
CHAPTER-2
RESULTS OF THE AUDIT OF
PANCHAYATI RAJ INSTITUTIONS

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The deficiencies noticed in audit of Panchayati Raj Institutions conducted during 2012-13 are discussed in the succeeding paragraphs.

2.1 Revenue

2.1.1 Non-recovery of House Tax

Fifty one GPs did not realize house tax of ₹ 12.14 lakh.

Rule 33 of HPPR Rules, 2002, provides that the secretary of the GP shall see that all revenues are correctly, promptly and regularly assessed, realized and credited to the accounts of the fund of the Panchayat concerned.

In 51 GPs, house tax amounting to ₹ 12.14 lakh for the period 2006-13 was not recovered till March 2013 (**Appendix-8**). This was indicative of an ineffective monitoring on the part of GPs which may result in loss of revenue, if not recovered. Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of provisions contained in Section 114 of HP Panchayati Raj Act, 1994. The secretaries of concerned GPs stated (June 2012-February 2013) that efforts would be made to recover the outstanding recovery of house tax.

2.1.2 Outstanding rent

Ten PRIs failed to realize rent of shops amounting to ₹ 35.77 lakh.

The ZPs, PSs and GPs had been maintaining shops in their jurisdiction and these were rented out to the public on monthly rental basis.

Scrutiny of records showed that in ten PRIs, an amount of ₹ 35.77 lakh³ on account of rent of 136 shops was outstanding as of March 2013 (**Appendix-9**). This amount was outstanding with effect from 2003-04 to 2012-13. The concerned PRIs stated (April 2012-March 2013) that the notices had been served to the defaulters to deposit the outstanding rent immediately; otherwise necessary steps would be taken to vacate the shops.

2.1.3 Non-recovery of royalty from suppliers

Thirty GPs did not recover royalties amounting to ₹ 5.04 lakh from suppliers.

As per instructions (February 1999) of the state government, form 'M' from Mining Officer is required to be obtained by the suppliers for supplying sand and bajri as a proof that royalty has already been paid by them. In case of non-submission of the above form, royalty at the rate of ₹20 per metric tonne is to be recovered from the bills of the suppliers by the GPs and the amount so realized is to be remitted to the

³ ZP: ₹ 0.43 lakh, PSs: ₹ 33.44 lakh and GPs: ₹ 1.90 lakh.

State Government. During 2006-13, 30 GPs purchased 25297.58 metric tonne of material like sand, bajri etc. without obtaining form 'M' from the suppliers and royalty amounting to ₹ 5.04 lakh (**Appendix-10**) was not recovered from the bills of the suppliers, resulting in loss of revenue to the State Government. The secretaries of the concerned GPs stated (July 2012- February 2013) that due to lack of knowledge of the relevant instructions of the State Government, royalty of supplied materials could not be deducted from the supplier's bills. However, they assured that the State Government instructions in this regard would be followed in future.

2.1.4 Non-recovery of duty

Revenue of ₹4.02 lakh remained un-realized on account of installation/renewal charges of mobile towers in 19 GPs.

The Government of Himachal Pradesh authorised (November, 2006) the GPs to levy duty on installation of mobile communication towers at the rate of ₹ 4,000 per tower and collect annual renewal fee at the rate of ₹ 2,000 per tower, installed in their jurisdiction.

In 19 GPs, 35 mobile towers were installed during 2006-2010 in their jurisdiction but the installation/renewal charges of ₹ 4.02 lakh had not been recovered from the concerned mobile companies as of March 2013 (**Appendix-11**). This deprived the GPs of their due share of revenue. The concerned secretaries of the GPs stated (April 2012-January 2013) that action would be taken to recover the dues shortly.

2.2 Outstanding advances

Seven GPs and one PS did not take action to recover/adjust the outstanding advances of ₹ 12.01 lakh.

(a) Rule 30 of the HPPR Rules, 2002 provides that whenever any advance is paid to an office bearer or officer/official of GP for carrying out the developmental works, a record thereof should be kept in the register of temporary advances and such advances should be adjusted regularly and promptly.

Scrutiny of the records of eight GPs and one PS showed that advances totalling ₹ 11.91 lakh were paid between 1990 and 2012 to various office bearers such as Pradhans, Up-pradhans, ward members, non-elected officials and panchayat officials for carrying out the developmental activities but remained unadjusted as of March 2013 (**Appendix-12**). There was nothing on record to show efforts were made to recover/ adjust these advances. In some of the cases, the advances remained outstanding for periods ranging from 1 to 23 years. Non-adjustment of these advances involves the risk of misappropriation of funds.

On this being pointed out, the concerned PRIs stated (July 2012-February 2013) that efforts would be made to recover these advances.

(b) During audit, it was noticed that the Panchayat Secretary of GP *Baghaigarh* (Chamba district) had been paid an advance of ₹ 10,849 in December, 2006. The official, however, submitted the vouchers for adjustment of ₹ 1000 before his transfer

in July, 2008. While adjustment of advance of ₹ 1000 was carried out in the cash book, the balance amount of ₹9,849 remained unadjusted/ unrecovered as of March, 2013. Thus, due to inaction on the part of the GP an amount of ₹9,849 remained with the Secretary concerned for more than six years, which tantamounts to misappropriation of funds.

2.3 Purchase of material without inviting quotations

Forty three PRIs purchased materials worth ₹ 1.90 crore without inviting quotations/tenders.

Rule 67 (5) (a) & (b) of the HPPR Rules, 2002 provides that for purchases of stores above ₹ 50,000, tenders should be invited and purchase of stores more than ₹ 1,000 but less than ₹ 50,000 should be made by inviting quotations.

It was observed that in one ZP, one PS and 41 GPs, materials costing ₹ 1.90 crore were purchased without inviting quotations during 2006-13 (**Appendix-13**). As such, the purchases were made without observing the prescribed procedures as envisaged in the rule *ibid*. The EOs/ secretaries of the concerned PRIs stated (April 2012- February 2013) that purchases would be made after inviting proper quotations/tenders in future.

2.4 Blocking of funds due to non-commencement of works

Funds of ₹ 62.87 lakh remained unutilised due to non-commencement of works by the PRIs.

Scrutiny of records showed that in one ZP, 3 PSs and 10 GPs (**Appendix-14**) there was an opening balance of ₹ 3.73 lakh during 2007-12 and ₹ 59.14 lakh was received between 2007-08 and 2011-12 for execution of 87 works. However, against the total availability of funds of ₹ 62.87 lakh, no expenditure was incurred on execution of works as of March 2013. Thus, non-utilisation of funds for developmental works resulted in unnecessary blocking up of funds and the intended beneficiaries were also deprived of the benefits. The Executive Officers/Secretaries of the PRIs concerned stated (April 2012-February 2013) that due to land dispute, litigations and limited working season etc, works could not be started. The reply is not convincing as such issues could have been resolved before getting the works sanctioned and funds released from the funding agencies.

2.5 Doubtful deployments

2.5.1 Irregularities in payment to labourers

Six GPs showed deployment of same labourers on different works in the same period.

Scrutiny of records showed that in six GPs, same labourers were shown as deployed for different works on different muster rolls in the same period during 2007-11, resulting in doubtful deployment and double payment of wages of ₹ 1.36 lakh (**Appendix 15**). The name of schemes/works for which these muster rolls were issued

had not been mentioned in most of the muster rolls, which was indicative of ineffective internal control mechanism. The concerned secretaries of the GPs stated (April 2012- December 2012) that the matter would be investigated and action taken accordingly.

2.5.2 Irregular payment

GP Bairagarh paid wages amounting to ₹ 0.03 lakh for non-existing dates of calendar months.

Test check of records of GP *Bairagarh* (Chamba district) showed that against muster rolls for the months of September and November, 2007 wages to labourers were paid for 31 days instead of 30 days. Thus, an excess payment of ₹ 3253 was made to the labourers. Besides, against muster rolls pertaining to the work 'construction of *Pakki gali Parada*', payment of ₹ 54,630 was made in July 2010 whereas total amount payable to labourers worked out to ₹ 54,030. This had also resulted in excess payment of ₹ 600. While admitting the facts, the Pradhan of GP concerned stated (October 2012) that excess payments were made by mistake and the same would be recovered. The fact however, remained that no check over preparation of muster rolls by the field staff was being exercised to prevent the chances of excess payments against muster rolls.

2.6 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

The main objective of the scheme is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work. The funds relating to MGNREGS are being received by the GPs through District Rural Development Agencies (DRDAs) for implementation of Mahatma Gandhi National Rural Employment Guarantee ACT (MGNREGA). Irregularities noticed in implementation of the scheme during the course of audit of PRIs are discussed in the succeeding paragraphs.

2.6.1 Non- maintenance of wage material ratio

Sixteen GPs failed to adhere to the prescribed wage material ratio and accordingly made less provision of ₹ 51.10 lakh on labour component.

Para 7.4.1 of MGNREGA guidelines stipulates that ratio of wage cost to material cost should not be less than the minimum norm of 60:40. This ratio should be maintained at GP level for all works to be taken up by the GP and for works to be taken by all other agencies it should be maintained at the Block/ intermediate Panchayat level. Audit noticed that in 16 GPs, 393 works were got executed during 2008-13 at a total cost of ₹ 3.93 crore. Against the required expenditure of ₹ 2.35 crore to be incurred on wages, the amount spent on wage component was ₹ 1.85 crore. Thus, the purpose of prescribing higher ratio for wage component was defeated resulting in less availability of funds of ₹ 51.10 lakh (**Appendix 16**) for employment generation. Some secretaries of GPs attributed (October 2012- February 2013) non-maintenance

of prescribed ratio to non-receipt of orders in this regard, while no reasons for non-observing the prescribed wage and material ratio were furnished by others.

2.6.2 Delay in release of labour payment

Thirteen GPs delayed payment of wages of ₹ 1.09 crore to labourers for periods ranging between 1 and 690 days.

As per Para 7.1.5 of MGNREGS guidelines, workers were to be paid wages on a weekly basis and in any case not beyond a fortnight from the date on which work was done. In the case of delay beyond a fortnight, workers were entitled for compensation as per the provisions of 'Payment of Wages Act, 1936'. It was noticed in audit that 13 GPs made payment of ₹ 1.09 crore to the workers under MGNREGS after a delay ranging from 1 to 690 days (**Appendix-17**) which was contrary to the provisions of MGNREGS guidelines. No compensation was paid to the labourers for delayed payment. The secretaries of the GPs concerned stated (December 2012-March 2013) that the delay in payment of wages occurred due to late receipt of funds from Block Development Officers and delay in evaluation of works.