

CHAPTER-III

TRANSACTION AUDIT

3.1 Misappropriation of cash

As per Rule 154 of Gram Panchayat Rules, 1968, all receipts and payments of the GP shall be entered in the cash book on the date of transaction itself and the cash book closed with dated signature of Secretary and Sarpanch of the GP on the same day. The Gram Panchayat Extension Officer (GPEO) is required to verify the cash book and cash in hand at least once in a month. Further Rule 32 read with Rule 35 and Rule 36 (e) of Panchayat Samiti Accounting Procedure (PSAP) Rules, 2002, stipulate that the cash book shall be maintained by the Accountant in prescribed format and all cash transactions shall be entered in the cash book. At the end of each month, BDO shall verify the cash balance with the balance in the cash book and signed certificate of physical verification shall be placed in the cash book. The Chairman of PS is also authorized to verify the cash balances whenever he desires.

During audit of GPs and PSs, it was noticed that the above codal provisions were not followed scrupulously by the concerned DDOs and an amount of Rs 8.50 lakh was misappropriated in two PSs and 14 GPs (**Appendix-VI**).

During physical verification of cash in presence of audit cash was found short in 11 cases (Rs 7.41 lakh) and in five cases funds of Rs 1.09 lakh diverted from one scheme(s) to other schemes(s) were not taken in the cash book of the other schemes. Thus, non-observance of the codal provisions resulted in misappropriation of cash amounting to Rs 8.50 lakh.

Though the above misappropriation cases were brought to the notice of PRIs through IR paras, no response had been received from the PRIs (June 2009).

3.2 Misappropriation by way of false bills

As per Rule 77(2) of Panchayat Samiti Accounting Procedure Rules, 2002, in cases of repair and maintenance works, details of existing structures shall be indicated in the estimate giving the status of works and balance quantity of works required to be

executed for completing the works. Every estimate shall be technically sanctioned by the appropriate authority and copy of estimates so sanctioned shall be kept on record.

Scrutiny of records of Bandhugaon PS revealed that Rs 16.60 lakh was spent on repair and maintenance of staff quarters during 2007-08 out of sale proceeds of empty gunny bags (Source of funds) in different phases as per details given below.

(Rupees in lakh)

Sl.No.	Particulars of works	Voucher number and date	Amount
1.	Repairs and maintenance of Staff quarter	115/08.06.07	1.10
2.	-do-	116/08.06.07	2.50
3.	-do-	144/10.07.07	2.50
4.	-do-	244/12.10.07	1.00
5.	-do-	271/15.11.07	2.50
6.	-do-	284/06.12.07	2.50
7.	-do-	284/06.12.07	2.00
8.	-do-	314/08.02.08	2.50
Total :			16.60

Though these works were executed departmentally by the Junior Engineer of the Panchayat Samiti, no measurement books giving details of measurements done in respect of the works executed, particulars of materials used with details of purchases, vouchers in support of payment made on procurement of such materials etc. were available in support of execution of the works. In the absence of these basic documents the genuineness of expenditure incurred by the Panchayat Samiti towards repair and maintenance of the staff quarters was doubtful. The present status of these quarters of the Samiti showed that the quarters were in a dilapidated stage as seen from the Photograph (March 2009).



In response to the audit queries, the BDO stated (March 2009) that there was no record evidencing the execution of work and admitted that the departmental officers misappropriated the entire amount by way of false bills and assured to initiate departmental proceedings against the erring officials.

3.3 Excess drawal of money

Scrutiny of records in Bandhugaon PS revealed that Rs 5.38 lakh was withdrawn from the banks though the entry made in cash book was only for Rs 2.48 lakh. The details of drawals from banks are given below.

(Rupees in Lakh)

Name of the Scheme	Name of the payee	Cheque No./ date	Amount drawn as per Bank Account	Date of payment as per cash book	Amount paid as per cash book	Excess drawn
NREGA	M.K.Beura, J.E	388145/ 31.03.07	1.95	31.03.07	0.95	1.00
NFFWP	Miniaka Kamaya, executant	388086/ 26.06.07	1.45	26.06.07	0.45	1.00
NREGA	M.K.Beura, J.E	388169/ 05.11.07	1.98	05.11.07	1.08	0.90
Total			5.38		2.48	2.90

As could be seen, the excess withdrawals had been made by making additions in the cheques (both words and figures). Though the excess withdrawals were made long back, it remained out of sight and could not be detected by the PS even after expiry of two years, due to non-preparation of Bank Reconciliation Statement at the end of each month by the DDO. Commissioner-cum-Secretary, Panchayati Raj Department while accepting (July 2009) the audit observations stated that fraud had been committed by tampering of cheques, inflating the cheque amount and by inserting additional digits. He further, requested District Magistrate and Collector to initiate disciplinary/criminal proceedings against the person concerned.

3.4 Shortage of stock of rice valuing Rs 60.87 lakh issued under SGRY/NFFWP

The main objective of centrally sponsored schemes like Sampoorna Gramina Rojgar Yojana (SGRY) and National Food for Work Programme (NFFWP) was to provide additional wage employment in rural areas and thereby ensuring food security and improving nutritional standards of the rural poor. The rice for the programme is

allotted by Government of India through Food Corporation of India (FCI) godowns to respective PSs. The PSs after receipt of the rice from FCI, preserves the same conveniently in different godowns of the PSs/GPs. The rice is then issued to the executants for distribution to labourers engaged in different works as a part of their daily wages.

Physical verification of stock account of rice in four PS (July 2007, January 2008, September 2008 and November 2008) revealed that there was shortage of 4330.79 quintals valuing Rs 59.34 lakh^{††} in the physical stock as compared to the quantity shown in the stock records maintained by BDOs as detailed below.

Sl No	Name of the Panchayat Samiti	Name of the scheme	Balance as per stock register (in quintals)	Month/Date of Physical verification	Actual stock as per physical verification (in quintals)	Shortage (in quintals)	Total cost (Rupees in lakh)
1.	Lakhanpur	NFFWP	1733.00	November 2008	125.00	3075.00	42.13
		SGRY	1434.00				
		Mission Danapani	33.00				
		Sub-Total	3200.00				
2.	Kantamal,	NFFWP	445.48	January 2008	Nil	456.15	6.25
		SGRY	10.67				
		Sub-Total	456.15				
3.	Bhadrak	SGRY	690.32	July 2007	69.50	620.82	8.51
4.	Lamtaput	SGRY	340.67	September 2008	161.85	178.82	2.45
Grand Total			4687.14		356.35	4330.79	59.34

Further, in Potanai GP of Kujang PS, 111.41 quintals of rice valuing Rs.1.53 lakh received from the PS during 2007-08 was not accounted for in the stock register and the same was misappropriated.

Thus, in the above mentioned four PSs and one GP a total of 4442.20 Quintals (4330.79+111.41) of rice valuing Rs 60.87 lakh was misappropriated.

^{††} The FCI issue price of rice was Rs.1370/-per quintal.

The officials of PRIs stated (June 2008 to January 2009) that action would be taken to recover the cost of rice misappropriated under intimation to audit.

3.5 Non-recovery of cost of materials

Scrutiny of records in three PSs and two GPs revealed that though materials worth Rs 6.35 lakh (**Appendix-VII**) were issued to different works for their utilization, the cost of the same was not recovered from the works bill of the contractors at the time of final payment. Non-recovery of the cost of materials issued to the contractors resulted in excess payment of Rs 6.35lakh.

On being pointed out, the PRIs stated (September 2008 to March 2009) that the recovery of cost of materials would be made from the persons responsible for such lapses.

3.6 Non accountal of stock

Scrutiny of records revealed that stock materials worth Rs 2.20 lakh was misappropriated by the Ex- employees of the following PSs:

(a) Physical verification of stock materials conducted by the BDO, Bargaon in the district of Sundargarh (February 2008) revealed that there was a shortage of 21.30 quintals of MS rod valuing Rs 91590/- @ Rs 4300/- per quintals.

(b) In Bijepur PS it was noticed that the following materials were not handed over by the Ex- Store Keeper to the present Store Keeper (October 2007).

(In Rupees)						
SI.NO	PARTICULARS OF MATERIALS	BALANCE AS PER STOCK	ACTUALY STOCK HANDED OVER	SHORT AGE	RATE PER UNIT	TOTAL COST
1	Rolling shutter	18	14	04	6930/-	27,720
2	Sluice gate	23	20	03	25500/-	76500
3	M S Door	07	-	07	3391/-	23737
Total						127957 or Rs.1.28 lakh

Reasons for not handing over of the stock of materials were not on records. No explanation was furnished to audit in this matter.

On being pointed out, the PSs stated that action would be taken to investigate the cases. However, no action had been taken (August/September 2008).

3.7 Unfruitful expenditure on pisciculture

One Integrated Pisciculture Farm was established (2004-05) out of NFFWP funds at a cost of Rs 10.00 lakh at Kanjusola GP of Champua PS to conserve the rain water and utilize the water for pisciculture farming.

Audit noticed (November 2008) that though three ponds were constructed, no pisciculture was done in the ponds since construction. The water storage of the project was situated at the foot hill of nearby hills and lands at high altitude and due to presence of PWD road between storage area and nallas dropping down from hills, no storage of rain water in the ponds was possible. The location of storage being a rain water passage area was subjected to regular siltation with several feet deep mud. All such factors made it unsuitable for an Integrated Pisciculture Project. The BDO, having no manpower with required skill did not take any guidance from the Fisheries Department regarding technical and functional viability of the farm before implementation and incurring of expenditure.

Thus, injudicious selection of water body without taking necessary guidance from the line department concerned resulted in failure of the project and expenditure of Rs 10.00 lakh became unfruitful.

3.8 Unfruitful expenditure on construction of WHS, Check-dam and MIPs

Scrutiny of records (August 2008) of Baipariguda Block showed that nine water harvesting structures (WHS) and one check dam (**Appendix-VIII**) works were taken up at an estimated cost of Rs 60.67 lakh (2005-06 and 2006-07). As per the estimates and designs of the individual works there was provision for fixation of one to five sluice gates in the WHS/Check dams for storage of rain water to provide water for irrigation. The dams were completed (December 2006) without installing sluice gates and as a result the check dams were unable to store water needed for irrigation and thus the expenditure of Rs 46.36 lakh spent on the project remained unfruitful.

Similarly in Chikiti PS, five Minor Irrigation Projects (MIPs) were taken up during 2004-05 under National Food For Work Programme (NFFWP) at an estimated cost of Rs 14 lakh. In the estimates, there was provision for fixing screw gear shutter/Head regulator to regulate water flowing downward and utilize the same for irrigation purposes. The PS incurred an expenditure of Rs 13.79 lakh without fixing of screw gear shutter/Head regulator in the MIPs and only earthen works were undertaken. Due to non-fixing of screw gear shutter/Head regulator in the MIPs, the flowing water could not be stored rendering the expenditure unfruitful.

Thus, the total expenditure of Rs 60.15 lakh (Rs 46.36 lakh + Rs 13.79 lakh) incurred in construction of WHS, Check dams, and MIPs remained unfruitful. No reply had been furnished by the PSs.

3.9 Blocking up of funds

To provide hostel facilities to SC/ST students, the Project Director (PD), District Rural Development Agency (DRDA), Bolangir undertook construction of two hostel buildings under Special Central Assistance of Revised Long term Action Plan (RLTAP) funds during 2005-06 at an estimated cost of Rs 28 lakh for Desil Boys' High School, Desil and Rs 17.50 lakh for Mahulpada Girls U.G. Primary school, Mahulpada under Titilagargh PS. The Civil works were tendered and executed through Contractors (February 2008) at a total cost of Rs 33.25 lakh. (Desil- Rs 21.58 lakh and Mahulpada –Rs 11.67 lakh). After completion of civil construction of the two hostel buildings in October 2008, the PS did not take up electrification and sanitary fittings with water supply to the buildings. Hence, the buildings could not be allotted to the SC/ST students during 2008-09 and the very purpose of the construction of the buildings was defeated and the entire expenditure of Rs 33.25 lakh remained idle.

On being pointed out, the BDO stated (November 2008) that they would execute the electrical, sanitary fittings and water supply work of the buildings as early as possible.

3.10 Advances lying unadjusted

As per Rule 41 of Panchayat Samiti Accounting Procedure Rules, 2002, advances made to individuals/contractors/suppliers for various purposes should be regularly and promptly adjusted. The Drawing and Disbursing Officers (DDOs) are to maintain a Register of advances showing particulars of date, details of payee, amount, purpose,

and its adjustment etc. The DDOs should review the Advance Register frequently to ensure timely adjustment of the advances. Apart from that, the Panchayati Raj Department, Government of Orissa instructed (December 2002) all the BDOs to adjust the outstanding advances within one month of payment of advance. In case, the advances are not adjusted within one month the same may be treated as temporary misappropriation of fund warranting initiation of disciplinary proceedings/criminal proceeding in appropriate cases.

In 51 test checked units, it was observed that Rs 35.26 crore paid to different officials were lying unadjusted as of March 2008 (**Appendix-1X**). Of the above, the details of the officials in respect of advances of Rs 26.44 crore were not available with the DDOs. No attempt was made by the department for adjustment of outstanding advances. It was also noticed that advances were paid to the officials on several occasions without adjusting the earlier advances outstanding. Such irregularities persisted despite repeated objections made through the Audit Reports. Further, it was observed that the Advance Register was not maintained by DDOs though maintenance of such Register was prescribed under rules.

Thus, due to failure in observing the prescribed financial rules and procedures by the DDOs and lack of efforts for their identification and adjustment, an amount of Rs 35.26 crore still remains to be adjusted and out of which no details were available for an amount of Rs 26.44 crore.

It was stated that action would be taken for adjustment of advances.

3.11 Diversion of funds

The Central and State Plan Scheme guidelines viz SGRY, IAY, NREGS, GGY etc. prohibited diversion of scheme funds to any other scheme /purpose.

Scrutiny of records revealed that in 16 test checked PRI units, Rs 4.29 crore was diverted during 2007-08 from one scheme to another in contravention of the above stipulations (**Appendix-X**) which affected the implementation of the schemes from which these funds were diverted.

The PSs had not furnished any replies to the audit observation (May 2008 to March 2009).

3.12 Irregular expenditure on transportation charges

As per SGRY/NFFWP guidelines, the transportation charges of food grains were to be borne by the State Government from their own resources and the cash component of the scheme was not to be used for transportation.

Scrutiny of records of six PSs revealed that Rs 42.26 lakh was diverted irregularly from the scheme funds during 2007-08 towards transportation charges of food grains under these schemes as detailed in **Appendix-XI**. Due to such diversion, the creation of socio economic assets in the rural areas were hampered to that extent.

On being pointed out, the concerned PSs agreed (April 2008 to September 2008) to recoup the cost of transportation of rice on receipt of funds from the DRDAs. The replies were not tenable since the schemes were already merged with NREGS and the chances of recoupment was remote.

3.13 Unfruitful expenditure of Rs 2.11 crore on incomplete works

To provide a greater thrust to additional wage employment, infrastructure development and food security in the rural areas, Sampoorna Gramin Rojgar Yojana (SGRY) was launched during September 2001 by merging the hitherto ongoing schemes of the Employment Assurance Scheme (EAS) and the Jawahar Gram Samridhi Yojana (JGSY). Further, another scheme named as National Food For Work Programme (NFFWP) has been introduced by GOI in April 2004 for providing supplementary wage employment and food security through creation of need based economic and community assets in these districts.

The Western Orissa Development Council (WODC) was constituted under Western Orissa Development Council Act, 2000 with a view to upgrade the levels of development to remove regional imbalances and the State Government provides fund to implement different programmes of the Council like, road communication, minor irrigation, construction of check-dam, water supply scheme etc. The Member of Legislative Assembly Local Area Development (MLALAD) scheme enables each MLA to sanction funds for the development of his constituency on a priority basis.

Thus, it would be seen that the schemes give thrust to two major factors viz, additional wage employment and creation of durable social and community assets.

Scrutiny of records of five PSs (September 2007 to March 2008) revealed that 128 projects undertaken under SGRY/ NFFWP/MPLAD/WODC during 2002-03 to 2005-06 at project cost of Rs 3.24 crore remained incomplete after incurring an expenditure of Rs 2.11 crore as detailed in **Appendix-XII**.

The BDOs of PSs attributed (July 2008 to February 2009) improper monitoring of the work, difference of opinion of the public and consequential dispute and shortage of funds as the reasons to the non-completion of works. However, no details of these facts were available on records. Further, there was no maintenance / improper maintenance of works register. The works were executed without issuance of formal work orders stipulating the dates of completion. Moreover none of the BDOs had any action plan to complete the incomplete projects.

Thus, due to lack of proper planning and monitoring, an amount of Rs 2.11crore utilised in those 128 projects remained unfruitful and hence the desired benefits of creation of durable social and community assets or provision of additional wage employment could not be extended to the beneficiaries.

3.14 Unfruitful expenditure due to non-completion of IAY houses

The objective of IAY was primarily to provide assistance for construction of houses to members of Scheduled Castes/Scheduled Tribes, freed bonded labourers and also to non-SC/ST rural poor below the poverty line (BPL). As per the instructions for construction of houses issued by the State Government the assistance for construction shall be payable in four stages and the beneficiaries were to start construction within 15 days from receipt of the work orders, failing which the allotment would be cancelled.

Scrutiny of records in 11 PSs revealed that 2682 houses taken up for construction under IAY during 1992-08 were not completed even after expiry of one to sixteen years of the commencement of the work. An expenditure of Rs 2.72 crore incurred on those incomplete houses remained unfruitful as detailed in **Appendix-XIII**. Though the officers at Block level were entrusted with the responsibility of closely monitoring the progress through regular field visits and ensuring the utilization of instalments paid to the beneficiaries, there was lack of supervision and monitoring in this regard by the departmental officers. Thus, due to lack of monitoring and supervision on

progress of works, the buildings were neither completed nor any action taken against the defaulting beneficiaries by cancellation of work orders and recovery of the amounts already paid to them. Due to non-completion of these houses, the objective of the programme to provide shelter to the BPL families could not be achieved and the Government failed to provide dwelling units to these beneficiaries rendering the expenditure of Rs 2.72 crore unfruitful.

The PRIs had not furnished any reply (March 2009) in this regard.

3.15 Irregular execution of works under GGY

Government launched (2006-07) Gopabandhu Gramina Yojana (GGY) in 11 districts of the State with the objective of providing funds for creation of infrastructure consisting primarily of Bijli, Sadak and Pani i.e. electrification, roads and water supply in every revenue village of the district. Besides, projects taken up under the scheme should ensure creation of durable assets.

Test check of records in two PSs revealed that an amount of Rs 60.08 lakh was spent towards improvement of the existing roads (**Appendix-XIV**) such as repair of pot holes, moorum roads etc. during 2007-08 instead of executing original work as envisaged in the guidelines like construction of CC Road and Black Topped road, electricity and drinking water projects etc., in violation of the scheme guidelines.

Due to execution of such repair and maintenance works, the scheme failed in achieving its objective of creation of rural infrastructures and expenditure of Rs 60.08 lakh proved to be irregular.

3.16 Idle expenditure on shopping units

The Centrally Sponsored Schemes like SGSY and SGRY provide for construction of Market Complexes for letting out to various rural entrepreneurs for conducting business besides generating a source of income for GPs in the form of rental income. The Shopping units constructed should be allotted to the targeted groups without delay and for this the Government of Orissa instructed (April 2005) all the District Collectors and the Project Directors of DRDAs not to keep the shopping units unallotted. For effective implementation of the schemes, officers from the level of State headquarters to PSs were to closely monitor the programmes and visit work sites to ensure timely completion of the projects.

Test check of records of 14 PSs revealed that 663 shopping units constructed without carrying out survey during 2001-07 (**Appendix-XV**) incurring an expenditure of Rs 2.25 crore out of the SGRY, SGSY and MPLAD funds were not allotted (July-2009) to the beneficiaries resulting in the entire expenditure remaining idle. The shopping units were not allotted as beneficiaries were not identified for distribution after completion of construction. Further, there was no demand for these units in rural areas. The units were constructed by the PSs without conducting proper survey for ascertaining the feasibility of the market complexes in those areas as per Government instructions.

On this being pointed out, the PRIs agreed to hand over the shopping units very soon to the beneficiaries.

3.17 Irregular expenditure under KL Grants

The Government (Panchayati Raj Department) passed a Resolution (December 2004) specifying the principles of utilisation of Kendu Leaf (KL) grants by the PRIs. As per this resolution 80 *per cent* of KL grant should be utilized for infrastructure development and 20 *per cent* for providing services to public in respect of primary education, health, drinking water, sanitation and other productive activities.

Scrutiny of records revealed that PS Naktideol spent Rs 5.29 lakh on repair and renovation of the existing projects during 2007-08 out of ZP share of KL Grants in the following works in clear deviation of guidelines.

(Rupees in lakh)

Sl.No.	Name of the works	Amount
1.	Repair of staff quarters in block colony	0.28
2.	Improvement of patulidhip school, Rengali	2.70
3.	White washing and colour washing of playground	0.14
4.	Repair of B.D.O quarters	0.37
5.	Completion of Sale Phate school building	0.20
6.	Repair of Anganwadi Centre at Malikud Balleam GP	0.15
7.	Repair of Tikilipada UP School, Jukillipada	0.30
8.	Repair of quarters in block colony	0.41
9.	Repair of quarters in block colony	0.74
Total :		5.29

Utilization of KL Grant in repair works instead of utilizing the same in new projects in violation of the scheme guidelines resulted in creation of non-durable assets.

3.18 Non-remittance/advance payment of royalty

As per Government (Orissa Minor Mineral Concession) Rules, 2004, royalty shall be collected for use of metals moorums, sand and stones etc. and the same shall be remitted to Government account forthwith.

Test check of records revealed that in seven PSs, royalty of Rs 34.92 lakh (**Appendix-XVI**) though realized from the work bills during 2007-08 was not remitted to Government account.

In Gosani and R Udayagiri PSs, it was observed that Rs 4.31 lakh and Rs 0.67 lakh have been paid by the PSs as advance towards royalty to the State Government though there was no deduction of royalty from the work bills. Such royalty was paid as per the instruction of the Tahasildars concerned with the intention of showing higher revenue mobilization. PRIs could not furnish any reply to the objections.

