructions of the Government issued from time to time

3.1.5 Audit coverage and methodology

Internal control structure of District Panchayat, Sabarkantha was reviewed in August-September 2010 through test check of records of various branches of DP at district level, three¹⁴ TPs and six¹⁵ VPs at field level.

The methodology adopted was to test check records at three tier level of Panchayati Raj Institutions (PRIs) with reference to Gujarat Panchayat Act, 1993, rules framed there under and subsequent orders of the Government of Gujarat (GoG).

An Entry meeting was held with District Development officer on 8th September 2010. The exit meeting was held on 28 December 2010 with Additional Chief Secretary PRHRDD. The compliance to the audit queries were taken into account and suitably incorporated in relevant paragraphs.

Audit Findings

3.1.6 Budgetary Control

Control over budget and expenditure is essential for optimal utilization of limited resources to achieve the objectives of the organization. The Gujarat Talukas and District Panchayats Financial Accounts and Budget Rules, 1963 (Rules) have delineated the procedures to be followed in preparation of budgets. The

¹⁴ (i) Modasa,(2) Himatnagar and (iii) Prantij

¹⁵ VPs(1) Gadha,(2)Sardoi,(3)Titoi,(4)Viravada,(5)Kanknol and (6)Virpur

shortcomings noticed in preparation of budget and expenditure thereof is discussed in succeeding paragraphs.

3.1.6.1 Unrealistic budget preparations

According to Panchayat Rules, 1993, prior to preparation of budget estimates, the Executive officer is required to obtain details from various departments of the state in respect of probable grants, contributions and allotments for following financial year and must obtain information as to the quantum of funds from own sources. Further estimates should be realistic taking into account above factors. The estimates for the years 2006-09 and actuals there against is shown in the table No. 9 below:

Table-No.9: Budget estimates and actuals

(₹ In crore)

Year	Receipts			Expenditure		
	BEs	Actual	Excess	BEs	Actual	Excess
2006-07	244.61	291.98	47.37	244.88	264.17	19.29
2007-08	300.28	338.83	38.55	300.38	312.90	12.62
2008-09	341.35	403.18	61.83	341.22	395.37	54.15

(Source: Budget books of respective years of DPSK)

It may be observed from the above table that actual receipts against estimates were in excess ranging between ₹ 38.55 crore (2007-08) and ₹ 61.83 crore (2006-07) while actual expenditure against estimates were also in excess for the entire three years ranging between ₹ 12.62 crore (2007-08) and ₹ 54.15 crore (2008-09). Thus, budget estimates framed were non realistic as these were made without obtaining details of probable receipts of revenue and allotment of grants by various departments against which expenditure was to be incurred.

Financial Control

3.1.6.2 Unclaimed Deposits of ₹.4.20 crore were neither treated as lapsed nor credited to Panchayat Accounts

According to provision contained in Panchayat Rules, 1963, deposits remaining unclaimed for three complete financial years are required to be treated as lapsed in the month of March and were required to be credited to Panchayat Accounts by means of transfer entries.

Deposits of ₹ 4.20 crore pertaining to period ranging from 1978-79 to March 2007 were neither treated as lapsed nor credited to Panchayat Accounts by Head of the offices.¹⁶ This was in contravention of the codal provisions. The head of office

¹⁶ Executive Engineer, R&B division, District Panchayat Sabarkantha: ₹ 149.44 lakh and ₹ 60.59 lakh, Misc. Deposits. EE, Irrigation division, DPSK: ₹ 25.37 lakh (1999-2007). TDO, Modasa: ₹ 34.85 lakh. TDO-Himatnagar: ₹ 107.52 lakh TDO, Prantij: ₹ 42.13 lakh

stated (August 2010) that analysis of pending deposit items would be made and action would be taken to credit the lapsed deposits in Panchayat Accounts.

3.1.6.3 Non monitoring of timely utilization of funds defeating the objectives of the scheme

Project Officer Tribal Development Project, Khedbrahma, released (October 2006), grant of ₹ 21.84 lakh to Malaria Officer, DPSK for purchase of Mosquito nets under health programme '2210-06-796-04-HLT'. These nets were to be provided to tribal inhabitants of Malaria infected 29 villages of five Talukas of the district SK during 2006-07.

It was noticed that funds were not utilized and had remained parked in Personal Ledger Account (PLA) of DDO. Malaria officer (MO) stated (September 2010) that e-tenders were invited in March 2007. The tenders of two bidders were rejected as samples (Mosquito nets) were not of good quality and further stated that the material would be procured and distributed to beneficiaries in short period.

The reply is not acceptable as considerable time of four years has lapsed and intended benefits could not be provided to the population of malaria infected 29 tribal villages. This indicated lack of effective measures at executive level defeating the objectives under the scheme.

3.1.6.4 Improper planning of funds leading to rush of expenditure

PRI Budget Manual provisions envisage that DDO should monitor the fund flow on the expenditure and accordingly grants may be allotted evenly so as to curb tendency of incurring heavy expenditure in the last quarter.

Scrutiny of accounts for the period 2006-09 of SKDP revealed that in all the three years expenditure incurred during last quarter and especially in the month of March had exceeded the average monthly expenditure. This was in contravention of Budget Manual provisions. The details are as given in the table No 10 below:

Table-No.10 (₹ in crore)

Name of the office	Year	Expenditure				
		Annual (A)	Last quarter (LQ)	% of LQ to A	March (M)	% of M to LQ
DPSK (Including TDOs)	2006-07	299.59	98.23	33	43.88	44
	2007-08	352.39	114.19	32	51.38	45
	2008-09	438.79	133.75	30	61.08	46
DPSK Only	2006-07	82.45	35.37	43	21.85	62
	2007-08	97.17	41.91	43	22.30	55
	2008-09	160.60	50.14	31	24.16	48

(Source: Monthly accounts of SKDP)

The quarterly expenditure, as could be observed, had ranged between 30 *per cent* (2008-09) to 33 *per cent* (2006-07) and March expenditure to respective last quarter was 44 *per cent* (2006-07) and 46 *per cent* (2008-09). The high percentage of expenditure indicated laxity in control of expenditure in disregard to the budget instructions.

On review of record of one of the Panchayat unit, R&B division it was observed that expenditure of last quarter during 2006-09, as shown in below given Table No.11 ranged between 34 *per cent* (2008-09) to 43 *per cent*; (2006-07) while expenditure of March constituted 44 *per cent* (2008-09) and 63 *per cent* (2007-08), which indicated that the division had not observed codal provisions.

Table No.11 (₹ in crore)

Year	Expenditure				
	Annual (A)	Last quarter (LQ)	% of LQ to A	March (M)	% of M to LQ
2006-07	24.14	10.40	43	6.14	59
2007-08	31.60	11.44	36	7.25	63
2008-09	62.15	20.84	34	9.17	44

Administrative Control

3.1.6.5 Non filling up of technical posts by the DP affecting implementation of the programme

Head of the offices are required to monitor the availability of required staff for effective running of a project, service or activities under their jurisdiction. In Panchayat set up posts of Class II categories are filled up by the Government while posts of class III and class IV category are filled up by District Panchayat Service Selection Committee.

Scrutiny of Administrative report and information collected revealed that the posts had remained vacant for two years in following branches, where prompt action has not been initiated by the DDO/Government to fill up the vacant posts for providing effective services under the programme.

- Animal Husbandry services are provided for better health of animals through 45 veterinary Hospitals and 38 primary veterinary centres in the district. As of August 2010, out of 45 posts of veterinary officers (VOs) and 38 veterinary inspectors (VIs), posts of 25 VOs and 10 VIs had remained vacant since 2006-07. DDO was required to send proposal to concerned department regarding allotment of required man power and plan recruitment of manpower under his powers. There was nothing on record to establish that actions were initiated by concerned department for recruitment of class II

posts and DDO for class III posts as required. The vacant posts adversely affected the services to be rendered towards care of animals.

- Similarly in Family Welfare (FW) branch under the control of Chief District Health Officer (CDHO), Sabarkantha, out of 513 posts of Class-III category, 73 posts (of which 46 posts were of Female Health Workers) remained vacant during 2006-09 CDHO stated (September 2010) that the recruitment of these posts would soon be started by District Panchayat Service Selection Samitee. However, vacant posts of FHW for considerable period adversely affected the health programme activities.

3.1.6.6 Lack of effective monitoring resulted in non achievement of targets

Effective monitoring of head of the office is required to achieve the target under the scheme/programme.

Scrutiny of records revealed that under following Agriculture Schemes expenditure was very poor resulting in savings as shown in table No12 below:

Table-No.12 (₹. in lakh)

Year	Head of account	Grant	Expenditure	Savings	Percentage of saving to grants
2006-07	2225- AGR	4.88	1.34	3.54	73
2007-08		3.20	0.66	2.54	79
2006-07	2217-MNR	10.70	1.47	9.23	86
2007-08		5.33	2.05	3.28	62

(Source: Progress reports of Deputy Director of Agriculture, DPSK)

It could be observed from the table above that saving against allotted grant ranged between 62 per cent (2007-08) and 86 per cent (2006-07).

The scheme MNR-4, MNR-5 and MNR-7 were for providing irrigation facilities by giving financial assistance for constructing wells and providing submersible pumps, oil engines and underground water pipelines to ST, SC and Small Marginal Farmers. These schemes were merged with AGR schemes in 2008-09. Beneficiaries covered (achievement) against the targets fixed under the scheme shown in the table No 13 below:

Table-No.13: Details of target and achievement under Agricultural schemes

Year	Scheme	No. of beneficiaries		Achievement in Percentage
		Targets	Achievement	
2006-07	MNR-4	36	3	8
	MNR-5	30	4	13
	MNR-7	12	nil	nil
2007-08	MNR-4	36	4	11
	MNR-5	31	6	18

(Source: Progress reports of Dy. Director, Agriculture branch, DPSK)

Deputy Director Agriculture attributed short fall in achievement of targets to shortage of staff and poor response form beneficiaries under the schemes.

Poor achievement against the target fixed, indicated poor monitoring in implementation of the schemes with very low coverage to beneficiaries of weaker sections

3.1.6.7. Lack of supervision in execution of a scheme

Head of the office is required to ensure that works to be undertaken under the program/scheme are completed in time rendering social benefits to the intended populace. Delayed execution of work due to weak monitoring or non-supervision of the programme activities would only result in non achievement of the goals.

Under the State scheme Sardar Awas Yojana (SAY), assistance of ₹ 36 thousand is given to the entitled BPL beneficiary in three installments. The targets fixed and achievement under SAY during 2006-09 was as shown in the table No 14.

Table No.14: Details of target and achievement under the scheme

(₹ in crore)

Year	No. of beneficiaries			Grant	Expenditure
	Target	Achievement	%		
2006-07	1380	1096	79	4.97	4.01
2007-08	1375	1203	87	4.95	4.25
2008-09	1985	1819	92	7.14	6.65

(Source: Development branch progress reports, DPSK)

Implementation of SAY in Modasa Taluka revealed that out of 327 beneficiaries (2006-09), 61 beneficiaries (six beneficiaries: first (one) installment and 55 beneficiaries: two installments) had not turned up for claiming subsequent installments.

TDO stated (September 2010) that regular notices were being sent to beneficiaries to complete the remaining works and complete their houses but they did not turn up for availing remaining instalment under the scheme. Reply is not tenable as no action was initiated by TDOs to withdraw benefit of house to defaulters and allotment of plots to other eligible beneficiaries and the works required to be completed within two years were delayed.

Further, it was seen in TP Modasa that the work of construction of 80 houses under SAY were allotted to NGOs without incorporating proper conditions in the agreements for execution of works by the NGOs as the agreements suffered with following defects:

- The agreement made with four trusts in 2006-07 for construction of SAY houses did not contain clause for levy of liquidated damages in case of delay in execution of works by the agencies.

- Security deposits at 5 *per cent* of estimated cost were not taken at the time of awarding the works and were not deducted also from the payments made.

TDO, Modasa stated (September 2010) that as the trusts were rendering services on no profit no loss basis, security deposit was not levied. The reply was not acceptable, as action of TDO was in contravention of codal provisions and tantamount to unauthorized aid to these NGOs.

3.1.6.8 Non execution of agreements on stamp papers

According to rule 130 of the Panchayats Rules, 1963 an agreement for works should be executed on stamp paper. Scrutiny of records revealed that for the works executed by VPs, TDOs had executed agreements on plain papers violating the codal provisions. This resulted in non adoption of uniform procedure in respect of execution of work agreements.

3.1.7 Internal controls in execution of works

Public works and irrigation are two major area of operation of DPSK, hence implementation of internal controls prescribed under the Act was to be ensured with due diligence. Discrepancies noticed in applying various controls are discussed in succeeding paragraphs.

3.1.7.1 Irregular system of awarding work orders for irrigational works before on set of monsoon

Scrutiny of 60 work files in the Irrigation branch of the DP and review of Local Fund Audit report on the audit of Accounts of DP for the year 2004-05 revealed that there were three cases (estimated cost: ₹ 22.45 lakh) of non levy or short levy of liquidated damages from three agencies for delayed execution of the works.

It was noticed that in 15 cases work orders for deepening of tanks, construction of check dams and flood protection works were given to agencies by the Executive Engineer (EE) in the month, preceding monsoon i.e. in the month of May or during monsoon period, which were delayed for the period ranging from one month to eleven months. The reason for delay was attributed by agency to heavy rains in monsoon. Considering the cause, recommendations for waiving of liquidated damages were proposed by concerned Deputy Engineers routinely, which were accepted by Works (Bandhkam) Samitee of DP.

This was due to issuance of work orders during pre-set of monsoon only. The Engineer was required to issue work orders after monsoon period or with time duration including monsoon period also. This was not done, which resulted in condoning the delay by Competent authority i.e. Bandhkam Samitee of DP.

EE while agreeing, (September 2010) with the audit stated that the matter would be submitted to higher authorities for a way out on this issue.

3.1.7.2 Basic records were not maintained properly

As per R & B Department instructions for implementation of works, certain registers are required to be maintained to assess the financial and physical status of implementation of works. Further, various registers forming part of accounts and works are required to be maintained properly reflecting all the required details as envisaged in Gujarat Taluka and Panchayat Rules, 1963. It was noticed that maintenance of records was poor in various branches of DP as well as Talukas inspected. The implications of non maintenance of records are detailed as given below:

Records, Registers improperly Maintained/not maintained and Implication	
Grant Register	Grant received; purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant as on 31 March of each year could not be ascertained.
Work Register	In absence of work Register, schemes taken up, estimated cost, the progress of work and its details viz. value of work done, payments made, materials issued, date of completion, works not completed / suspended, outstanding amount to be paid against the work executed, could not be ascertained. Any excess payment, in terms of cash / Material, would be difficult to be detected.
Deposit Ledger	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation and embezzlement of money could not be ruled out.

Executive Engineers and the TDOs stated (September 2010) that due to shortage of staff, this could not be done and the registers would be made up to date in due course. The reply is not tenable as improper maintenance of this registers would lead to fraudulent payments for want of required details and details of completion of works.

3.1.7.3 Periodical checks were not exercised in maintenance of cash books

According to provisions contained in the Panchayat Rules, 1963 (Rule 171 and 172) Accountant is required to (i) initial each receipt and payment and Head of the office shall arrange to have a surprise check of cash balance at least once in a month and record a certificate to that effect. (ii) Accountant should write the daily cash transactions of the cash book and at the end of the day cash balance should be worked out with his dated initial and it should be attested by the head of the Office/Branch Officer. (iii) Head of the office/Branch officer should make a surprise check (physical verification) of cash balance as per Cash Book at least once in a month and give a certificate to that effect.

Scrutiny of cash book of Accounts Branch of the DP Sabarkantha revealed that during 2006-09 no such procedure was followed and checks were exercised. Monthly physical verification was also not made by the accounts officer. When this was brought to notice, it was stated by the accounts officer (September 2010) that hence forth, this requirement would be observed.

3.1.7.4 Delay in submission of monthly accounts

According to provisions of rule 211 Panchayat Rules, 1963, TPs are required to send their respective monthly accounts to Accounts officer of the District Panchayat before 10th of next month.

Scrutiny of accounts of TDO Prantij and Modasa revealed that accounts were sent with delays ranging between one to three months in four instances by TDO, Modasa and delay ranging between one to two months in three instances by TDO Prantij.

3.1.8 Monitoring and Inspection

3.1.8.1 Non conducting Administrative Inspection of VPs records

According to Section 246(2) of Gujarat Panchayat Act, 1993 and resolutions issued by GoG, DDO, Deputy DDOs and TDOs are required to conduct inspection of records of VPs each year.

DDO had issued orders to inspect records of selected 25 VPs of each of 13 TPs each year during the period 2006-2009. Out of these VPs, DDO and Deputy DDOs were to inspect five VPs (each) every year

The detail of year wise VPs inspected was not available at DDO level (Panchayat Branch). TDOs test checked stated (October 2010) that no inspection of VPs could be conducted during 2006-09. However, no specific reasons were given by the TDOs.

Non conducting of inspection by DDO/Dy.DDOs and TDOs during 2006-09 indicated poor administrative control by DDO as well as TDOs.

3.1.8.2 Non conducting of physical verification of Measurement Books

Measurement books (MBs) register, as per Rules is required to be maintained in the office of the Executive Engineer. The details of MBs available, received and distributed to sub-divisional officers are entered in the register along with details of printed serial number of MBs. For the books received, signature of the recipient is required to be recorded. In the month of March of each financial year, EE is required to make annual physical verification of stock and MB register. A certificate to that effect is required to be recorded in the register.

Scrutiny of MB registers of EEs R&B and Irrigation branch revealed that during the period 2006-09 no such annual verification certificates were recorded. EEs stated (September 2010) that henceforth, necessary certificates would be recorded.

3.1.8.3 Non conducting annual physical verification of stores

Annual physical verification of stores is required to be conducted by the Head of the office in the month of March each year and a certificate to that effect is required to be recorded in the register stating that the goods were in good condition and were correct in numbers as per closing of stores registers.

Executive Engineer, Irrigation division , DPSK had not carried out annual verification of stores for the period 2006-09 and this lapse had rendered this operational control as ineffective. EE stated (September 2010) that instructions of audit were noted and in future this would be observed.

3.1.9 Non compliance to outstanding paragraphs

According to provisions of Rule 274 of Panchayat Rules, 1963, Head of the office is required to take expedite action for settlement of objections raised by an Auditor or the Accountant General.

As of August 2010, following paragraphs of Inspection Reports issued by AG (Civil Audit) Gujarat, Rajkot, Sr DAG (LBAA) Gujarat, Ahmedabad and DLFA, remained outstanding as shown in Table No 15, for settlement. It is seen that number of outstanding paras showed increasing trend which indicated that the district authorities have not initiated vigorous action for settlement of paragraphs.

Table No.15: Details of outstanding paragraphs of Inspection Reports

Name of the audit authority	Year	Number of outstanding paras as of March 2010		
		DP	TPs	VPs
DLFA	Upto 2006-07	1921	5500	28036
AG(CA) and Sr.DAG (LBAA) Gujarat	1992-93 to 2005-06	342 ¹⁷	NA	NA

(Source: Progress reports of Accounts branch, DPSK)

3.1.10 Internal Audit

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

¹⁷ IR para of DPs(1) 1992-93:20, (2)1993-94:15,(3)1994-95:18, (4)1995-96 :11, (5)1996-97:46, (6)1997-98:24 ,(7)1998-99:28 , (8)1999-2000:22, (9) 2000-01:37, (10) 2001-02:13,(11)2002-03:33, (12)2003-04:34 ,(13)2004-05:23 ,and (14)2005-06:18 paras.

organisation to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

Internal Auditor (IA), at District level pre audits the vouchers and transactions of affairs of DP. As reported, vouchers above ₹ 40 thousand are being submitted by all the Head of offices for pre audit. Thus, vouchers below ₹ 40 thousand remained out of purview of internal audit which indicated lack of meaningful internal audit. Efficacy of internal audit could not be assessed as reports are not prepared by DP in respect of activities carried out under internal audit.

3.1.11 Conclusions

Rules, Regulations and orders regarding budgetary, financial expenditure and physical controls were not properly complied with. Lack of effective control had delayed the implementation of various schemes and resulted into low achievement of targets. Up keeping and maintenance of important accounts record, subsidiary registers was poor at DP and TP level. The periodical monitoring and inspection system was not established and was weak.

3.1.12 Recommendations

- Budget should be prepared in a realistic manner leaving no scope for huge variations in estimates and actuals of receipts and expenditure.
- Monitoring of expenditure against budget provisions should be enforced to ensure financial discipline.
- Periodicity of physical verification system should be adhered to for ensuring effectiveness in execution of works.
- Scrutiny of deposit register should be made immediately and lapsed deposits of earlier periods may be transferred to appropriate heads.
- Procedures for maintenance of records and registers such as Cash Book, Measurement Books, Work Register, Deposit Register etc. should be enforced.
- Need arises to schedule inspection programme at the earliest to establish periodical reporting system so that this important operational control is effectively utilised.
- Monitoring and Inspection system should be strengthened and effective internal audit should be established.
- District Authorities and DLFA are required to take an effective action for early settlement of these outstanding paragraphs.

3.2 Implementation of Various Schemes

Recommendations of various Finance Commissions and 73rd constitutional Amendment envisaged decentralisation of powers to three tier PRIs. Accordingly GOI as well as GoG provide funds to three tier PRIs in the form of grant /loans under various schemes with a view to provide basic civil amenities to the people at grass root level.

During the course of test check of records of PRIs for the period 2005-07, irregularities noticed in implementation of Central/State Sponsored Schemes are discussed in succeeding paragraphs.

3.2.1 Finance Commission Grant

Under the recommendation of Twelfth Finance Commission (TFC), GOI allotted (November 2004) annual grants of ₹ 186.20 crore during 2005-06 to 2009-10, to augment the consolidated fund of the GOG to supplement the resources for the PRIs. The TFC grant is meant for maintenance of civic services like primary education, primary health care, safe drinking water, sanitation, jyoti gram in rural areas and E-gram project. After allocation of grant for the earmarked activities, the local bodies (LBs) could take up other works of community development according to local needs. The Rural Housing and Rural Development Department of the GoG had also issued guidelines (January 2006) for utilisation and devolution of TFC grant to PRIs.

3.2.2 Diversion of TFC grant

Guidelines issued by GoI for utilisation of TFC grant stipulate that LBs may utilise 30 *per cent* of TFC fund for works related to providing facilities for pure drinking water 30 *per cent* on works related to sanitation and remaining 40 *per cent* for other community developmental works of local needs which include Anganwadi, Crematoria, Electricity, and Panchayat Ghar etc. During test check of records of TPs, cases of diversion of TFC grant are detailed below:

- (i) During 2005-08, TP, Kalol (DP Gandhinagar) received TFC grant of ₹ 1.92 crore and spent ₹ 1.72 crore (89 *per cent*) on construction of roads which was not an identified activity to be taken up from TFC grant instead of on drinking water and sanitation works.
- (ii) The TP Kadi (District-Mehsana) received TFC grant of ₹ 1.61 crore between 2005-06 and 2009-10 and spent ₹ 0.60 crore on sanitary works against the maximum admissible amount of ₹ 0.48 crore. Thus, fund of ₹ 0.12 crore, meant for other activities were diverted to sanitary works.

(iii) During 2006-07, District Development Officer (DDO), Bhavnagar released TFC grant of ₹ 21.54 lakh to the TP, Shihor. TDO was required to allocate ₹ 6.46 lakh on Drinking water works, ₹ 6.46 lakh on sanitation works and ₹ 8.62 lakh on other developmental works. However, TDO, Shihor spent ₹ 3.81 lakh on drinking water works, ₹ 4.24 lakh on sanitation works and ₹ 13.34 lakh on other development works. Thus, an amount of ₹ 4.88 lakh was diverted from drinking water and sanitation funds (Sanitation works: ₹ 2.22 lakh and Drinking water works: ₹ 2.66 lakh) for execution of other development works in violation of TFC conditions.

3.2.3 Unfruitful expenditure

The work of construction of a well at village Mandavada of Taluka Palitana (DP Bhavnagar) was administratively approved (March 2006) by DDO Bhavnagar for ₹ 1.99 lakh (inclusive of 25 per cent matching contribution of ₹ 0.49 lakh of VP). As per record of VP the work was shown as completed at a cost of ₹ 1.17 lakh.

During audit it was noticed (July 2010) that the work was left incomplete. TDO, Palitana also confirmed that due to non-availability of drinking water in ground, the work was treated as completed (March 2009) and proposal was submitted to DDO for another work. This indicated that the work was taken up without proper technical survey and investigation while preparing estimates of the work which resulted in unfruitful expenditure of ₹ 1.17 lakh.

3.2.4 Non -submission of utilization certificate for the TFC grant

As per the recommendation of the TFC, utilisation certificates were required to be furnished by each PRI. Though, TP Mehsana (District Mehsana) received TFC grant of ₹ 1.41 crore during 2006-07 of which ₹ 90.19 lakh were spent, utilisation certificate was not furnished to DP. TDO Mehsana stated (February 2010) that UCs would be sent in due course.

3.3 Implementation of Sardar Aawas Yojana

Under the Ninth Five Year Plan and on the model of Indira Aawas Yojana, the GoG revamped and relaunched the earlier scheme of providing free plot of 100 sq yard for landless agricultural labourers and village artisans living below the poverty line in rural areas. The scheme was renamed as ‘Sardar Aawas Yojana’ and was launched on 1st April 1997. Under the scheme, GoG’s financial assistance of ₹ 36 thousand was to be released in three installments and beneficiary’s labour contribution was purported to be ₹ seven thousand which was to be ensured by TDO/Additional Assistant Engineer.

TPs had implemented the scheme under the supervision of DPs, Development Commissioner and the Department of Panchayat and Rural Housing. Since re-

launching of the scheme (April 1997), 3.13 lakh houses have been constructed and 14 lakh plots have been allotted up to 2008-09.

During 2006-09, against a total outlay of ₹ 276.00 crore for construction of 76666 houses, only 70589 houses could be constructed at a total cost of ₹ 252.12 crore (including spill over of unfinished houses of earlier years) as shown in Table No 16 under:

Table No.16 Financial and physical targets and achievement

Year	Financial(₹ in crore)			Physical (numbers. of units)		
	Grant Allotted	Expenditure	% of expenditure to grant	Targets	Achievement	% of achievement to target
2006-07	86.40.	73.73	85	24000	22302	93
2007-08	90.00.	85.18	95	25000	21976	88
2008-09	99.60	93.21	94	27666	26311	95
Total	276.00	252.12	91	76666	70589	92

Test check of records during local audit of 19 TPs (**Appendix-VIII**) conducted between April 2010 and August 2010, revealed irregularities as detailed below.

- Sardar Aawas Yojana register is a basic record to ascertain the data of each beneficiary, progress of the works, payments made to the beneficiary etc. In six TPs (Mahuva, Kadi, Valia, Prantij, Umargam and Palitana) the registers were not maintained properly.
- In TP, Kadi, (DP Mehsana) eight numbers of free of cost plots were allotted (July 2004) to the beneficiaries, however, particulars regarding name of beneficiary, date of allotment, status of the plot i.e. whether houses were constructed or not, etc were not available on records.
- In TP, Umargam, (DP Valsad), construction of 80 housing units were assigned to four private agencies and the works were completed at cost of ₹28.90 lakh, however, particulars of agencies, work and name of beneficiaries were not on records.
- In seven TPs (Kadi, Modasa, Gadhada, Palitana, Sami, Meghraj and Prantij) though unspent balance fund of ₹ 2.84 crore of previous years was available, fund of ₹ 2.86 crore was released in 2006-07 by the Development Commissioner. These TPs could utilize only Rs 2.28 crore during 2006-07 and fund of ₹ 3.42 crore remained unspent. Thus, funds were released without assessing the requirement of TPs and status of unspent fund. It also indicated that target fixed by Development Commissioner were unrealistic and not evaluated centrally at the Commissionerate level, in spite of availability of details of number of BPL families and beneficiaries.

- Under SAY, total sum of ₹ 0.43 lakh (₹36 thousand GoG contribution and ₹ seven thousand beneficiary labour contribution) was to be provided to the beneficiary for construction of a dwelling unit. Though funds were not available, TDO, Hansot drew 15 cheques for a total sum of ₹ 4.70 lakh under the scheme on 31st March 2006, which were subsequently cancelled in July 2006. Signature of the beneficiaries in token of receipt of cash assistance during 2005-06 was not available on records.

From the above it is observed that at field level basic records for implementation of the scheme was not maintained properly. Effective monitoring of the fund utilization and execution of works was absent at State as well as District and TDO level.

For better implementation of the SAY, realistic evaluation of targets fixed, proper identification of beneficiaries, capacity building of TPs for implementation of the scheme, strengthening of monitoring at state level in respect of physical and financial planning and rational allocation of fund is recommended.

3.4 Balika Samruddhi Yojana

Balika Samruddhi Yojana (BSY) is a 100 *per cent* Centrally Sponsored Scheme (CSS) to provide benefits to two girl children of families below the poverty line (BPL) who were born on or after 15th August 1997. The scheme was launched with the objectives (i) to change the negative attitude of family & society towards girl child and her mother at the time of birth, (ii) girls attend schools regularly, (iii) girls marry at adult age, and (iv) to assist girls for earning activities. The scheme provides post-birth grant amount of ₹ 500 (to be deposited in joint bank account of Child Development Project Officer and the beneficiary and payable on attaining age of 18 years) and annual scholarship at the prescribed rate on successful completing of schooling each year.

The scheme is implemented through TPs under the overall supervision of the Commissioner of Women and Child Development at state level.

Test check of records of five¹⁸ TPs revealed following irregularities in implementation of the scheme:

- Scholarship was not paid by TP Mahuva (DP Bhavnagar) to girl children during 2005-06, though grant of ₹ 3 lakh was available. In TP, Meghraj, (DP Sabarkantha) not a single joint account was opened under BSY during 2006-07, which indicated lack of administrative response towards girl child of BPL family. Further, it was observed that, despite availability of

¹⁸ (1) Mahuva,(2) Amreli,(3)Viramgam,(4) Palitana and(5) Meghraj

fund of ₹ 1.77 lakh, benefit of annual scholarship was not given to any of the girl child during 2004-05 to 2009-10.

- Though grant of ₹14 lakh was available, only post birth grant was given to 2050 girls during 2006-07 by TP, Amreli and benefit of scholarship was not given.
- According to Commissioner of Women and Child Development orders (January 2003), under the BSY, joint accounts were to be opened only in designated nationalised banks. Despite clear instructions, authorities in TP, Palitana, opened (September 2006) 100 accounts in a bank other than nationalised banks for release of post birth grant to eligible girl children during 2006-07.

3.5 Doubtful expenditure of ₹ 14.50 lakh under Panchvati Scheme

Government of Gujarat launched (September 2004) 'Panchavati' Scheme with a view to provide gardens and other entertainment amenities in the villages. Under the scheme selected, VPs were to be provided with fund of ₹ one lakh for developing gardens in VPs and the scheme would be implemented through respective TPs.

Fund of ₹ 16 lakh (₹ Eight lakh each) was provided (2006-07) to two TPs viz. Mehsana (DP Mehsana) and Chanasma (DP Patan) of which ₹ 14.50 lakh, as of 31st March 2007 were stated as having been spent for the purpose.

Scrutiny of records revealed that details of reports of the committee at district level and village level to prove that the works were actually carried out were not available. Further, details of names of the VPs where works were executed, reports of the village level committee in respect of execution of works, details of actual expenditure incurred, name of the agency and completion certificates etc were also not available on the record. In absence of these details possibilities of fraudulent claims/payments cannot be ruled out.

TDOs stated (March 2009-July 2010) that the matter would be examined and required records would be maintained for recording such expenditures.

3.6 Poor implementation of the schemes of financial assistance to SC/ST/OBC students

To raise the level of literacy among students of Scheduled Caste (SC) and Scheduled Tribe (ST), schemes of providing scholarship, free cycle, coaching fee, food bill assistance, free cloths etc. are under implementation in the State since 1976. Some of the schemes are target specific such as for girl students, for students whose parents are engaged in unclean occupation, students of most backward communities, college students etc. During 2007-08, 16 numbers of such

schemes were in operation. The financial assistance/ scholarship are granted through TPs and District Social Welfare Officer (DSWO) is the sanctioning authority.

During local audits of nine¹⁹ TPs, it was noticed that fund amounting to ₹ 2.70 crore, received from the GoG for disbursement of scholarship/ financial assistance to various categories of students during 1976-2007 remained undisbursed and were lying in civil deposits accounts of the concerned TPs as of 28th February 2010.

The huge undisbursed amount lying in deposits indicates non-payment of financial assistance to entitled students / targeted group in time. Inaction or delayed action on the part of TDOs, thus, defeating the very purpose of the schemes.

On being pointed out this, TDOs stated (March July 2010) that factual position would be intimated to audit after verification of relevant records and undisbursed amount would be remitted to Government account.

Non utilization of the schemes fund is a serious issue and the state level monitoring for implementation of such schemes is required as benefits are not reaching to the targeted strata of the society.

3.7 Irregularities in execution of works contract

3.7.1 Undue financial benefit to the contractors due to non inclusion of liquidated damage clause in the contracts

As per section 132 of the Gujarat Panchayat Act, 1993 read with rule 124 of the Gujarat Taluka & District Panchayat Finance, Accounts & Budget Rules, 1993, inclusion of penalty clause for delay in completion of work or slow progress of work and risk and cost clause in the eventuality of failure of the contractor to complete the work in the standard bidding document is mandatory.

The standard bidding documents (B-1/ B-2 form) of Roads and Building Department, stipulate levy and recovery of liquidated damages (LD) at 0.1 *per cent* of the contract value per day of delay, subject to levy of maximum penalty to the extent 10 *per cent* of estimated cost of work put to tender. By inclusion of this clause, TPs could enforce the contractors to complete the work in time or could impose penalty, where the works were belatedly completed.

Test check of records of 11 TPs revealed that in 35 contracts of total tendered cost of ₹ 45.40 lakh (**Appendix- IX**), awarded during 2004-07, provisions for recovery

¹⁹ (1) Khambha,(2) Diodar,(3) Petlad,(4) Vadgam,(5)Tharad,(6) Ankleshwar,(7) Mahemdavad,(8)Radanpurand (9)Nizar

of LD, in case of delay or slow progress of work, were not included in tender documents.

It was observed that though, in the above cases, works were completed with delay ranging from 18 days to 1239 days, TPs could not levy penalty on the contractors and recovery of ₹ 4.06 lakh on account of LD, leviable @ 0.1 per cent per day (maximum 10 per cent) was not effected resulting in undue benefit to the contractor.

3.7.2 Inclusion of liquidated damages clause at random rates

Test check of records of three TPs revealed that instead of inclusion of uniform and standardized rate of LD i.e. @ 0.1 per cent per day in case of non completion of work/ slow progress of work, in the tenders, the TPs included varying rates for levy of LD, ranging from ₹ One to ₹ 10 per day in 14 contracts (**Appendix-X**) awarded during 2005-07 at a total tender cost of ₹ 16.21 lakh. In all these works, delay ranging from 27 days to 416 days was noticed. Further, the TPs imposed and recovered LD of only in two cases at arbitrary rates. In remaining cases though provision for recovery of LD was included in contracts, TPs neither levied nor recovered LD amounting to ₹ 1.29 lakh for delay in completion of works.

Due to inclusion of arbitrary rates of liquidated damages and non levy of LD, contractors were given undue benefit of ₹ 1.29 lakh.

3.7.3. Irregular allotment of works to village panchayats

According to PRHD circular, works costing up to ₹ Two lakh only can be allotted to VP. Further, if a VP was not able to execute the work, such works were required to be executed by TPs itself by inviting tenders.

Test check of records of TP, Vanthali (DP Junagadh) and Satlasana (DP Mehsana), revealed that four works of construction of Panchayat Ghar each costing more than ₹ Two lakh each were entrusted to the Sarpanch of the respective VPs in 2004-05 in violation of the above circular. All these works were entrusted to the VPs without proper agreement.

Further scrutiny revealed that one work of Panchayat Ghar at Shapur village, costing ₹ six lakh, taken up in March 2005 was still incomplete as of June 2010, though, ₹1.51 lakh was spent on the work during 2004-05. The works of Panchayat Ghar at Otalpur and Timba were completed with a delay of 365 days. The work of Panchayat Ghar at Rampura was shown as completed at a cost of ₹2.90 lakh though 17 items of work were not executed and final bill of the work was not available on records.

Thus, entrusting of the civil works costing more than ₹ two lakh to VPs was irregular. This also resulted in non completion / delays in completion of the works because of limited capacity and expertise of the VPs.

The report was sent to the PRHRDD on 3 December 2010 and exit meeting was held with Additional Secretary, PRHRDD on 28 December 2010. Additional Secretary, PRHRDD stated that observations made in the report as a whole were accepted and compliance to observations made in the report would be furnished in due course.