

CHAPTER II

TRANSACTION AUDIT OF PRIs

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PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

2.1 Fraudulent Withdrawal

An amount of ₹18.15 lakh was fraudulently withdrawn from bank against sanctioned amount of ₹1.15 lakh by tampering the amount of three cheques meant for payment of Value Added Tax (VAT) and implementation of District Development Plan (DDP) scheme. Out of fraudulent withdrawal of ₹17.00 lakh (₹18.15 lakh - ₹1.15 lakh), only ₹9.00 lakh was recovered.

Internal Controls are safeguards that are to be put in place by the authorities to ensure that an entity's activities are proceeding as planned. Bank Reconciliation Statement (BRS) is a very important tool for internal control of cash flows. It helps in detecting errors, frauds and irregularities occurred, if any, whether intentionally or unintentionally. Sub-Rule 4(e) under Rule 8 of the Assam Panchayat (Financial) Rules, 2002 also provides for preparation of separate memorandum to be recorded in the last page of month showing reconciliation of bank account which shall also be signed with date by the Chief Executive Officer (CEO) of the concerned Zilla Parishad (ZP).

During audit it was revealed the Accountant of Karimganj ZP had withdrawn (October 2011) ₹9,90,000.00 instead of sanctioned amount of ₹90,000.00 for final payment of the ZP level scheme under District Development Plan (DDP) 2010-11. However, he refunded (February 2012) ₹9,00,000.00 stating that the amount was withdrawn in excess by mistake. The Department did not take any action against the delinquent Accountant. Due to failure of the Department to take suitable action against the Accountant, the Accountant again fraudulently withdrew (December 2011) an amount of ₹3,02,802.00 from the bank instead of sanctioned amount of ₹2,802.00 for payment of VAT under National Social Assistance Programme (NSAP). However, CEO, Karimganj ZP lodged (March 2012) an FIR with Karimganj Police Station against fraudulent withdrawal of ₹3,02,802.00 by the Accountant. In the meanwhile, based on the repost submitted by the CEO, Karimganj ZP and DC, Karimganj, Commissioner, Panchayat and Rural Development (P&RD) placed (March 2012) the Accountant under suspension.

A test check of records of CEO, Karimganj ZP (during October to December 2012) revealed that inspite of above instances of tempering with the cheque and fraudulent withdrawal of money, the Department did not review the similar transaction done by the Accountant. Audit came across the instance where the same accountant had used similar modus-operandi to defraud the Department by tempering with the cheques sanctioned by competent authority. It was seen that against ₹21,910.00 sanctioned (August 2011) for payment of Value Added Tax (VAT) under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), the accountant had fraudulently withdrawn ₹5,21,910.00 (August 2011).

At the instance of audit, a FIR was lodged (December 2012) by the CEO, Karimganj ZP against the Accountant (under suspension) with Karimganj Police Station. Action taken on the above was however awaited (March 2014) in audit.

In this connection audit observed that there was serious lack of internal control which led to occurrence of such instances regularly as mentioned below:

- Self drawing cheques were issued instead of account payee cheque which facilitated withdrawal of money in cash ;
- Ample space was kept before the actual amount of the cheques both in figures & words which was ignored by the cheque signing authority at the time of signing the cheque;
- Bank Statement and Cash Book were not reconciled regularly which encouraged embezzlement of fund.

Thus, absence of adequate internal control safeguards resulted in fraudulent withdrawal of ₹18.15 lakh, out of this amount only ₹9.00 lakh was recovered.

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.2 Misappropriation of fund

₹0.69 lakh collected through money receipts by the then Accountant of the South Golaghat Anchalik Panchayat (AP) were neither accounted in the Cash Book nor deposited in the bank account. The amount was also not handed over to the next Accountant who took over the charge leading to misappropriation of fund.

Rule 14 of the Assam Panchayat (Financial) Rules, 2002 provides that all receipts due to the Anchalik Panchayat (AP) shall be collected by an officer or an employee in the employment of the AP concerned authorised in this behalf by the Executive Officer (EO) of that AP and all such receipts shall be handed over to the Cashier or any other Officer authorised for the purpose through the Accountant of the AP who shall enter all such receipts in the Cash Book on the very date of receipt and each entry in the Cash Book shall be authenticated by the Drawing and Disbursing Officer (DDO) with his dated initial.

Test check (September-October 2012) of records of the EO, South Golaghat AP revealed that the then Accountant cum Store Keeper collected ₹68,800.00 on account of room rent, tax etc. by issuing 26 money receipts during the period from 14 July 2008 to 02 June 2009 but the same were neither recorded in the Cash Book nor deposited in the bank account. While handing over the charge on 12 June 2009 by the then Accountant, the said amount was also not handed over to the next Accountant who took over the charge. Disregarding the provision of Rule 14 *ibid*, ₹0.69 lakh, though collected, remained unaccounted for more than three years and four months from the date of its collection till the date of audit (October 2012). The EO, South Golaghat AP without ensuring that every receipt was recorded in the Cash Book and deposited in the bank account, authenticated the Cash Book in a routine manner. Thus, failure to observe these internal controls facilitated misappropriation of fund of ₹0.69 lakh.

In response to the audit observation, the EO stated (October 2012) that the matter would be taken up with Panchayat Body. However, no action had been taken in this regard (August 2013).

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.3 Doubtful Expenditure

Execution of plantation works during the years 2009-10 to 2011-12 under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) was doubtful as the Block Development Officer, Sissiborgaon Development Block failed to produce any records in support of actual execution of the works amounting to ₹99.24 lakh. Moreover, no evidence of plantation was found during joint physical verification conducted in three cases.

One of the objectives of the “Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)” enacted (September 2005) by the Government of India was to generate productive assets and protect the environment.

The Block Development Officer (BDO), Sissiborgaon Development Block (DB) took up various plantation and afforestation works during the years 2009-10 to 2011-12 under MGNREGS with a view to achieve the above objective. Test check (November 2012) of records of the BDO, Sissiborgaon DB revealed that an expenditure of ₹99.24 lakh was incurred on the schemes as detailed in **Appendix-X**.

However, related records *viz.* Plan & Estimate, Measurement Book, Muster Roll, Plantation Journal, Survival Report and Monitoring Report etc were not available with the BDO in absence of which, the actual execution of above plantation works was doubtful. Further, joint (audit team and the BDO) physical verification (December 2012) of three schemes (43 *per cent*) revealed non existence of plantation works. Scheme wise findings of Joint Physical Verification are as shown in **Table 2.1**.

Table 2.1: Results of physical verification

Sl. No.	Name of the work	Findings
1	Lemon and Horticulture plantation at Malinipur GP.	No Lemon & Horticulture plantation was found instead paddy cultivation was noticed.
2	Lemon and Horticulture plantation at Santipur	No Lemon & Horticulture plantation was found.
3	Construction of boundary fencing and afforestation at Kanduli Mathura Shasanshali	Afforestation and boundary fencing was not found.

Findings of physical verification also point towards doubtful execution of the works. Though the BDO stated (November 2012) that flood, drought and lack of maintenance affected the survival of the plantation, he could not produce any records in support of actual execution of works.

Thus, the entire expenditure of ₹99.24 lakh on the above works remained doubtful.

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.4 Unfruitful Expenditure

Supply of computers to Gaon Panchayats (GPs) without ensuring availability of basic infrastructure required for operating the computers rendered the expenditure of ₹38.57 lakh unfruitful.

In order to provide computers to all the PRIs in Assam an agreement was executed (August 2010) between the Commissioner, Panchayat and Rural Development (P&RD), Assam and HCL Ltd, Guwahati for supply and installation of desktop computers along with accessories.

HCL Ltd, Guwahati supplied (October 2010) 154 computers with accessories valuing ₹62.53 lakh (154 × ₹40,604.00 each) to PRIs in Barpeta District for which full payment was made to the supplier. One computer each was meant for 129 Gaon Panchayats (GPs), two computers were to be installed in every 11 Anchalik Panchayats (APs) and three computers were to be installed in the Zilla Parishad (ZP). Though installation report was available with the ZP office, the mode of installation was neither specified in the installation report nor did the CEO ensure it before making full payment to the supplier.

Further scrutiny revealed that the computers in non-electrified GPs were either kept idle in the PRIs or at the residence of GP Secretary, GP President, Ex- GP President and other officials. One computer was reported to be stolen whereas whereabouts of seven computers were not known. Details are shown in **Appendix-XI**.

Thus, supply of computers to GPs without ensuring availability of basic infrastructure required for operating the computers rendered the expenditure of ₹38.57 lakh (95 sets of computers @ ₹40,604.00 each) unfruitful.

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.5 Unauthorised and Dubious Expenditure

The Chief Executive Officer (CEO), Golaghat Zilla Parishad (ZP) unauthorisedly incurred an expenditure of ₹49.51 lakh out of ₹59.72 lakh retained from the District Development Plan (DDP) fund as contingency violating the DDP guidelines. The CEO also failed to produce records in support of expenditure of ₹11.85 lakh.

The “District Development Plan (DDP)”, a State Sector Scheme, was introduced (2007-08) with the objective of infrastructure development, agriculture improvement, development of women and weaker sections of the society. The funds under DDP are allocated to the districts through State Budget and released to Zilla Parishads (ZPs) of the State for taking up schemes approved by District Planning Committee (DPC). As per guidelines, no funds placed under DDP can be deducted for contingency expenditure.

Test-check (September-October 2012) of records of the Chief Executive Officer (CEO), Golaghat ZP revealed that during 2007-12, the CEO, Golaghat ZP received ₹23.27 crore under DDP for execution of 1206 works. Of this amount, ₹22.67 crore was released to the implementing agencies for execution of 1206 works and the balance amount of ₹59.72 lakh was retained by Golaghat ZP as contingency fund violating the provision of DDP guidelines. Out of ₹59.72 lakh, ₹49.51 lakh was shown to have been utilised for execution of works and other contingencies not covered under planned schemes during 2008-11. The CEO did not obtain any approval from the DPC for the above works. Further, in respect of ₹11.85 lakh out of the ₹49.51 lakh shown as utilised, no records viz. name of the scheme/work executed, bills, vouchers etc. could be produced to audit. Balance fund of ₹10.21 lakh (₹59.72 lakh - ₹49.51 lakh) was kept under the contingency head without any utilisation till date of audit (October 2012).

Thus, execution of works beyond the scope of planned scheme as well as without the approval of DPC resulted in unauthorised expenditure of ₹49.51 lakh of which expenditure of ₹11.85 lakh turned out to be doubtful in absence of supporting vouchers.

The matter was reported to the Government (July 2013); reply is awaited (March 2014).

2.6 Irregular Financial Assistance

Irregular financial assistance of ₹2.15 crore was provided by the Block Development Officer (BDO), Golaghat North Development Block (DB) to 541 beneficiaries which did not belong to the BPL households depriving 541 genuine beneficiaries of the benefit of IAY scheme.

Housing is one of the basic requirements for human survival. To meet this need Government of India (GoI) introduced (1985-86) Indira Awas Yojana (IAY) and Para 1.4 of the IAY guidelines envisaged that the target groups for providing houses under the IAY are those who belong to Below Poverty Line (BPL) household living in rural area. Under the scheme, lump sum financial assistance is provided to BPL families for construction/ up gradation of dwelling units.

As per Receipt and Expenditure Statement, Block Development Officer (BDO), Golaghat North Development Block (DB) received ₹5.42 crore during the years 2008-09 to 2011-12 under IAY. Out of this amount, the BDO incurred an expenditure of ₹5.34 crore during the years 2008-09 to 2011-12. Financial assistance to 1191 beneficiaries was to be provided under IAY for the years 2008-09 to 2011-12.

Test check (September-October 2012) of records of BDO, Golaghat North DB revealed that out of 1191 beneficiaries to whom financial assistance was provided, 541 beneficiaries were found not belonging to BPL household. Financial assistance of ₹2.15 crore to these beneficiaries was provided by quoting others BPL IDs / non-existent BPL IDs in the BPL data of the block as detailed in **Appendix –XII**.

Accepting the audit observation the BDO stated (October 2012) that reason for such lapses would be investigated and assured that BPL data would be verified in each and every case before releasing any further financial assistance.

Thus, irregular financial assistance of ₹2.15 crore was provided to 541 beneficiaries which did belong to BPL households depriving 541 genuine beneficiaries of the benefit of IAY scheme.

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.7 Inadmissible and Unproductive Expenditure

Construction of the fishery tank at a location not covered under the sanction rendered the entire expenditure of ₹20.45 lakh not only inadmissible but also unproductive as the common people could not reap the projected benefits of the scheme due to its location.

Government of India (GoI), Ministry of Rural Development (MoRD) enacted (September 2005) the “National Rural Employment Guarantee Act, 2005 (NREGA)” with a view to enhance livelihood security in rural areas which was renamed as “Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA)” in October 2009. The programme also aims at creation of sustainable assets that strengthen the livelihood resource base of rural areas.

With a view to provide sustainable livelihood to the rural communities by way of catching and rearing fish, the “Construction of fishery tank along with boundary fencing near Police Reserve at Baradi” under Keotkuchi Gaon Panchayat (GP) was proposed for execution by the Barpeta Zilla Parishad during 2007-08 under MGNREGS.

Administrative Approval (AA) and Technical Sanction (TS) for the above work were accorded (December 2007) for ₹20.47 lakh. The work commenced in February 2008 and was completed in March 2008 with a total expenditure of ₹20.45 lakh.

Test check (February- March 2013) of records of the CEO, Barpeta ZP revealed that the Measurement Book (MB) in support of actual execution of work and vouchers of ₹9.92 lakh (₹20.45 lakh - ₹10.53 lakh) in support of expenditure were not available with the CEO, Barpeta ZP rendering the expenditure doubtful. Moreover, the fishery tank which was supposed to be constructed near Police Reserve at Baradi under Keotkuchi GP was actually constructed within the premises of Police Reserve and was inaccessible to the local people. In reply to an audit query (February 2013) the CEO stated (February 2013) that the fishery tank was under the possession and maintenance of the Police Reserve and it was neither handed over to any user group nor any commercial activities were undertaken as envisaged in the scheme.

Thus, instead of constructing the fishery tank near the Police Reserve as per sanction, the CEO, Barpeta ZP constructed it inside the campus of Police Reserve which rendered the entire expenditure of ₹20.45 lakh inadmissible. Further, the expenditure was also unproductive as the projected benefits of selling and rearing of fish remained unachieved since the fishery tank was inaccessible to common people due to its location.

The matter was reported to the Government (September 2013); reply is awaited (March 2014).

2.8 Unproductive Expenditure

Expenditure of ₹95.77 lakh incurred on construction of Bamboo Mat Industry at Mandia remained incomplete for five years resulting in unproductive expenditure frustrating the objective of the scheme as local people of the District were deprived of an opportunity of earning their livelihood.

The Chief Executive Officer (CEO), Zilla Parishad (ZP), Barpeta undertook the construction of Bamboo Mat Industry at Mandia under Backward Regions Grant Fund (BRGF) during the year 2007-08 to meet the standing demand of bamboo mat of the locality and engagement of local people of the District for earning their livelihood.

The estimated cost of project of the Bamboo Mat Industry was ₹99.00 lakh which included ₹4.00 lakh for procurement of machinery. Administrative Approval and Technical Sanction to the project was accorded in January 2008 and February 2008 respectively. The work commenced in February 2008 with a stipulation to complete the project by September 2008 *i.e.* eight months from the date of commencement of work. In addition, an amount of ₹8.00 lakh was also sanctioned for renovation of the above work, out of which ₹6.60 lakh was released and incurred in 2009-10.

Test check (February- March 2013) of records of the CEO Barpeta ZP and subsequent collection (August 2013) of information revealed that an expenditure of ₹95.77 lakh was incurred for the construction/renovation of Bamboo Mat Industry at Mandia. CEO stated (February and August 2013) that only 96 *percent* of the work was completed (February 2011) and the project could not be made functional due to non availability of machinery and proper infrastructure to run training programme. Audit observed the authority did not initiate any action for procurement and installation of machinery and instead of completing the essential works incurred an expenditure of ₹6.60 lakh on renovation. Thus,

the project remained incomplete for five years resulting in unproductive expenditure of ₹95.77 lakh frustrating the objective of the scheme as local people of the district were deprived of an opportunity of earning livelihood.

The matter was reported (September 2013) to the Government; reply is awaited (March 2014).

2.9 Doubtful Expenditure

Construction of guide bunds without appropriate technical estimates and approval incapable of resisting water pressure during flood due to which these bunds washed away resulting in doubtful expenditure of ₹76.61 lakh.

Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) provides that all assets created must be productive, durable and conform to the prescribed standard. Block Development Officer (BDO), Sissiborgaon Development Block (DB) had taken up works of bunds under MGNREGS to protect the common people from floods during the rainy season.

Test check (November 2012) of records of two works revealed that the BDO, Sissiborgaon DB incurred an expenditure of ₹76.61 lakh for construction of two guide bunds as shown in **Appendix-XIII**.

It was observed that technical estimates were prepared by a Junior Engineer (JE) of the DB by splitting up the work into fragments of ₹5.00 lakh each without consulting the specialist line department and without obtaining any technical sanction for execution of the works. Completion report, Measurement Book (MB) etc. could also not be made available to audit for verification. In the absence of technically sanctioned estimates, completion report and MB etc. proper construction and durability of works was not ascertainable. The audit team while conducting joint physical verification of the said two works, along with departmental officials found (December 2012) that both the guide bunds did not exist. The BDO stated that the bunds were constructed but washed away by the flood. Reply is not tenable in the absence of MBs and completion reports to support the actual construction.

Therefore, expenditure of ₹76.61 lakh on guide bunds constructed without appropriate technical estimates and approval and for which no supporting documents could be produced, was doubtful.

The matter was reported (September 2013) to the Government; reply is awaited (March 2014).