

CHAPTER 2

2.1 Performance Audit on “Utilisation of Thirteenth Finance Commission grants in Panchayati Raj Institutions”

Executive Summary

With a view to strengthen fiscal status of the States and supplementing the resources of local bodies, Thirteenth Finance Commission recommended grant of ₹ 63,050.50 crore from divisible pool of taxes for the *Panchayati Raj Institutions* of all the States. Of this, ₹ 9,787.70 crore was allocated for *Panchayati Raj* Institutions in the State. The grant was to be spent on upkeep and maintenance of basic facilities of drinking water, sewerage, solid liquid waste management, street lights, roads and other civic amenities etc. The Performance Audit on “Utilisation of Thirteenth Finance Commission Grants in the *Panchayati Raj* Institutions” was conducted in 12 out of 75 districts of the State covering the period 2010-15. It revealed shortcomings in financial management, planning, providing basic facilities, execution of works, monitoring as discussed below:

Financial management

- In 2014-15, second instalment of General Basic Grant (₹ 887.89 crore) and first instalment of General Performance Grant (₹ 485.51 crore) (total ₹ 1,373.40 crore) were released by Government of India to Government of Uttar Pradesh in February and March 2015 respectively. However, due to procedural delays, these grants were received by test-checked *Zila Panchayats* in April and June 2015 respectively. Consequently, the funds allotted could not be utilised by *Panchayati Raj* Institutions within the financial year 2014-15.

(Paragraph. 2.1.6.1)

- Government of Uttar Pradesh drew ₹ 3,339.43 crore towards General Performance Grant for *Panchayati Raj* Institutions in the State during 2011-15 without fully complying with the pre-requisite conditions for obtaining the grants.

(Paragraph. 2.1.6.2)

- The grant of ₹ 24.69 crore (including interest of ₹ 16.30 crore) was not released for 31 to 74 days as on 31 July 2015 in eight lead banks at Lucknow. In addition, unreleased balance of ₹ 20.64 crore was also available in various banks since last 74 days as on 31 July 2015. Thus, an amount of ₹ 45.33 crore was not transferred to PRIs within the prescribed time limit.

(Paragraph 2.1.6.3)

- Though grants pertaining to *Zila Panchayats*, *Kshetra Panchayats* and *Gram Panchayats* during 2010-15, were transferred by the Government of Uttar Pradesh within the prescribed time limit, but the same were credited in bank accounts of the sampled *Zila Panchayats* with a delay ranging between one and 143 days.

(Paragraph 2.1.6.4)

- Out of ₹ 324.36 crore received in test-checked *Panchayati Raj* Institutions till September 2014, ₹ 266.43 crore was spent and ₹ 57.93 crore remained unutilised as of March 2015.

(Paragraphs 2.1.6.6, 2.1.6.8 & 2.1.6.9)

Maintenance of records of works and financial transaction

- Various basic records prescribed under rules were not being maintained in *Zila Panchayats/Kshetra Panchayats* and almost non-existent in *Gram Panchayats*. Hence, authenticity of the expenditure of ₹ 266.43 crore incurred by test-checked *Zila Panchayats, Kshetra Panchayats* and *Gram Panchayats* during 2010-15 could not be vouchsafed in audit.

(Paragraph 2.1.7)

Programme implementation

- Annual Work Plan for utilising the Thirteenth Finance Commission grants directly by the *Zila Panchayats* was either not prepared or prepared improperly. *Kshetra* and *Gram Panchayats* also did not prepare Annual Work Plans during 2010-15.

(Paragraph 2.1.8)

- Test-checked *Zila Panchayats* incurred expenditure of ₹ 214.60 crore mainly on new road works and the expenditure on upkeep and maintenance of the assets was only 4.65 per cent of the total expenditure of ₹ 225.07 crore during 2010-15.

(Paragraph 2.1.8 & Appendix 2.1.9)

- Two hundred eight works executed on contract basis during 2010-15 by nine test-checked *Zila Panchayats* were delayed. Audit observed that for ensuring timely completion of the works, stage-wise progress of works was not monitored and penalty from the contractors amounting to ₹ 2.15 crore was short-levied.

(Paragraph 2.1.8 & Appendix 2.1.11)

- *Gram Panchayats* executed works without preparing estimates and the works amounting to ₹ 18.27 crore (including material purchased: ₹ 9.67 crore) were executed without obtaining competitive rates.

(Paragraph 2.1.8, Appendices 2.1.13 & 2.1.15)

Monitoring

- Physical inspection by *Zila Panchayat* Monitoring Cell, Lucknow for the works carried out by ZPs was not done. Six test-checked *Zila Panchayats* did not submit utilisation certificates to *Zila Panchayat* Monitoring Cell. Monitoring done by District *Panchayat Raj* Officers was inadequate. Planning and Development Committees of the PRIs were not functional as the works were executed without the approval of the Committees on the annual work plans.

(Paragraphs 2.1.9.2, 2.1.9.3 & 2.1.9.4)

2.1.1 Introduction

Thirteenth Finance Commission (FC-XIII) was constituted (13 November 2007) by the President of India under Article 280 of the Constitution with a view to strengthen fiscal condition of the States by way of tax devolution and grants-in-aid to the States. FC-XIII recommended grants-in-aid to local bodies as a percentage of the previous year's divisible pool of taxes (over and above the share of States), after converting this share to grants-in-aid under Article 275 of the Constitution of India. Ministry of Finance, Government of India (GoI) used instructions (September 2010) laying down guidelines for release and utilisation of grants recommended by FC-XIII for rural and urban local bodies. The grant consisted of two components *viz.*, General Basic Grant and General Performance Grants. The amount of General Basic Grant available to all States was equivalent to 1.5 *per cent* of the previous year's divisible pool of taxes, during FC-XIII award period (2010-15). General Performance Grant available to all the States for a period of four years from 2011-12 was at the rate of 0.5 *per cent* of the previous year's divisible pool of taxes for 2011-12 and thereafter at the rate of one *per cent* up to 2014-15. The State wise share of Uttar Pradesh for the General Basic Grants and General Performance Grants for PRIs was fixed at 15.52 *per cent* of the total amount of grant allocable to all the States in respect of these components during 2010-15. The grants for PRIs were untied to expenditure conditions and release of instalments was subject to submission of utilisation certificates for previous instalments.

Based on the above guidelines of GoI, the Government of Uttar Pradesh (GoUP) used (December 2010) guiding principles for release and utilisation of FC-XIII grants to PRIs in the State. The grant was to be spent on upkeep and maintenance of basic services of drinking water, sewerage, solid liquid waste management, street lights, roads and other civic amenities etc. Grants could also be used for sanitation facilities and on rehabilitation of old water supply schemes and execution of new projects of water supply to ensure availability of drinking water for all. PRIs were required to submit utilisation certificates in prescribed formats for release of subsequent instalments.

FC-XIII recommended grant of ₹ 9,787.70 crore for the PRIs of the State

Based on assessment of needs, FC-XIII recommended ₹ 63,050.50 crore to PRIs of all the States. Of this, the proportion of the PRIs of Uttar Pradesh ₹ 9,787.70¹ crore (15.52 *per cent*) as recommended by FC-XIII was fixed by the Ministry of Finance (MoF). The proportion included ₹ 6,399.52 crore (65.38 *per cent*) of General Basic Grant for 2010-15 and ₹ 3,388.18 crore (34.62 *per cent*) of General Performance Grant for 2011-15.

2.1.2 Organisational structure

There are 75 *Zila Panchayats*² (ZPs), 821 *Kshetra Panchayats* (KPs) and 59,162 *Gram Panchayats* (GPs) in the State as of October 2015. At

¹ The above figures of grants are based on the divisible pool of taxes estimated by FC-XIII for its award period. The actual releases may vary depending upon tax collections.

² Funds were released to the then 72 districts. Subsequently these districts were divided to make 75 districts.

Government level, Principal Secretary, *Panchayati Raj* is assisted by Director, *Panchayati Raj* who is responsible for release of grants, its effective utilisation and overall monitoring. He is also responsible to assess the requirement of FC-XIII Grant for maintenance of created infrastructure. *Apar Mukhya Adhikari* (AMA) at *Zila Panchayat* (ZP) level, Block Development Officers at *Kshetra Panchayat* (KP) level and *Gram Panchayat/Vikas Adhikari* at *Gram Panchayat* (GP) level were responsible for providing basic services by economical and effective utilisation of grant. Further, *Zila Panchayat Monitoring Cell* (ZPMC) Lucknow and *District Panchayat Raj Officers* (DPROs) were responsible for monitoring the progress of the expenditure incurred on works executed by ZPs and KPs/GPs respectively (*Appendix 2.1.1*). Apart from the above, High Level Monitoring Committee (HLMC) headed by Chief Secretary, GoUP was also responsible for ensuring adherence to the specific conditions of grants provided to PRIs.

2.1.3 Audit objectives

The audit objectives were to assess whether:

- The financial management was efficient and effective to ensure timely allocation and release of grants to PRIs and their utilisation by them as per norms and guiding principles recommended by the FC-XIII;
- PRIs were maintaining proper records of financial transactions and execution of works as prescribed;
- The planning process was comprehensive based on proper need assessment following bottom up approach;
- Adequate priority was given to upkeep and maintenance of the identified basic services and rehabilitation & up-gradation of sanitation and water supply infrastructure being focus area for utilisation of grants as per guiding principles notified by GoUP;
- The works/projects were executed efficiently as per prescribed norms/specifications and tendering procedures for execution of works and procurement of material were transparent, competitive and ensured value for money; and
- Monitoring mechanism and internal control were robust and effective to ensure proper utilisation of grants for intended purposes.

2.1.4 Audit criteria

The following were the sources of criteria:

- FC-XIII recommendations, guidelines for release and utilisation of grant recommended by FC-XIII used by GoI and State Government;

- Provisions of Financial Rules, PWD Code, Treasury Code, Government Orders; Financial Hand Books, orders used by GoI, *Panchayati Raj* Act and Departmental Manuals; and
- Various reports and returns submitted/maintained in the *Panchayati Raj* Department.

2.1.5 Scope and methodology of audit

Audit selected 12 out of 75 districts of the State and their 12 ZPs by using Simple Random Sampling with Replacement (SRSWR) method for Performance Audit. We also selected 12 DPROs of the sampled districts, 28 out of 135 KPs in these districts and 182 out of 1,793 GPs in the sampled KPs. Test check of records for the period of 2010-15 was carried out during May to August 2015. Records relating to planning, budget formulation, sanction and releases of grants etc. were also examined in the offices of Principal Secretary, PR; Directorate, PR; and *Zila Panchayat* Monitoring Cell (ZPMC), Lucknow. Photographs of the two works in each selected ZPs, KPs and GPs were also taken. An Entry Conference was held on 16 April 2015 with Principal Secretary, *Panchayati Raj*, GoUP during which audit methodology, scope, objectives and criteria were discussed. Replies received (December 2015) from the State Government were suitably incorporated. Exit Conference with State Government could not be held despite repeated reminders to the State Government.

Audit Findings

2.1.6 Financial management

State level findings

Consequent upon acceptance of the recommendations of the FC-XIII, GoI was to release the General Basic Grants every year from 2010-11 to 2014-15 in two instalments (January and July). Further, from 2011-12, the General Performance Grant was also to be released in two instalments. The grants received by the State Government were to be distributed and transferred among ZPs, KPs, and GPs in the ratio of 20, 10 and 70 respectively.

2.1.6.1 Release of grants by GoI and transfer of grants by GoUP

After release of grants by GoI, GoUP devolved grants-in-aid to PRIs through its budget. Details of the General Basic Grant and General Performance Grants released by GoI during 2010-15 and the amounts transferred by GoUP to PRIs are given in **Table 1**.

Table1: Grants released by GoI, transferred by GoUP to PRIs and balance of grants with GoUP

(₹ in crore)

Sl. No.	Year	Total amount of grant released by GoI to the State Government			Grants transferred by GoUP to PRIs ³	Amount of expenditure reported by PRIs through UCs	Amount of utilisation reported by the State Government to GoI	Balance with GoUP
		Basic grant	Performance grant ⁴	Total grants				
1.	2010-11	911.29	00.00	911.29	911.29	911.29	911.29	Nil
2.	2011-12	1,142.34	529.94	1,672.28	1,672.28	1,672.28	1,672.28	Nil
3.	2012-13	1,297.68	1,078.97	2,376.65	2,376.65	2,376.65	2,376.65	Nil
4.	2013-14	1,497.06	1,245.01	2,742.07	2,742.07	2,742.07	2,742.07	Nil
5.	2014-15	1,636.30	485.51	2,121.81	748.41	748.41	748.41	1,373.40
Total		6,484.67	3,339.43	9,824.10	8,450.70	8,450.70	8,450.70	1,373.40

(Source: Directorate of Panchayati Raj)

Rupees 1,373.40 crore released at the end of 2014-15 was received by PRIs in 2015-16, consequently, concerned PRIs could not utilise the same within the financial year 2014-15

We during audit noticed that the grant pertaining to 2014-15 amounting to ₹ 1,373.40 crore (second instalment of General Basic Grant: ₹ 887.89 crore and first instalment of General Performance Grant ₹ 485.51 crore) was released by GoI in February and March 2015 only. Consequently, these grants could not be utilised during the financial year 2014-15.

The information furnished by Director, PR (Table-1) indicated that funds were being released to PRIs promptly by GoUP and the PRIs spent the grants within the same financial year as per UCs submitted by them. Audit however, observed that neither the funds were credited in PRIs bank account within the prescribed time limit nor the PRIs utilised the grants within the same financial year as discussed in subsequent paragraphs 2.1.6.3, 2.1.6.6 and 2.1.6.7.

2.1.6.2 Claim of Grants without accomplishing their condition

The General Performance Grants were to be drawn only if the State Government complied with the six conditions prescribed by the FC-XIII.

Audit, however, observed that the GoUP drew ₹ 3,339.43 crore towards General Performance Grant for PRIs in the State during 2011-15. But the pre-requisite conditions for receipt of General Performance Grant were not fully complied by the State Government. The details of the conditions and status of compliance by the State Government is given in **Table 2**.

Table 2: Status of compliance of pre-requisite conditions for release of General Performance Grants

Sl. No.	Conditions for the Performance Grants	Status of compliance by the Government
1.	Supplement to budget documents for PRIs. Further, the State must adopt an accounting system for maintenance of accounts by PRIs and codification pattern consistent with the Model Accounting System for Panchayats.	Complied with.

³ GoUP also transferred ₹ 2.02 crore as interest to PRIs in 2012-13.

⁴ Including ₹ 548.80 crore of forfeited/additional performance grants received during 2012-14.

2.	CAG's TG&S audit and placing the TG&S report and the report of Director of Local Funds before the State legislature.	Necessary modifications in the <i>Panchayati Raj</i> Rules were made in 2011. However, the ATIRs only upto 2010-11 were laid in the State Legislative Assembly and annual reports of Chief Audit Officer, <i>Panchayats</i> for 2010-11 onwards have not been laid as yet.
3.	Development of system of transfer of grants electronically so as the grants could be transferred to the PRIs within five days of their release by GoI.	The grants were transferred electronically. However, grants reached the test-checked ZPs bank accounts with delays ranging between one and 143 days. The delays in receipt of grants by KPs and GPs could not be ascertained due to non-maintenance of records in proper manner.
4.	Appointment of Ombudsman exclusively for PRIs.	Existing <i>Lokayukta</i> was assigned the work of Ombudsman. However, GPs are not covered under the <i>Lokayukta</i> .
5.	Fixing qualification of the members of State Finance Commission (SFC).	As per GoUP reply, Sr. IAS officers are being nominated as Chairman and the Secretary of the State Finance Commission. However, required qualification of the members was not fixed.
6.	Enabling the local bodies for levying property tax.	As per GoUP reply, there is no restriction under UP ZP&KP Act 1961 for levy of the tax by PRIs. However, only ZPs are levying the tax.

(Source: Directorate of *Panchayati Raj*)

General Performance Grant of ₹ 3,339.43 crore was obtained by the State Government. However, the mandatory conditions of the grant were not fully complied

Thus, the conditions of timely laying of ATIRs and CAO Reports to the State Legislative Assembly and timely transfer of grants to PRIs were not being adhered to. The State Government did not ensure laying of ATIRs for 2011-12 to 2013-14 despite repeated reminders by Audit. Qualifications for the members of the SFC were not fixed and GPs were not put under the purview of the existing *Lokayukta*. Thus, the State Government claimed General Performance Grant of ₹ 3,339.43 crore from GoI without fully complying the mandatory conditions.

The State Government in its reply stated (December 2015) that since the number of GPs are more than 50,000 hence it is not practical to take the GPs under the purview of the *Lokayukta*. Regarding qualifications of SFC members it was stated that senior IAS officers are being nominated for the posts of Chairman and Secretary of SFC. Regarding compliance to other conditions, no specific reply was furnished.

Reply is not acceptable as for availing of the General Performance Grants, compliance to all the six conditions was required which was not ensured.

2.1.6.3 Grants not transferred to PRIs

For releasing the grants to PRIs through electronic transfer system as recommended by the FC-XIII, the State Government directed (January 2011) the Director, PR to open one Saving Bank Account each in nine lead Banks⁵ having their branches at Lucknow. Interest accrued in these accounts was also to be transferred to PRIs.

⁵ Allahabad Bank, Bank of Baroda, Bank of India, Canara Bank, Central Bank of India, Punjab National Bank, State Bank of India, Syndicate Bank and Union Bank of India.

Audit noticed (August 2015) that the grant of ₹ 24.69 crore (including interest of ₹ 16.30 crore) was not released to respective PRIs for delays ranging between 31 and 74 days as on 31 July 2015 and was lying unutilised in the bank accounts opened in eight lead banks at Lucknow. In addition, an amount of ₹ 20.64 crore was also lying unutilised in various bank accounts since last 74 days as on 31 July 2015. But the status of interest earned on the outstanding balances held in these banks was not made available to audit. Further, against the admissibility of opening of one bank account in a lead bank, 17 bank accounts were opened by Director, PR in Bank of India, *Sachivalaya* branch, Lucknow during 2011-2015. Opening of multiple bank accounts was against the Government orders (January 2011). Details of the balances lying unutilised with various banks are given in **Appendix 2.1.2**. Hence, an amount of ₹ 45.33 crore was not transferred to PRIs within the prescribed time limit.

The State Government in its reply stated that GoI guidelines did not provide instructions for utilisation of interest. The reply is not acceptable as the GoI guidelines clearly mandate transfer of grants within five days and in case of delay, the interest was also to be transferred to PRIs.

2.1.6.4 Delay in transfer and credit of grants to PRIs

MoF guidelines for FC-XIII (September 2010) provided that funds must be transferred by the GoUP to PRIs within five days of receipt from GoI. Delay in transfer of grants required the State Government to release the instalment with interest, at the RBI rate.

- As discussed in paragraph number 2.1.6.1 *infra*, the second instalment of General Basic Grant (₹ 887.89 crore) and the first instalment of General Performance Grant (₹ 485.56 crore) for 2014-15 was released by GoI on 23 February 2015 and 31 March 2015 respectively. The General Basic Grants were transferred by GoUP within prescribed time limit on 27 February 2015 but the General Performance Grants were transferred (7 May 2015) with a delay of 32 days. Audit observed that transfer of these grants were further delayed by 30 and 54 days respectively by the lead banks from where the grants were released to PRIs. Interest on the delayed release of the grants as required under allotment orders of GoUP used time to time had also not been transferred by GoUP/Banks to PRIs as of July 2015.

General Basic and Performance Grants were received in ZPs with a delay ranging between one and 143 days

- Audit noticed that the grants pertaining to ZPs, KPs and GPs during 2010-15 (excluding grants released in February and March 2015) were though transferred by the GoUP within the prescribed time limit but the grants were credited in the bank accounts of the sampled ZPs (₹ 276.67 crore) with a delay ranging between one and 143 days (**Appendix 2.1.3**). The delay in credit of the grants resulted in loss of interest of ₹ 1.03 crore to test-checked ZPs. The status of delay in receipt of the grants in the sampled KPs and GPs could not be ascertained in audit because either relevant records *viz.*, grant register, bank pass book etc. were not maintained or maintained improperly.

The State Government in its reply stated that the General Basic Grants (₹ 887.89 crore) released in February 2015 has been utilised in 2014-15 and

the General Performance Grants (₹ 485.56 crore) released on 31 March 2015 has been utilised through re-appropriation from the grants of FC-XIV in 2015-16 and utilisation certificate to the GoI has been sent.

The reply is not acceptable as the General Basic Grants (₹ 887.89 crore) was received by sampled ZPs only in April 2015 and the General Performance Grants (₹ 485.56 crore) in June 2015. Hence the grants were not utilised within the scheduled period of 2014-15. Further, re-appropriation of funds from FC-XIV grants for ZPs and KPs was not admissible.

2.1.6.5 Non levy of user charges

For augmenting own revenue resources of PRIs, FC-XIII urged the State and Central Government to issue executive instruction for payment of appropriate user charges by Government departments in respect of their premises located in the area of local bodies.

Audit observed that the Governments did not issue instruction in this regard. However, the State Government stated that the proposal for levy of user charges under Uttar Pradesh *Panchayat Raj Act 1947* and Uttar Pradesh *Zila Panchayat and Kshetra Panchayat Act 1961* is under consideration.

Zila Panchayat level findings

2.1.6.6 Release, expenditure and unspent grants

The grants transferred under the recommendation of the FC-XIII were to be utilised within the scheduled period.

Audit, however, observed that ₹ 276.67 crore was received by the 12 test-checked ZPs during 2010-15 (up to August/September 2014). Against it, ₹ 225.07 crore were spent while ₹ 51.60 crore remained unspent as of March 2015. Details of grants released, expenditure and unspent grants in sampled ZPs during 2010-15 are given in **Table 3**.

Table 3: Year wise grants released, expenditure and unspent grants

(₹ in crore)

Sl. No.	Year	Grants available with ZPs			Expenditure by ZPs	Progressive balance of grants
		Opening balance	Grants transferred to ZPs	Total grants with ZPs		
1.	2010-11	0.00	29.97	29.97	12.68	17.29
2.	2011-12	17.29	24.76	42.05	23.83	18.22
3.	2012-13	18.22	46.19	64.41	27.70	36.71
4.	2013-14	36.71	122.62	159.33	67.19	92.14
5.	2014-15	92.14	53.13	145.27	93.67	51.60
Total			276.67		225.07	51.60

(Sources: Directorate of Panchayati Raj)

ZP wise status for transfer of grants, expenditure incurred and grants remaining unspent as of March 2015 is given in **Appendix 2.1.4**.

Rupees 51.60 crore out of ₹ 276.67 crore received by sampled ZPs (up to August/September 2014) remained unutilised as of March 2015

In reply the State Government stated (December 2015) that the amount would be utilised in ensuing year by the concerned ZPs. The reply confirms audit finding.

2.1.6.7 Interest not deposited in treasuries

FC-XIII grants to PRIs were to be transferred by the State Government in their bank accounts. GoUP used direction (March 2012) that the funds released by it, if kept in bank accounts for earning interest by the Government departments/Corporations/Public Undertakings/Local bodies, the interest so earned was to be treated as income of State Government instead of income of institutions and was to be deposited in State treasuries.

Audit noticed that the grants were transferred in the bank accounts of the ZPs but since the accounts were opened in a common bank account in which grants of other schemes such as SFC etc. were also kept, it was not possible to calculate the amount of interest earned on unspent balances of the grants of FC-XIII. However, total interest earned on the grants of various schemes by the 10 test-checked ZPs during 2010-15 was ₹ 10.01 crore. But the concerned ZPs did not deposit the interest in the State treasuries as of June 2015 (*Appendix 2.1.5*).

Further, it was also noticed that ZP Bahraich kept the grants in a separate bank account and earned interest of ₹ 89.82 lakh during 2010-15. ZPs of Etawah, G B Nagar and Gonda stated that an interest of ₹ 155.58 lakh⁶ was earned by them in the common bank accounts and the interest was transferred to their *Zila Nidhis*, treating it as income of ZPs (*Appendix 2.1.5*).

The State Government in its reply stated that AMAs of five ZPs have stated that necessary directions with regard to deposit of the interest in treasuries had not been received. Three ZPs stated that the interest was spent for FC-XIII works. AMAs of remaining two districts stated that the interest is lying in the bank accounts. The fact remains that the interest earned was not transferred to the State Government accounts.

Kshetra Panchayat level findings

2.1.6.8 Release, expenditure and unspent grants

As discussed in paragraph 2.1.1 *infra* the grants transferred to the KPs were to be utilised on providing basic services within scheduled period.

Audit however, noticed that out of total available funds of ₹ 27.84 crore during 2010-15 (up to August/September 2014), the test-checked KPs spent grants amounting to ₹ 23.09 crore as of March 2015. Details of the grants released, expenditure incurred and progressive balance of grants during 2010-15 are given in **Table 4** below.

Rupees 4.75 crore out of ₹ 27.84 crore received by sampled KPs (up to August/September 2014) remained utilised as of March 2015

⁶ ZPs Etawah: ₹ 69.18 lakh ; GB Nagar: ₹ 59.23 lakh and Gonda: ₹ 27.17 lakh.

Table 4: Year-wise grants released, expenditure and unutilised grants

(₹ in crore)

Sl. No.	Year	Grants available with KPs			Expenditure by KPs	Progressive balance of grants
		Opening balance	Grants transferred to KPs	Total grants with KPs		
1.	2010-11	0.00	3.06	3.06	1.26	1.80
2.	2011-12	1.80	2.99	4.79	2.28	2.51
3.	2012-13	2.51	3.79	6.30	3.83	2.47
4.	2013-14	2.47	11.05	13.52	7.30	6.22
5.	2014-15	6.22	6.95	13.17	8.42	4.75
Total			27.84		23.09	

(Sources: Information collected from test-checked KPs)

It is evident from the table above that ₹ 4.75 crore was lying unspent at the close of 2014-15. District-wise status of transfer of grants, expenditure and balance of grants as on March 2015 in sampled KPs is given in **Appendix 2.1.6**.

Gram Panchayat level findings

2.1.6.9 Release, expenditure and unspent grants

As discussed in paragraph 2.1.1 infra the grants transferred to the GPs were to be utilised on providing basic services within scheduled period of 2010-15.

Audit however, noticed that out of the total available funds of ₹ 19.85 crore during 2010-15 (up to August/September 2014), the test-checked GPs spent grants amounting to ₹ 18.27 crore as of March 2015. Details of grants available with GPs, expenditure incurred and unspent balance of grants at the end of respective financial year is given in **Table 5**.

Table 5: Year-wise grants released, expenditure and unutilised grants

(₹ in crore)

Sl. No.	Year	Grants available with GPs			Expenditure by GPs	Progressive balance of grants
		Opening balance	Grants transferred to GPs	Total grants with GPs		
1.	2010-11	0.00	1.85	1.85	0.95	0.90
2.	2011-12	0.90	1.91	2.81	2.03	0.78
3.	2012-13	0.78	3.20	3.98	3.24	0.74
4.	2013-14	0.74	7.49	8.23	6.40	1.83
5.	2014-15	1.83	5.40	7.23	5.65	1.58
Total			19.85		18.27	

(Sources: Information collected from test-checked GPs)

It is evident from the table above that ₹ 1.58 crore was lying unspent at the close of 2014-15. GP wise status of transfer of grants, expenditure and balance of grants as of March 2015 in the sampled GPs is given in **Appendix 2.1.7**.

2.1.6.10 Accounting deficiencies

Model *Panchayati Raj* Accounting Manual (MPAM) is prescribed by Ministry of *Panchayati Raj*, GoI in consultation with the CAG incorporating CAG's

eight data formats⁷ for accounting by PRIs. PRIASoft, a computerised version of MPAM provides different modules for uploading data relating to various schemes being operated in *Panchayati Raj* Department. There is a separate module in the PRIASoft for uploading data relating to FC-XIII grants. The module provides platforms for entering data pertaining to receipts and expenditure.

Audit noticed that once the data of receipts and expenditure are fed, it generates related formats namely Receipt and Payment Accounts, Bank Reconciliation Statement and Consolidated Abstract. These three formats only were being generated in the test-checked PRIs. The data on the other five formats out of the eight data formats were not uploaded by the test-checked ZPs, KPs and GPs.

Audit verified the on-line data with manual records wherein instances of incorrect data were noticed. Besides, the data for 2014-15, were also not uploaded in all test-checked GPs as of June 2015.

The State Government while accepting the audit findings cited technical reasons for not uploading data on the five formats of PRIASoft.

Thus, the financial management suffered due to non-transfer of grants, delay in transfer of grants, non-credit of interest earned to the PRIs and unspent funds at the State level and also in the three tiers of PRIs.

Recommendation: The State Government should ensure timely transfer and credit of the grants in PRIs bank accounts and monitor utilisation of grants in efficient manner.

2.1.7 Maintenance of records of works and financial transactions

Due to non-maintenance of various basic records, the expenditure incurred of ₹ 266.43 crore by test-checked ZPs, KPs and GPs during 2010-15 could not be vouchsafed in audit

Financial rules, Uttar Pradesh *Kshetra Samiti and Zila Parishad* Works Rules, 1984 and Uttar Pradesh *Panchayat Raj* Act, 1947 prescribe maintenance of requisite records and documents in respect of works executed and financial transaction carried out by ZPs, KPs and GPs for proper management of resources, enforcing financial control, adhering to laid down quality norms, monitoring timely execution of works and ensuring transparency and accountability of concerned executing agencies.

Maintenance of basic records prescribed under rules was found inadequate in test-checked ZPs, KPs and almost non-existent in test-checked GPs. Details of records not maintained by test-checked ZPs, KPs and GPs are given in **Table 6**.

⁷ (1) Receipt and Payment Accounts (2) Consolidated Abstract Register (3) Bank Reconciliation Statement (4) Statement of receivable and payable (5) Register of Immovable Property (6) Register of Movable Property (7) Inventory Register (8) Register of Demands, Collection and Balance.

Table 6: List of records not maintained by test-checked ZPs, KPs and GPs

Sl. No.	Name of documents not maintained	Purpose	Authority/rule under which records were to maintained
List of records not maintained by ZPs			
1.	Annual Plan	To list out works approved by ZP to be executed during the year.	Rule-63, UP (KP & ZP) Act, 1961.
2.	Asset Register	To record details of various assets including roads created in execution of various schemes being implemented in ZP.	Rule-3(1), UP (ZP & KP) (Movable/Immovable Assets) Manual, 1965.
3.	MB Issue Register	To have a control over utilisation of MBs for recording measurements so that invalid MBs could not be used.	Rule- 36(2), Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
4.	Stock Receipt Register	To record data relating to receipt of stock material in ZP.	Rule-45, Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
5.	Stock Issue Register	To record data relating to issue of stock material on works/other units by ZP.	Rule-47, Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
6.	Road Register	To record details of road constructed in ZP having information about year and place of construction/maintenance, length and width etc.	Rule-4, UP (ZP & KP) (Movable/Immovable Assets) Manual, 1965.
7.	Detailed Estimate Register	To ascertain no. of estimates prepared and to record details of estimates prepared.	Financial Hand Book-Vol.6 Paragraph 407.
8.	Administrative and Financial sanction Register	To have a control over administrative and financial sanctions given by the authority.	Financial Hand Book-Vol.6 Paragraph 316 & 317.
List of records not maintained by KPs			
1.	Annual Plan	To list out works approved by KP to be executed during the year.	Rule-63, UP (KP & ZP) Act, 1961.
2.	Asset Register	To record details of various assets including roads created in execution of various schemes being implemented in KP.	Rule-3(1), UP (ZP & KP) (Movable/Immovable Assets) Manual, 1965.
3.	MB Issue Register	To have a control over utilisation of MBs for recording measurements so that invalid MBs could not be used.	Rule- 36(2), Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
4.	Stock Receipt Register	To record data relating to receipt of stock material in KP.	Rule-45, Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
5.	Stock Issue Register	To record data relating to issue of stock material on works/other units by KP.	Rule-47, Uttar Pradesh <i>Kshetra Samiti</i> and <i>Zila Parishads</i> Works Rules, 1984.
6.	Road Register	To record details of road constructed in KP having information about year and place of construction/maintenance, length and width etc.	Rule-4, UP (ZP & KP) (Movable/Immovable Assets) Manual ,1965.
7.	Detailed Estimate Register	To ascertain no. of estimates prepared and to record details of estimates prepared.	Financial Hand Book-Vol.6 Paragraph, 407.
8.	Administrative and Financial sanction Register	To have a control over administrative and financial sanctions given by the authority.	Financial Hand Book-Vol.6 Paragraph, 316 & 317.

List of records not maintained by GPs			
1.	Work Register	To have a control over progress of works and their expenditure containing details of works viz., estimated cost, actual cost, payments made to the contractor as of the bill submitted.	Rule-207, <i>Panchayat Raj</i> Manual.
2.	Stock Register	To record stock material received by GP.	Rule-202, <i>Panchayat Raj</i> Manual.
3.	Muster roll Register	To record attendance and wages paid to the labourers engaged on works executed.	Rule-210, <i>Panchayat Raj</i> Manual.
4.	Asset Register	To record details of assets having ownership/under management of GP.	Rule-136, <i>Panchayat Raj</i> Manual.
5	Estimate Register	To have a control over estimates sanctioned having details of estimates sanctioned.	Rule-152, <i>Panchayat Raj</i> Manual.
6	Measurement Books	To record measurement of works executed and material supplied along with abstract of payments to be released to contractor.	Rule-63 of <i>Panchayat Raj</i> Manual.
7	MB issue Register	To have a control over utilisation of MBs so as invalid MBs could not be used.	Financial Hand Book-Vol.6, Paragraph 422.
8	Detailed Estimate register	To ascertain no. of estimates prepared and to record details of estimate prepared.	Financial Hand Book-Vol.6 Paragraph 407.
9	Tender/Quotation File	To record processing of tenders/quotations for execution of works/supplies on contract basis.	Rule-360, Financial Hand Book-Vol.6
10	Administrative and Financial sanction Register	To have a control over administrative and financial sanctions given by the authority.	Financial Hand Book-Vol.6 Paragraph 316 & 317.
11.	Grant register	To record details of scheme wise grants received, spent and balance of grants.	Provisions given in <i>Lekha</i> Manual of the <i>Gram Panchayats</i> .

In the absence of maintenance of basic records it was not possible to verify whether the works against which expenditure have been booked, have actually been executed, quality standards and norms have been adhered to, and prescribed rules and procedures have been followed. Monitoring and review of such expenditure by higher authorities, the Government and Audit also becomes extremely difficult without proper records. Such a system is fraught with serious risk of frauds, embezzlements, diversion, misappropriation and mis-utilisation of public funds.

Due to lack of records, the scope of this performance audit has been restricted. Hence, an amount of ₹ 225.07 crore, ₹ 23.09 crore and ₹ 18.27 crore incurred by test-checked ZPs, KPs and GPs during 2010-15 respectively could not be vouchsafed in audit.

Recommendation: The State Government should ensure maintenance of basic records by all tiers of PRIs.

2.1.8 Programme implementation

For rendering envisaged services of the *Panchayats*, Uttar Pradesh *Kshetra* and *Zila Panchayat Adhiniyam*, 1961 prescribed that the ZP will prepare a plan for each year after consolidation of the Plans of the KPs. Uttar Pradesh *Panchayat Raj Act*, 1947, as amended in 2007, prescribed for preparation of the Annual Work Plan by GPs which were to be consolidated by KPs. The plan was to be prepared by consolidating proposals of the members of ZP/KP/GP.

Further, as per GoUP instructions (December 2010) the grants were to be utilised for upkeep and maintenance of basic services of drinking water, sewerage, solid liquid waste management, street lights, roads and other civic amenities etc. Sanitation facilities and rehabilitation of old water supply schemes and execution of new projects of water supply were also covered under FC-XIII guidelines. Works were to be executed by adhering provisions of Uttar Pradesh *Kshetra Samiti* and *Zila Parishads Works Rules*, 1984. These provisions stipulate that works should be executed after obtaining requisite financial and technical approvals. As per the State Government instructions (September 2008), purchase of items/construction materials above ₹ 20,000 and above ₹ one lakh were to be made by calling quotations and inviting tenders respectively.

Audit findings in test-checked ZPs, KPs and GPs are discussed below:

2.1.8.1 Zila Panchayat Aligarh

Test-checked ZPs either did not prepare their plans or prepared it improperly. The plans by KPs & GPs were not prepared during 2010-15

- Proposals of works to be executed during 2010-13 were not recorded in *Karyawahi Register* to be maintained for the meetings of the ZP. In 2014-15, as against preparing the plans by consolidating proposals of the members of the ZP, the Chairman of the ZP, prepared the Annual Work Plan despite specific restriction of the State Government (June 2014) for preparing the plan by Chairman himself.
- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- Audit observed that almost entire allocation of FC-XIII grants was utilised for construction of new road works completely ignoring the primary activities of upkeep and maintenance of basic facilities for which FC-XIII grants were allocated to it. It was observed that ₹ 18.57 crore (89 per cent) out of ₹ 20.80 crore spent during 2010-15 was mainly on construction of 232 new road works (*Appendix 2.1.9*) and only ₹ 2.23 crore (11 per cent) was spent on maintenance works (*Appendix 2.1.10*).
- ZP executed 257 works during 2010-15 on contract basis. Of this 71 works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty for

delayed completion of the contract under the conditions of contract⁸ was also short levied by ₹ 62.41 lakh (*Appendix 2.1.11*).

2.1.8.2 Kshetra Panchayat Chandaus and Khair

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that nine works of more than ₹ 10 lakh (total cost of the works ₹ 121.24 lakh) were executed during 2012-15 by engaging labourers and payments were made on muster rolls. However, technical sanction for these works required to be obtained from the State Government under the provisions of Uttar Pradesh *Kshetra Samiti* and *Zila Parishads Works Rules, 1984*, was not obtained (*Appendix 2.1.12*).

2.1.8.3 Gram Panchayat Amratpur, Chandaus, Ganeshpur, Jkhauta, Maharajpur, Oger Nagla Raji, Rsidpur Gorna of KP Chandaus and GP Aidalpur, Bhanauli, Eaichna, Kiratpur, Mathana, Palachand and Sofa of KP Khair

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- These GPs utilised the grants on creation and operation and maintenance of water supply system, sanitation, waste management, street lights, construction and repair of roads. Audit however, noticed that these GPs purchased various items amounting to ₹ 56.42 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Ten out of 14 sampled GPs spent ₹ 12.56 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above 10 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records *viz.*, complaint register, stock issue/receipt registers etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.15 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

⁸ Clause 2C of the Uttar Pradesh *Kshetra Samiti* and *Zila Parishads Works Rules, 1984* prescribes penalty for delay in completion of the contract to be levied at the rate of one *per cent* per day subject to maximum of 10 *per cent* of the estimated cost of the work. However, *Apar Mukhya Adhikary* (AMA) had discretion to reduce the penalty.

2.1.8.4 Zila Panchayat Bahraich

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.
- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- It was observed that ₹ 24.19 crore (99 per cent) out of ₹ 24.39 crore spent during 2010-15 was on construction of 204 new road works (*Appendix 2.1.9*) and only ₹ 0.20 crore (one per cent) was spent on prescribed maintenance works (*Appendix 2.1.10*).
- ZP executed 207 works during 2010-15 on contract basis. Of this eight works were delayed. Stage-wise progress of works was not monitored and the penalty due for delayed completion of the contract under the conditions of contract⁹ was also short levied by ₹ 11.27 Lakh (*Appendix 2.1.11*).

2.1.8.5 Kshetra Panchayat Huzurpur, Nawabganj and Tejwapur

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that in KP Tejwapur one work of more than ₹ 10 lakh (total cost of the work ₹ 12.52 lakh) was executed during 2011-12 but technical sanction from the State Government was not obtained (*Appendix 2.1.12*).
- Two bank accounts for FC-XIII grants in each of Lucknow Kshetriya Gramin Bank and Allahabad Bank were operated in KP Nawabganj.

2.1.8.6 Gram Panchayat Aliha, Bhatikunda, Gauriya, Jagta Jalalpur, Laukahi, Pipriha Mahipal Singh and Singhpur of KP Huzurpur and Bankuri, Devra, Jalalpur, Madhampur Nidauna, Rahim Nagar and Sisaiya of KP Nawabganj and GP Basauna Mafi, Chetra, Jabdi, Lakkha Baundi, Ramgaon, Tedwa Shistipur of KP Tezwapur

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- These GPs purchased various items amounting to ₹ 131.22 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.

⁹ Clause 2C of the Uttar Pradesh Kshetra Samiti and Zila Parishads Works Rules, 1984 prescribes penalty for delay in completion of the contract to be levied at the rate of one per cent per day subject to maximum of 10 per cent of the estimated cost of the work. However, Apar Mukhya Adhikari (AMA) had discretion to reduce the penalty.

- Fourteen out of 19 sampled GPs spent ₹ 9.67 lakh during 2010-15 on the maintenance of Hand Pumps installed in the 14 GPs (**Appendix 2.1.14**), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.68 crore (**Appendix 2.1.15**) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

2.1.8.7 Zila Panchayat Etawah

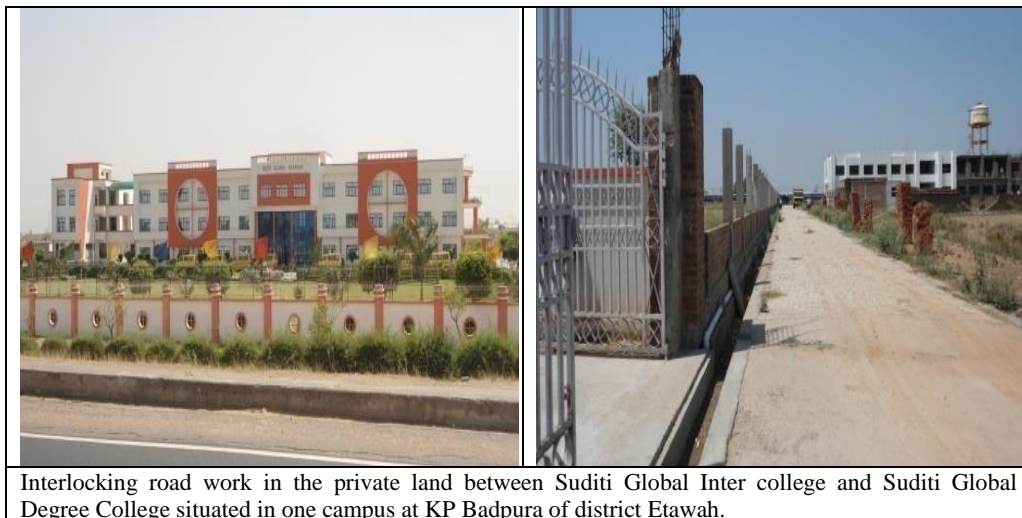
- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in **Appendix 2.1.8**.

The FC-XIII grants were utilised for construction of new road works ignoring the primary activities of upkeep and maintenance works. It was observed that ₹ 11.79 crore (94 per cent) out of ₹ 12.56 crore spent during 2010-15 was on construction of 131 new road works (**Appendix 2.1.9**) and only ₹ 0.77 crore (six per cent) was spent on maintenance works (**Appendix 2.1.10**).

2.1.8.8 Kshetra Panchayat Budpura and Mahewa

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that three works of more than ₹ 10 lakh (total cost of the work ₹ 35.48 lakh) were executed during 2013-15 but technical sanction required to be obtained from the State Government under the provisions of Uttar Pradesh *Kshetra Samiti* and *Zila Parishads Works Rules*, 1984 was not obtained (**Appendix 2.1.12**).
- Payments were made to suppliers without recording the items/material in measurement books.
- These KPs purchased material costing ₹ 31.32 lakh for the works during 2013-15 without inviting tender, due to which transparency in procurement, reasonableness of prices quoted and providing equal and fair opportunity to all the potential suppliers to participate in tender could not be ensured.
- Block Development Officer of these KPs incurred expenditure ₹ 12.66 lakh during 2010-15 on construction of drains of private tube-well in village Karaudhi of KP Mahewa and on interlocking road works on private land in KP

Badpura. The photographs of the works executed on the private land are given below.



2.1.8.9 Gram Panchayat Awari, Bichapura, Foofai, Kameth, Manikpur Mohan, Saray Bhagat of KP Budpura and Aheripur, Bharaiपुर, Daipur, Ingurri, Kunetha, Mudaina Kala Khurd, Niwadi Kala and Saray Illahi of KP Mahewa

- Annual work plans by above GPs for utilisation of FC-XIII grants during 2010-15 were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- These GPs purchased various items amounting to ₹ 159.57 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Thirteen out of 14 sampled GPs spent ₹ 36.45 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above 13 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.80 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimate were not prepared.

2.1.8.10 Zila Panchayat Firozabad

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.

- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in **Appendix 2.1.8**.

- New road works was given priority ignoring upkeep and maintenance works. It was observed that ₹ 15.44 crore (97 per cent) out of ₹ 15.95 crore spent during 2010-15 was on construction of 261 new road works (**Appendix 2.1.9**) and only ₹ 0.51 crore (three per cent) was spent on maintenance works (**Appendix 2.1.10**).

2.1.8.11 Kshetra Panchayat Tundla and Hathwant

Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.

2.1.8.12 Gram Panchayat Basai, Elai, Hajaratpur, Mohammadabad, Pahadipur Bhondela & Saray Noormahal of KP Tundla and GP Balipur Tapasya, Biltigarh, Itahari, Korari Sharahad, Odampur & Santhi of KP Hathwant

- Annual work plan by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.

- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.23crore (**Appendix 2.1.15**) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

2.1.8.13 Zila Panchayat G B Nagar

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.

- Demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in **Appendix 2.1.8**.

- An amount of ₹ 4.35 crore (99.55 per cent) out of ₹ 4.37 crore spent during 2010-15 was on construction of 114 new road works (**Appendix 2.1.9**) and only ₹ 0.02 crore (0.45 per cent) was spent on maintenance works (**Appendix 2.1.10**). Thus the upkeep and maintenance of assets created was ignored.

- ZP executed 114 works during 2010-15 on contract basis. Of this 11 works were delayed. Stage-wise progress of works was not monitored and the penalty due for delayed completion of the contract was also short levied by ₹ 10.79 lakh (**Appendix 2.1.11**).

2.1.8.14 *Kshetra Panchayat Bishrakh*

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that one work of more than ₹ 10 lakh (total cost of the work ₹ 12.46 lakh) was executed during 2013-14 but technical sanction to be obtained from the State Government was not obtained (*Appendix 2.1.12*).
- Payments were made to suppliers without recording the items/material in measurement books.

2.1.8.15 *Gram Panchayat Badalpur, Chipyana Khurd, Girdhar Pur Sunarsi, Kakrala Khas Pur, Mamura, Roja Jalal Pur and Sultan Pur*

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Five out of seven sampled GPs purchased various items amounting to ₹ 9.94 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured. Further, GP Chipyana Khurd and Girdhar Pur Sunarsi did not produce records to audit.
- Four out of seven sampled GPs spent ₹ 1.66 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above four GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of related records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 0.19 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000, but violating the provisions of the manual, estimates were not prepared.

2.1.8.16 *Zila Panchayat Ghazipur*

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent almost entire amount available with it on new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 28.71 crore (94 per cent) out of ₹ 30.45 crore spent during

2010-15 was on construction of 464 new road works (*Appendix 2.1.9*) and only ₹ 1.74 crore (six *per cent*) was spent on prescribed maintenance works (*Appendix 2.1.10*).

- ZP executed 485 works during 2010-15 on contract basis. Of this eight works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty for delayed completion of the contract under the conditions of contract was also short levied by ₹ 12.96 lakh (*Appendix 2.1.11*).

2.1.8.17 Kshetra Panchayat Zakhania, Mardah and Barachawar

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that five works of more than ₹ 10 lakh (total cost of the work ₹ 77.59 lakh) were executed during 2011-15 engaging labourers and payments were made on muster rolls. However, technical sanction was not obtained from the State Government (*Appendix 2.1.12*).
- Payments were made to suppliers without recording the items/material in measurement books.
- These KPs purchased material costing ₹ 75.56 lakh for the works during 2011-15 without tender. Due to which transparency in procurement and competition to ensure reasonableness of prices quoted and providing equal and fair opportunity to all the potential suppliers to participate in tender could not be ensured.
- KP Mardah executed works of construction of two gates in the campus of BDO office and incurred expenditure of ₹ 3.87 lakh. However, the work was not admissible under FC-XIII grants. Photographs of these gates constructed out of FC-XIII grants are given below.



Construction of two gates in the campus of BDO office of KP Mardah, Ghazipur.

2.1.8.18 Gram Panchayat Amavanshi, Damodarpur, Godsaiya, Jauharpur, Khudabkshpur, Mirpur Tirvah, Panikasha Urf Kritsingpur & Saray Dhanesh of KP Zakhania, GP Bahtura, Birbalpur, Kardah Kathwali Gharia, Nasiruddinpur & Ruhipur of KP Mardah and GP Amhat, Benipur, Dahendu, Hatwar Dayal Singh, Khadhada, New Urf Unchadih & Pihuli of KP Barachawar

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Test-checked GPs purchased various items amounting to ₹ 156.15 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Seventeen out of 21 sampled GPs spent ₹ 10.89 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above 17 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records *viz.*, complaint register, stock issue/receipt register etc.

As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.97 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

2.1.8.19 Zila Panchayat Gonda

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.
- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Details of instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent almost entire amount available with it on execution of new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 29.24 crore (98.62 *per cent*) out of ₹ 29.65 crore spent during 2010-15 was on construction of 346 new road works (*Appendix 2.1.9*) and only ₹ 0.41 crore (1.38 *per cent*) was spent on maintenance works (*Appendix 2.1.10*).
- ZP executed 348 works during 2010-15 on contract basis. Of this six works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty due for

delayed completion of the contract under the conditions of contract was also short levied by ₹ 33.78 lakh (*Appendix 2.1.11*).

2.1.8.20 Kshetra Panchayat Katra Bazar, Paraspur and Belsar

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Audit observed that two works of more than ₹ 10 lakh (total cost of the work ₹ 37.39 lakh) were executed during 2010-15 but technical sanction to be obtained from the State Government was not obtained (*Appendix 2.1.12*).
- Payments were made to suppliers without recording the items/material in measurement books.
- These KPs purchased material costing ₹ 22.47 lakh for the works during 2012-14 without tender. Due to which transparency in procurement and reasonableness of rates were not ensured.
- KP Belsar constructed various works viz., toilets, surface leveling in office campus, platforms around trees, septic tank and boring work of tubewell in the campus of BDO's office at a cost of ₹ 1.37 lakh. However, the works were not admissible to be executed out of FC-XIII grants.

KP Katara Bazar executed inadmissible works viz., residential building, white washing/repairing of veterinary hospital, CC roads between the house of Assistant Development Officer and seed go-down, east side boundary wall and gate of KP in the campus of BDO's office at a cost of ₹ 11.11 lakh.

2.1.8.21 Gram Panchayat Barai Gondaha, Charera, Gaurwa Kalan, Kotiya Madara, Nadawan, Raipur Fakir, Tilka of KP Katra Bazar, GP Abhaiepur, Bhaurigunj, Domakalpi, Kadroo, Madhipurkhaderay, Paraspur, Shraniya Chaubey of KP Paraspur and GP Alipersoli, Chirebashana, Harkha Pur, Margub Pur, Sidhoti of KP Belsar

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Test-checked GPs utilised the grants on creation and operation and maintenance of water supply system, sanitation, waste management, street light and construction & repair of roads. Audit however, noticed that these GPs purchased various items amounting to ₹ 168.27 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Thirteen out of 19 sampled GPs spent ₹ 9.20 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above 13 GPs (*Appendix 2.1.14*),

but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of related records viz., complaint register, stock issue/receipt register etc.

- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 2.18 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000, but violating provisions of the manual, estimates were not prepared.

2.1.8.22 Zila Panchayat Lalitpur

- Though, annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were prepared but details of specific works indicating actual location of works to be executed were not mentioned in the plans. In 2014-15, as against preparing the plans by consolidating proposals of the members of the ZP, the Chairman of the ZP, prepared annual work plan despite specific restriction imposed by the State Government (June 2014) for preparing the plan by Chairman himself.
- As required under State Government instructions (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent almost entire amount available with it on new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 7.51 crore (100 *per cent*) out of ₹ 7.51 crore spent during 2010-15 was on construction of 94 new road works (*Appendix 2.1.9*) and no amount was spent on maintenance works (*Appendix 2.1.10*).
- ZP executed 94 works during 2010-15 on contract basis. Of this 24 works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty for delayed completion of the contract under the conditions of contract was also short levied by ₹ 26.62 lakh (*Appendix 2.1.11*).

2.1.8.23 Kshetra Panchayat Jakhoura

- The annual work plans of the KP were not routed through their planning and development committee.

2.1.8.24 Gram Panchayat Adwaha, Buchha, Gora, Khadera, Mainwara, Pachhoni and Silgan

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Four out of seven sampled GPs utilised the grants on creation and operation and maintenance of water supply system, sanitation, waste

management, street light, construction and repair of roads. Audit however, noticed that these GPs purchased various items amounting to ₹ 9.84 lakh (**Appendix 2.1.13**) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.

- Six out of seven sampled GPs spent ₹ 16.02 lakh during 2010-15 on the maintenance of Hand Pumps installed in the above six GPs (**Appendix 2.1.14**), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 0.59 crore (**Appendix 2.1.15**) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

2.1.8.25 Zila Panchayat Lucknow

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared.
- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in **Appendix 2.1.8**.
- ZP spent almost entire amount available with it on execution of new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 13.87 crore (97.47 per cent) out of ₹ 14.23 crore spent during 2010-15 was on construction of 156 new road works (**Appendix 2.1.9**) and only ₹ 0.36 crore (2.53 per cent) was spent on maintenance works (**Appendix 2.1.10**).
- ZP executed 159 works during 2010-15 on contract basis. Of this two works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty due for delayed completion of the contract under the conditions of contract was also short levied by ₹ 1.40 lakh (**Appendix 2.1.11**).

2.1.8.26 Kshetra Panchayat Bakshi Ka Talab and Malihabad

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants was not prepared.
- KP Bakshi Ka Talab executed works of ₹ 59.34 lakh during 2011-15 without plan. It executed an inadmissible work of additional room in the office of BDO and incurred expenditure of ₹ 4.96 lakh.

2.1.8.27 Gram Panchayat Aadharkhera, Bagaha, Bharigahana, Dudhara, Jalalpur, Madaripur, Muspipari, Rajauli and Sonva of KP Bakshi Ka Talab and GP Allupur, Datali, Hamirapur, Khadauva, Meethe Nagar and Sahilamau

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants was not prepared.
- Test-checked GPs purchased various items amounting to ₹ 118.34 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Twelve out of 15 sampled GPs spent ₹ 13.91 lakh during 2010-15 on the maintenance of Hand Pumps installed in above 12 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.47 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, estimates were not prepared.

2.1.8.28 Zila Panchayat Mau

- Annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were not prepared
- Demarcation of works to avoid works at the level of ZPs, KPs and GPs was not done. Instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent major amount available with it on execution of new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 11.80 crore (74.83 per cent) out of ₹ 15.77 crore spent during 2010-15 was on construction of 119 new road works (*Appendix 2.1.9*) and only ₹ 3.97 crore (25.17 per cent) was spent on maintenance works (*Appendix 2.1.10*).
- ZP executed 160 works during 2010-15 on contract basis. Of this five works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty for delayed completion of the contract under the conditions of contract was also short levied by ₹ 14.79 lakh (*Appendix 2.1.11*).

2.1.8.29 Kshetra Panchayat Doharighat and Pardahan

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grant were not prepared.

- KP Doharighat incurred entire expenditure ₹ 76.44 lakh during 2011-15 on street lights ignoring expenditure on provision of other basic facilities.

2.1.8.30 Gram Panchayat Bahrapur, Budhawar, Gulaurikalan, Kadipur, Kuranga, Parashurampur Naraharpur & Sarfora of KP Doharighat and GP Aadedih, Bibipur, Kushmaur, Pardaha & Sarwan of KP Pardahan

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Eight out of 12 sampled GPs spent ₹ 21.96 lakh during 2010-15 on the maintenance of Hand Pumps installed in above eight GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.49 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000, but violating provisions of the manual, estimates were not prepared.

2.1.8.31 Zila Panchayat Sitapur

- Annual work plans by ZP during 2010-12 for utilisation of FC-XIII grants were not prepared. It executed works picking up from the list of works finalised at ZPMC Lucknow level. The plan for the year 2014-15 was not finalised as of May 2015. In 2014-15, as against preparing the plans by consolidating proposals of the members of the ZP, the Chairman of the ZP, prepared the Annual Work Plan despite imposition of specific restriction by the State Government (June 2014) for preparing the plan by Chairman himself. Besides, various works were executed without the approval of ZP.
- As required under State Government instruction (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Details of instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent almost entire amount available with it on new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 31.02 crore (99.84 per cent) out of ₹ 31.07 crore spent during 2010-15 was on construction of 405 new road works (*Appendix 2.1.9*) and only ₹ 0.05 crore (0.16 per cent) was spent on maintenance works (*Appendix 2.1.10*).

2.1.8.32 *Kshetra Panchayat Biswan, Pahala, Laharpur and Sakran*

- Annual work plans by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.
- Twelve works executed by KPs amounting to ₹ 66.26 lakh during 2011-15 were not discussed and approved in the meetings of KP Laharpur of Sitapur.
- Audit observed that 13 works of more than ₹ 10 lakh (total cost of the work ₹ 200.99 lakh) were executed during 2010-15 engaging labourers and payments were made on muster rolls. However, technical sanction required to be obtained from the State Government under the provisions of Uttar Pradesh *Kshetra Samiti* and *Zila Parishads Works Rules, 1984* was not obtained (*Appendix 2.1.12*).

2.1.8.33 *Gram Panchayat Ambarpur, Belwa Bahadurpur, Bisendi, Hasanpur, Kanduni, Lodhora, Moijuddinpur Puraina, Saraiyan Mirjapur of KP Biswan, GP Bajhera, Bharatar, Firojpur, Kandaura, Lodhaura Raja Sahab, Paliya & Saraiyan Kadipur of KP Pahala, GP Akbarpur, Dariyapur, Karsyora, Makanpur, Patwara & Sherpur of KP Laharpur and GP Adwari Chilhiya, Khamrihya Mahriya, Madora, Patni & Saraiyan Kalan of KP Sakran*

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- These GPs utilized the grants on creation and operation and maintenance of water supply system, sanitation, waste management, street light, construction and repair of roads. Audit however, noticed that these GPs purchased various items amounting to ₹ 94.32 lakh (*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.
- Twenty four out of 28 test-checked GPs spent ₹ 25.59 lakh during 2010-15 on the maintenance of Hand Pumps installed in above 24 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant records viz., complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 3.20 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000, but violating the provisions of the manual, estimates were not prepared.

2.1.8.34 Zila Panchayat Sultanpur

- Though, annual work plans by ZP during 2010-15 for utilisation of FC-XIII grants were prepared but details of specific works indicating actual location of works to be executed were not mentioned in the plans. Proposals of the members of ZP were not recorded in *Karyawahy Register* and the plans were prepared subsequent to the meeting of ZP. Thus, possibility of inclusion of works without the proposal of the members cannot be ruled out. In 2014-15, as against preparing the plans by consolidating proposals of the members of the ZP, the Chairman of the ZP, prepared the annual work plan despite specific restriction imposed by the State Government (June 2014) for preparing the plan by Chairman himself.
- As required under State Government instructions (January 2005 and June 2014), demarcation of works to avoid overlapping of works at the level of ZPs, KPs and GPs was not done. Details of instances of execution of works falling under the jurisdiction of GPs by ZP are given in *Appendix 2.1.8*.
- ZP spent almost total amount available with it on new road works and the primary activities of upkeep and maintenance works was ignored. An amount of ₹ 18.11 crore (98.85 per cent) out of ₹ 18.32 crore was spent during 2010-15, on construction of 139 new road works (*Appendix 2.1.9*) and only ₹ 0.21 crore (1.15 per cent) was spent on maintenance works (*Appendix 2.1.10*).
- ZP executed 142 works during 2010-15 on contract basis. Of this 73 works were delayed. Audit observed that for ensuring timely completion of works stage-wise progress of works was not monitored and the penalty for delayed completion of the contract under the conditions of contract was also short levied by ₹ 41.14 lakh (*Appendix 2.1.11*).

2.1.8.35 Kshetra Panchayat Dhanpatganj, Pratappur Kamichha and Karaundhi Kala

Annual work plan by these KPs during 2010-15 for utilisation of FC-XIII grants were not prepared.

2.1.8.36 Gram Panchayat Aenpur, Biswa, Itwamalnapur, Mahmoodpur, Ramnagar & Semruna of KP Dhanpatganj, GP Bantikala, Ghamha, Kothrakhurd, Ramghar, Shadapur of KP Pratappur Kamichha and GP Bangar Kala, Gura Tikari & Paharpur Kala of KP Karaundhi Kala

- Annual work plans by these GPs during 2010-15 for utilisation of FC-XIII grants were not prepared. Since KPs and GPs were not preparing annual work plan, ZP was not able to prepare a consolidated plan for the whole district following bottom up approach.
- Fourteen out of 15 sampled GPs utilised the grants on creation and operation and maintenance of water supply system, sanitation, waste management, street light, construction and repair of roads. Audit however, noticed that these GPs purchased various items amounting to ₹ 63.32 lakh

(*Appendix 2.1.13*) directly through market without obtaining quotations/calling tenders during 2010-15. Due to the purchase of various items without inviting quotation/tenders, reasonableness of rates could not be ensured.

- Thirteen out of 15 sampled GPs spent ₹ 26.89 lakh during 2010-15 on the maintenance of Hand Pumps installed in above 13 GPs (*Appendix 2.1.14*), but requirement of maintenance and actual maintenance done could not be ascertained in audit due to non-maintenance of relevant registers *viz.*, complaint register, stock issue/receipt register etc.
- As per paragraph 152 of *Panchayat Raj* manual, estimates are required to be prepared for execution of works costing more than ₹ 1,000. However, the test-checked GPs spent a sum of ₹ 1.32 crore (*Appendix 2.1.15*) during 2010-15 on various works costing more than ₹ 1,000 but violating provisions of the manual, the estimates were not prepared.

The State Government while accepting the above audit findings stated (December 2015) that necessary directives for making the plans in accordance with the UP *Panchayat Raj* Act, 1947/1961 has been given and accordingly the plans are being prepared. It further stated that orders have been used (30 July 2014) for procurement of construction material after inviting tender/quotations only and necessary directives for obtaining no objection certificate from GPs by the KPs and ZPs have been used. Proposals relating to construction of new roads and maintenance of existing roads were approved by members in ZPs' meetings by consensus and there were no proposals for street lights, drinking water and other civic amenities.

The reply of State Government is not acceptable as construction of new road works was not covered under the guiding principles laid down by GoUP for utilisation of FC-XIII grants. Further, all works of ZPs above ₹ 10 lakh are to be approved by the State Government. Hence, the State Government should have ensured adherence of guidelines while approving proposals of construction of new roads. As need for improvement in sanitation, solid waste management, sewage disposal, drinking water supply, street lighting etc. in rural habitations in the State cannot be denied, a more systematic approach is required to be adopted to identify actual ground level requirements in a comprehensive manner for consideration by the members of ZPs and approval at appropriate level.

Regarding non levy of due penalty, GoUP stated that penalty has been imposed and recovered as per rules, which prescribed penalty at the rate of one *per cent* per day subject to a maximum of 10 *per cent* of the estimated cost or the amount determined by AMA. Reply is not acceptable as AMA cannot arbitrarily reduce the amount of penalty recoverable from the defaulting contractors for delaying completion of works.

The observation of non-obtaining technical sanction of the State Government was accepted by the State Government. Regarding construction of inadmissible works it was stated in reply that the works have been executed as per prescribed norms. Reply is not acceptable as these works are executed on

private premises of the school and BDO's office which do not fall under the category of public civic amenities.

It was also stated (December 2015) by the State Government that GPs are now empowered to execute works up to ₹ 50,000 based on estimates without any technical approval. Reply is not acceptable as the works were not executed on the basis of estimates.

Thus, there was inadequate planning for providing basic facilities to the rural public and the prices allowed for various purchases made and works executed were not based on quotations/tenders. ZPs executed mainly road works ignoring other basic facilities.

Recommendation: The Government should ensure activities under all basic facilities envisaged under the FC-XIII recommendations with adequate planning and adhering the procurement procedures.

2.1.9 Monitoring mechanism

2.1.9.1 Inadequate monitoring by HLMC

As per Office Memorandum (July 2010) used by UP Government, HLMC headed by Chief Secretary was constituted (July 2010) with the objective to approve the action plan proposed by administrative department, monitor the execution of action plan and review the utilisation of grants. HLMC was to meet at least once in a quarter every year.

Scrutiny of records of PR secretariat revealed that meetings of HLMC were held quarterly. However, the meetings in two quarter of 2012-13 and one quarter of 2014-15 were not held.

2.1.9.2 Monitoring by Zila Panchayat Monitoring Cell, Lucknow

In order to ensure close monitoring on the working of ZPs, a ZPMC was set up (March 1992) under Principal Secretary, *Panchayati Raj*. The Cell was to monitor the process of granting administrative and technical sanction on behalf of the State Government for the works having estimated value above ₹ 10 lakh. GoUP also directed (September 2011) that Technical Officer of ZPMC was to inspect the construction work of FC-XIII executed by ZPs regularly. Besides, ZPs were to send utilisation certificates for utilisation of FC-XIII grants to ZPMC every month. No monitoring and physical inspection for use of grants of FC-XIII was carried out by ZPMC. Six¹⁰ out of 12 sampled ZPs did not submit the UCs to ZPMC. UCs of FC-XIII grants were not available with ZPMC.

The State Government while accepting the audit findings flagged inadequacy of technical manpower as the main reason for inadequate monitoring by ZPMC.

¹⁰ GB Nagar, Gonda, Lucknow, Mau, Sitapur and Sultanpur,

2.1.9.3 Monitoring by District/Block level officers

At district level, District *Panchayat Raj* Officer was to monitor progress of utilisation of FC-XIII grants by KPs and GPs. At Block level, Block Development Officer and Assistant Development Officer (*Panchayats*) are exclusively responsible for proper utilisation of funds by the GPs.

Audit however, noticed that utilisation of FC-XIII grants by the KPs/GPs was not closely monitored by district level officer. DPROs did not obtain UCs from KPs and GPs fully. Inspection notes to confirm the inspections by DPRO were not maintained at the DPRO level.

2.1.9.4 Non-functional Planning and Development Committees

Planning and Development Committee notified under section 29 of the Uttar Pradesh *Panchayat Raj Act*¹¹ 1947, by the State Government are to assist GPs in planning of its development functions.

Audit noticed that the Committees at the level of test-checked GPs of sampled districts were not functional. It never meets for ensuring proper planning by the KPs/GPs. Annual work plan was also not submitted to the Committee for approval. All these resulted that the works were executed without the approval of the Committee made specifically for the purpose.

2.1.9.5 Internal control mechanism

Audit noticed that internal control mechanism in PRIs was inadequate as discussed below:

- Muster rolls and measurement books utilised were not serially numbered and were not used by the controlling officers (District *Panchayat Raj* Officers/Block Development Officers) to KPs and GPs.
- Checking of MBs was not being done.
- In most of KPs and GPs payments to the labourers were made in cash.
- Forty nine thousand eight hundred twenty four audit paragraphs of the audit report of CAO as of March 2015 were outstanding for settlement.

The State Government stated that measurement of the works executed by GPs is being done in MBs and payment under FC-XIII to the labourers through electronic transfers account was not provisioned. The reply is not correct as the status in test-checked GPs was at variant and to maintain transparency in payments, the payments to the labourers were to be made through their bank accounts.

2.1.10 Conclusion and Recommendations

Proper utilisation of FC-XIII grants efficiently within scheduled period was not ensured due to various shortcomings of financial management, maintenance of records, planning, execution of works and monitoring as below:

¹¹ Substituted vide UP Act No. 33 of 1999.

- Weaknesses in financial management resulted in cases of non-transfer of grants, delay in transfer of grants, non-credit of interest earned and unspent funds at the State level and also in the three tiers of PRIs.

(Paragraphs 2.1.6.1 to 2.1.6.9)

Recommendation: The State Government should ensure timely transfer and credit of the grants in PRIs bank accounts. Utilisation of grants in efficient manner should also be ensured.

- Basic records viz., estimate register, stock receipt register, issue register, road register, asset register, bond register, measurement book etc. were not maintained in test-checked PRIs. This restricted the performance audit and the expenditure incurred in PRIs could also not be vouchsafed in audit.

(Paragraph 2.1.7)

Recommendation: Maintenance of basic records must be ensured by the Government.

- Proper planning in bottom up approach was not ensured at each level of PRIs which caused non-provision of adequate basic facilities and unspent balance of funds.

(Paragraphs 2.1.8.1 to 2.1.8.36)

Recommendation: Adequate planning should be ensured for providing basic facilities and avoiding unspent balances of grants.

- *Zila Panchayats* mostly executed road works (95.35 per cent of total expenditure) and activities on the other basic facilities were ignored.

(Paragraphs 2.1.8.1 to 2.1.8.36)

Recommendation: Investment in all basic facilities should be promoted to achieve sustainable development in rural areas.

- Purchases were made and works were executed without obtaining quotations/tenders as the case may be. Due to this reasonableness of rates was not confirmed in audit.

(Paragraphs 2.1.8.1 to 2.1.8.36)

Recommendation: Strict compliance of the provisions relating to the purchase of stores and stocks and execution of works should be ensured by the Government.

- Monitoring in field by *Zila Panchayat* Monitoring Cell was negligible and by District *Panchayat Raj* Officers was minimal.

(Paragraphs 2.1.9.2 and 2.1.9.3)

Recommendation: Robust monitoring at the ZP level should be ensured to ascertain/restrict expenditure on providing basic facilities only.

2.2 Long Paragraph on “Audit of Schemes Rules, 2011”

Executive Summary

The Government of India, in consultation with the Comptroller and Auditor General of India framed a set of rules and regulations titled the “Audit of Schemes Rules, 2011”. Subsequently Government of Uttar Pradesh constituted (August 2012) Social Audit Unit as an independent agency. The main objective of Social Audit Unit was to build capacities of *Gram Sabha* for conducting Social Audit, to prepare Social Audit reporting formats, to create awareness amongst the labourers about their rights and entitlements under Mahatma Gandhi National Rural Employment Guarantee Scheme and to facilitate verification of records and works sites. Major audit findings of Long Paragraph on “Audit of Schemes Rules, 2011” are discussed below:

Fund Management

As per Ministry of Rural Development, Government of India order (April 2013) up to one *per cent* expenditure of MGNREGS funds was to be spent on Social Audit and five *per cent* expenditure was earmarked for meeting MGNREGS’ administrative expenses. However, during 2013-14 and 2014-15, MGNREGS Cell short-released ₹ 44.03 crore to SAU for Social Audit. Besides, more than five *per cent* (₹ 104.11 crore) funds were also utilised by MGNREGS Cell under administrative expenses during 2013-15.

(Paragraph 2.2.7.2)

Planning

- Social Audit Unit was to frame an annual calendar for Social Audit to cover at least one Social Audit in each *Gram Panchayat* in every six months. Accordingly, 1,04,222 Social Audits in 52,111 *Gram Panchayats* in the State were to be planned in each year. However, only 13,192 (13 *per cent*) and 25,748 (25 *per cent*) Social Audits were planned during 2013-14 and 2014-15 respectively. Of this, only 11,412 (11 *per cent*) Social Audits in 2013-14 and 20,844 (20 *per cent*) in 2014-15 were conducted.

(Paragraph 2.2.8.1)

- Due to delay in preparation of annual calendar for Social Audit, submission of records to Social Audit team prior to 15 days of meeting of *Gram Sabha* was not ensured.

(Paragraph 2.2.8.2)

- Thirty eight District Social Audit Coordinators and 446 Block Social Audit Coordinators were engaged during July 2012 to March 2013 but no Social Audit was conducted during this period, as a result ₹ 3.62 crore paid as honorarium to them remained unfruitful. Besides, due to imparting training to 29,162 resource persons in excess, ₹ 94.15 lakh was also rendered wasteful.

(Paragraphs 2.2.8.3 & 2.2.8.4)

Conduct of Social Audit

- In 24 out of 30 test-checked districts we noticed that out of 1,302 unaudited GPs during 2014-15, the social audit of 769 GPs could not be carried out due to non-production of records to SA team.

(Paragraph 2.2.9.3)

- In 50 test-checked *Gram Panchayats*, participation of villagers during Social Audit meetings was negligible and ranged between 0.07 and 3.76 *per cent* of whole population of GPs.

(Paragraph 2.2.9.5)

- No evidence to support Social Audit findings was kept on record by the Social Audit teams, though mandated in the guidelines.

(Paragraph 2.2.9.7)

- In order to ensure durability of assets and their usefulness, the Social Audit Units were to have quality monitors to facilitate evaluation of assets quality during Social Audit, however, we during audit noticed that no quality monitors were engaged to ensure quality monitoring of the assets.

(Paragraph 2.2.9.8)

Follow-up action on Social Audit

After Social Audit, corrective action was to be taken by District Programme Coordinator and State government was responsible for the follow-up action on Social Audit findings. We noticed that in 16 out of 30 test-checked districts only ₹ 0.13 lakh (0.08 *per cent*) was recovered as against 444 cases of misappropriation of ₹ 164.22 lakh (2013-15) pending upto March 2015.

(Paragraphs 2.2.12 & 2.2.14)

2.2.1 Introduction

Social Audit (SA) is an audit that is conducted jointly by the Government and the people, especially those who are affected by, or are the intended beneficiaries of the scheme being audited. SA can be described as verification of the implementation of a programme/scheme and its results by the community with active involvement of the primary stakeholders. This is done by comparing official records with the actual ground realities with the participation of the community in the verification exercise and reading out the finding of the verification exercise aloud in a public platform. The SA process goes beyond accounting for the money, that has been spent, to examine whether the money was spent properly and has made difference to people's lives. The aim of SA is effective implementation and control of irregularities. Section 17(2) of the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) articulates the mandate of the *Gram Sabha* to conduct SA. The Government of India, in consultation with the Comptroller and Auditor General (C&AG) has framed a set of rules and regulations in

April 2011 titled the Mahatma Gandhi National Rural Employment Guarantee Audit of Schemes Rules, 2011, under the sub section (1) of section 24 of MGNREGA for guiding the process by which SAs should be conducted. In compliance of 'Audit of Schemes Rules, 2011', Government of Uttar Pradesh (GoUP) issued order (July 2012) for constitution of Uttar Pradesh MGNREGS Social Audit Organisation hereafter referred to as Social Audit Unit (SAU) as an independent agency registered (August 2012) under the Societies Registration Act, 1860.

2.2.2 Function of Social Audit Unit

As per the GoUP order (July 2012), three bodies, viz. General Body, Governing Body and Executive Committee were constituted for execution and implementation of the functions of SAU. At the State level, a Director was appointed¹ by the Government who was responsible for overall management of the organisation and implementation of decisions of the above bodies/committees. SAU was responsible:

- (a) to build capacities of *Gram Sabha* for conducting SA and identify, train and deploy suitable resource persons at village, block, district and State level, drawing from primary stakeholders and other civil society organisations having knowledge and experience of working for the rights of the people of Uttar Pradesh;
- (b) to prepare SA reporting formats, resource material, guidelines and manuals for the SA process;
- (c) to create awareness amongst the labourers about their rights and entitlements under MGNREGA;
- (d) to facilitate verification of records and work sites by primary stakeholders;
- (e) to facilitate smooth conduct of SA in *Gram Sabha* for reading out and finalising decisions after due discussions; and
- (f) to host the SA Reports including action taken reports in the public domain.

2.2.3 Organisational Structure

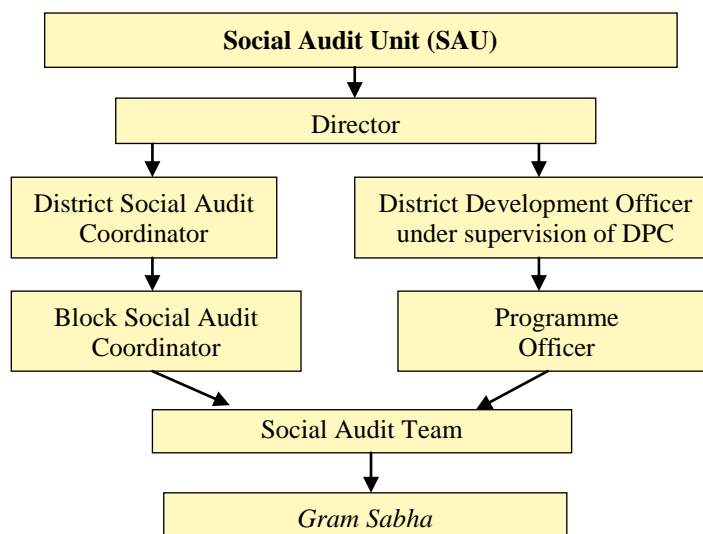
At the State level, Director, SAU was responsible for overall conduct of SA in the State. District Programme Coordinator² (DPC) and the Programme Officer³ (PO) were to ensure the smooth conduct of SA at district and Block level respectively. A five member team, consisting of Resource Persons (RPs) was to conduct SA at GP level. Besides, District Social Audit Coordinator (DSAC) and Block Social Audit Coordinator (BSAC) at district and block level under District Development Officer (DDO) respectively were to be engaged on contract basis for facilitating SA.

¹ DO letter-MS-80/two-2-2012 dated 18.10.2012.

² District Magistrate was to act as DPC.

³ Block Development Officer was to act as PO.

Chart 1: Organisational Structure of Social Audit Unit



(Source: Directorate of Social Audit)

Further, State Government was also responsible to take follow-up action on the findings of SA. Corrective actions were to be taken by Secretary *Gram Panchayat (Gram Panchayat Adikari/Gram Vikas Adhikari)* at village level, Programme Officer (PO) at block level, Deputy Commissioner (DC), Mahatma Gandhi Rural Employment Guarantee Scheme (MGNREGS) at district level under the supervision of District Programme Coordinator (DPC), and Additional Commissioner, MGNREGS at Government level. The State Employment Guarantee Council (SEGC) at State level was responsible for monitoring the action taken by the Government and incorporating the action taken report in the annual report to be laid before the State Legislature by the State Government.

2.2.4 Audit objective

Audit objectives of this Long Paragraph on ‘Audit of Schemes Rules, 2011’ taken up by us were to assess whether:

- a competent, capable, resourceful and independent SAU existed within the State;
- SAU provided adequate support mechanism like planning, availability of records, reporting and follow-up for SA within the State;
- SAs executed during 2014-15 were adequate and effective as per rules and regulations. Were these actively supported and helped by DPC and other State Government functionaries; and
- other agencies as State Employment Guarantee Council (SEGC), Ministry of Rural Development (MoRD) etc., adequately performed their roles with a view to support SA mechanism.

2.2.5 Audit Criteria

The sources of audit criteria were:

- Relevant provisions of MGNREGA 2005;
- MGNREGA Audit of Schemes Rules, 2011;
- Guidelines for Special Project on SA, 2014 and further clarification issued;
- Rules and regulations issued by the State Government, Uttar Pradesh Social Audit *Sandarshika*, 2014 (First Edition), Memorandum of SAU; and
- Amendments to paragraph 10 of the Standard Operating Procedure for operationalising of Section 27(2) of MGNREGA.

2.2.6 Audit Scope, Methodology and Coverage

Records and information of the office of Director SAU, MGNREGS Cell, State Institute of Rural Department (SIRD) and Principal Secretary, Rural Development Department, GoUP were scrutinised at the State level. Further, through Statistically Random Sampling with Replacement (SRSWR) method, 50 *Gram Panchayats* (GPs) and its related 47 Blocks in 30 districts (*Appendix 2.2.1*), where SA had been conducted in 2014-15, were selected for audit. The Long Paragraph on “Audit of Schemes Rules, 2011” was conducted during June 2015 and July 2015, to evaluate the status of SA at GPs level.

An entry conference was held on 7 May 2015 with Principal Secretary, Rural Development Department, GoUP but the date for holding an exit conference was awaited from the Principal Secretary as of December 2015 though requested (November 2015). However, Government furnished replies to the audit observations raised. The same has been suitably incorporated in the report.

Audit Findings

2.2.7 Funds management

As per section 13.4.6 of operational guidelines of MGNREGA, the cost of establishing the SAU and conducting SA was to be met from the grants given towards administrative expenses for implementation of schemes. Further, MoRD also ordered⁴ that cost of setting up of SAU and cost of conducting SA of MGNREGS works should be met out within the six *per cent* administrative charges of MGNREGS. Out of the six *per cent* administrative charges, up to one *per cent* of total expenditure of MGNREGS in the State may be used for meeting the cost of establishment of SAU and conducting SA of MGNREGS works and remaining five *per cent* for administrative charges under MGNREGS.

⁴As per Ministry of Rural Development order no J-11033/28/2012-MGNREGA (RE-VII) dated 12 April 2013.

Funds were allocated by MGNREGS Cell to Director, SAU and, thereafter, SAU allotted funds to District Development Officer (DDO) for making the expenditure of SA and payment of honorarium to District Social Audit Coordinators (DSACs), Block Social Audit Coordinators (BSACs) and members of SA teams.

Details of year-wise budget approved by SAU, expenditure incurred under MGNREGS, funds received and expenditure incurred by SAU during 2012-13 to 2014-15 is given in **Table 1** and also depicted in **Chart 2**.

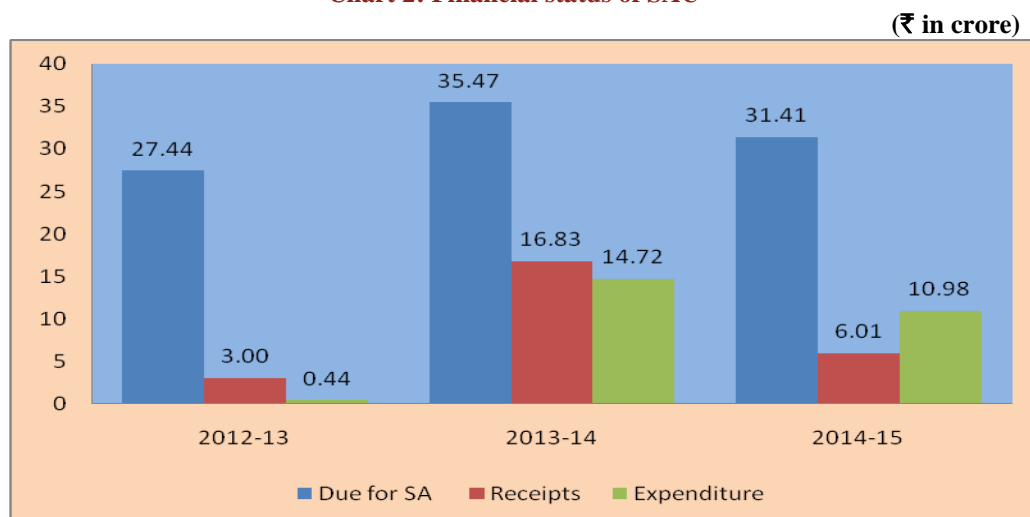
Table 1: Financial Statement of SAU

(₹ in crore)

Year	One per cent of MGNREGS Expenditure	Budget approved by SAU	Opening balance	Funds Received		Total available funds	Expenditure of SAU (per cent of Col. 7)	Unspent Balance (per cent of Col. 7)
				Under MGNREGS (per cent of Col. 2)	Other receipts			
1	2	3	4	5	6	7	8	9
2012-13	27.44	23.14	0.00	3.00(11)	0.01	3.01	0.44 (15)	2.57 (85)
2013-14	35.47	24.95	2.57	16.83(47)	0.29	19.69	14.72 (75)	4.97 (25)
2014-15 ⁵	31.41	56.33	4.97	6.01(19)	0.81	11.79	10.98 (93)	0.81 (07)

(Source: MGNREGA Cell and SAU)

Chart 2: Financial status of SAU



(Source: MGNREGA Cell and SAU)

Scrutiny of records revealed the following deficiencies:

2.2.7.1 Short-release of funds to SAU

As seen from the **Table 1** and **Chart 2** against the required allocations, funds ranging between 11 and 47 per cent were released for SA during 2012-15. However, the SAU even did not spend the available funds and funds ranging between seven and 85 per cent remained unspent during 2012-15. This indicated improper financial management.

⁵ Only expenditure under MGNREGS was included in the table. During the financial year 2014-15 ₹ 17.55 crore were received by SAU and spent ₹ 6.78 crore for SA of *Indira Awaas Yojana* which was not taken in financial statement as Balance Sheet for the year 2014-15 was not prepared by SAU upto the July 2015.

On this being pointed out, the Government accepted the fact and stated that the funds remained unspent due to delay and short-release of funds.

2.2.7.2 SAU Share incurred by MGNREGS

As envisaged in the order (August 2012) of Ministry of Rural Development (MoRD), six *per cent* of the total expenditure incurred under MGNREGS was to be used for Administrative expenses. Further, the MoRD (April 2013) clarified that up to one *per cent* of total annual expenditure could be used for SA in the State and remaining five *per cent* was to be used for meeting administrative expenses.

We observed that during 2013-14 and 2014-15, one *per cent* SA share was not provided to SAU and the expenditure for administrative expenses exceeded five *per cent* in both the years as given in the **Table 2**.

Table 2: Expenditure in Administrative head and funds released to SAU

(₹ in crore)

Year	Opening balance and sanction	Total expenditure	Due Administrative Exp. (six <i>per cent</i>)			Actual Administrative Exp.			Differences		SAU Share incurred by MGNREGS Cell
			MGNREGS (five <i>per cent</i> of column 3)	SAU (one <i>per cent</i> of column 3)	Total (4+5)	MGNREGS	Released to SAU	Total (7+8)	Excess Expenditure (7-4)	Less Released to SAU (8-5)	
1	2	3	4	5	6	7	8	9	10	11	12
2013-14	3967.23	3546.56	177.33	35.46	212.79	275.61	16.83	292.44	98.28	18.63	18.64
2014-15	3178.26	3140.62	157.03	31.41	188.44	162.86	6.01	168.87	5.83	25.40	5.83
Total	7145.49	6687.18	334.36	66.87	401.23	438.47	22.84	461.31	104.11	44.03	24.47

(Source: MGNREGA Cell and SAU, Lucknow)

From the above table it is evident that funds of ₹ 44.03 crore was short- released to SAU and MGNREGS Cell had spent more than five *per cent* (₹ 104.11 crore) during 2013-15 under administrative expenses which included SAU share amounting to ₹ 24.47 crore.

The Government did not furnish reply on the observation.

Recommendation: Earmarked funds should be released for smooth conduct of Social Audit.

2.2.8 Planning

The main objective of the SAU was to conduct SA of the works taken up under the MGNREGA in every GP at least once in six months. To achieve this objective, SAU was to build capacities of *Gram Sabha* for conducting SA, to identify, train and deploy suitable resource persons at village, block, district and State level and to prepare annual calendar for conducting SA for effective implementation of schemes. We during audit observed the following shortcomings:

2.2.8.1 Inadequate planning for SA

Social Audit Unit was to frame an annual calendar for Social Audit to cover at least one Social Audit in each *Gram Panchayat* in every six months. Accordingly, 1,04,222 Social Audits in 52,111 *Gram Panchayats* in the State were to be planned in each year.

Audit noticed that SAU planned only 13,192 (13 *per cent*) and 25,748 Social Audits (25 *per cent*) during 2013-14 and 2014-15 respectively. Of this, only 11,412 (11 *per cent*) Social Audits in 2013-14 and 20,844 (20 *per cent*) in 2014-15 were conducted.

On this being pointed out, SAU replied that SA is dependent on available resources, resource persons, availability of funds and other reasons. Besides, SAU also stated that due to newly created organisation, SA in all the GPs could not be covered. The reply is not acceptable as SAU did not plan available manpower and also could not utilise trained resource persons optimally as discussed in succeeding paragraphs 2.2.8.4 and 2.2.8.5.

2.2.8.2 Delay in preparation of annual calendar for SA

As per section 13.3.1 of operational guidelines, SAU was to frame an annual calendar to conduct at least one SA in each GP in every six months and a copy of the calendar, at the beginning of the year, was to be sent to all DPCs for making necessary arrangements. According to paragraph 7 of Audit of Schemes Rules, 2011, Programme Officer was to ensure submission of required information and records such as job card register, employment register, work register etc., 15 days prior to SA.

The records of SAU revealed that annual calendar of 2014-15 was not prepared at the beginning of the year, instead quarterly calendars were prepared. Calendar of first quarter was not prepared. Calendar of second quarter (July-September 2014) issued on 5 June, 17 June and 5 August 2014, calendars of third quarter (October to December 2014) issued on 16 October 2014 and of fourth quarter (January to March 2015) on 4 February 2015. The last quarter was effective from 9 February 2015, leaving January 2015 unaudited. Thus, due to non-preparation of annual calendar, submission of records to SA team prior to 15 days of meeting of the *Gram Sabha* could not be ensured.

On this being pointed out, Government replied that issue of preparation of calendar on quarterly basis was more convenient for smooth conduct of SA. The reply is not acceptable as the calendar had to be prepared annually as per operational guidelines.

Further, during test-check of 50 GPs it was also observed that only one single date of SA of *Gram Sabha* was mentioned in SA calendar, providing no time period for conduct of Social Audit. Thus, SA of 23 GPs was conducted in one day only and in 17 GPs duration of SAs was not mentioned while in the

remaining 10 GPs, SA was conducted between two and 13 days as detailed in *Appendix 2.2.2*.

In reply Government accepted the fact and assured for compliance in future.

2.8.2.3 Unfruitful expenditure

Scrutiny of the records of SAU revealed that prior to establishment of SAU (July 2012), DSACs and BSACs were engaged on contract basis for facilitating the SA of MGNREGS works. The Government ordered (July 2012) for establishment of SAU and to continue the services of DSACs and BSACs for one year. The records revealed that despite continuance of services of 38 DSACs and 446 BSACs in July 2012, no SA was conducted for nine months (July 2012 to March 2013). This rendered ₹ 3.62 crore⁶, incurred on the payment of honorarium to the DSACs/BSACs, unfruitful.

In reply, the Government stated (November 2015) that expenditure incurred on DSACs and BSACs was not unfruitful as they were to be given training for SA and their services were utilised for public awareness towards social audit.

The reply is not acceptable as SA team had not been constituted in 2012-13 and as per paragraph 7.3 of Uttar Pradesh Social Audit *Sandarshika* 2014, DSACs and BSACs were not supposed to perform such duties.

2.2.8.4 Excess training of Resource Persons (RPs)

As per norms to cover SA of all the 52,111 GPs in the State, 34,265 RPs were required⁷. Scrutiny of records revealed that during 2013-14, 40,670 RPs were provided training by SIRD against the requirement of only 34,265 RPs. Therefore, all GPs could have been covered under SA. SAU, however, planned only 13,192 GPs and conducted SA of only 11,412 GPs in 2013-14, which could have been done by engaging 11,508 RPs⁸ only. Thus, expenditure of ₹ 94.15 lakh⁹ incurred on imparting training to 29,162 excess RPs proved wasteful as fresh SA teams need be constituted every year.

On this being pointed out, the Government replied that the purpose of training was not to prepare SA teams, but also to give awareness about social audit and other schemes that are running in *Panchayat*.

Reply of Government is not acceptable as training was provided only to SA team members which were selected by selection committee.

2.8.8.5 Under-utilisation of RPs

As per norms, one SA team was to cover 10 GPs every six months and 20 GPs in a year. Scrutiny of the records for the year 2014-15 in 30 test-checked

⁶ $38 \times 12,000 \times 9 = 41,04,000$, $446 \times 8,000 \times 9 = 3,21,12,000 = 41.04 + 321.12 = 362.16$ lakh.

⁷ As per norm one SA team of five members was to be constituted for SA of 10 GPs and in each block two members of each category ($2 \times 5 = 10$) were to be reserved. Hence, required team for SA ($52,111/10$) = 5211, no. of required members for SA team (5211×5) = 26,055 and no. of reserved members ($821 \text{ blocks} \times 10$) = 8210. Thus, total no. required members for SA of 52,111 GPs once in six month were ($26,055 + 8,210$) = 34,265.

⁸ $13,192/20 \times 5 = 3,298 + 8,210$ (reserved team member) = 11,508 RPs.

⁹ ₹ ($98,202 + 1,64,728 + 5,38,446 + 1,23,29,850$) = (1,31,31,226/40,670) x 29,162 = ₹ 94,15,608.

districts revealed that SAU prepared annual calendar for SA of 14,040 GPs with 2,345 (excluding 682 reserve teams) SA teams. Thus, against the norm of SA of 20 GPs per year by each SA team, social audit of three to 11 GPs could be planned (*Appendix 2.2.3*).

On this being pointed out, the Government stated that due to bye election of *Lok Sabha* members, other various local reasons and scarcity of funds SA had been affected.

Reply of Government is not acceptable as planning should be done according to resource persons available.

Recommendation: Social Audit Unit should prepare annual calendar for Social Audit timely to ensure proper deployment of Resource Person for social audit.

2.2.9 Conduct of Social Audit

Scrutiny of the records of selected GPs, 47 blocks, 30 districts, Directorate of SAU and MGNREGS Cell for 2014-15 revealed the following shortcomings.

2.2.9.1 No prior intimation of SA

As per paragraph 7.1 (B) of the SA *Sandarshika*, concerned GPs/staff/functionaries were to be informed at least 30 days prior to the date of SA.

Audit analysis revealed that 34 out of 50 test-checked GPs were not informed 30 days prior to SA due to delay in receipt of information regarding dates of SA at all levels. Delay in giving prior intimation ranged between three and 28 days. In seven GPs, intimation was given only two to seven days before the date of SA as detailed in *Appendix 2.2.4*. Due to lack of prior intimation, many records had not been provided to SA teams and presence of villagers, beneficiaries was very poor.

On this being pointed out, the Government accepted the facts and assured compliance in future.

2.2.9.2 Non-production of records within stipulated time

As per Paragraph 7 of Audit of Schemes Rules and section 13.3.3 of operational guidelines, PO was to ensure submission of required information and records, such as Job card register, employment register, work register etc., 15 days prior to SA team. Scrutiny of records revealed that records of 45 out of 50 test-checked GPs were not provided, 15 days in advance to SA teams. In 13 (26 *per cent*) GPs, records were provided on the day of SA meetings. The details are given in *Appendix 2.2.5*. On this being pointed out, the Government accepted the facts and assured compliance in future.

Further, as per paragraph 8.1.1 of Uttar Pradesh SA *Sandarshika*, 2014, details of work executed by line department alongwith the records were also to be provided 15 days prior to SA team by PO. Scrutiny of records of 50 test-

checked GPs revealed that in five GPs¹⁰, line department executed MGNREGS works but records were not furnished to SA team. On this being pointed out, the Government accepted the fact and assured compliance in future.

2.2.9.3 Non-conduct of Social Audit

As per section 13.4.2 of operational guidelines, DPC or an official on his behalf was to ensure that all records were to be furnished to SA team by implementing agencies through PO.

Audit noticed that out of 11,830 planned GPs in 24 test-checked districts in 2014-15, only 10,528 GPs were audited. Out of 1,302 unaudited GPs (**Appendix 2.2.6**), 769 did not furnish records to SA team. Others cited reasons of calendar not being available are bye-elections, floods etc. However, no action was taken against erring GPs.

On this being pointed out, the Government did not furnish reply.

2.2.9.4 Non-participation of nominated officers

As per section 13.3.6 of operational guidelines, the DPC or his authorised representative was to supervise the *Gram Sabha* SA meeting for its smooth conduct.

Audit revealed that DPC or nominated representatives were not present in 40 GPs (80 *per cent*) out of 50 test-checked GPs. However, no action was taken against them as detailed in **Appendix 2.2.7**.

The Government accepted the facts and assured to take action against responsible officers in future.

2.2.9.5 Non-participation of the villagers in SA meeting

As per paragraph 13.3.2 of operational guidelines, labourers and village community were to be informed about SA of the *Gram Sabha* and PO to ensure full participation.

We noticed that participation of villagers was very low and ranged between 0.07 and 3.76 *per cent* of whole population of GPs in 50 test-checked GPs (**Appendix 2.2.8**).

The Government accepted the facts and assured for sufficient participation of labourers and villagers in future.

2.2.9.6 Video recording of proceedings of SA

As per paragraph 13.3.11 of operational guidelines, the unedited videos of the proceedings of SA were required to be uploaded on the website of MGNREGS.

¹⁰(1) Charwa, block Chayal, district Kaushambi (2) Gosha prayagpur, block Ganj Moradabad, district Unnao (3&4) Laxmanpurnatahi and Matiha, block Balha, district Bahraich (5) Satijore, block Nababgaj, district Bahraich.

We observed that video recording of the SA proceedings was not done in 46 test-checked (92 *per cent*) GPs except Gosha prayagpur, Khwaja Ahamadpur, Aialakla and Kharpari.

The Government accepted the fact and stated that only ₹ 500 provided for video recording was insufficient and since it has been enhanced to ₹ 750 from 2015-16, efforts will be made for video recording in future.

2.2.9.7 Gathering of evidence

As per paragraph 13.3.10 of operational guidelines, all issues must be recorded in writing and evidence should be gathered for all issues raised during SA.

Scrutiny of records revealed that no evidence was gathered by SA team. On this being pointed out, the Government accepted the facts and assured for future compliance.

2.2.9.8 Quality Monitoring for evaluation of asset quality

As per paragraph 13.2.3 of operational guidelines, while conducting SA, the quality monitors were to facilitate evaluation of quality of assets, created under the MGNREGS programme with reference to durability and intended usefulness of the created assets.

We observed that no quality monitors were engaged for evaluation of assets quality. The Government accepted the facts and assured quality monitoring by developing capacity for quality monitor in DSACs and BSACs in future.

2.2.9.9 Uploading of SA Report on website

As per paragraph 8.6 of Uttar Pradesh SA *Sandarshika*, 2014, after *Gram Sabha* meeting, BSAC would prepare SA Report on the basis of proceeding of *Gram Sabha* and provide copy of report to GP, PO, DSAC and DPC. DSAC would ensure uploading of SA Report on www.nrega.nic.in and a copy of report would be sent on the e-mail of Director, Social Audit and Commissioner, Employment Guarantee within five days of completion of SA.

During audit we observed that 1,279 SA Reports (2014-15) of 22 districts out of 30 test-checked districts were not uploaded on the website upto May 2015 (**Appendix 2.2.9**) Further, we observed that reports uploaded were not matching reports which were prepared by BSAC *e.g.* 286 objections, pertaining to 47 GPs, contained in the BSAC's report, were not found in the uploaded version while 13 objections, pertaining to seven GPs, present in the uploaded report, were not found in the manual version prepared by BSAC. Even the date of SA in the uploaded reports was found mismatched with the manual reports (**Appendix 2.2.10**).

The Government accepted the facts and assured to upload the SA Report timely in future. As regard differences between uploaded report and manual report, the Government did not furnish reply.

Good practice noticed in Audit

As per the paragraph 4(b) of Audit of Schemes Rules, 2011, SAU was responsible for preparing SA Reporting formats, resource material, guidelines and manuals for the SA procedure. During audit, we observed that SAU had prepared comprehensive literature for enabling RPs to conduct SA. SAU published a guideline namely Uttar Pradesh SA *Sandarshika*, 2014 in Hindi which in detail outlined the process of SA and its objectives, duties and responsibilities of stakeholders and related Officers for implementation of MGNREGS works. Detailed formats of SA Report were developed for SA team and BSAC, which were helpful for collection of information and their reporting. Apart from that, other books and brochures, viz. *Mahatma Gandhi Rashtriya Gramin Rojgar Guarantee Adhiniyam*, 2005, *SA Margdarshika* for DSAC/BSAC, *SA Sandarbh Sahitya*, *Prashikshan*, module for SA team and 'SA *dvara Gram Panchayato me pardarshita jansahbhagita tatha jawabdehi*' were also published for RPs and stakeholders.

2.2.10 Quality control of Social Audit Reports

As per paragraph 4 (b) of Audit of Schemes Rules 2011, SAU should prepare social audit reporting formats, resource materials, guidelines and manuals for the social audit process. Audit noticed that although manuals and reporting formats were prepared by SAU, however, quality control was not ensured.

Further, as per paragraph 4(f) of Audit of Schemes Rules, 2011, Audit Report including Action Taken Report (ATR) should be hosted in the public domain. Scrutiny of the records of 50 test-checked GPs revealed that though the reports were uploaded on the website and the person responsible for default has also been mentioned in the uploaded report but the action taken against the erring staff was not being mentioned.

On this being pointed out, the Government did not reply.

2.2.11 Mismatch in reporting by District Development Officer

After completing SA in GPs, Report was to be prepared by BSAC and sent to GPs, PO and DSAC for further action and consolidated report of district was to be sent to SAU by DDO.

During the scrutiny of records of DDO Agra, it was noticed that during 2014-15, SA conducted in 381 GPs detected 8,170 deficiencies including misappropriation of ₹160.89 lakh, however DDO Agra reported only 1,367 deficiencies including misappropriation of ₹ 35.72 lakh in 339 GPs.

On this being pointed out, the Government did not reply.

2.2.12 Action taken by District Programme Coordinator

DPC was to ensure time bound corrective actions on SA Reports. The amount of embezzlement or improperly utilised wages found to be misappropriated were to be recovered and appropriate action against individuals who mis-utilised or embezzled the funds including criminal and civil proceedings and

termination from services, were to be taken. As per State Government order (August 2014) issued by Rural Development Department, the deficiencies which were found in SA Report were to be addressed and corrective action to be taken by Executive agencies, Village Development Officer, Block Development Officer and Deputy Commissioner (MGNREGS) under supervision of DPC. DPC was to take corrective action within one month after *Gram Sabha* meeting.

Scrutiny of records revealed that out of reported amount of misappropriation of ₹ 343.63 lakh in the State, only ₹ 2.91 lakh (0.84 per cent) was recovered and seven FIRs were lodged at State level. Besides, 2,43,734 grievances registered as of March 2015 only 1,62,376 (67 per cent) grievances were redressed. Out of remaining 81,358 grievances, 21,158 (26 per cent) pertaining to 2013-14 were pending as of March 2015.

Further, only ₹ 0.13 lakh (0.08 per cent) was recovered out of ₹ 164.22 lakh misappropriated in 444 cases by 16 out of 30 test-checked districts (*Appendix 2.2.11*) and 64,373 registered grievances were pending in 30 test-checked districts as of March 2015 (*Appendix 2.2.12*).

The Government replied that instructions have been issued to DPCs and assured for remedial action.

2.2.13 Grievance redressal mechanism

As per paragraph 10 of the standard procedure (SOP) for operationalising provision of 27(2) of MGNREGA (14 May 2013) the State Government should establish a Complaint Cell, under the direct charge of Secretary, Rural Development in the State, for looking into all the complaints related to MGNREGA.

On this being pointed out, the Government replied that a grievance redressal mechanism and helpline for disposal of complaints was established under Additional Commissioner, MGNREGS.

The reply was not accepted as Complaint Cell was to setup under the direct charge of Secretary, Rural Development in the State for looking into all the complaints related to MGNREGS.

2.2.14 Follow-up action, monitoring and reporting

As per section 7(4), 7(5) and 3(2) of Audit of Schemes Rules, 2011, the State Government was to take follow-up action on the findings of SA and the State Employment Guarantee Council was to monitor the action taken by the State Government. The action taken report was to be incorporated in the annual report to be laid before the State Legislature and summary of findings of such SA conducted during a financial year were to be submitted by the State Government to the Comptroller and Auditor General of India.

Further, Additional Commissioner, MGNREGS was also instructed¹¹ to ensure follow-up action and supervision of action taken on SA Report at State level. However, no records were available at the Additional Commissioner, MGNREGS.

The Government accepted the fact and stated that Additional Commissioner, MGNREGS was instructed to ensure follow-up action on reports and to send the summary of SA Reports to Comptroller and Auditor General of India

Recommendation: Follow-up action on finding of Social Audit Report should be ensured timely.

2.2.15 Conclusion and Recommendations

As per Audit of Schemes Rule, 2011, SAU was established in August 2012 as an independent organisation for conducting SA, we during audit however, noticed that:

- Earmarked funds in accordance with the guidelines for conduct of Social Audit were not released.

(Paragraph 2.2.7)

Recommendation: Earmarked funds should be released for smooth conduct of Social Audit.

- Social Audit Unit did not plan adequately for deployment of Resource Persons and coverage of *Gram Panchayats* under Social Audit.

(Paragraph 2.2.8)

Recommendation: Social Audit Unit should prepare annual calendar for social audit timely to ensure proper deployment of Resource Persons for social audit.

- Follow-up action on Social Audit report was not being ensured by the Government and consolidated annual report on action taken was not being prepared.

(Paragraph 2.2.14)

Recommendation: Follow-up action on finding of Social Audit Report should be ensured timely.

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¹¹NO.1729/38-7-2014-324 NREGA/2012 dated 4 August 2014.