

CHAPTER-2

RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS

The deficiencies noticed during audit of Panchayati Raj Institutions conducted in 2015-16 are discussed in the succeeding paragraphs.

2.1 Accounting System

2.1.1 Discrepancies noticed in Accounting System

Difference between figures of receipt and expenditure furnished to Audit and that uploaded on PRIAsoft

All 12 Zila Parishads have started online voucher entries while 74 (except Pangi, Nichhar and Spiti) out of 77 PSs and 2,127 out of 3,243 GPs are maintaining their accounts on PRIAsoft. Only 306 GPs (14 *per cent*), however, are able to close their books due to lack of network connectivity.

During test-check, it was noticed that the figures of receipts and expenditure furnished to audit by the test-checked GPs for the year 2015-16 did not match with the figures uploaded on PRIAsoft. Major difference between figures as depicted in **Table-7** below raises question about the reliability of financial information being maintained.

Table-7: Difference between figures of receipt and expenditure furnished to the Audit and that uploaded on PRIAsoft during 2015-16

(₹ in lakh)

Name of GP	Block	District	Figures as per Inspection Report		Figures uploaded on the PRIAsoft	
			Receipt	Expenditure	Receipt	Expenditure
Sangrah	Sangrah	Sirmaur	21.34	20.87	16.96	19.72
Prini	Naggar	Kullu	60.43	37.09	25.15	17.35
Dhaugi	Banjar	Kullu	211.39	172.33	173.26	149.05
Mehndi	Karsog	Mandi	24.55	15.42	25.09	10.67
Troh	Balh	Mandi	66.01	35.44	27.00	27.91
Kangal	Narkanda	Shimla	53.62	26.83	24.46	1.05
Total			437.34	307.98	291.92	225.75

Sources: Figures furnished by the test checked PRIs and compiled by Audit from PRIAsoft.

2.1.2 Non-maintenance of registers

Rule 31 of HPPR Rules, 2002 stipulates that every PRI shall maintain important records, registers, forms, etc., as detailed in Rule 34 of HPPR (General) Rules, 1997.

It was observed that in three Panchayat Samitis and 63 GPs (49 *per cent* of the test-checked GPs), important registers like stock register, immovable property register, work register, muster roll register, temporary advance register, Grant-in-Aid register, cheque issue and receipt register were not maintained during 2015-16 (**Appendix-2**). Due to non-maintenance of the records, correctness of the financial transactions could not be ascertained in audit. The Panchayat Secretaries concerned assured (May 2015-November 2015) to maintain these records in future.

2.1.3 Improper maintenance of accounts of income from own resources and grants-in-aid/ loans

Rule 4 of HPPR Rules, 2002 provides that every GP, PS and ZP is required to maintain separate accounts of income from own resources (Account 'A') and from grants-in-aid, funds allocated for development works or special purposes, loans, share of taxes/fees/cess and other income (Account 'B').

It was noticed that in 22 GPs³, the accounts were not maintained in the prescribed format and all transactions were carried out through a single account in contravention of the rules *ibid* due to which the correctness of figures of income from own resources and grants-in-aid/ loans received could not be verified. The Panchayat Secretaries concerned assured (July 2015-November 2015) to maintain separate accounts in the prescribed format in future.

2.1.4 Preparation of bank reconciliation statements

Rule 15 (10) (b) of the HPPR Rules, 2002 provides that the reconciliation of balances of cash book and bank accounts is required to be conducted every month. Any difference shall be explained and accounted for in a footnote in the cash book.

It was noticed that difference amounting to ₹ 3.20 crore (**Appendix-3**) between balances of cash books and bank pass books at the close of the year 2014-15 was not reconciled by 41 PRIs. The authenticity of accounts of these PRIs could not be ascertained in the absence of bank reconciliation. The officers of the PRIs concerned stated (May 2015 - November 2015) that the differences would be reconciled shortly.

2.1.5 Non-conducting of Physical Verification

Under rule 73(1) of HPPR Rules, 2002, physical verification of all stores shall be conducted by the Pradhan in the case of Gram Panchayat and by the Secretary concerned in case of Panchayat Samiti or Zila Parishad, at least once in six months and invariably in April every year. The result of the verification shall be recorded in writing. During the verification in April, the condition of each article shall be indicated against it in the stock register.

Scrutiny of records showed that in 19 GPs⁴, physical verification of store/ stock had not been carried out. Consequently, physical existence of the store/ stock could not be verified in audit. In reply, the Executive Officers/ Secretaries of PRIs concerned stated (June 2015-November 2015) that the physical verification of stores/ stock would be conducted shortly.

³ Panjavar, Tabba, Dehla Upper, Hatwad, Misserwala, Kala Amb, Bhatawali, Bhangani, Majra, Sataun, Paatliya, Tehad, Tikkar, Adhaal, Thural, Ghati, Sokni da Kot, Tiyara, Sulyali, Shiorpai, Bani, Rey.

⁴ Bathu, Dehla Upper, Dehla Lower, Dundhla, Punder, Sunhani, Fatoh, Sianj, Sthana, Dhaliyara, Bani, Tiyara, Jadera, Kummi, Jhakri, Sarahan, Tranda, Jyuri and Mahadav.

2.1.6 Non-accounting of materials

Material of ₹ 3.43 crore was not accounted for in the stock register by 57 Gram Panchayats

Under rule 69 of HPPR Rules, 2002, all stores when received are required to be examined, counted, measured or weighed, as the case may be, at the time of taking delivery and should be entered in the stock register immediately. A certificate to the effect is also required to be given at the end of the entries for each single day by the official in charge of stores authorised by the Gram Panchayat or Secretary of the Panchayat Samiti or the Zila Parishad, as the case may be, stating that the stores have been received in proper condition and according to specifications. In the event of stores found surplus, the same should be indicated as additional receipt and shortages, if any, should be indicated in red ink. Further, rule 70 of the HPPR Rules, 2002 *ibid* stipulates that articles of stores shall be issued against proper indents.

In 57 GPs, items of stores such as steel, timber, furniture, hardware items, etc., purchased at a cost of ₹ 3.43 crore were not accounted for in stock registers (**Appendix-4**). In the event of non-accounting of these stores, the possibility of pilferage/ loss cannot be ruled out. This was indicative of poor record maintenance on the part of GPs. In reply, the Secretaries of GPs concerned stated (May 2015-November 2015) that the stores would be entered in the stock registers. The fact, however, remained that there was absence of proper check over maintenance of store records by the GPs concerned.

2.2 Revenue

2.2.1 Non-recovery of House Tax

Eighty four GPs did not realise house tax of ₹ 35.21 lakh

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

Audit noticed that in 84 GPs, house tax amounting to ₹ 35.21 lakh for the period 2014-15 was not recovered as of March 2016 (**Appendix-5**). Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of Section 114 of HP Panchayati Raj Act, 1994. The Secretaries of GPs concerned stated (May 2015 - October 2015) that efforts would be made to recover the outstanding house tax. Replies are indicative of ineffective monitoring on the part of the GPs which may result in non-collection/ loss of revenue.

2.2.2 Outstanding rent

Twenty seven PRIs failed to realise rent due from shops amounting to ₹ 48.65 lakh

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

Scrutiny of records revealed that in 27 PRIs, an amount of ₹ 48.65 lakh from 1995-96 to 2014-15 on account of rent from 328 shops was outstanding as of March 2015 (**Appendix-6**). This indicated that timely collection of shop rent had not been given due attention by the PRIs. The PRIs concerned stated (May 2015-November 2015) that notices had been served to the defaulters to deposit the outstanding rent.

2.2.3 Non-recovery of duty for installation of Mobile Towers

Revenue of ₹ 16.47 lakh remained un-realised on account of installation/ renewal charges of mobile towers in 40 GPs

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

In 40 GPs, 127 mobile towers were installed during 2003-15 but installation/ renewal charges amounting to ₹ 16.47 lakh (**Appendix-7**) had not been recovered from the mobile companies concerned as of March 2015. This deprived the GPs of their due share of revenue. The Secretaries of the GPs concerned stated (June 2015- November 2015) that action would be taken shortly to recover the dues.

2.2.4 Expenditure incurred without preparing budget estimates by PRIs

(i) Rule 38 of HPPR Rules, 2002, provides that every Panchayat Samiti (PS) shall annually prepare a budget estimate of its receipts and expenditure for each financial year in the format prescribed in the form-12. The budget will be prepared by the Executive Officer of the PS by 31st December of the previous year and shall be submitted to the Finance, Audit and Planning Committee of the Samiti for scrutiny and modification, if any. After scrutiny, the said committee shall submit the same to the PS for its approval in or before February. The budget shall be passed by the PS by majority vote. Further, Rule 45 provides that no expenditure will be incurred without budget provision.

Audit noticed that PS Shilai had incurred an expenditure of ₹ 2.74 crore without preparing and passing the budget estimates during 2012-13 and 2014-15. The Executive Officer, stated (October 2015) that the expenditure incurred without budget estimates will be got regularised from the competent authority.

(ii) Rule 37 of HPPR Rules, 2002, provides that every Gram Panchayat (GP) shall annually prepare budget estimates of its receipts and expenditure for each financial year in the format prescribed in Form-11. The budget estimates shall be prepared by the Secretary of the GP by 15th October of the previous year and shall be submitted to the Gram Panchayat for scrutiny, and the same shall be passed by the Gram Sabha by majority vote.

Audit noticed that three Gram Panchayats⁵ had incurred an expenditure of ₹ 1.05 crore without preparing and passing the budget estimates during 2011-12 and 2014-15. The Secretaries of the Gram Panchayats concerned stated (August 2015-October 2015) that the expenditure incurred without budget estimates will be got regularised in Gram Sabha.

2.3 Blocking of funds

2.3.1 Blocking of funds due to non-commencement of works

Funds of ₹ 1.42 crore remained unspent due to non-commencement of works by PRIs

Scrutiny of records showed that in three PSs and 30 GPs (**Appendix-8**) ₹ 1.42 crore was received (2009-15) for execution of 175 works under various schemes. However, no expenditure was incurred on execution of these works as of March 2015. Thus, non-utilisation of funds for developmental activities resulted in blocking of funds, besides depriving the beneficiaries of the intended benefits. The Executive Officers/ Secretaries of the PRIs concerned stated (July 2015-November 2015) that due to non-completion of codal formalities, non-availability of land, land disputes and litigations, the works could not be started. The reply is not tenable as such issues should have been resolved before getting the works sanctioned and funds released accordingly.

2.3.2 Unutilised funds due to non-completion of works

Funds of ₹ 1.08 crore remained unspent due to non-completion of works by PRIs

In 25 test-checked PRIs, against an amount of ₹ 2.27 crore received for execution of 143 works (scheduled for completion within a period of three to 12 months) during 2008-15 under various schemes, an expenditure of ₹ 1.19 crore was incurred and the balance amount of ₹ 1.08 crore (48 per cent) was lying unutilised as of March 2016 (**Appendix-9**). The Executive Officers/ Secretaries of concerned PRIs stated (May 2015-November 2015) that works could not be completed due to working season being limited in snow bound area, and non availability of labour, cement and other construction material. The replies are not acceptable as these works have remained incomplete even after lapse of one to eight years from the date of their sanction.

2.3.3 Unutilized funds received under 13th Finance Commission

Funds of ₹ 34.58 crore remained unutilised under 13th Finance Commission in 111 PRIs/ PSs on account of non-start of works, incomplete works and non-release of funds

As per guidelines of the 13th Finance Commission (13th FC), grants released by the GOI to the State Government were to be transferred to the PRIs within 15 days from the date of its credit into the account of the State and the works approved thereof were

⁵ Karsog: ₹ 7.62 lakh, Dehla Lower: ₹ 62.56 lakh and Panjavar: ₹ 35.10 lakh.

to be completed within a period of three months from the date of their sanction. Audit noticed that:

(i) In two test-checked Panchayat Samitis and 73 Gram Panchayats (**Appendix-10**) ₹ 10.40 crore were received under 13th Finance Commission during 2010-15. Funds amounting to ₹ 7.21 crore had been utilised during the above period and ₹ 3.19 crore (31 *per cent*) remained unutilised with these PRIs. The Executive Officers/Secretaries of the PRIs concerned stated (July 2015-November 2015) that available funds would be utilised shortly.

(ii) It was further noticed that in 16 PRIs (**Appendix-11**), 429 development works having an estimated cost of ₹ 3.46 crore received under 13th FC during 2011-15 had not been taken up for execution as of March 2015. The entire amount remained blocked with the PRIs as of November 2015. The Executive Officers/Secretaries of the PRIs concerned stated (August 2015-November 2015) that works could not be taken up for execution due to land disputes, court cases and non completion of codal formalities. The reply is not tenable as such issues should have been resolved before getting the works sanctioned and funds being released.

(iii) In 10 test-checked PRIs, against an amount of ₹ 2.66 crore received under 13th FC during 2010-15, an expenditure of ₹ 1.81 crore was incurred and the balance amount of ₹ 0.85 crore (32 *per cent*) was lying unutilised as of March 2016 (**Appendix-12**). Executive Officers/ Secretaries of the PRIs concerned stated (June 2015-November 2015) that works could not be completed due to rush of works in other schemes and non-availability of labour, cement and other construction material.

(iv) Out of ₹ 63.76 crore received by 10 test checked PRIs(ZPs and PSs) under 13th FC during 2011-15 (**Appendix-13**), ₹ 36.68 crore were further released to GPs and ₹ 27.09 crore remained unutilised/unreleased with these PRIs. The Executive Officers/ Secretaries of the PRIs concerned stated (May 2015-November 2015) that funds could not be released due to non-receipt of shelf/estimates from ZP members and would be released shortly. The reply is not tenable as preparatory items of works should have been completed in time.

2.3.4 Blocking of funds in Personal Ledger Account (PLA)

Funds of ₹ 4.54 crore earmarked for minor irrigation schemes remained unutilised in Personal Ledger Accounts

The PSs had been maintaining Personal Ledger Accounts (PLAs) for crediting the grants received from Government for execution of minor irrigation and water supply schemes in rural areas. As per the condition of the sanctions, the funds were required to be drawn within one month and utilised within one year of the date of sanction.

Scrutiny of records showed that ₹ 4.54 crore were received in three PSs⁶ for execution of schemes during 2011-15. However, no expenditure was incurred on minor irrigation and water supply works. Thus, non-utilisation of funds resulted in unnecessary blocking of funds in PLAs, besides depriving the beneficiaries of the intended benefits of the schemes.

The Executive Officers of PSs concerned stated (October 2015-November 2015) that amount would be utilised shortly for intended purposes. The replies are not acceptable as funds deposited in PLAs were required to be utilised within one year of the date of sanction.

2.4 Doubtful deployments and double payment of wages

Eight GPs showed deployment of same labourers on different works in same period

Scrutiny of records showed that in eight test-checked GPs⁷, same labourers were shown as having been deployed on different works and different muster rolls in the same period during 2010-15, resulting in doubtful deployment and double payment of wages of ₹ 0.63 lakh. The Secretaries of the GPs concerned stated (May 2015-October 2015) that the matter would be investigated and action would be taken accordingly.

2.5 Delay in release of wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

Delayed payment of wages amounting to ₹ 1.14 crore in 19 GPs to labourers for periods ranging between five days to more than three years.

As per Para 8.3.1 of MGNREGS guidelines, workers were to be paid wages on a weekly basis and in any case not beyond a fortnight from the date on which work was done. In case of delay beyond a fortnight, workers were entitled for compensation as per the provisions of 'Payment of Wages Act, 1936'.

Audit noticed that 19 GPs made payment of ₹ 1.14 crore to the workers under MGNREGS after a delay ranging between five days to more than three years (**Appendix-14**). However, no compensation was paid to the labourers for delayed payment. The Secretaries of the GPs concerned stated (June 2015 – October 2015) that the delay in payment of wages was due to late receipt of funds from Block Development Officers. The reply is not acceptable as no reasons for non-payment of compensation due to the labourers for delayed payments were furnished by the Secretaries of the GPs concerned.

⁶ Nurpur: ₹ 51.59 lakh, Bhawarna: ₹ 400.55 lakh and Nadaun: ₹ 1.85 lakh.

⁷ Vasisth: ₹ 0.03 lakh, Nasogi: ₹ 0.04 lakh, Kataula: ₹ 0.03 lakh, Dadaur: ₹ 0.06 lakh, Chailly: ₹ 0.03 lakh, Shahpur: ₹ 0.41 lakh, Jiyunta: ₹ 0.01 lakh and Samlaue: ₹ 0.02 lakh.

