

CHAPTER II

AUDIT OF TRANSACTIONS (PANCHAYATI RAJ INSTITUTIONS)

2.1 Un-authorized utilization of funds

Utilisation of funds under Mahatma Gandhi National Rural Employment Guarantee Act, on the works which were not included in the list of permissible works in Schedule I of the Act, led to unauthorised utilisation of ₹ 3.58 crore.

The list of permissible works are detailed in para 5.1.1 of the Operational Guidelines under schedule 1 of NREGA, 2005. It is also mentioned in para 5.1.1(ix) of the Guidelines that any other work may be notified by the Central Government in consultation with State Government.

During test check of records of four Panchayat Samitis* for the year 2009-10, it was noticed that MGNREGA funds of ₹ 3.58 crore (**Appendix-I**) were utilized on the works which were not included in the list of permissible works. Besides, no record was made available to audit whether any notification was issued by the Central Government to this effect. Thus, utilization of funds on inadmissible items of works has resulted in unauthorised utilisation of MGNREGA funds of ₹ 3.58 crore.

On this being pointed out in audit, the executive officers of the above Panchayat Samitis stated (June 2010 to January 2011) that such works would not be taken up in future.

2.2 Wasteful expenditure

Abandoning of the “Balicherra Project” at Ujjan Dhutpur Gram Panchayat under Kumarghat Panchayat Samiti due to inadequate survey has led to wasteful expenditure of ₹ 9.50 lakh.

Test check of records of Kumarghat Panchayat Samiti revealed that the “Balicherra Project” a diversion channel at Ujjan Dudhpur Gram Panchyat under Kumarghat Panchayat Samiti was taken up during 2006-07 with an estimated cost of ₹ 5.27 lakh. The work was entrusted to the Junior Engineer (JE) of the Kumarghat block in November 2006. Further scrutiny revealed that a revised estimate for ₹ 13.91 lakh was framed for the said project in July 2007 as the condition of soil was very poor and sandy. The

* Mohanpur ₹ 0.33 crore, Teliamura ₹ 1.03 crore, Gournagar ₹ 0.68 crore, Dukli ₹ 1.54 crore

technical sanction of the revised estimate was obtained (January 2008) from the Superintending Engineer RD Circle, Agartala in January 2008. Accordingly, the Block Development Officer issued (January 2008) a revised work order to the JE with the stipulation to complete it within 90 days. Records indicated that the work could not be completed within the stipulated period and after incurring an expenditure of ₹ 9.50 lakh, the project had to be abandoned due to huge erosion of soil. No feasibility report for construction of the diversion channel was produced to audit.

Thus, taking up of the project without proper planning and survey, has resulted in wasteful expenditure of ₹ 9.50 lakh.

The Executive Officer stated (May 2010) that on the recommendation of the monitoring committee of the Panchayat Samiti, the project was abandoned.

2.3 Doubtful recovery of ₹ 30.12 lakh

Non-submission of adjustments by the Technical Assistant due to non-adoption of proper measures to safeguard the government money resulted into doubtful of recovery of ₹ 30.12 lakh.

During test check of records of Mohanpur Panchayat Samiti for the year 2009-10, audit observed that Panchayat Samiti had engaged a Technical Assistant (TA) on contractual basis for a period of two years under MGNREGA. The TA was terminated by his appointing authority (DM & Collector, West Tripura) from the service w.e.f. 31.10.2010

Scrutiny of advance register/adjustment register revealed that the Programme Officer (BDO) issued 78 nos. of works to the TA and paid an advance of ₹ 99.57 lakh for implementation of various works during the period from 2007-08 to 2009-10. Details of advances paid and adjustments made are shown in the table below:

Table No. 5

(Rupees In lakh)

Year	Nature of works	No of works	Advances paid	Advances adjusted	Advances un-adjusted as on 31.10.2010
2007-08	MGNREGA	28	16.23	12.88	3.35
2008-09	,,	18	27.54	17.14	10.40
2009-10	,,	21	40.50	23.35	17.15
2007-08	RD works	11	15.30	9.63	5.67
2008-09					
Total		78	99.57	63.00	36.57
Less cash refunded by TA					06.45
Outstanding balance					30.12

From the above, it would be seen that the TA did not submit any records on outstanding advances of ₹ 30.12 lakh. Neither the FIR was lodged against him nor any action was taken for recovery of the amount till the date of audit (January 2011).

Thus, non-submission of adjustments and non-initiation of any action by the authority before termination from the service led to doubtful recovery of ₹ 30.12 lakh.

The Executive Officer replied (January 2011) that action would be taken immediately to realize the amount. The reply of the Executive Officer was not pertinent as no safeguard had been taken by the authorities to avoid such issue by a contractual employee. Latest position has not been furnished (March 2011).

2.4 Un-authorised diversion of Funds

Utilisation of Panchayat Development Fund in violation of the guidelines resulted in diversion of ₹ 52.79 lakh towards construction of community halls.

Para 1(x) of the guidelines on Panchayat Development Fund (PDF) prohibits utilization of these funds on construction of school ghar, panchayat ghar or any new building.

Test check of records of Panisagar Panchayat Samiti revealed that the Chief Executive Officer, Uttar Tripura Zilla Parishad placed the funds under PDF to Panisagar Panchayat Samiti for construction of three new community halls at different Gram Panchayats. Details of funds placed and expenditure incurred are shown in the table below.

Table No. 6

(Rupees In lakh)

Name of community hall	Fund received	Expenditure incurred
Huplong community hall	23.00	19.70
Jalabazar community hall	13.52	9.91
Deocherra community hall	23.18	23.18
Total	59.70	52.79

Thus, utilization of PDF on construction of community halls in contravention to the above guidelines has resulted in un-authorised diversion of ₹ 52.79 lakh. The Executive Officer assured (September 2010) that PDF would be utilized as per the guidelines.

2.5 Irregular diversion of Twelfth Finance Commission (TFC) grants

Irregular diversion of TFC grants of ₹ 2.72 crore deprived water supply and sanitation facilities, in the rural areas to that extent.

The objectives of TFC grants were to improve water supply and sanitation in rural areas. There was no provision in the TFC guidelines to utilize these grants for repair/maintenance of the office buildings.

The Rural Development (Panchayats) Department, Government of Tripura released TFC funds of ₹ 2.72 crore to all 40 blocks (including 23 Panchayat Samitis) of Tripura for repairing of PRIs and ADC offices during 2009-10, in violation of the guidelines. Test check of records of eight[♦] Panchayat Samitis revealed that these funds have been utilised in the same manner for the purpose.

Thus, such diversion of funds has resulted into non achievement of improvement in water supply and sanitation facilities in the rural areas to that extent.

2.6 Irregular expenditure

Execution of works without approval of the Gram Sabha resulted in irregular expenditure of ₹ 1.44 crore.

Under Section 13(1) of the NREGA, the Panchayats at District, Intermediate and Village level shall be the principal authorities for planning and implementation of the scheme. As per Section 16(1) of the Act, the Gram Panchayat shall be responsible for identification of the projects in the Gram Panchayats area which are to be taken up as per the recommendations of the Gram Sabha and the Ward Sabha. Section 16(3) of the Act states that every Gram Panchayat shall, after considering the recommendations of the Gram Sabha and the ward Sabha, prepare a development plan and maintain a shelf of possible works to be taken up under the scheme as and when demand for work arises.

Test check of records of Panisagar Panchayat Samiti for the year 2009-10 revealed that an amount of ₹ 1.44 crore (**Appendix-II**) was paid to 15 Implementing Officers for

[♦] Khowai Panchayat Samiti ₹10 lakh, Teliamura Panchayat Samiti ₹8 lakh, Boxanagar Panchayat Samiti ₹5 lakh, Mohanpur Panchayat Samiti ₹6 lakh., Kadamtala Panchayat Samiti ₹8 lakh, Kumarghat Panchayat Samiti ₹10 lakh, Gourmagar Panchayat Samiti ₹10 lakh and Ambassa Panchayat Samiti ₹10 lakh)

execution of 47 nos. of works which were not included in the Annual Action Plan nor any prior approval was obtained from the Gram Sabha before execution of these works. Thus taken up of works without approval of the Gram Sabha was in violation of the Act.

The Executive Officer stated (September 2010) that the matter would be reviewed and approval of the Gram Sabha would be taken.

2.7 Outstanding advances

Due to non-submission of adjustments by the implementing officers, advances of ₹ 28.89 lakh remained outstanding.

During test check of records of three[^] Panchayat Samitis, it was noticed that an advance of ₹ 28.89 lakh was paid to 16 implementing officers and eight line departments for implementation of works during 2009-10 remained un-adjusted.

Due to non-submission of adjustments, it could not be ascertained in audit whether the works were actually executed.

The Executive Officers stated that steps would be taken to adjust the advances.

2.8 Poor utilization of funds under MGNREGA

Lack of proper planning has resulted in poor utilisation of funds and less generation of man-days.

The primary objective of the MGNREGA is to provide 100 days of employment in a financial year to every rural household who volunteers to do unskilled manual work. The others objectives include empowerment of rural women, reduction of rural migration and fostering social equity.

Test check of records of three Panchayat Samitis for the year 2009-10 revealed that an amount of ₹ 902.93 lakh under MGNREGA was lying unspent in the bank accounts as on 31.03.2010 as shown in the table below:

[^] Mohanpur, Teliamura, Kumarghat.

Table No. 7

Name of Panchayat Samiti	Purpose of drawal	Opening balance	Fund received	Total	Expenditure	Closing balance 31.03.10
		<i>(Rupees in lakh)</i>				
Dukli	Man-days generation	48.17	400.55	448.72	45.58	403.14
Kadamtala	„	2.58	3095.01	3097.59	2658.62	438.97
Mohanpur	„	96.71	2879.00	2975.71	2914.89	60.82
Total		147.46	6374.56	6522.02	5619.09	902.93

From the above it would be seen that Dukli Panchayat Samiti could utilize only 10.15% of the total amount available during the year 2009-10. There was also huge unspent balance with the Kadamtala Panchayat Samiti during the year.

Funds remaining unspent indicate improper planning and results into less generation of man-days.

2.9 Blockage of funds

Non-execution of works has resulted in blockage of ₹ 52.95 Lakh.

During test check records of Programme Officer (BDO), Mohanpur Panchayat Samiti, it was noticed that the Chief Executive Officer (DM& Collector), Paschim Tripura Zilla Parishad placed an amount of ₹ 52.95 lakh to the Programme Officer for construction of brick soling road/ box culverts in December 2008. But the fund was not utilised and remained blocked for more than two years (January 2011). Reasons for blockage of funds were neither on records nor stated to audit.

Thus, non-execution of works has resulted in blockage of funds of ₹ 52.95 lakh.

2.10 Payment without accounting of stores

Stock of bricks valuing ₹ 1.48 crore was not accounted for and payment of bricks was made without maintaining stock register

Rule 187(1) of General Financial Rules provides that while receiving goods and materials from a supplier, the officer-in-charge of stores should refer to the relevant contract terms and follow the prescribed procedure for receiving the materials.

Rule 187(2) provides that all materials shall be counted, measured or weighed and subjected to visual inspection at the time of receipts to ensure that the quantities are correct, the quality is according to the required specifications and there are no damages or deficiency in the materials.

Rule 187(3) provides that details of the materials so received should thereafter be entered in the appropriate stock register. The officer-in-charge of stores should certify that he has actually received the material and recorded it in the appropriate stock registers.

Test check of records of Programme Officer (PO) Khowai Panchayat Samiti revealed that the PO procured bricks at a value of ₹ 1.48 crore from nine bricks suppliers for execution of various works under MGNREGA during 2009-10. But the receipts of bricks were not entered in the stock register and details of consumption of stock were also not made available, however, payments have been made to the suppliers. As a result, actual receipts of bricks and their utilisation could not be ascertained in audit.

The PO replied (May 2010) that the stock registers would be opened shortly.

2.11 Unauthorised withdrawal of money from bank

Panchayat Secretary of Jarul Bachai Gram Panchayat has withdrawn money from bank with the signature of old Pradhan even after the new Pradhan was elected which has resulted in unauthorised drawal of ₹ 2.58 lakh

Test check of records of Jarul Bachai Gram Panchayat revealed that the Panchayat Secretary has withdrawn ₹ 2.58 lakh (₹ 2.46 lakh of NREGA funds and ₹ 0.12 lakh of PDF) on 21-08-2009 from the joint bank accounts maintained by the Panchayat Secretary and the former Pradhan. It could not be stated to audit how the money was drawn from banks by the Panchayat Secretary with the signature of former Pradhan while the newly elected members of Jarul Bachai Gram Panchayat had taken oath of office on 07.08.2009.

Thus, this has resulted in unauthorised and irregular withdrawal of ₹ 2.58 lakh.

2.12 Poor response to Inspection Reports

Due to non-furnishing of replies by the auditees, large nos. of Inspection Reports/Paras remained unsettled.

Audit observations on financial irregularities and defects in maintenance of accounts noticed during local audit and settled on spot were communicated to the auditee units and to their concerned higher authorities through Inspection Reports (IRs). The Government had prescribed that the first reply of IRs should be furnished by the concerned auditee units within one month from the date of receipts of the IRs.

During the period from 2007-08 to 2009-10, 49 IRs (ZPs and PSs) were issued with 236 paras involving money value of ₹ 246.86 crore, only 19 paras with money value of ₹ 7.71 crore were settled upto 31.03.2010 as shown in the table below:

Table No. 8

(Rupees In crore)

Year	No of IRs issued	Paras	Money value
2007-08	12	42	68.03
2008-09	17	105	31.68
2009-10	20	89	147.15
Total	49	236	246.86
Paras settled (2007-08 to 2009-10)	Nil	19	7.71
Closing balance as on 31.03.2010	49	217	239.15

Further scrutiny revealed that the 1st reply in respect of 18 IRs was received only after 49 days to 624 days from the issue of the IRs (**Appendix-III**).

2.13 Conclusion and recommendations

Unauthorized expenditure in violation of rules, wasteful and irregular expenditure, diversion of funds, unspent balance of funds, pending adjustments of advances etc., indicate that internal control and monitoring mechanism was not adequate.

In view of the findings, the following recommendations are made:

- Department should ensure regular monitoring of adjustment of advances made to implementing officers. The Government may initiate strengthening of the monitoring mechanism in this regard;
- To ensure financial accountability, the PRIs should prepare their annual accounts and develop database on their finances;
- To check unauthorised diversion of scheme funds, necessary control mechanism be evolved and implemented;
- To avoid huge unspent balance of the developmental funds at the end of financial year.
- To ensure the accountability towards audit, the Government may take follow-up actions to furnish early reply of audit observations.