

## OVERVIEW

The Report starts with an introductory Chapter containing brief description of Panchayat Raj Institutions (PRIs) and their resources as well as audit coverage and mandate. Chapters 2 and 3 of the Report cover financial management and major irregularities in implementation of schemes like National Rural Employment Guarantee Scheme and Indira Awas Yojana while Chapter 4 discusses material findings emerging from Performance Audit on implementation of Rural Infrastructure Development Fund. Chapter 5 includes 26 paragraphs dealing with results of audit of financial transactions of PRIs.

A summary of financial position of PRIs and audit findings is given below:

### 1 An overview of the PRIs

PRIs in the State consist of 17 Zilla Parishads (ZPs), one Mahakuma Parishad (MP) (with all the powers and authority of the Zilla Parishad) for Siliguri Sub-Division, 341 Panchayat Samitis (PSs) and 3,354 Gram Panchayats (GPs). At state level, the Panchayat and Rural Development Department (P&RDD) headed by a Principal Secretary exercises administrative control over the PRIs. The Directorate of P&RD, in the Department handles all establishment related matters of PRIs.

#### (Paragraph 1.3)

There was a short release of ` 539.05 crore to PRIs from the State budget allocation provided by the P&RDD during 2006-09 and the shortfall was eight *per cent* of the budget allocation. Utilisation was 68 *per cent* of actual release out of state budget allocation.

#### (Paragraph 1.7.1)

Own Source Revenue collection constitutes only four *per cent* of total revenues of PRIs while Central and State Grants constitute 58 and 38 *per cent* respectively during 2002-03 to 2008-09.

#### (Paragraph 1.7.2(a))

Flow of funds especially schematic funds to GPs increased 131 *per cent* during 2008-09 in comparison to 2006-07 and GPs received 63 to 80 *per cent* of total schematic allocation for PRIs.

#### (Paragraph 1.7.2(b))

PRIs expended 68 and 82 *per cent* of total schematic expenditure on poverty alleviation and rural housing schemes. Expenditure under education and social security was three to four times in 2008-09 in comparison to 2006-07.

#### (Paragraph 1.8)

The State Government released only 1.2, 1.5 and 0.8 *per cent* of the State Tax revenue respectively during 2006-07 to 2008-09 to the PRIs against the recommended 12.8 *per cent* under State Finance Commission grants.

#### (Paragraph 1.11)

## **2. Financial Management**

During audit of 3,214 GPs, 151 PSs, 17 ZPs and one MP, instances of deviation from laid down financial procedures were noticed. These included failure to prepare accounts and budgets, direct appropriation of revenues, theft/defalcation and non-reconciliation of cash balances as detailed below:

Twenty eight GPs failed to prepare annual accounts in the prescribed format and expended ` 17.11 crore against total receipt of ` 23.10 crore during 2007-08. Twenty nine PSs incurred expenditure of ` 166.28 crore against total receipt of ` 296.24 crore during 2005-08 without preparation of annual accounts in prescribed form.

**(Paragraph 2.1)**

Ten GPs did not prepare their budget and unauthorisedly spent ` 5.80 crore during 2007-08. Arsha and Kashipur PSs spent ` 6.96 crore during 2005-08 and ` 9.59 crore during 2005-07 respectively without preparing any budget during that period.

**(Paragraph 2.2)**

During 2007-08, 422 GPs directly appropriated ` 1.69 crore out of the revenues collected by them without depositing the money into their respective savings bank accounts in contravention of the rules.

**(Paragraph 2.3)**

One ZP, 17 PSs and 85 GPs did not conduct monthly reconciliation of balances of Cash Book and Pass Book and ` 38.97 crore remained unreconciled at the end of 2007-08.

**(Paragraph 2.4)**

In 3,068 GPs, 75 *per cent* of the total demand for taxes, duties, rates, fees and tolls amounting to ` 71.08 crore remained unrealised at the end of the year 2007-08.

**(Paragraph 2.5)**

Uniform accounting practice had not been followed by every PRI while incorporating transactions of Fund Transfer Account (FTA) in Cash Book and Annual Accounts. Sixteen ZPs, except Birbhum and Uttar Dinajpur ZPs, had incorporated transactions of FTAs in their accounts. Accounts of PRIs where transactions of FTAs were incorporated became inflated due to double recording, i.e. once under FTA and once under the respective programme head. Thus, in course of transferring funds from FTAs of ZPs to designated accounts of the PSs/GPs, receipts of ` 918.67 crore of 15 ZPs became inflated due to double recording, i.e. once under FTA head of ZPs and the other under actual programme head of respective PS/GP on transfer of funds from FTA.

**(Paragraph 2.9)**

### **3. Implementation of Schemes**

Audit of implementation of National Rural Employment Guarantee Scheme (NREGS) and Indira Awas Yojana (IAY) revealed irregularities like execution of works without preparing Annual Action Plan, expenditure on works which were not identified and selected by Gram Sansad, employment not provided to job seekers, absence of photographs on job cards, failure to create durable assets, absence of social audit, irregular selection of beneficiaries, non-conferment of ownership of dwelling units on women beneficiaries etc. as summarised below:

126 GPs expended ` 35.81 crore during 2007-08 without preparing Annual Action Plan and 385 GPs spent ` 93.91 crore on 11,577 works which were not identified and selected by Gram Sansad.

**(Paragraph 3.1.3.1)**

In 27 GPs, 7,622 applicants sought employment but they were neither provided any employment nor paid unemployment allowance during 2007-08.

**(Paragraph 3.1.3.2)**

2,972 GPs failed to provide at least one hundred days of employment to the members of any household in 2007-08. Instances of issue of job cards without affixing photographs and delay in payment of wages were noticed in 2,579 GPs and 409 GPs respectively.

**(Paragraphs 3.1.3.3, 3.1.3.4 and 3.1.3.5)**

306 GPs incurred an amount of ` 50.32 crore without creating any durable asset.

**(Paragraph 3.1.3.6)**

Gram Sabhas of 2,043 GPs did not conduct social audit and the Programme Officers of 190 blocks did not monitor works under NREGS during 2007-08.

**(Paragraph 3.1.3.7)**

Arsha, Bongaon, Jhalda-I and Jhalda-II PSs did not transfer 12,834.37 quintal of unutilised foodgrains of National Food For Work Programme (NFFWP) to NREGS account.

**(Paragraph 3.1.3.8)**

650 GPs paid ` 20.27 crore to non-BPL beneficiaries for construction/upgradation of huts under IAY during 2007-08 contrary to the provisions of the guideline.

**(Paragraph 3.2.3)**

2,207 GPs disbursed ` 38.78 crore solely to 22,941 male beneficiaries in violation of scheme guidelines.

**(Paragraph 3.2.4)**

## **4. Performance Review**

### **4.1 Implementation of Rural Infrastructure Development Fund (RIDF) Schemes**

RIDF was launched by the Government of India in 1995-96 for infrastructure development in rural areas. National Bank for Agriculture and Rural Development (NABARD) sanctioned loans to the Finance Department of the State Government, the Nodal Department, for operationalising the RIDF projects in the State. The P&RDD after collecting scheme details from PRIs forwarded them to the Finance Department for onward transmission to NABARD. ZP is the executing agency of RIDF works and is responsible for monitoring the progress of implementation of the projects. The objective of the fund is to complete ongoing rural infrastructure projects and to develop rural and social infrastructure like roads, bridges, irrigation facilities, drainage, power, *Anganwadi* centres and *Sishu Siksha Kendras*. Out of 18 ZPs, Malda, North 24 Parganas and Paschim Medinipur ZPs were selected for audit coverage. The following points were noticed during the review of the RIDF:

Paschim Medinipur, Malda and North 24 Parganas ZPs could spend 51, 68 and 51 *per cent* respectively out of RIDF funds during 2004-09.

**(Paragraph 4.1.6.2)**

Paschim Medinipur ZP unauthorisedly spent ` 2.10 crore on repairing of roads, construction of culverts, payment of salary and hiring of vehicles out of RIDF funds between 2004 and 2009.

**(Paragraph 4.1.8)**

Malda and Paschim Medinipur ZPs failed to ascertain availability of land before taking up construction of 10 market complexes. The works were abandoned after receipt of start up fund of ` 1.27 crore.

**(Paragraph 4.1.9.2)**

Malda ZP did not execute works according to the specifications of Rural Road Manual and incurred avoidable expenditure of ` 1.27 crore on construction of six rural roads. The ZP also spent ` 1.05 crore on more expensive construction material ignoring the directives of Indian Road Congress.

The ZP also incurred an excess expenditure of ` 0.10 crore due to adoption of erroneous rate for construction of six roads.

Paschim Medinipur ZP spent ` 0.68 crore for construction of two market complexes in March 2009, which could not be utilised.

**(Paragraph 4.1.9.3)**

## **5. Audit of Transactions**

Satali and Latabari GPs purchased ambulances at a cost of ` 2.95 lakh each during 2004-05. The ambulance of Satali GP appears to have been misappropriated and the ambulance of Latabari GP had not been in the GP's possession for a long time.

**(Paragraph 5.1.1)**

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Prolonged storage, laxity in monitoring, negligence and undue favour to Modified Ration Dealers by nine PRIs resulted in wastage, misappropriation and shortage of 20,193.19 quintal of foodgrains valuing ` 3.12 crore.

**(Paragraph 5.1.2)**

Flash floods were washing away two fair weather bridges over Subarnarekha and Kangsaboti rivers every year since 2002-03. Paschim Medinipur ZP and Nayagram PS constructed these two bridges every year knowing fully well that those would not last beyond five months and spent ` 2.58 crore during 2004-09. The feasibility of constructing permanent bridges was not considered.

**(Paragraph 5.2.1)**

Purulia ZP granted repeated extensions to a contractor for improvement of a road work without justification. The ZP did not adhere to the contractual clauses and chose not to impose the penalty of recovery of excess cost of work. This resulted in avoidable expenditure of ` 55.51 lakh.

**(Paragraph 5.3.1)**

Forty nine PRIs undertook various developmental works without ascertaining the source of funds and availability of clear site. They did not conduct proper survey, prepare project estimates and fix implementation schedule. These works remained incomplete upto 12 years after commencement. The rural population was thus deprived of the intended benefits after an expenditure of ` 19.58 crore.

**(Paragraph 5.4.2)**

Bardhaman ZP started construction of a cold storage three years after the project was sanctioned and expended ` 36.74 lakh as of July 2010. The work remained incomplete due to delayed finalization of project site and failure to prepare revised plan. This resulted in idle expenditure of ` 36.74 lakh besides blockage of grants of ` 1.03 crore for more than seven years.

**(Paragraph 5.4.4)**

Purulia and Uttar Dinajpur ZPs failed to complete water supply works under 'Swajaldhara' scheme even after expending ` 1.19 crore. Thus, the ZPs could not provide safe drinking water to the target population and also failed to avail of central assistance of ` 2.14 crore.

**(Paragraph 5.4.7)**

Fourteen PRIs did not write back to account the value of 582 cheques amounting to ` 3.95 crore in contravention of prescribed rules and public money remained idle upto 25 years.

**(Paragraph 5.5.4)**

North 24 Parganas ZP and five PSs had diverted scheme funds and grants amounting to ` 2.19 crore. Kalna-II PS had transferred ` 4.90 lakh from SGRY head to 'Own Fund' head during 2006-07.

**(Paragraph 5.5.5)**

Bardhaman ZP did not collect lease amount of ` 20.03 lakh from the lessee of 'Harekrishna Koner Setu' at Karalaghat and allowed him to retain unused toll ticket books and registers without taking any penal action.

**(Paragraph 5.5.6)**

Jalpaiguri ZP and five PSs purchased material worth ` 1.02 crore without floating tenders and Purulia ZP irregularly awarded a work to a company without ensuring competitive rate through open tender.

**(Paragraph 5.5.7)**