

Chapter 4

Performance Audit, Long Paragraph and Compliance Audit

Performance Audit

4.1 Decentralised Governance including Status of Maintenance of Accounts in *Panchayati Raj* Institutions.

Executive Summary

- Article 243-G of the Constitution of India, which was included after enactment of the Seventy Third Constitutional Amendment Act, 1992, enjoins that the State Legislature may endow the *Panchayats* with such powers and authority as may be necessary to enable them to function as institutions of self government. It further provides that such law may contain provisions for devolution of powers and responsibilities upon *Panchayats* with respect to the preparation and implementation of plans for economic development and social justice in relation to the matters listed in the Eleventh Schedule (the 29 item list) of the Constitution.
- As per the recommendations of the Eleventh Finance Commission (EFC), to exercise better control and to secure better accountability, the formats for preparation of budget & accounts and database on finances of *Panchayati Raj* Institutions were prescribed by the Comptroller and Auditor General (CAG) of India in 2002. These formats were further simplified in 2007 by the CAG for easy adoption at the grass root level. Ministry of *Panchayati Raj* (MoPR) informed the State Governments (October 2009) to introduce Model Accounting System developed by National Informatics Centre (NIC) for *Panchayati Raj* Institutions on web based software (PRIASoft) with effect from 01 April 2010. The State Government made it mandatory (January 2011) to maintain the accounts on PRIASoft with effect from 01 April 2010.
- Devolution of functions as intended in the Constitution and the Government Orders was not fully achieved in the test-checked *Panchayati Raj* Institutions.
- Flow of funds to the *Panchayati Raj* Institutions increased hugely after decentralisation. There was 718 *per cent* increase in State Finance Commission (SFC) grants and 689 *per cent* increase in Central Finance Commission (CFC) grants to the *Panchayati Raj* Institutions between the year 1998-99 and 2007-08.
- Transfer of functionaries to the *Panchayati Raj* Institutions did not take place in the State.
- The Government's intent to decentralise governance and promote people's participation remained largely unfulfilled due to non-transfer of all the functions and functionaries and the inactive approach of

Panchayati Raj Institutions' committees.

- Due to non-maintenance of accounts and budget estimates in the *Zila Panchayats* (ZPs) and *Kshetra Panchayats* (KPs) in the prescribed formats, the objective of strengthening the accounting system of *Panchayati Raj* Institutions for exercising proper control and securing better accountability was not achieved. Consequently, the estimated receipt and the flow of funds and expenditure thereof was neither analysed nor monitored by the competent authorities
- Rupees 4.56 crore provided (during 2007-10) to 11,403 *Gram Panchayats* (GPs) for preparation of accounts through Chartered Accountants was lying unutilised as of August 2013.
- There is no assurance with regard to the accuracy of the accounts prepared by Chartered Accountants for the period 2007-10 at a cost of ₹ 5.52 crore as these accounts were not checked by the competent authorities.
- There was non-maintenance of Cash Book in *Zila Panchayat*, Maharajganj; and non-reconciliation of Cash balances with Bank in *Zila Panchayat*, Mirzapur; *Kshetra Panchayat*, Risiya in Bahraich; *Kshetra Panchayat*, Kaptanganj in Basti; and in all 70 test-checked *Gram Panchayats*.
- The time schedule prescribed by the State Government for the closure of year books of *Panchayati Raj* Institutions in PRIASoft for 2010-11 and 2011-12 was not adhered to.
- Receipt and Payment accounts in PRIASoft did not reflect true and fair picture of financial position of *Panchayati Raj* Institutions during 2010-13.
- Of the eight formats of Model Accounting System, only the Annual Receipt and Payment Accounts (Format I), Consolidated Abstract Register (Format II) and Bank Reconciliation Statement (Format III) were generated on PRIASoft. *Zila Panchayats* kept their receipts of ₹ 13.98 crore and payments of ₹ 22.62 crore in Suspense Accounts during 2010-13.
- *Panchayati Raj* Institutions were without adequate trained manpower and Information Technology infrastructure, essential for smooth implementation of Model Accounting System and PRIASoft, both at the district and the grass root levels.
- Internal control and internal audit in the *Panchayati Raj* Institutions were weak and requisite monitoring by competent authorities of functioning of *Panchayati Raj* Institutions was lacking.

4.1.1 Introduction

The Seventy Third Constitutional Amendment Act, 1992 (Act), envisaged decentralisation of powers, responsibilities and finances to *Panchayats*. Article 243-G of Constitution enjoins that the State Legislature may endow the *Panchayats* with such powers and authority as may be necessary to enable them to function as institutions of self government.

Article 243-H of the Constitution provides that the State Legislature may authorise *Panchayats* to levy, collect and appropriate such taxes, duties, tolls, fees etc. as would be authorised by the State. The Act also provides for constitution of SFC to devolve finances to *Panchayats* from the Consolidated Fund of State.

As per the recommendations of the EFC, the CAG prescribed formats for preparation of budget and accounts and database of the finances of *Panchayati Raj* Institutions PRIs in 2002. The State Government adopted these formats in March 2003 and issued (January 2005) orders to PRIs for maintenance of accounts in these formats. The State Government directed that the accounts of GPs would be prepared by Chartered Accountants (CAs) 2000-01 onwards for which they were to be paid ₹ 4,000 per GP per year as remuneration. These formats were further simplified in 2007 by the CAG for easy adoption at the grass root level. The Technical Committee on Budget and Accounting Standards for PRIs, co-chaired by Secretary, MoPR and Deputy Comptroller and Auditor General (LB), considered (04 August 2008) the need for developing a simple but robust format for accounts of *Panchayats*. The Committee in its meeting in January 2009 approved a simplified format of accounts for PRIs, to facilitate generation of financial reports through Information and Communication Technology as proposed by its sub-committee constituted for this purpose. Further, MoPR informed (October 2009) the State Governments to introduce Model Accounting System (MAS) developed by NIC for PRIs on a web based software (PRIASoft) with effect from April 2010. The State Government made it mandatory (January 2011) to maintain the account on PRIASoft with effect from April 2010. Further, the Thirteenth Finance Commission also recommended that the CAG be entrusted with TGS for all local bodies for all states, which would be a necessary consequence of the standardisation of accounting formats for all local bodies across the states.

4.1.2 Administrative Set-up

Panchayati Raj Institutions constitute three tier systems, viz. (i) ZPs at the district level, (ii) KPs at block level and (iii) GPs at village level. At the Government level, Principal Secretary, *Panchayati Raj* assisted by Secretary, *Panchayati Raj* is the controlling authority. At the department level, Director, is the head of the *Panchayati Raj* Department. The *Apar Mukhya Adhikaris* (AMAs) in ZPs, Block Development Officers (BDOs) in KPs and *Gram Panchayat Vikas Adhikaris* (GPVAs) in GPs are working as Secretaries to the elected *Adhyaksh* (ZPs), *Pramukh* (KPs) and *Gram Pradhan* (GPs) respectively who are also the administrative heads.

4.1.3 Audit Objectives

The objectives of performance audit were to assess whether:

- the funds, functions and functionaries (3Fs) were actually transferred as per provisions of the Constitution;
- the transferred functions were being performed effectively and efficiently, and fulfilled the objective of decentralisation of Governance;
- the accounting formats, prescribed from time to time by the CAG, were adopted and implemented in PRIs;
- the implementation of PRIASoft in PRIs was efficient and effective and;
- the internal control and monitoring & evaluation mechanism were efficient and effective.

4.1.4 Audit Criteria

The performance audit was carried out with reference to provisions of following:

- Eleventh Schedule of the Constitution;
- Provisions of the Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat* Act, 1961; Uttar Pradesh *Panchayati Raj* Act, 1947; and UP, ZP and KP (Budget and General Accounts) Rules, 1965;
- Accounts of GPs as prepared by CAs and Accounts of ZPs and KPs prepared by their accounting staff in prescribed proforma;
- Guidelines and list of codes of MAS for *Panchayats*; and
- Orders, notifications and instructions issued by the State Government, from time to time, for decentralisation of Governance and maintenance of accounts in PRIs.

4.1.5 Audit Scope and Limitations

Performance audit covered the period from 2007 to 2013 and was carried out from September 2012 to November 2012 and updated in September 2013 by examining records relating to decentralisation of Governance and maintenance of accounts in PRIs at the Secretariat, Directorate, *Panchayati Raj* Institutions levels. Scrutiny of records of 12 districts and information collected from sampled units comprised 12 out of 72 District *Panchayat Raj* Officers (DPROs), 12 ZPs¹, 12 KPs and 96 GPs². The details of sample selected for the performance audit are given in **Appendix 4.1.1**.

¹ Aligarh, Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahoba, Mahrajganj, Mau and Mirzapur.

² KPs and GPs are selected on the basis of Simple Random Sampling statistical method.

Audit was limited in its scope for reasons of non-production of records. Despite repeated requests and pursuance, requisite information was not furnished by any of the selected GPs in district Mahoba and Hathras, besides information by three, two and five GPs was also not provided in districts Jaunpur, Lalitpur and Mau respectively. The details of units which did not furnish information are given in *Appendix 4.1.2*.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.1.6 Audit Methodology

It involved examination of the records at the Directorate (*Panchayati Raj* Department), office of DPROs, ZPs, KPs and GPs level. An entry conference with the Principal Secretary, *Panchayati Raj* Department, Government of Uttar Pradesh was held (September 2012) to appraise the objectives, criteria and sample of the performance audit and the same was agreed to by the State Government. The exit conference could not be held due to the reason that the State Government did not furnish the reply of the performance audit and did not convey the date, time and venue for exit conference despite repeated requests³ made by audit.

4.1.7 Audit Findings

4.1.7.1 Decentralised Governance in *Panchayati Raj* Institutions

Eleventh Schedule in the Constitution contains a list of 29 subjects which the State Legislature may, by law, transfer to PRIs. Pursuant to it, Uttar Pradesh *Panchayati Raj* Act, 1947 (UP, PR Act) and Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat* Act, 1961 (UP KP & ZP Act) through activity mapping, identified 50 activities for transfer to GPs, 56⁴ to KPs and 71⁵ to ZPs pertaining to these subjects.

4.1.7.2 Transfer of functions

Pursuant to Seventy Third constitutional amendment, the State Government issued orders (May, 1999)⁶ for transfer of six functions to KPs and 15 functions to GPs (July, 1999)⁷. No information was furnished for functions transferred to ZPs.

In response to a query about the transferred functions to PRIs, the Director, PR Department replied that the Government transferred 16 functions to PRIs. No specific orders in this regard were made available by the Department.

Analysis of the information provided by 12 test-checked ZPs revealed that all ZPs have undertaken activities relating to Maintenance of Assets Created in

³ D.O. Letters No. PAG/G&SSA/PA/SS I/2011-12/302 dated 16.01.2013; 201 dated 13.08.2013 and 360 dated 09.09.2013.

⁴ Nine activities related to three other subjects excluding 29 subjects as mentioned above.

⁵ Seven activities related to two other subjects excluding 29 subjects as mentioned in schedule XI.

⁶ G.O. No. 2542/33-1-99-159/99 T.C. dated 27 May 1999.

⁷ G.O. No. 3467/33-1-99-222/99 dated 01 July 1999.

Panchayat Area, 10 ZPs⁸ have undertaken activities against the function ‘Operation and Maintenance of Rural Markets and Fairs’ and 10 ZPs⁹ have undertaken activities under ‘Poverty Alleviation Programme’. The function of ‘Operation and Maintenance of Rural Water Supply scheme’ was being carried out by only ZPs Lalitpur and Jaunpur. Thus, 12 out of 29 functions as mentioned in Eleventh Schedule of the Constitution were not undertaken by any of the test-checked ZPs.

Similarly, analysis of the information provided by 12 test-checked KPs revealed that activities for ‘Poverty Alleviation Programme and Maintenance of Assets Created in *Panchayat* Area’ were undertaken by all the test-checked KPs. Five KPs¹⁰ undertook activities for ‘Rural Housing Scheme – selection of beneficiaries’ and three KPs¹¹ for ‘Food and Civil Supplies – supervision of PDS’ throughout the state including Jan Kerosene Programme. Activities mentioned for ‘Minor Irrigation – selection of beneficiaries’ was being carried out by only KP Basgaon (Gorakhpur). Thus, 11 against 29 functions remained unattended in the test-checked KPs.

Analysis of the information provided by 70 GPs revealed that all the GPs undertook activities against functions – ‘Operation and maintenance of rural water supply schemes’, ‘Poverty Alleviation Programme’, ‘Basic Education including Mid-day-Meal’, ‘Rural Sanitation Programme’, ‘Welfare Programme for SC, ST and other weaker sections – Selection of pensioners and distribution of scholarships’, ‘Maintenance of Assets Created in *Panchayat* Area’ and ‘Rural Housing schemes – Selection of beneficiaries. Thus, GPs had undertaken only seven out of 29 functions.

Hence, the transfer of functions, as intended in the Constitution was not achieved to the full extent in the State.

4.1.7.3 Transfer of funds

(i) The Director, PR Department informed (September 2013) that funds were released to PRIs under CFC, SFC, Total Sanitation Campaign, Construction and maintenance of Rural Markets and Fairs and Rural Library.

Analysis of the information provided by test-checked ZPs revealed that nine¹² out of 12 selected ZPs received funds for activities- Poverty alleviation programme, Operation and maintenance of Rural Markets and Fairs and Maintenance of assets created under different scheme. Besides, ZP Lalitpur also received funds for activity named ‘Rural Water supply – operation and maintenance’, while two ZPs (Mirzapur and Hathras) received funds for activity named ‘Maintenance of assets created under different schemes’ only.

⁸ ZPs Basti, Bahraich, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahrajganj, Mahoba, Mau and Mirzapur.

⁹ ZPs Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahrajganj, Mahoba, and Mau.

¹⁰ KPs Basgaon (Gorakhpur), Birdha (Lalitpur), Kabrai (Mahoba), Kopaganj (Mau) and Sadar (Mahrajganj).

¹¹ KPs Basgaon (Gorakhpur), Birdha (Lalitpur) and Khair (Aligarh).

¹² ZPs Basti, Bahraich, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahrajganj, Mahoba and Mau.

Further, scrutiny of records of test-checked KPs revealed that they received funds for only two activities-Poverty alleviation programme and Maintenance of assets created under different scheme.

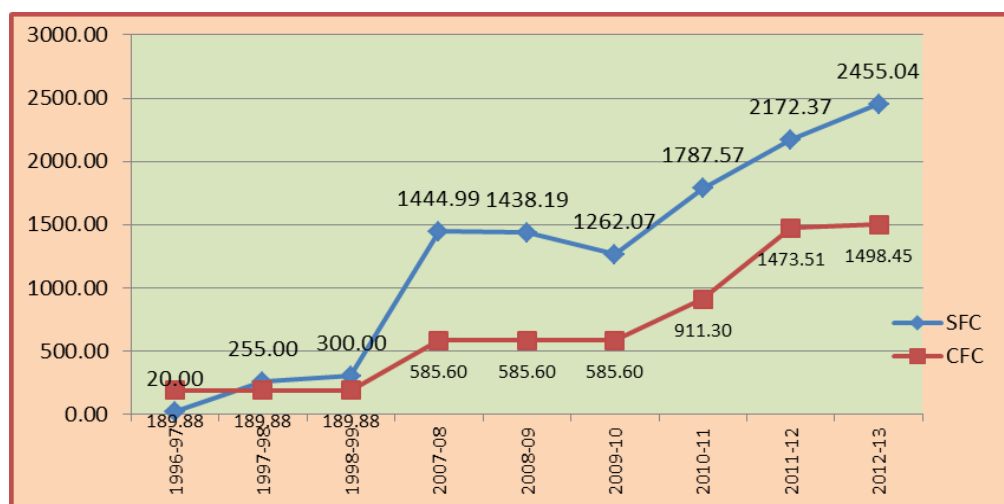
Analysis of information provided by the 70 GPs revealed that they received funds only for activities-Poverty alleviation programme, Rural Water supply-operation and maintenance, Rural Sanitation programme, Social Welfare-Distribution of Scholarship, Maintenance of assets created under different scheme and Mid-day Meal.

Thus, ZPs, KPs and GPs did not receive funds for Rural Library.

(ii) We observed that funds received from the State Government as per recommendations of CFC and SFC formed a major part¹³ of the devolution of funds to PRIs during 2007-13 (*Appendix 4.1.3*). Besides, PRIs generate funds also from their own sources as per the provisions of UP, KP and ZP Act, 1961 by levying taxes and fees such as *Tehbazari*, property tax, water rate/tax etc. None of the test-checked KPs was levying all the taxes provided for in the Act¹⁴. ZP, Jaunpur did not levy Circumstances and Property tax (CP Tax), while ZP, Mahoba levied CP Tax only with effect from 2011-12. It is evident from *Appendix 4.1.3* that own revenue receipts in the PRIs showed a decreasing trend during 2007-13.

The status of the devolution of funds to PRIs under CFC and SFC grants, before 1998-99 and after decentralisation of governance in the State (2007-13)¹⁵, was as depicted below in the **Chart I**.

Chart 1: Status of devolution of funds to PRIs under CFC and SFC grants



(Source: Director, *Panchayati Raj*, Uttar Pradesh)

Thus, there was a huge increase, 718 per cent in SFC grants and 689 per cent in CFC grants to PRIs in 2012-13 compared to 1998-99, i.e., after the orders of the State for devolution of 3 Fs.

¹³ SFC – 59 per cent and CFC – 31 per cent.

¹⁴ UP PR Act, 1947 Rule 37 (for GPs) ; Section 131(a) and Section 119 of UP KP & ZP Act 1961 for KP and ZP respectively.

¹⁵ Period covered in the performance audit.

4.1.7.4 Transfer of functionaries

The State Government was (July 1999)¹⁶ to appoint at least one multi-purpose *Panchayat* worker in each GP, designating him as ‘*Gram Panchayat and Vikas Adhikari*, redesignated as *Gram–Panchayat Vikas Adhikari*,¹⁷ (GPVA). In addition to this multi-purpose *Panchayat* worker, an additional official was to be posted in the GP, subject to the availability of officials. These GPVAs were to be appointed from amongst the village level workers of following eight departments as mentioned in **Table 1**.

Table 1: Transfer of functionaries to GPs from the different departments

Sl. No.	Name of the Department	Designation of the official
1	Rural Development	<i>Gram Vikas Adhikari</i>
2	<i>Panchayati Raj</i>	<i>Gram Panchayat Adhikari</i>
3	Agriculture	<i>Kisan Sahayak</i>
4	Medical	Male Health Worker
5	Irrigation	Tubewell operator
		<i>Seenchpal</i> (Tubewell)
		<i>Seenchpal</i> (Canal)
6	Social Welfare	<i>Gram Vikas Adhikari</i> (Social Welfare)
7	Cane	Cane supervisor (<i>Ganna Paryavekshak</i>)
8	Land Development and Water Resources	Village level worker, inspector and supervisor

(Source: Director, *Panchayati Raj*, Uttar Pradesh)

Analysis of information furnished by 12 test-checked DPROs revealed that against the required posting of functionaries of eight departments mentioned above, only *Gram Panchayat Adhikari* (GPA) of PR Department and *Gram Vikas Adhikari* (GVA) of Rural Development Department were posted in the GPs. Further, as against 9,318 GPs in test-checked districts, only 1,746 GPAs/GVAs¹⁸ (19 per cent) were posted and GPA/GVA was holding charge of five GPs on an average (**Appendix 4.1.4**). Further, the total number of sanctioned posts of GPA and GVA was 2,798 in the 12 test-checked districts, which was not in consonance with the order(s) of the State Government for appointment of at least one GPVA in each GP. Similarly, scrutiny of information furnished by 12 ZPs revealed that the post of Accountant was vacant in ZP Lalitpur, post of Assistant Accountant was vacant in two ZPs (Bahraich and Hathras), whereas, neither Accountant nor Assistant Accountant was posted in ZP, Mirzapur.

The Director, PR Department while accepting the audit observations stated (September 2013) that the State Government was trying to devolve funds, functions and functionaries to PRIs at appropriate level as per the provisions of the Constitution.

¹⁶ G.O. No. 3467/33-1-99-222/99 dated 01 July, 1999.

¹⁷ G.O. No. 4071/33-1-99-222/99 dated 26 July, 1999.

¹⁸ GPA 864, GVA – 882(August 2013).

Thus, the transfer of functionaries to PRIs in the State was not fully in consonance with the extant orders. The vacant posts in ZPs adversely affected the accounts, which deprived the beneficiaries from intended benefits of maintaining the accounts and monitoring thereof.

4.1.8 Ineffective functioning of PRI committees constituted for decentralised governance

The State Government decided (July 1999)¹⁹ to constitute six symmetrical committees²⁰ in each tier of PRIs for the devolved functions to the PRIs. The committees were to meet at least once in a month. These committees were to be constituted by each ZP, KP and GP from their elected members to look after the activities relating to (i) planning and development (ii) works (iii) education (iv) health and welfare (v) administration and (vi) water management within their jurisdiction. We observed:

- In three (Basti, Lalitpur and Bahraich) out of 12 test-checked ZPs, no meeting of these committees was held during 2007-13. *Zila Panchayat*, Chandauli intimated (September 2013) that only meetings of works committee was held in 2011-12 while ZP, Mahoba intimated (September 2013) that only two meetings (Works Committee) were held. *Zila Panchayat*, Mau replied (September 2013) that Planning and Development Committee held its meeting in 2009-10, 2010-11 and 2011-12 and of Works Committee in 2011-12 and 2012-13. *Zila Panchayat*, Mirzapur intimated that meetings of works committee were held during 2012-13. *Zila Panchayat*, Gorakhpur intimated (September 2013) that only the Works Committee held its meeting in 2012-13. *Zila Panchayats*, Mahrajganj and Jaunpur intimated that its committees were active and ZPs, Lalitpur, Aligarh and Hathras intimated that committees held their meetings along with the Board meetings of ZP.
- Further, out of 12 KPs test-checked, six committees were constituted in all KPs except KP Sadar, Mahrajganj where only four committees were constituted.

On this being pointed out in audit BDO stated (September 2013) that in the said Government order, a provision for constitution of only four committees instead of six committees was mentioned. The order was not readily available with them. No documentary evidence in support of committee's meeting was furnished by any of the test-checked KPs.

- Information furnished by test-checked 70 GPs revealed that although the said committees were constituted in all the GPs, they did not furnish the records in support of the meetings held.

Thus, the objective of the State Government for decentralised governance and public participation was only partially achieved.

¹⁹ G.O. No. 4430/33-1-99-SPR/99 dated 29 July 1999.

²⁰ Planning and Development Committee, Education Committee, Works Committee, Health and Welfare Committee, Administrative Committee and Water Management Committee.

4.1.9 Status of maintenance of accounts in PRIs

4.1.9.1 Non-maintenance of accounts in the prescribed formats by ZPs and KPs

On the recommendations of the EFC, for exercising proper control and securing better accountability, 16 formats (*Appendix 4.1.5*) for the preparation of budget and accounts and database of the finances of PRIs were prescribed by the CAG on coding pattern in 2002 further simplified in 2007. After 2009-10, Web-based accounting system, PRIASoft, was introduced as discussed in Paragraph 4.1.10. The State Government issued orders (January 2005) for maintenance of accounts in these formats with the direction that the accounts of GPs would be maintained through CAs, whereas, the accounts of KPs and ZPs would be prepared and maintained by their respective accounts staff. Test check of the records of ZPs and KPs revealed that none of the ZPs and KPs maintained their accounts in the prescribed formats.

Non-maintenance of accounts in the ZPs and KPs in the formats prescribed not only was against the recommendations of the EFC but also deprived the benefits of efficient and effective planning, execution and monitoring of various activities, devolved to PRIs.

4.1.9.2 Non-maintenance of Budget Estimates by KPs

As per Rule 3 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, revised estimate for the current year and the budget estimate for the following year is to be prepared by ZPs and KPs in October, every year. The information furnished by the 12 test-checked KPs revealed that none of the KPs prepared Budget Estimates and Revised Estimate. Thus, receipts and flow of expenditure were not analysed and monitored by any competent authority.

4.1.9.3 Improper maintenance of accounts in ZPs and KPs

As per Rule 22 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, ZPs and KPs were to prepare monthly account by tenth day of each month in respect of receipts and expenditure for the previous month for submission to first meeting of the ZP and KP respectively which was to be held after tenth day of that month.

Scrutiny revealed that monthly accounts were prepared by 11 ZPs (except by ZP, Mahoba). These were not submitted in meetings of ZPs. Further, KPs did not even prepare their monthly accounts.

This indicated weak financial control of the competent authorities over ZPs and KPs.

4.1.9.4 Status of the accounts of GPs prepared by Chartered Accountants

Pursuant to the recommendations of the EFC, the State Government ordered (January 2005) that the accounts of GPs would be prepared by CAs 2000-01 onwards for which they were to be paid ₹ 4,000 per GP per year. The State Government issued an order (June 2006) for selection of CAs, according to

which the selection/empanelment of CAs was to be done by a district level committee headed by the District Magistrate of the concerned district and funds for the purpose was to be allocated as per the recommendations of the Twelfth Finance Commission (TFC).

Analysis of the information furnished by Director, *Panchayati Raj* revealed that 27,954 GPs accounts²¹ of the 12 test-checked districts were to be prepared for the period 2007-2010 by 9,318 GPs²². Scrutiny of the relevant records revealed that out of 27,954 GPs accounts, only 15,193 accounts (54 *per cent*) were prepared by the CAs. 12,761 GP's accounts remained incomplete/unprepared (2007-10). Further, out of these 12,761 accounts, preparation of 11,403 GP's accounts (89 *per cent*) was not initiated in 11 districts²³, of which in eight districts²⁴ even the selection of CAs for 2009-10 was not made.

Consequently, ₹ 4.56 crore, provided to 11,403 GPs in the 12 test-checked districts for preparation of accounts through CAs, was lying unutilised at GP level. (*Appendix 4.1.6*)

4.1.9.5 Accounts of GPs prepared by CAs remained unscrutinised

As per order of the State Government (June 2006), the Deputy Director, *Panchayat* (DDP) was to check the accuracy of accounts prepared by the CAs by selecting five *per cent* of GPs on a random basis. Besides each DPRO, *Vittiya Paramarsh Data* (VPD), ZP and District Audit Officer (DAO), Co-Operative Societies and *Panchayats* were to check 10 *per cent* of the GPs in their districts.

Scrutiny of records of 12 test-checked DPROs revealed that the order was not adhered to in any district except in Chandauli.

Thus, there is no assurance with regard to accuracy of the accounts prepared by CAs for the period 2007-10 at a cost of ₹ 5.52 crore²⁵.

4.1.9.6 Non-maintenance of Cash books

As per Rule 84 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, cash book of every ZP and KP was to be maintained and closing balance worked out on daily basis. Authenticity of the entries made in the cash book was to be verified by the *Karya-Adhikari/Khand-Vikas Adhikari*. Scrutiny of cash book of ZP, Mahrajganj revealed that the cash book was maintained with effect from September 2011 only.

On this being pointed out, AMA, Mahrajganj stated (September 2012) that the then Accountant was ordered to complete cash book and the matter of non-compliance of his orders had been reported to the State Government, while opening balances were taken as per bank's pass book.

²¹ 9,318 per year, for the year 2007-08, 2008-09 and 2009-10. i.e. $9,318 \times 3 = 27,954$.

²² Aligarh: 853; Basti: 1,047; Bahraich: 903; Chandauli: 620; Gorakhpur: 1,233; Hathras: 430; Jaunpur: 1,514; Lalitpur: 340; Mahrajganj: 777; Mahoba: 247; Mau: 596; and Mirzapur: 758.

²³ Aligarh, Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Mahrajganj, Mahoba, Mau and Mirzapur.

²⁴ Aligarh, Bahraich, Gorakhpur, Jaunpur, Mahrajganj, Mahoba, Mau, and Mirzapur.

²⁵ Total accounts prepared in 12 test-checked district except Chandauli, i.e. $(15,193 - 1,404) \times ₹ 4,000 = ₹ 5,51,56,000$

Seven KPs²⁶ out of 12 test-checked did not maintain cash book.

On this being pointed out, these KPs stated that Grant Registers (Part-I, II and III) were being maintained in place of cash book. This was fraught with risks of defalcation and misappropriation apart from non-adherence to laid down procedures. GPs maintained the cash book.

4.1.9.7 Non-reconciliation of balances of cash book with those of bank pass-books

According to rule 84 (2) of UP, ZP & KP (Budget & General Accounts) Rules, 1965, the balances of cash book should be checked with reference to the balances of bank pass book at the close of every month and difference, if any, should be reconciled.

Two ZPs (Mirzapur and Mahoba), three KPs (Risiya, district Bahraich; Kopaganj, district Mau and Kaptanganj, district Basti) and all 70 test-checked GPs did not reconcile the cash books with the banks up to 2011-12. ZP Mahoba and KP Kopaganj had prepared reconciliation statement in 2012-13. The rest did not reconcile their cash balances with banks even in 2012-13.

4.1.9.8 Non-inclusion of details of roads in asset register

As per Rule 4 of UP, ZP and KP (*Chal tatha Achal Sampatti*) Rules, 1965, each and every ZP and KP should classify and enter the details of (a) Metalled Road (b) Unmetalled Road and (c) Other roads in their asset registers.

Information collected from the test-checked 12 ZPs and 12 KPs revealed that none of the ZPs and KPs mentioned/recorded details of roads in their asset registers.

4.1.10 Status of web-based accounting software PRIASoft

MoPR, Government of India informed the State Governments (October 2009) to mandatorily introduce MAS developed by NIC for PRIs on a web based software (PRIASoft) with effect from April 2010. The State Government emphasised (April 20, 2012) that, accounts of PRIs for 2010-11 and 2011-12 were to be prepared on PRIASoft latest by April 30, 2012 and May 10, 2012 respectively.

4.1.10.1 Delayed/ non-entering of accounts on PRIASoft

We observed that data entries for scheme codes²⁷ 11, 13, 14, 15, 16, 18, 19, 20, 21 and 22 were not made on PRIASoft in any of the test-checked KPs. Entries for scheme code 11 were made by only five ZPs²⁸.

²⁶ KP Basgaon; KP Chandauli; KP Kaptanganj; KP Kopaganj; KP Mahrajganj sadar; KP Risiya; and KP Sujanganj.

²⁷ Code 11-Mahatma Gandhi National Rural Employment Guarantee Scheme; 13-Swaran jayanti Gram Swarozgar Yojana; 14-Indira Awas Yojana; 15-National Rural Health Mission; 16-Accelerated Rural Water Supply Programme; 18-Mid Day Meal Scheme; 19-Sarva Shiksha Abhiyan; 20-Pradhan Mantri Gram Sadak Yojana; 21-Integrated Watershed Management Programme; and 22-Integrated Child Development Services.

²⁸ ZP Chandauli, ZP Jaunpur, ZP Lalitpur, ZP Mahrajganj, and ZP Mau.

Analysis of the information furnished by 12 test-checked ZPs revealed that annual accounts for 2010-11 were not closed in ZP, Mau up to the prescribed date and accounts for 2011-12 were not closed in three ZPs (Bahraich, Chandauli, and Jaunpur) and not initiated in ZPs, Mirzapur, Basti and Mau by the prescribed date (30 April 2012 and 10 May 2012 for 2010-11 and 2011-12 respectively).

The status of PRIASoft in KPs and GPs of 12 test-checked districts was as shown in **Table 2**.

Table 2: Status of Year book closing in KPs and ZPs

Sl. No.	Name of the District	No. of KPs/GPs	No. of KPs/GPs Accounts closed for 2010-2011	No. of KPs/GPs Accounts not closed for 2010-2011	No. of KPs/GPs Accounts closed for 2011-2012	No. of KPs/GPs Accounts not closed for 2011-2012	No. of KPs/GPs Accounts closed for 2012-2013	No. of KPs/GPs Accounts not closed for 2012-2013
1	Chandauli	09/620	06/618	03/2	05/293	04/327	0/11	09/609
2	Mirzapur	12/758	12/757	00/01	12/756	00/02	02/753	10/05
3	Jaunpur	21/1514	21/1513	00/01	18/1134	03/380	09/277	12/1237
4	Mahrajganj	12/777	12/776	00/01	12/777	00/00	11/687	01/90
5	Mau	09/597	09/593	00/04	09/582	00/15	03/97	06/500
6	Gorakhpur	19/1233	19/1233	00/00	19/1233	00/00	12/1176	07/57
7	Hathras	07/430	06/428	01/02	06/380	01/50	01/69	06/361
8	Lalitpur	06/340	04/339	02/01	02/333	04/07	02/43	04/297
9	Mahoba	04/247	04/247	00/00	04/247	00/00	02/152	02/95
10	Aligarh	12/853	10/851	02/02	09/654	02/199	01/56	11/797
11	Basti	14/1047	14/1047	00/00	14/1044	00/03	04/523	10/524
12	Bahraich	14/903	12/901	02/02	11/837	03/66	03/375	11/528

(Source: Director, *Panchayati Raj*, Uttar Pradesh)

As can be seen from the table, out of 139 KPs and 9,318 GPs in 12 test-checked districts, annual accounts of 2010-11 of 10 KPs and 16 GPs and annual accounts of 2011-12 of 17 KPs and 1,049 GPs were not closed up to August 2013. Annual accounts of 2012-13 were not closed in 89 KPs and 5,100 GPs, though the target date of closing of accounts of 2012-13 was September 2013, as stated (September 2013) by the Director, *Panchayati Raj*.

4.1.10.2 Non-preparation of Statement of affairs and difference between Cash Book's opening balance and Opening Balance of PRIASoft

As per Para 7 of D.O. letter of MoPR of October 2009, all the *Panchayats* need to prepare a 'Statement of Affairs' based on which, opening balance as on 01 April 2010 can be worked out.

Scrutiny of the records of 12 ZPs and 12 KPs revealed that no Statement of Affairs (details for entering Opening Balances (OBs) as on 01 April 2010 on PRIASoft) was worked out by any ZP and KP except ZP Aligarh.

Differences between OBs as per Cash Book/Financial Statements (furnished to audit) and OBs in PRIASoft were as shown below in **Table 3**.

Table 3: Difference in Opening Balances between Cash Book and PRIASoft

(In ₹)

Sl. No.	Name of the ZP/KP	OB (10-11) as per Cash Book/Financial Statement	OB (10-11) as per PRIASoft	Difference between columns (3) & (4) (-) More in PRIASoft (+) Less in PRIASoft
(1)	(2)	(3)	(4)	(5)
1	ZP, Mahoba	4,35,07,652.72	6,64,98,473.73	(-) 2,29,90,821.01
2	ZP, Aligarh	2,46,37,937.00	2,46,77,947.53	(-) 40,010.53
3	ZP, Hathras	1,90,32,965.05	1,84,62,331.05	5,70,634.00
4	ZP, Gorakhpur	15,81,50,006.83	15,72,45,258.83	9,04,748.00
5	ZP, Lalitpur	4,08,81,187.00	4,08,81,187.00	0.00
6	ZP, Jaunpur	14,47,52,406.11	15,08,02,545.13	(-) 60,50,139.02
7	ZP, Bahraich	9,27,17,661.42	9,00,62,715.72	26,54,945.70
8	ZP, Basti	7,97,81,000.00	13,18,21,922.97	(-) 5,20,40,922.97
9	ZP, Mahrajganj	20,94,01,932.54	15,62,73,920.70	5,31,28,011.84
10	ZP, Chandauli	5,00,49,000.00	4,78,38,476.00	22,10,524.00
11	ZP, Mau	5,44,00,351.92	5,44,00,351.92	0.00
12	KP, Kabrai, Mahoba	47,98,157.50	32,10,296.00	15,87,861.50
13	KP, Sujanganj, Jaunpur	80,43,507.49	16,18,092.00	64,25,415.49
14	KP, Basgaon, Gorakhpur	82,76,046.77	42,59,525.00	40,16,521.77
15	KP, Birdha, Lalitpur	1,58,34,492.35	84,50,586.00	73,83,906.35
16	KP, Risiya, Bahraich	48,47,200.00	8,89,853.00	39,57,347.00
17	KP, Khair, Aligarh	42,00,704.00	33,29,699.00	8,71,005.00
18	KP, Rajgarh, Mirzapur	1,04,04,050.70	6,48,825.70	97,55,225.00
19	KP, Sadar, Chandauli	1,60,01,577.01	13,69,538.00	1,46,32,039.01
20	KP, Kaptanganj, Basti	23,62,027.61	2,81,444.00	20,80,583.61

(Source: Director, Panchayati Raj, Uttar Pradesh)

Twenty (KPs and ZPs) out of 24 test-checked stated that OBs were entered as per cash book except in ZP, Mahrajganj where OB was entered on the basis of bank accounts as cash book was not maintained by the ZP.

The replies cannot be accepted. They did not prepare the Statements of Affairs and OBs (for 2010-11) entered on PRIASoft were also not as per OBs of cash book in nine ZPs.

Thus, Receipt and Payment accounts in PRIASoft did not reflect accurate picture of financial position of PRIs.

4.1.10.3 All Eight formats of Model Accounting System were not generated on PRIASoft.

Model Accounting System for *Panchayats* was introduced for ensuring proper control and better accountability. MAS contained eight accounting formats (*Appendix 4.1.7*) in which accounts of PRIs were to be maintained.

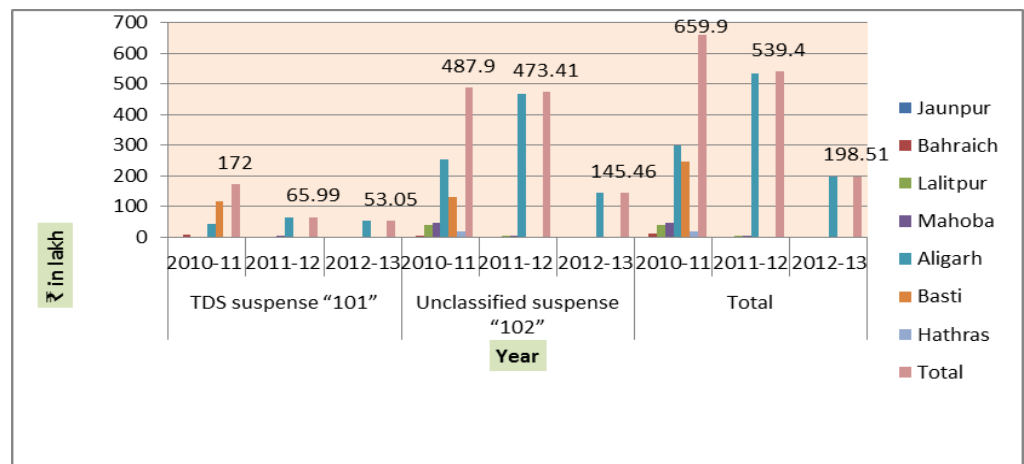
Scrutiny of information furnished by all test-checked entities, revealed that only three (Format I, II and III) out of eight formats of MAS were generated on PRIASoft by the test checked ZPs and KPs. Only two Formats (Format I and III) were generated by most of the GPs. Further, Budget Estimates parts of Format-I, though prepared by ZPs, were not entered on PRIASoft. Since no budget was prepared by KPs and GPs, the same was not taken to PRIASoft. Format-IV, V, VI, VII and VIII in respect of Statement of Receivables and Payables, Immovable Properties, Movable Properties, Inventories and Demand Collection respectively were not generated by any entity in the test-checked districts, as the transactions were not entered on PRIASoft.

The Director, *Panchayati Raj* stated (September 2013) that the facility to generate these formats was provided recently by the GoI and since the annual closing of the accounts of 2012-13 was done, all the eight formats would be generated from 2013-14.

4.1.10.4 Large amounts of receipts and payments kept under Suspense Accounts

Scrutiny of Annual Receipt and Payment Accounts of 12 test-checked ZPs on PRIASoft (Format-I) revealed that huge amounts were shown under the Minor Heads 101-TDS Suspense and 102-Unclassified Suspense of “Major Head 8658– Suspense Accounts” shown in **Chart II (Appendix 4.1.8)**

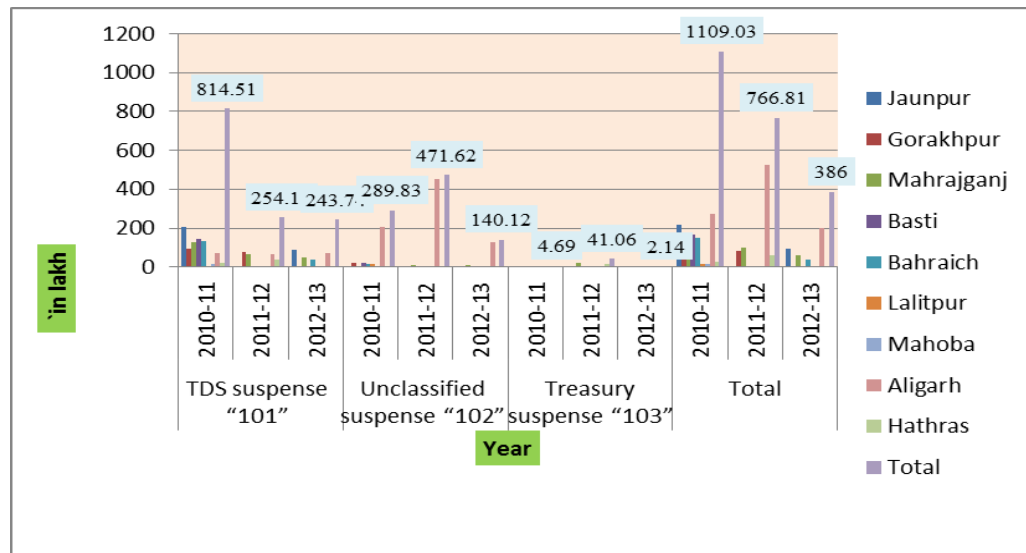
Chart 2: Amount lying under various heads of 8658-Suspense Account in PRIASoft in test-checked ZPs “Receipt side”



It is evident from the above chart that a sum of ₹ 6.60 crore, ₹ 5.39 crore and ₹ 1.99 crore was lying under suspense accounts (TDS and Unclassified) during 2010-11, 2011-12 and 2012-13 respectively in receipt side of Format-I.

Similarly ₹ 11.09 crore, ₹ 7.67 crore and ₹ 3.86 crore were lying under TDS suspense, Unclassified suspense and Treasury suspense accounts during 2010-11, 2011-12 and 2012-13 respectively in payment side of Format-I shown in **Chart 3(Appendix 4.1.9)**.

Chart 3: Amounts lying under various heads of 8658-Suspense Accounts in PRIASoft in test-checked ZPs "Payment side"



Keeping receipts of ₹ 13.98 crore during 2010-13 in Suspense Accounts by the test-checked ZPs indicated that ZPs were unaware of their fund resources. Similarly, ZPs kept their payments of ₹ 22.62 crore in Suspense Accounts during 2010-13 and, therefore ZPs were unaware of correct classification for their expenditure.

On this being pointed out in audit, ZPs stated (September 2013) that necessary corrections would be made in future. The replies of ZPs are not acceptable. Accounts of 2010-13 were closed in the nine (payment side) and six districts (receipt side) at the time of audit.

4.1.10.5 Deficiency in resources and PRIASoft trained manpower in PRIs

Scrutiny of the information furnished by the Director, PR Department, revealed that the workshops for implementation of PRIASoft and MAS in PRIs were held in Lucknow (One Day), Agra (Two Days) and in Allahabad (Two Days) in June 2010, November 2010 and December 2010 respectively, in which AMAs of ZPs, DPROs and Accountants of all districts were imparted training about the software. They further informed that practical training on different aspects of the software was being provided to officers and staff connected with accounts at different levels. Analysis of information provided by the test-checked PRIs revealed that the accountants of the test-checked ZPs,

except ZP, Mirzapur, and 11 out of 1,746 GPs/GVAs in 12 test-checked districts, were only imparted training on PRIASoft. In ZP, Mirzapur office clerk was imparted training on PRIASoft instead of the accountant. However, no accountant was imparted training on PRIASoft in the test-checked KPs.

Analysis of the information of the test-checked PRIs revealed that computers, internet access and other necessary infrastructure, required for feeding in PRIASoft were inadequate. State Government decided (June, 2011)²⁹ to provide computers and computer operators in the districts covered under Backward Regions Grant Fund (BRGF) on the basis of total number of KPs in the district. AMAs of the ZPs concerned informed the BDOs of KPs concerned to avail services of computers operators for feeding records (of all GPs in that KP) in PRIASoft. No such arrangement was made for non-BRGF districts.

Thus, PRIs were largely devoid of trained manpower and Information Technology infrastructure which was essential for smooth implementation of MAS and PRIASoft both at district and grass root levels.

4.1.10.6 Additional manpower for entering data on PRIASoft in districts covered under BRGF.

Scrutiny of information relating to test-checked ZPs revealed that in the districts covered under BRGF, the State Government sanctioned (April 2011) ₹ 10,000 per month for each KP in the district for eight months (one Computer Operator for each KP) on outsourcing basis, from Capacity Building fund of BRGF for entering GP's account, of the concerned KP on PRIASoft. The State Government nominated Vibgyor Info Private Limited (Agency) for providing manpower. Further scrutiny of records in nine test-checked³⁰ BRGF districts revealed that:

- Three ZPs (Basti, Lalitpur and Mahoba) did not enter into any agreement/Memorandum of Understanding with the Agency.
- ZP, Mirzapur, did not appoint any Computer Operator even after entering into an agreement with the Agency concerned, as a result of which ₹ 9.60 lakh³¹ was lying idle with the ZP.
- Payment to the agency was to be made only after obtaining the certificate of satisfactory work of the Operators from Assistant Development Officer *Panchayat* (ADO (P)) but the ZPs made payments after obtaining attendance report only.
- AMA Lalitpur availed the services of one Assistant Programmer @ ₹ 12,000 per month, without the sanction of the State Government in addition to six Computer Operators one each for KP (six computer operators were sanctioned by the State Government). AMA Lalitpur paid

²⁹ No. 2386/33/PMU/2011 dated 13.06.2011.

³⁰ Bahraich, Basti, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahoba, Mahrajganj and Mirzapur, which was among the 12 test-checked districts.

³¹ ₹10,000×8 months = ₹ 80,000×12 KP = ₹ 9,60,000.

₹ 7.20 lakh (₹ 2.40 lakh + ₹ 4.80 lakh) in advance against the total sanction of ₹ 4.80 lakh to the agency without any agreement/MoU. This advance was not entered in the advance register. Services of Computer Operators except one Assistant Programmer were terminated after eight months of their joining.

The performance of computer operators was not up to the mark because *cent-per cent* closing of year books for 2010-12 in KPs and GPs of the test-checked districts was not done. No arrangement for outsourcing was made for non-BRGF districts. The State Government revoked (February 2012) the decision of January 2012 to avail the services of computer operators all over the State for entering the data on PRIASoft at the rate of ₹ 10,000 per month (including all taxes etc.) per operator.

4.1.11 Internal control and monitoring

Internal control (IC) is a system within an organisation that governs its activities to effectively achieve its objectives. A built-in Internal Control System provides reasonable assurance to an organisation about compliance with applicable norms and rules thus achieving reliability of financial reporting and efficiency and effectiveness in organisational functions to achieve the organisational goals. Internationally, the best practices in IC have been given in the Committee of Sponsoring Organisation of the Tradeway Commission (COSO) framework which is a widely accepted model for IC.

We examined the adequacy of internal controls in PRIs with reference to the laid down procedures for monitoring, supervision, maintenance of records *etc.*

Scrutiny revealed that although the committees were constituted, as envisaged in Government Order (July 1999) in each tier of PRIs (ZPs, KPs and GPs) they were not actively participating in the functioning of PRIs as meetings were not regularly held. Consequently, all the payments were being made by PRIs without obtaining the required approval of the committees concerned as discussed in Paragraph 4.1.8.

The Government Order³² (June 2006) for maintenance of GPs' accounts by the CAs, emphasized on inspection of the quality of accounts. The order laid stress on inspection of quality of accounts of GPs by the DDP (five *per cent*) and by the DPRO, VPD and DAO (10 *per cent* each) in the district. The envisaged inspections were not conducted in any of the test-checked PRIs as discussed in paragraph 4.1.9.5.

As per the Government Orders (January 2011 and April 2012)³³ the DPROs were responsible for accuracy and up-dating of accounts, and timely completion of entering of vouchers of GPs and KPs on PRIASoft for 2010-11 and 2011-12, latest by April 30, 2012 and May 10, 2012 respectively.

³² G.O.No.506/33-3-2006-100(14)/04, *Panchayat Raj* Section-3 dated 16 June 2006.

³³ Vide G.O.No. 1/121/2012-1/205/2012 dated 20 April 2012.

On this being pointed out in audit (percentage/random checking of vouchers of GPs and KPs being entered in the PRIASoft), it was stated by seven³⁴ out of 12 DPROs of 12 test-checked districts that random checking would be done in future. One³⁵ DPRO stated that inspection work was in progress. Two³⁶ DPROs stated that inspection was done by the ADOs (P). However, no documents, in support, though called for, such as inspection notes or correction advice were furnished. Further, Director, PRIs stated (September 2013) closing date for 2012-13 account was September 2013.

Thus, internal controls in PRIs were weak and requisite monitoring of functioning of PRIs by competent authorities was lacking.

4.1.12 Conclusion

Though the State Government amended (April 1994) the UP KP and ZP Act 1961 and UP, PR Act 1947 and devolved funds, functions and functionaries, only 16 functions were transferred to PRIs. Even the transferred functions/activities were not carried out effectively by PRIs. Further, six Committees, constituted in PRIs did not supervise the activities under their jurisdiction.

The test-checked PRIs did not maintain their accounts in the formats (during 2007 to 2010) prescribed by the CAG. Even after the simplification of eight formats of accounts (during 2010-13) issued by the CAG, the desired reports from PRIASoft were not generated as basic data was either not entered in the PRIASoft or entered erroneously in most of the PRIs. Accounts on PRIASoft did not reflect an accurate picture of financial position of PRIs. PRIs were without adequate computer-trained manpower as the training on PRIASoft was not imparted to any accounts-keeping staff in KPs except to a few GPs and GVAs in the test-checked districts. They were, therefore, facing problems in data-entry in PRIASoft.

4.1.13 Recommendations

- *The Government should fix a deadline for transfer of all the functions as envisaged in the Eleventh Schedule of the Constitution at the earliest.*
- *The State Government should make arrangement for transfer of adequate number of functionaries to PRIs for their effective functioning and provide required funds for implementing the transferred functions.*
- *Skilled staff should be permanently posted in all PRIs including BRGF districts for proper accounting in PRIASoft.*
- *The State Government should strengthen the internal control mechanism in PRIs for effective financial control over funds and execution of works.*

³⁴ DPROs, Aligarh, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahrajganj and Mahoba.

³⁵ DPRO, Mau.

³⁶ DPROs, Chandauli and Mirzapur.

Long Paragraph

4.2 Working of *Panchayati Raj* Institutions in District Azamgarh

4.2.1 Introduction

Keeping in view the Seventy Third Constitutional amendment 1992, Uttar Pradesh *Kshetra Panchayat and Zila Panchayat Adhiniyam*, 1961 was amended in 1994 to establish a three-tier *Panchayati Raj* system of elected bodies. The amended Act envisaged decentralisation of power to rural self-governing bodies viz., *Gram Panchayat* (GP) at village level, *Kshetra Panchayat* (KP) at intermediate level and *Zila Panchayat* (ZP) at the district level which till then were vested with the State Government. The system of *Panchayati Raj* Institutions (PRIs) aimed at increasing participation of people in local governance and effective implementation of rural development programmes. The overall supervision, co-ordination, planning and implementation of developmental schemes vests with the ZP.

There are 22 KPs and 1,617 GPs in District Azamgarh. Audit of working of PRI was taken up to assess whether (i) Planning and Budget preparations processes are being followed efficiently, (ii) Financial Management for the schemes are adequate, (iii) Human resource management was proper and efficient, (iv) the schemes were implemented in accordance with the prescribed guidelines in an efficient and effective manner, (v) efficient monitoring system existed at various levels and was functioning effectively and (vi) the internal controls and internal audit system were effective.

Test-check of records of ZP, District *Panchayat Raj* Officer (DPRO), five KPs³⁷ and 10 GPs³⁸ (two from each KP) was conducted between July 2013 to October 2013 covering the period from April 2010 to March 2013.

4.2.2 Financial Management

4.2.2.1 Funding arrangement

District Azamgarh received funds under the recommendations of the Thirteenth Finance Commission (TFC), Third State Finance Commission (SFC), Backward Regions Grant Fund (BRGF), Total Sanitation Campaign (TSC)/*Nirmal Bharat Abhiyan* (NBA) and Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS). Revenue, by the PRIs was earned from their own resources such as taxes, rents, fees etc.

³⁷ KPs Martinganj, Palhana, Koilsa, Phoolpur and Sathiyav.

³⁸ GP Kuriyawan and Larpur Baksu of KP Martinganj, GP Benupur and Asausa of KP Palhana, GP Bhimakol and Ekdangi Viharpur of KP Koilsa, GP Gobarha and Manpur of KP Phoolpur, GP Sikandarpur and Dilia of KP Sathiyav.

4.2.2.2 Fund flow mechanism

BRGF	The BRGF funds are directly transferred by the State Government into the bank account of <i>Panchayats</i> within 15 days of release from Government of India (GoI). Funds are released immediately by the <i>Panchayat</i> either in full or in installments on the sanction of the works as may be decided by the <i>Panchayat</i> concerned.
MNREGS	The GoI and Government of Uttar Pradesh (GoUP) transfer their respective shares of MNREGS funds into a bank account called State Employment Guarantee Fund (SEGF) set up outside the State Accounts. Commissioner, Rural Development is custodian of SEGF and administers onward transfer of funds from it to the District and Sub District level.
TSC/NBA	The GoI transfers its share directly in bank account of District Water and Sanitation Mission set up in each district. DPRO, who is ex-officio secretary of mission, draws GoUP's share from District Treasury Officer (TO) on the basis of allotment received from GoUP and deposits it into Mission Bank Account.
TFC/SFC	The TFC fund received by State Government and funds of SFC are sent to Directorate, <i>Panchayati Raj</i> (DPR) and Deputy Director, <i>Zila Panchayat</i> (DDZP). The DPR transfers the fund to DPRO and allotments are made to GPs & KPs, while DDZP transfers the funds to ZPs.

4.2.2.3 Financial position

The yearwise status of opening balance, funds received, expenditure incurred and closing balance during 2010-13 under the various schemes of the test-checked units is given in **Table 1**.

Table1: Funds received

Year	Opening balance	Funds received during the year	Total funds available	(₹ in lakh)	
				Expenditure (per cent)	Closing balance (per cent)
2010-11	2,068.18	5,164.64	7,232.82	4,890.78 (67.62)	2,342.04 (32.38)
2011-12	2,342.04	3,193.29	5,535.33	4,190.55 (75.70)	1,344.78 (24.30)
2012-13	1,344.78	3,453.25	4,798.03	1,825.13 (38.04)	2,972.90 (61.96)

(Source: Budget statement³⁹ of ZP, five KPs & ten GPs)

4.2.2.4 Revenue realised from own sources

Under Section 119 of *UP Kshetra Panchayat and Zila Panchayat Act, 1961* (UP KP & ZP Act), ZP was made responsible for generation of revenue by levying rent, taxes, fees etc. under their jurisdiction. The revenue realised by ZP during 2012-13 is given under **Table 2**.

³⁹ The details of schemewise fund are given in *Appendix 4.2.1*

Table 2: Revenue realised from own sources**(₹ in lakh)**

Name of item	Outstanding dues of previous year	Demand for the year 12-13	Total target	Achievement	Balance
Circumstances and property tax	27.09	53.15	80.24	49.74	30.50
Shops, Building rent	44.80	13.14	57.94	12.08	45.86
Tehbazari	19.18	7.44	26.62	7.51	19.11
Total	91.07	73.73	164.80	69.33	95.47
Achievement Percentage				42.07	

(Source: Recovery statement of ZP Azamgarh)

The table reveals that in the beginning of 2012-13, outstanding dues were ₹ 91.07 lakh and during 2012-13, ZP raised a demand for ₹ 73.73 lakh. Out of the due total amount of ₹ 1.65 crore, only ₹ 69.33 lakh (42.07 per cent) was recovered and the remaining ₹ 95.47 lakh (57.93 per cent) was still unrecovered at the end of 2012-13.

4.2.2.5 Budgeting and Budgetary Process

Budgeting and budgetary process entails preparation and examination of the annual budget estimates and subsequent control over expenditure. The ZP, KPs and GPs were to prepare the annual budget in terms of UP, KP & ZP Act (Section 110 & 115) and *Panchayati Raj Act, 1947* (UP PR Act) (Section 41), following which it was to be passed by ZP/KP/GP. It was, however, noticed that budget was not prepared in any of the test-checked GPs and KPs. ZP prepared the Annual Budget but it did not adhere to the time-line.

4.2.2.6 Cash Management

GPs are to keep three separate village funds I- Miscellaneous, II- MNREGA and III- Scholarship. GPs may keep the amounts of these funds in post office, co-operative banks and gramin banks or nationalised banks in three separate accounts. For these, *Gram Panchayat Adhikari* (GPA) is to maintain three passbooks in the prescribed format in addition to the passbooks issued by bank. On the last day of each month it has to reconcile the difference, if any, in the two sets of figures. *Gram Pradhan* is to check and sign them on the same day. None of the test-checked GPs maintained additional passbook of village funds or prepared reconciliation statement.

4.2.2.7 Operational Management

Under MNREGA, Programme Officer (PO) is responsible for ensuring that responsive and participative *Gram Sabhas* are held each year on 2 October for identification and recommendation of works for preparation of development plan of the year. It was seen that meetings of the *Gram Sabhas* were not conducted on the due dates. The funds received under SFC/TFC were being operated in a single bank account in GPs due to which GPs could not ascertain the correct position of the funds.

4.2.2.8 Inventory Management

Stock register relating to supply of material for the construction work and issues thereof was not maintained in any of the test-checked GPs.

4.2.3 Human resources

The State Government launched several schemes in GPs, which raised their outlay. In District Azamgarh, against the sanctioned strength of 488 village level workers only 295 (163 GPA & 132 GVA) were working (shortage 40 *per cent*) in 1,617 GPs; on an average only one official for five GPs against the norm of one GPA/GVA for one village.

As per MNREGA guidelines, the State Government is required to appoint *Gram Rozgar Sevak* (GRS) at GP level for effective implementation of the scheme. Only 249 GRS were posted in 326 GPs in the five test-checked KPs.

4.2.4 Internal Control

4.2.4.1 Upkeep of records

Effective Internal Control system helps to provide reasonable assurance of adherence to Laws, Rules, Regulations and Orders, safeguards against Fraud, mismanagement and ensures reliable financial and management information. The controls include proper maintenance of accounts, reconciliation of figures, documentation and inspection.

GPs and KPs are to prepare and maintain various records and registers. None of the test-checked GPs had maintained cheque book receipt and issue register, demand and recovery register, inspection register, work register, stock register, asset register and additional pass books of village funds. None of them prepared reconciliation statements.

In respect of MNREGA, it was found that out of 10 test-checked GPs, nine GPs⁴⁰ had not maintained work register while eight GPs⁴¹ did not maintain stock register. The Asset Register was not maintained by two KPs⁴² and four GPs⁴³.

For creation of assets under different schemes such as roads, *Anganwadi* centers, *Panchayat Ghar*, Plantation etc., the GPs had not maintained asset register.

According to provisions of *Panchayat Manual*, GPA is to prepare quarterly accounts for submission to GP's planning and development committee for internal audit. The committee is to examine it and put up its findings to

⁴⁰ GP Kuriyawan, Larpur Baksu, Asausa, Benupur, Ekdangi Viharpur, Gobraha, Manpur, Sikandarpur and Dilia.

⁴¹ GP Kuriyawan, Larpur Baksu, Asausa, Benupur, Bhimakol, Ekdangi Viharpur, Gobraha and Manpur.

⁴² Palhana and Phoolpur.

⁴³ Gobarha, Asausa, Manpur and Larpurbaksu.

Gram Pradhan for further action as required. Test-checked GPs had not prepared quarterly accounts.

4.2.4.2 Non monitoring of works

As per section 33 (iii) of UP KP & ZP Act, ZPs are to supervise the work of KPs and GPs. Azamgarh ZP did not do so.

MNREGS has prescribed procedures for inspection and monitoring. It includes 100 *per cent* inspection of works by block level, 10 *per cent* by District level and two *per cent* by State level officials.

Test-check revealed that no records were maintained in KPs and GPs regarding inspection of work by an officer at a higher level. Audit could not assess the prescribed inspection and monitoring arrangement due to non-maintenance of records.

4.2.5 Audit Findings

4.2.5.1 Unfruitful expenditure on construction of *Gram Panchayat Sachivalayas* ₹ 68.22 lakh

The GoI introduced (January 2007) BRGF programme with the objective to redress regional imbalances in development and to bridge critical gaps in local infrastructure which were not being adequately met through existing inflows.

Out of five test-checked KPs, in two KPs the Project Director, Project Management Unit (PMU), BRGF approved (February 2009) the proposal for construction of *Gram Panchayat Sachivalayas* (GPS) relating to 2007-08 and sanctioned ₹ 10.74 lakh for each GPS against an estimate of ₹ 13.35 lakh (KP Sathiyav) and ₹ 17.30 lakh (KP Palhana) for which 90 *per cent* was released to the KPs (May 2009 and July 2009). Five and two GPS were to be constructed by KP Sathiyav and KP Palhana respectively. Administrative & Financial sanction for 2009-10 was given by Under Secretary, *Panchayati Raj* Department (PRD) on the condition that projects of 2007-08 had to be completed on priority. The construction of GPS (2007-08) was started in 2009-10 for which the date of completion was March 2010 which was extended upto March 2013. Further, it was noticed that GPS Rampur (KP Palhna) was constructed on disputed land and six other GPS were lying incomplete. Thus, seven GPSs were not handed over to GPs even after a lapse of four years after incurring an expenditure ₹ 68.22 lakh with an unadjusted advance of ₹ 5.64 lakh. The details are given in **Table 3**.

Table 3: Incomplete sachivalyas**(₹ in lakh)**

Name of KPs	Name of GP where the GPS was to be built	Year in which expenditure incurred.	Advance given to work incharge	Expenditure	Remarks
Palhana	Rampur	2009-10	1.00	7.26	Disputed
	Malapar	2009-10	1.00	7.26	Incomplete
Sathiyav	Bithauli	2009-10	0.76	10.02	Incomplete
		2010-11	0	0.28	
	Abari	2009-10	0.95	9.08	Incomplete
	Karpia	2009-10	0.26	9.40	Incomplete
		2010-11	0.25	0.26	
	Fhakruddinpur	2009-10	0.41	9.50	Incomplete
		2010-11	0.25	0.27	
	Gajhada	2009-10	0.76	9.25	Incomplete
	Total			5.64	62.58
Grand Total			68.22		



GPS Malapar



GPS Rampur

On this being pointed out, the Block Development Officer (BDO) Palhana and Sathiyav replied (August and October 2013) that the work was incomplete due to paucity of fund and work incharge would be asked to submit the adjustment against the advance. Regarding construction on disputed land the BDO Palhana replied that work was initiated on the basis of land record (khatauni) of Sub-District Magistrate wherein the land was shown as allotted for GPS.



Ambari GPS

The reply is not acceptable. New GPS (project of 2009-10) was completed by Sathiyav without completing the old GPS and advances were still unadjusted in both KPs. In case of Palhana works was started on disputed land.

4.2.5.2 Unfruitful expenditure amounting to ₹ 33.95 lakh on construction of bridge and approach road.

Under BRGF scheme {para 1.1(A)}, the provisions for construction of bridges and approach roads are included to improve connectivity and increase regional development.

Scrutiny of records of five test checked KPs revealed that in KP Sathiyav, PD, PMU had approved the project 'Awabpura Rajbhar Basti to Deoria Tal bridge and approach work' (February 2009) for ₹ 21.48 lakh. Due to upgradation in drawing & design, *Apar Mukhya Adhikari* (AMA), ZP Azamgarh issued a direction (February 2010) to prepare a revised estimate. In compliance, a detailed estimate for ₹ 39.80 lakh was prepared (February 2010) by the KP Sathiyav. Technical approval was accorded (February 2010) by the Executive Engineer, Rural Engineering Service, Azamgarh⁴⁴ and the work was started on 7 June 2010. On the basis of last measurement (July 2010), ₹ 33.95 lakh had been paid to contractor though it is evident that approach roads were not completed (upto 53 per cent), despite the work being executed under short term tender.



Awabpura Raj Awabpura Rajbhar Basti to Deoria Tal bridge and approach work

On this being pointed out the BDO Sathiyav stated (October 2013) that due to non-availability of fund (10 per cent), the work was not completed and no reply was given regarding inviting of short term tender.

The reply is not acceptable. No demand for fund was made after July 2010.

4.2.5.3 Unfruitful expenditure ₹ 17.27 lakh on construction of shops

According to the UP KP & ZP Act (Schedule 2) construction, management and maintenance of shops are to be done by the ZP.

⁴⁴ A short term tender was invited (March 2010) by the KP and the tender was accepted at 0.10 per cent below estimate.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that in GP Mahul, 32 shops (part A to E) were to be built on the land belonging to ZP for which estimate of ₹ 46.94 lakh was prepared in five parts for Block A to E. Technical approvals were accorded by Chairman (September 2009 to November 2009). The agreement was executed (15.01.2010) with one contractor against each estimate in which dates of start of work and completion of work were 15.01.2010 and 31.08.2010 respectively. Construction of shops was proposed to be done from the premium amount of ₹ 1.50 lakh demanded per shop. An amount of ₹ 20.20 lakh was received from 16 interested parties. The construction was started (January 2010) and the executed work (part A to E) was at plinth level (February 2010) for which ₹ 17.27 lakh was paid to the contractor. No progress was seen till date of audit (July 2013).

On this being pointed out, the AMA replied that the shops were not completed due to insufficient funds in *Zila Nidhi*.

The reply is not acceptable. Despite a lapse of three years and five month no efforts were made by the ZP to complete the work by obtaining the remaining amount of premium. Moreover, the work should have not been started for all shops without availability of requisite fund.

4.2.5.4 Incomplete targeted Household Toilets due to non availability of MNREGS share of ₹ 2.99 crore

The GoI runs the TSC renamed as the *Nirmal Bharat Abhiyan* (NBA), administered by Ministry of Drinking Water and Sanitation that aims to provide access to individual toilets to all rural households.

Under the scheme, total cost per Household Toilets (HHT) is ₹ 10,000; out of which combined share of Central & State is ₹ 4,600, MNREGS share is ₹ 4,500 and minimum beneficiary contribution is ₹ 900. In 2012-13, under NBA, ₹ 5.72 crore (Central and State share) was received by DPRO Azamgarh who transferred it to GPs without ensuring availability of MNREGS share of ₹ 3.38 crore required for wage component of 7,519 HHT. Under MNREGS, only an amount of ₹ 38.91 lakh was made available to GPs.

On this being pointed out, the DPRO stated (August 2013) that matter is under correspondence.

The reply is not acceptable. Without ascertaining availability of MNREGS share ₹ 2.99 crore, the Central and State share had been transferred to GPs. Thus, huge amount of central and state share remained unutilised in the GPs and the targeted HHTs were not completed.

4.2.5.5 Unfruitful expenditure of ₹ 2.04 lakh on purchase of Sodium Light in GPs

In accordance with recommendation of SFC for maintenance of lamp post etc. in GPs, a Government order was issued in June 2005 according to which

DPRO shall directly make fund available under village *Nidhi* account-1. As per direction of District Magistrate (DM) concerned, the GPs were to purchase bulbs, tubelight, Sodium light and install them on poles. DM was to assure that the *Gram Pradhan* of the GP would complete all formalities with Uttar Pradesh (UP) Power Corporation Limited.

Scrutiny of records (August 2013) of DPRO, Azamgarh revealed that during 2010-11 and 2011-12, GPs Dugdugwa and Jairampur of KP Palhana had purchased sodium lights worth ₹ 62,400 and ₹ 1.42 lakh respectively despite both GPs not being electrically connected. Thus, expenditure incurred on purchase of sodium lights amounting to ₹ 2.04 lakh became unfruitful.

4.2.5.6 Non renewal of leases/allotment of land valuing ₹ 1.83 crore and unauthorised possession on land of ZP valuing ₹ 1.10 crore

Lands under the control of ZP are to be managed according to the Section 107 of the UP KP & ZP Act.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that out of 16,624.81 sq. mtr of residential and non residential land under its control, 11,049.81 sq. mtr of land valuing ₹ 1.83 crore was allotted to 41 leasee between 1933 to 1967. The allotment of land was to be renewed after 30 years from the date of allotment. No action was taken by the ZP for renewal or re-allotment of lands. Moreover, lease for all allotted land also was due for renewal/reallotment from 1963 to 1997 these were neither renewed nor lands reallocated. A meager sum of ₹ 371 was being earned from all these allotted lands.

Further, it was revealed that 3,577 sq. mtr land valuing ₹ 1.10 crore (3100 per sq. mtr) was in unauthorised possession of 34 shop keepers. The appeal of ZP regarding possession of shop is pending in Hon'ble High Court since 1982.

The valuation of the lands was done prior to 2002. Thereafter, valuation of 16,624.81 sq. mtr of land has not been made.

In reply, the AMA stated (July 2013) that action regarding renewal of lease was being taken and valuation of lands would be made.

4.2.5.7 Non levy of royalty of ₹ 7.59 lakh

Under the Uttar Pradesh Mines and Minerals Concession (UPMMC) Rules 1963 and G.O. dated 2 February 2001, royalty on stone ballast/boulders is to be paid by the department/contractor. The Government vide its order dated 5 August 2002 stipulated that each Drawing and Disbursing Officer (DDO) is responsible for realisation of royalty. If the contractor does not produce royalty receipt in form MM-11, the DDO is to deduct the royalty from the contractors' bill and deposit the same into the treasury. The rate of royalty on stone ballast was fixed as ₹ 68 per cubic mtr (02 June 2009) which was raised to ₹ 102 (02 November 2012).

Scrutiny of records (July 2013) of contractors of ZP Azamgarh revealed that 11,168.50 cubic meter stone ballast was procured by them from Sukurut district Sonebadra for bituminous works of 31 roads during the period 2010-11 to 2012-13. The DDO did not deduct the amount of royalty from the bills of contractors despite non-submission of MM-11 forms by the contractors. Thus, undue benefit of ₹ 7.59 lakh was given to the contractors.

On this being pointed out, the AMA stated (July 2013) that the MM-11 form would be obtained from the contractors and the recovery would be made.

4.2.5.8 Non deduction of Cess of ₹ 4.04 lakh

To regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measure, the GoUP vide a Government notification (November 2009) constituted 'UP Building and Other Construction Workers Welfare Board'. The GoUP also issued (November 2009) instructions for deduction of cess at the rate of one *per cent* of the cost of construction incurred by an employer. All Departments engaged in construction work were required to deduct cess at the prescribed rate from the bills of contractors and remit the same to the Board through a demand draft within 30 days of such deduction.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that during 2010-11 to 2012-13, various construction works were carried out by the ZP through contractors and an amount of ₹ 4.04 crore had been paid to them. It was noticed that deduction of one *per cent* had not been made from the contractor's bills.

On this being pointed out, the AMA replied (July 2013) that the ₹ 4.04 lakh cess could not be deducted as there was no provision for the same in the estimates.

The reply is not acceptable as it was in contravention of the G.O.

Thus, non deduction of cess resulted in undue favour to the contractors.

4.2.5.9 Non deduction of Income tax of ₹ 2.27 lakh at source and ₹ 7.52 lakh of the amount lying undeposited

Para 159.6 of Income Tax (IT)⁴⁵ provides that IT at the rate of two *per cent* shall be deducted from the bills of contractors/suppliers and the deducted amount shall be deposited into the head concerned.

Scrutiny of records of KPs and GPs revealed that tax at the rate of two *per cent* was not deducted from the bills of suppliers. This resulted in non-realisation of tax amounting to ₹ 2.27 lakh.

⁴⁵ Taxman's Direct Taxes Ready Reckoner.

Further, scrutiny revealed that deduction towards IT was made from some suppliers. The deducted amount of ₹ 7.52 lakh was not deposited in the head concerned. The details are given under **Table 4**.

Table 4: Non deduction of IT and non deposited of deducted amount of IT (in ₹)

Name of Unit	Name of KP	Amount of non deduction of IT	Deducted amount which was yet to be deposited
Martinganj	Martinganj	31,993	1,72,918
Palhana	Palhana	00	34,214
Koilsa	Koilsa	59,389	6,607
Phoolpur	Phoolpur	00	1,56,780
Sathiyav	Sathiyav	00	3,78,862
GP Bhimakol	Koilsa	10,064	00
GP Akdangi viharpur	Koilsa	9,729	00
GP Asausa	Palhana	18,481	00
GP Benupur	Palhana	13,404	00
GP Gobaraha	Phoolpur	8,645	00
GP Manpur	Phoolpur	6,693	2,692
GP Sikandarpur	Sathiyav	25,033	00
GP Dilia	Sathiyav	26,494	00
GP Larpur Bakshu	Martinganj	17,094	00
Total		2,27,019	7,52,073

(Source: Payment vouchers of supplier)

On this being pointed out *Khand Vikas Adhikari* in KPs and GPA in GPs stated that action would be taken.

4.2.5.10 Interest amounting to ₹ 1.35 crore remained unutilised under Total Sanitation Campaign

Scrutiny of records (August 2013) of DPRO Azamgarh revealed that an account was opened with Union Bank Azamgarh by District Drinking Water Sanitation Mission (DDWSM) on 2 August 2000. In this account, interest earned amounting to ₹ 1.35 crore was lying unutilised till August 2013.

On this being pointed out, the DPRO Azamgarh stated (August 2013) that the amount of interest earned during the year was shown in utilisation certificate of the year concerned.

The reply of the department is not acceptable. The interest earned since the year 2000 to 2013 was blocked in the bank account. No suitable action was taken for utilisation of such a huge amount.

4.2.5.11 Non utilisation of Fund ₹ 1.44 crore for preparation of Annual accounts by Chartered Accountant

The State Government order dated 16.6.2006 directed that the Annual accounts of GPs would be prepared by Chartered Accountant (CA) from 2000-01 onward for which they were to be paid ₹ 4,000 per year.

Scrutiny of records (August 2013) of DPRO district Azamgarh revealed that in large number of GPs, accounts were not prepared by CA for the last five years (2004-05 to 2009-10). An amount ₹ 1.44 crore was lying unutilised at GPs level. The details are given under **Table 5**.

Table 5: Incomplete account of GPs

(₹ in lakh)

Year	No. of GPs	Account completed by CA of GPs	Account not completed by CA of GPs	Blockage of Fund at the level of GPs
2004-05	1,617	797	820	32.80
2005-06	1,617	621	996	39.84
2006-07	1,617	1,491	126	5.04
2007-08	1,617	1,491	126	5.04
2008-09	1,617	1,491	126	5.04
2009-10	1,617	203	1,414	56.56
Total	9,702	6,094	3,608	144.32

(Source: Progress report of DPRO office.)

On this being pointed out the DPRO Azamgarh stated (August 2013) that action was being taken for completion of accounts.

The matters were reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.2.6 Conclusion

None of the test-checked GPs and KPs prepared annual budgets. Basic records such as cheque book receipt register, cheque issue register, demand and recovery register, inspection register, work register and stock register were not maintained by GPs. Despite creation of huge assets, GPs and KPs did not maintain Assets Register.

Inefficient and lax execution was observed in case of infrastructure creation in rural areas (GPS, Bridge and Approach road, Household toilets etc.). ZP showed a lackadaisical attitude towards asset management (Non renewal of lease land, unauthorised possession) and levy/collection of cess/royalty. The activities of GPs and KPs were not supervised by the ZP. The internal control and monitoring systems were not effective.

4.2.7 Recommendation

- *The GPs and KPs should be made accountable for preparation of their annual budget and proper fund management.*
- *DPRO should issue directions to GPs for maintenance of basic records.*
- *Proper execution and completion of projects at level of ZP should be ensured.*
- *Levy/Collection of cess, royalty and income tax should be done as per extant laws and rules.*
- *The District Administration should strengthen the internal control mechanism in PRIs for efficient and effective monitoring of works.*

4.3.1 Loss of revenue to Zila Panchayat

Due to delay in cancellation of the contract and non-awarding of the contract to the second highest bidder within the specified time, a loss of revenue of ₹ 10.40 lakh was incurred in Zila Panchayat, Mahoba during September to December 2010.

As per the Financial Hand Book⁴⁶, if a successful bidder fails to pay the balance of the amount within the time specified, the auction in his favour will be cancelled and the earnest money deposited by him on the third fall of the hammer will be forfeited to the Government and will be offered to the next highest bidder provided his bid *plus 25 per cent* realised from the highest bidder as earnest money does not fall short of the bid offered by the highest bidder.

Tender notice for *Tehbazari*⁴⁷ on mining products' transportation in Zila Panchayat (ZP), Mahoba provided that the highest bidder would deposit the whole of the amount in one installment of the bid. The contract was awarded to the highest bidder (contractor) at ₹ 41 lakh and an agreement was executed (August 2010) between the ZP and the contractor. As per the terms of the agreement, out of the total bid amount of ₹ 41 lakh, ₹ 15 lakh was deposited by the contractor and the remaining ₹ 26 lakh was to be deposited by him within a fortnight. In case of non-deposit of the amount, the *Adhyaksh/Apar Mukhya Adhikari*, ZP had the right to cancel the contract and forfeit the earnest money.

Scrutiny of records (April 2011) of the ZP, Mahoba revealed that it received only ₹ 15 lakh against the bid amount. Despite issue of reminders⁴⁸, neither the contractor deposited the said amount within the specified time nor did the ZP cancel the contract. Also, the contract was not awarded to the second highest bidder at ₹ 40.50 lakh. The cancellation process of the contract started only after four months (December 2010) and the *Tehbazari* contract for the remaining period (upto March 2011) was awarded (January 2011) to the next highest bidder for ₹ 15.60 lakh as the first bidder, who won the contract withdrew citing inability to execute it. Further, audit observed that an enquiry (October 2010) was conducted by Deputy Director, *Panchayati Raj* Department, Chitrakootdham *Mandal*, Banda where it was pointed out that *Adhyaksh* and *Apar Mukhya Adhikari* of ZP, Mahoba extended undue favour to the contractor but no action was taken.

On this being pointed out (April 2011) in audit, the *Apar Mukhya Adhikari* (AMA), Zila Panchayat stated (April 2011) that revenue would be recovered from the contractor as land revenue.

⁴⁶ FHB Vol. V (part I) Appendix XIX D Rule 18.

⁴⁷ Tax collected on a daily basis by the local authority from small traders for selling/transportation of their items in a weekly market or any other public place.

⁴⁸ Dated 04.09.2010, 25.09.2010.

The AMA accepted the audit observation. Thus, due to late cancellation of the contract and non-awarding of the contract to the second highest bidder within time, the ZP suffered a loss of ₹ 10.40 lakh⁴⁹.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

4.3.2 Unfruitful expenditure

Objectives of *Khet Talab Yojna* under MNREGS remained unachieved due to non-procurement of HDPE film and non-distribution of sprinkler sets to the beneficiaries although ₹ 24.08 lakh was spent in *Kshetra Panchayat, Jaspura, District Banda, during 2010-11.*

To utilise the run off water of monsoon rains in the fields of farmers for irrigation, Uttar Pradesh Government issued guidelines (May 2008) for *Khet Talab Yojana*⁵⁰ (Scheme) under Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS) vide a Government Order⁵¹ (G.O.) dated 05 May 2008. It provided for construction of ponds measuring 20x20x3 metre at unit costs ranging from ₹ 64,000 to ₹ 76,000 on the personal agriculture land of small and poor farmers, especially SC/ST and BPL farmers. The specification for the construction of ponds included laying of High Density Poly Ethylene (HDPE) film (₹ 16,000) to be arranged at District Magistrate level to check seepage of water and construction of drainage (₹ 10,000) around the pond and inlet pipe for collection of rain water. Chief Development Officer Banda directed (May 2010) Block Development Officers to make available list of beneficiaries to Deputy Director, Agriculture Extension to provide sprinkler sets to the beneficiaries. A G.O. dated 13 August 2010 provided to motivate beneficiaries to cultivate fruits trees on the platform built from the soil dug out of the pond. Estimates of the ponds also included HDPE film, pipes and sprinkler sets.

Scrutiny of records (June 2011) of *Kshetra Panchayat (KP) Jaspura*, of district Banda revealed that against the target of 146 ponds for 2008-09, only 57 ponds (39 per cent) were constructed (₹ 24.08 lakh). Despite the provision of HDPE film in the estimate, the ponds were constructed without laying it.

On this being pointed out in audit, the Block Development Officer (BDO), Jaspura replied (June 2011) that targets could not be achieved due to refusal of beneficiaries and accepted that sprinkler sets have not been provided to the beneficiaries. The BDO further intimated (September 2013) that the HDPE film was not received from the District Administration.

From the reply it is confirmed that by not laying the HDPE film in the ponds and non distribution of sprinkler sets the authorities did not adhere to the approved drawing and design of the scheme and estimate.

⁴⁹ Bid for the year 2010-11 ₹ 41.00 lakh; Recovered ₹ 15.00 lakh + ₹ 15.60 lakh Total ₹ 30.60 lakh; loss ₹ 10.40 lakh [₹ 41.00 lakh - (₹ 15.00 lakh + ₹ 15.60 lakh)].

⁵⁰ *Khet Talab Yojana* the objective of the scheme was to utilise the run off water of monsoon rains in the fields of farmers for irrigation.

⁵¹ G.O. No. 1075/38-7-06-50/Misc.

Matter was referred to the Government (February 2012). The Government replied (December 2013) that laying of plastic sheet in the constructed ponds was cancelled vide G.O. dated 18 June 2010 as it was harmful for environment and recharging of water would not take place.

The reply of the Government is not acceptable because the ponds were completed before June 2010 and the very objective of the scheme to store water for irrigation purpose was not achieved. Thus, by not laying HDPE film seepage of the water was not checked.

Thus, an unfruitful expenditure of ₹ 24.08 lakh was incurred and the objectives of the Scheme were not achieved. Besides, the beneficiaries of the drought prone area were also deprived of the much needed irrigation facilities.

4.3.3 Non-adherence to specification

An expenditure of ₹ 39.90 lakh was incurred in construction of road in Zila Panchayat, Siddharthnagar without fully adhering to the UPPWD's specification.

Execution of the construction works in *Zila Panchayat* is required to be based on the specifications and norms of Uttar Pradesh Public Works Department (UPPWD). UPPWD specified⁵² that if a provision is made for premix carpeting (PC) for rural roads, PC and seal coat will be executed directly by overlaying prime coat over Top coat. UPPWD also adopted specifications of the Ministry of Road Transport and Highways (MoRTH) in the year 2008 according to which seal coat should be applied four to six hours after laying the premix carpet. Further, the traffic should not be allowed over the premix surface with or without seal coat for six to eight hours after rolling.

Scrutiny of the records (February 2013) of *Zila Panchayat* (ZP) Siddharthnagar, revealed that out of the Backward Regions Grant Fund (BRGF) (2009-10), ZP opted for constructing the road with the specifications of Premix carpeting. The provision for seal coat was not made. An estimate for construction of the road '*Brajmanganj Marg se Narsinghpur hotey huye Madhu Veliya Tunihawa Marg tak Lapan*' was sanctioned by Assistant Engineer (AE), ZP for ₹ 40 lakh for which administrative, financial and technical approval was accorded by the *Panchayati Raj* Department, Project Management Unit, BRGF (February–May 2010). The work was carried out only up to P. C. level, violating the specifications of UPPWD. Thus, execution of work was carried out with defective estimate upto P. C. level.

On this being pointed out (February 2013), the *Apar Mukhya Adhikari* (AMA), ZP stated that pitch road was constructed as per requirement of the site and within the sanctioned cost. Further, AMA informed (October 2013), that prior to 2010 road construction took place as per P1,P2 norms of UPPWD wherein there was no provision for seal coat and the quality of the road was maintained without seal coat.

⁵² Circular No. 3583 MT/60MT/2007 dated 13.06.2007

The reply of the AMA is not acceptable. The required specifications of UPPWD for roads with PC were not adhered to completely by ZP.

The matter was reported (August 2013) to the Government. However, no reply has been received (June 2014).

4.3.4 Codal provision not followed in depositing of revenue and incurring of expenditure

Codal provision were not followed in depositing of revenue of ₹ 27.77 lakh and in incurring of expenditure of ₹ 21.83 lakh.

As per Financial Hand Book, it is a prerequisite⁵³ to enter the materials supplied for more than ₹ 50 in the measurement book (MB). Uttar Pradesh Accounts Manual for Management of Finance and Accounts in *Gram Panchayats* (GPs) provides⁵⁴ that all the tax receipts of the GP shall be deposited into the *Gram Nidhi* I Accounts opened in a nationalised bank, post office or a *Gramin bank*. As per the provisions⁵⁵ of the Act, all withdrawal of moneys from the *Gram Nidhi* and disbursement thereof shall be made jointly by the *Gram Pradhan* and the Secretary of the GP/ *Gram Panchayat Adhikari* (GPA).

Scrutiny of records (August 2011) of *Gram Panchayat Patwai*, in *Kshetra Panchayat Shahabad*, District Rampur, revealed that revenue of ₹ 27.77 lakh of the *Tehbazari*⁵⁶ of two *haats* (markets), pertaining to 2007-11, was deposited⁵⁷ in an unauthorised bank account operated as *Bazar khata*⁵⁸ instead of *Gram Nidhi* I Account. During the same period, ₹ 26.42 lakh⁵⁹ was withdrawn and spent on construction works. Scrutiny of the copies of the vouchers for ₹ 21.83 lakh made available (September 2012) by the GP revealed that the details of the work and MB were not recorded on the vouchers. The vouchers, instead of being jointly signed by the *Gram Panchayat Adhikari* (GPA) and *Gram Pradhan*, were signed only by the *Gram Pradhan*; MBs were not furnished by the GP, even after a lapse of two years (September 2013). The Deputy Director, *Panchayati Raj*, Lucknow referred (July 2012) the matter to the District Magistrate (DM), Rampur for investigation. Despite issuing of reminder (July 2013) such report was not furnished by the DM.

On this being pointed out, the GPA, Patwai accepted the fact of operating the *Bazar Khata* and keeping the *Tehbazari* receipts outside of the regular GP's account.

The matter was reported (April 2012) to the Government. However, no reply has been received (June 2014).

⁵³ Financial Hand Book Vol. VI para 434.

⁵⁴ Chapter 2, para 3.

⁵⁵ *Panchayat Raj Adhiniyam*, 1947, section 32(4).

⁵⁶ Tax collected on a daily basis by local authority from small traders for selling their items in a weekly market or any other public place.

⁵⁷ Account No. 14040100012855 (old A/c No 2007310).

⁵⁸ Account No. 14040100012855 (old A/c No 2007310), Bank statement for the period 2007-11, Bank of Baroda , Branch Patwai, District Rampur.

⁵⁹ Account No. 14040100012855 (old A/c No 2007310), Bank statement for the period 2007-11, Bank of Baroda , Branch Patwai, District Rampur.

4.3.5 Avoidable expenditure on construction of rural link roads

Due to non-observance of UPPWD's specifications prescribed for construction of rural link roads, an avoidable expenditure of ₹ 15.81 lakh was incurred in Zila Panchayat, Sant Ravidas Nagar during the period August 2009 to January 2010.

Circulars regarding specifications of Uttar Pradesh Public Works Department (UPPWD) are to be followed in each and every construction work of the Panchayati Raj Department. UPPWD specified⁶⁰ (June 2007) that in the construction of rural link roads, PC and Seal Coat shall be laid directly by applying prime coat over top coat/water bound macadam (WBM) surface i.e. first coat painting (P-I) will not be required.

Scrutiny of records (April 2012) of the Zila Panchayat (ZP), Sant Ravidas Nagar revealed that administrative, financial and technical approval was accorded by the Apar Mukhya Adhikari (AMA), Adhyaksh and Engineer, ZP respectively for construction of 11 rural link roads in ₹ 94.63 lakh (June 2009). Roads were constructed with a total surface area of 24,600 square metre and completed during the period of August 2009 to January 2010 incurring a total expenditure of ₹ 94.31 lakh. Further, scrutiny of records revealed that in contravention of PWD specifications, laying of P-I between WBM and PC led to an expenditure of ₹ 25.01 lakh, while execution of Prime Coat over WBM surface as per PWD specification would have costed ₹ 9.20 lakh. Thus, the ZP incurred an avoidable expenditure of ₹ 15.81 lakh in violation of the specifications laid down (*Appendix 4.3.1*).

On this being pointed out in Audit, the AMA, ZP accepted the facts, and stated (April 2012) that due to late receipt of Circular of UPPWD, P-1 was laid before applying PC over WBM surface. The reply is not acceptable. The circular was issued on 13.06.2007.

Thus, non-observance of the UPPWD specifications prescribed for construction of rural link roads resulted in an avoidable expenditure of ₹ 15.81 lakh.

The matter was reported (June 2013) to the Government. However, no reply has been received (June 2014).

4.3.6 Loss of revenue

Fixation of royalty for disposal of dead bodies of animals, in contravention of the Government orders, resulted in loss of revenue of ₹ 48.64 lakh in Zila Panchayat, Chitrakoot during the year 2009-14.

Uttar Pradesh Government Order⁶¹ (G.O.) provided that the amount of royalty in Zila Panchayat for disposal of dead bodies of animals, is to be fixed on the

⁶⁰ Circular No. 3,583 MT/60 MT/2007 dated 13.06.2007

⁶¹ 858/33-2-69-57W/91 dated March 1996.

basis of the average income of the last three years or the previous year's income, whichever of the two is more. In the next year, it is to be fixed with an enhancement of 10 per cent. The *Apar Mukhya Adhikari* (AMA), *Zila Panchayat*, Chitrakoot is responsible for fixing the royalty for the district under its jurisdiction on auction basis.

Scrutiny of records (August 2013) of AMA, revealed that the *Zila Panchayat* suffered a loss of ₹ 48.64 lakh due to non-observance of G.O. as tabulated below:

(₹ in lakh)

Name of Kshetra Panchayat	Year								Total amount of royalty from 2009-10 to 2013-14
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Chitrakoot	1.88	2.38	2.65	1.00	1.25	1.38	3.21	3.30	51.67
Manikpur	2.02	3.12	4.01	2.10	1.50	1.70	1.96	2.26	
Pahari	2.80	2.38	4.03	1.00	1.50	1.72	1.96	2.30	
Ram Nagar	0.65	1.62	2.54	1.00	0.70	0.80	2.55	3.00	
Mau	2.22	0.61	1.71		0.55	0.65	2.01	2.40	
Royalty actually fixed	9.57	10.11	14.94	5.10 + 9.87 ⁶²	5.50	6.25	11.69	13.26	51.67
Royalty to be fixed	-	-	-	16.43	18.07	19.88	21.87	24.06	100.31
Loss due to incorrect fixation of royalty	-	-	-	1.46	12.57	13.63	10.18	10.80	48.64

On this being pointed out, the AMA stated (August 2013) that the royalty was fixed under the provisions of the G.O. Since this work was not done by any other person except those for whom it is a family business and none of them took the contract, a contract was entered into due to complaints to the higher officers.

The reply of AMA is not acceptable. Due to fixing of royalty incorrectly from the year 2009-14, *Zila Panchayat* suffered a loss of ₹ 48.64 lakh.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

4.3.7 Irregular and unrecovered advance

Undue financial benefit was extended to suppliers by giving irregular advance of ₹ 1.82 crore without safeguards. Of ₹ 1.82 crore, ₹ 55.51 lakh remained unrecovered for more than six years in *Zila Panchayat*, Kushinagar.

As per rule 12 (1) of Financial Hand Book Vol. V Part-I, payment for supplies is not permissible until the articles have been received and surveyed.

Scrutiny of records (June 2010) of *Apar Mukhya Adhikari*, *Zila Panchayat* (ZP), Kushinagar revealed that the ZP made advance payments of ₹ 1.82 crore⁶³ to suppliers for purchase of generators, diesel engines and

⁶² Due to model code of conduct for election, royalty for eight months (April to November) was ordered by ZP to collect from the previous year contractors on the average basis.

⁶³ ₹ 98.70 lakh in December 2005 and ₹ 83.27 lakh in June 2006.

electric motors. Advance payment is fraught with the risk of default in supplies. An effective safeguard was to obtain a bank guarantee. Such a procedure was not adopted. The amount paid in advance remained unadjusted till the date of audit (June 2010).

On this being pointed out in audit (June 2010), the *Apar Mukhya Adhikari* (AMA), ZP replied that the amount would be adjusted soon. Further, the AMA intimated (October 2012) that generators and pump sets costing ₹ 1.56 crore had been received and distributed to the beneficiaries. But no proof of supply and distribution of the articles like receipts and photographs of beneficiaries was made available to audit. Recovery certificate of the unadjusted amount was issued (November 2007). Subsequently, a sum of ₹ 17,000 was deposited by the contractor on October 2008. A sum of ₹ 25.48 lakh on account of principal amount and ₹ 30.03 lakh interest remained unadjusted (March 2014).

Thus, undue financial benefit of ₹ 1.82 crore was extended to the suppliers and ₹ 55.51 lakh remained unrecovered for more than six years.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.8 Non-adherence to specifications

An expenditure of ₹ 1.26 crore was incurred in construction of nine Gram Panchayat secretariats, in Kshetra Panchayat, Jhajhari, Gonda under BRGF scheme where cement was utilised in some items of work below the norm with adverse effect on quality and in other items the recorded consumptions of cement was well above the norm raising doubts about the authenticity of the records.

Execution of all the construction work in *Panchayati Raj* Department is to be based on the specifications and norms of Uttar Pradesh Public Works Department (UPPWD).

Uttar Pradesh Government accorded financial and administrative sanctions (August 2010) for construction of nine *Gram Panchayat Sachivalaya* (secretariats) during 2010-11 at the cost of ₹ 14 lakh each under the Backward Region Grant Fund scheme. *Kshetra Panchayat, Jhajhari, District Gonda* and *Apar Mukhya Adhikari (AMA), Zila Panchayat, Gonda* were nominated as executing agency and nodal officer respectively. The nodal officer was directed to adhere to the prescribed norms and instructions contained in the estimate prior to the transfer of the amount to the executing agency.

Use of cement below what is specified is fraught with the risk of adverse effect on the quality. Scrutiny of the records (July 2013) of the *Kshetra Panchayat, Jhajhari, Gonda* revealed that during the year 2010-11, for construction of nine secretariats buildings consumption of cement was

below UPPWD norms in foundation⁶⁴ (35 per cent), brickwork in super structure⁶⁵ (33 per cent) and plastering work⁶⁶ (35 to 40 per cent).

Records indicating use of cement in items of the specifications raise doubts about the authenticity of figures needing further investigation. Further, scrutiny revealed that consumption of cement as recorded was above the norms in other items viz. RCC⁶⁷ (30 per cent) (*Appendix 4.3.2*). The total expenditure incurred was ₹ 1.26 crore.

On this being pointed out, the Block Development Officer (BDO), *Kshetra Panchayat* stated (July 2013) that action would be taken after enquiry.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.9 Non-deduction of cess

Labour cess of ₹ 41.56 lakh was not deducted from the payments made for the construction works executed by Zila Panchayat, Barabanki during the year 2010-11 and 2011-12.

The State Government constituted UP Building and Other Construction Workers' Welfare Board vide notification⁶⁸ (November, 2009) under section 18(1) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996. The Board is authorised to collect the cess at the rate of one per cent of the total cost of all the construction works under section 3(2) of the Building and Other Construction Workers' Welfare Cess Act, 1996. Further, the State Government issued (February, 2010) instructions to all the Heads of Departments to comply with the provisions to ensure deduction of labour cess and remittance of the amount to the Secretary, Uttar Pradesh Building and Other Construction Workers' Welfare Board.

Scrutiny of records (December, 2012) of *Apar Mukhya Adhikari* (AMA), *Zila Panchayat* (ZP), Barabanki revealed that ZP executed construction works amounting to ₹ 41.56 crore under State Finance Commission and Twelfth/Thirteenth Finance Commission Grants during the year 2010-11 and 2011-12. Labour cess amounting to ₹ 41.56 lakh (@ of one per cent of the cost of works) was not deducted from the payment bills against the construction works thereby depriving the Board by an equal amount.

On this being pointed out in audit, AMA, ZP intimated (October 2013) that the labour cess was not deducted from the payments made for the construction works executed during the year 2010-11 and 2011-12 as provision of cess was not made in the estimates of these works due to non-receipt of such Government order at that time. Reply of the AMA stating non-receipt of the Government order is not acceptable as the order was issued in February 2010.

⁶⁴ Norms of Per Cubic metre 3.44 bags cement, consumed 2.25 bags.

⁶⁵ Norms of Per Cubic metre 1.86 bags cement, consumed 1.25 bags.

⁶⁶ Norms of Per Cubic metre 0.115 bags cement, consumed 0.075 bags.

⁶⁷ Norms of Per Cubic metre 6.66 bags cement, consumed 8.68 bags.

⁶⁸ Notification no.1411/36-2-2009-251(SM)/95 dated 20.11.2009.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.10 Irregular expenditure

Failure to observe the Government instructions by the *Gram Panchayat Vikas Adhikaris* resulted in irregular expenditure of ₹ 10.50 lakh during 2008-11 under Total Sanitation Campaign.

With a view to preventing open defecation, the Government of India launched (1999) a community led Total Sanitation Campaign in the State. As per Government instruction (September 2008) relating to the purchase of material, quotations were to be invited from the suppliers for purchases exceeding ₹ 20,000 upto ₹ one lakh and tenders for purchases exceeding ₹ one lakh.

Scrutiny of records (August-September 2011) of *Gram Panchayat Vikas Adhikari, Gram Panchayat, Khutaha* of Block Ghorawal and *Gram Panchayat Vikas Adhikari, Gram Panchayat, Babhni* and *Bhawanr* of Block Babhni in District Sonbhadra revealed that the *Gram Panchayat Vikas Adhikaris* of these *Panchayats* irregularly purchased doors at total cost of ₹ 10.50 lakh during 2008-11 from the programme fund for supply to the beneficiaries (**Appendix 4.3.3**).

On this being pointed out, *Gram Panchayat Vikas Adhikari* of the respective *Gram Panchayats* stated (August-September 2011) that procedure for quotation for purchase of material would be followed in the future.

The replies are in contravention with the financial rules as well as the Government orders with regard to purchase of material through quotation.

Thus, failure to observe the Government instructions by the *Gram Panchayat Vikas Adhikari* resulted in irregular expenditure of ₹ 10.50 lakh during 2008-11 under Total Sanitation Campaign.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.3.11 Suspected defalcation

Revenue collected from own sources of the *Gram Panchayat, Dhamora, Kshetra Panchayat, Milak* of district Rampur amounting to ₹ 2.25 lakh was misappropriated by the *Gram Pradhan*.

As per the Uttar Pradesh Accounts Manual for Management of Finance and Accounts in *Gram Panchayats*⁶⁹, all sums received by the *Gram Panchayat* should be deposited in the *Gram Nidhi* opened in Nationalised Bank, Post Office or *Gramin Bank*. Further, the accounts of the *Panchayat* should be audited annually by the Chief Audit Officer.

⁶⁹ Chapter 2, Para 3.

Scrutiny of the records (September 2011) of *Gram Panchayat*, Dhamora in Block Milak of District Rampur revealed that the *Gram Pradhan* of the *Panchayat* collected ₹ 9.55 lakh on account of rents of shops/ godowns/ buildings owned by the *Panchayat* during April 2007 to December 2010, though not being authorised to do so. Out of the amount collected, the *Gram Pradhan* deposited ₹ 7.30 lakh in the bank account⁷⁰ of the *Gram Nidhi* and misappropriated the remaining amount of ₹ 2.25 lakh, indicating failure of internal control mechanism. The Chief Audit Officer conducted (September 2011) the audit of accounts of the *Gram Panchayat* for 2005-10 but did not point out the irregularity.

On this being pointed out (April 2012) in audit, the District *Panchayat Raj* Officer, Rampur investigated (May 2012) the matter and found the *Gram Pradhan* guilty of misappropriation of the amount and issued an order for recovery. No recovery was made as of October 2013.

In July 2012, the Director, *Panchayati Raj*, Uttar Pradesh, Lucknow, requested the District Magistrate, Rampur to further investigate the issue and initiate action including lodging of First Information Report against the erring person, but as per the Director, *Panchayati Raj* (July 2013) such report was not furnished by the DM.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.3.12 Excess payment

There was excess payment of ₹ 12.62 lakh to the masons on construction of Check Dams in *Kshetra Panchayat*, Ghorawal district Sonebhadra.

Para 6.7.5 of operational guidelines of Mahatama Gandhi National Rural Employment Guarantee Scheme provided that payments be made after measuring the works executed by the work-in-charge and technical assistant deployed for the work.

Scrutiny of records (September 2011) of Block Development Officer (BDO), *Kshetra Panchayat*, Ghorawal, district Sonebhadra revealed that six check-dams at different sites with a total cost of ₹ 1.39 crore were sanctioned by the BDO to be constructed during 2008-10. Work on these sites commenced between December 2008 and February 2009. First running payment for wages was made between January 2009 and May 2009. It was noticed from the work orders, cheque issue register, payment receipts etc., that payments amounting to ₹ 19.20 lakh to the masons⁷¹ engaged at different sites, were made for 1,244 days as against ₹ 6.58 lakh payable for 293 days of works actually executed by them. Thus, payment of ₹ 12.62 lakh for 951 days was made in excess. These payments were made without measuring the works and the basic records of payments to the masons (that is muster rolls) were also not maintained in the

⁷⁰ Account number: 60094 of Prathma Bank, Branch Milak, District Rampur.

⁷¹ Wages paid to masons (skilled and semi skilled labours) are included in material components as per MNREGS Act 2005

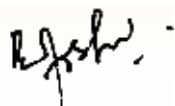
office of the *Kshetra Panchayat*. It was not ascertainable as to whether the payments were actually made to them for the works executed. The details of works executed and expenditure incurred on six check dams are given in **Appendix 4.3.4**.

On this being pointed out (September 2011), the BDO stated, that the masons were engaged for stone crushing and wages were paid to them.

The reply is not convincing as there was no provision for stone crushing by masons in the estimates. The reply was also not supported by documents.


The matter was reported (January 2013) to the Government. The Government replied (December 2013) that "Show cause notice was served on the concerned officials and action against erring officials was being taken".

ALLAHABAD
THE 15 JUL 2014


(BHAVIKA JOSHI LATHE)
Deputy Accountant General (LB)
Uttar Pradesh

COUNTER SIGNED

ALLAHABAD
THE 15 JUL 2014


(MUKESH P SINGH)
Principal Accountant General (G&SSA)
Uttar Pradesh