

CHAPTER V
AUDIT OF TRANSACTIONS
(PANCHAYAT RAJ INSTITUTIONS)

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Audit of transactions in Thiruppullani Panchayat Union brought an instance of excess payment towards repayment of loan and interest as detailed in the following paragraph.

RURAL DEVELOPMENT AND PANCHAYAT RAJ DEPARTMENT

5.1 Avoidable expenditure

THIRUPPULLANI PANCHAYAT UNION

5.1.1 Excess payment towards repayment of loan and interest

Failure of Thiruppullani Panchayat Union to rectify the discrepancy in the NABARD loan availed by it resulted in excess payment of Rs 6.09 lakh.

For providing loan assistance to State Governments/Panchayat Raj Institutions for completing ongoing or new infrastructure projects in rural areas, National Bank for Agriculture and Rural Development (NABARD) set up Rural Infrastructure Development Fund (RIDF) in 1995-96. To avail the loan assistance, the local bodies should contribute 10 *per cent* of the project cost as their share and out of the balance 90 *per cent* of the project cost, 75 *per cent* would be released as grant and the balance 25 *per cent* as loan by NABARD to be recovered after a period of one and half years from the date of release of last instalment. For this purpose, a separate Local Fund Account was required to be opened and the respective local bodies were to deposit their 10 *per cent* contribution to this account. Government would also release the instalments to this account and payment would be made by the Panchayat Union Commissioner. The Project Officer, District Rural Development Agency (DRDA) has to consolidate the expenditure and reimbursement claim details, Panchayat Union wise and work wise and send it for reimbursement to NABARD.

Government of Tamil Nadu accorded (July 2000) administrative sanction to Thiruppullani Panchayat Union (Panchayat Union) for “Improvements to road from Vannangundu to Methalodai” under this scheme at a cost of Rs 36.50 lakh and the Panchayat Union contributed Rs 3.65 lakh (June 2001) towards their 10 *per cent* share. The final instalment amount of NABARD loan was released in December 2001. The work was completed (February 2002) at a cost of Rs 22.91 lakh, against Rs 36.50 lakh credited to the Local Fund Account. Hence, there was an unspent balance of Rs 13.59 lakh, which included Rs 1.36 lakh (Rs 3.65 lakh – Rs 2.29 lakh¹) towards 10 *per cent* contribution made by Panchayat Union.

¹ 10 *per cent* contribution of Panchayat Union based on the actual value (Rs 22.91 lakh) of work done

Scrutiny of records (May 2009) revealed that the Project Officer, DRDA, Ramanathapuram had not prepared Demand, Collection and Balance statement (DCB) of loan dues of the Panchayat Union despite being called for (June 2003) by Director of Rural Development (DRD). As DCB was not prepared, the DRDA without verifying the actual cost of completed works ordered (December 2003) repayment of loan of Rs 8.21 lakh with interest based on the sanctioned cost of the work. The Panchayat Union without verifying the correctness of its loan liability of Rs 5.15 lakh, (25 per cent of NABARD loan amount for the actual value of work done after deducting 10 per cent contribution of the Panchayat Union i.e. Rs 22.91 lakh minus Rs 2.29 lakh x 25 per cent), paid Rs 12.70 lakh during June 2004 – December 2009. Meanwhile, the Project Officer, DRDA, Ramanathapuram remitted (July 2004) the unspent balance of Rs 13.59 lakh into Government account without returning Rs 1.36 lakh to the Panchayat Union being its unspent balance of 10 per cent contribution.

Non-maintenance of proper accounts by the Panchayat Union and its failure to notice the discrepancy before making payment resulted in avoidable payment of Rs 6.09 lakh (**Appendix 5.1**) towards excess payment of loan, interest and 10 per cent contribution, indicating lack of proper monitoring system in repayment of loan besides non utilising the amount for other welfare schemes. When pointed out, the Project Officer accepted (February 2010) the fact and sought reimbursement of excess amount from Government.

The matter was referred to Government in January 2010. Government in reply stated (March 2010) that the unspent amount of Rs 13.59 lakh was already remitted to Government Account. The reply was however silent about reimbursement of the excess amount paid by the Panchayat Union.

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