

OVERVIEW

This Report is prepared in two parts and consists of six chapters. Part-A includes Chapter 1 to Chapter 3 for *Panchayati Raj* Institutions and Part-B includes Chapter 4 to Chapter 6 for Urban Local Bodies. Chapter 1 provides An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of *Panchayati Raj* Institutions. Chapter 2 includes Performance Audit on “Utilisation of Thirteenth Finance Commission grants in *Panchayati Raj* Institutions” and Long Paragraph on “Audit of Schemes Rules, 2011”. Chapter 3 includes findings on Audit of Transactions in *Panchayati Raj* Institutions. Chapter 4 provides An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies. Chapter 5 comprises Performance Audit on “Utilisation of Thirteenth Finance Commission grants in Urban Local Bodies”. Chapter 6 includes findings on Audit of Transactions in Urban Local Bodies. A synopsis of audit findings included in the report is presented below:

Chapter 1 An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of *Panchayati Raj* Institutions

Annual Technical Inspection Reports sent to the Government for the year ended March 2013 and March 2014 were not placed before the State Legislature.

(Paragraph 1.5.2)

Large amount under Centrally Sponsored Schemes, State Finance Commission grants and Central Finance Commission grants were devolved to *Panchayati Raj* Institutions during 2010-15. However, status of generation of own revenue of *Panchayati Raj* Institutions indicates oscillating trend and it decreased to ₹ 149 crore in 2014-15 as compared to ₹ 191 crore in 2013-14.

(Paragraph 1.9.3)

PRIs were not maintaining accounts in all the eight formats (PRIASoft) prescribed by the Comptroller and Auditor General of India as of October 2015.

(Paragraph 1.9.9)

Chapter 2 Performance Audit on *Panchayati Raj* Institutions

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

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)

Grant amounting to ₹ 45.33 crore was not released for the period ranging between 31 and 74 days as of July 2015 in eight lead banks at Lucknow. Further, though the grants amounting to ₹ 276.67 crore were transferred by the Government of

Uttar Pradesh to the PRIs during 2010-15 within the prescribed time limit, but the same were credited in the bank accounts of sampled *Zila Panchayats* with delay ranging between one and 143 days.

(Paragraphs 2.1.6.3 and 2.1.6.4)

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

(Paragraph 2.1.7)

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 and Appendix 2.1.9)

Two hundred eight works executed during 2010-15 by test-checked nine *Zila Panchayats* were delayed. However, penalty amounting to ₹ 2.15 crore was short levied.

(Paragraph 2.1.8 and Appendix 2.1.11)

Monitoring by *Zila Panchayat* Monitoring Cell and District *Panchayat Raj* Officers was inadequate. Planning and Development Committees of the *Panchayati Raj* Institutions were not functional.

(Paragraphs 2.1.9.2 to 2.1.9.4)

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

During 2013-15, Mahatma Gandhi National Rural Employment Guarantee Scheme Cell (MGNREGS Cell) short-released ₹ 44.03 crore to Social Audit Unit. Besides, more than five per cent (₹ 104.11 crore) funds were spent by the MGNREGS Cell under administrative expenses.

(Paragraph 2.2.7.2)

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 52111 *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)

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.

(Paragraph 2.2.8.3)

In 24 out of 30 test-checked districts, we noticed that out of 1,302 unaudited *Gram Panchayats* during 2014-15, the Social Audit of 769 *Gram Panchayats* could not be carried out due to non-production of records to Social Audit team.

(Paragraph 2.2.9.3)

Participation of villagers during Social Audit meetings ranged between 0.07 and 3.76 *per cent* of whole population of *Gram Panchayats* in 50 test-checked *Gram Panchayats*.

(Paragraph 2.2.9.5)

In 16 out of 30 test-checked districts only ₹ 0.13 lakh (0.08 *per cent*) was recovered as against 444 cases of misappropriation amounting to ₹ 164.22 lakh during 2013-15.

(Paragraph 2.2.12)

Chapter 3 Audit of Transactions in *Panchayati Raj* Institutions

Loss of interest of ₹ 22 lakh due to non-adherence to the scheme guidelines by the Block Development Officer, KP Naugarh, Chandauli and lack of effective pursuance with the bank to allow interest on the savings bank account balances.

(Paragraph 3.1)

Non-fixation of rent of shops equivalent to the rates fixed by the District Magistrate led to loss of ₹ 30.61 lakh to *Zila Panchayat*, Sitapur.

(Paragraph 3.2)

Acceptance of tenders at higher rates, in contravention to the extant Government orders, resulted in excess expenditure of ₹ 19.16 lakh.

(Paragraph 3.3)

Non-observance of the provisions of Uttar Pradesh KP& ZP Act, 1961 and Uttar Pradesh ZP & KP Rules, 1965 by *Zila Panchayat*, Lalitpur led to encroachment of land valued at ₹ 3.77 crore.

(Paragraph 3.6)

Chapter 4 An Overview of the Functioning, Accountability Mechanism and Financial Reporting issues of Urban Local Bodies

Laying of the Annual Technical Inspection Reports (ATIRs) in State Legislature and formation of a committee for its discussion was mandated in Thirteenth Finance Commission recommendations. However, the ATIRs sent to the Government up to the year ending March 2014 were yet to be placed in the State Legislature by the State government.

(Paragraph 4.5.2)

The targets fixed by the Government for realisation of revenue were not achieved by the Urban Local Bodies resulting in large dependency on Government grants.

(Paragraph 4.10.6)

Chapter 5 Performance Audit on “Utilisation of Thirteenth Finance Commission grants in Urban Local Bodies”

General Performance Grant amounting to ₹ 812.83 crore was obtained by the State Government without complying with the conditions prescribed by Thirteenth Finance Commission. Interest amounting to ₹ 1.05 crore was earned during 2010-15 on the grants retained by the Government but it did not transfer the same to Urban Local Bodies.

(Paragraphs 5.6.4 & 5.6.5)

Urban Local Bodies did not prepare annual work plan for execution of works during 2010-15. Government of Uttar Pradesh did not notify the service standards in respect of four specified services for *Nagar Panchayats*.

(Paragraphs 5.7.1 & 5.7.3)

In 33 Urban Local Bodies, an expenditure of ₹ 12.25 crore was incurred on execution of inadmissible items of works.

(Paragraph 5.7.2)

System for Municipal Solid Waste Management was absent in the entire test-checked Urban Local Bodies except in *Nagar Nigam*, Aligarh and *Nagar Palika Parishad*, Etawah. Similarly, management of Bio-medical waste was also inadequate in 12 test-checked districts of the State.

(Paragraphs 5.8.1 & 5.11.3)

Unfruitful expenditure of ₹ 2.27 crore was incurred on incomplete drains in Urban Local Bodies as the construction of drains was commenced without ensuring availability of dispute free land.

(Paragraphs 5.8.2.1, 5.9.4.1, 5.11.4.1 & 5.12.4.1)

Though classified under the four service delivery benchmarks, no targets were set for sewerage works, except in test-checked districts Lucknow, Sitapur and Etawah. In *Nagar Palika Parishad*, Etawah, sewerage system was not operational due to non-connectivity with households, whereas in *Nagar Nigam* Firozabad, it was lying idle due to non-construction of Sewage Treatment Plant.

(Paragraphs 5.9.2.1, 5.10.1 & 5.11.2.1)

Monitoring mechanism was absent at the State as well as at district level. High Level Monitoring Committee, instead of reviewing the execution of works and utilisation of grants, merely recommended the grants to Urban Local Bodies and demanded the UCs from the administrative department.

(Paragraph 5.13)

Chapter 6 Audit of Transactions in Urban Local Bodies

Hydraulic Tower Wagon System and Multipurpose Garbage Vehicle were purchased without assessment of requirement and were lying idle for more than three years, resulting in unfruitful expenditure of ₹ 20.27 lakh.

(Paragraph 6.1)

Loss of revenue of at least ₹ 89.86 lakh to *Nagar Palika Parishad*, Shamli due to non-collection of water charges during 2008-15 and irregular abolishing of water charges worth ₹ 46.11 lakh upto March 2008.

(Paragraph 6.2)

Running of a slaughter house without adhering to Uttar Pradesh Pollution Control Board norms led to closure of the slaughter house resulting in loss of revenue of ₹ 5.37 crore (November 2015).

(Paragraph 6.3)

Lack of coordination between *Nagar Palika Parishad*, Pratapgarh and *Jal Nigam* led to wasteful expenditure of ₹ 27.33 lakh on construction of damaged road, in addition people had to suffer for more than three years.

(Paragraph 6.4)

Failure to finalise the tender for outsourcing the collection of parking charges and inability of the departmental staff to achieve revenue collection target resulted in less recovery of revenue amounting to ₹ 32.53 lakh for vehicle stands in *Nagar Palika Parishad*, Balrampur.

(Paragraph 6.5)

Unfruitful expenditure of ₹ 32.66 lakh was incurred on construction of drains which remained incomplete in *Nagar Panchayat*, Nichlaur, Maharajganj, resultantly, the objective to regulate the outfall of water by connecting it to the main drain (*Nala*) was not achieved.

(Paragraph 6.6)

Non-functioning of Biometric Finger Print Attendance Machines led to unfruitful expenditure of ₹ 14.27 lakh in *Nagar Nigam*, Moradabad.

(Paragraph 6.8)

Investment of ₹ 47.87 lakh incurred on construction and repair of shops and hall in *Nagar Panchayat*, Mahona, Lucknow was rendered unproductive due to their non-allotment.

(Paragraph 6.9)