

CHAPTER – II

**TRANSACTION AUDIT PARAGRAPHS
(PANCHAYATI RAJ INSTITUTIONS)**

2.1 Irregular write-off of Indira Awas Yojna Funds

Chief Executive Officer, Zila Panchayat, Jabalpur had written-off an amount of ₹ 19.73 lakh pertaining to Indira Awas Yojna without prior permission of the Government.

Book of Financial Powers, 1995, provides that Head of District Office of Panchayat and Rural Development and Social Welfare Department has power to write-off irrecoverable value of stores and losses of Public Money upto ₹ 10,000 in each case. Madhya Pradesh Finance Code (MPFC) Vol.-I, Rule 54, provides that the irrecoverable value of stores or public money lost by fraud or negligence of individuals or other causes may be written off finally by the Government. Where public money or stores are lost through culpable negligence of any Government servant, Government will not agree to write off the loss without a definite expression of the opinion of the departmental authorities concerned regarding the desirability of recovering the whole or part of the loss from the Government servant or Government servants through whose negligence the loss occurred. Any proposal to remit part or whole of the sum lost in such cases must be supported by full reasons and will require the special orders of the State Government.

Indira Awas Yojna (IAY) is a centrally sponsored scheme on cost sharing basis between Government of India (GOI) and State Government in ratio of 80:20. The funds of IAY are required to be kept in bank account and are operated by District Rural Development Agency (DRDA)/Zila Panchayat (ZP) at district level who are required to maintain yearly financial accounts of the scheme duly approved by General Body of concerned DRDA which shall include block-wise expenditure statement based on UCs received from implementing agencies/units. Each unit of IAY house was to be paid at maximum of ₹ 20,000/-.

Scrutiny (July 2009) of records of Chief Executive Officer (CEO), Zila Panchayat, Jabalpur for the period April 2007 to March 2008 revealed that an amount of ₹ 19,73,090 had been carried forward as debit balance in the balance sheet of Indira Awas Yojana (IAY) since 1998-99. In the balance sheet for the year 2006-07, the amount was shown as balance being written-off and ultimately it has been written-off (July 2007) by CEO, Zila Panchayat without definite expression given to the Government which was beyond the limit of financial power and against the financial codal provision. Government of India asked (November 2007) the ZP to find out the origin of the entry and furnished the information to the Ministry before write-off of the funds but neither details of the balance amount were made available nor shown in cash book since 1998 as of June 2010.

On being pointed out CEO replied (July 2009) that instead of our considerable effort the origin of the entry could not be found. As such utilisation of funds for scheme objects remained doubtful and the write-off was made without detailed investigation and justification and also without Government approval and concurrence of Finance Department.

The matter was reported to Government (June 2010). In response the Government directed ZP to furnish desired information to GOI and Audit.

2.2 Injudicious expenditure of ₹ 51.29 lakh on procurement of computers & office furniture by Zila Panchayat Khargone.

The expenditure of ₹ 51.29 lakh incurred on procurement of office furniture and computers without establishing the sub divisional offices by Zila Panchayat, Khargone, was injudicious.

According to Rule 9 (ii) of Madhya Pradesh Finance code Vol.-I, the expenditure should not be prima facie more than the occasion's demands. Government of Madhya Pradesh Panchayat and Rural Development Department decided (May 2008) to establish an intermediate sub divisional level office to supervise, monitor and guide 10-12 Gram Panchayats and to maintain better co-ordination between Gram Panchayats and Janpad Panchayats of the area out of funds received for National Rural Employment Guarantee Scheme. These offices would be headed by Janpad Level Extension officers.

The expenditure on establishment of such office could be incurred on building rent, purchase of furniture, stationary, computer, telecommunication devices and drinking water subject to the limit of four percent of scheme fund prescribed for administrative charges.

Scrutiny of the records of Zila Panchayat, Khargone (September 2010) revealed that Zila Panchayat (ZP) decided (May 2008) to establish 43 sub divisional offices in the district. For operation of proposed sub divisional offices, furniture and computers worth ₹ 51.29 lakh were procured from MPLUN and DG&SD in June 2008 and issued to all nine Janpad Panchayats including Zila Panchayat (July to December 2008) so far (August 2010) as shown in **Appendix -XVI**. During test check of records of Janpad Panchayats of Bhikangaon, Kesrawad, Maheswar (September 2010) of Khargone district it was observed that neither any sub divisional office was established nor progress was made in this regard. Thus, the expenditure of ₹ 51.29 lakh incurred on procurement of office furniture and computers was without establishment of sub divisional office in the district which was contrary to the Rule-9 (ii) of M.P.F.C Vol. -I.

On being pointed out in audit (September 2010) the Chief Executive Officer (CEO) Zila Panchayat Khargone stated that an office order to open the sub divisional offices had been issued to all Janpads and the progress would be reported to audit later on. It was however stated in March 2011 that Government of Madhya Pradesh had not sanctioned the posts of Janpad level

extension officers and after obtaining sanction of the posts, the sub divisional offices would be established. Thus the expenditure of ₹ 51.29 lakh incurred on procurement of office furniture and computers without sanction and availability of the staff for formation of sub divisional offices was injudicious and contrary to the Rule-9 (ii) of M.P.F.C. Vol.-I and was against the standards of financial propriety.

The matter was reported to the Government (January 2011); but no reply has been received as of April 2011.

2.3 Unrecovered amount of ₹ 82.64 lakh

Unrecovered/ unadjusted amount of ₹ 82.64 lakh from non-functional self Help Groups in Janpad Panchayat, Seoni

Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGS) Manual provides that the Programme Officer may handover the execution of work planned under the MNREGS to any executing agency like Government department, Panchati Raj Institutions (PRIs), Self Help Groups (SHGs), reputed Non Government Organizations (NGOs) or State Public Undertakings subject to their technical ability and capability to complete the works in a given time period. For execution of work stipulates that the funds provided to such executing agencies will be treated as advance payment and that, on receipt of advance payment, the executing agency will become liable to submit Receipt & Payment account, photocopies of muster rolls, vouchers, asset register, employment generation register on 5 of next month to the Programme officer. Under the scheme, Government of Madhya Pradesh, Panchayat and Rural Development Department issued an order dated 23.2.2006 which envisaged that irrigated plantation work (Projects) could be taken up on both the sides of Public Work Department (PWD) roads by the SHGs. The project was to be completed within five to seven years with the objective of generating regular income for livelihood to SHGs after seven years from the produce of successful plantation.

Scrutiny of the records of Janpad Panchayat, Seoni, district Seoni (September 2010) revealed that an amount of ₹ 143.98 lakh (₹ 42.99 lakh to 56 SHGs and ₹ 100.99 lakh to 58 Gram Panchayats) was advanced in one installment by the Programme officer Seoni during the period 2006-10 for plantation work on recommendation of Assistant Development Extension Officers of Janpad. Out of this amount adjustment vouchers of ₹ 61.34 lakh (₹ 26.79 lakh belonging to SHGs and ₹ 34.55 lakh belonging to Gram Panchayats) were received and remaining amount ₹ 82.64 lakh was lying unadjusted with 38 SHGs and 13 GPs till March 2011. It was also observed that these SHGs and GPs failed to produce the records to the auditing agency i.e. Chartered Accountant (CA) nominated by the State for the purpose as was observed by Chief Executive Officer (CEO) Janpad Panchayat Seoni.

On being pointed out in audit (September 2010 and March 2011) the Programme Officer, Janpad Panchayat Seoni accepted the audit observation and stated that the executing agencies SHGs and GPs did not furnish the

adjustment vouchers along with physical progress reports against the fund advanced to them as they have become defunct. It was also stated that the executing agencies had neither done plantation work nor refunded ₹ 82.64 lakh out of funds made available to them. Thus the implementation of scheme was adversely affected and the chances of recovery of unadjusted / unrecovered amount ₹ 16.20 lakh from the defunct SHGs appears remote.

The matter was brought to the notice of Government (February 2011) but the reply was awaited.

2.4 Suspected embezzlement of ₹ 0.81 lakh

A sum of ₹ 0.81 lakh on account of natural calamity relief was drawn in Janpad Panchayat Ashok Nagar and fraudulently shown to have been disbursed to Gram Panchayats.

Government of India (GOI), Ministry of Finance, launched a scheme for constitution and administration of Calamity Relief Fund (CRF) in April 1990 for five years which was further extended upto 2009-10 for providing immediate relief to victims of natural calamities. The expenditure was to be shared by GOI and State Government concerned on 75:25 basis. A State Level Committee (SLC) headed by Chief Secretary of the State was responsible for the management of the CRF. The Revenue Departments of the State was made nodal agency whereas Urban Local Bodies (ULBs), Panchayati Raj Institutions (PRIs) and line departments were made responsible for implementation of the relief work under the scheme.

With the view of making available water for cattle and Public use (Nistar) in summer, Kachcha Bandhans with the cost of ₹ 1500/- each were to be constructed on nallahs and small water courses. The Relief Commissioner Madhya Pradesh allocated ₹ 1.00 lakh for Construction of Kachcha Bandhan and ₹ 50,000 for transportation of water from Calamity Relief Fund to Janpad Panchayat (JP) Ashok Nagar during 2006-08. The Janpad Panchayat Ashok Nagar had to make available the funds to Gram Panchayats of its jurisdiction. The utilization certificates were to be sent to district collector.

During test check of records of Janpad Panchayat (JP) Ashok Nagar district-Ashok Nagar (June 2010) it was observed that Chief Executive Officer (CEO) of the JP drew from treasury ₹ 1.50 lakh¹ against aforesaid allocations. An amount of ₹ 1.00 lakh was accounted for in JP cash book and was shown disbursed in cash to 43 GPs for nallah bandhan and transportation of water, while ₹ 50,000 drawn vide bill No. 109 dt. 25.1.2008 was not entered into cash book of the JP till date. The records of nine Gram Panchayats² which were stated to have received funds of ₹ 31,000 (out of ₹ 1.00 lakh) were

¹ Bill No. 76 dated 22.11.2006 of ₹ 50,000 for Nala Bandhan, bill No. 23 dated 28.4.2007 of ₹ 50,000 for transportation of Drinking Water, bill 109 dated 25.1.2008 of ₹ 50,000 for Nala Bandhan

² Barkherra Jagir, Bhora Kachhi, Mathaner, Pipariya Rai, Pilighata, Dhorra, Bamuriya Phoot, Narayanpura and Kolua

simultaneously test checked, and it was revealed that none of them received the aforesaid funds of ₹ 31,000 on account of nallah bandhan or transportation of water. The utilization certificates of ₹ 0.81 lakh drawn were also not found on record. Therefore disbursement of ₹ 0.81 lakh to GPs and its utilization became doubtful.

The CEO JP Ashok Nagar replied (June 2010) that the acknowledgements of GP Secretaries were kept on file though utilization certificates against the money disbursed to them were awaited. The reply is not acceptable in view of the fact that nine GPs have already denied receipts of such funds and the GPs could not show the utilization of remaining amount of ₹ 0.81 lakh.

Thus the possibility of misappropriation of this amount is also not ruled out.

The matter was brought to the notice of Government in January 2011 but reply was awaited.

2.5 Release and utilisation of Twelfth Finance Commission grants of PRIs

Introduction:

The Twelfth Finance Commission (TFC) had made recommendations on the measures needed to augment the consolidated fund of the state to supplement the resources of the Panchayats on the basis of the recommendations of the State Finance Commission. The TFC has recommended grants amounting to ₹ 1663 crore payable during the period 2005-10 to Madhya Pradesh (M.P.) for Panchayati Raj Institutions (PRIs). TFC also felt that grants for PRIs should be used to improve the service delivery by the Panchayats in respect of water supply and sanitation. Panchayats need to be encouraged to take over water supply assets created under the swajaldhara programme and maintain them with the help of these grants. TFC further recommended that high priority need to be given for creation of database and maintenance of accounts at the grass root levels.

2.5.1 Delay in release of grant by GOI

Para 6.1 of Government of India (GOI) guidelines on TFC grant³ provided that the Local Bodies grants were to be released in two equal instalments in July and January every year. Para 6.2 of the GOI guidelines provided that two sets of details i.e. one on allocation of funds and another on release of funds should be reported by the State Government prior to the release of each instalment by the GOI. State Finance Secretary was also required to furnish a certificate showing dates and amount of grants received and released by the State within 15 days from the release of each instalments by GOI. Scrutiny of records of the Finance Department (FD) revealed (September 2009) that the first and

³ Guidelines for release and utilisation of grant recommended by the Twelfth Finance Commission for Augmentation of Consolidated funds of the State for supplementing the resources the Rural and Urban Local Bodies (Local Bodies Grants) issued in June 2005.

second instalment amount of ₹ 332.60 crore (first instalment: ₹ 166.30 crore and second instalment: ₹ 166.30 crore) related to the year 2009-10 was released by GOI on 03 September 2009 and 05 March 2010 respectively as shown below:-

Sl. No.	Particulars	Due date of release by GOI	Actual date of release by GOI	Period of delay in release of grant	Status of UCs submitted to GOI
1.	I st instalment	July – 2009	03 September 2009	33 days ⁴	21 January 2010
2.	II nd instalment	January - 2010	05 March 2010	32 days ⁴	UC not sent

It would be seen from above that there were delays of 33 and 32 days in release of first and second Instalments of TFC grant respectively. Reasons for delayed release of TFC grant were neither recorded nor stated to audit. However, audit observed that delayed release of grant was perhaps due to late submission of utilisation certificates to GOI by FD.

2.5.2 Delay in transfer of grant to PRIs and non payment of interest of delayed transfer

According to para 6.1 and 6.4 of GOI guidelines on TFC grant States have to mandatorily transfer the grants released by the Centre to the PRIs within 15 days of its credit into the State Governments account. In case of delayed transfer of grant to PRIs beyond specified period of 15 days, the State Government was required to pay interest to PRIs at the rate equal to the RBI rate along with such delayed transfer of grants.

Scrutiny of records of the FD revealed (September 2010) that the GOI released the first and second instalment of ₹ 332.60 crore (first ₹ 166.30 and second ₹166.30 crore) for the year 2009-10 on 03 September 2009 and 05 March 2010 respectively and credited into State Government's account on the same date. Bank accounts of PRIs were test checked in audit. The test check in 278 Gram Panchayats (GPs) (September 2010 to January 2011) revealed that there were delays of 15 to 214 days (beyond specified period of 15 days) in transfer of grants of ₹ 4.13 crore⁵ to their respective bank accounts **Appendix-XVII**. As per GOI guidelines and also as per past practice, the FD was required to issue a financial sanction for interest @ 5% for the delayed transfer of grants to PRIs bank accounts during the year 2009-10. 5% interest calculated in test checked GPs works out to be ₹ 1.67 lakh.

On being pointed out regarding payment of interest for delayed transfer of grants (December 2010) no reply was furnished so far by FD as well as PRD.

2.5.3 Diversion of grants

Para 2.1 of TFC guidelines envisaged that grants for PRIs should be utilised to improve the service delivery by the Panchayats in respect of water supply and sanitation.

⁴ 33 days in Ist instalment (August 31, September 02)

32 days in IInd instalment (February 28, March 04)

⁵ ₹ 4.13 crore (first instalment ₹ 2.13 crore and second instalment ₹ 2.00 crore)

Scrutiny of records of 278 GPs revealed that an expenditure of ₹ 2.57 crore was incurred on construction of 301 works like construction of C.C. Road, Murmi Karan, Kharanjas, National Festivals and Purchase of Electrical items etc. which was against the TFC guidelines as detailed in **Appendix-XVIII**

The matter was brought to the notice of the PRD but reply awaited (February 2011).

2.5.4 Utilisation certificate (UCs) included unspent grant

As per para 6.3 of GOI guidelines of TFC grants, the State Finance Secretary was required to provide a certificate to GOI every year regarding percentage of grants spent by the PRIs on scheme of water supply and sanitation.

The FD reported to GOI (August 2010) that the PRIs have utilised the entire grant of ₹ 332.60 crore⁶ received during 2009-10. However, test check of records of 240 GPs of six districts revealed that out of ₹ 6.63 crore available in the year 2009-10 on account of water supply and sanitation in these units ₹ 2.18 crore (33 percent) as detailed in **Appendix -XIX** was lying unspent with them. Thus UCs submitted to GOI by FD did not reflect the actual position of utilisation of TFC grants. Reply of FD was awaited (February 2011).

2.5.5 Expenditure incurred without preparation of shelf of Project by GPs

According to para 4.1.3 of State TFC guideline (Revised 2006) each GPs should prepare an Annual Work Plan (Shelf of project) with the approval of Gram Sabha. Gram Panchayats should send a copy of shelf of project to Janpad Panchayat and Zila Panchayat for information and thereafter, GPs would execute work as per project accordingly.

Scrutiny of records of 180 GPs of six districts revealed that an expenditure was incurred as shown in **Appendix-XX** without preparation of Annual Work Plan. For this omission the GPs stated that they were not aware of the such guidelines and instructions.

2.5.6 Non recovery of pending user charges

As mentioned in the para 3.1 (XII) GOI guidelines, of TFC grant the PRIs should, recover at least 50 per cent of recurring costs in the form of user charges. As per revised guidelines of State Government (para 4.2.1.1), recovery of user charges was to be made from the consumers of water connections under the Water Supply Scheme of “Naljal”.

Scrutiny of records of 71 GPs of five districts revealed that the amount of ₹ 0.54 crore was pending for recovery from the consumers of 13354 water connections, as detailed in **Appendix – XXI**. The reasons for pending recovery of user charges were attributed to lack of interest/ non cooperation of

⁶ ₹ 332.60 crore (₹ 14.16 crore Maintenance of Accounts and creation of data base, ₹ 160.06 crore O&M caste of water supply, sanitation and Civic Services, ₹ 158.38 crore Maintenance of Civic Services)

the representatives of people. GPs (September 2010 to January 2011) have, however, stated that recovery of user charges would be made.

In pursuance of para 6.3 of GOI guidelines of TFC grant, the State Government was required to intimate the details of recurring Operation and Maintenance cost recoverable by the PRIs on the scheme of Water Supply, but no such information was furnished. On being pointed out no reply was furnished so far by the FD and PRD (February 2011).

2.5.7 Social Audit not conducted

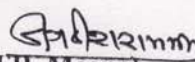
As per para 13 of the state guidelines of TFC grant (Revised 2006) Social Audit of each construction and development work was to be conducted mandatorily by the Gram Sabhas (Village Assemblies). Scrutiny of records of 07 test checked GPs of three districts⁷ revealed that the Social Audit was not conducted by the concerned Gram Sabhas as detailed in **Appendix –XXII** for want of instructions, lack of knowledge and work load etc.

2.5.8 Database formats on finances of PRIs not developed

According to recommendations of Eleventh Finance Commission (EFC) the data on finances of PRIs needs to be collected, compiled and maintained in standard formats as prescribed by C&AG. As per UCs, the entire TFC grants amounting to ₹ 332.60 crore which included ₹ 14.16 crore for maintenance of accounts and creation of database received for 2009-10 stated to have been utilised in the JPs/GPs on the specified purpose. But the database of finances in the formats prescribed by C&AG was not yet created in any of the test checked JPs/GPs in six districts⁸.

Date: 2. May 2011

Place: Gwalior

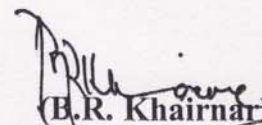

(J.R. Meena)

Dy. Accountant General
(Local Bodies)
Madhya Pradesh

Countersigned

Date:

Place: Gwalior


(B.R. Khairnar)

Principal Accountant General
(Civil and Commercial Audit)
Madhya Pradesh

⁷ 07 GPs (Sehore 04, Chhindwara 02 and Khargone 01).

⁸ Bhopal, Vidisha, Sehore, Chhindwara, Shahdol and Khargone