



**ANNUAL TECHNICAL INSPECTION REPORT**  
**ON**  
**THE URBAN LOCAL BODIES**  
**AND**  
**PANCHAYATI RAJ INSTITUTIONS**

**FOR THE YEAR ENDED 31 MARCH 2012**

**GOVERNMENT OF GOA**

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## P R E F A C E

1. Subsequent to the 73<sup>rd</sup> and 74<sup>th</sup> amendments to the Constitution and increasing devolution of functions and funds to local bodies, the Eleventh Finance Commission envisaged entrustment of responsibility of exercising control and supervision over the accounts and audit of Local Bodies to the Comptroller and Auditor General of India (CAG).
2. The audit of Urban Local Bodies (ULBs) and Village Panchayats (VPs) is carried out by the CAG under Section 14 of CAGø (Duties, Powers and Conditions of Service) Act, 1971. The Government of Goa has entrusted Technical Guidance and Supervision over accounts and audit of Local Bodies to the CAG in November 2006. The CAG is the sole auditor for Zilla Panchayats (ZPs). The audit is conducted under Section 20 (1) of the CAGø (Duties, Powers and Conditions of Service) Act, 1971.
3. This is the Annual Technical Inspection Report (ATIR) for the year ended March 2012, prepared by the Office of Accountant General, Goa. While Chapters I and II of this Report contain an overview and audit observations relating to Urban Local Bodies, Chapters III and IV deal with Panchayati Raj Institutions.
4. The cases mentioned in the Report are those which came to notice in the course of test audit of accounts during the year 2012-13.

## OVERVIEW

This Annual Technical Inspection Report contains four chapters. The first and second chapters contain an overview and observations of Audit on the accounts and finances of Urban Local Bodies. The third and fourth chapters contain an overview and observations of Audit on the accounts and finances of Panchayati Raj Institutions. A synopsis of the findings contained in the Report is presented in this overview.

### Urban Local Bodies

- ❖ Only seven out of the 18 functions to be devolved on the Urban Local Bodies as per the 74<sup>th</sup> Constitutional amendment were transferred as of 31 March 2012.

*(Paragraph 1.4)*

- ❖ The receipts and expenditure of the Urban Local Bodies during 2007-08 to 2011-12 revealed that the surplus/deficit varied widely ranging from a deficit of ₹ 2.78 crore during 2007-08 to a surplus of ₹ 25.49 crore during 2011-12.

*(Paragraph 1.7)*

- ❖ Urban Local Bodies maintain their accounts on cash basis and the database formats prescribed by CAG were not implemented. Further, the revised Municipal Accounts Manual as per NMAM is yet to be adopted by the Urban Local Bodies.

*(Paragraph 1.8.1)*

- ❖ 854 Utilisation Certificates for grants amounting to ₹ 266.44 crore were pending from Urban Local Bodies.

*(Paragraph 1.8.3)*

- ❖ The Unutilised balance of grants-in-aid was not refunded and was kept in bank accounts by the Municipal Authorities, resulting in blocking up of funds to the extent of ₹ 33.68 crore.

*(Paragraph 2.1.1)*

- ❖ Premises were leased out without executing lease agreements. Lease agreements were not renewed. Lease rent was also not revised and recovery of lease rent was ineffective.

*(Paragraph 2.1.2)*

- ❖ As against the entitlement of ₹ 17.77 crore for the year 2011-12, ₹ 8.95 crore was released to MCs as compensation in lieu of octroi. This resulted in short/non-release of compensation to the extent of ₹ 8.82 crore.

*(Paragraph 2.1.3)*

- ❖ Non-fulfilment of conditions imposed by the Thirteenth Finance Commission resulted in non-release of performance grant to ULBs, amounting to ₹ 2.99 crore.

*(Paragraph 2.1.5)*

## Panchayati Raj Institutions

- ❖ Only 12 of the 25 functions to be devolved to the ZPs have actually been devolved. In the case of Village Panchayats only 12 of the 28 functions to be devolved have actually been devolved.

*(Paragraph 3.4.1)*

- ❖ 2976 Utilisation Certificates for grants amounting to ₹ 131.58 crore were pending from ZPs and VPs.

*(Paragraph 3.8)*

- ❖ The accounts of North Goa Zilla Panchayat and South Goa Zilla Panchayat were in arrears from 2008-09.

*(Paragraph 3.9)*

- ❖ The PRIs are yet to adopt the revised accounting formats prescribed by CAG.

*(Paragraph 3.10)*

- ❖ As against the entitlement of ₹ 118.83 crore for the period 2007-08 to 2011-12, only ₹ 64.94 crore was released to PRIs resulting in short/ non release of compensation to the extent of ₹ 53.89 crore.

*(Paragraph 4.1.1)*

- ❖ Non-fulfilment of conditions imposed by the Thirteenth Finance Commission resulted in non-release of performance grant to PRIs, amounting to ₹ 3.31 crore.

*(Paragraph 4.1.3)*

## **CHAPTER - I**

### **PART A**

#### **URBAN LOCAL BODIES**

##### **AN OVERVIEW OF THE URBAN LOCAL BODIES**

###### **1.1 Introduction**

The Urban areas of the State of Goa are administered by Municipal Corporation of the City of Panaji (CCP) and 13 Municipal Councils (MCs). The functioning of the Municipalities in the State is governed by the Goa Municipalities Act, 1968 as amended in 1994 in the light of the 74<sup>th</sup> amendment to the Constitution. The lone Corporation (CCP) in the State is governed by the -City of Panaji Corporation Act, 2002ø

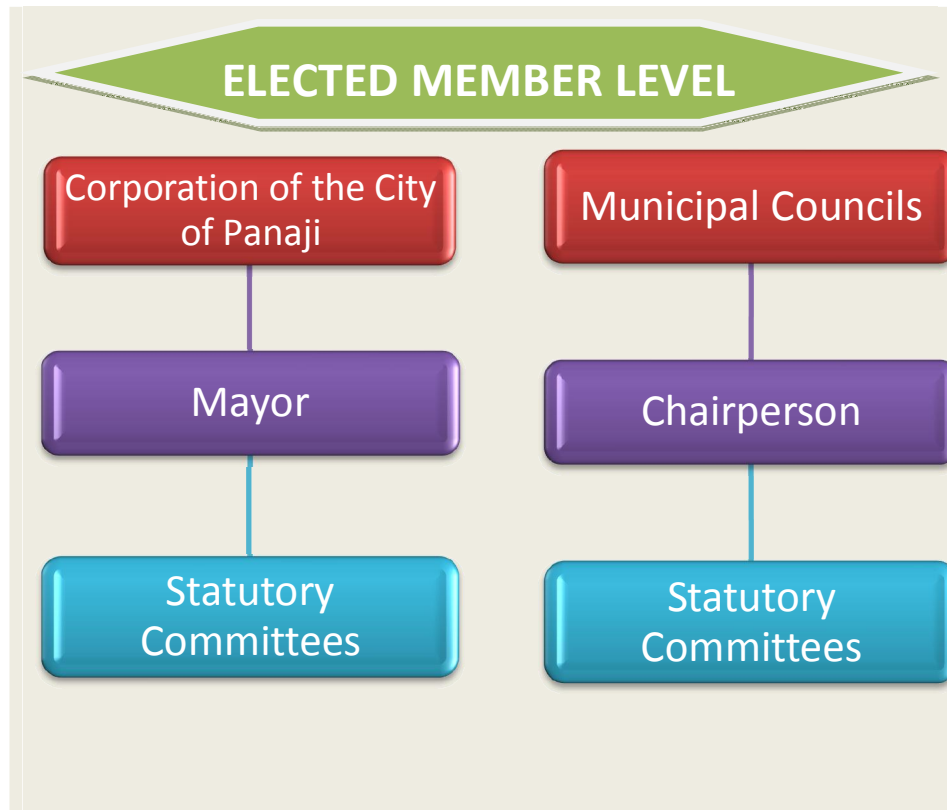
The last elections for 11 MCs<sup>1</sup> were held in October 2010 and for the CCP in March 2011. Elections to the Ponda Municipal Council and Sanquelim Municipal Council were held in May 2013.

###### **1.2 Organisational set-up**

An organisational chart combining the State Government administrative machinery with Urban Local Bodies (ULBs) is given below:

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<sup>1</sup> Margao, Mormugao, Mapusa, Bicholim, Cuncolim, Canacona, Curcholem-Cacora, Quepem, Sanguem, Pernem and Valpoi.





The Secretary, Urban Development is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises such powers and performs such duties as are conferred and imposed upon him by the Act or any Rules made thereunder. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and accountants belonging to the common cadre are also provided. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

Standing and Subject Committees are constituted for the Councils under Section 63 of the Goa Municipalities Act. Standing, Ward and Special Consultative Committees are constituted for CCP under Sections 35, 41 and 42 of City of Panaji Corporation Act respectively.

### **1.3 District Planning Committees**

As per Section 184 F of the Goa Municipalities Act, 1968, every Council shall prepare every year a development plan and submit it to the District Planning Committee (DPC) constituted under Section 239 of the Goa Panchayat Raj Act, 1994. The DPC shall consolidate the plans prepared by the MCs, Zilla Panchayats (ZPs) and the Village Panchayats (VPs) in the district and prepare a draft development plan for the district as a whole.

There are two districts in the State of Goa - North Goa and South Goa. The Government has reconstituted DPCs for each district from time to time. However, the preparation of district plans by these committees have not yet materialised (May 2014). The non-submission of development plans adversely affects the identification and execution of the developmental works which in turn affects sustainable development of the State.

## **1.4 Devolution of Functions**

The Twelfth Schedule (Article 243W) of the Constitution envisaged entrustment of 18 functions to the ULBs. However, the Goa Municipalities Act provided (1993) for devolution of 11 functions to the Councils as detailed in *Appendix 1.1*.

The Second State Finance Commission (SSFC) was entrusted with the work of recommendation for devolution of powers, functions, responsibilities and resources to ULBs. The Commission submitted its report in December 2007 and recommended devolution of all the 11 functions to ULBs for economic development and social justice as listed in the Goa Municipalities Act, 1968.

Of the 11 functions to be devolved on the ULBs, only seven functions and one activity in one function have been transferred as of April 2014 as detailed in *Appendix 1.1*. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Section 143A of the Goa Municipalities Act, 1968 requires that the recommendations made by the State Finance Commission together with an explanatory memorandum as to the action taken thereof, shall be laid before the State Legislature. The Advocate General of Goa submitted (March 2010) before the Honøble High Court of Mumbai at Goa that the State would constitute a Committee of Ministers which would submit report to the State Government and thereafter the report would be tabled before the State Legislature in the session after the budget session of 2010. Accordingly, a committee consisting of six ministers was constituted (July 2010) to examine the report of the SSFC and to prepare Explanatory Memorandum on the recommendations of the Commission. After the Legislative Assembly Elections (held in March 2012), a new committee consisting of five ministers was constituted (February 2013), the report of the committee is awaited. The recommendations of the SSFC are yet to be approved though the five year period envisaged by the commission ended

in March 2012. Thus, ULBs were deprived of the additional assistance recommended by the SSFC. The Third State Finance Commission for the five year period from 2012-13 to 2016-2017 has not been constituted so far (April 2014).

## 1.5 Transfer of Funds

### 1.5.1 Sources of Funds

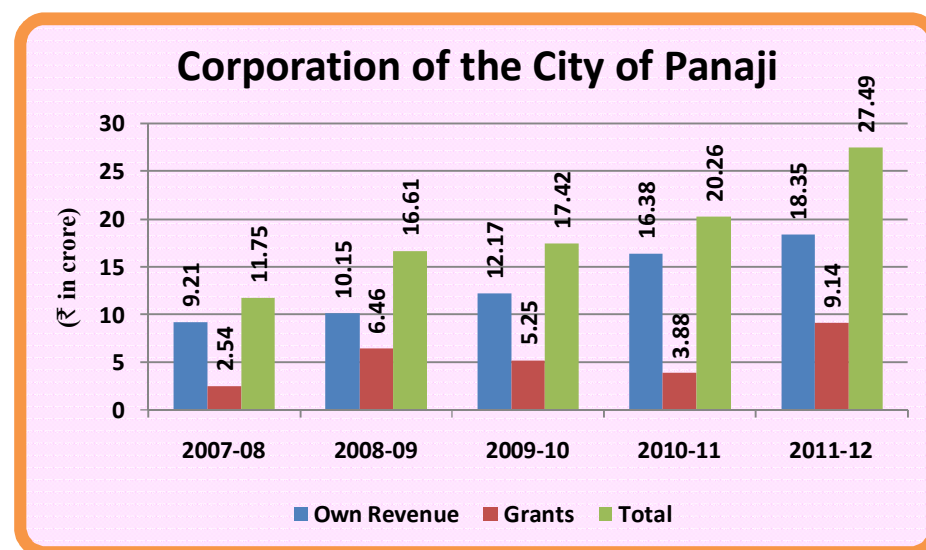
The position of own revenue and the grants-in-aid<sup>2</sup> received during the five years upto 2011-12 is exhibited in Table I and bar charts as follows:

**Table I: Own Revenue and Grants received by CCP and MCs during the five year period ending 31 March 2012**

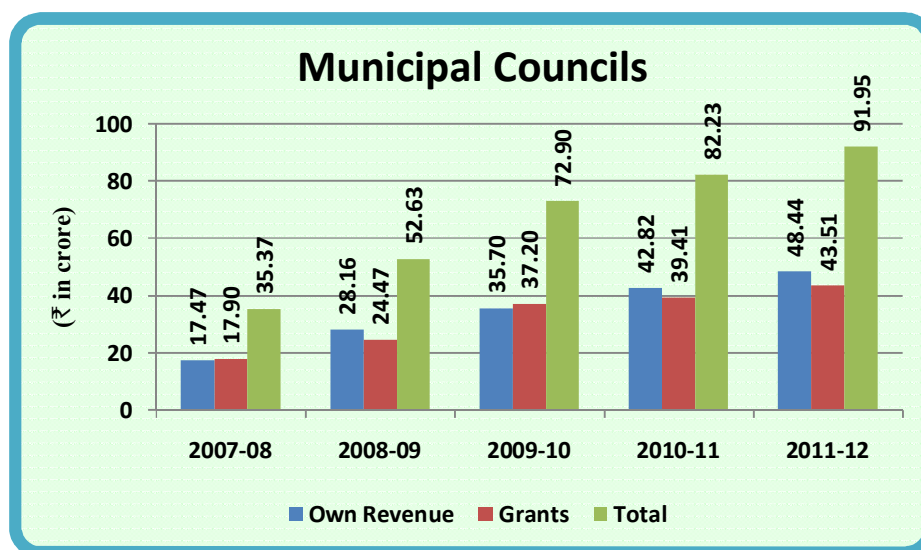
(₹ in crore)

Year	CCP			MCs		
	Own Revenue	Grants	Total	Own Revenue	Grants	Total
2007-08	9.21	2.54	11.75	17.47	17.90	35.37
2008-09	10.15	6.46	16.61	28.16	24.47	52.63
2009-10	12.17	5.25	17.42	35.70	37.20	72.90
2010-11	16.38	3.88	20.26	42.82	39.41	82.23
2011-12	18.35	9.14	27.49	48.44	43.51	91.95

Source: Information furnished by Director of Municipal Administration (figures are not available in State Finance Accounts)



<sup>2</sup> Grants-in-aid are released by the State Government under section 86(2) of the Goa Municipalities Act, 1968 for the purposes of construction and maintenance of roads, pay and allowances to officers/ servants of the MCs etc.



The own revenue of the CCP showed an increasing trend during the five year period ending March 2012 and increased from ₹ 9.21 crore in 2007-08 to ₹ 18.35 crore in 2011-12. The grants sanctioned to CCP revealed a fluctuating trend.

In respect of MCs, the own revenue of the MCs showed an increasing trend during the five year period ending March 2012. It increased from ₹ 17.47 crore in 2007-08 to ₹ 48.44 crore in 2011-12. The grants also increased from ₹ 17.90 crore in 2007-08 to ₹ 43.51 crore in 2011-12.

### 1.5.2 Recommendations of Second State Finance Commission

The SSFC recommended (December 2007) an amount of ₹ 650.65 crore for nine core functions as well as ₹ 818.16 crore for seven consultative functions for ULBs for a period of five years from 2007-08 to 2011-12 as detailed in *Appendix 1.2*. However, no expenditure was incurred towards these functions, as no budgetary provision was made, pending acceptance of the recommendations by the State Government (April 2014) as commented in para 1.4 of this report.

## 1.6 Thirteenth Finance Commission

The Thirteenth Finance Commission (FC-XIII) was constituted under Article 280 of the Constitution to make recommendations for the period 2010-11 to 2014-15. The FC-XIII grants are divided into two components

ó (i) a basic component (equivalent to 1.50 *per cent* of previous year divisible pool). All states have access to this component for all the five years as per the stipulated criteria and rates. This would be disbursed in two instalments each year subject to submission of a utilisation certificate for the previous instalment drawn and no other documentation was stipulated; and (ii) a performance based component (fixed at 0.50 *per cent* for the year 2011-12 and 1 *per cent* thereafter upto 2014-15). This would be released from the year 2011-12 upto 2014-15 to only those states which met the stipulated conditions by the end of a fiscal year for the succeeding fiscal year. According to the recommendations, each state is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards, subject to compliance of nine conditions<sup>3</sup>. The details of basic grant and performance grant recommended to ULBs of Goa State for the five year period from 2010-11 to 2014-15 are exhibited in the **Table II** below:

**Table II: Details of general basic grant and general performance grant recommended by the FC XIII to the ULBs of the State for the five year period from 2010-11 to 2014-15**

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic grant	7.60	8.83	10.31	12.21	14.44	53.39
General Performance grant	0.00	2.99	7.08	8.36	9.83	28.26
<b>Total</b>	<b>7.60</b>	<b>11.82</b>	<b>17.39</b>	<b>20.57</b>	<b>24.27</b>	<b>81.65</b>

The ULBs of the State had received (March 2014) ₹ 5.48 crore, out of which an amount of ₹ 4.90 crore was utilised and Utilisation Certificate (UC) was furnished for an amount of ₹ 1.74 crore. The entire amount received under the FC-XIII was placed at the disposal of the ULBs.

### 1.7 Financial position of the ULBs

The financial position of the ULBs for the five years upto 2011-12 is exhibited in the **Table III** below:

**Table III: Financial position of ULBs for the five years ending 2011-12**

<sup>3</sup> Budget & accounting, auditing, ombudsman, electronic transfer of funds, membership of state finance commission, levy of property tax, property tax board, standards for service sectors and fire hazard mitigation

(₹ in crore)

Year	Receipt			Expenditure			Surplus/ Deficit(-)
	CCP	MCs	Total	CCP	MCs	Total	
2007-08	11.75	35.37	47.12	15.99	33.91	49.90	(-) 2.78
2008-09	16.61	52.63	69.24	17.18	44.07	61.25	7.99
2009-10	17.42	72.90	90.32	16.17	58.86	75.03	15.29
2010-11	20.26	82.23	102.49	19.73	68.19	87.92	14.57
2011-12	27.49	95.48	122.97	23.38	74.10	97.48	25.49

Source: Information furnished by the Director of Municipal Administration.

While there was a deficit of (-) ₹ 2.78 crore in 2007-08, the ULBs started generating surplus which increased from ₹ 7.99 crore in 2008-09 to ₹ 25.49 crore during 2011-12.

## **1.8 Accounting Procedures**

### **1.8.1 Accounting Formats**

The Ministry of Urban Development, Government of India in consultation with the Comptroller and Auditor General of India (CAG) prepared (November 2004) National Municipal Accounts Manual (NMAM) with accrual basis accounting and provided revised formats of accounts. The eight formats prepared by the CAG for creation of database of finances of ULBs were sent to the Finance Secretary in September 2003. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. However, the ULBs are maintaining their accounts on cash basis and none of the MCs have prepared the Income and Expenditure Accounts and the Balance Sheet using the accrual based double entry system (September 2013). The DMA replied (November 2013) that all the ULBs were directed to adopt the Accrual Based Accounting Formats.

### **1.8.2 Revenue Tax Arrears**

In accordance with Section 101 of the Goa Municipalities Act, 1968, the ULBs levy taxes on property, profession/ trade, theatre and advertisements other than advertisements published in the newspapers. As against the total recoverable tax amount of ₹ 39.37 crore as of March 2012, only ₹ 17.15 crore could be recovered as detailed in Appendix 1.3, leaving a

balance amount of ₹ 22.22 crore as tax revenue arrears to be recovered as at the end of March 2012.

The accumulation of arrears was attributed to the non-issue of demand notice and non-appointment of Recovery Officers under Section 163 of the Goa Municipalities Act. The DMA replied (November 2013) that attempt would be made to post Recovery Officers.

### ***1.8.3 Outstanding Utilisation Certificates***

As per the terms and conditions for release of the grants, the entire amount shall be utilised within a period of one year and utilisation certificates (UC) shall be submitted by the CCP/MCs within 12 months.

Audit noticed that out of 864 UCs for ₹ 268.26 crore released during the period from 1995-96 to 2010-11, 854 UCs (amounting to ₹ 266.44 crore) remained outstanding from CCP/ MCs as of June 2012 (*Appendix 1.4*). The DMA replied (November 2013) that all the MCs and CCP were requested to submit the UCs or refund the grants along with interest earned on them.

## **1.9 Audit Coverage**

As per the provisions of Section 152 of the Goa Municipal Account Code, 1972, the Director of Accounts is the Statutory Auditor of the ULBs. The audit of CCP and all MCs were completed upto 2012-13 (March 2014).

The CAG conducts audit of ULBs under Section 14 (1) of CAG's DPC Act, 1971. In addition to this, the audit is also conducted under the Technical Guidance & Supervision arrangement. The audit of all the 13 MCs<sup>4</sup> was conducted during 2012-13 and results of the audit are included under Chapter II of this Report.

### ***1.9.1 Audit Reports of Director of Accounts***

The DMA stated (February 2013) that 961 paragraphs in the Audit Reports of Director of Accounts were pending clearance as of February 2013 in

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<sup>4</sup> Margao, Mormugao, Mapusa, Ponda, Bicholim, Cuncolim, Canacona, Curchorem-Cacora, Quepem, Sanguem, Pernem, Valpoi and Sanquelim.

respect of CCP and 13 MCs. Out of this 309 paragraphs pertained to the period upto 2000-01 and the remaining 652 paragraphs pertained to the period 2001-02 to 2011-12. The DMA replied (November 2013) that action would be taken to clear outstanding paragraphs.

### **1.9.2 Poor response to Inspection Reports**

The position of outstanding paragraphs of the Inspection Reports of the Office of the Accountant General, Goa in respect of CCP and 13 MCs is shown in **Table IV**.

**Table IV: Position of Inspection Reports and paragraphs relating to ULBs issued upto 30 June 2012 and outstanding as on 31 December 2012**

<b>Year</b>	<b>No. of Inspection Reports</b>	<b>No. of Paragraphs</b>
2004-05	1	2
2005-06	2	3
2006-07	3	7
2007-08	9	24
2008-09	7	33
2009-10	14	101
2010-11	6	77
2011-12	10	182
<b>Total</b>	<b>52</b>	<b>429</b>

There was no clearance of outstanding paragraphs of the Inspection Reports during the year and the responses to Audit Paragraphs were not satisfactory as replies to 429 paragraphs in 52 Inspection Reports (issued upto 30 June 2012 and outstanding as on 31 December 2012) pertaining to the period from 2004-05 to 2011-12 remained outstanding from CCP and other MCs.

The FC-XIII had recommended (December 2009) the placing of Annual Report of the Director of Local Fund Audit before the State Legislature. The DMA replied (November 2013) that the Annual Report of the Director of Local Fund Audit had not yet been tabled before the State Legislature, certification of accounts and Local Audit were not conducted during the year 2011-12.



## CHAPTER - II

### AUDIT FINDINGS

#### 2.1 Audit Paragraphs

##### *2.1.1 Non refund of unutilised balance of Government grants-in-aid amounting to ₹ 33.68 crore.*

**Unutilised balance of grants-in-aid was not refunded but was kept in bank accounts by the Municipal Authorities, resulting in blocking up of ₹ 33.68 crore.**

The State Government sanctions grants to Municipal Councils (MCs) in pursuance of Section 86 (2) of the Goa Municipalities Act, 1968 specifying the Developmental works<sup>5</sup> to be undertaken. The terms & conditions of the release orders specified that the entire amount should be utilised for the purpose for which it was sanctioned within a period of one year and any portion of grants which was ultimately not required had to be refunded immediately to the Government.

Scrutiny of the grants sanctioned and utilised in MCs and Corporation of the CCP upto 2011-12 revealed that the MCs/ CCP had neither refunded the unutilised balance of grants in respect of complete/ abandoned works nor did the DMA adjust the balance in the succeeding year's grants. Non-completion of the envisaged works resulted in hardship to the general public besides time and cost over runs. The unutilised amounts were kept in Bank Accounts resulting in blocking up of Government funds amounting to ₹ 33.68 crore as detailed in **Table V**.

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<sup>5</sup>Development plan and town planning schemes, Construction and maintenance of roads and other amenities.

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**Table V: Statement showing unutilised balance of grants kept in bank accounts by ULBs**

(₹ in crore)

Name of Municipal Authority	Period	Amount sanctioned	Utilisation upto 2011-12	Unutilised balance as on 31.3.2012
Cancona MC	2002-03 to 2010-11	2.08	1.46	0.62
CCP, Panaji	2002-03 to 2010-11	4.40	0.62	3.78
Cuncolim MC	2001-02 to 2010-11	5.82	0.85	4.97
Sanquelim MC	2006-07 to 2010-11	2.10	0.92	1.18
Valpoi MC	2004-05 to 2010-11	0.75	0.42	0.33
Curchorem Cacora MC	2001-02 to 2010-11	1.84	0.60	1.24
Quepem MC	2008-09 to 2010-11	1.50	0.78	0.72
Margao MC	2002-03 to 2010-11	23.76	8.17	15.59
Mapusa MC	2002-03 to 2010-11	0.65	0.14	0.51
Sanguem MC	2001-02 to 2010-11	1.71	0.40	1.31
Mormugao MC	2002-03 to 2010-11	3.23	2.75	0.48
Ponda MC	2002-03 to 2010-11	7.55	4.59	2.96
<b>Total</b>		<b>55.39</b>	<b>21.70</b>	<b>33.69</b>

*(The grants for the year 2011-12 was not considered as due date of utilisation not expired)*

The retention of unutilised amounts not only resulted in violation of the conditions of sanction of the grants, but also resulted in funds amounting to ₹ 33.69 crore remaining idle. On being pointed out by audit, DMA replied (November 2013) that all MCs had been directed to surrender unutilised amounts with interest.

### **2.1.2 Lapses observed in leasing out of premises - ₹ 11.80 crore.**

**Premises were leased out without executing lease agreement. Lease agreements were not renewed and lease rent were not revised. Failure to recover lease rent resulted in huge arrears in revenue.**

Section 88(3) of the Municipalities Act, 1968 provided that *ãa Council may lease its immovable property for a period not exceeding three years with appropriate annual rate of increase in rentö. Based on these provisions, the CCP and MCs lease out their various premises to traders for carrying out business for periods upto three years. The lease rent was to be increased annually at the rate of 10 per cent as per an order issued by the DMA.*

Audit observed various lapses in leasing out premises in almost all the MCs and CCP as detailed below:

Premises were let out without executing agreements.

- Lapsed lease agreements were not renewed
- Lease rent was not revised annually
- Failure to recover lease rent resulted in huge arrears of revenue.

The details of the lapses observed by audit in leasing out of premises by the MCs and CCP resulting in non-recovery of outstanding lease rent arrears of ₹ 9.65 crore and non-revision of lease rent/ renewal of lapsed lease agreements resulting in an additional loss of ₹ 2.15 crore as given in *Appendix 2.1*.

**2.1.3 Non-release of compensation of ₹ 8.82 crore in lieu of octroi to ULBs**

**As against the entitlement of ₹ 17.77 crore for the year 2011-12, ₹ 8.95 crore was released to MCs resulting in short/ non-release of compensation to the extent of ₹ 8.82 crore.**

The State Government in its budget for the year 2000-01 decided to abolish octroi hitherto being levied by MCs and VPs. The MCs and VPs were to be compensated out of funds collected by levy of two *per cent* additional tax along with the sales tax (Presently VAT) on petroleum products. It was decided in the budget to distribute the additional tax so collected amongst MCs, VPs and ZPs in the ratio of 3:3:2 respectively, as compensation in lieu of octroi.

The details of additional tax collected, payable and released to MCs for the years 2010-11 and 2011-12 is shown in **Table VI**.

**Table VI: Statement showing details of additional VAT on petroleum products collected, payable and released to MCs.**

*(₹ in crore)*

Year	2 per cent additional VAT collected on petroleum products	Share payable to MCs	Amount released to MCs (upto 31.03.2012)	Short release
2010-11	41.42	15.53	13.16	2.37
2011-12	47.39	17.77	0.00	17.77
<b>Total</b>	<b>88.81</b>	<b>33.30</b>	<b>13.16</b>	<b>20.14</b>

The entitlement of amount to be compensated was fixed by the Ministry of Urban Development for each year. As against the entitlement of

₹ 15.53 crore and ₹ 17.77 crore for the years 2010-11 and 2011-12, DMA released only ₹ 13.16 crore for 2010-11. On short release of octroi being pointed out by audit, ₹ 2.37 crore was released (November 2012) for the year 2010-11 and ₹ 8.95 crore was released for the year 2011-12 with an assurance that the balance amount of ₹ 8.82 crore would be released during the year 2012-13. Till November 2013, the funds were not released. The DMA replied (November 2013) that proposals had been submitted to the Government for release of the balance funds.

Audit also observed that DMA released the share of additional taxes to MCs without any relation to the quantum of petroleum products sold within jurisdiction of MCs. Thus, share of compensation released to MCs having more sales, located on State border and those having mining areas were lower compared to share of compensation to MCs like Margao, Mormugao and CCP. Thus, absence of a scientific/ rational method for equitable distribution of compensation has resulted in insufficient compensation to some of the MCs and loss of revenue. The DMA replied (April 2014) that due to non-receipt of details regarding sale of petroleum products from the Commercial Tax Department, the compensation was distributed on ad-hoc basis and this would be resolved in consultation with the Commercial Tax Department.

#### ***2.1.4 Non-release of second instalment of ₹ 3.79 crore of basic grant.***

**Delay in transfer of funds and failure to furnish Utilisation Certificate for 1<sup>st</sup> instalment of general basic grant for the year 2010-11 resulted in non-release of 2<sup>nd</sup> instalment of ₹ 3.79 crore.**

According to the recommendations of the FC-XIII, the ULBs in the State were entitled to basic grant of ₹ 7.60 crore for the year 2010-11 [₹ 16.00 crore x (0.095/0.200)]. Paragraph 10.160 of the recommendations stipulated that the general basic grant would be released in two instalments, latest by 1 July and 1 January of each year, subject to submission of an Utilisation Certificate (UC) for the previous instalment drawn.

The State received (July 2010) ₹ 8.02 crore as first instalment of basic grant, out of which ₹ 3.81 crore pertained to ULBs and ₹ 4.21 crore pertained to Panchayati Raj Institutions. It was clearly stipulated that the States had to transfer the amount to the ULBs within 15 days of receipt of funds. It was also stipulated that the State would be liable to pay penal interest at the RBI Bank Rate to local bodies, along with the instalment for any delay beyond 15 days. The funds were released to ULBs only on 11 February 2011 after a delay of 195 days (from 31 July 2010 to 10 February 2011). The interest liability of ₹ 0.12 crore (based on the RBI's Bank rate of six *per cent* prevalent during the period) was not released. Consequently, UC for the first instalment could not be furnished and the second instalment amounting to ₹ 3.79 crore (₹ 7.60 crore - ₹ 3.81 crore) was not released for the year 2010-11.

The DMA replied (November 2013) that during the financial year 2010-11, the funds were released to the ULBs by the Finance Department as a supplementary provision. This resulted in delayed release of funds. Further the DMA stated that no interest was paid for the delayed period. It was further stated that the submission of UCs was delayed by the concerned ULBs; but the funds were fully utilised and request had been made (October 2013) for release of the remaining instalment.

Thus, failure of the DMA in releasing the grant promptly and monitoring receipt of the UCs resulted in the ULBs in the State being deprived of grant amounting to ₹ 3.91 crore (including interest) during the year 2010-11.

***2.1.5 Non-release of performance grant of ₹ 2.99 crore due to non-fulfilment of conditions specified by the Thirteenth Finance Commission for ULBs.***

**The State lost its share of performance grant of ₹ 2.99 crore for the year 2011-12 due to non-compliance of the conditions specified by the Thirteenth Finance Commission.**

The FC-XIII had recommended (Dec 2009) transfer of grant to local bodies for the period 2010-11 to 2014-15. Paragraph 10.147 of the recommendations stated that each State is entitled to a share of the basic

grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards, subject to compliance of nine conditions<sup>6</sup> stipulated in Paragraph 10.161. These conditions had to be met by the end of a fiscal year (31 March) for the State to be eligible to draw its performance grant for the succeeding fiscal year.

FC-XIII had allocated an amount of ₹ 2.99 crore as performance grant (fixed at 0.50 *per cent*) for the ULBs of the State for the year 2011-12. It was observed (September 2012) that the stipulated nine conditions were not complied by the ULBs within 31 March 2010 and the general performance grant for ULBs for the year 2011-12 was not released to the State.

The DMA replied (November 2012) that action would be taken to comply with the eight conditions to avail the performance grant and that the condition regarding fire hazard mitigation was not applicable to the State as there was no ULB with population of more than one million (2001 census). However, the fact remained that the State did not get its share of performance grant of ₹ 2.99 crore for the year 2011-12 due to non-compliance with the conditions specified by the XIII-FC.

***2.1.6 Short collection of VAT of ₹ 18.60 lakh from contractor's bills.***

**Ten Municipal Corporations and the Corporation of the City of Panaji did not deduct VAT at the prescribed percentage, resulting in under recovery of taxes to the extent of ₹ 18.60 lakh.**

The Goa Value Added Tax Act was amended (Goa Act 2 of 2011) to levy 2 *per cent* VAT on works contract value with effect from 8 March 2011 and the same was notified in the Official Gazette<sup>7</sup> of Goa.

Audit observed (May 2012) that ten MCs and CCP did not deduct VAT on work contracts at the prescribed rate of 2 *per cent* from the bills of the contractors.

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<sup>6</sup> budget & accounting, auditing, ombudsman, electronic transfer of funds, membership of state finance commission, levy of property tax, property tax board, standards for service sectors and fire hazard mitigation

<sup>7</sup> Notification No. 7/2/2011-LA

The short recovery of VAT on bills amounting to ₹ 1883.17 lakh paid from 08/03/2011 upto the end of January 2013 worked out to ₹ 18.60 lakh. The DMA replied (April 2014) that the ULBs were not aware of the revised rate of VAT and this had resulted in short collection of VAT.

**2.1.7 Irregular expenditure of ₹ 17.32 lakh in appointment of Security Agency.**

**No tenders/ quotation were invited for selection of Security Agency by the Municipal Corporation. Payments were made for security services in respect of bus stand belonging to Kadamba Road Transport Corporation.**

The Chief Officer, Cuncolim Municipal Council (CMC) entrusted the security services in the CMC's jurisdiction to M/s Cobra Personnel & Intelligence Services, Panjim at a monthly charge of ₹ 6000/- per security guard for 12 hours shift with an annual increment of 10 *per cent* on an arbitrary basis.

The CMC paid an amount of ₹ 17.32 lakh towards security services during the period from April 2010 to July 2012.

On scrutiny of the relevant records, the following irregularities were observed in engagement and payment of security services:

- i. The CMC admitted (August 2012) that no tenders/ quotations were invited for selection of the security agency.
- ii. The agency was entrusted the work from 01 April 2010 to 31 March 2012 vide a stamp paper which was issued on 08 June 2012 and the agency continued (July 2012) to provide security services even though the work was to end on 31 March 2012.
- iii. The monthly payments to agency varied largely as the number of security guards and the places for deployment were not specified. Payments were also made for security services at bus stand which belonged to Kadamba Road Transport Corporation.

The CMC made payments without any cross verification of the bills with the actual number of personnel and number of days for which they were deployed. Reasons for not tendering for the contract were not furnished to

audit. The entire expenditure of ₹ 17.32 lakh incurred by the Council was thus irregular. Reply of the Government/ ULB is awaited (April 2014).

***2.1.8 Short remittance of revenue collection in bank account - Suspected misappropriation of cash of ₹ 1.73 lakh.***

**Absence of internal check has resulted in suspected misappropriation of cash to the tune of ₹ 1.73 lakh.**

The details of daily revenue collected in Pernem Municipal Council (PMC) are being accounted through a computerised Cash Book. The revenue so collected is deposited in the Goa State Co-operative Bank Ltd. (GSCB), Pernem Branch.

On scrutiny of Cash Book vis-à-vis Bank Statements for the years 2009-10 to 2011-12 of GSCB, audit noticed short remittance of cash at Bank to the tune of ₹ 1,72,888/- after adjusting three excess remittance amounting to ₹ 3,129/- as detailed in *Appendix 2.2*.

The absence of internal check has resulted in non-accountal/ deposit of cash amounting to ₹ 1.73 lakh with suspected misappropriation.

The Chief Officer stated (May 2012) that verification of Cash Book and the bank statement would be done and Bank Reconciliation statement would be prepared so as to find out discrepancies. However, no progress in the reconciliation of cash book and bank statements has been intimated so far (April 2014).

***2.1.9 Loss of revenue due to non-claiming of reimbursement of property tax from Government.***

**Municipal Councils are not claiming reimbursement of property tax on exempted properties from Government resulting in loss of tax revenue.**

According to Section 102 of the Goa Municipalities Act, 1968, if under any special or general order issued under sub-section 101 (1), the Government grants exemption in respect of any class of property or persons from levy of taxes specified in sub-sections 101 (1) and 101 (2), the Government may under appropriation duly made by law in this behalf, reimburse to the



Council concerned an amount approximately equal to the loss that the Council thereby incurs. In terms of sub-section 101 (1) buildings belonging to Central/ State Government and duly registered freedom fighters are not liable for property tax.

It was noticed (October 2011) that buildings under the jurisdiction of MCs which housed Mamlatdar's Office, Police Station, Court, Schools and Office/ Staff Quarters & Guest House belonging to Electricity, Public Works, Water Resources, Forest and State Excise Department were not subjected to payment of property taxes. However, the MCs had not taken action to claim reimbursement of loss from the Government on this account.

The DMA replied (April 2014) that information about Government buildings are being sought from the MCs to claim reimbursement of loss from the Government.

## **2.2 Recommendations**

- ❖ **Steps needs to be taken to ensure that the accounts are maintained on accrual basis and the Model Accounting System should be implemented at the earliest.**
- ❖ **A mechanism needs to be evolved to ensure that grants are released and utilised within time limit for the purpose for which they are sanctioned and UCs in respect of grants received from Central and State Governments are furnished promptly.**
- ❖ **Action needs to be taken to: (i) let out premises only after executing lease agreements; (ii) increase lease rents annually; and (iii) recover arrears of lease rent and renew lapsed lease agreements.**
- ❖ **Compensation in lieu of octroi should be made to ULBs using a scientific method based on actual sale of petroleum products.**

- ❖ **Conditions stipulated by the Thirteenth Finance Commission for availing performance grant should be fulfilled at the earliest.**
- ❖ **ULBs should be intimated to strictly implement the changes in statutory levies from the date of Gazette notification.**
- ❖ **All the prescribed procedures should be followed in outsourcing services.**
- ❖ **Internal controls in ULBs should be strengthened to prevent occurrence of financial irregularities.**
- ❖ **Reimbursement of property tax in case of exempted buildings must be claimed from the Government.**

## CHAPTER - III

### PART B

#### PANCHAYATI RAJ INSTITUTIONS

#### AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

##### 3.1 Introduction

The President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. This was amended in 1994 to incorporate the provisions of the 73<sup>rd</sup> Constitutional Amendment Act, 1992 to establish a two-tier panchayat system of elected bodies ó Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

As already mentioned in paragraph 1.3, the State of Goa consists of two Districts namely :-North Goaø and :-South Goaø As of September 2013, there were two ZPs and 190 VPs<sup>8</sup> in the State of Goa.

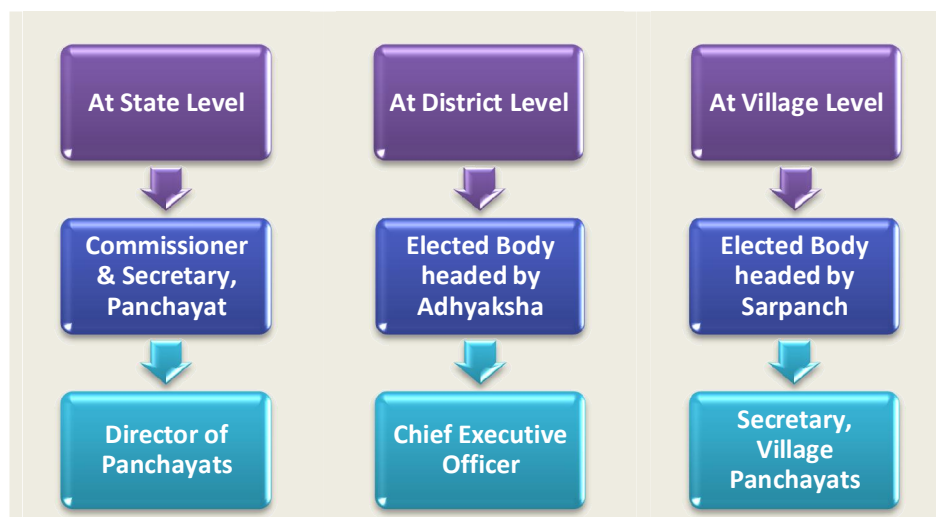
The last elections for ZPs and VPs were held in February 2010 and May 2012 respectively.

##### 3.2 Organisational Set-up

The organisational set-up of Panchayati Raj Institutions (PRIs) in the State is shown below:

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<sup>8</sup> The local area of Harvalem was excluded from the Sanquelim Municipal Council for formation of Harvalem Village Panchayat vide Government of Goa Notification No. 10/3-6/ 2012/ Sanquelim/ 2918 dated 25.02.2013



The Commissioner and Secretary, Panchayat is the Administrative Head of the Panchayat Department. The Director of Panchayats (DOP) exercises control and supervision over the PRIs and also acts as the Appellate Authority under the Goa Panchayat Raj Act.

Adhyakshas head the ZPs and are provided with Chief Executive Officers by the Government besides other staff. Sarpanchs head the VPs and are provided with Secretaries and other staff. After elections, various Standing Committees are formed in ZPs<sup>9</sup> and VPs<sup>10</sup> respectively for governing their functions, as per Sections 142 and 63 of the Goa Panchayat Raj Act 1994.

### **3.3 District Planning Committees**

In pursuance of Section 239 of Goa Panchayat Raj Act, 1994 the Government constituted (October 2003) District Planning Committees (DPCs) for the two districts - North Goa and South Goa. These committees were reconstituted in September 2006, August 2009 and March 2012. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same along with ZP plan to the DPC which in turn would prepare a Draft Development Plan (DDP) for the district as a whole and forward to the Government. However, Annual

<sup>9</sup> (a) General Standing Committee; (b) Finance, Audit and Planning Committee; (c) Social Justice Committee; (d) Education and Health Committee; (e) Agriculture and Industries Committee; (f) Taluka Development Committee.

<sup>10</sup> (i) Production Committee; (ii) Social Justice Committee; (iii) Amenities Committee

Development Plans were not submitted by most of the VPs to the ZPs which was not keeping in with Constitutional provisions (Article 243 G) and the Goa Panchayat Raj Act, 1994.

The Village Panchayat plans constitute a vital input while drawing up the DDP. The planning process of the District was thus hampered by the absence of plans from the ground level. No reasons were assigned for non-compliance of the provisions of the Act.

### 3.4 Functions

#### *3.4.1 Devolution of Functions*

The Eleventh Schedule (Article 243G) appended to the Constitution of India gives a list of the 29 functions and responsibilities which may be devolved to the PRIs. The Schedules I and II appended to the Goa Panchayat Raj Act, 1994 envisaged entrustment of 28 and 25 functions to VPs and ZPs respectively (*Appendix 3.1 and 3.2*). However, only 12 functions each have been devolved partly to the VPs and ZPs as shown in **Table VII** below:

**Table VII: Functions devolved to VPs and ZPs**

Functions devolved to VPs		Functions devolved to ZPs	
Sr. No. of Sch XI of Constitution	Name of Sub Function/ Scheme	Sr. No. of Sch XI of Constitution	Name of Main Function/ Scheme
1	Agriculture including Agricultural extension	1	Agriculture including Agricultural extension
4	Animal husbandry, dairy & poultry	3	Minor irrigation, water management and watershed development.
5	Fisheries	4	Animal husbandry, dairy & poultry
11	Drinking water	5	Fisheries
16	Poverty alleviation programme	8	Small scale industries including food processing industries
17	Education, including primary and secondary schools	11	Drinking water
21	Cultural activities	16	Poverty alleviation programme
23	Health and sanitation including hospitals, primary health centres and dispensaries	17	Education including primary and secondary schools
25	Women and child development	21	Cultural activities
26	Social welfare including welfare of the handicapped and mentally retarded.	23	Health and sanitation including hospitals, primary health centres and dispensaries

29	Maintenance of community assets	25	Women and child development
	General functions, preparation of annual plans, preparation of annual budget, providing relief to natural calamities, removal of encroachment, organising voluntary labour and contribution for community works and maintenance of essential statistics	26	Social welfare including welfare of the handicapped and mentally retarded.

The State Government had set up two Finance Commissions to review the financial position of Local Bodies. The SSFC was set up in August 2005 and was requested to carry out activity mapping. Accordingly, SSFC recommended (December 2007) devolution of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in Schedules I and II respectively of the Goa Panchayat Raj Act, 1994.

The DOP stated (November 2013) that the Government has reconstituted (February 2013) a committee of Group of Ministers for examination of the report of the SSFC. The committee was assigned with the preparation of Explanatory Memorandum on the recommendations of the SSFC. The report of the committee is awaited (April 2014).

### ***3.4.2 Recommendations of the Second State Finance Commission***

The SSFC recommended an amount of (i) ₹ 722.81 crore for the 21 core functions<sup>11</sup> and ₹ 1131.03 crore for 17 consultative functions<sup>12</sup> for VPs, and (ii) ₹ 284.51 crore for 10 core functions and ₹ 459.61 crore for 11 consultative functions for ZPs for a period of five years from 2007-08 to 2011-12 as detailed in ***Appendix 3.3***. The recommendations of the SSFC are yet to be approved though the five year period envisaged by the Commission ended in March 2012. Thus, additional assistance according to the recommendations of the SSFC was denied to the PRIs. The Third State Finance Commission for the five year period from 2012-13 to 2016-2017 has not been constituted till date (April 2014).

<sup>11</sup> Functions related to direct responsibilities of Local Bodies.

<sup>12</sup> Planning and monitoring functions including selection of beneficiaries.

### 3.5 Transfer of Funds

#### 3.5.1 Sources of Funds

The Government of Goa sanctions grants under Section 160 of the Goa Panchayat Raj Act, 1994 and Goa Panchayat Rules to the ZPs/ VPs in the State for financing developmental works, administrative expenses, matching grants, compensation in lieu of Octroi, etc. During the year 2011-12, the amount of grants released to the ZPs and VPs (including the amount received from the Central Government) was ₹ 9.70 crore and ₹ 28.52 crore respectively.

The details of own revenue, grants-in-aid and expenditure for the five years from 2007-08 to 2011-12 are exhibited in **Table VIII** and bar charts below:

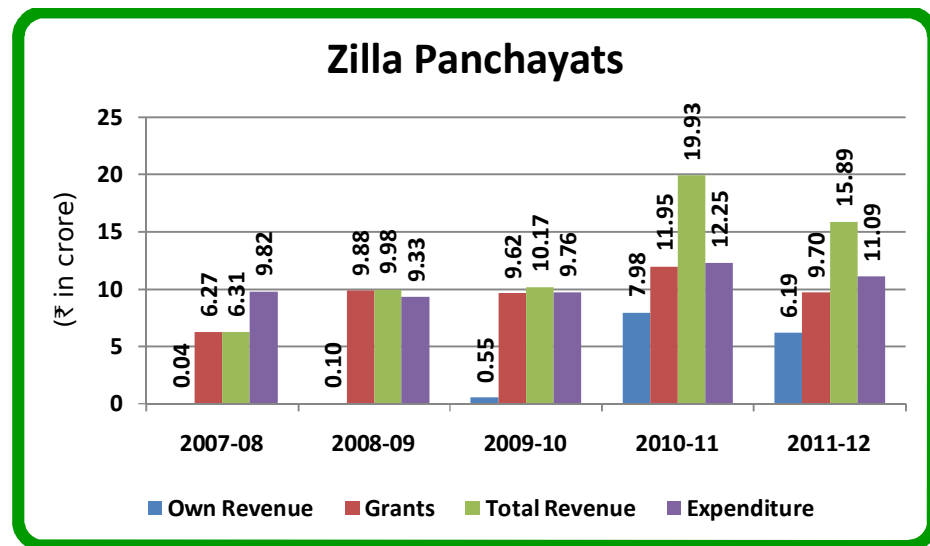
**Table VIII: Own Revenue and grants received by ZPs and VPs during the five year period ending 31 March 2012**

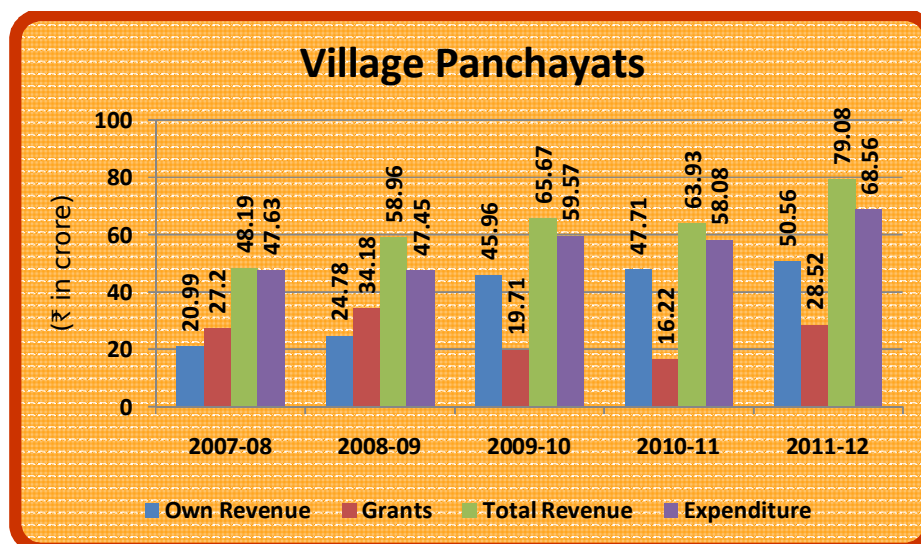
(₹ in crore)

Year	ZPs				VPs			
	Own Revenue	Grants	Total Revenue	Expenditure	Own Revenue	Grants	Total Revenue	Expenditure
2007-08	0.04	6.27	6.31	9.82	20.99	27.20	48.19	47.63
2008-09	0.10	9.88	9.98	9.33	24.78	34.18	58.96	47.45
2009-10	0.55	9.62	10.17	9.76	45.96	19.71	65.67	59.57
2010-11	7.98	11.95	19.93	12.25	47.71	16.22	63.93	58.08
2011-12	6.19	9.70	15.89	11.09	50.56	28.52	79.08	68.56

Source: Information furnished by the Directorate of Panchayats

Note: Grants includes grants received from Central/ State Government and sanctioned through District Rural Development Agencies.





The own revenue consisted of revenue collection, matching grants and compensation in lieu of octroi. In the case of ZPs, the own revenue decreased by ₹ 1.79 crore during the year 2011-12 as compared to the previous year. The grants released during the same period also decreased by ₹ 2.25 crore as compared to the previous year.

In the case of VPs, the own revenue increased by ₹ 2.85 crore during the year 2011-12 as compared to the previous year. The grants released during the same period also increased by ₹ 12.30 crore as compared to the previous year.

### 3.5.2 Position of Revenue Arrears as on 31 March 2012

The total recoverable amount pertaining to all VPs in the State for the year 2011-12 was ₹ 26.65 crore (current year demand ₹ 9.11 crore + arrears of previous years ₹ 17.54 crore). As against this, only ₹ 9.44 crore was recovered during the year 2011-12 and the outstanding revenue arrears at the end of March 2012 was ₹ 17.21 crore. The year-wise details of outstanding revenue arrears were not available. The DOP replied (November 2013) that the pending arrears relate to House Tax and Professional Tax and further stated that demand notices and reminders were being issued to defaulters.



### 3.6 Thirteenth Finance Commission

The FC-XIII was constituted under Article 280 of the Constitution to make recommendations for the period 2010-11 to 2014-15. The FC-XIII grants are divided into two components ó a basic component and a performance based component. According to the recommendations, each State is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards subject to compliance of four conditions<sup>13</sup> by PRIs. The details of basic grant and performance grant recommended for PRIs of the State for the five year period from 2010-11 to 2014-15 is exhibited in **Table IX** below:

**Table IX: Details of general basic grant and general performance grant recommended by the FC XIII to the PRIs of the State for the five year period from 2010-11 to 2014-15**

(₹ in crore)

Year	2010-11	2011-12	2012-13	2013-14	2014-15	Total
General Basic Grant	8.40	9.77	11.39	13.49	15.96	59.01
General Performance Grant	0.00	3.31	7.82	9.24	10.87	31.24
<b>Total</b>	<b>8.40</b>	<b>13.08</b>	<b>19.21</b>	<b>22.73</b>	<b>26.83</b>	<b>90.25</b>

Out of the recommended grants of ₹ 90.25 crore for a period of five years ending 2014-15, the PRIs received only ₹ 8.83 crore (basic grant - ₹ 8.32 crore during 2010-11 and performance grant ₹ 0.51 crore during 2011-12) which were fully utilised (March 2014).

### 3.7 Transfer of Functionaries

The Government of Goa has provided one Village Panchayat Secretary to each VP whose salaries and allowances are paid directly by the State Government. The VPs have also employed their own staff like clerks-cum-typists and peons.

The Government has appointed a Senior Grade Officer of the Goa Civil Services in each ZP as the Chief Executive Officer and an officer of the cadre of Deputy Director of Accounts as Chief Accounts Officer in each

<sup>13</sup> Budget & accounting, auditing, ombudsmen and levy of property tax.

ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of the engineers from PWD have been placed at the disposal of the ZPs for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

### **3.8 Outstanding Utilisation Certificates**

The PRIs receive grants from the State Government/ Finance Commission. As per the terms and conditions of release of the grants, the entire amount shall be utilised within a period of one year and utilisation certificates (UCs) shall be submitted by the PRIs within 18 months. However, the PRIs failed to submit the UCs in time. It was observed that 2976 UCs for ₹ 131.58 crore released during the years 1991-92 to 2010-11 were outstanding from ZPs and VPs as of June 2012 (*Appendix 3.4*). The DOP replied (November 2013) that Block Development Officers and Chief Executive Officers of the ZP have been directed to submit the UCs.

### **3.9 Audit coverage**

The audit of ZPs in Goa is conducted under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, CAG is the sole Auditor for ZPs. The audit of accounts of North Goa Zilla Panchayat (NGZP) and South Goa Zilla Panchayat (SGZP) were completed upto the period 2007-08; the transaction audit of SGZP and NGZP has been completed upto 2010-11 and 2012-13 respectively (April 2014). The ZPs stated (April 2014) that the arrears of accounts for both the ZPs would be submitted for certification shortly.

The Director of Accounts is the Statutory Auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of PRIs to the CAG. Accordingly, audit of 10 VPs for the year 2011-12 was conducted.

### 3.9.1 Internal Audit

It was observed that there was no internal audit set up in both the ZPs. The DOP stated (January 2013) that the proposal for creation of Internal Audit Cell in the Directorate of Panchayats and creation of additional post of one Accounts Officer and one Accountant was submitted to the Government. The DOP further replied (November 2013) that action would be taken to resubmit the proposal to the Government for creation of Internal Audit Cell.

### 3.9.2 Response to audit

The position of outstanding paragraphs of the Inspection Reports of Accountant General, Goa in respect of ZPs and Directorate of Panchayats (DoP) is shown in Table X.

**Table X: Position of Inspection Reports and paragraphs relating to PRIs issued upto 30 June 2012 and outstanding as on 31 December 2012**

Year	No. of Inspection Reports	No. of Paragraphs
2004-05	1	1
2008-09	2	8
2009-10	1	3
2010-11	1	9
2011-12	3	36
<b>Total</b>	<b>8</b>	<b>57</b>

There was no clearance of outstanding paragraphs of the Inspection Reports during the year and the response to Audit Paragraphs was not satisfactory as replies to 57 paragraphs of 8 Inspection Reports (issued upto 30 June 2012 and outstanding as on 31 December 2012) pertaining to the period from 2004-05 to 2011-12 were outstanding from ZPs and Directorate of Panchayats (DoP). The DOP replied (November 2013) that outstanding Audit Paragraphs of the Inspection Reports had been forwarded to the respective PRIs for compliance and replies would be submitted.

According to Section 187 (10) of the Goa Panchayat Raj Act, 1994 and Rules the Director of Accounts shall submit a summary of observations made in the Audit Report and rectifications made by the Panchayats to the Government which shall be laid on the Table of the House. Further

Section 194 (3) of the Act states that the Government shall on receipt of the Audit Report of the ZPs lay them before the State Legislature. However, the Audit Reports of the ZPs were not tabled (April 2014) in the State Legislature. The ZPs replied (April 2014) that the Audit Report of both ZPs would be placed in the ensuing Assembly session. The FC-XIII had also recommended (December 2009) the placing of Annual Report of the Director of Local Fund Audit before the State Legislature. The information about the placement of Annual Report of the Director of Local Fund Audit before the State Legislature had been called for and is awaited (April 2014).

### **3.10 Accounting Procedures**

Based on the recommendation of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for preparation of budget and accounts and data base on finances of PRIs were prescribed by CAG in 2002. The formats were simplified and reduced to eight numbers in January 2009. However, VPs and ZPs had not adopted the revised accounting formats. Further, the Ministry of Panchayati Raj (MoPR) reiterated (August 2011) the need for adoption of Model Accounting System (MAS) and it was one of the mandatory conditions for the States to become eligible for Performance grant component of FC-XIII grants. The MoPR has also launched (September 2010) a simple Accounting Software called Panchayati Raj Institution Accounting Software (PRIA Soft). A State Level Monitoring Committee (SMC) for adoption and implementation of MAS and PRIA Soft was constituted (April 2012). The DOP replied (November 2013) that an amount of ₹ 28.68 lakh released by MoPR was utilised for imparting training to officials on MAS and PRIA Soft. The work of the implementation of the project was proposed to be allotted to M/s Goa Electronics Limited (GEL) and approval from the State Government is still awaited (May 2014).

## CHAPTER - IV

### AUDIT FINDINGS

#### 4.1 Audit Paragraphs

##### 4.1.1 Non-release of compensation of ₹ 53.89 crore in lieu of octroi to PRIs

As against the entitlement of ₹ 118.83 crore for the period 2007-08 to 2011-12, ₹ 64.94 crore was released to PRIs resulting in short/non-release of compensation to the extent of ₹ 53.89 crore.

The State Government had decided (March 2001) to abolish octroi hitherto being levied by MCs and VPs. The MCs and VPs were to be compensated out of funds collected by levy of two *per cent* additional tax along with the sales tax (presently VAT) on petroleum products. The amount so collected, was to be distributed amongst MCs, VPs and ZPs in the ratio of 3:3:2 respectively, as compensation in lieu of octroi.

The details of additional tax collected, payable and released to PRIs for the period 2007-08 to 2011-12 are detailed in **Table XI**.

**Table XI: Statement showing details of additional VAT on petroleum products collected, payable and released to PRIs**

(₹ in crore)

Year	2 per cent in lieu of octroi	Total Share payable to PRIs	Share payable to ZPs/ VPs		Amount released to ZPs/VPs		Short release to ZPs/VPs	
			VPs	ZPs	VPs	ZPs	VPs	ZPs
2007-08	29.20	18.25	10.95	7.30	3.91	0.00	7.04	7.30
2008-09	37.63	23.52	14.11	9.41	10.39	2.38	3.72	7.03
2009-10	34.48	21.55	12.93	8.62	10.32	5.60	2.61	3.02
2010-11	41.42	25.89	15.53	10.36	9.76	5.30	5.77	5.06
2011-12	47.39	29.62	17.77	11.85	11.70	5.58	6.07	6.27
<b>Total</b>	<b>190.12</b>	<b>118.83</b>	<b>71.29</b>	<b>47.54</b>	<b>46.08</b>	<b>18.86</b>	<b>25.21</b>	<b>28.68</b>

The entitlement of PRIs amounted to ₹ 118.83 crore (₹ 71.29 crore for VPs and ₹ 47.54 crore for the ZPs). However, the DOP released only ₹ 64.94 crore to PRIs (₹ 46.08 crore to VPs and ₹ 18.86 crore to ZPs). The total short release of additional tax collected, to PRIs amounted to ₹ 53.89 crore.

The DOP replied (November 2013) that the funds were released as per the budget provision and correspondence would be made for release of balance fund.

Audit also observed that DOP released the share of additional taxes to PRIs without any relation to the quantum of petroleum products sold within jurisdiction of the PRIs. Thus, absence of a scientific/ rational method for equitable distribution of compensation has resulted in insufficient compensation of loss to some of the PRIs.

***4.1.2 Delay in transfer of grant to PRIs and non-submission of UCs resulted in delay in release of second instalment of ₹ 4.19 crore***

**Failure to furnish Utilisation Certificate for 1<sup>st</sup> instalment of general basic grant for the year 2010-11 resulted in delay in release of 2<sup>nd</sup> instalment of ₹ 4.19 crore.**

According to the recommendations of FC-XIII, the PRIs in the State were entitled to basic grant of ₹ 8.40 crore for the year 2010-11 [₹ 16.00 crore x (0.105/0.200)]. Paragraph 10.160 of the recommendations stipulated that the general basic grant would be released in two instalments, latest by 1 July and 1 January of each year, subject to submission of an Utilisation Certificate (UC) for the previous instalment drawn.

The State received (July 2010) ₹ 8.02 crore as first instalment of general basic grant, out of which ₹ 4.21 crore pertained to PRIs and ₹ 3.81 crore pertained to ULBs. Though, the funds were to be transferred within 15 days, the same were transferred after a delay of 34 days on 2<sup>nd</sup> September 2010. The Utilisation Certificate for the first instalment was furnished (August 2011) only on request by the Ministry of Panchayat Raj (MoPR), after a delay of 13 months from the receipt of funds, violating the instructions contained in Paragraph 10.160. On being pointed out by audit, the DOP replied that the release of funds was delayed due to administrative reasons and an interest of ₹ 2.35 lakh was paid for delayed payment. The second instalment was released only in October 2013. Thus, delay in release of first instalment and submission of UC delayed the release of

second instalment. The DOP stated (May 2014) that submission of UC was delayed due to administrative reasons.

***4.1.3 Non-release of performance grant of ₹ 3.31 crore due to non-fulfilment of conditions specified by the Thirteenth Finance Commission***

**The State lost its share of performance grant of ₹ 3.31 crore for the year 2011-12 due to non-compliance of the conditions specified by the Thirteenth Finance Commission.**

The FC-XIII had recommended (December 2009) transfer of grants to local bodies for the period 2010-11 to 2014-15. Paragraph 10.147 of the recommendations stated that each State is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards subject to compliance of nine conditions<sup>14</sup> stipulated in Paragraph 10.161. These conditions had to be met by the end of a fiscal year (31 March) for the State to be eligible to draw its performance grant for the succeeding fiscal year. Out of these, only four conditions<sup>15</sup> are applicable to PRIs.

The FC-XIII had allocated an amount of ₹ 3.31 crore as performance grant for the PRIs of the State for the year 2011-12. As the stipulated four conditions were not complied with by the PRIs within 31 March 2010, the State's share of general performance grant for the year 2011-12 amounting to ₹ 3.31 crore was not released to the State.

The DOP replied (December 2012) that the matter had been referred to the State Government for further action. However, the fact was that the State was unable to get its share of performance grant of ₹ 3.31 crore due to non-compliance of the conditions specified by the FC-XIII.

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<sup>14</sup> budget & accounting, auditing, ombudsman, electronic transfer of funds, membership of state finance commission, levy of property tax, property tax board, standards for service sectors and fire hazard mitigation

<sup>15</sup> budget & accounting, auditing, ombudsman and levy of property tax

## **4.2 Recommendations**

- ❖ Steps need to be taken to ensure that the Model Accounting System and the accounting software are adopted and implemented at the earliest.
- ❖ Annual Developmental Plans need to be forwarded by Village Panchayats and Zilla Panchayats to the District Planning Committees for preparing consolidated District Developmental Plan.
- ❖ Compensation in lieu of octroi should be distributed to PRIs using a scientific method based on sale of petroleum products; the balance amount of compensation should be released to PRIs.
- ❖ Zilla Panchayats and Village Panchayats should submit Utilisation Certificates in respect of grants received by them at the earliest for obtaining subsequent grants.
- ❖ Conditions stipulated by the Thirteenth Finance Commission for availing performance grant should be fulfilled at the earliest.
- ❖ Steps should be taken on priority by the Zilla Panchayats for finalisation of accounts to clear the arrears.

**Panaji**  
The ..... day of July 2014

**(K SRINIVAS)**  
Deputy Accountant General

**Countersigned**

**Panaji**  
The ..... day of July 2014

**(DEVIKA)**  
Accountant General



## APPENDIX 1.1

*(Referred to in Paragraph 1.4)*

### STATEMENT SHOWING THE POSITION REGARDING THE FUNCTIONS DEVOLVED TO THE URBAN LOCAL BODIES.

Sr. No.	Function envisaged to be devolved as per the Constitution	Envisaged to be devolved as per Goa Municipalities Act, 1968	Actually devolved
1	Urban planning including town planning	Yes	No
2	Regulation of land use and construction of buildings	Yes	No
3	Planning for economic and social development	No	No
4	Roads and bridges	Yes	Only internal roads are maintained by Municipal Councils.
5	Water supply for domestic, industrial and commercial purposes	No	No
6	Public health, sanitation, conservancy and solid waste management	No	Only solid waste management
7	Fire Service	No	No
8	Urban forestry protection of environment and promotion of environment and promotion of ecological aspects.	Yes	No
9	Safeguarding the interest of the weaker sections of society, including the handicapped and the mentally retarded	No	No
10	Slum improvement and upgrading	Yes	Yes
11	Urban poverty alleviation	No	Yes
12	Provision of Urban amenities and facilities such as park, gardens, playgrounds	Yes	Yes
13	Provision of Cultural, education and aesthetic aspects	No	No
14	Burial and burial grounds, cremation and cremation grounds and electric crematorium	Yes	Yes
15	Cattle pounds and prevention of cruelty to animals	Yes	Yes
16	Vital statistics including registration of births and deaths	Yes	Yes
17	Public amenities including street lighting, bus-stop, public conveniences	Yes	Yes
18	Regulation of slaughterhouse and tanneries	Yes	Yes

## APPENDIX 1.2

*(Referred to in Paragraph 1.5.2)*

### STATEMENT SHOWING THE RECOMMENDATIONS MADE BY SECOND STATE FINANCE COMMISSION FOR DEVOLUTION OF CORE FUNCTIONS AND CONSULTATIVE FUNCTIONS TO URBAN LOCAL BODIES.

Sr. No.	Function	Amount ₹ in crore
<b>A</b>	<b>Core functions</b>	
1	Planning for economic and social development.	27.96
2	Urban forestry, protection of environment and promotion of ecological aspects.	343.97
3	Safeguarding the interest of the weaker sections of society, including the handicapped and mentally retarded	9.97
4	Slum improvement and upgradation	144.35
5	Urban Poverty Alleviation	20.89
6	Provision of public amenities and facilities such as parks, gardens, playgrounds	88.41
7	Provision of cultural, education and aesthetic aspects	7.99
8	Cattle pounds and prevention of cruelty to animals	4.79
9	Public amenities including street lighting, parking lots, bus stops and public conveyances	2.32
	<b>TOTAL</b>	<b>650.65</b>
<b>B</b>	<b>Consultative functions</b>	
1	Planning for economic and social development.	2.09
2	Water Supply for domestic, industrial and commercial purposes	534.15
3	Public Health, Sanitation, conservancy land solid waste management	39.22
4	Safeguarding the interest of the weaker sections of society, including the handicapped and mentally retarded	170.18
5	Provision of cultural, education and aesthetic aspects	45.73
6	Cattle pounds and prevention of cruelty to animals	0.44
7	Public amenities including street lighting, parking lots, bus stops and public conveyances	26.35
	<b>TOTAL</b>	<b>818.16</b>

*Source: Report of the Second State Finance Commission*

## APPENDIX 1.3

(Referred to in Paragraph 1.8.2)

## STATEMENT SHOWING THE ARREARS OF REVENUE AS OF MARCH 2012 IN RESPECT OF URBAN LOCAL BODIES

(₹ in lakh)

Sl. No.	Name of Municipal Council	Opening balance as on 01.04.2011	Demand including interest during the year 2011-12	Total	Collection during the year 2011-12	Balance due as on 31.3.2012
1	CCP	444.86	1058.68	1503.54	775.42	728.12
2	Margao	423.19	427.49	850.68	342.41	508.27
3	Mormugao	157.43	188.35	345.78	157.65	188.13
4	Mapusa	234.41	266.97	501.38	220.97	280.41
5	Ponda	66.84	95.78	162.62	65.47	97.15
6	Bicholim	59.75	63.50	123.25	39.59	83.66
7	Cuncolim	58.28	37.66	95.94	14.44	81.50
8	Canacona	17.08	32.33	49.41	27.37	22.04
9	Curcholem-Cacora	63.38	32.89	96.27	15.39	80.88
10	Quepem	26.28	23.20	49.48	20.35	29.13
11	Sanguem	10.06	3.95	14.01	1.63	12.38
12	Pernem	8.47	10.40	18.87	5.91	12.96
13	Valpoi	4.07	5.85	9.92	4.93	4.99
14	Sanquelim	66.36	49.89	116.25	23.38	92.87
	<b>Total</b>	<b>1640.46</b>	<b>2296.94</b>	<b>3937.40</b>	<b>1714.91</b>	<b>2222.49</b>

Source: Information furnished by CCP/MCs

## APPENDIX 1.4

*(Referred to in Paragraph 1.8.3)*

**STATEMENT SHOWING THE YEAR-WISE BREAK-UP OF PENDING UCs IN RESPECT OF URBAN LOCAL BODIES AS OF JUNE 2012**

*(₹ in lakh)*

Year	UCs due as on 01.07.2011		UCs received during 01.07.2011 to 30.06.2012		UCs due as on 30.06.2012	
	Nos.	Amount	Nos.	Amount	Nos.	Amount
1995-96	2	6.13	0	0	2	6.13
1996-97	2	2.84	0	0	2	2.84
1997-98	12	139.07	0	0	12	139.07
1998-99	13	142.24	0	0	13	142.24
1999-00	7	121.87	0	0	7	121.87
2000-01	25	212.76	0	0	25	212.76
2001-02	28	108.63	0	0	28	108.63
2002-03	61	1199.52	0	0	61	1199.52
2003-04	65	915.00	0	0	65	915.00
2004-05	53	791.17	0	0	53	791.17
2005-06	73	2450.96	0	0	73	2450.96
2006-07	82	2768.49	0	0	82	2768.49
2007-08	98	3176.06	0	0	98	3176.06
2008-09	96	3748.88	4	30.75	92	3718.13
2009-10	118	5041.75	6	150.76	112	4890.99
2010-11	129	6000.53	0	0	129	6000.53
<b>Total</b>	<b>864</b>	<b>26825.90</b>	<b>10</b>	<b>181.51</b>	<b>854</b>	<b>26644.39</b>

*(Source: Director of Accounts)*

## APPENDIX 2.1

(Referred to in Paragraph 2.1.2)

## STATEMENT SHOWING LAPSES OBSERVED IN LEASING OUT OF PREMISES BY MUNICIPAL AUTHORITIES.

Sl. No	Municipal Authority	Irregularity	Arrears/ loss as on 31.03.2012 (₹ in lakh)	Leasee
1.	Corporation of the City of Panaji	Non-revision of lease rent	96.20 *	Various leases
2.	Corporation of the City of Panaji	Outstanding lease rent arrears -	98.36 *	Various leases
3.	Margao Municipal Council	Non-execution of lease agreement	29.90	Hindustan Petroleum Corp. Ltd., and Bharath Petroleum Corp. Ltd.
4.	Margao Municipal Council	Outstanding lease rent arrears	49.79	Various leases
5.	Mormugao Municipal Council	Outstanding lease rent arrears	549.56	Various leases
6.	Mapusa Municipal Council	Non-revision of lease rent	68.30	Various leases
7.	Mapusa Municipal Council	Outstanding lease rent arrears	49.50	Various leases
8.	Mapusa Municipal Council	Non-renewal of lease agreements	Details not available	Various leases
9.	Bicholim Municipal Council	Outstanding lease rent arrears	71.99	Various leases
10.	Cuncolim Municipal Council	Outstanding lease rent arrears	3.01	Various leases
11.	Canacona Municipal Council	Non-recovery of lease rent	7.21	Government Taluka Library, Canacona
12.	Canacona Municipal Council	Non-revision of lease rent	5.44	Various leases
13.	Canacona Municipal Council	Outstanding lease rent arrears	4.16	Various leases
14.	Curcholem-Cacora Municipal Council	Outstanding lease rent arrears	23.18	Various leases
15.	Quepem Municipal Council	Non-revision of lease rent	15.33	Various leases
16.	Quepem Municipal Council	Outstanding lease rent arrears	58.59	Various leases
17.	Sanguem Municipal Council	Outstanding lease rent arrears	12.12	Various leases
18.	Pernem Municipal Council	Outstanding lease rent arrears	9.47	Various leases
19.	Pernem Municipal Council	Non-renewal of lease agreements	Details not available	Various leases
20.	Valpoi Municipal Council	Outstanding lease rent arrears	2.74	Various leases
21.	Valpoi Municipal Council	Non-renewal of lease agreement	Details not available	Various leases
22.	Sanquelim Municipal Council	Outstanding lease rent arrears	24.78	Various leases
<b>Total</b>			<b>1179.63</b>	

\*as on 31.03.2011

## APPENDIX 2.2

*(Referred to in Paragraph 2.1.10)*

### STATEMENT SHOWING SHORT REMITTANCE OF REVENUE COLLECTION OF PERNEM MUNICIPAL COUNCIL TO BANK ACCOUNT.

*(Amount in ₹)*

Date	Amount deposited into GSCB as per Cash Book	Amount deposited as per the Pass Book	Short Remittance
<b>2009-10</b>			
16.04.09	7853	0	7853
30.04.09	5533	0	5533
04.05.09	17917	12917	5000
08.05.09	14133	12129	2004
18.05.09	4046	0	4046
10.09.09	1125	0	1125
19.10.09	775	885	-110
19.11.09	14051	0	14051
22.12.09	8510	4510	4000
28.01.10	4848	0	4848
22.03.10	5489	0	5489
23.03.10	3195	0	3195
25.03.10	4545	0	4545
26.03.10	768	0	768
29.03.10	686	0	686
30.03.10	8909	0	8909
31.03.10	12287	4911	7376
<b>2010-11</b>			
13.07.10	1612	0	1612
04.08.10	5246	2700	2546
25.11.10	3000	0	3000
09.12.10	7268	4263	3005
25.01.11	764	0	764
22.02.11	18309	0	18309
11.03.11	6230	2730	3500
30.03.11	1470	9	1461
<b>2011-12</b>			
02.06.11	1400	0	1400
23.06.11	3511	5283	-1772
24.06.11	5210	0	5210
12.09.11	3938	2170	1768
16.12.11	1753	3000	-1247
26.12.11	4753	3000	1753
27.02.12	9053	4065	4988
30.03.12	47273	0	47273
<b>Total</b>	<b>235460</b>	<b>62572</b>	<b>172888</b>

## APPENDIX 3.1

*(Referred to in Paragraph 3.4.1)*

### FUNCTIONS AND RESPONSIBILITIES OF VILLAGE PANCHAYATS

Sl. No.	Main Functions	Sub functions
I	General Functions	(1)Preparation of annual plans for the development of the Panchayat area. (2)Preparation of annual budget. (3)Providing relief in natural calamities. (4)Removal of encroachments on public properties. (5)Organizing voluntary labour and contribution for community works. (6)Maintenance of essential statistics of the village. (7)Demolition of unauthorised construction.
II	Agriculture, including agricultural extension	(1)Development of waste lands. (2)Development and maintenance of grazing lands and preventing their unauthorized alienation and use.
III	Animal Husbandry, Dairying and Poultry	(1)Promotion of dairy farming, poultry and piggery. (2)Grass land development.
IV	Fisheries	(1)Development of fisheries in the villages.
V	Social and Farm Forestry, minor Forest Produce Fuel and Fodder	(1)Planting and preservation of trees on the sides of roads and other public lands under its control. (2)Fuel plantation and fodder development. (3)Promotion of farm forestry. (4)Development of Social forestry.
VI	Khadi, Village and Cottage Industries	(1)Promotion of rural and cottage industries. (2)Organization of conferences, seminars and training programmes, agricultural and industrial exhibitions for the benefit of the rural areas.
VII	Rural Housing	(1)Distribution of house sites within Village Panchayat limits. (2)Maintenance of records relating to the house, sites and other private and public properties.
VIII	Drinking water	(1)Construction, repairs and maintenance of drinking water well, tanks and ponds. (2)Prevention and control of water pollution. (3)Maintenance of rural water supply schemes.
IX	Roads, buildings, culverts, bridges, ferries, waterways and other means of communication	(1)Construction and maintenance of village roads, drains and culverts. (2)Maintenance of buildings under its control or transferred to it by the Government or any public authority.
X	Rural electrification	Providing for and maintenance of lighting of public streets and other places.
XI	Non-conventional energy source	(1)Promotion and Development of non-conventional energy schemes. (2)Maintenance of community non-conventional energy devices, including bio-gas plants. (3)Promotion of approved chulhas & other efficient energy devices.

<b>Sl. No.</b>	<b>Main Functions</b>	<b>Sub functions</b>
XII	Poverty alleviation programmes	(1) Promotion of public awareness and participation in poverty alleviation programmes for fuller employment and creation of productive assets, etc. (2) Selection of beneficiaries under various programmes. (3) Participation in effective implementation and monitoring.
XIII	Education including Primary Schools	(1) Promotion of public awareness and participation in primary education. (2) Ensuring full enrolment and attendance in primary schools.
XIV	Adult and non-formal education	Promotion of adult literacy.
XV	Libraries	Village libraries and reading rooms.
XVI	Cultural activities	Promotion of social and cultural activities.
XVII	Markets and fairs	Regulation and fairs (including cattle fairs) and festivals.
XVIII	Rural sanitation	(1) Maintenance of general sanitation. (2) Cleaning of public roads, drains, tanks, wells and other public places. (3) Maintenance and regulation of burning and burial grounds. (4) Construction and maintenance of public latrines. (5) Disposal of unclaimed corpses and carcasses. (6) Management and control of washing and bathing ghats.
XIX	Public Health and Family Welfare	(1) Implementation of Family Welfare Programmes. (2) Prevention and remedial measures against epidemics. (3) Regulation of sale of meat, fish and other perishable food articles. (4) Participation in programmes of human and animal vaccination. (5) Licensing of eating and entertainment establishments. (6) Destruction of stray dogs. (7) Regulation of offensive and dangerous trades. (8) Regulation of curing, tanning and dyeing of skins & hides.
XX	Women and child development	(1) Participation in the implementation of women and child welfare programme. (2) Promotion of schools, health and nutrition programmes.
XXI	Social welfare, including welfare of the handicapped and mentally retarded	(1) Participation in the implementation of the social welfare programme, including welfare of the handicapped, mentally retarded and destitute. (2) Monitoring of old age and widows pension schemes.
XXII	Welfare of the Weaker Section and in particular the Scheduled Castes and Scheduled Tribes	(1) Promotion of public awareness with regard to Welfare of Scheduled Castes, Scheduled Tribes & other weaker sections. (2) Participation in the implementation of the specific programmes for the welfare of the weaker sections.
XXIII	Maintenance of community assets	(1) Maintenance of community assets. (2) Preservation and Maintenance of other community assets.



<b>Sl. No.</b>	<b>Main Functions</b>	<b>Sub functions</b>
XXIV	Construction and maintenance of cattle sheds, ponds and cart stands	--
XXV	Construction and maintenance of slaughter houses	--
XXVI	Maintenance of Public Parks, playgrounds etc.	--
XXVII	Regulation of manure pits in public places	--
XXVIII	Establishment and control of Shandies	--
XXIX	Such other functions as may be entrusted	--

## APPENDIX 3.2

(Referred to in Paragraph 3.4.1)

### FUNCTIONS AND RESPONSIBILITIES OF ZILLA PANCHAYATS

Sl. No.	Main Functions	Sub functions
I	General functions	Overall supervision, co-ordination and integration of development schemes at District levels and preparing the plan for the development of the District.
II	Agriculture (including Agricultural Extension) and Horticulture	(1) Establishment and maintenance of godown. (2) Management of agricultural and horticultural extensions and training centres. (3) Training of farmers.
III	Land improvement and soil conservation	Planning and implementation of land improvement and soil conservation programmes entrusted by the Government.
IV	Minor Irrigation, Water Management and Watershed Development	(1) Providing for the timely and equitable distribution and full use of water under irrigation schemes under the control of the Zilla Panchayat. (2) Development of ground water resources. (3) Supervision over the minor irrigation works undertaken by Taluka Panchayat.
V	Animal Husbandry, Dairying and Poultry	(1) Supervision over the Village Veterinary Hospitals, first-aid Centres and Mobile Veterinary dispensaries; (2) Training for farmers of dairy farming, Poultry and Piggery.
VI	Fisheries	(1) Development of fisheries in irrigation works vested in the Zilla Panchayat; (2) Promotion of inland, brackish water and marine fish culture.
VII	Khadi, Village and Cottage Industries	(1) Establishment and Management of Training-cum-Production Centre; (2) Organisation of marketing facilities for products of cottage and village industries.
VIII	Small-Scale industries including Food Processing Industries	Educating youth for establishment of Small-Scale Industries.
IX	Rural Housing	Guidance to the Taluka Panchayat for Promotion of Rural Housing Programme.
X	Drinking Water	Guidance for promotion of drinking water and rural sanitation to Taluka Panchayat and Village Panchayat.
XI	Minor forest produce and Fuel and Fodder	Guidance for the management of minor forest produce of the forest raised community lands.
XII	Roads, Buildings, Bridges, Ferries, Waterways and other means of communication	(1) Construction and maintenance of District roads and culverts, causeways and bridges (excluding State Highways and Village roads); (2) Construction of administrative and other buildings connected with the requirements of the Zilla Panchayat; (3) Supervision over the works undertaken by Village Panchayat and Taluka Panchayat as regards the construction of roads.

XIII	Non-Conventional, Energy sources	Promotion and development of non-conventional energy sources.
XIV	Poverty Alleviation Programmes	Supervision over the implementation of poverty alleviation programmes in the Village Panchayat.
XV	Education including primary schools	(1) Promotion of educational activities in the District including the establishment and maintenance of Higher Secondary Schools; (2) Establishment and maintenance of Ashram School and orphanages. (3) Survey and evaluation of education activities; (4) Construction and maintenance of Higher Secondary Schools.
XVI	Technical training and Vocational Education	Encouraging and assisting rural vocational training.
XVII	Adult and Non-formal Education	Supervision over the implementation of programmes of Adult Literacy and Non-formal Education Programme.
XVIII	Health and Family Welfare	(1) Management of Hospitals and dispensaries excluding those under the management of Government or any local authority; (2) Supervision over the implementation of maternity and Child Health programme; (3) Supervision over the implementation of family welfare programme; (4) Supervision over the implementation of immunisation and vaccination programme.
XIX	Woman and Child Development	(1) Supervision over the promotion of programme relating to development of Women and Children; (2) Supervision over the promotion of school health and nutrition programme; (3) Supervision over the promotion of participation of voluntary organisation in Women and Child Development Programmes.
XX	Welfare of the weaker sections and in particular of handicapped and mentally retarded	Promotion of Social Welfare Programme including Welfare of handicapped, mentally retarded and destitutes.
XXI	Welfare of the weaker sections and in particular of the Scheduled Castes and Scheduled Tribes	Supervision and management of hostels in the District, distribution of grants, loans and subsidies to individuals and other Schemes for the welfare of Scheduled Castes, Scheduled Tribes and Backward Classes.
XXII	Maintenance of Community assets	Supervision and guidance over the community assets maintained by Taluka Panchayat and Village Panchayat.
XXIII	Cultural activities	Promotion of social and cultural activities.
XXIV	Rural electrification	Supervision over electrification by Taluka Panchayat and Village Panchayat.
XXV	Libraries	Supervision over the construction of libraries by Taluka Panchayat and Village Panchayat.
XXVI	Such other functions as may be entrusted	--

### APPENDIX 3.3

*(Referred to in Paragraph 3.4.2)*

**STATEMENT SHOWING THE RECOMMENDATIONS MADE BY SECOND STATE FINANCE COMMISSION FOR DEVOLUTION OF CORE FUNCTIONS AND CONSULTATIVE FUNCTIONS TO VILLAGE PANCHAYATS AND ZILLA PANCHAYATS.**

Sr. No.	Function	Amount ₹ in crore
	VILLAGE PANCHAYATS	
<b>A</b>	<b>Core Functions</b>	
1	General function	287.21
2	Agriculture including Agricultural extension	36.62
3	Animal Husbandry, Dairying and Poultry	33.93
4	Fisheries	1.41
5	Social and Farm Forestry, Minor Forestry Produce, Fuel and fodder	7.85
6	Khadi, village and Cottage industries	40.29
7	Roads, Buildings, culverts, bridges, ferries, waterways and other means of communication	1.66
8	Rural Electrification	16.58
9	Poverty alleviation programmes	32.86
10	Education including Primary Schools	34.81
11	Libraries	5.52
12	Public Health and Family Welfare	19.28
13	Women and Child Development	59.18
14	Social welfare including welfare of handicapped and mentally retarded	53.05
15	Welfare of weaker sections and in particular the SC and ST	9.67
16	Maintenance of Community Assets	27.63
17	Construction and maintenance of Cattle sheds, ponds, cart stands	00
18	Construction and maintenance of slaughter houses	00
19	Maintenance of public parks, playgrounds, etc	55.26
20	Regulation of manure pits in public places	00
21	Establishment and control of Shanties	00
	<b>TOTAL</b>	<b>722.81</b>
<b>B</b>	<b>Consultative Functions</b>	
1	Agriculture including Agricultural extension	5.53
2	Animal Husbandry, Dairying and Poultry	19.68
3	Fisheries	1.88
4	Social and Farm Forestry, Minor Forestry Produce, Fuel and fodder	4.06
5	Khadi, village and Cottage industries	1.66
6	Rural Housing	2.76
7	Drinking Water	245.03
8	Roads, Buildings, culverts, bridges, ferries, waterways and other means of communication	595.38
9	Rural Electrification	32.77
10	Poverty alleviation programmes	11.47

11	Education including Primary Schools	48.67
12	Adult and non-formal education	2.55
13	Rural sanitation	15.46
14	Public Health and Family Welfare	125.14
15	Women and Child Development	1.86
16	Social welfare including welfare of handicapped and mentally retarded	9.61
17	Welfare of weaker sections and in particular the SC and ST	7.52
	<b>Total</b>	<b>1131.03</b>
<b>Sr. No.</b>	<b>Function</b>	<b>Amount ₹ in crore</b>
<b>A</b>	<b>ZILLA PANCHAYATS</b>	
	<b>Core Functions</b>	
1	General	58.87
2	Land improvement and soil conservation	140.79
3	Animal Husbandry, Dairying and Poultry	10.45
4	Fisheries	4.02
5	Minor Forestry Produce, Fuel and fodder	9.21
6	Poverty alleviation programmes	6.46
7	Education including Primary Schools	16.31
8	Public Health and Family Welfare	15.17
9	Women and Child Development	20.75
10	Libraries	2.48
	<b>TOTAL</b>	<b>284.51</b>
<b>B</b>	<b>Consultative Functions</b>	
1	Agriculture including Agricultural extension	21.39
2	Land improvement and soil conservation	5.77
3	Animal Husbandry, Dairying and Poultry	0.66
4	Khadi, village and Cottage industries	3.01
5	Small Scale Industries including Food Processing Industries	0.12
6	Drinking Water	0.01
7	Roads, Buildings, culverts, bridges, ferries, waterways and other means of communication	124.34
8	Education including Primary Schools	17.39
9	Health and Family Welfare	0.99
10	Women and Child Development	245.89
11	Rural Electrification	40.04
	<b>TOTAL</b>	<b>459.61</b>

Source: Report of the Second State Finance Commission

### APPENDIX 3.4

*(Referred to in Paragraph 3.8)*

#### STATEMENT SHOWING THE YEAR-WISE BREAK-UP OF PENDING UCs IN RESPECT OF ZPS AND VPS AS OF JUNE 2012

*(₹ in lakh)*

Year	UCs due as on 01.07.2011		UCs received during 01.07.2011 to 30.06.2012		UCs due as on 30.06.2012	
	Nos.	Amount	Nos.	Amount	Nos.	Amount
Upto 1991-92	895	35.21	0	0.00	895	35.21
1992-93	66	1.86	0	0.00	66	1.86
1993-94	46	4.69	0	0.00	46	4.69
1994-95	15	4.20	0	0.00	15	4.20
1995-96	60	7.82	0	0.00	60	7.82
1996-97	40	9.74	0	0.00	40	9.74
1997-98	77	22.95	0	0.00	77	22.95
1998-99	38	34.37	0	0.00	38	34.37
1999-00	33	142.61	0	0.00	33	142.61
2000-01	78	236.56	4	90.00	74	146.56
2001-02	71	373.61	4	123.00	67	250.61
2002-03	134	288.05	1	42.00	133	246.05
2003-04	205	560.87	4	50.00	201	510.87
2004-05	139	1066.99	0	0.00	139	1066.99
2005-06	127	1402.50	0	0.00	127	1402.50
2006-07	145	1350.86	0	0.00	145	1350.86
2007-08	124	1205.90	0	0.00	124	1205.90
2008-09	196	2070.78	2	6.04	194	2064.74
2009-10	221	2222.29	17	116.94	204	2105.35
2010-11	266	2544.45	0	0.00	266	2544.45
<b>Total</b>	<b>2976</b>	<b>13586.31</b>	<b>32</b>	<b>427.98</b>	<b>2944</b>	<b>13158.33</b>

*Source: Director of Accounts*