

Chapter - III

TRANSACTION AUDIT

3.1 Outstanding recovery of taxes

Inaction of the Village Panchayats to recover arrears of various taxes resulted in huge outstanding arrears of tax revenue.

As per Rule No-215 (1) of Gujarat Panchayat Act, 1993 any tax or fees due should be recovered on due date. A demand notice should be issued to the tax payer and concrete action shall be taken to recover the tax due, including sale of movable property in case of defaulter.

During the test check of 13 VPs, it was noticed that as of 31 March 2007, an amount of Rs. 44.78 lakh on account of Water Tax, House Tax and Light Tax was outstanding against the total dues of Rs.78.70 lakh as detailed in **Appendix-IV**. The recovery works out to only 45 *per cent* of the total dues. Expeditious action may be initiated to recover the outstanding taxes.

3.2 Non/Short levy of liquidated damages

Irregular extension of time for completion of work by the Bandhkam Samities of three District Panchayats resulted in undue benefits to the contractors in the form of non/short levy of liquidated damages.

As provided in para 7.2 of Government of India's guidelines for Pradhan Mantri Gram Sadak Yojana(PMGSY), the road works must be completed within a period of nine months and in exceptional cases up to twelve months from the month of approval. Clause 2(i) and (iii) of the terms and conditions of the contract provide that liquidated damages @ 0.1% of the contract value (maximum 10% of the estimated value) is recoverable from the contractor, if he fails to complete the work within the stipulated period. Further, as per Government instructions (October 2005), Bandhkam Samities⁵ of the District Panchayats are not the competent authorities to extend the date of completion of works under the scheme. It was however observed in the following cases that the Bandhkam Samities have irregularly extended the date of completion resulting in undue financial benefits to the contractors.

(A) District Panchayat Godhra.

The work of construction of rural road (package 17-14) was awarded in September 2004 at a tendered cost of Rs.296.66 lakh to M/S Rao Construction Pvt.Ltd. The work was to be completed by June 2005. However, the work was actually completed in June 2006 after delay of one year. The Bandhkam Samiti of the District Panchayat granted extension of time limit up to 30 June 2006 due to land acquisition problem and monsoon. Though the recoveries on account of liquidated damages at the rate of 10 *per cent* of the estimated cost work out to

⁵ Committees constituted under District Panchayat for monitoring construction works of the district panchayat.

Rs.29.69 lakh, the Executive Engineer DP Godhara had recovered only Rs. 14.47 lakh from the contractor.

The Executive Engineer while accepting the Audit observation stated (April 2007) that balance amount of liquidated damages would be recovered from the contractor. Further progress is awaited (January 2009).

(B) District Panchayat, Dahod and Anand.

Audit scrutiny of work files mentioned below revealed that the contractor failed to complete the works in time for which liquidated damages amounting to Rs. 65.37 lakh were required to be charged. Details of works, estimated cost, delays etc. are given below:-

(Rs. in lakh.)

District Panchayat	Package No.	Estimated cost	Date of award of work	Stipulated date of completion	Actual date of completion	Delay in days	L.D. Recoverable @ Max. 10 per cent
Dahod	GJ/07/02	141.50	31.12.2001	30.06.2002	15.05.2004	684	14.15
	GJ/07/03	139.47	17.01.2002	16.07.2002	25.07.2004	744	13.95
	GJ/07/04	96.13	17.01.2002	16.07.2002	15.05.2004	669	9.61
Anand	GJ/03/01	129.14	27.02.2004	26.08.2004	4.01.2005	130	12.91
	GJ/03/02	147.47	27.02.2004	26.08.2004	15.01.2005	142	14.75
TOTAL		653.71					65.37

Thus it could be seen from the above table that in respect of 5 works executed in 2 district Panchayats, there were delays ranging from 130 to 744 days

On being pointed out, the Executive Engineer replied (February 2007) that since the time limits have been extended by the Bandhkam/Executive Samiti of the district Panchayat, liquidated damages can not be charged. The reasons for the extensions were shown as non-availability of labourers, scarcity of water, non clearance of land and communal riots.

3.3 Non recovery of loan installments.

The District Panchayats, Godhara, Kheda and Anand did not maintain loan accounts in respect of loans disbursed to beneficiaries for construction of houses. The recovery of loan was also not effective resulting in an amount of Rs.12.83 crore pending recovery.

In order to provide financial assistance to the allottees of residential plots for construction of houses, Government of Gujarat guaranteed HUDCO loan to District Panchayats vide order No. CMS/1076/6442/j-11 dated 25 August 1976. As per guidelines, the loan was repayable in installment within maximum period of 10 years reckoned from the date of payment the first installment. Interest was payable at the rate of 7.5 percent and 2.5 percent penal interest was to be recovered in case of any default by beneficiaries in repaying loans. Gujarat Landless

Labourers and Halpati Housing Board (GLLHB) have been made as nodal agency to oversee the loan disbursement and repayment.

As per Government of Gujarat Panchayat and Rural Housing Department's resolution dated 28.12.1988 read with GLLHB's letter No. 339/07 dated 21.06.2007, the District Development Officer (DDO) has been personally made responsible for recovery of outstanding loans under this scheme.

Scrutiny of records for the year 2005-06 revealed that the recovery of loan was not effective. An amount of Rs. 12.83 crore was pending recovery from the beneficiaries as detailed below:

(Rs. in Lakh)

Name of the District Panchayat	HUDCO Loan	Government Loan	Bank Loan	Interest	Total
Godhara	145.74	18.76	--	--	164.50
Kheda	168.32	--	--	463.76	632.10
Anand	453.68	15.30	16.93	--	485.91
Grand Total	767.76	34.06	16.93	463.76	1282.51

The DDO did not maintained the detailed loan accounts for loan disbursed under the scheme. It was also noticed that an amount of Rs. 3.35 lakh recovered prior to June 2000 was not credited to Government Account and was lying with the DDO. Since loanee wise detailed accounts were not maintained, outstanding loan against each loanee was not available. Non-maintenance of detailed loan accounts and non-recovery of loan installments were fraught with the risk of financial frauds.