

CHAPTER III

AUDIT OF TRANSACTIONS

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

3.1 Misappropriation

Improper maintenance of accounts and lack of control by Medical Officer and Block Development Officer resulted in misappropriation of Rs 0.40 lakh

i) Misappropriation of Outdoor Patient Department (OPD) Fees at Public Health Centre (PHC), Sakharkherda

As per provisions of Rule 49 and 50 of the Maharashtra Zilla Parishads and Panchayat Samitis Account Code, 1968 all money received shall be credited within 24 hours in the bank or treasury and accounted for in the cash book. Even in places where banking facilities do not exist, no amount shall remain uncredited for longer than a fortnight. Rule 57 *ibid* provides for accounting of money transactions in chronological order and daily closing of cash book under signature of the officer in charge.

Scrutiny of the records of the Block Development Officer (BDO) Panchayat Samiti(PS) Shindkhed Raja in Buldhana district and of the Medical Officer (MO), PHC Sakharkherda (May 2008) and subsequent verification (April 2009) revealed that OPD fees of Rs 87978 collected during April 2003 to March 2008 was not accounted for in the cash book by the PHC. Out of the total collection of Rs 87978, an amount of Rs 64556 was remitted to District Fund Account (DFA) after a delay ranging from 41 days to 233 days and balance of Rs 23422 was misappropriated. It was also observed that the PHC did not make any entries in the cash book for the period from 27 June 2004 to 12 September 2004 and from 20 May 2006 to 31 March 2007. The cash book was also not being closed daily and signed by the MO.

On this being pointed out (May 2008), the Chief Executive Officer (CEO) Zilla Parishad(ZP), Buldhana intimated (December 2008) recovery of Rs 8836. The MO, PHC Sakharkherda also confirmed (April 2009) misappropriation of the remaining fees of Rs 14586 collected during 1 April 2003 to 31 March 2006.

ii) Misappropriation of OPD Fees at PHC Amthana

Scrutiny (September 2008) and subsequent verification (April 2009) of records maintained by the BDO, PS Sillod in Aurangabad district and MO,

PHC, Amthana revealed various deficiencies, viz. (i) the cash book was not closed daily (ii) the closing cash balance was neither verified by the officer in charge daily nor was it verified by an independent official from time to time (iii) delay in remittance of OPD fees ranging from 70 days to 958 days. Further OPD fees aggregating to Rs 16234 collected from 1 August 2006 to 20 April 2007 was misappropriated and accounted for in the cash book belatedly in March 2009 only at the instance of audit. It was also noticed that the records of collection and remittance of OPD fees for the period from 1 November 2004 to 10 November 2004 and from 1 October 2007 to 3 October 2007 were not available.

On this being pointed out (September 2008 and April 2009), the MO, PHC, Amthana confirmed (April 2009) recovery of misappropriated amount of Rs 16234. The MO, PHC, Amthana also stated that further recovery would be made after ascertaining the details of fees collected during 1 November 2004 to 10 November 2004 and from 1 October 2007 to 3 October 2007.

The delay in remittance of OPD fees as well as non-remittance in both the cases were neither noticed by the MO in-charge nor by the BDOs due to non-observance of codal provisions.

Thus, improper maintenance of cash book and accounts and failure by MO and BDO to exercise proper control led to misappropriation of Rs 0.40 lakh.

The matter was referred to Government in May 2009; reply had not been received (November 2009).

3.2 Non-levy of Property Tax on Sugar factories by Gram Panchayats

Raigaon and Wangi Gram Panchayats under Kadegaon Panchayat Samiti in Sangli district did not levy and collect Property Tax of Rs 52.68 lakh from two Sugar factories.

The Maharashtra Tax and Fee Rules, 1960 empowers the Gram Panchayats (GP) to levy and collect Property Tax on factories in their jurisdiction at the specified rates. Alternatively, the factories may opt for lump sum contribution in lieu of Property Tax with the approval of Government as per the provisions of Bombay Village Panchayat Act, 1958.

It was observed (November 2008) that though Property Tax was leviable under Maharashtra Tax and Fee Rules, 1960, Raigaon and Wangi GPs in Kadegaon, PS under Sangli, ZP did not levy and collect the tax in respect of Cane Agro Engineering (India) Ltd. and Sonhira Co-operative Sugar Factory Ltd. for the years 2002-08 and 2000-08 respectively. The tax leviable at the minimum of the specified rates worked out to Rs 34.16 lakh and Rs 18.52 lakh

respectively in respect of these two factories. These factories had not taken approval of the Government for lump sum contribution in lieu of Property Tax. This resulted in non-realization of revenue of about Rs 52.68 lakh.

On this being pointed out (November 2008), the CEO, Sangli ZP stated (June 2009) that demand notices for Property Tax aggregating to Rs 52.68 lakh had been issued to the two Sugar factories in May 2009 at the minimum of the specified rates. Reports on the amount of tax leviable at applicable rates and recovery thereof was awaited (July 2009).

The matter was referred to the Government in July 2009, reply had not been received (November 2009).

3.3 Irregular drawal

Irregular payment of salaries of Rs 85.02 lakh to 17 Block Resource Personnel from Sarva Shiksha Abhiyan initially appointed under District Primary Education Programme

Sarva Shiksha Abhiyan (SSA) is the comprehensive and integrated flagship programme of Government of India which aims to provide quality education to all children in the age group of 6-14 years by 2010. Paragraph 39.8 of Manual on Financial Management and Procurement relating to SSA does not permit expenditure on salaries of Block Resource Personnel (BRP) in Block Resource Centers (BRCs) already created under District Primary Education Programme (DPEP) from SSA funds and the salary of BRP was to be borne by the State Government.

Scrutiny of records (April 2008) of Education Officer, Zilla Parishad (EO,ZP) Gadchiroli and further information collected (November 2008) revealed that 17 teachers were sent on deputation from July 2003 onwards as BRPs in BRCs from DPEP strength and the salary of these BRPs were charged to SSA. It was further noticed that during the years 2003-04 to 2007-08 the salary of Rs 85.02 lakh of these 17 BRPs was also drawn from State Government and lying unspent in the District Fund. This resulted in not only double drawal of salary of these 17 BRPs, but also irregular debit of Rs 85.02 lakh to SSA funds.

The EO, ZP, Gadchiroli accepted (April 2008, November 2008 and February 2009) the drawal of funds from State Government as well as from SSA funds. EO,ZP also intimated that the amounts drawn from Government were not yet refunded.

The matter was referred to Government in December 2008; reply had not been received (November 2009).

3.4 Unfruitful expenditure on Minor Irrigation Tank

Failure to provide canal for irrigation resulted in unfruitful expenditure of Rs 75.01 lakh on Minor Irrigation Tank at Sarati

With the objective of irrigating 90 hectares (ha) of land through contour canal (2.79 kilometres), the work of Minor Irrigation (MI) tank at Sarati, District Osmanabad at an estimated cost of Rs 71.53 lakh (including cost of canal of Rs 14.92 lakh) was approved by the General Body of ZP in March 1994. The work of MI tank was completed in April 1999 at a revised cost of Rs 86.46 lakh without construction of canal.

Scrutiny of records of the Executive Engineer (EE), MI revealed that the work awarded to the contractor in June 1994 at a tendered cost of Rs 44.75 lakh was withdrawn in March 1997 after execution of work of Rs 43.02 lakh, due to obstructions by the farmers. The balance as well as additional work of gorge filling, head regulator, drainage excavation, pitching and tail channel was awarded to another contractor in July 1998 at a cost of Rs 10.41 lakh. The said work was completed in April 1999 at a cost of Rs 13.07 lakh. Further, the work costing Rs 18.92 lakh³⁶ was carried out departmentally. Initially the plans and estimates of the canal were prepared based on contour survey to ensure the required command. The Deputy Engineer, sub-division Tuljapur had intimated (February 1998) the EE, ZP, Osmanabad that (i) the canal is passing through hilly areas and hence maintenance expenditure would increase, (ii) the owners of land have refused to give land for canal as no water was supplied in the past through the canal despite acquisition of land and (iii) the old records of irrigation tanks constructed earlier in the same area indicated that irrigation potential achieved through canal was five *per cent* of projected potential and accordingly proposed for converting MI tank to storage tank. The proposal for deletion of work of canal was approved by the ZP Osmanabad in November 2006.

The revised estimate of Rs 101.55 lakh (including cost of canal) submitted in July 2004 by the EE, ZP was further revised (July 2007) to Rs 86.46 lakh (excluding cost of canal) by the Superintending Engineer (SE) and approved by the Chief Engineer (CE) in January 2008. The objective of irrigating the land through canal has not been achieved despite incurring expenditure of Rs 75.01 lakh. The liability of Rs 11.46 lakh has not yet been discharged.

On this being pointed out the EE stated (August 2007, July 2008 and May 2009) that water was not utilized so far and would be utilized by forming Water Utilization Societies. It was also contended by the EE that there was

³⁶ Land compensation charges, Miscellaneous charges etc.

indirect benefit for cultivation by way of percolation of water. The CE had also advised (January 2008) the SE that action to form society be taken so that water could be utilized.

The department's reply is not acceptable as the proposed scheme did not envisage construction of storage tank. Failure to conduct proper survey for canal before taking up project ultimately resulted in deletion of canal and the desired benefit of irrigation was not achieved despite lapse of more than 10 years. Further, department's contention about indirect benefit by way of percolation had not been substantiated by technical report. Thus, faulty planning coupled with factors affecting the canal work not considered at the time of planning resulted in unfruitful expenditure of Rs 86.47 lakh including un-discharged liability of Rs 11.46 lakh.

The matter was referred to Government in December 2008; reply had not been received (November 2009).

3.5 Unfruitful expenditure on purchase of water filters cum purifiers

Injudicious purchase of Water Filter cum Purifier for supplying pure drinking water to Schools without continuous water and electricity supply resulted in unfruitful expenditure of Rs 82.91 lakh

With a view to provide safe drinking water to schools, Rural Development and Water Conservation Department (RDD), Government of Maharashtra (GOM) had intimated (March 2006) all ZP their decision to purchase Water Filter cum Purifier (WFCP) and directed the CEO to furnish requirement. Based on the response received, GOM placed (October 2006) order on M/s Subham Industries (SI) for supply of 10077 WFCPs to 27 ZPs including ZP Nagpur.

Scrutiny of records revealed (April 2008) that the CEO, ZP Nagpur on receipt of a copy of supply order of October 2006 intimated (January 2007) the Department that the type of WFCPs ordered for supply were not useful as these schools neither had continuous water supply through tap nor had electricity supply for 8 to 10 hours *per* day. In response, the Department clarified (February 2007) that the order was placed based on the proposal received from ZP Nagpur in May 2006. SI supplied 774 WFCPs costing Rs 69.23 lakh to 13 Block Education Officers (BEOs) of the Nagpur District in May 2007. The payment of Rs 69.23 lakh was made (June 2007) to SI by the EO, ZP, Nagpur. Further, verification of the records and utilization certificates obtained (June 2008 and August 2009) from test checked 28 Schools of four³⁷ BEOs revealed that none of the schools had put to use the

³⁷ Kalmeshwar-3, Mouda-15, Ramtek-6, Saoner-4

WFCPs due to non-availability of continuous water supply through tap as there were no overhead tanks in the schools. Moreover, electricity supply was also not available even for 8 to 10 hours a day. Thus, procurement of 774 WFCPs at a cost of Rs 69.23 lakh without ascertaining availability of basic requirements mainly the power and water had resulted in unfruitful expenditure of Rs 69.23 lakh besides not achieving the desired objective of providing safe drinking water to the school children.

On being pointed, the EO, ZP Nagpur stated (April 2008) that these WFCPs would be used in future, subject to availability of continuous water/electricity supply. The reply was not acceptable as the purchases were made without ascertaining the viability of the WFCPs.

Further verification (August 2009) revealed that 153 WFCPs costing Rs 13.68 lakh were not installed out of 880 WFCPs purchased by four³⁸ ZPs during March to May 2007 due to non-availability of overhead water tank and continuous water supply. As a result, WFCPs were lying idle and students of these schools were deprived of the benefit of safe drinking water.

The matter was referred to Government in December 2008 and August 2009; reply had not been received (November 2009).

3.6 Blocking of fund

Failure to obtain refund of security deposit of Rs 59.77 lakh by returning unused Gas Cylinders/regulators and non-disposal of gas stoves costing Rs 36.66 lakh has resulted in blocking of Rs 96.43 lakh

Under the centrally sponsored Integrated Child Development Scheme (ICDS) supplementary nutritional food was provided by cooking food in Anganwadi to the children below 6 years, pregnant women and breast feeding women in the state. For this purpose 33 Child Development Project Officers (CDPOs) in three³⁹ ZPs procured (March and July 2000) 6386 gas cylinders and 3193 regulators from Bharat Petroleum Corporation Limited (BPCL), by payment of Security Deposit (SD) of Rs 59.77 lakh. Further, 3193 Gas stoves were purchased from M/s Rajesh gas agency at a cost of Rs 36.66 lakh.

Scrutiny of records of CDPO, Morshi, District Amravati (August 2008) and information collected subsequently from the Deputy Chief Executive Officers, (Dy.CEOs) Women and Child Development Department (WCDD), ZPs, Akola, Amravati, and Nagpur (November 2008, June/September 2009) revealed that the work of preparation of ready to eat nutritional food for the beneficiaries was entrusted to Mahila Bachat Gat (MBG) from 2005-07. The rate fixed for supply of food by MBG included cost of fuel. Thus, with the

³⁸ Amravati (23), Bhandara (40), Gondia (22) and Wardha (68)

³⁹ Akola, Amravati and Nagpur

entrustment of work of cooking food to MBG, all the gas cylinders and regulators were no longer required and should have been returned and refund of SD of Rs 59.77 lakh obtained from BPCL. The dealer had requested (April 2007) the ZP Amravati to return these cylinders and regulators to the company as these are not being used and the agreement was only upto June 2006. The Dy.CEO, ZP Amravati had also taken up (August 2007) the issue of return of cylinders with the Commissioner, ICDS. However, these cylinders/regulators were not returned till November 2008. No action was stated to have been taken due to non receipt of reply from the Commissioner, ICDS to the reference made in August 2007.

The gas stoves costing Rs 36.66 lakh were also not disposed off.

Thus, non-refund of deposit of Rs 59.77 lakh from BPCL resulted in blockage of fund which could have been utilized for other constructive work.

The matter was referred to Government in December 2008 and September 2009; reply had not been received (November 2009).

3.7 Diversion of Funds

Failure to observe Government instructions led to diversion of funds of Rs 79.23 lakh from one scheme to another and retention of funds under Sampoorna Gramin Rozgar Yojana despite closure of the scheme

Swarnjayanti Gram Swarozgar Yojana (SGSY) was commenced from April 1999 with the object for bringing a specific number of Below Poverty Line (BPL) families above the poverty line. Later with effect from September 2001 the Ministry of Rural Development, Government of India (GOI), launched the new scheme of SGRY by merging of Employment Assurance Scheme (EAS) and Jawahar Gram Samridhi Yojana (JGSY). The funds received from GOI for execution of centrally sponsored schemes are distributed to agencies through District Rural Development Agency (DRDA) based on annual targets. As per the guidelines issued by the GOI the funds are to be utilized on the scheme for which these are sanctioned. Meanwhile, Maharashtra Rural Employment Guarantee Scheme 2005 (MREGS) was introduced in December 2005 by the Planning Department in Government of Maharashtra (GOM). SGRY was merged with MREGS from 2 February 2006 and unspent balance thereof was to be transferred to MREGS account.

Scrutiny of records of BDO, PS Tiwsa (September and November 2008) and subsequent verification (February/March 2009) revealed that funds of Rs 79.23 lakh were diverted from one scheme to another during December

2003 to February 2008 by the BDO without recording justification for such transfers. The details of diversion of funds are shown in the following table :

Name of scheme	Date of Transfer from	Amount (Rupees in lakh)	Name of scheme to which transferred	Date of transfer to	Amount (Rupees in lakh)
SGSY	4-12-03	10.00	IAY	4-12-03	10.00
SGSY	4-11-04	11.23	IAY	19-11-04	11.23
SGRY	4-12-03	15.00	IAY	4-12-03	15.00
SGRY	24-03-04	05.00	IAY	25-03-04	05.00
SGRY	28-02-05	05.00	IAY	28-02-05	05.00
SGRY	24-03-05	05.00	IAY	30-03-05	05.00
SGRY	28-03-05	05.00	IAY	31-03-05	05.00
SGRY	22-02-08	10.00	IAY	22-02-08	10.00
SGRY	25-03-04	04.00	SGSY	29-03-04	04.00
SGSY*	20-05-04	06.00	SGRY	20-05-04	06.00
SGSY	30-12-05	03.00	SGRY	30-12-05	03.00
Total		79.23			79.23

Note: - * Actual transaction is of Rs 10 lakh which includes Rs 4 lakh on account of refund

Out of Rs 79.23 lakh, an amount of Rs 32.89 lakh was refunded and balance of Rs 46.34 lakh (February 2009) was not transferred to the respective schemes.

Even after lapse of more than two years (February 2006 to March 2008), the balance fund of Rs 61.08 lakh was not transferred from SGRY account to MREGS which resulted in blocking of fund and denial of the benefit under the MREGS.

On this being pointed out, the BDO while accepting the fact of not recording justification for transfer of funds, stated (September 2008, February 2009 and March 2009) that funds were placed by the DRDA as per list of beneficiaries duly approved by the Gram Sabha submitted by the Gram Panchayat and without demand from his office. An amount of Rs 15 lakh was also refunded from IAY to SGRY in February 2009 based on audit objection. Thus, lack of proper monitoring led to irregular transfer of fund from one scheme to another and also unnecessary idling of fund which should have either been utilized or refunded.

The matter was referred to Government in April 2009; reply had not been received (November 2009).

3.8 Undue benefit to the contractors

Failure to observe directives of Government of Maharashtra and non-obtaining of insurance from Director of Insurance has resulted in undue benefit of Rs 40.17 lakh to contractors

Government of Maharashtra (GOM) Finance Department had directed (January 1984) all the heads of the Department and local bodies to place their insurance with the Government Insurance Fund. GOM decided (August 1998) that all the contracted works executed under ZP should be insured through the Director of Insurance (DOI), Mumbai. Further, Rural Development and Water Conservation Department (Department), GOM instructed (May 2002) the CEOs of all ZPs that the insurance of the work and the workers employed thereon be taken by the contractor by paying premium to the DOI or Insurance Company authorized by the DOI. In case of failure, one *per cent* of the cost of work is to be recovered from bills of contractor. The Department reiterated (May 2002) that the local bodies should obtain insurance from DOI in respect of the works executed under all the schemes. As per clause 13 of Standard Bidding Document (SBD), the work should be insured from the “start date”. The Ministry of Rural Development (MoRD), Government of India (GOI) had intimated (September 2008) the Chief Engineer of GOM that the amendment, specifying purchase of insurance policy from DOI, to the said clause of SBD of Pradhan Mantri Gram Sadak Yojana (PMGSY) can be made based on proposal from GOM. DOI intimated (November 2008) that the insurance for PMGSY works in the State is mandatory in view of guarantee given by GOM for such works.

Scrutiny of records (April 2008) of Executive Engineer (EE), Works Department (WD), ZP Gadchiroli (WDZP) and further information collected (November 2008 and July 2009) revealed that the 12 works of construction and up-gradation of road works under package MH 1006 to 1009 and MH 1011 to 1018 under PMGSY were entrusted to five contractors at a tendered cost Rs 28.62 crore during 2005-06 and 2006-07 with the completion period of 12 months. Based on a reference made by the EE, ZP Gadchiroli, DOI fixed (March 2007) insurance premium of Rs 29.76 lakh taking into account stipulated period of one year for completion of these 12 works. Accordingly, WD,ZP Gadchiroli had recovered an amount of Rs 22.28 lakh between September 2006 to March 2007 from the contractors and balance amount of Rs 7.48 lakh was not recovered. But the amount recovered was not passed on to DOI. However, an amount of Rs 13.12 lakh was erroneously refunded to the contractors between June 2007 and March 2008 on the basis of production of insurance policy (not taken on start date) and request received from

contractors for release of amount already recovered towards insurance. Further, these works were not completed within the stipulated time. It was also observed that the insurance premium of Rs 19.57 lakh for the extended period of completion of the works was also not recovered.

On this being pointed out the EE stated (April 2008) that insurance from Private Insurance Companies were accepted as per instructions (April 2007) of the Superintending Engineer (SE), PMGSY, Nagpur Division, Nagpur. The EE initially accepted (November 2008) the Audit observation for recovery of insurance premium for extended period. However, the EE subsequently contended (July 2009) that amount deductible as per DOI was Rs 29.76 lakh.

Thus, despite clear instructions to deduct one *per cent* of cost of work from bills of the contractors to be credited to DOI, the EE ZP Gadchiroli did not collect an amount of Rs 27.05 lakh (Rs 7.48 lakh + Rs 19.57 lakh) from the contractors in violation of above orders. Further, Rs 22.28 lakh collected from bills were not deposited with DOI, out of which an amount of Rs 13.12 lakh was refunded and balance of Rs 9.16 lakh is still retained (July 2009). Thus, insurance premium amounting to Rs 40.17 lakh was not recovered from the contractors. Further, the SBD needs to be amended to incorporate GOM decision that insurance is to be taken from DOI.

The matter was referred to Government in December 2008; reply had not been received (November 2009).

3.9 Yashwant Gram Samrudhi Yojana

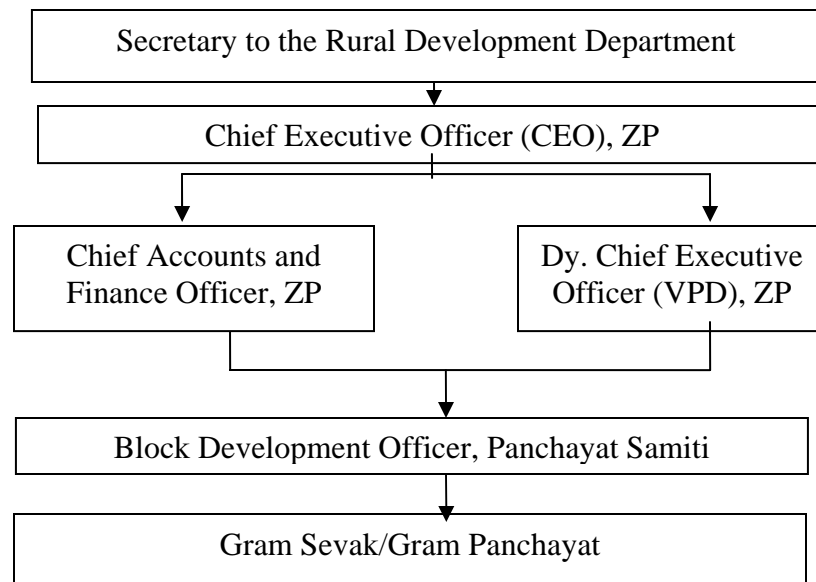
3.9.1 Introduction

With the objective of involving people in building rural assets, the Government of Maharashtra introduced the Yashwant Gram Samrudhi Yojana (YGSY) in August 2002. Under the scheme, two works at a total estimated cost upto Rs 10 lakh can be undertaken in a financial year by the GP concerned. The works of essential and urgent nature are to be decided and sanctioned by the Gram Sabha. After selection of the work and collection of 15 *per cent* Popular Contribution (PC) (10 *per cent* for SC/ST areas) from the villagers, the State Government would release the balance amount of 85 *per cent* grants-in-aid in three installments in the ratio of 40: 40: 20. The work is required to be taken up and completed between 15 September and 31 March of the respective year. The total outlay of the project till 31 March 2009 was Rs 1448.83 crore which included PC of Rs 211.89 crore. Out of 27909 GPs in the State, the scheme was implemented in 21178 GPs wherein 24030 works were taken up during 2002-09.

The scheme was intended to encourage execution of works of choice by the GPs and active participation of villagers in decision making, creation and maintenance of assets, reflecting the true spirit of devolution of functions to Panchayati Raj Institutions (PRI).

3.9.2 Organizational Set-up

The Rural Development Department (RDD) of the State Government disburses the grants through ZPs, which further routes the same through PSs to the GPs. GP is responsible for the implementation and monitoring of the project. The organizational structure is as follows:



3.9.3 Audit scope and methodology

The YGSY is implemented throughout the State, except Mumbai, through respective ZPs. The implementation of the scheme was examined in eight ZPs⁴⁰ out of 33 ZPs, ensuring atleast one ZP from each division, along with four PSs⁴¹ under each ZP and 4 GPs under each PS. Thus, eight ZPs, 32 PSs and 128 GPs were selected through random sampling technique.

3.9.4 Financial Management

As per the scheme guidelines, maximum of two works costing upto Rs 10 lakh can be taken up by each GP during each financial year. As the selection and

⁴⁰ Ahmednagar, Akola Auarangabad, Bhandara, Jalgaon, Pune, Raigad and Satara

⁴¹ Ahmednagar, - Parner, Rahuri, Akole and Sangamner; Akola – Akola, Balapur, Barshi Takli and Murtizapur; Auarangabad- Fullambri, Sillod, Soegaon and Paithan Bhandara-Bhandara, Tumsar, Sakoli and Lakhani, Jalgaon- Jamner, Chopada, Pachora and Yawal, Pune- Baramati, Junner, Ambegaon and Haveli, Raigad- Pen, Panvel, Roha and Alibag and Satara- Phaltan, Karad, Mahabaleshwar and Wai

execution of the work was the responsibility of the GP, the role of State Government was only to ensure availability of funds.

The scheme envisaged Government grants upto Rs 8.50 lakh (Rs 9 lakh for SC/ST areas) *per annum* per GP, subject to collection of PC by the GP. The total requirement of Government grants for the period from 2002-03 to 2005-06 amounted to Rs 1284.26 crore. However, the Government grants provided till 2005-06 were only Rs 768.66 crore as follows:

(Rupees in crore)

Year of sanction of works	Demand based on PC Collection		Amount released by the State Government	Percentage release
	Demand for the year	Demand including backlog		
2002-03	319.69	319.69	152.36	47.66
2003-04	168.34	335.67	141.92	42.28
2004-05	206.30	400.05	219.57	54.89
2005-06	589.93	770.41	254.81	33.07
Total	1284.26		768.66	

Due to resource crunch, the State Government stopped PC collection from April 2006 onwards and for the remaining amount of Rs 515.60 crore in respect of PC already collected, grant of Rs 468.17 crore was provided during the period from 2006-07 to 2008-09 as indicated below:

Year of release of grants for PC collected upto 2005-06	Amount released (Rupees in crore)
2006-07	150.00
2007-08	61.13
2008-09	257.04
Total	468.17

It is evident from the table that the scheme was introduced without proper financial planning by the State Government. Number of works undertaken during the last seven years was 24030 works which was far less than even one work per GP. Although the scheme provided for release of grants only to those GPs which deposited the required PC, the State Government did not ensure participation of all GPs through adequate publicity. If PC had been collected as per scheme guidelines, the total number of works that could have been executed during the last seven years by all GPs would be 195363 as against a meager 24030 works undertaken out of Government grants of Rs 1236.83 crore during 2002-09. Adequate planning and wide publicity would have ensured reasonable number of works for each GP and ensured overall development of GPs under the scheme.

3.9.4.1 Popular contribution vis-à-vis contractors contribution–adverse impact

Under YGSY, works costing up to Rs 10 lakh were sanctioned after collection of 15 per cent (10 per cent for SC/ST areas) of estimated cost as PC from the villagers.

The scheme was originally envisaged to be executed by the villages directly. However, subsequently execution of works through contractors was permitted from December 2002. The Tata Institute of Social Sciences who conducted a review of the scheme reported that PC was mainly made by contractors. Further, payment of PC by contractors would not only go against the spirit of public participation but also had a bearing on the quality of the works executed by the contractors, who have paid the contribution and got the work allotted to them.

It was noticed during audit that in six cases in Fullambri PS in ZP Aurangabad, the number of persons who contributed PC ranged from one to 12 persons.

3.9.4.2 Inadequacy of budgetary support

During the first year of implementation of the scheme (2002-03), the requirement of Government grants based on PC collected was Rs 319.69 crore. Against this, the grant provided by State Government was only Rs 152.36 crore and even out of this Rs 110.20 crore was provided by diversion of Central Government grants under Eleventh Finance Commission (EFC). Thus the scheme was introduced in 2002-03 with a budgetary support of only Rs 42.16 crore although the requirement was Rs 319.69 crore in the first year itself. Further diversion of Rs 111.66 crore was made from EFC grants during 2003-05 resulting in an overall diversion of Rs 221.86 crore from EFC grants during 2002-03 to 2004-05.

3.9.4.3 Diversion of YGSY grants by PRIs

During 2004-05 to 2007-08, PS Karad diverted YGSY funds of Rs 1.56 crore for investment in short term fixed deposits for 3 to 6 months in banks. Further, in PS Balapur of ZP Akola and PS Sillod of ZP Aurangabad, YGSY funds of Rs 1.17 crore were irregularly diverted as security deposit for opening of Mahila Bachat Gat (self help group). While the funds of Rs 62 lakh were subsequently recouped in PS Sillod (June 2009), the funds diverted in PS Balapur (Rs 55 lakh) had not been recouped (April 2009).

3.9.4.4 Delay in release of funds by the State Government and PSs

Under YGSY, the funds were to be released by the Government to ZPs for further distribution to PSs. The PSs were to release funds to GPs in three

installments of 40:40:20 by 10 November, 20 December and 15 February respectively.

However, it was observed that the State Government released Rs 257.04 crore and Rs 61.13 crore for 2005-06 to ZPs after a delay of three years and two years respectively. It was further noticed that ZPs Akola, Aurangabad, Bhandara and Jalgaon released funds amounting to Rs 10.09 crore to PSs with delays of more than six months in nine instances.

ZP Aurangabad stated (June 2009) that the delay was mainly due to verification of PC and other ZPs stated that the delay was due to administrative reasons. While the delay in release of funds by Government to ZPs was due to inadequate planning of funds by State Government as stated earlier, the administrative delay in release of funds by ZPs to PSs lacks justification.

Due to abnormal delay in release of funds, the time schedule prescribed under the guidelines could not be adhered to. This resulted in blockage of funds at ZP and PS level and delay in execution of works at GP level. The delay in release of funds had an adverse impact on the scheme as PCs were withdrawn by GPs as indicated in Paragraph 3.9.6.2.

3.9.4.5 Loss of interest due to unspent funds kept in District Central Co-operative Bank

Grants received from Government is generally drawn and kept in district fund by ZPs. It was noticed in all the test checked ZPs that the district fund was maintained in District Central Co-operative Bank (DCC Bank) which did not provide any interest. In ZP Akola, Aurangabad, Bhandara and Jalgaon, funds amounting to Rs 10.59 crore were kept for periods ranging from three months to 11 months in DCC bank resulting in loss of interest of Rs 27.27 lakh.

3.9.4.6 Non-refund of interest and excess grants

According to the scheme guidelines, interest earned by PRIs on the funds kept in savings bank account should be credited back to the State Government. The excess grants, if any, are also required to be refunded by the PSs/GPs.

It was, however, noticed that 16 PSs and 102 GPs had not refunded the accrued interest of Rs 1.63 crore and Rs 10 lakh respectively to the State Government. Further, 22 PSs have not refunded the excess grant of Rs 26.18 lakh in respect of 65 works to the respective ZPs.

3.9.5 Implementation of scheme

3.9.5.1 Incomplete works

As of March 2009, the physical achievement under the scheme was as follows:

Year	Number of works sanctioned and taken up	Estimated cost of works (Rupees in crore)	Number of works completed	Expenditure (grant disbursed excluding PC) (Rupees in crore)
2002-03	2500	174.12	2500	152.36
2003-04	2362	162.19	2362	141.92
2004-05	3890	286.27	3890	219.57
2005-06	8003	291.21	6688	254.81
2006-07	2006	171.42	0	150.00
2007-08	690	69.86	0	61.13
2008-09	4579	293.76	0	257.04
Total	24030	1448.83	15440	1236.83

It would be evident from above that as many as 8590 works (36 per cent) with an estimated cost of Rs 517.92 crore were incomplete as of March 2009.

3.9.5.2 Execution of inadmissible works

The scheme guideline stipulates that the works undertaken should be of essential and urgent nature. It also specifies the works which cannot be executed under the scheme. Works such as Mangal Karyalaya, Multipurpose Hall, public meeting hall, Rangmanch were not admissible under YGSY.

Audit scrutiny revealed that 16 PSs executed 172 works costing Rs 9.53 crore which are listed as 'inadmissible works' under the scheme.

The execution of inadmissible works was not only a violation of Government order but also adversely affects the execution of admissible works under the scheme.

3.9.5.3 Excess expenditure

In respect of works being executed by GPs, 5 per cent of the profit margin has to be credited to the village fund since estimates are prepared as per PWD DSR which included 10 per cent contractor's profit.

Audit scrutiny revealed that the above provisions were not observed by any of the 128 GPs test checked in respect of works executed under the scheme. This had resulted in excess expenditure of Rs 70.44 lakh representing 5 per cent of the cost of 201 works undertaken in these GPs.

3.9.5.4 Unfruitful expenditure

In PS Wai, ZP Satara, six irrigation schemes costing Rs 34.25 lakh were completed in 2005-06. Due to inadequate provision of fund for electricity connection, the required amount of deposit could not be made to MSEB by the GPs. Due to non-provision of electricity connection, the irrigation schemes could not be put to use rendering the expenditure of Rs 34.25 lakh unfruitful even after the lapse of three years of their completion.

3.9.5.5 Construction of roads without required gutters

As per the guidelines of YGSY, the work of construction of road should be accompanied with construction of side gutters so that roads could be saved from damage during rainy season.

In 177⁴² road works constructed during 2002-03 to 2008-09 the required side gutters were not constructed leaving them vulnerable to damage due to water logging.

3.9.6 Other points of interest

3.9.6.1 Statutory deductions

In the case of works being executed by the GPs departmentally, the deductions of Income Tax, Sales Tax (Value Added Tax), insurance charges, security deposit *etc.*, were not to be recovered by PSs from the work bills of GPs while releasing installment. However, in 275 cases, seven PSs had erroneously made these deductions amounting to Rs 53.41 lakh.

On the contrary, the statutory deductions amounting to Rs 12.56 lakh were not made by the 25 GPs in 72 cases from the works bills of the contractors.

3.9.6.2 Withdrawal of popular contribution

In three test checked ZPs, 148 GPs have withdrawn their PC amounting to Rs 162.78 lakh. This included :

- Rs 40.05 lakh by 29 GPs in ZP Aurangabad due to delay in sanction of works for 2005-06 by CEO/ZP.
- Rs 16.88 lakh by 16 GPs in ZP Jalgaon due to delay in release of funds.
- Rs 105.85 lakh by 103 GPs in ZP Solapur during December 2005 to March 2006 resulting in refund of grants of Rs 5.02 crore to the State Government (December 2008).

Thus, delay in sanction of works and release of grants had an adverse impact on the overall implementation of the scheme.

3.9.6.3 Other Irregularities

(i) In GP Chitegaon under PS Paithan, ZP Aurangabad, PC amounting to Rs 0.75 lakh was transferred from village fund as PC instead of collecting the same from villagers. The transfer of village revenue instead of collecting PC as prescribed amounted to irregular expenditure of State Government funds.

(ii) In GP Andhari under PS Sillod, ZP Aurangabad, shopping complex was constructed at a cost of Rs 20 lakh during 2002-03 and 2003-04. The allotment of shops was made only to those 53 persons who paid the PC. This

⁴² Cost of construction of 55 roads was Rs 4.09 crore

resulted in utilization of State Government grants for extending undue favour to few individuals.

3.9.7 IEC Activities

Under YGSY, training at GP level, PS level, ZP level and also within the department was required to be conducted for effective and proper implementation of the scheme. However, no training was provided and lapses by the implementing officers in execution of the schemes as detailed in earlier paragraphs can be attributed to lack of training.

Further, the guidelines provided for one *per cent* of the available funds to be spent for publicity of the scheme. The one *per cent* of the total amount spent on the scheme during 2002-09 period works out to Rs 12.36 crore. However, no expenditure had been incurred for publicity and non-coverage of the scheme in 6731 villages could be attributed to lack of publicity.

3.9.8 Monitoring mechanism

For timely and efficient execution of any project, there should be adequate monitoring mechanism to watch the physical and financial progress of the work. The system also should have sufficient built in internal control to guard against time and cost overrun and to ensure compliance of instructions on the scheme. The following points, however, reflects the inadequacy of internal control and monitoring mechanism in implementation of YGSY.

3.9.8.1 Social audit and inspection of work

Under YGSY, social audit of a work is required to be done by villagers. Further, inspection of the work is required to be done by the BDO, Extension Officer, Deputy Engineer *etc.* However, out of 128 GPs test checked, 92 GPs had not conducted the envisaged social audit. The inspection reports of inspections conducted, if any, on the progress of work were not on record in any of the PRIs test checked.

3.9.8.2 Mid term appraisal of scheme not carried out

As per the guidelines, the BDOs should conduct midterm appraisal/evaluation of the scheme during October/November each year and allot the grants not immediately required by GPs (for which grants were sanctioned and received) to other GPs who require the grants.

However, it was noticed that no midterm appraisal was carried out to assess the situation and divert funds to needy works.

3.9.9 Conclusion

YGSY was implemented in the State without adequate planning on requirement of funds. As against the requirement of Rs 1284.26 crore during the period 2002-09, the State Government provided only Rs 768.66 crore and consequently only 24030 works (13 *per cent*) were taken up as against the estimated 195363 works during the scheme period. In 45 GPs, PC amounting to Rs 56.93 lakh for works costing Rs 3.80 crore was withdrawn due to delay in release of funds by the State Government. Out of the 24030 works involving Rs 1448.83 crore undertaken during past seven years, 8590 works (36 *per cent*) were still incomplete. Cases of irregular diversion of funds and execution of inadmissible works were noticed. Monitoring mechanism was weak as in most of GPs the social audit as envisaged in the scheme was not conducted and mid-term appraisal was not carried out.

3.9.10 Recommendations

- State should have a proper plan to assess the fund requirement and make available the same in the respective year.
- The GPs should be encouraged to prepare perspective plan for implementation of the scheme.
- Incomplete works should be completed in time bound manner and accountability should be ensured strengthening internal control system.
- Contribution from contractors should be discouraged and villagers involvement be ensured as envisaged under the scheme.