

Chapter-II

Performance Audit of “Working of the Panchayati Raj Institutions in Assam”

Executive Summary

Devolution of fund, functions and functionaries to the PRIs was not materialised as stipulated. District Planning Committees (DPCs), Standing Committees and Gaon Sabhas were formed but it did not meet regularly to ensure development of the rural areas. There were flaws in the planning of District Development Plan (DDP) and schemes were implemented without approval of Gaon Sabha. Besides Man power shortage, instances of Budgets not prepared; Asset Registers not maintained; maintenance of multiple Bank Accounts; drawal of fund through self cheque; Utilisation Certificates (UCs) not submitted; undue parking of fund; and Rules, Regulations and Guidelines not maintained were the shortcomings noticed in implementation of the functions and schemes. There were instances of suspected misappropriation, unproductive and unfruitful expenditure, doubtful utilisation of fund and loss of revenue etc., which were the results of mismanagement and lack of internal control mechanism in the Department.

This Performance Audit Report on the working of the PRIs in Assam is being brought out with a view to assess the overall performance of the PRIs in the State of Assam during the year 2010-11 to 2014-15.

Highlights

Although the State Legislature passed the Assam Panchayat Act, 1994, the GoA took almost nine years for issuing formal instructions for constitution of DPC

(Paragraph: 2.11.1)

The mandatory allocation for agriculture and allied sectors was not made, resulting in a lower availability of funds for increasing agricultural productivity.

(Paragraph: 2.11.3)

₹ 38.03 crore was incurred in implementing 1759 schemes. However, the implemented schemes had been taken up without consulting the concerned Gaon Panchayat and without being approved in Gaon Sabha Meetings.

(Paragraph: 2.11.5.1)

PRIs spent funds irrespective of approval of their budgets, resulting in incurring of unplanned expenditure and absence of monitoring and control over their sources of revenues.

(Paragraph: 2.12.1)

There was delay in release of fund by ZPs to APs and GPs, ranging from 12 days to 304 days and short release of funds to the tune of ₹ 299.12 lakh.

(Paragraph: 2.12.2)

Funds amounting to ₹ 467.23 lakh remain unutilised since 2011-12 and blocked for more than three years (from 2011-12 to 2014-15).

(Paragraph: 2.12.4)

In 28 out of test checked 71 PRIs, DDOs drew money amounting to ₹ 25.52 crore from bank accounts, through 1390 self-cheques, for cash payment to suppliers and contractors *etc.*

(Paragraph: 2.12.7)

Nagaon ZP suffered a loss of ₹ 2.52 crore as highest bid value offered by the bidders for lease of *Hats, Ghats* and Fisheries were not accepted.

(Paragraph: 2.13.2.2)

₹ 65.59 crore was spent by 15 PRIs under two schemes, but they failed to generate any revenue from it, as the completed projects were neither handed over nor leased out.

(Paragraph: 2.13.5)

₹ 6.38 crore incurred by 17 PRIs during the period 2010-15 was doubtful as basic provisions of scheme guidelines was not followed; evidence for execution of works was not furnished; materials procured without inviting tenders; stock registers not maintained; and evidence of distribution of materials not available.

(Paragraph: 2.14.1)

26 PRIs had incurred ₹ 338.49 lakh during 2011-15 without the approval of the competent authorities, resulting in unauthorised expenditure.

(Paragraph: 2.14.3)

15 PRIs executed 571 works during 2011-15 but the same remained incomplete, even after incurring an expenditure of ₹ 64.16 crore.

(Paragraph: 2.14.6.3)

2.1 Introduction

The 73rd Constitutional Amendment Act, 1992, entrusted Panchayati Raj Institutions (PRIs) with specific powers, functions and responsibilities, with a view to enabling them to function as Local Self Government Institutions (LSGIs). Accordingly, a three tier system of PRIs, comprising Zilla Parishads (ZPs) at the district level, Anchalik Panchayats (APs) at the block level and Gaon Panchayats (GPs) at the village level, were established in the State, with the enactment of the Assam Panchayat Act 1994⁸. In the sixth schedule areas, local governance is vested with the Autonomous District Councils⁹ and the Panchayati Raj System does not exist therein. There are 21 ZPs, 189 APs and 2202 GPs in Assam. As per the 2011 Census, the total population of the State was 3.12 crore, of which the rural population was 2.68 crore (86 per cent).

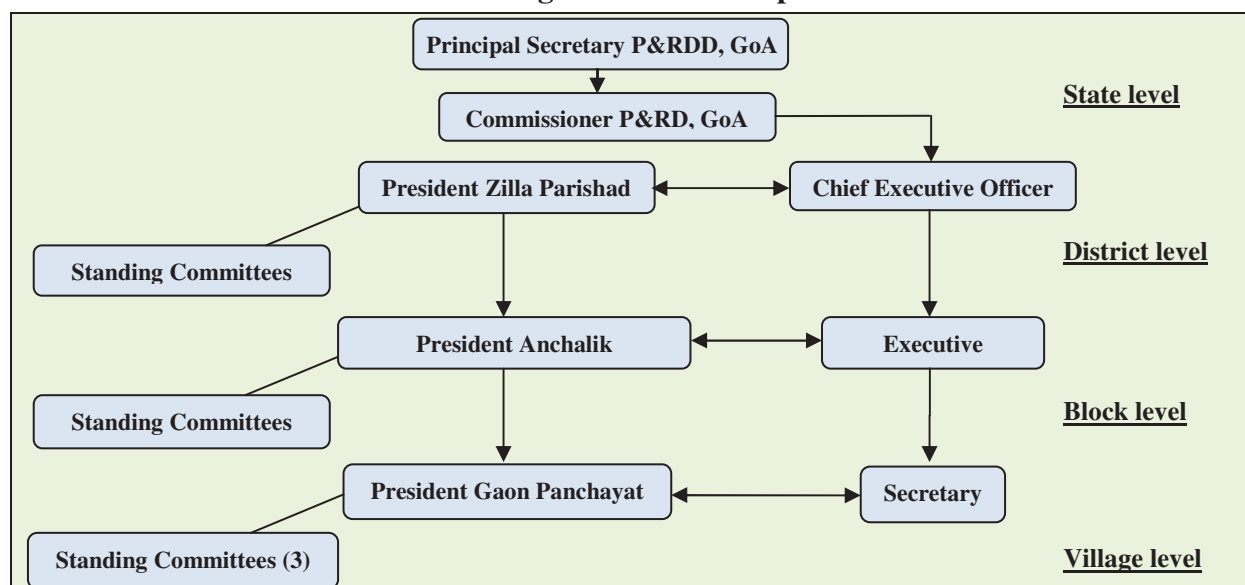
2.2 Organisational set-up

At the State level, the Principal Secretary, Panchayat and Rural Development Department (P&RDD) is the administrative head at the Government level. Principal Secretary, P&RDD is assisted by the Commissioner, P&RD, Assam. The Chief Executive Officer in ZP, Executive Officer in AP and Secretary in GP, report functionally to the respective elected bodies and administratively to their next superior authority in the State Government hierarchy.

The organisational set-up of PRIs in Assam is depicted in **Chart 2.1** below:

⁸ Panchayati Raj System in Assam evolved since 1948 with the enactment of the Assam Rural Panchayat Act, 1948.

⁹ Karbi Anglong, North Cachar Hills and Bodoland Territorial Autonomous District.

Chart: 2.1 Organisational set-up of PRIs

Note: Number of standing committees is prescribed in AP Act, 1994.

2.3 Powers and functions of PRIs

The responsibilities of the P&RDD include alleviation of rural poverty; enhancement of rural livelihood through implementation of various programmes and projects; and strengthening of the PRIs.

ZPs, APs and GPs are required to prepare the budget for the planned development of the Districts, Blocks and Villages respectively and utilisation of their resources. Centrally Sponsored Schemes (CSS) viz., Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Indira Awas Yojana (IAY), National Rural Livelihood Mission (NRLM), 12th Finance Commission and 13th Finance Commission and State Sponsored Schemes (SSS) viz., 3rd Assam State Finance Commission, 4th Assam State Finance Commission and District Development Plan (DDP) etc., are also implemented by ZPs, APs and GPs. They are empowered to levy house tax, water tax, user fee for lighting of public places, fee for providing sanitary arrangement, fee for license for Fair and *Melas* and special tax on land and buildings etc. The main functions of PRIs are identification and implementation of various agricultural schemes; development of wastelands, water management, watershed, animal husbandry, fisheries and dairies; promotion of rural and cottage industries; construction and maintenance of village roads, drains and culverts; rural electrification; promotion and development of non-conventional energy sources; implementation of poverty alleviation, public health and family welfare programmes; providing education and rural sanitation; etc.

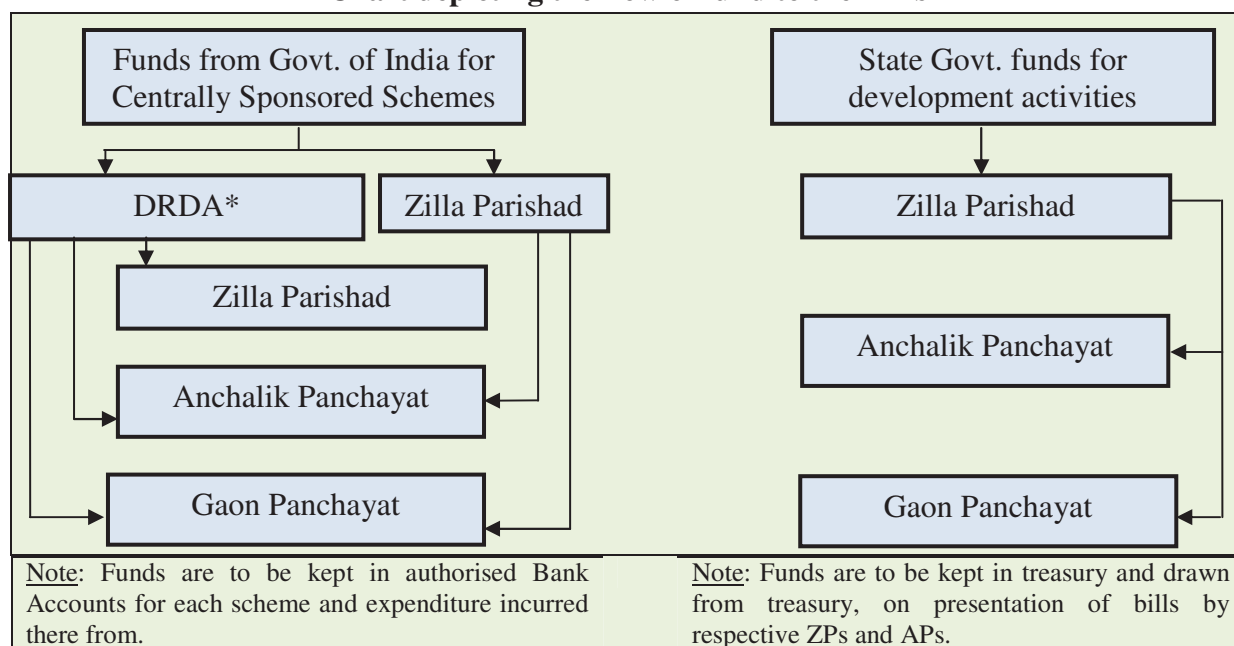
2.4 Funding arrangements

The PRIs' funds consist of money received from the Central Government grants for CSS; State budget funds for plan and non-plan State schemes; assigned tax and non-tax revenues; receipts of ZPs, APs and GPs; and interest on investments etc.

Both the Central and State share in respect of schemes implemented by PRIs and Grants-in-Aid under the Central and State Finance Commissions are released either directly to the PRIs or through the controlling Department, as shown in the **Chart 2.2** below:

Chart 2.2

Chart depicting the flow of fund to the PRIs



*District Rural Development Agency is the principal organ at the district level to manage and oversee the implementation of different anti-poverty programmes of the Ministry of Rural Development.

The fund position of the test checked ZPs under different commissions and schemes is detailed in **Table 2.1** below:

Table 2.1: Details of CSS and SSS fund received and expenditure incurred there against by test checked ZPs during 2010-11 to 2014-15

(₹ in lakh)

Name of Zilla Parishad	Name of the scheme/own fund	Opening Balance	Fund received	Interest & other receipts	Total	Expenditure incurred	Closing Balance
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8) (6-7)
Kamrup, Barpeta, Dibrugarh, Cachar, Sonitpur and Nagaon	DDP	4812.65	27328.27	271.28	32412.2	27009.91	5402.29
	4th ASFC	1394.89	12180.10	471.11	14046.10	6933.18	7112.92
	12 th FC	2516.64	571.68	73.19	3161.51	3048.12	113.39
	13 th FC	0	32200.50	433.20	32633.70	25721.53	6912.17

The quantum of available funds and expenditure made there against by the test checked PRIs from their own funds, during 2010-11 to 2014-15, are summarised in **Table 2.2** below:

Table 2.2: Receipt and expenditure under own funds of test checked PRIs during 2010-11 to 2014-15

(₹ in lakh)

Level of PRI	Number of test checked PRIs	OB	Fund received	Interest & other receipt	Total	Expenditure incurred	CB (6-7)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
ZP	6	145.32	1492.36	26.98	1664.96	1436.43	228.23
AP	17	35.34	447.22	22.67	505.23	453.94	51.29
GP	48	2.01	54.15	2.32	58.48	55.49	2.99

2.5 Audit objectives

The main objectives of this Performance Audit are to assess:

- the extent of devolution of funds, functions and functionaries to the PRIs in the State;
- adequacy and effectiveness of the functioning of PRIs, viz., District Planning Committees, various Standing Committees and Gaon Sabhas, with a focus on manpower management, accounting, budgeting, planning, revenue mobilisation etc.;

- the level of implementation of social sector programmes, asset creation, maintenance, monitoring and coordination amongst different functionaries;
- the efficiency and effectiveness of oversight role of the authorities and internal control procedures and internal audit systems in respect of PRIs.

2.6 Audit criteria

The audit criteria for assessing the implementation of the various developmental programmes/schemes are:

- ❖ Assam Panchayat Act, 1994;
- ❖ Assam Panchayat (Financial) Rules, 2002;
- ❖ Guidelines/Recommendations of the Central and State Finance Commissions;
- ❖ Recommendations of the Central Planning Commission;
- ❖ Guidelines of the concerned programmes/schemes; and
- ❖ Government orders, instructions issued by Central/State Governments.

2.7 Scope of audit

Performance Audit on the working of PRIs in Assam, covering the period from 2010-11 to 2014-15, was conducted between May and August 2015, by test check of records in the P&RDD in the Secretariat and Commissioner, P&RD and six ZPs selected using the 'Probability Proportional to Size Without Replacement (PPSWOR)' method and 17 APs and 48 GPs selected using 'Simple Random Sampling Without Replacement (SRSWOR)' method. The list of selected PRIs is shown in **Appendix VI**.

2.8 Audit Methodology

The Methodology adopted for conducting the PA was as under:

- ❖ Collection and validation of Primary and Secondary data;
- ❖ Collection and consolidation of information from various web sites;
- ❖ Entry conference on 20 May 2015 with the Secretary, P&RD Department and officials from Commissionerate of P&RD, Assam and Finance Department; and
- ❖ Data analysis; scrutiny of records; joint physical verification of works/schemes test checked.

After the conclusion of field audit, the Draft Performance Audit Report was forwarded to Government on 19 December 2015. The audit findings were also discussed in the Exit Conference held on 30 December 2015 with the Joint Secretary, P&RD Department, Assam; Commissioner; Joint Director and other delegates from the P&RD Commissionerate.

Though Commissioner, P&RD forwarded piecemeal replies received from the Implementing Agencies, the replies from the Government were still awaited (December 2015). The Commissioner, P&RD had been requested (January 2016) to furnish a consolidated reply duly vetted by the Government so that it could be incorporated in this Report which was awaited till the time of finalisation of this Report.

2.9 Acknowledgement

Accountant General (Audit) Assam acknowledges the cooperation and assistance extended by the Principal Secretary, P&RDD, the Commissioner P&RD, CEOs of ZPs, EOs-cum-BDOs

of APs and Secretaries of GPs and all other office staff of the concerned offices during the course of conducting this audit.

Audit Findings:

2.10 Devolution of Funds, Functions and Functionaries to the PRIs

2.10.1 Devolution of funds

After the enactment of the 73rd Constitutional Amendment Act 1992, the Governor of Assam, in pursuance of the provision of Articles 243-I of the Constitution of India, read with Section 2(1) of the Assam Finance Commission (Miscellaneous provision) Act, 1995, had constituted four State Finance Commissions. The State Finance Commissions were constituted with the purpose of making recommendations on taxes, duties, fees and tolls to be assigned to and appropriated by the PRIs. In exercising the powers entrusted upon the SFCs to make recommendations on the devolution of funds, allocations recommended by the SFCs and funds released by the Government of Assam, are indicated in the **Table 2.3** below:

Table 2.3: Devolution of Fund to PRIs

(₹ in crore)

Year	Net collection of the State Government	Amount to be devolved	Additional devolution	Total	Actual release to PRIs	Short release
1	2	3	4	5	6	7 (5-6)
2010-11	5929.84	716.69	92.79	809.48	119.43	690.05
2011-12	7638.23	222.94	-	222.94	191.62	31.32
2012-13	8250.21	243.22	-	243.22	104.42	138.80
2013-14	6545.09	719.93	-	719.93	158.23	561.70
2014-15	7265.05	798.94	-	798.94	298.83	500.11

Source: Information furnished by the Director of Finance (EA) Assam.

Thus, due to short release of fund, the PRIs could not implement various welfare activities for the overall economic development.

2.10.2 Devolution of Functions and Functionaries

The 73rd Constitutional Amendment envisaged that all 29 functions, alongwith funds and functionaries mentioned in the XIth Schedule of the Constitution of India, would eventually be transferred to the PRIs, through suitable legislations of the State Government. As on 31 March 2015, the State Government had issued orders for devolution of only seven functions out of 23¹⁰ functions to PRIs. Comments were made in earlier Audit Reports also regarding functions and functionaries not being transferred. The GoA accepted (February 2014) the recommendation of 4th ASFC for transfer of all activities listed in Schedule XI to the PRIs at the appropriate level, along with funds and functionaries; but no action in this regard had been taken as of December 2015. The Commissioner, P&RD, Assam stated (December 2015) that due to shortage of manpower, the Funds, Functions and Functionaries could not be transferred. Further, it was also stated that after improvement of the manpower position, all the functions and functionaries would be transferred.

The reply is not satisfactory as no time frame has been fixed for the same. Thus, due to delay in devolution of functions and functionaries, the PRIs were unable to evolve into full-fledged Local Self Government Institution and function efficiently for socio-economic development of rural people.

¹⁰Out of 29 subjects listed in the XIth schedule, Assam has prepared the activity mapping document for 23 subjects only.

2.11 Functioning of PRIs

2.11.1 Constitution of District Planning Committee and preparation of District Plan

As per Article 243 ZD of the Constitution of India (74th Amendment) and Section 3 of the Assam Panchayat Act (APA), 1994, each district shall have one District Planning Committee (DPC) to consolidate the 'Plans' prepared by ZPs, APs and GPs in the District and to prepare a District Plan, based on the plans of APs and GPs in the District. Although the State Legislature passed the APA, 1994, the GoA took almost nine years for issuing (4th January, 2004) formal instructions for constitution of DPC.

No Vision Document/Perspective Plans were prepared at any levels of PRIs. Although the ZPs prepared the year-wise Annual Action Plans for the years from 2010-15 under various programmes, no consolidated District Plans were prepared in advance for the concerned financial years. The ZPs sought works/schemes *etc.*, from the grass root levels as and when the funds were available. However, these schemes were approved by the DPCs at subsequent dates. As per guidelines for preparation of District Plans, a technical support group was to be constituted in each district for assisting the DPC. However, no technical support group was seen to be in existence for assisting the DPCs, except for the nomination of a technical person in Nagaon district. The contribution of this technical person was also not available on records.

In the absence of Vision Document, Perspective Plans and consolidated District Plan, the schemes were selected without considering the actual requirements at the grass root level. This resulted in lack of integration of programmes meant for individual and community development schemes for the overall development at grass root level.

2.11.2 Flaws in planning of District Development Plan (DDP) scheme

Para 6.1 of the guidelines for preparation and implementation of District Development Plan, issued by Planning & Development Department (P&DD), GoA stipulate that each plan document should comprise of specific topics *viz.*, Background of the District; Resource Inventory; Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis and identification of critical gaps; Summary of objectives/benefits expected to be achieved from the schemes; Schematic details including time and cost schedules; and Women and girl child development programmes.

Scrutiny of the District Development Plans (DDPs) for the years 2010-11 to 2014-15, in respect of six test checked districts revealed that none of the districts incorporated the above topics in their District Development Plans. Instead, schemes were chosen without taking into consideration the factors pointed out in the guidelines, thereby failing to ensure the incorporation of topics related to planned socio-economic and infrastructural development in the DDPs.

2.11.3 Short allocation for agriculture and allied sector under DDP

Paras 1.1, 1.3 and 4.9 of the guidelines for preparation and implementation of District Development Plans issued (February 2006) by the GoA, stipulate that 10 *per cent* of the total fund released shall be mandatorily earmarked for schemes to be taken up for Agriculture. Further, the plan would address the problems of (i) low agricultural productivity,

(ii) unemployment; and (iii) filling the critical gaps in physical and social structures in the districts. However, it was found that in four districts, there were short allocation of funds by ₹ 1220.44 lakh, for agriculture and allied sectors as shown in the **Table 2.4** below:

Table 2.4: Short allocation in agriculture

(₹ in lakh)

Year	Name of the District	Allocation of fund	Funds to be allocated for agriculture and allied sectors (10 per cent of allocation)	Funds actually allocated for Agriculture and allied sectors	Shortage (4-5)
(1)	(2)	(3)	(4)	(5)	(6)
2010-15	Sonitpur	4404.36	440.44	143.59	296.85
2010-15	Nagaon	6180.30	618.03	144.39	473.64
2010-15	Barpeta	3719.30	371.93	238.09	133.84
2010-15	Dibrugarh	3161.14	316.11	Nil	316.11
	Total	17465.10	1746.51	526.07	1220.44

As such, the mandatory allocation for agriculture and allied sectors was not made, resulting in a lower availability of funds for increasing agricultural productivity. Had the mandatory allocation for agriculture been made in full, the fund could have been utilised for higher agricultural productivity. Accepting the audit observations on short allocation for agriculture and allied sector under DDP, the Commissioner stated that necessary steps would be taken for proper implementation of the schemes for agriculture as per relevant provisions.

2.11.4 Standing Committees

Sections 22, 52 and 81 of the Assam Panchayat Act, 1994 stipulate that PRIs shall constitute Standing Committees (SCs) to perform functions assigned under the Act. Details of constitution of the SCs and their roles and responsibilities are given in **Appendix-I**.

However, records of the test checked PRIs revealed that, except for the General Standing Committee, other Committees viz., Finance and Audit Committee, Social Justice Committee and Planning and Development Committee did not meet regularly and remained almost inactive in most of the test checked PRIs. The position of meetings held during 2010-15 by various Committees in the test checked ZPs are shown in **Table 2.5** below:

Table 2.5: Detail of meetings held by various committees in test checked ZPs for the year 2010-15

Name of District	General Standing Committee	Finance, Audit & Planning Committee	Social Justice Committee	Planning & Development Committee
Kamrup	21	5	3	3
Cachar	11	-	-	-
Sunitpur	21	5	12	15
Dibrugarh	15	6	2	1
Nagaon	26	5	5	5
Barpeta	15	-	-	-

Further, scrutiny of records of test checked PRIs revealed that SCs were not functioning in 11 out of 17 APs, and none of the 48 GPs had constituted any SCs.

SCs not functioning regularly was indicative of hampered preparations of budgets; policies for revenue-augmentation; evaluation of developmental programmes; promotion of educational, economic, social, cultural and other interests of SC/ST and Backward classes; and planning, survey and evaluation of activities related to Education, Health, Hospitals, Water supply, Family welfare, Agricultural production *etc.*

2.11.5 Gaon Sabha

The Gaon Sabha (GS) is the highest grass root-level decision taking body in the PRIs. The GSs are required to play a vital role with regard to the selection of needs and priority based development activities in their localities, as well as identification of beneficiaries for such schemes. Section 4 of the AP Act, 1994 envisages that GSs shall meet from time to time but a period of three months shall not intervene between any two meetings.

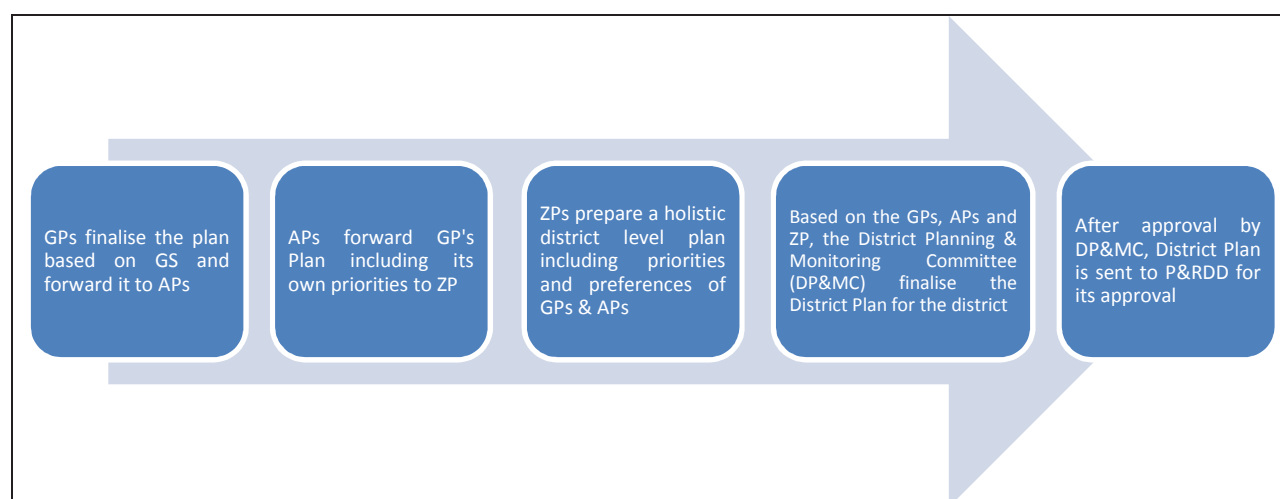
It was seen that only five PRIs¹¹ conducted GS meetings as prescribed (i.e. four GS meetings in a year), whereas five PRIs¹² did not conduct any GS meeting during 2010-11 to 2014-15. In the remaining 38 PRIs though GS meetings were held it was very insignificant ranging from minimum one (in Khorasimolu GP) to maximum 17 (in Pacharia GP) as detailed in **Appendix-VII**.

Thus, inadequate holding of the GS led to a number of flaws in the development activities of the PRIs *viz.*, selection of beneficiaries and implementation of schemes *etc.*, as elaborated in the succeeding paragraphs.

2.11.5.1 Implementation of scheme without approval of Gaon Sabha

The process of preparation and approval of District Plans is depicted in the **Chart 2.3** below:

Chart 2.3: Chart depicting the process of approval of District Plan



Test check of records of 21 PRIs¹³ (6 ZPs and 15APs) revealed that the respective CEOs of the ZPs & EOs of the APs had received ₹40.82 crore under the 13th FC for the period 2010-15, out of which expenditure of ₹38.03 crore was incurred in implementing 1759 schemes. However, the implemented schemes had been taken up without consulting the concerned Gaon Panchayat and without being approved in Gaon Sabha Meetings. Thus, the actual requirement of the scheme at the grass root level was ignored during preparation and approval of District Plan.

¹¹Parlli Hudumpur 106-No GP, Rangajan GP, Nandapur GP, Gobindapur GP and Sonapur Ruvi GP.

¹²Sat Taluk GP, Madhura GP, Mansiri GP, Dekargaon GP and Tinsuti GP.

¹³Kamrup ZP, Chhaygaon AP, Sualkuchi AP, Cachar ZP, UdharBand AP, Narsingpur AP, Sonitpur ZP, Balipara AP, Pub Chariduar AP, Bhagmara AP, Nagaon ZP, Dholphukhari AP, Pakhimoria AP, Kathiatoli AP, Bindakandi AP, Barpeta ZP, Mandia AP, Sarukhetri AP, Dibrugarh ZP, Lahowal AP and Panitola AP.

2.11.6 Manpower management

Rules 2 (a), (b) and (c) of the Assam Panchayat (Administrative) Rules, 2002 stipulate the staffing pattern for ZP, AP and GP.

The position of manpower (as of March 2015) is shown in **Table 2.6** below:

Table 2.6: Detailed position of manpower in test checked PRIs

(in number)				
Level of PRI	Number of PRIs	Sanctioned post	Persons in position	Shortage
ZP	6	158	101	57
AP	17	306	241	65
GP	48	127	66	61
Total	71	591	408	183

Source: Data furnished by concerned PRI units.

It may be seen from the above table that in all test checked PRIs, there were shortages of manpower at all levels of the PRIs. Shortages of manpower adversely affected the day-to-day activities in the PRIs. Moreover, services of GP Secretaries were utilised in other Government activities, such as activities related to implementation of the National Food Security Act and updating of the National Register of Citizens (NRC). This resulted in deficiencies in most of the assigned activities like preparation of budget, maintenance of records, bank reconciliation and analysis of closing balances *etc.* Accepting the audit observation, the Commissioner stated (December 2015) that since the updating of NRC was instructed by Supreme Court, PRI staff including contractual staff were engaged for updating of NRC on top priority which affected the regular works of the PRIs.

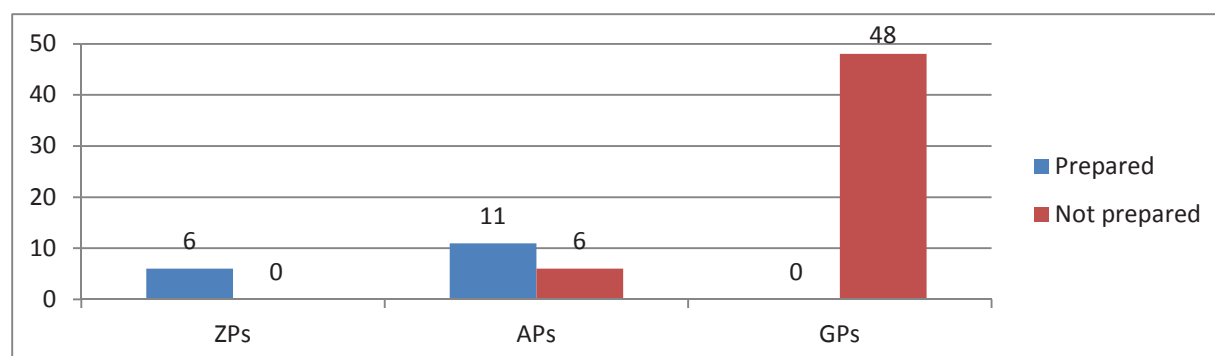
2.12 Financial Management

2.12.1 Budget

The Assam Panchayat Act, 1994, embodied the procedural requirement for the preparation of Budget proposals, including submission and approval of detailed estimates of income and expenditure expected for the particular financial year for the PRIs. Budget proposals for the PRIs are required to be prepared by the concerned Standing Committees.

Records of 71 test checked PRIs (six ZPs, 17 APs and 48 GPs) revealed that all GPs and six APs¹⁴ had not prepared their budgets for the years 2010-11 to 2014-15, as depicted in **Chart 2.4** below:

Chart 2.4: Chart depicting the status of preparation of budget by PRIs



Though 11 APs had prepared budgets, they were limited only to their own funds. Although six test checked ZPs stated that they had prepared their own Annual Budgets, none of the

¹⁴Sualkuchi AP, Chayani Bardua AP, Udharband AP, Silchar AP, Binnakandi AP and Sarukhetri AP.

units could produce their approved budgets to Audit. As per the AP Act, no expenditure shall be incurred unless the budget is approved by the competent authority. However, PRIs spent funds irrespective of approval of their budgets, resulting in incurring of unplanned expenditure and absence of monitoring and control over their sources of revenues.

2.12.2 Delay/short release of fund to AP and GP

As per Para 4.2 of the 13th FC Guideline, funds must be transferred within the stipulated number of days *i.e.* five days of receipt from the Central Government in case of States with easily accessible banking infrastructure and 10 days in case of States with inaccessible banking infrastructure.

Scrutiny of records of test checked ZPs revealed that there was delay in release of fund, ranging from 12 days to 304 days and short release of funds to the tune of ₹ 299.12 lakh, as detailed in Table 2.7 below.

Table 2.7: Delay/Short release of fund by ZP to APs/GPs

(A) Delay in release of fund to APs/GPs				
Name of the PRI	Year	Amount released (₹ in crore)	Delay in days	
			Minimum	Maximum
Kamrup ZP	2010-11(1 st inst) to 2014-15(2 nd inst)	27.11	66	142
Cachar ZP	-do-	6.15	89	90
Sonitpur ZP	-do-	24.70	12	304
Nagaon ZP	-do-	33.90	13	128
Barpeta ZP	-do-	29.91	13	116
Dibrugarh ZP	-do-	20.66	44	203
(B) Short release of fund to APs/GPs				(₹ in lakh)
	Year	Fund received	Fund released	Short released
Kamrup ZP	2010-11 (1 st inst) to 2011-12 (2 nd inst)	1093.03	1063.91	29.12
Cachar ZP	2012-13(2 nd inst)	357.42	305.06	52.36
Sonitpur ZP	2010-11(1 st inst) to 2013-14 (1 st inst)	2668.12	2470.48	197.64
Dibrugarh ZP	2010-11 (1 st inst)	353.32	333.32	20.00
			Total	299.12

This affected the smooth implementation of the schemes as shown in subsequent paras. Accepting the audit observation, the Commissioner stated (December 2015) that the delay in release of fund was due to shortage of manpower, but the ZPs had already transferred the funds to the APs & GPs. However, the Commissioner could not provide any evidence in support of his reply.

2.12.3 Short release of proportionate share to APs and GPs

The Assam Panchayat Act, 1994, stipulates that revenue collected from *Hats*¹⁵/*Ghats*¹⁶/ Fisheries should be distributed amongst ZPs, APs & GPs in the ratio of 20:40:40 respectively. However, test check revealed that Dibrugarh ZP and Pub-Choiduar AP did not release their proportionate shares amounting to ₹ 89.08 lakh and ₹ 10.05 lakh respectively to the other tiers of PRIs.

Accepting the audit observation, the Commissioner stated that the proportionate share could not be released in time due to manpower constraint.

¹⁵ Temporary markets operated weekly or bi-weekly.

¹⁶ Its place on the river bank from where boats and ferries carry goods and passengers.

2.12.4 Blockade of fund

Test check of records revealed that due to delay in release of funds to the PRIs and delay in settlement of land cases, various construction works could not be carried out. This resulted in funds amounting to ₹467.23 lakh remaining unutilised since 2011-12 and blocked for more than three years (from 2011-12 to 2014-15), as detailed in **Table 2.8** below.

Table 2.8: Position of funds remaining unutilised since 2011-12 (as on August 2015)

(₹ in lakh)

Sl. No.	Name of ZP	Name of scheme	Unutilised fund as on 31/03/2015	Remarks
1	Barpeta ZP	12 th FC	12.30	The five year span (2005-10) of the 12 th FC expired in March 2010. However, funds remained unutilised due to delayed release, resulting in unnecessary parking of funds.
2	Dibrugarh ZP	-do-	7.21	
3	Kamrup ZP	-do-	107.87	
4	Sonitpur ZP	-do-	29.12	
5	Nagaon ZP	-do-	14.53	
6	Barpeta ZP	4 th ASFC	114.90	Due to delay in settlement of land cases, funds meant for construction of a multipurpose hall for APs, new office building of APs and GPs, extension of APs and GPs building and construction of staff quarters for APs & GPs <i>etc.</i> , remained blocked.
7	Kamrup ZP	-do-	56.30	Funds remained unutilised as no specific action was initiated for arranging land for construction of Secretary and Grade-IV Quarter during April 2012 to June 2015.
8	Kamrup ZP	-do-	125.00	Funds remained blocked as no specific action was initiated for arranging land for the construction of ZP office building and construction of a Multipurpose Hall at Bezera could not be started.
			467.23	

Blockade of fund hampered the progress of work and completion of work in due time. Accepting the audit observation, the Commissioner stated that due to shortage in number of Junior Engineers (JEs), plan and estimates could not be submitted in time.

2.12.5 Utilisation Certificates not submitted

Rule 517 (Appendix-16) of the Assam Financial Rules provides that every grant made for a specified object is subject to the implied condition that the grant shall be spent on the object within a reasonable time and any portion of the grant not required for expenditure, duly surrendered to the Government. The Utilisation Certificates (UCs) for Grants for specific purposes should be obtained by the administrative departments from the grantees in time and forwarded to the Accountant General after due verification within a reasonable time.

Test check of records of Commissionerate, P&RD revealed that a total amount of ₹805.43 crore was disbursed to the Chief Executive Officers of the respective Zilla Parishads of six test checked districts (Barpeta, Cachar, Dibrugarh, Kamrup, Nagaon and Sonitpur) under the 13th CFC, DDP and 4th ASFC for the period from 2010-11 to 2014-15, as detailed in **Table 2.9** below.

Table 2.9: Position of submission of Utilisation Certificates by ZPs**(₹ in crore)**

Sl. No.	Name of the Scheme	Year	Fund release to ZPs	UCs submitted by ZPs	UCs not submitted by ZPs
1	13 th CFC	2010-14 ¹⁷	353.40	240.96	112.44
2	DDP	2010-15	270.14	210.09	60.05
3	4 th ASFC	2010-15	181.89	57.95	123.94
Total			805.43	509.00	296.43

Source: Data furnished by Commissionerate (District: Barpeta, Cachar, Dibrugarh, Kamrup, Nagaon, Sonitpur).

However, scrutiny revealed that Utilisation Certificates amounting to ₹ 509.00 crore only in respect of the funds released to the Zilla Parishad could be obtained by the Commissioner, P&RD, Assam from the CEOs concerned.

Not furnishing of Utilisation Certificates indicated poor monitoring by the Department and raised doubts about the achievement of the specific objectives for which the funds were released. Though Commissioner stated that all UCs had since been submitted to the Finance Department, he could not furnish details of submission of UCs.

2.12.6 Maintenance of multiple bank accounts

As per schematic guidelines, a single bank account is required to be maintained for each scheme. However, it was seen that against the norms of maintaining one account for one scheme, 10 of the test checked PRIs maintained multiple bank accounts against single schemes, as depicted in **Table 2.10** below:

Table 2.10: Summary position of maintenance of multiple bank accounts (in number)

Name of the PRI	12 th FC	13 th FC	FASFC	DDP	Own Fund
Kamrup ZP	4	5	2	2	-
Chayagaon AP	-	-	-	2	-
Barpeta ZP	2	5	3	4	-
Cachar ZP	-	3	4	-	-
Panitola AP	2	-	-	-	-
Sonitpur ZP	2	3	2	2	2
Pub Choiduar AP	-	-	-	2	-
Rangajan GP	-	2	-	-	2
Nagaon ZP	-	-	3	-	-
Dhalpukhuri AP	2	2	3	2	-

NB : “ - ” represents single account maintained by the PRIs.

Sources : Information furnished by the PRIs.

Operation of multiple bank accounts against one scheme affected proper monitoring of scheme funds and also increased the risk of misappropriation of schematic funds. Accepting the audit observation, the Commissioner stated (December 2015) that the system of maintaining multiple bank accounts had been stopped. However, he could not provide any evidence for the same.

2.12.7 Irregular drawal of Government money through Self-cheques

Government of Assam, Finance (Budget) Department Order No. BB12/2000/7 dated 14/09/2001 provides for drawing a maximum amount of ₹ 5000 by self-cheque from the bank for day-to-day petty expenses like purchase of Service Postage Stamps, office stationery, postal and departmental meeting expenses *etc.* However, if it is necessary to draw amounts

¹⁷ Position of 2014-15 not furnished by Commissioner P&RD, Assam.

for payments more than the ceiling, payments are required to be made through 'Account Payee' crossed cheques.

In 28 out of 71 test checked PRIs, DDOs drew money amounting to ₹ 25.52 crore from bank accounts, through 1390 self-cheques, for cash payments to suppliers, contractors *etc.* As an example, the Executive Officer, Chayani Borduar AP drew ₹ 1.22 lakh from bank through two self-cheques during July 2010 and June 2011 without any specific purpose and no work was found to have been executed against this amount as per records (till August 2015). Withdrawal of money through self-cheque not only constituted a violation of financial discipline, but also facilitated mis-management/misappropriation of Government money, as was evident from the cases of misappropriation of 13th FC, 4th ASFC and National Social Assistance Programs funds, amounting to ₹ 21.39 crore as reported by the CEO, Cachar ZP, to the Government in April 2015. Accepting the audit observation, the Commissioner stated (December 2015) that it would be ensured that cash withdrawal is stopped at all levels.

2.12.8 Money not accounted in cash book

As per sub-rule 4(a) of Rule 8 of the Assam Panchayat (Financial) Rules, 2002, monthly transactions, whether in cash, by cheque, by draft or by postal order are to be entered in the Cash Book in Form-3 of the Schedule, as soon as they occur.

In Dibrugarh and Barpeta ZP, ₹ 8.27 lakh was drawn from the Bank/ Treasury on various dates, as shown in **Table 2.11** below, but corresponding entries were not reflected in the Cash Books till August 2015, which left open ample scope for pilferage.

Table 2.11: Statement showing drawals not accounted for in the Cash Book

(₹ in lakh)

Sl. No.	Name of PRI	Date of transaction	Fund Name	Nos. of transaction	Drawn from Bank/Treasury
1.	Dibrugarh ZP	5.4.2010 to 23.3.2012	Own Fund	17	6.47
2.	Barpeta ZP	25.7.2013 to 28.3.2015	Own Fund	15	1.81
Total					8.28

Accepting the audit observation, the Commissioner stated (December 2015) that instruction would be issued to all PRIs so that no entry should be left out of Cash Book.

In absence of maintenance of Cash Book, reconciliation of Cash Book with Bank Pass Book was also not possible.

2.13 Revenue Mobilisation

2.13.1 Untapped sources of revenue

The Assam Panchayat Act, 1994 and Assam Panchayat (Financial) Rules, 2002, have assigned eight, seven and six leviable sources of revenue for GPs, APs and ZPs respectively, for augmentation of their own revenues as given in **Table 2.12** below:

Table 2.12: Details of revenue earning sources envisaged for PRIs in the Act/Rules

Gaon Panchayat	Anchalik Panchayat	Zilla Paishad
1. House hold tax @ ₹ 150 and ₹ 250 p.a. for bricks or RCC buildings use for residential or commercial purposes respectively by the owner	1. Tolls on person, vehicle, animal of any class of them at any toll-bar establish by AP	1. Levy tolls in respect of any ferry establish by it under its establishment
2. House hold tax @ ₹ 10; ₹ 50 and ₹ 2,000 p.a. for houses constructed by bamboo thatch, C.I. sheet for residential and business purposes by the owner.	2. Toll on ferry establish by AP	2. Fees on registration of boats and vehicles
3. Tax on trade, callings, manufacture and production @ ₹ 350 p.a.	3. Surcharge of the land revenue at prescribed rate	3. Fee providing sanitary arrangement at such places of worship or pilgrimage, fairs and melas
4. An additional stamp duty @ 1 admission of	4. Cess or water rate recovery of cost of minor irrigation within the AP's jurisdiction	4. Fee for licences for fair and melas
	5. Tax on supply of water and lighting	5. Lighting charge where arrangement are made for lighting public street
	6. Tax on profession, trades, manufacturer and production within AP's jurisdiction	6. Water charge where arrangement of water supply were made

<p>each entertainment</p> <p>5. Fee ₹ 2.00 per diem for providing sanitary arrangement at places work, pilgrimage, fairs or melas</p> <p>6. Water tax ₹ 10 and ₹ 20 p.a. for arrangement of drinking and use for irrigation (per <i>Bigha</i>) purposes</p> <p>7. Light tax not exceeding @ ₹ 10 per point p.m. on arrangement of street light</p> <p>8. Conservancy tax not exceeding @ ₹ 100 and ₹ 50 per occasion for arrangement of cleaning private latrine and urinal respectively.</p>	<p>7. Fees on cinema hall, bricks or tile kilns, saw mills, timber depot, rice mill and hullers, fairs, confectionery and bakery, Pvt. Fisheries and vegetable garden used for commercial purpose.</p>	
---	--	--

However, due to inaction on the part of the Elected Bodies and lack of pursuance at the Government level, PRIs failed to levy/impose taxes on the items envisaged in the Act and Rules. As of date, the revenues of PRIs were derived mainly from lease/*Kist*¹⁸ money of *Hats/Ghats/Bazars* only. Due to certain deficiencies and laxity on the part of the authorities, available revenues could not be collected in a timely and proper manner, resulting in sustained losses to the PRIs.

It was seen that only Nagaon ZP had prepared (March 2015) Taxation Bye laws where rates of taxes for various items were mentioned. However, these bye laws were yet to be implemented.

2.13.2 Loss of revenue

2.13.2.1 Household Tax

As per Rule 41 (2) (iii) of the Assam Panchayat (Financial) Rules, 2002, the Gaon Panchayat may impose taxes, fees, cess within the local limit of its jurisdiction, subject to approval of the concerned Zilla Parishad. The rate of taxes for Assam Type house with Corrogated Iron (CI) Sheets, used for purpose other than business, was ₹ 50 per annum. However, scrutiny of records of 48 test checked GPs revealed that the GPs did not impose Household Tax on 105997 houses having CI sheets roofing. Had the house hold tax been imposed, a sum of ₹ 2.65 crore¹⁹ could have been collected during the period 2010-11 to 2014-15 as detailed in **Appendix-VIII**.

Accepting the audit observation, the Commissioner stated (December 2015) that the amounts of household taxes were very less and tax collectors were not available in every GP. In this connection a committee was formed viz., Purkayastha Committee which had already submitted the model for collection of taxes in respect of APs and GPs.

2.13.2.2 Lease of *Hats, Ghats* and Fisheries

Scrutiny of records of Nagaon ZP revealed that the ZP suffered a loss of ₹ 2.52 crore as highest bid values offered by the bidders for lease of *hats, ghats* and fisheries were not accepted. Further, 195 *hats, ghats* and fisheries were not leased out during the period 2010-11 to 2014-15 by four²⁰ APs, resulting in loss of revenue to the tune of ₹ 0.74 crore.

The Commissioner stated that the bid of the highest bidders were not accepted as the bid values were very high and it was apprehended that the bidders may not be able to collect such high amount. The reply is not tenable because as per norms highest bidder is to be awarded

¹⁸ *Kist* money means instalments to be paid by the lessees for lease amount of Hat/Ghat/Fisheries.

¹⁹ 105997X ₹50X5 yrs= ₹26499250 = ₹2.65 crore.

²⁰ Pub Chaiduar AP, Pakhimora AP, Mandia AP, Panitola AP.

the bid. Moreover, rates of revenue to be collected from the respective shops/vendors were already fixed by the Government in November 2011 and the bidders cannot legally charge higher rates of revenue from the public.

2.13.3 Short collection of Revenue

2.13.3.1 Kist money

Sub-Rules 14 and 15 of Rule 47 of the Assam Panchayat (Financial) Rules, 2002 stipulate that Panchayats are required to recover the *kist* (Instalment) money from the lessees in due time. Scrutiny of records of the test checked PRIs revealed that there was short collection of *kist* money of ₹3.63 crore by 12 PRIs as shown in **Appendix-IX**. Thus, due to short collection of *kist* money, revenue could not be augmented to that extent.

The Commissioner stated that some of the amount had been collected and for the remaining amounts, *bakijai*²¹ process would be initiated. However, the commissioner could not provide the details of recovered *kist* money.

2.13.3.2 Room rent

Scrutiny of records of the selected PRI units revealed that an amount of ₹7.04 lakh towards room rent was outstanding for the period 2010-11 to 2014-15, in respect of four PRIs, but no effective steps were taken by the concerned authorities to realise the same, as detailed in **Table 2.13** below:

Table 2.13: Details of outstanding room rent during 2010-15

(₹ in lakh)					
Sl. No.	Name of the unit	No. of rooms	Room rent due	Room rent collected	Room rent outstanding
1	Kamrup ZP	10	6.38	4.93	1.45
2	Chayagaon AP	29	3.51	1.06	2.45
3	Cachar ZP	10	5.37	2.49	2.88
4	Balipara AP	35	4.54	4.28	0.26
Total			19.80	12.76	7.04

2.13.4 AVAT not deducted

As per the provisions of section 47 of the Assam Value Added Taxes Act, 1993, which came into force *w.e.f.* 01.5.2005, all Drawing and Disbursing Officers (DDOs) of Government departments and Government Undertakings are to deduct AVAT at source. Scrutiny of records of the test checked PRIs revealed that six PRIs failed to deduct the applicable VAT while making payments for procurement of material, as shown in **Table 2.14** below.

Table 2.14: Details of AVAT not deducted

(₹ in lakh)				
Sl. No.	Name of unit	Name of scheme	Expenditure incurred on material bill	Amount of VAT not deducted
1	Barpeta ZP	12 th & 13 th FC	6.90	0.66
2	Lahowal AP		21.40	1.07
3	Panitola AP		9.14	0.99
4	Sonitpur ZP	13 th FC	587.31	29.36
5	Pub Chaiduar AP		57.95	2.90
6	Pakhimoria AP		34.81	1.74
Total				36.72

²¹ *Bakijai* means a legal process of issuing notices to the defaulters for recovery of outstanding dues.

Thus, in the test checked PRIs, AVAT amounting to ₹ 36.72 lakh were not deducted from the bills by the concerned offices, at the time of payment of bills, resulting in loss of revenue to that extent, to the Government. Though the Commissioner stated that the objected AVAT had been deducted by some PRIs, the proof in support of the deduction could not be provided.

2.13.5 Revenue not generated due to completed projects not handed over

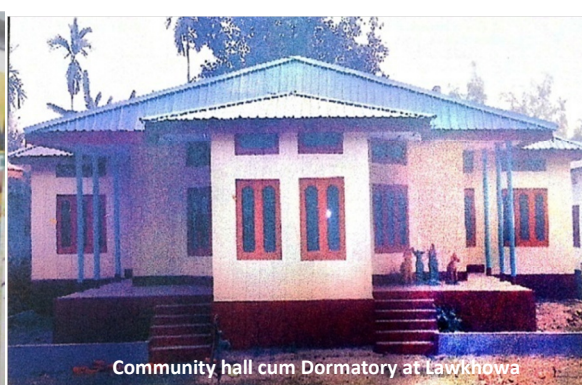
The State and Central Governments provide substantial financial assistance to the PRIs for taking up public programmes and services. The APs and GPs are empowered to levy and collect taxes like property tax, professional tax, entertainment tax and fees like license fee on the business establishments located within their jurisdictional area. The grants received and revenues so mobilised are to be utilised for developmental activities and local administration of the area.

Scrutiny of records of the test checked PRIs revealed that the supervision and monitoring of schemes was found to be inadequate, affecting their successful implementation and mobilisation of revenue from them, as shown in **Table 2.15** below:

Table 2.15: Statement showing details of revenue not generated by PRIs

Sl no	Period	Topic	Scheme	PRIs involved	Cost of the project (₹ in crore)	Reasons
1	2011-13	Staff quarters not handed over	4 th ASFC	2	4.99	Staff quarters (Gr III & IV) were constructed by Sonitpur and Nagaon ZP but the completed quarters were not handed over to the APs resulting in consequential loss of government revenue in the form of license fee & HRA.
2	2011-15	Projects not handed over	13 th FC	4	58.52	672 completed projects ²² by four ZPs ²³ were not handed over to concerned authority.
3	2010-14	Schemes not leased	13 th FC	9	2.08	Nine PRIs (1 ZP and 8 APs) ²⁴ failed to lease out 40 completed projects valuing ₹ 2.08 crore.
Total				15	65.59	

The above table shows that ₹ 65.59 crore was spent by 15 PRIs under two schemes, but they failed to generate any revenue from it, as they were not handed over or leased. The following photographs depict a few completed projects, lying unused due to not handing over or lease not done.



²² 28 Market sheds, 489 Community halls and 155 cremation and burial grounds.

²³ Kamrup, Cachar, Sonitpur and Nagaon ZP.

²⁴ Nagaon ZP, Sualkuchi, Narsingpur, Udharband, Balipara, Bhagmara, Pub-Chaiduar, Kathiatoli and Dhalpukhuri APs.

2.14 Implementation of Social Sector programmes

2.14.1 Doubtful expenditure

In 17 test checked PRIs, an amount of ₹6.38 crore was incurred by authorities during the period 2010-15 for implementation of various schemes. However, the expenditure incurred was doubtful as basic provisions of scheme guidelines were not followed; evidence for execution of works was not furnished; revenue data (status of collection of year-wise revenues) against implementation of income generating schemes was not furnished; huge quantity of materials were procured and distributed without inviting tenders; and stock registers were not maintained, as detailed in **Table 2.16** below:

Table 2.16: Instances of doubtful expenditure

Year	Names of PRI	Name of Scheme	Amount (₹ in lakh)	Remarks
2010-15	1.Kamrup ZP, 2.Pub Choiduar AP, 3.Baghmara AP, 4.Kathiatoli AP 5.Pakhimoria AP	13 th Finance Commission	343.22 ²⁵	Expenditure incurred by five PRIs on implementation of income generating schemes, together with schemes for other purposes, including Administrative expenses, during the period 2010-15. However, PRIs failed to produce basic records viz., Work order, Measurement Books (MBs), vouchers Actual Payees Receipt (APR), Photographs etc., relating to execution of scheme.
2010-15	Chaygaon AP	DDP	2.50	Amount was incurred for earth filling work on "Improvement of Chand Sadagar's Merghar Compound" by the Executive Officer, Chayagaon AP, during 2011-15. However, the PRI failed to produce basic records (viz., Work order, MBs, vouchers, Muster Rolls (MRs), APRs, Photographs of the site before and after execution etc.), relating to execution of the scheme.
2011-15	Jurirpar GP	DDP	8.90	Amount was spent for installation of Hand Tubewell (HTW) by the GP. However, Asset Register, Schematic Ledger were not maintained by the GP and exact location and installation report was not produced to audit.
2010-15	Kamrup ZP, Sonitpur ZP and Balipara AP	DDP	227.31	Procurement and distribution of spray machines, sewing machines, mosquito nets, rickshaws, HTWs, weaving machines, cotton yarns, Broiler, Piggery, Fish, Power Tillers, bi-cycles etc., and construction of Dairy Farm, Grocery Shop, Banana Garden, were carried out by Kamrup ZP, Sonitpur ZP and Balipara AP, involving ₹99.33 lakh, ₹120.83 and ₹7.15 lakh respectively. However, NITs, CSs, Supply orders, invoices, Delivery challans, Bills, Vouchers, APRs, etc., were not produced to audit by any PRI.
2010-12	10 ²⁶	12 th FC	56.39	Expenditure incurred for installation of HTW, Ring Well and Low cost Sanitary Latrine but necessary vouchers/APRs, exact location and installation report, were not produced to audit by any PRI.
Total	17		638.32	

²⁵ Kamrup ZP : ₹96.50 lakh, Pub Chayduar AP : ₹68.96 lakh, Baghmara AP : ₹41.08 lakh, Kathiatoli AP : ₹98.88 lakh and Pakhimoria AP : ₹37.80 lakh.

²⁶ Laskarpathar GP, Nandpur GP, Jurirpar GP, Sonapur GP, Bortamuli GP, Madura GP, Balipukhuri GP, Udharband AP, Chaygaon AP and Narsingpur AP.

Accepting the audit observation, the Commissioner stated (December 2015) that the matter would be verified and would be taken more seriously in future.

2.14.2 Inadmissible expenditure

Scrutiny of records of test checked PRI units revealed that 67 PRIs had incurred expenditure amounting to ₹18.02 crore, for the implementation of 1148 schemes during the year 2010-15, beyond the provision of scheme guidelines and related standing orders, as detailed in Table 2.17 below.

Table 2.17: Statement showing instances of inadmissible expenditure incurred by PRIs

Sl. No.	Name of scheme	Execution year	No. of inadmissible schemes	Nos. of PRIs involved	Amount involved (₹ in crore)	Remarks
1	DDP	2010-15	664	21	9.72	As per DDP guidelines, funds should be allocated only for new schemes. However, instead of taking on new works, the PRIs undertook 664 works related to improvement, development, repairing or renovation <i>etc.</i> , of existing schemes.
2	DDP	2010-15	469	41	6.90	As per DDP guidelines, fund should not be used for construction or renovation of administrative buildings, Establishment costs/salaries, construction of religious institutions <i>etc.</i> However, the PRIs constructed/renovated office buildings, schools, libraries, temples, mosques, cremation grounds <i>etc.</i>
3	12 th , 13 th , & 4 th ASFC	2010-15	11	4	1.05	The schemes implemented by the PRIs were beyond the purview of scheme Guidelines and orders.
4	4 th ASFC	2011-12	4	1	0.35	The schemes implemented by the PRIs were beyond the purview of scheme Guidelines and orders.
Total			1148	67	18.02	

The schemes being not implemented as per scheme guidelines and orders resulted in the targeted beneficiaries being deprived of the benefits contemplated under the schemes.

Accepting the audit observation, the Commissioner stated (December 2015) that the matter would be verified and would be taken more seriously in future.

2.14.3 Unauthorised Expenditure

In 26 test checked PRIs, it was found that an amount of ₹338.49 lakh was incurred without the approval of the competent authorities, resulting in unauthorised expenditure, as detailed in Table 2.18 below:

Table 2.18: Statement showing instances of unauthorised expenditure

Period	Number of PRI	Name of scheme	Value (₹ in lakh)	Remarks
2011-12	1	4 th ASFC	80.00	Dibrugarh ZP executed 21 schemes departmentally against 19 approved schemes. Further, eight schemes out of 21 schemes involving ₹80.00 lakh were not approved by the general body as detailed in Appendix-X .

2010-15	12	13 th FC	35.11	5 APs & 7 GPs ²⁷ incurred unauthorised expenditure on construction/repair work of AP & GP Offices, deviating from the four core services like drinking water, sewerage, storm drainage and solid waste management.
2010-15	1	13 th FC	172.00	CEO, Cachar ZP incurred ₹ 1.72 crore, out of ₹ 6.56 crore, for construction of 8 market sheds and 9 cremation and burial grounds, without obtaining approval from the GoA for changing the site.
2012-14	1	13 th FC	28.40	CEO, Cachar ZP short credited ₹ 13.40 lakh (out of ₹ 1 crore) in the programme account. Further, ₹ 15 lakh released to two Junior Engineers, for construction of two market sheds, was unauthorisedly utilised for construction of market sheds at different places, which also remained incomplete and abandoned.
2010-15	11	13 th FC	22.98	EOs and Secretaries of 3 APs and 8 GPs ²⁸ unauthorisedly incurred expenditure on contingencies and installation of Hand Tube Wells instead of construction of roads and drains, income generating schemes, database and maintenance of accounts, as shown in Appendix-XI .
	26	Total	338.49	

Accepting the audit observation, the Commissioner stated (December 2015) that the matter would be verified and would be taken more seriously in future.

2.14.4 Irregularities in purchase of materials

Government of Assam (GoA), Finance Department's OM No: FEC(I) 10/2009/2 dated 11 August 2010 stipulates that open tenders are to be invited by Government departments for purchase of any item or stores involving public funds of ₹ 50000 and above, for which agencies of GoA may also participate.

Test check of records revealed that six²⁹ PRIs drew ₹ 3.39 crore, through self-cheque, for installation of HTW (Material: ₹ 2.50 crore and Labour: ₹ 0.89 crore), under 12th & 13th FC grants. However, materials were procured from the open market, without inviting any tender, which was irregular. This deprived the department from getting the benefit of competitive rates. Similarly, during 2012-13, Dibrugarh ZP irregularly paid ₹ 35.20 lakh to three Junior Engineers, instead of floating tenders for the purchase of sewing machines, bicycles, *Thelas*³⁰ and Rickshaws under 13th FC grants. This was in gross violation of prescribed financial rules. Further, in the absence of basic records *viz.*, stock registers, purchase vouchers, MB, installation reports *etc.*, genuineness of the purchases could not be ascertained in audit.

The Commissioner stated that rates of HTW were approved by the PHE Department. Hence separate tender might not be required. The reply of the Commissioner is not tenable as it was observed that the rates of HTWs were different in different PRIs.

2.14.5 10 per cent contractors' profit not deducted

Under the Assam PWD (Roads/Buildings) Schedule of Rates (SOR), 2011-12, all items of civil works include 10 per cent contractor's profit over the cost of material and wages of labourers. However, when any work is executed departmentally, without engaging a

²⁷ Sualkuchi, Udharbondh, Baghmara, Dhalpukhuri and Kathiatoli AP, Gandhmau, Rongpur, Balipukhuri, Rangajan, Nandapur, Deb Narikoli and Jurirpar GP.

²⁸ Dholpukhari, Kathiatoli and Pakhimoria AP, Laskar Pathar, Nandpur, Rangaloo, Devnarkoli, Singimari, Juripar, Deodhar, Dekarghat GP.

²⁹ Mandia and Sarukhetri AP in Barpeta, Lahowal and Panitola AP in Dibrugarh, Binakandi AP in Nagaon and Chayani Borduar AP in Kamrup district.

³⁰ Hand cart used for carrying goods.

contractor, the contractors' profit is to be deducted from the estimated cost of the work. Test check of records (Bill /Voucher, Plan & Estimate) of 21 PRIs³¹ (12 GPs, 7 APs and 2 ZPs) revealed that 306 works (299 works under grants of the 13th Finance Commission and 7 works under the award of Fourth Assam State Finance Commission) were executed departmentally, under the supervision of technical officials and the estimates of the works were prepared by the concerned Junior Engineers/Assistant Engineers. However, 10 per cent contractors' profit, which worked out to ₹ 38.65 lakh, was not deducted from the bill resulting in extra expenditure of ₹ 38.65 lakh. Details are shown in **Appendix-XII**. Reasons for not deducting contractors' profit were not available on record.

Accepting the audit observation the Commissioner stated (December 2015) that the contractor's profit should have been deducted from the bills of the contractors.

2.14.6 Other irregularities

2.14.6.1 Basic records not maintained

An expenditure of ₹ 20.53 crore was incurred by 18 test checked PRIs for implementation of various schemes under 4th ASFC and 13th FC award/grants, but supporting documents (such as Detailed Project Report, Plan and Estimate, Technical Sanction, Administrative Approval, Measurement Book, Muster Roll, vouchers) relating to expenditure incurred and actual work done, was not maintained by the concerned PRIs, as shown in the **Table 2.19** below:

Table 2.19: Details of records not maintained by the PRIs

Period	Number of PRIs	Name of scheme	Value (₹ in crore)	Remarks
2014-15	1 (Chayani Borduar AP)	4 th ASFC	0.03	In the absence of Estimate, Technical Sanction, MB, Bill/Vouchers etc., the actual execution of the work viz., "construction of Boundary wall at Santala Anchalik ME School" under Maliata GP by the Executive Officer, Chayani Borduar AP could not be ascertained.
2010-11 to 2014-15	9 ³²	13 th FC	1.14	Payment documents for installation of Hand Tube Well, construction of roads, land development etc., were not maintained by nine PRIs, where payment were made through self-cheques, without showing APRs
2010-15	8 ³³	13 th FC	19.36	The related Measurement Books and Schematic Ledgers were not maintained by the concerned PRIs, in violation of the AP(F) Rules.
	18	Total	20.53	

Due to related records not being maintained, the actual execution of work and expenditure made could not be verified in audit. Further, not maintaining of records may also lead to mismanagement/non implementation of schemes and create a possibility of misappropriation of funds.

2.14.6.2 Execution of works without technical sanction

Test check of records of 11 PRIs³⁴ (2 APs & 9 GPs) revealed that the concerned authorities of ZP, APs and GPs had received ₹ 1.84 crore under the award of 13th FC from 2010-11 (1st installment) to 2013-14 (1st installment) and 4th ASFC, for implementation of 172 schemes, for the period 2010-15. The concerned Junior Engineers had prepared Plans and

³¹ Barpeta and Nagaon ZPs, Chaygaon, Sualkuchi, Udharbond, Balipara, Dhalpukhuri, Pakhimoria and Kathiatoli APs. Sat taluk, Dakhin Paltan, Gandhmau, Narsingpur, Balipukhuri, Sonapur, Nandapur, Laskar Pathar, Rangaloo Deb Narikoli, Singimari and Jurirpar GPs.

³² Pachuria GP, Silchar AP, Ambikapur GP, Dekargaon GP, Manshri GP, Khorasimalu GP, Tinikhuti GP, Dekarghat GP and Deodhar GP.

³³ Sonitpur ZP in Sonitpur district, Rangaloo, Deb Narikoli, Singimari, Jurirpar, Laskar Patthar, Nandapur GPs in Nagaon district and Chayni Barduar AP in Kamrup district.

³⁴ Chaygaon and Balipara AP, Dakhin paltan, Gandhmau, Madhura, Blipukhuri, Rangajan, Bartamuli, Solengiguri, Sonapur, Berenga GP.

Estimates of work with the approval of the Chief Executive Officers/Executive Officers/Secretaries of the GPs for execution of the same. However, the PRIs spent ₹ 1.83 crore for execution of the schemes, without obtaining technical sanctions from the competent authorities leading to a possibility of execution of sub-standard work.

2.14.6.3 Works not completed under different schemes

15 PRIs executed 571 works during 2011-15 but the same remained incomplete, after incurring an expenditure of ₹ 64.16 crore, as shown in Table 2.20 below:

Table 2.20: Statement showing instances of incomplete schemes

Sl No	Period	Topic	Source of funds	PRIs involved	Amount (₹ in crore)	Reasons
1	2011-12	Works not completed	4 th ASFC	5 ³⁵	5.63	The works were scheduled to be completed within twelve months of issue of work order. However, balance 50 per cent fund (₹ 562.50 lakh) was not released by the Government to five test checked ZPs for construction of eight ³⁶ Multipurpose Halls and one office building in Sonitpur ZP (being 50 per cent of estimated unit cost of ₹ 125 lakh) and the works remained incomplete for more than three years.
2	2010-15		13 th FC	8 ³⁷	57.80	The projects were scheduled to be completed within three/six months from the date of sanction. However, due to laxity on part of the eight PRIs ³⁸ , 495 projects (out of 618 projects) remained incomplete even after incurring an expenditure of ₹ 57.80 crore (out of ₹ 70.54 crore) even after lapse of periods ranging from six months to two years.
3	2011-15		DDP	2 ³⁹	0.73	As per guidelines, funds released during the financial year are to be invariably utilised during that financial year itself. However, due to lack of monitoring by competent authorities, ₹ 0.16 crore remained unreleased till August 2015, even after a lapse of more than three years, resulting in 67 projects remaining incomplete.
Total				15	64.16	

Following photographs depict the incomplete state of two works under Dibrugarh and Nagaon ZP:



Multipurpose building at Panitola under Dibrugarh ZP



Shops at Kathiatoli Bi weekly Market under Nagaon ZP

Audit observed that due to lack of monitoring by competent authorities, the estimated amounts remained unreleased till August 2015, even after a lapse of more than three years, besides the works remaining incomplete. Accepting the audit observation, the Commissioner stated that this was due to delay in release of funds and also due to delay in execution of works. However, the Commissioner was silent about action to be taken for early completion of the works.

³⁵ Kamrup, Barpeta, Sonitpur, Dibrugarh and Nagaon ZP.

³⁶ Construction of Multipurpose hall at Goroimari under Kamrup ZP, Medhirtary Bazar & Khoirabari under Barpeta ZP, Panitola AP under Dibrugarh ZP, Sakomatha and Dhekiajuli AP under Sonitpur, Bajiagaon and Raha AP under Nagaon ZP.

³⁷ 109 New Market sheds, 300 Cremation Ground and 207 Community hall, two Multipurpose hall & Market complex.

³⁸ Kamrup, Cachar, Sonitpur, Nagaon, Dibrugarh and Barpeta ZP, Balipara AP and Kathiatoli AP.

³⁹ Narshingpur AP and Cachar ZP.

2.14.6.4 Works executed less than the estimated quantity

Test check of records of three PRIs (two APs & one GP)⁴⁰ revealed that an amount of ₹ 18.47 lakh under 13th FC, during the year 2010-15, was incurred by the concerned EOs and GP Secretaries, for construction of roads and community halls. However, on Joint Physical verification of the schemes, it was found that schemes executed by the Department were not according to the plans and estimates. The details are shown in **Table 2.21** below.

Table 2.21: Statement showing instances of under-execution of works**(₹ in lakh)**

Sl. No.	Implementing Agency	Name of scheme	Sanctioned amount	Estimated amount	Expenditure	Value of work less executed	Remarks
1	Kathiatoli AP	Construction of Brick road from Lovin Panika House to Sahdeb Kurmi house at Ino. Mikirgaon Maldanga Suburi	2.45	2.45	2.47	0.94	Less execution of road (Work Executed 130 metre instead of 210 metre)
2	Singimari GP	Const. of Community Hall at Rajagaon Bazar	8.00	8.00	8.00	1.65	Electrification, water supply & sanitation works were not executed.
3	Pakhimoria AP	Const. of Community Hall at Tulsi Dewari	8.00	8.00	8.00	1.65	
Total			18.45	18.45	18.47	4.25	

It was evident from above that the payments were made without proper verification of the actual work executed amounting to ₹ 4.25 lakh. Accepting the audit observation, the Commissioner stated that the schemes remained incomplete due to some technical and ground level problems. However, it was seen that the works were executed less even though the whole estimated amount was exhausted.

2.15 Oversight role of the authorities

The oversight role of the Government is very crucial, as it is required to ensure that PRIs are effectively functioning as units of local ‘Self-government’.

The Legislature of the State of Assam amended the Assam Panchayat Act, 1994, to ensure transfer of powers, authority and responsibilities, in relation to the matters listed in the XIth Schedule of the Constitution of India. It is the responsibility of the Government to see that the power, authority and functions entrusted to PRIs are exercised properly and in accordance with the amended legal provisions. Further, the AP Act gives the State Government the following powers for ensuring proper functioning of PRIs:

- Call for any Panchayat to furnish information or report, plan, estimate, statement, accounts or statistics;
- Inspect any office or any record or any document of PRIs;
- Inspect the works and development schemes implemented by PRIs; and
- Take action for default of Panchayat President/Secretary.

However, during scrutiny of records in test checked PRIs, it was observed that the oversight role of the Government was lacking, which was evident from the lacunae in implementation of schemes by the PRIs, as discussed in paragraphs 2.12 to 2.14 above.

⁴⁰ Kathiatoli & Pakhimoria AP and Singimari GP.

2.16 Internal Control procedures and Internal Audit systems in PRIs

2.16.1 Internal Control

The Internal Control system at the level of each PRIs had been designed by GoA, through AP Act, 1994 and the AP (F) Rules, 2002, besides application of the State Government's own rules and policies relating to finance, budget and personnel matters. Significant provisions of the internal control mechanism in PRIs are given in **Appendix-II**.

During scrutiny of records in test checked audit entities, several deficiencies in compliance of Act/Rules *etc.*, were observed. Accountability was not fixed in many fields, mainly in the implementation of schemes. Most of the schematic funds were found to be spuriously spent without gainful outcomes and many schemes remained incomplete for years together for want of follow up action at the appropriate fora. Schemes were found to be implemented without observing the schematic guidelines. Formats prescribed in the Panchayat Financial Act *ibid* and other Rules *etc.*, were also not strictly adhered to. Thus, lack of effective internal control in the PRIs facilitated many irregularities in cash management, as well as in implementation of the schemes already discussed in the preceding paragraphs. Further, the PRIs and the Government lacked initiative in safeguarding of Government money, which is evident from the following instances:

- (i) Test check of records of Barpeta ZP relating to construction of community halls under the 13th Finance Commission grants for 2012-13, revealed that an amount of ₹ 26.18 lakh was paid as advance (between 13.03.2013 and 16.03.2013) to the Junior Engineer, Mandia AP, for construction of four community halls under Barpeta ZP. However, the JE neither utilised the money for the purpose it was drawn, nor submitted any utilisation certificate for the received amount despite repeated reminders. The CEO thereafter lodged (29.6.2013) an FIR with the Police stating that the JE presumably misappropriated the Government fund. The matter was also brought to notice of the Government in February 2014. However, no further action was initiated, either by the CEO or by the Government and the Government money remained unrecovered till the date of audit (August 2015).
- (ii) Similarly, no records *viz.*, Cash Book, Vouchers, Scheme Ledger and Progress Reports *etc.*, regarding implementation of the schemes under 4th ASFC, was available with CEO, Cachar ZP, even though the Bank Statement revealed that ₹ 228.11 lakh was issued to JE through 23 cheques and one self-cheque between 21.03.2012 and 26.12.2012. The present CEO was also not aware of the actual execution of the work done by the JE.
- (iii) Further, as mentioned in paragraph 2.12.7 though the CEO reported misappropriation of ₹ 21.39 crore, the misappropriated government money was yet to be recovered from the then CEO, who was responsible for it. Moreover, during audit, it was found that the then CEO, Cachar ZP, withdrew 13th FC funds amounting to ₹ 20.76 crore, through self/bearer cheques, instead of ₹ 9.65 crore reported by the CEO, Cachar ZP. Details of utilisation of the said amount were neither available with the CEO, nor were any schemes executed during 2010-13, as stated by the CEO.

The Commissioner stated that earlier the Department did not have regular financial officers. However, 11 Chief Financial Officers had been appointed among 21 ZPs. It was further

stated that the prescribed procedure was being followed as an FIR was lodged whenever misappropriation was noticed and the person involved was also suspended. However, the fact remains that the misappropriated Government money is still unrecovered.

2.16.2 Internal audit

Internal audit is an important instrument to examine and evaluate the level of compliance with rules and procedures, as envisaged in the relevant Acts, as well as in the Financial/Accounting Rules, so as to provide independent assurance to management on the adequacy of the risk management and internal control framework in the PRIs.

Rule 18 of AP (A) Rules, 2002 provided for utilisation of internal auditors of P&RDD, for proper and correct maintenance of accounts of PRIs. An Internal Audit Wing, with internal auditors, was in place in the Commissionerate of P&RD, Assam. However, no internal audit of PRIs had been conducted (March 2015). The Department had no Audit Manual of its own and its main function was limited to assisting the Commissioner, P&RD, Assam, in settling the outstanding audit paras and inspection reports relating to departmental units.

Accepting the audit observation, Commissioner stated that the internal auditors of the Department were not very competent and requested the Accountant General to help the Department in training the internal auditors.

2.16.3 Audit coverage by Director of Audit, Local Fund (DALF)

DALF is the primary auditor to conduct the audit of PRIs in Assam. Based on information furnished by DALF (August 2015), the arrears in audit of PRIs, during the period 2010-15 ranged between 21 and 65 *per cent*. The year-wise position of units to be audited and those actually audited, are detailed in **Table 2.22**.

Table 2.22: Shortfall in covering the units planned for audit by DALF

Year	No. of units planned for audit	No. of units audited	Shortfall	Percentage of shortfall (%)
2010-11	1297	458	839	65
2011-12	877	492	385	44
2012-13	1423	788	635	45
2013-14	1130	888	242	21
2014-15	1131	842	289	26

Source: Information furnished by DALF, Assam.

Apart from this, there was also an arrear in issuance of 1011 audit reports (as of March 2015). The reasons for shortfall in audit coverage and arrear in issuance of audit reports were attributed to records being not produced and engagement of Audit Officers in Parliamentary Elections and 'National Register of Citizens' related works. Further, the position of settlement of audit reports was also very poor as altogether 16,268 audit reports were pending for settlement till March 2015.

Thus, due to shortfall in coverage of audit by DALF, the accuracy or the efficiency of the records, detection and prevention of errors were not fully ensured.

2.16.4 Response to Audit Observations

Inspection Reports (IRs) were issued by the Accountant General (Audit), Assam to concerned authorities in the audited PRIs, with a copy of each to the State Government. PRI authorities were required to comply with the observations contained in the IRs and rectify the defects and omissions and report their compliance within three months from the date of issue of IRs. The details of outstanding paragraphs (as of March 2015), in respect of PRIs audited during 2010-15, are shown in **Table 2.23**.

Table 2.23: The details of outstanding IRs and paragraphs

Year of Issue	No. of Inspection Reports	No. of Outstanding Paras	Money Value (₹ in crore)	First reply furnished
Upto 2010-11	465	3165	378.97	193
2011-12	65	433	174.71	20
2012-13	42	281	157.92	7
2013-14	51	366	176.50	4
2014-15	109	820	475.25	12
Total	732	5065	1363.35	236

Source: Progress Register.

Thus, 5065 paragraphs with monetary value of ₹1363.35 crore were pending settlement (March 2015) for want of replies from concerned PRIs. Even the first reply had not been received in respect of 4829 paragraphs. The increasing trend of outstanding paragraphs was indicative of audit observations not being complied with and a low level of accountability. The Administrative Heads of the Departments concerned also did not ensure that the concerned officers of the PRIs took prompt and timely action in furnishing replies to IRs, thereby weakening the accountability mechanism of PRIs in the Government.

2.17 Conclusion

Though PRIs in Assam have been in existence for a long period, the working of PRIs in the State was yet to evolve fully. Devolution of Funds, Functions and Functionaries to PRIs, in respect of the transferred subjects, was yet to be done. There were deficiencies in fund management; planning and selection of schemes; and selection of beneficiaries. The DPCs failed to perform their primary objective of preparation of District Plans, as envisaged in the AP Act, 1994. Standing committees met inadequately affecting their efficient functioning, as envisaged under the AP Act. PRIs were lagging behind in augmentation of their own revenues and hence remained dependent mainly on grants-in-aid. Infrastructure was created without proper planning, and schemes/works were not implemented as per Plans and Estimates. Large numbers of schemes/works remained incomplete due to various reasons. A reliable database on finances of PRIs was not developed. Lack of effective internal controls in the PRIs led to many irregularities in cash management, as well as in implementation of the schemes.

2.18 Recommendations

The Department may consider implementing the following recommendations:

- Funds, Functions and Functionaries (3Fs) may be transferred as per 73rd CAA, 1992, so as to enable PRIs to evolve into full-fledged Local Self Government Institutions (LSGIs);

- the functioning of DPCs should be streamlined so that the needs of the lower tiers of PRIs are obtained and incorporated in the District Plans. Standing Committees should meet at regular intervals to play an active role to sort out local issues;
- PRIs should levy and impose taxes, as per the provisions made in the AP Act for augmentation of PRIs' own revenues and also ensure that necessary steps are taken to prevent pilferage of revenues; and
- an effective monitoring mechanism needs to be put in place, as envisaged in the AP Act and schemes need to be implemented as per the scheme guidelines, plans and estimates within the prescribed time, so as to provide intended benefits to rural communities. Basic records need to be maintained for effective management, transparency and audit trail.