

Preface

This report has been prepared for submission to the Government of Gujarat in accordance with the terms and conditions of the Technical Guidance and Supervision (TGS) over the maintenance of accounts and audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) by the Comptroller & Auditor General (C&AG) of India. This is the Fourth Report prepared on the performance of the PRIs and ULBs in Gujarat.

Based on the recommendations of the Eleventh Finance Commission, the Government of Gujarat entrusted the Audit of PRIs /ULBs to the C&AG of India under Section 20(1) of the C&AG's (DPC) Act 1971 for providing technical guidance and supervision to the Director of Audit (Local Fund) Gujarat.

The Report consists of two parts. Part A contains observations on PRIs and Part B contains observations on ULBs.

The findings detailed in this Report are among those which came to notice during the course of test audit of accounts during the year 2008-09 and issues continued beyond 2008-09 are also included wherever necessary.

Overview

This Audit Report includes six chapters containing one review, two schematic long paras and observations of Audit on accounting procedure and financial management, revenue receipts, establishment, material management, implementation of schemes, as well as observations on the structure and finances of Panchayati Raj Institutions and Urban Local Bodies. Copies of the paragraphs were forwarded to the Government for their replies.

Panchayati Raj Institutions

1. Structure and Finance

The State Government has not devolved all the functions envisaged in the 11th Schedule of the Constitution of India. The formats for database on the finances of PRIs have not been implemented though adopted by the State Government. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions was maintained nor action taken by the State Government on recommendations of the belatedly constituted SFCs. Audit of 28,664 PRI units by Director Local Fund Audit was in arrears from 2005-06.

(Chapter 1)

2. Accounting Procedure and Financial Management

Twenty Town Panchayats incurred excess expenditure of ₹.125.60 crore against allotted grants during 2005-07 in violation of the departmental instructions.

(Paragraph 2.1)

Nineteen Town Panchayats did not surrendered unspent grants of ₹ 41.23 crore to the Government during the period 2005-07.

(Paragraph 2.2)

In 36 Village Panchayats of Districts Rajkot and Bharuch, the budget preparation was unrealistic as against the estimated receipts of ₹ 3.12 crore and ₹ 3.90 crore for the years 2005-06 and 2006-07 respectively actual receipts were only ₹1.25 crore and ₹1.82 crore. Similarly against Estimated expenditure of ₹ 2.87 crore and ₹ 4.02 crore for the years 2005-06 and 2006-07 respectively, in above TPs, the actual expenditure was only ₹1.35 crore and ₹1.63 crore.

(Paragraph 2.6)

Basic records and Registers of Advance, Rents, Demand and Collection, Loans, Works, Deposits, and Assets were either not maintained properly or were not at all maintained at PRIs levels, indicating serious lacuna on the part of controlling officers.

(Paragraph 2.12)

3. Review of Internal control system in DP Sabarkantha

Internal control is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. The Gujarat Panchayats Act (Act), 1993 and rules framed there under provide directives for internal controls for the Panchayati Raj Institutions (PRIs). The internal controls in Sabarkantha District Panchayat were found to be weak, as rules regarding various control measures were not complied with or were inadequately complied. The system could not ensure economy and effectiveness in operations, efficiency in fund management and led to weak monitoring.

Budget estimates were not prepared realistically leading to big gap between estimates and actual in income and expenditure.

(Paragraph 3.1.6.1)

Unclaimed deposits of ₹ 4.20 Crore, over three financial years, were not treated as lapsed and were not transferred to Panchayat funds.

(Paragraph 3.1.6.2)

Non-monitoring of the funds in implementation of the programmes resulted in accumulation of funds of ₹ 21.84 lakh during 2006-09.

(Paragraph 3.1.6.3)

Lack of monitoring in implementation of works by Irrigation branch resulted in delayed completion of works.

(Paragraph 3.1.7.1)

Though programmes for Inspection of Village Panchayats were framed each year, inspection was not carried out by DDO/Deputy DDOs and TDOs during the period 2006-09.

(Paragraph 3.1.8.1)

Urban Local Bodies

4. Finance and Accounts

The State Government has not devolved all the functions enlisted in the 12th Schedule of the Constitution to the ULBs. State Government adopted the formats for database on the finances of ULBs. However, the same are yet to be operationalised. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions, was maintained nor action taken by the State Government on recommendations of the belatedly constituted SFCs.

(Chapter 4)

5. Transaction audit findings

In Nagarpalika Amreli, 6759 bills amounting to ₹ 20.66 crore were unauthorisedly passed without obtaining signature of the Chief Officer.

(Paragraph 5.1)

Gandhidham Nagarpalika, by non-imposition of the water tax had created corresponding accumulated liability of ₹ 35.94 crore for payment to Gujarat Water Supply and Sewerage Board, Gandhinagar towards charges for supply of the water.

(Paragraph 5.2)

Nine Nagarpalikas, as of 31st March 2009 had not recovered advances amounting to ₹ 3.83 crore paid to the suppliers, contractors and their employees.

(Paragraph 5.6)

Eight Nagarpalikas could recover taxes to the extent of ₹.7.94 crore (46 per cent) against the total demand of ₹.17.10 crore.

(Paragraph 5.7)

Under a Centrally Sponsored Scheme, Integrated Development of Small and Medium Towns Nagarpalika Vapi had short credited its matching component to the extent of ₹16.80 lakh as was required under the provision of this scheme. The availability of land for the projects was not ensured leading to time and cost overrun besides loss of income to Vapi Nagarpalika.

(Paragraph 6.8.1, 6.8.2 and 6.8.3)

CHAPTER I

THE STRUCTURE AND FINANCE OF PANCHAYATI RAJ INSTITUTIONS

1.1 Panchayati Raj Institutions -Introduction

Article 243B of the Constitution envisages a three tier system of Panchayat: Village Panchayat (VP) at the village level, District Panchayat (DP) at the district level and Taluka Panchayat (TP) at intermediate level between the village and the district levels (at the Taluka level).

1.2 Status of PRIs in Gujarat

A three-tier system Panchayat was envisaged in the Gujarat Panchayat Act, 1961 (GP Act), which came into force in April 1963. This Act was amended in April 1993 to incorporate the provisions of the 73rd Constitutional Amendment Act, 1992. The first general election for the DPs, TPs and VPs were held in 1963. Since then the general election for the Panchayats have been held every five years and the last election of 25 DPs and 208 TPs was held in the month of October 2010.

1.3 Area and population covered

The GP Act extends to the whole of Gujarat in areas other than Municipalities/ Municipal Corporation / Notified Areas. Gujarat has geographical area of 1,96,024 Sqkms and accounts for 6.19 percent of the total land area of the country. According to the population census 2001, the population of the State stood at 5.07 crore with density of 258 persons per Sqkm. The rural population of 3.17 crore (62.64 *per cent* of the total population) belonging to 58.86 lakh households thus, was under the purview of the GP Act.

1.4 Organisational structure of the PRIs

There are 26 DPs, 224 TPs and 13788 VPs in the State. Panchayat, Rural Housing and Rural Development Department headed by Additional Chief Secretary exercises administrative control over the PRIs. The department is responsible for framing of policies pertaining to formulation and implementation of developmental schemes and administration. The Department also ensures implementation of above through issues of orders, guidelines and control and monitoring mechanism by the office of the Development Commissioner, Gandhinagar. The GP Act envisages the functioning of the DPs, TPs and VPs through functional Standing Committees having elected representatives as members and chairman. The

numbers of Committees prescribed under the GP Act are seven¹, two², and two³ for DP, TPs and VPs respectively. In addition, the Panchayats may, with the prior approval of the State Government, constitute Committees (s) for specific purpose.

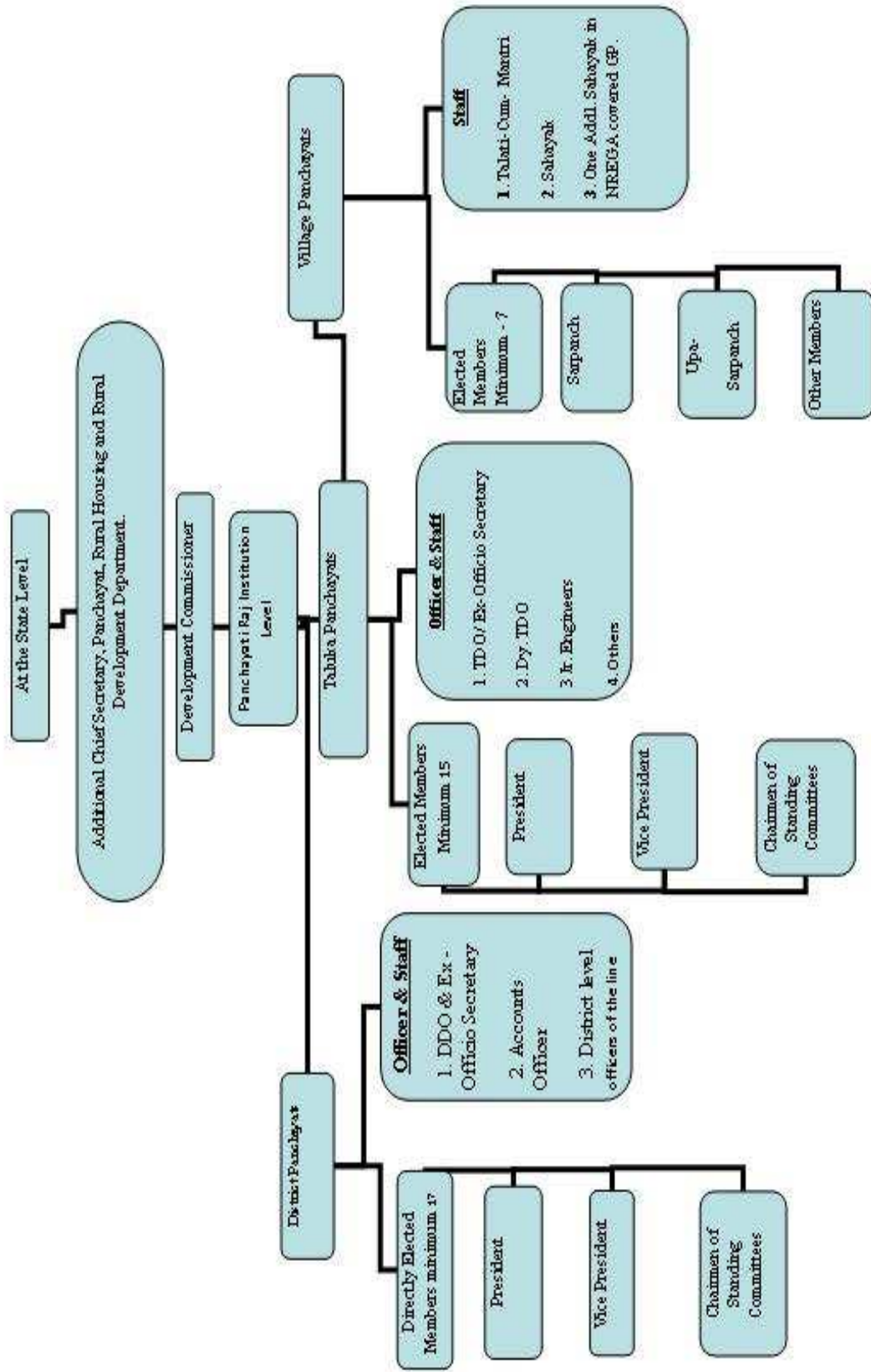
The organisational set up of the panchayati raj system in Gujarat is as shown in next page.

¹ (i) Executive Committee (Finance, Home guards, Village defence and for functions not assigned to any committee) (ii) Social Justice Committee (social justice for weaker Sections / SCs / STs) (iii) Education Committee (Education, Literacy and Cultural activities) (iv) Public Health Committee (Public Health, Hospitals, Health Centres, Sanitation, Water supply, Vaccination and family planning). (v) Public Works Committee (Public Works, Communications, Buildings, Rural Housing, Relief against Natural Calamities). (vi) Appeal Committee. (viii) Twenty Point Programme Implementation and Review Committee.

² (i) Executive Committee. (ii) Social Justice Committee.

³ (i) Executive Committee. (ii) Social Justice Committee.

The Organizational set up of the Panchayati Raj System in Gujarat:



1.5 Powers and functions

The 11th Schedule of the Constitution lists 29 functions to be devolved to the Panchayats. Article 243-G of the Constitution had empowered the State Legislature to decide and confer powers and responsibilities to the PRIs. As per section 180 (2) of the GP Act, the State Government may entrust to Panchayats 29 functions as mentioned in the 11th Schedule of the constitution. Out of these 14 functions⁴ are fully devolved, 5 functions⁵ are partially devolved and 10 functions⁶ are yet to be devolved in the State. Fourteen functions were devolved to the amendment in the GP Act, which was done in April 1993, since then no revision in the list has been made with the purpose to devolve the rest functions to these Institutions. The GP Act also vests a PRI with the following powers and duties: (i) to prepare development plan / annual action plan, (ii) to implement schemes for economic development and social justice as may be drawn up by or entrusted to it in pursuance of 11th Schedule of the Constitution, (iii) to manage or maintain any work of public utility and (iv) to collect revenue for utilisation of such funds for developmental work.

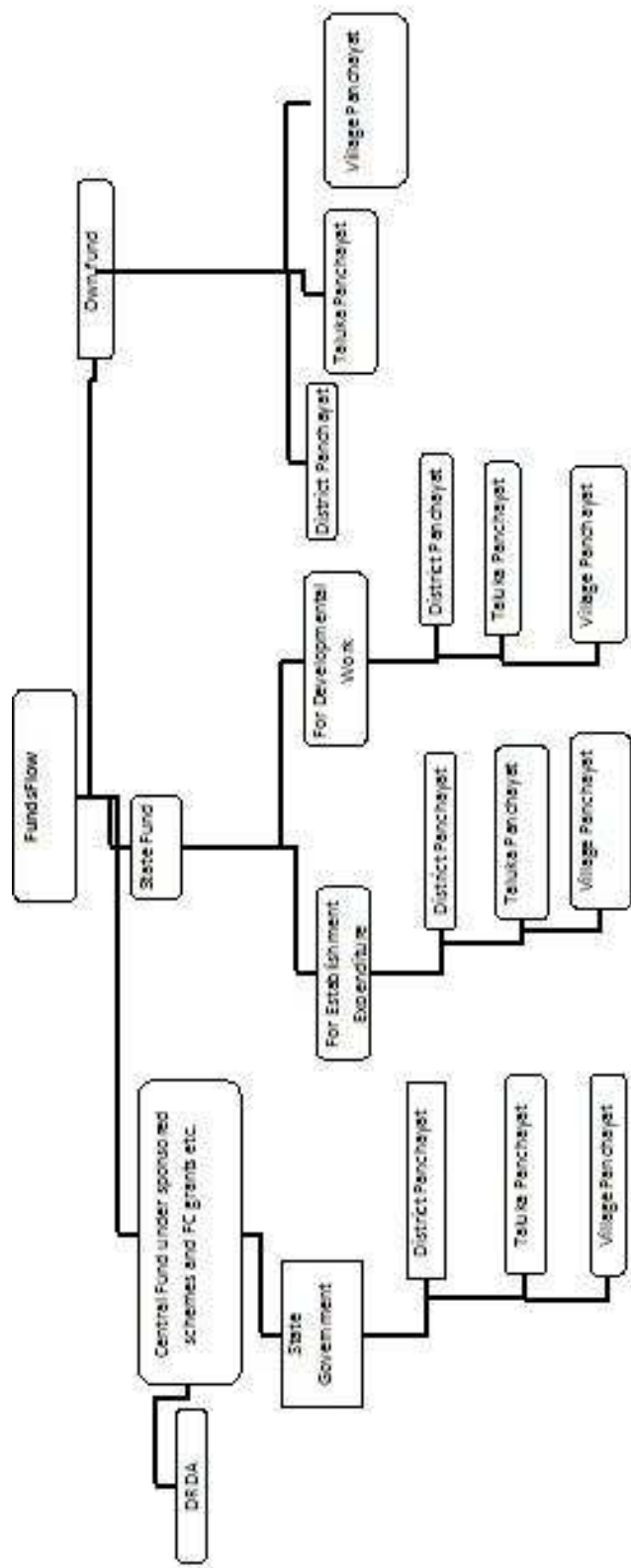
1.6 Flow of funds

The funds for DP and TP as shown in fund flow chart given below are deposited in the District Treasury in Deposit Account which is operated as non interest bearing banking account. Centrally Sponsored Scheme (CSS) funds are kept in the banks/Post offices in Saving Accounts according to guidelines of the respective schemes. The funds for VPs are required to be kept in Saving Bank Accounts at the nearest Post Office or a Scheduled Bank.

⁴ (I) Agriculture, including agricultural extension (II) Minor irrigation; (III) Animal Husbandry; (IV) Rural housing; (V) Drinking water – water distribution; (VI) Roads, culverts, bridges, ferries, waterways; (VII) Fuel (Energy) and fodder; (VIII) Minor forest projects; (IX) Poverty alleviation programmes; (X) Fair and markets; (XI) Health and sanitation, including PHCs dispensaries; (XII) family welfare; (XIII) Women and Child Development; (XIV) welfare of weaker sections particularly of the SCs and STs.

⁵ (I) Primary and Secondary Education – Primary; (II) Adult and non – formal education; (III) Cultural activities; (IV) Social welfare, including welfare of handicapped and mentally retarded; (V) Maintenance of community assets.

⁶ (I) Land improvement, implementation of Land Reforms; (II) Fisheries; (III) Social Forestry and Farm Forestry; (IV) Small scale industry; (V) Khadi, Village and cottage industries; (VI) Rural electrification including distribution of electricity; (VII) Non – conventional source of energy; (VIII) Technical training and vocational education; (IX) Libraries (X) Public distribution system



1.7 Creation of Database and Maintenance of Accounts

Receipt & payment accounts of PRIs are consolidated by Development Commissioner, Government of Gujarat. Pursuant to the recommendations of the Eleventh Finance Commission (EFC), Government of India, Ministry of Finance had issued guidelines for utilisation of funds related to local bodies which envisage that the Comptroller and Auditor General (C&AG) of India should prescribe the formats for preparation of budget and for keeping the accounts. The format prescribed by the C&AG of India for maintenance of accounts and database on finances of PRIs has been accepted by the Government of Gujarat in September 2004 and August 2007. However, the formats have not been operationalised so far (December 2010). The reasons for non-operationalisation of the accepted forms were not furnished by the GoG.

For creation of database on finances, PRIs were allotted ₹ 34.24 crore during 2005-09, which were spent by PRIs on maintenance and management of database for finances including implementation of Double Entry accounting system in PRIs and in survey and valuation of assets of PRIs.

1.8 Revenue and Application of fund

The sources of revenue of PRIs, mainly, are grants⁷ from State/Central Governments, Finance Commission Grants, Own Revenue and Loans and Advances.

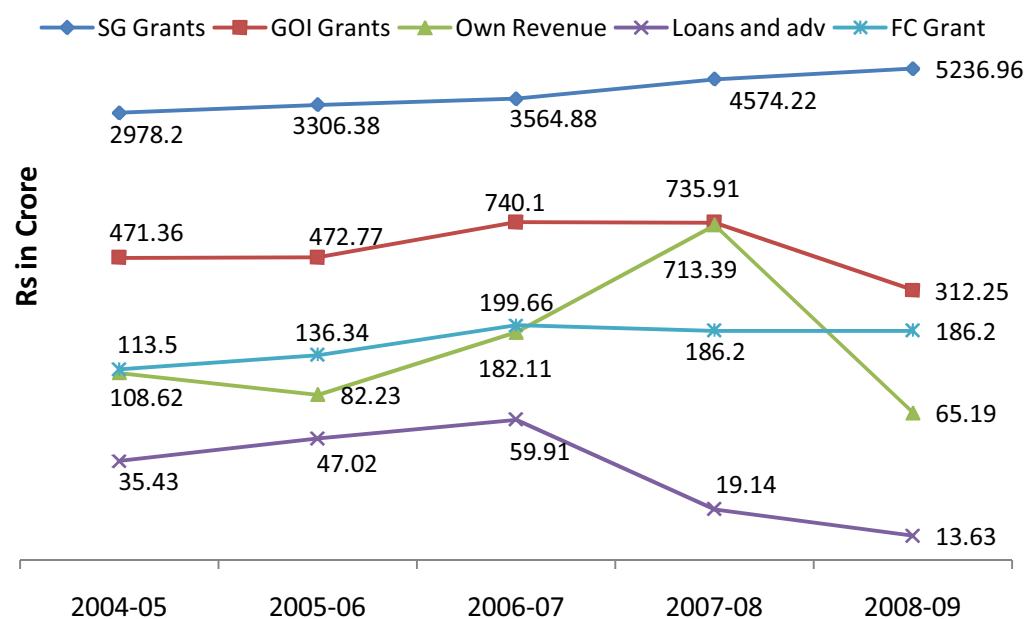
1.8.1 Sources of Revenue

The receipt of PRIs from all sources during the last three years ending 2008-09 is given in table No.1 and chart below:-

Description	2004-05	2005-06	2006-07	2007-08	2008-09
State Government Grant	2978.20	3306.38	3564.88	4574.22	5236.96
Govt. of India Grant	471.36	472.77	740.10	735.91	312.25
Own Revenue	108.62	82.23	182.11	713.39	65.19
Loans and advances	35.43	47.02	59.91	19.14	13.63
EFC/TFC Grant	113.50	136.34	199.66	186.20	186.20
Total	3707.11	4044.74	4746.66	6228.86	5814.23

(Source: Budget publications and figures received from the Department).

⁷ Grants are given on basis of population



1.8.2 Sectoral Receipts and expenditure

The sectoral allocation of receipts and expenditure incurred there against is as given in Table No. 2 below:

Table No.2: Sectoral receipt and expenditure (₹ in Crore)

Description		General Services	Social Services	Economic Services	Loans	Total
2004-05	Receipt	98.78	2295.28	1277.62	35.43	3707.11
	Expenditure	47.29	2239.59	1197.22	35.65	3519.75
2005-06	Receipt	77.43	2802.86	1118.21	46.24	4044.74
	Expenditure	62.59	2608.02	824.22	40.21	3535.04
2006-07	Receipt	191.82	3043.26	1451.77	59.81	4746.66
	Expenditure	112.07	2606.63	1027.12	35.05	3780.87
2007-08	Receipt	554.29	3499.27	2156.16	19.14	6228.86
	Expenditure	896.95	3594.08	1499.89	21.24	6012.16
2008-09	Receipt	610.83	3180.07	2009.70	13.63	5814.23
	Expenditure	911.07	3543.22	2115.59	10.00	6599.88

(Source: Budget publications).

It would be seen from the table above that:

- The total receipts increased from ₹ 3707.11 crore in 2004-05 to ₹ 6228.86 crore in 2007-08. However, it decreased to ₹ 5814.23 crore (7.5 per cent) during 2008-09 mainly on account of less receipts of grants from the Government of India (GoI) and decrease in own revenue due to poor recovery of various taxes by PRIs.

- There was excess of receipt over expenditure by ₹ 965.79 crore (20.4 per cent) and ₹ 216.70 crore (3.5 per cent) during 2006-07 and 2007-08 respectively. However, there was excess of expenditure over receipts by ₹ 785.65 crore (13.5 per cent) during 2008-09 which was incurred out of unspent balances available with the PRIs. As regards the receipts under social services, the same decreased from ₹ 3499.27 crore in 2007-08 to ₹ 3180.07 crore (9.1 per cent) in 2008-09 as against increase of 15 per cent during 2007-08. Similarly the receipts under economic services have decreased from ₹ 2156.16 crore in 2007-08 to ₹ 2009.70 crore (6.8 per cent) in 2008-09.

1.9 District Planning Board / Committee

With a view to ensure effective planning in coordination with the planning of the State, the State Government had constituted (1973) District Planning Boards (DPB) for each district, to be headed by Minister in-charge of the concerned District. The DPB had further constituted, Taluka Executive Planning Committees for comprehensive development and for making plan for ensuring availability of basic amenities to every village. The works under district plan framed were sanctioned by the DPB and allocated to the PRIs for the implementation.

The state Government under the provision of Article 243 Z D of the Constitution had constituted (July 2006 and January 2009) District Planning Committees (DPC) in all the districts by a Government Resolution. Minister in-charge of the district is Chairperson of the DPC in each district consisting of such number of elected, nominated and permanent invitee members (not less than 15 and not more than 30) as may be determined by the Collector of the district.

The DPC consolidates the annual plans prepared by the LBs in the district and prepares an annual Draft Development Plan (DDP) for the district as a whole on the matters of common interest of the LBs keeping in view the available resources, whether financial or otherwise and forwards the DDP to General Administration Department in GoG with recommendations to General Administration Department in Government of Gujarat (GoG). The DPCs in the state are working as envisaged in the Constitution.

1.10 State Finance Commission

Article 243 I of the Constitution had made it mandatory for the State Government to constitute a State Finance Commission (SFC) within one year from the enactment of the Constitutional Amendment Act and thereafter on expiry by every five year to review the financial condition of the PRIs and to make recommendations to the Governor for devolution of funds to PRIs on the following aspects:

- (i) The distribution of net proceeds of taxes, duties, and fees between the State and the PRIs.
- (ii) Taxes, duties, fees, and tolls to be assigned and appropriated by the PRIs.
- (iii) Release of grants in aid to the PRIs from Consolidated Fund of the State.
- (iv) Measures needed to improve the financial conditions of the PRIs.

Government of India guidelines (June 2005) for release of funds recommended by XI FC stipulated that State Government was to act, within six months of SFC's recommendations.

1.10.1 Non –constitution of SFCs

As the Constitutional Amendment Act, 1992 came into effect on 20 April 1993 the constitution of the first SFC was due by 19 April 1994. The State Government has so far constituted only two SFCs as against the four already due as given in **Table No-3** below:

Table No-3 : State Finance Commission

Finance Commission	Due Date of Constitution by State Govt	Actual Date of Constitution	month of submission of reports by SFC	Date of placement in Assembly
1 st FC	19 April 1994	15 Sept 1994	October 1997	28 August 2001
2 nd FC	19 April 1999	19 Nov 2003	Not available	Not Submitted
3 rd FC	19 April 2004	Not constituted	NA	NA
4 th FC	19 April 2009	Not constituted	NA	NA

It would be seen from the above table that the State Government constituted first and second SFCs with delay of 5 months and 55 months respectively and the 3rd and 4th SFCs which were due to be constituted by 19 April 2004 and 19 April 2009 have not been constituted. The 1st SFC submitted its report to the Government in October 1997 which was placed in Assembly in August 2001, with delay of 45 months.

The 2nd SFC was constituted on 19th November 2003 as against due date of 19th April 1999. The details with respect to date of submission of the 2nd SFC report and further steps taken by the State Government for its placement on the table of Legislature were not made available. It can be seen that the mandatory provisions in respect of timely constitution of the SFCs have not been adhered to by the State Government and there also have been delays in placement of the reports on the table of Legislature of the State.

1.10.2 Implementation of SFC recommendation

Some of the major recommendations made by the 1st SFC were related to merger of District Rural Development Agency (DRDA) with DP, resource mobilization of LBs, transfer of revenue earning source to LBs, increase of the share of LBs in

various taxes, levies, fees etc. Out of total 63 recommendations of the Report on PRIs 42 have been fully accepted by the State Government eight have been partially accepted and 13 including that of merger of DRDA with DPs have not been accepted. However, large numbers of accepted recommendations were still to be implemented. Assignment of entertainment tax, surcharge on stamp duty, land acquisition charges, fee collected from minor minerals, local cess, entertainment tax on cable TV, building maintenance grant etc. were not made to PRIs due to non -amendment of relevant Acts or non action by various departments although recommendations for assignment and implementation of all these functions to Local bodies have been accepted by the State Government.

1.11 Twelfth Finance Commission Grants

During the period 2005-09, on the recommendation of Twelfth Finance Commission (TFC), ₹ 744.80 crore (₹ 186.20 crore each year) was released to the State Government by Government of India, which was in turn released by the State Government to the PRIs. A matching grant of ₹ 44.16 crore was also released by the State Government to the PRIs during 2005-06. The amount was spent by PRIs on water supply and sanitation: ₹ 213.16 crore; solid waste management: ₹ 213.16 crore; data base on finances ₹ 34.24 crore and other works: ₹ 284.24 crore.

1.12 Audit arrangement for PRIs.

Under provisions of the Gujarat Local Fund Audit (GLFA) Act, 1963, and as per section 121,143 and 166 of the G.P. Act, Audit of VPs, TPs and DPs respectively were required to be conducted every year by the Director Local Fund Audit (DLFA). The Audit by DLFA was in arrears as detailed in Table No.4 below:

Table No.4

PRI	No. of Auditee	Audit completed upto	Audit in arrears	Total No. of Auditable units in arrears	Total
DPs	26	2004-05	2005-06 onwards	18 (2005-06), 25 (2006-07), 25 (2007-08), 26 (2008-09)	94
TPs	224	2004-05		06 (2005-06), 110 (2006-07) 201 (2007-08), 224 (2008-09)	541
VPs	13788	2005-06	Partially 2006-07 onwards	15401 up to 2007-08 and 12628 for 2008-09	28,029
Total	14038				28,664

It would be seen from the above table that audit of 28664 auditee units was in arrears from 2005-06. Further, it was observed that the report on audit of PRIs by DLFA for the period 2004-05 was laid on the table of legislature in October 2010 with delay of five years.

DLFA attributed (November 2010) reasons of arrears in audit to shortage of staff. Audit being in arrears for a long period not only defeats the very purpose but also

dilutes the compliance process. Arrears in audit are also fraught with the risk of non detection of irregularities having serious consequences such as fraud and misappropriation.

1.13 Audit observations of Inspection Reports.

1.13.1 Inspection Reports of DLFA

As per section 7 of the GLFA Act, DLFA should conduct audit of PRIs and prepare and send the Inspection Reports (IRs) to the local authorities immediately after completing the audit work and this process should not take more than three months. The IRs should be replied by the local authority within one month from the date of its receipt. It was, however, noticed that as on 31st March 2010, 14,22,560 paragraphs issued by DLFA up to March 2010 were pending. Age wise pendency of IR paragraphs is given in Table No.5 below:

Table No.5 Pendency of IR paragraphs of DLFA

PRI	Pending for the period up to 2000-01	Pending for the period 2001-05	Pending from 2006 onwards	Total
DP	24,644	8,897	584	34,125
TP	64,119	28,201	11,307	1,03,627
VP	7,21,443	1,70,468	3,92,897	12,84,808
Total	8,10,206	2,07,566	4,04,788	14,22,560 ⁸

It is evident from the above table that out of 14,22,560 outstanding paragraphs 8,10,206 (57 percent) and 2,07,566 (15 percent) were outstanding for more than ten and five years respectively. Huge number of outstanding paragraphs for an abnormal long period indicated that the auditees were not serious in complying with the audit observations. DLFA stated (December 2010) that to get the compliance of the paras the matter is reviewed by Development Commissioner and Principal Secretary, PRHRDD and special drive would be made for compliance of these paras.

1.13.2 Outstanding paragraphs of IRs of Accountant General

As on 31st March 2010, 10893 paragraphs of 3432 Inspection Reports up to the year 2007-08, issued by AG (Civil Audit),Gujarat, Rajkot and by Sr. DAG (LBAA), Ahmedabad, remained outstanding for want of proper compliance by auditee units. The year-wise break up of these paragraphs is as given in Table No.6 below:

⁸ Prior to 2000-01: 810206, 2001-02: 48512, 2002-03: 45178, 2003-04: 52275, 2004-05: 61601, 2005-06: 110817, 2006-07: 142125 and 2007-08: 151846.

Table No.6: Pendency position of Paragraphs of AG/SrDAG office

	Up to FY 01	Additions during the years									Total
		FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	
IR	547	98	144	158	66	125	274	233	448	1339	3,432
Para	1780	411	461	545	309	350	860	509	801	4867	10,893

Increasing trend of outstanding paras each year indicated lack of efforts by concerned authorities in furnishing compliance to these paragraphs.

1.14 Audit Coverage

Accounts of 13 DPs, 83 TPs and 399 VPs for the year up to 2006-07 were audited during the year 2008-09 under section 20 (1) of CAG's DPC Act, 1971. Results of the audit are given in succeeding chapters.

1.15 Conclusion

The State Government has not devolved all the functions envisaged in the 11th Schedule of the Constitution. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions, was maintained nor action was taken by the State Government on recommendations of the belatedly constituted SFCs. Long pendency of audit by DLFA and arrears in settlement of outstanding Inspection Report paragraphs of DLFA and that of AG (Civil Audit), Rajkot and Sr. DAG (LBAA), Ahmedabad, indicates weak internal control system in PRIs.

1.16 Recommendations

Following measures are recommended for ensuring better accountability system in PRIs.

- Functions envisaged in the 11th Schedule of the constitution may be devolved to the PRIs with transfer of adequate funds and functionaries by State Government.
- SFCs should be constituted as per Constitutional provision and recommendation made by the SFC be implemented.
- DLFA should devise a plan for clearance of arrears of audit in consultation with the state Government.
- A high level committee consisting of senior officers of PRHRDD, UH&UDD and DLFA should be constituted to review the paras and their pursuance by the field offices for reducing the huge outstanding audit objections.

CHAPTER II

Accounting Procedure and Financial Management in Panchayati Raj Institutions

2 Accounting Procedure and Financial Management

The accounts of the PRIs have been maintained in the formats as prescribed by the State Government which do not provide complete information regarding scheme expenditure and Head of accounts etc. Out of eight formats prescribed by the C&AG for maintenance of database by PRIs, State Government has adopted five formats (1 to 5) in September 2004 and 3 formats (6 to 8) in August 2007. However, these are yet to be implemented. Cases of irregularities observed in audit are discussed in succeeding paragraphs.

2.1 Excess of expenditure over allotted grant - ₹ 125.60 crore

As per Resolution of April 1993 issued by the Panchayat, Rural Housing and Rural Development Department, Government of Gujarat (PRHRDD), the excess expenditure over the allotted grants is not permissible. However, if the excess expenditure is necessary, prior approval of the grant controlling authority must be obtained and arrangement for additional grants must be made during next year. In absence of this, the excess would be debit to the own fund of the PRIs.

Test check of records for the year 2005-06 and 2006-07 revealed that in 20 TPs there was excess expenditure over the allotted grants by an amount of ₹ 125.60 crore (**Appendix-I**). The approval of the competent authority was also not obtained. Further, in violation of codal provisions, the excess expenditure was debited to the various heads of account instead of debiting to the own funds of PRIs.

On being pointed out it was replied by TDOs (April 2009-July 2010) that excess expenditure was incurred mainly for the pay & allowances of the staff and it would be adjusted from next year's grant. The reply was not tenable as the action of the TDOs was against the codal provisions.

2.2 Non-surrender of unspent Government Grants of ₹ 41.23 crore.

As per clause 8 and 9 of resolution dated 19.04.1993 of PRHRDD, GoG, the unspent grant other than grant for the purpose of Pay and Allowances should be adjusted by the grant controlling authority during release of the last installment of

the financial year. Retention of funds up to 20 *per cent* of the grant of Pay and Allowances only is allowed for the payments for the month of March/April.

Test check of records of 19 TPs revealed that neither action had been taken by TDOs to adjust unspent balances from the last installment of the grants which resulted into accumulation of ₹ 41.23 crore in PLA nor the District Development officer and Departmental authorities called any explanation from TDOs for non refunding the unspent grants (**Appendix-II**) as on 31st March 2007.

Detailed scrutiny of 12 test checked TPs revealed that though, unspent grants of ₹ 19.70 crore was available with the TPs as on 1st April 2005, additional grant of ₹ 110.85 crore was allocated to them during the period 2005-06 to 2006-07. Expenditure of ₹ 104.89 crore was incurred from the allotted grant. Out of the balance ₹ 25.66 crore, only ₹ 39.55 lakh was surrendered to GoG by the three TPs (Mahemdavad: ₹ 38.93 lakh, Shihor: ₹ 0.10 lakh and Kalawad ₹ 0.52 lakh) during the period 2005-07. Thus the unspent balance was ₹ 25.27 crore as of 31st March 2007 (**Appendix-III**).

It was stated by the TDOs (April 2009 & July 2010) that necessary action would be taken to utilise the grants or surrender of unspent grants to the Government.

2.3 Non inclusion of Grant and expenditure in Annual Account

As per Rule 211(1) of the Gujarat Taluka and District Panchayat Finance Accounts and Budget Rules, the Annual Accounts of TP/DP shall be maintained and published in prescribed manner indicating total receipts and payments during the year under different heads with opening and closing balances.

Scrutiny of records of four TPs (Shihor, Valia, Umargam and Kadi) for the year 2006-07 revealed that these four TPs received grant of ₹ 1.55 crore (₹ 62.87 lakh: Members of Parliament Local Area Development Schemes (MPLADS) grant, ₹ 68.49:lakh: TFC grants, and ₹ 23.52 lakh: Sampoorna Grameen Rozgar Yojana (SGRY) grant and spent ₹.1.24 crore (TFC: ₹ 41.83 lakh, MPLADS: ₹ 64.74 lakh and SGRY: ₹ 18.52 lakh) during 2006-07. However, receipts of grants and expenditure were not included in the Annual Accounts of respective TP, which was in violation of the codal provisions. This resulted in understatement of receipt and expenditure for the year.

TDOs stated (April-2009-July 2010) that hence forth, such grants and expenditure against the grants would be incorporated in their Annual Accounts.

2.4 Amount lying in Suspense head ₹ 3.92 crore

As per Rule 210 of the Gujarat Taluka and District Panchayat Finance, Accounts & Budget Rules, 1963, the receipt and expenditure of the year of which, heads of

accounts could not be decided immediately was to be debited/credited under suspense head for time being. At the end of respective year, it was to be cleared by credit/debit to its final head of accounts.

However, during test check of records for the year 2006-07 it was noticed that in three TPs an amount of ₹ 3.93 crore was lying in suspense head which was carried forwarded routinely without making any efforts to clear the suspense account as shown in **Table No.7** below:-

Table No.7: Amount lying in Suspense (₹ in crore)

Name of TP District	Opening Balance	Credit during the year	Debit during the year	Closing Balance.
Umargam, (Valsad)	0.82	0.20	0.45	0.57
Pardi,(Valsad)	1.72	3.02	2.65	2.09
Navsari, Navsari	0.67	1.48	0.88	1.27
Total	3.21	4.70	3.98	3.93

Keeping huge Government fund/Government grants in suspense head for long period is fraught with risk of misappropriation/ embezzlement of Government money.

On being pointed out it was replied (January-July 2010) by TDOs that matter would be taken up with DPs and Government to clear the suspense head.

2.5 Purchase of materials without inviting quotations ₹ 2.35 crore

As per rule 14 B of Gujarat Gram and Nagarpalika Financial Account and Budget rules and Rule 171 of Gujarat Contingency Expenditure Rules read with Finance department resolution of May 1994, any purchase exceeding ₹ five thousand should be made by inviting quotations at least from three suppliers and purchase exceeding ₹one lakh should be made by inviting tender through advertisement in leading news papers.

Review of records of 268 VPs of 19 districts for the period 2005-07 revealed that procurement of material such as cement, steel, bricks, pipes, kapchi (rubble) etc. worth ₹ 2.35 crore from private parties was made (**Appendix-IV**) without obtaining quotations or obtaining competitive price from the open market for purchases of more than ₹ five thousand. Apart from violation of Government instructions it has deprived the VPs of the benefit of availment of comparative and competitive rates.

When this was brought to the notice of Panchayat authorities, it was stated (January-July2010) that henceforth proper procedure would be followed while procuring the material.

2.6 Unrealistic Budget

According to Section 116 (1) of the Gujarat Panchayat Act, 1993 every VP is required to prepare annual budget and get it approved by general body of the Panchayat. It is essential to take utmost care in preparing budget with realistic estimates giving due attention to the prioritized needs of the people.

Review of records of 36 VPs of DP Bharuch & Rajkot (**Appendix-V**) revealed that during 2005-06 and 06-07 as against estimated receipt of ₹ 3.12 crore and ₹ 3.90 crore actual receipt was ₹ 1.25 crore and ₹ 1.82 crore respectively with variation of 60 *per cent* and 53 *per cent*. Similarly as against estimated expenditure of ₹ 2.87 crore and ₹ 2.37 crore actual expenditure was ₹ 1.35 crore and ₹ 88.61 lakh during 2005-06 and 2006-07 respectively with variation of 53 *per cent* and 63 *per cent*.

Similarly scrutiny of records (2005-06 and 2006-07) of 17 TPs, variation between estimates and actual receipt and expenditure was noticed. The actual against estimates formed 79 percent (2005-06) in respect of receipts, while expenditure actual formed 78 percent (2005-06) and 92 percent (2006-07). The variations in estimates and actual of receipts and expenditure in respective years were due to non raising of periodical demand, non pursuance of demands and insufficient receipts of grants. Thus, the budget was not prepared realistically and the internal control (monitoring) system was weak.

2.7 Non preparation of revised or supplementary budget

Section 117 of GP Act provides for preparation of revised or supplementary budget or re-appropriation of funds which requires approval of the Panchayat in the same manner as if it were an original annual budget estimate. It was, however, noticed that five VPs⁹ spent ₹ 15.45 lakh in excess of their budgetary provisions without preparing any supplementary and revised estimates which had ranged from 15 *per cent* to 23 *per cent* of their total expenditure

2.8 Non reconciliation of cash balance with Treasury pass books

Rule 171 and 183 of the Gujarat Taluka & District Panchayat Finance Account and Budget Rules, 1963 provide that the balance of Treasury pass book shall be reconciled with reference to the balance of cash book at the close of every month and difference, if any, be reconciled.

⁹(1) Pariage, (2) Borbhatha, (3) Bhadhat, (4) Barbhathabat & (5) Bakrat (Taluka Ankleshware DP Bharuch)

However, test check of records of 22¹⁰ TPs for the years 2005-06 & 2006-07 had revealed that there was un-reconciled difference of ₹ 8.43 crore (**Appendix-VI**) as on 31 March 2007. The unreconciled differences were fraught with risk of misuse/misappropriation of funds.

TDOs concerned stated (January-July 2010) that efforts would be made to reconcile the balances.

2.9 Deficiency in maintenance of Cash Book

As per the Gujarat Taluka Panchayat and District Panchayat Finance, Accounts & Budget Rule, 1963, Cash Book is a preliminary and important record. It should be maintained properly under the supervision and control of head of the office/Branch Officer.

Test check of records for the period 2006-07 revealed that in six¹¹ TPs maintenance of Cash Book suffered from some serious limitations as detailed below:-

- (i) Before taking into use, the number of pages in a Cash Book should be counted and certificate of head of the office/Branch Officer to that effect should be obtained on the first page of the Cash Book. However, this has not found to have been complied with in case of 5 TPs.
- (ii) Accountant should write the cash book daily and at the end of the day cash balance should be worked out with his dated initial and it should be attested by the head of the Office/Branch Officer. However, it was not done in five TPs¹² and particularly in TP Palitana neither accountant nor TDO had signed the transactions of Cash Book between the periods 3rd April 2006 to 12th July 2006.
- (iii) Correction/overwriting in Cash Book were not attested by head of the office/Branch Officer in four TPs.
- (iv) Pencil was used for recording transactions of receipts and expenditure and sum of the total amount on four pages (page numbers 58, 93, 98 and 110 of cash book for the period 2005-06) in TP Jodiya of DP Jamnagar.
- (v) Physical verification /surprise check of cash balance was not done by the two TDOs, TDO, Palitana of DP Bhavnagar and TDO, Meghraj of DP Sabarkantha.

¹⁰ Nalia, Uchchhal, Kalawad, Navsari, Kamrej, Tankara, Tarapur, Mundra, Ghogha, Vadnagar, Keshod, Idar, Mahuva, Valia, Vallabhipur, Palitana, Shihor, Talaja, Choryashi, Sutrapada Khambha and Vyara.

¹¹ (1) Palitana (2) Pardi (3) Meghraj (4) Jodia (5) Jasdan and (6) Valiya

¹² (1) Jodiya, (2) Palitana, (3) Pardi, (4) Jasdan and (5) Meghraj

- (vi) Opening balance of the current year was not attested (2006-07) by three TDOs (Jasdan of: DP Rajkot, Pardi of DP Valsad and Meghraj of DP Sabarkantha)
- (vii) Break up of account i.e. Own fund, Government fund, Debt fund etc. was not shown (2006-07) in the Cash Books of two TPs (Jodiya of DP Jamnagar and Valiya of DP Bharuch).
- (viii) In TP Jodiya, daily Closing Balance (C.B.) between 1st April 2006 and to 10th October 2006 was not attested by TDO. Further it was noticed that as against actual expenditure of ₹ 16 66 lakh expenditure of ₹.16.76 lakh was recorded in the cash book. This resulted in overstating of expenditure to the extent of ₹.0.10 lakh on 30th March 2007. TDO was required to scrutinise the transactions and reconcile the difference. Due to non arriving of closing balance from time to time, this has happened.

TDOs replied (January-July 2010) that audit instructions were noted and in future cash books would be maintained properly.

2.10 Non realization of revenue ₹ 2.88 crore

As per Section 168 and 170 of GP Act, 1993, the PRIs have been entrusted with functions and duties relating to the collection of land revenue including cess. The panchayats are further required to recover any tax or fees on due dates as provided under Section 215(1) of the GP Act. Moreover, in order to increase the source of own revenue, VPs should also review the rates of taxes periodically. Further, VPs in the event of non payment of tax could take action of levy penal interest, invoke writ and write off the dues under section 215 of the Act.

During the Test Check of 81 VPs (2009-10) it was observed that as against total demand of ₹ 4.09 crore during 2006-07 an amount of ₹ 1.22 crore (30 per cent) could only be recovered resulting in outstanding demand of ₹.2.87 crore as on 31 March 2009 (**Appendix – VII**). Records did not reveal that such actions were initiated by the concerned VPs.

Poor recoveries of the taxes indicated that proper internal control system was not effective for recoveries to be effected in time.

TDOs stated (April 2009- March 2010) that efforts would be made to increase the revenue by issuing demand notices.

2.11 Annual Accounts prepared without supporting statements

Codal provisions provide that Accounts of Income and Expenditure should be maintained in the prescribed manner and should be laid before Panchayat.

During test check of 10 TPs¹³ for the year 2005-07, it was observed that the Accounts of Income and Expenditure were prepared in the relevant forms, however, the supporting statements as detailed below were not prepared and attached with the annual accounts.

- (i) Statement showing closing balance of investment in bank, post office and others.
- (ii) Statement showing receipts and expenditure incurred on Plan / non Plan schemes with Head wise details
- (iii) Statement showing Head wise grant received from the Government.
- (iv) Statement of Head wise refund of loans and grant received from the Government.
- (v) Statement showing details of opening balance, receipt and expenditure under Centrally Sponsored Schemes.
- (vi) Statement showing details of opening balance receipt and expenditure.
- (vii) Statement showing the details of Zila Vikas Nidhi, Utejak Nidhi, Samkari Nidhi and Gram Vikas Nidhi.
- (viii) Statement showing loans received from District Panchayat and payment thereof.

In absence of such important and vital statements, Major Head wise clear, correct and authentic position of accounts with closing balance of grants, deposits, advances, liabilities of the entity etc could not be ascertained and verified.

TDOs stated (April 2009- March 2010) that from the ensuing year all the required statements would be incorporated in the Annual Accounts.

2.12 Non / Improper Maintenance of Records / Registers.

As per codal provision, PRIs are required to keep and maintain register/records, books / accounts in the prescribed formats giving all the required details. It was, however, noticed that prescribed basic records as detailed below were not being maintained by most of the PRIs. The implications of non-maintenance of these records are as detailed in **Table No.8** below:

Table No.8

Records, Registers improperly Maintained/not maintained and Implication	
Advance Ledger	The purpose, age and amount of advance to be realized / adjusted as of 31 March each year could not be ascertained. Due to this, probability of loss to the PRIs cannot be ruled out.

¹³(1)Nandod,(2)Ghogha,(3)Mendarda,(4)Ahmedabad,(5)Visnagar,(6)Tarapur,(7)Tankara, (8)Choryashi,(9)Zalod, and (10) Olpad,

Grant / Loan Appropriation Register	Grant / Loan received, purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant / loan as on 31 March of each year could not be ascertained.
Loan Register	The date of receipt, amount, condition attached and overdue instalment of loan with interest could not be ascertained.
Demand & Collection	Demand, collection and balance for a particular year could not be ascertained. In absence of posting of the collection money in the register, the detection of fraud and embezzlement would be difficult.
Work Register	In absence of work Register, schemes taken up, estimated cost, the progress of work and its details viz. value of work done, payments made, materials issued, date of completion, works not completed / suspended, outstanding amount to be paid against the work executed, could not be ascertained. Any excess payment, in terms of cash / Material, would be difficult to be detected.
Deposit Ledger	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation and embezzlement of money could not be ruled out.
Registers of Lands, Revenue and Asset	Identification and valuation of assets, proper record of all land, sites of buildings, tanks, ponds, etc. could not be ascertained.

Some specific cases as noticed during audit are discussed latter in this Report. For want of proper maintenance of basic and vital records understatement/overstatement of the expenditure cannot be ruled out.

TDOs of test checked TPs stated (April 2009-March 2010) that in future required Registers would be maintained properly with recording necessary details.

2.13 Security Bond from Principal (s) of Pay Centres was not obtained

As per Rule 272 and 68 of Taluka and District Panchayat Finance Account and Budget Rules, TPs should maintain Security bond register in prescribed form No. 6 and on first day of each financial year, certificate to the effect that security bond holder is alive, should be recorded in the register. Further, as provided in circular of January 1992 of Director of Primary Education Gandhinagar, to safe guard against irregularities / fraud misappropriation, a security bond for ₹ 5000/- from the principal of pay centres of primary schools are to be obtained along with certificate of their solvency.

Scrutiny of the records (2005-06 and 2006-07) of 21 TPs revealed that security bonds from the Principals of the Pay Centres were not obtained. Further except TP Bhesan, in none of the TPs, the security bond register was maintained.

On this being pointed out, it was replied by the TDOs, (April 2009- March 2010) that now onwards, audit instructions would be observed and necessary security would be obtained.

2.14 Conclusion

In a large number of cases, expenditure was incurred in excess of budget provision without preparing any supplementary and revised estimates. Some of the PRIs did not reconcile their balances as per cash book and pass book every month resulting in huge amounts remaining un-reconciled at the end of the year. Absence of vital statements in support of annual accounts in some of the PRIs and non-maintenance of the records and books prescribed in the accounting rules not only resulted in loss of audit trail but impaired their accountability. Internal audit and internal control mechanism were inadequate to ensure proper accounting of substantial public funds dealt with by the PRIs. The State Government had adopted the formats for maintenance of database on the finances of PRIs, however, the same are yet to be implemented by the PRIs. Records were either not maintained or maintained improperly.

2.15 Recommendations

The following recommendations are made for strengthening budgeting and financial control:

- Maintenance of accounts and related records should be enforced through a comprehensive system of incentives/disincentives and accountability
- Financial discipline and control should be monitored through a computerized monitoring system and accountability for irregularities, including budgeting digressions should be enforced.
- Periodical reconciliation of bank pass book with cash book should be done and discrepancies, if any, should be taken up on priority with the banks for its early resolution.
- Internal Audit and Internal control mechanism needs to be strengthened.

Chapter-III

PERFORMANCE REVIEW AND AUDIT OF TRANSACTIONS

3.1 Internal Control System in Sabarkantha District Panchayat

Highlights

Internal control is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organization to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance. The Gujarat Panchayats Act (Act), 1993 and rules framed there under provide directives for internal controls for the Panchayati Raj Institutions (PRIs). The internal controls in Sabarkantha District Panchayat were found to be weak, as rules regarding various control measures were not complied with or were inadequately complied. The system could not ensure economy and effectiveness in operations, efficiency in fund management and led to weak monitoring.

Budget estimates were not prepared realistically leading to big gap between estimates and actual in income and expenditure.

(Paragraph 3.1.6.1)

Unclaimed deposits of ₹4.20 Crore, over three financial years, were not treated as lapsed and were not transferred to Panchayat funds.

(Paragraph 3.1.6.2)

Non-monitoring of the funds in implementation of the programmes resulted in accumulation of funds of ₹21.84 lakh during 2006-09.

(Paragraph 3.1.6.3)

Poor implementation of schemes by Agriculture branch indicated lack of proper monitoring

(Paragraph 3.1.6.6)

Lack of monitoring in implementation of works by Irrigation branch resulted in delayed completion of works.

(Paragraph 3.1.7.1)

Basic registers such as Deposit registers, Agreement registers and Grant registers were not maintained properly.

(Paragraph 3.1.7.2)

Though inspection programme was framed, inspection of Village Panchayats was not conducted by district and talukas authorities during 2006-09.

(Paragraph 3.1.8.1)

Inspection reports paragraphs issued by District Local Fund Auditor and Accountant General (Civil Audit) Gujarat, remained outstanding due to tardy action by Panchayat authorities

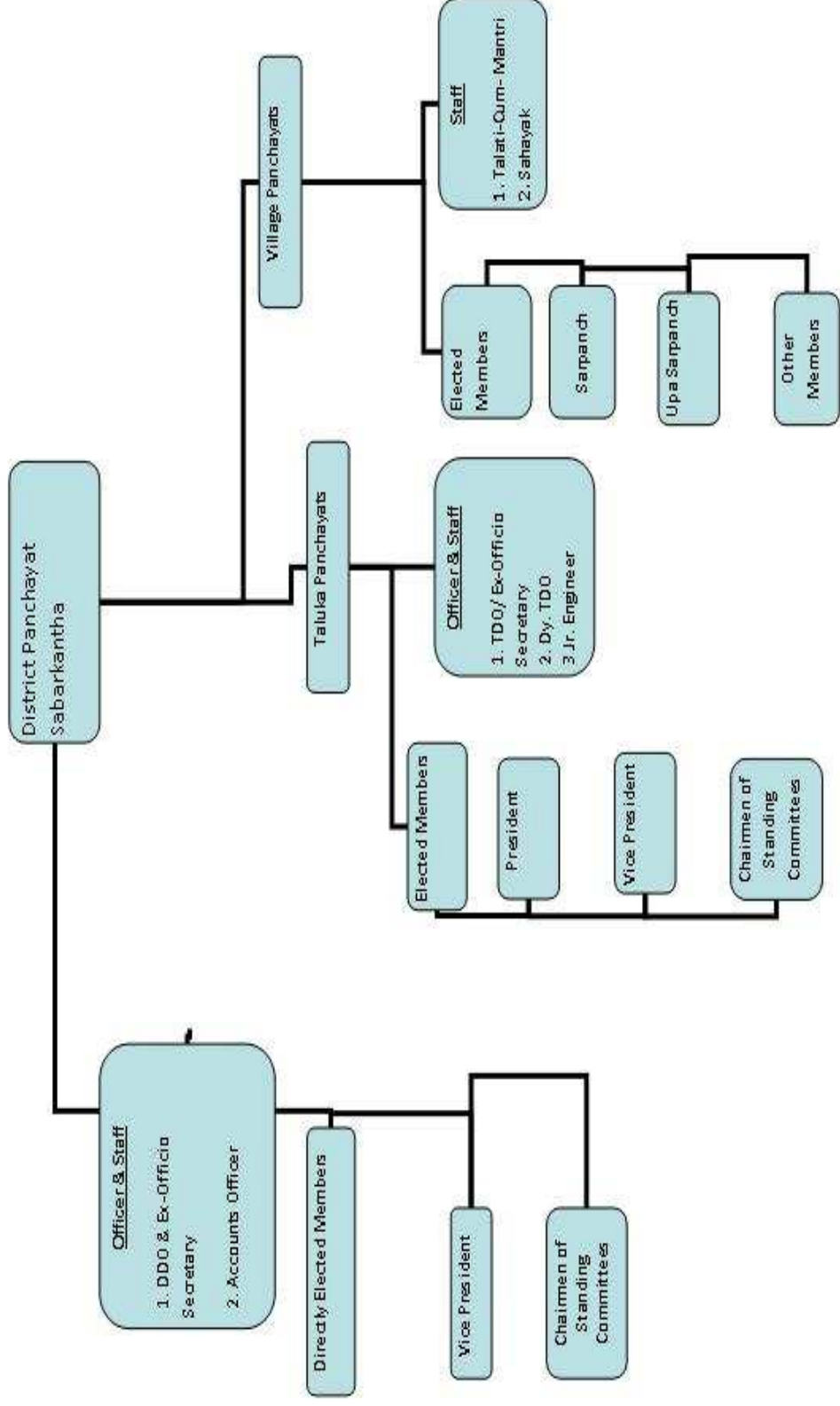
(Paragraph 3.1.9)

3.1.1 Introduction

Internal control system is an integral mechanism of an organization to give a reasonable assurance to the management that its functions are carried out according to laid down rules and regulations and in economic, effective and efficient manner. District Panchayat Sabarkantha (DPSK) has been delegated the power to monitor the activities of Taluka Panchayats (TPs) and Village Panchayats (VPs) of the district under the provisions of Gujarat Panchayats Act, 1993 and Gujarat Taluka and District Panchayats Financial, Accounts and Budget Rules, 1963 (Rules)

3.1.2 Organisational Set up

District Panchayat (DP) under the chairmanship of President is the key organization at district level and assisted by District Development Officer (DDO) as Secretary to the DP, who is in overall charge of the execution of all the DP activities. He is assisted by Deputy District Development officers and other officers (Head of the offices) of various branches of the DP at district level, Taluka Development officers (TDOs), and Village Talati cum Mantrees as secretaries of TPs and VPs respectively for execution and implementation of works at Taluka and Village levels. The development works are planned and implemented through committees of elected members at three tier levels of the PRI.



3.1.3 Audit Objectives

The audit objectives were to assess whether:

- adequate and effective budgetary and financial controls were in place
- expenditure control mechanism were effective, inventory operational controls were adequate to achieve the objectives economically, effectively and efficiently in planning and implementation of the functions
- Monitoring and inspection system and internal audit were in operation and effective.

3.1.4 Audit Criteria

Audit criteria adopted for the evaluation of control were:

- Provisions of the Gujarat Panchayat Act, 1993
- Orders and instructions of the Government issued from time to time

3.1.5 Audit coverage and methodology

Internal control structure of District Panchayat, Sabarkantha was reviewed in August-September 2010 through test check of records of various branches of DP at district level, three¹⁴ TPs and six¹⁵ VPs at field level.

The methodology adopted was to test check records at three tier level of Panchayati Raj Institutions (PRIs) with reference to Gujarat Panchayat Act, 1993, rules framed there under and subsequent orders of the Government of Gujarat (GoG).

An Entry meeting was held with District Development officer on 8th September 2010. The exit meeting was held on 28 December 2010 with Additional Chief Secretary PRHRDD. The compliance to the audit queries were taken into account and suitably incorporated in relevant paragraphs.

Audit Findings

3.1.6 Budgetary Control

Control over budget and expenditure is essential for optimal utilization of limited resources to achieve the objectives of the organization. The Gujarat Talukas and District Panchayats Financial Accounts and Budget Rules, 1963 (Rules) have delineated the procedures to be followed in preparation of budgets. The

¹⁴ (i) Modasa,(2) Himatnagar and (iii) Prantij

¹⁵ VPs(1) Gadha,(2)Sardoi,(3)Titoi,(4)Viravada,(5)Kanknol and (6)Virpur

shortcomings noticed in preparation of budget and expenditure thereof is discussed in succeeding paragraphs.

3.1.6.1 Unrealistic budget preparations

According to Panchayat Rules, 1993, prior to preparation of budget estimates, the Executive officer is required to obtain details from various departments of the state in respect of probable grants, contributions and allotments for following financial year and must obtain information as to the quantum of funds from own sources. Further estimates should be realistic taking into account above factors. The estimates for the years 2006-09 and actuals there against is shown in the table No. 9 below:

Table-No.9: Budget estimates and actuals

(₹ In crore)

Year	Receipts			Expenditure		
	BEs	Actual	Excess	BEs	Actual	Excess
2006-07	244.61	291.98	47.37	244.88	264.17	19.29
2007-08	300.28	338.83	38.55	300.38	312.90	12.62
2008-09	341.35	403.18	61.83	341.22	395.37	54.15

(Source: Budget books of respective years of DPSK)

It may be observed from the above table that actual receipts against estimates were in excess ranging between ₹ 38.55 crore (2007-08) and ₹ 61.83 crore (2006-07) while actual expenditure against estimates were also in excess for the entire three years ranging between ₹ 12.62 crore (2007-08) and ₹ 54.15 crore (2008-09). Thus, budget estimates framed were non realistic as these were made without obtaining details of probable receipts of revenue and allotment of grants by various departments against which expenditure was to be incurred.

Financial Control

3.1.6.2 Unclaimed Deposits of ₹.4.20 crore were neither treated as lapsed nor credited to Panchayat Accounts

According to provision contained in Panchayat Rules, 1963, deposits remaining unclaimed for three complete financial years are required to be treated as lapsed in the month of March and were required to be credited to Panchayat Accounts by means of transfer entries.

Deposits of ₹ 4.20 crore pertaining to period ranging from 1978-79 to March 2007 were neither treated as lapsed nor credited to Panchayat Accounts by Head of the offices.¹⁶ This was in contravention of the codal provisions. The head of office

¹⁶ Executive Engineer, R&B division, District Panchayat Sabarkantha: ₹ 149.44 lakh and ₹ 60.59 lakh, Misc. Deposits. EE, Irrigation division, DPSK: ₹ 25.37 lakh (1999-2007). TDO, Modasa: ₹ 34.85 lakh. TDO-Himatnagar: ₹ 107.52 lakh TDO, Prantij: ₹ 42.13 lakh

stated (August 2010) that analysis of pending deposit items would be made and action would be taken to credit the lapsed deposits in Panchayat Accounts.

3.1.6.3 Non monitoring of timely utilization of funds defeating the objectives of the scheme

Project Officer Tribal Development Project, Khedbrahma, released (October 2006), grant of ₹ 21.84 lakh to Malaria Officer, DPSK for purchase of Mosquito nets under health programme '2210-06-796-04-HLT'. These nets were to be provided to tribal inhabitants of Malaria infected 29 villages of five Talukas of the district SK during 2006-07.

It was noticed that funds were not utilized and had remained parked in Personal Ledger Account (PLA) of DDO. Malaria officer (MO) stated (September 2010) that e-tenders were invited in March 2007. The tenders of two bidders were rejected as samples (Mosquito nets) were not of good quality and further stated that the material would be procured and distributed to beneficiaries in short period.

The reply is not acceptable as considerable time of four years has lapsed and intended benefits could not be provided to the population of malaria infected 29 tribal villages. This indicated lack of effective measures at executive level defeating the objectives under the scheme.

3.1.6.4 Improper planning of funds leading to rush of expenditure

PRI Budget Manual provisions envisage that DDO should monitor the fund flow on the expenditure and accordingly grants may be allotted evenly so as to curb tendency of incurring heavy expenditure in the last quarter.

Scrutiny of accounts for the period 2006-09 of SKDP revealed that in all the three years expenditure incurred during last quarter and especially in the month of March had exceeded the average monthly expenditure. This was in contravention of Budget Manual provisions. The details are as given in the table No 10 below:

Table-No.10

(₹ in crore)

Name of the office	Year	Expenditure				
		Annual (A)	Last quarter (LQ)	% of LQ to A	March (M)	% of M to LQ
DPSK (Including TDOs)	2006-07	299.59	98.23	33	43.88	44
	2007-08	352.39	114.19	32	51.38	45
	2008-09	438.79	133.75	30	61.08	46
DPSK Only	2006-07	82.45	35.37	43	21.85	62
	2007-08	97.17	41.91	43	22.30	55
	2008-09	160.60	50.14	31	24.16	48

(Source: Monthly accounts of SKDP)

The quarterly expenditure, as could be observed, had ranged between 30 *per cent* (2008-09) to 33 *per cent* (2006-07) and March expenditure to respective last quarter was 44 *per cent* (2006-07) and 46 *per cent* (2008-09). The high percentage of expenditure indicated laxity in control of expenditure in disregard to the budget instructions.

On review of record of one of the Panchayat unit, R&B division it was observed that expenditure of last quarter during 2006-09, as shown in below given Table No.11 ranged between 34 *per cent* (2008-09) to 43 *per cent*; (2006-07) while expenditure of March constituted 44 *per cent* (2008-09) and 63 *per cent* (2007-08), which indicated that the division had not observed codal provisions.

Table No.11 (₹ in crore)

Year	Expenditure				
	Annual (A)	Last quarter (LQ)	% of LQ to A	March (M)	% of M to LQ
2006-07	24.14	10.40	43	6.14	59
2007-08	31.60	11.44	36	7.25	63
2008-09	62.15	20.84	34	9.17	44

Administrative Control

3.1.6.5 Non filling up of technical posts by the DP affecting implementation of the programme

Head of the offices are required to monitor the availability of required staff for effective running of a project, service or activities under their jurisdiction. In Panchayat set up posts of Class II categories are filled up by the Government while posts of class III and class IV category are filled up by District Panchayat Service Selection Committee.

Scrutiny of Administrative report and information collected revealed that the posts had remained vacant for two years in following branches, where prompt action has not been initiated by the DDO/Government to fill up the vacant posts for providing effective services under the programme.

- Animal Husbandry services are provided for better health of animals through 45 veterinary Hospitals and 38 primary veterinary centres in the district. As of August 2010, out of 45 posts of veterinary officers (VOs) and 38 veterinary inspectors (VIs), posts of 25 VOs and 10 VIs had remained vacant since 2006-07. DDO was required to send proposal to concerned department regarding allotment of required man power and plan recruitment of manpower under his powers. There was nothing on record to establish that actions were initiated by concerned department for recruitment of class II

posts and DDO for class III posts as required. The vacant posts adversely affected the services to be rendered towards care of animals.

- Similarly in Family Welfare (FW) branch under the control of Chief District Health Officer (CDHO), Sabarkantha, out of 513 posts of Class-III category, 73 posts (of which 46 posts were of Female Health Workers) remained vacant during 2006-09 CDHO stated (September 2010) that the recruitment of these posts would soon be started by District Panchayat Service Selection Samitee. However, vacant posts of FHW for considerable period adversely affected the health programme activities.

3.1.6.6 Lack of effective monitoring resulted in non achievement of targets

Effective monitoring of head of the office is required to achieve the target under the scheme/programme.

Scrutiny of records revealed that under following Agriculture Schemes expenditure was very poor resulting in savings as shown in table No12 below:

Table-No.12 (₹. in lakh)

Year	Head of account	Grant	Expenditure	Savings	Percentage of saving to grants
2006-07	2225- AGR	4.88	1.34	3.54	73
2007-08		3.20	0.66	2.54	79
2006-07	2217-MNR	10.70	1.47	9.23	86
2007-08		5.33	2.05	3.28	62

(Source: Progress reports of Deputy Director of Agriculture, DPSK)

It could be observed from the table above that saving against allotted grant ranged between 62 per cent (2007-08) and 86 per cent (2006-07).

The scheme MNR-4, MNR-5 and MNR-7 were for providing irrigation facilities by giving financial assistance for constructing wells and providing submersible pumps, oil engines and underground water pipelines to ST, SC and Small Marginal Farmers. These schemes were merged with AGR schemes in 2008-09. Beneficiaries covered (achievement) against the targets fixed under the scheme shown in the table No 13 below:

Table-No.13: Details of target and achievement under Agricultural schemes

Year	Scheme	No. of beneficiaries		Achievement in Percentage
		Targets	Achievement	
2006-07	MNR-4	36	3	8
	MNR-5	30	4	13
	MNR-7	12	nil	nil
2007-08	MNR-4	36	4	11
	MNR-5	31	6	18

(Source: Progress reports of Dy. Director, Agriculture branch, DPSK)

Deputy Director Agriculture attributed short fall in achievement of targets to shortage of staff and poor response form beneficiaries under the schemes.

Poor achievement against the target fixed, indicated poor monitoring in implementation of the schemes with very low coverage to beneficiaries of weaker sections

3.1.6.7. Lack of supervision in execution of a scheme

Head of the office is required to ensure that works to be undertaken under the program/scheme are completed in time rendering social benefits to the intended populace. Delayed execution of work due to weak monitoring or non-supervision of the programme activities would only result in non achievement of the goals.

Under the State scheme Sardar Awas Yojana (SAY), assistance of ₹ 36 thousand is given to the entitled BPL beneficiary in three installments. The targets fixed and achievement under SAY during 2006-09 was as shown in the table No 14.

Table No.14: Details of target and achievement under the scheme

(₹ in crore)

Year	No. of beneficiaries			Grant	Expenditure
	Target	Achievement	%		
2006-07	1380	1096	79	4.97	4.01
2007-08	1375	1203	87	4.95	4.25
2008-09	1985	1819	92	7.14	6.65

(Source: Development branch progress reports, DPSK)

Implementation of SAY in Modasa Taluka revealed that out of 327 beneficiaries (2006-09), 61 beneficiaries (six beneficiaries: first (one) installment and 55 beneficiaries: two installments) had not turned up for claiming subsequent installments.

TDO stated (September 2010) that regular notices were being sent to beneficiaries to complete the remaining works and complete their houses but they did not turn up for availing remaining instalment under the scheme. Reply is not tenable as no action was initiated by TDOs to withdraw benefit of house to defaulters and allotment of plots to other eligible beneficiaries and the works required to be completed within two years were delayed.

Further, it was seen in TP Modasa that the work of construction of 80 houses under SAY were allotted to NGOs without incorporating proper conditions in the agreements for execution of works by the NGOs as the agreements suffered with following defects:

- The agreement made with four trusts in 2006-07 for construction of SAY houses did not contain clause for levy of liquidated damages in case of delay in execution of works by the agencies.

- Security deposits at 5 *per cent* of estimated cost were not taken at the time of awarding the works and were not deducted also from the payments made.

TDO, Modasa stated (September 2010) that as the trusts were rendering services on no profit no loss basis, security deposit was not levied. The reply was not acceptable, as action of TDO was in contravention of codal provisions and tantamount to unauthorized aid to these NGOs.

3.1.6.8 Non execution of agreements on stamp papers

According to rule 130 of the Panchayats Rules, 1963 an agreement for works should be executed on stamp paper. Scrutiny of records revealed that for the works executed by VPs, TDOs had executed agreements on plain papers violating the codal provisions. This resulted in non adoption of uniform procedure in respect of execution of work agreements.

3.1.7 Internal controls in execution of works

Public works and irrigation are two major area of operation of DPSK, hence implementation of internal controls prescribed under the Act was to be ensured with due diligence. Discrepancies noticed in applying various controls are discussed in succeeding paragraphs.

3.1.7.1 Irregular system of awarding work orders for irrigational works before on set of monsoon

Scrutiny of 60 work files in the Irrigation branch of the DP and review of Local Fund Audit report on the audit of Accounts of DP for the year 2004-05 revealed that there were three cases (estimated cost: ₹ 22.45 lakh) of non levy or short levy of liquidated damages from three agencies for delayed execution of the works.

It was noticed that in 15 cases work orders for deepening of tanks, construction of check dams and flood protection works were given to agencies by the Executive Engineer (EE) in the month, preceding monsoon i.e. in the month of May or during monsoon period, which were delayed for the period ranging from one month to eleven months. The reason for delay was attributed by agency to heavy rains in monsoon. Considering the cause, recommendations for waiving of liquidated damages were proposed by concerned Deputy Engineers routinely, which were accepted by Works (Bandhkam) Samitee of DP.

This was due to issuance of work orders during pre-set of monsoon only. The Engineer was required to issue work orders after monsoon period or with time duration including monsoon period also. This was not done, which resulted in condoning the delay by Competent authority i.e. Bandhkam Samitee of DP.

EE while agreeing, (September 2010) with the audit stated that the matter would be submitted to higher authorities for a way out on this issue.

3.1.7.2 Basic records were not maintained properly

As per R & B Department instructions for implementation of works, certain registers are required to be maintained to assess the financial and physical status of implementation of works. Further, various registers forming part of accounts and works are required to be maintained properly reflecting all the required details as envisaged in Gujarat Taluka and Panchayat Rules, 1963. It was noticed that maintenance of records was poor in various branches of DP as well as Talukas inspected. The implications of non maintenance of records are detailed as given below:

Records, Registers improperly Maintained/not maintained and Implication	
Grant Register	Grant received; purpose & date of receipt, appropriation made from time to time and amount lying unutilized in respect of a particular grant as on 31 March of each year could not be ascertained.
Work Register	In absence of work Register, schemes taken up, estimated cost, the progress of work and its details viz. value of work done, payments made, materials issued, date of completion, works not completed / suspended, outstanding amount to be paid against the work executed, could not be ascertained. Any excess payment, in terms of cash / Material, would be difficult to be detected.
Deposit Ledger	Amount of the deposits and their adjustment could not be ascertained and therefore possibility of misappropriation and embezzlement of money could not be ruled out.

Executive Engineers and the TDOs stated (September 2010) that due to shortage of staff, this could not be done and the registers would be made up to date in due course. The reply is not tenable as improper maintenance of this registers would lead to fraudulent payments for want of required details and details of completion of works.

3.1.7.3 Periodical checks were not exercised in maintenance of cash books

According to provisions contained in the Panchayat Rules, 1963 (Rule 171 and 172) Accountant is required to (i) initial each receipt and payment and Head of the office shall arrange to have a surprise check of cash balance at least once in a month and record a certificate to that effect. (ii) Accountant should write the daily cash transactions of the cash book and at the end of the day cash balance should be worked out with his dated initial and it should be attested by the head of the Office/Branch Officer. (iii) Head of the office/Branch officer should make a surprise check (physical verification) of cash balance as per Cash Book at least once in a month and give a certificate to that effect.

Scrutiny of cash book of Accounts Branch of the DP Sabarkantha revealed that during 2006-09 no such procedure was followed and checks were exercised. Monthly physical verification was also not made by the accounts officer. When this was brought to notice, it was stated by the accounts officer (September 2010) that hence forth, this requirement would be observed.

3.1.7.4 Delay in submission of monthly accounts

According to provisions of rule 211 Panchayat Rules, 1963, TPs are required to send their respective monthly accounts to Accounts officer of the District Panchayat before 10th of next month.

Scrutiny of accounts of TDO Prantij and Modasa revealed that accounts were sent with delays ranging between one to three months in four instances by TDO, Modasa and delay ranging between one to two months in three instances by TDO Prantij.

3.1.8 Monitoring and Inspection

3.1.8.1 Non conducting Administrative Inspection of VPs records

According to Section 246(2) of Gujarat Panchayat Act, 1993 and resolutions issued by GoG, DDO, Deputy DDOs and TDOs are required to conduct inspection of records of VPs each year.

DDO had issued orders to inspect records of selected 25 VPs of each of 13 TPs each year during the period 2006-2009. Out of these VPs, DDO and Deputy DDOs were to inspect five VPs (each) every year

The detail of year wise VPs inspected was not available at DDO level (Panchayat Branch). TDOs test checked stated (October 2010) that no inspection of VPs could be conducted during 2006-09. However, no specific reasons were given by the TDOs.

Non conducting of inspection by DDO/Dy.DDOs and TDOs during 2006-09 indicated poor administrative control by DDO as well as TDOs.

3.1.8.2 Non conducting of physical verification of Measurement Books

Measurement books (MBs) register, as per Rules is required to be maintained in the office of the Executive Engineer. The details of MBs available, received and distributed to sub-divisional officers are entered in the register along with details of printed serial number of MBs. For the books received, signature of the recipient is required to be recorded. In the month of March of each financial year, EE is required to make annual physical verification of stock and MB register. A certificate to that effect is required to be recorded in the register.

Scrutiny of MB registers of EEs R&B and Irrigation branch revealed that during the period 2006-09 no such annual verification certificates were recorded. EEs stated (September 2010) that henceforth, necessary certificates would be recorded.

3.1.8.3 Non conducting annual physical verification of stores

Annual physical verification of stores is required to be conducted by the Head of the office in the month of March each year and a certificate to that effect is required to be recorded in the register stating that the goods were in good condition and were correct in numbers as per closing of stores registers.

Executive Engineer, Irrigation division , DPSK had not carried out annual verification of stores for the period 2006-09 and this lapse had rendered this operational control as ineffective. EE stated (September 2010) that instructions of audit were noted and in future this would be observed.

3.1.9 Non compliance to outstanding paragraphs

According to provisions of Rule 274 of Panchayat Rules, 1963, Head of the office is required to take expedite action for settlement of objections raised by an Auditor or the Accountant General.

As of August 2010, following paragraphs of Inspection Reports issued by AG (Civil Audit) Gujarat, Rajkot, Sr DAG (LBAA) Gujarat, Ahmedabad and DLFA, remained outstanding as shown in Table No 15, for settlement. It is seen that number of outstanding paras showed increasing trend which indicated that the district authorities have not initiated vigorous action for settlement of paragraphs.

Table No.15: Details of outstanding paragraphs of Inspection Reports

Name of the audit authority	Year	Number of outstanding paras as of March 2010		
		DP	TPs	VPs
DLFA	Upto 2006-07	1921	5500	28036
AG(CA) and Sr.DAG (LBAA) Gujarat	1992-93 to 2005-06	342 ¹⁷	NA	NA

(Source: Progress reports of Accounts branch, DPSK)

3.1.10 Internal Audit

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an

¹⁷ IR para of DPs(1) 1992-93:20, (2)1993-94:15,(3)1994-95:18, (4)1995-96 :11, (5)1996-97:46, (6)1997-98:24 ,(7)1998-99:28 , (8)1999-2000:22, (9) 2000-01:37, (10) 2001-02:13,(11)2002-03:33, (12)2003-04:34 ,(13)2004-05:23 ,and (14)2005-06:18 paras.

organisation to accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

Internal Auditor (IA), at District level pre audits the vouchers and transactions of affairs of DP. As reported, vouchers above ₹ 40 thousand are being submitted by all the Head of offices for pre audit. Thus, vouchers below ₹ 40 thousand remained out of purview of internal audit which indicated lack of meaningful internal audit. Efficacy of internal audit could not be assessed as reports are not prepared by DP in respect of activities carried out under internal audit.

3.1.11 Conclusions

Rules, Regulations and orders regarding budgetary, financial expenditure and physical controls were not properly complied with. Lack of effective control had delayed the implementation of various schemes and resulted into low achievement of targets. Up keeping and maintenance of important accounts record, subsidiary registers was poor at DP and TP level. The periodical monitoring and inspection system was not established and was weak.

3.1.12 Recommendations

- Budget should be prepared in a realistic manner leaving no scope for huge variations in estimates and actuals of receipts and expenditure.
- Monitoring of expenditure against budget provisions should be enforced to ensure financial discipline.
- Periodicity of physical verification system should be adhered to for ensuring effectiveness in execution of works.
- Scrutiny of deposit register should be made immediately and lapsed deposits of earlier periods may be transferred to appropriate heads.
- Procedures for maintenance of records and registers such as Cash Book, Measurement Books, Work Register, Deposit Register etc. should be enforced.
- Need arises to schedule inspection programme at the earliest to establish periodical reporting system so that this important operational control is effectively utilised.
- Monitoring and Inspection system should be strengthened and effective internal audit should be established.
- District Authorities and DLFA are required to take an effective action for early settlement of these outstanding paragraphs.

3.2 Implementation of Various Schemes

Recommendations of various Finance Commissions and 73rd constitutional Amendment envisaged decentralisation of powers to three tier PRIs. Accordingly GOI as well as GoG provide funds to three tier PRIs in the form of grant /loans under various schemes with a view to provide basic civil amenities to the people at grass root level.

During the course of test check of records of PRIs for the period 2005-07, irregularities noticed in implementation of Central/State Sponsored Schemes are discussed in succeeding paragraphs.

3.2.1 Finance Commission Grant

Under the recommendation of Twelfth Finance Commission (TFC), GOI allotted (November 2004) annual grants of ₹ 186.20 crore during 2005-06 to 2009-10, to augment the consolidated fund of the GOG to supplement the resources for the PRIs. The TFC grant is meant for maintenance of civic services like primary education, primary health care, safe drinking water, sanitation, jyoti gram in rural areas and E-gram project. After allocation of grant for the earmarked activities, the local bodies (LBs) could take up other works of community development according to local needs. The Rural Housing and Rural Development Department of the GoG had also issued guidelines (January 2006) for utilisation and devolution of TFC grant to PRIs.

3.2.2 Diversion of TFC grant

Guidelines issued by GoI for utilisation of TFC grant stipulate that LBs may utilise 30 *per cent* of TFC fund for works related to providing facilities for pure drinking water 30 *per cent* on works related to sanitation and remaining 40 *per cent* for other community developmental works of local needs which include Anganwadi, Crematoria, Electricity, and Panchayat Ghar etc. During test check of records of TPs, cases of diversion of TFC grant are detailed below:

- (i) During 2005-08, TP, Kalol (DP Gandhinagar) received TFC grant of ₹ 1.92 crore and spent ₹ 1.72 crore (89 *per cent*) on construction of roads which was not an identified activity to be taken up from TFC grant instead of on drinking water and sanitation works.
- (ii) The TP Kadi (District-Mehsana) received TFC grant of ₹ 1.61 crore between 2005-06 and 2009-10 and spent ₹ 0.60 crore on sanitary works against the maximum admissible amount of ₹ 0.48 crore. Thus, fund of ₹ 0.12 crore, meant for other activities were diverted to sanitary works.

(iii) During 2006-07, District Development Officer (DDO), Bhavnagar released TFC grant of ₹ 21.54 lakh to the TP, Shihor. TDO was required to allocate ₹ 6.46 lakh on Drinking water works, ₹ 6.46 lakh on sanitation works and ₹ 8.62 lakh on other developmental works. However, TDO, Shihor spent ₹ 3.81 lakh on drinking water works, ₹ 4.24 lakh on sanitation works and ₹ 13.34 lakh on other development works. Thus, an amount of ₹ 4.88 lakh was diverted from drinking water and sanitation funds (Sanitation works: ₹ 2.22 lakh and Drinking water works: ₹ 2.66 lakh) for execution of other development works in violation of TFC conditions.

3.2.3 Unfruitful expenditure

The work of construction of a well at village Mandavada of Taluka Palitana (DP Bhavnagar) was administratively approved (March 2006) by DDO Bhavnagar for ₹ 1.99 lakh (inclusive of 25 per cent matching contribution of ₹ 0.49 lakh of VP). As per record of VP the work was shown as completed at a cost of ₹ 1.17 lakh.

During audit it was noticed (July 2010) that the work was left incomplete. TDO, Palitana also confirmed that due to non-availability of drinking water in ground, the work was treated as completed (March 2009) and proposal was submitted to DDO for another work. This indicated that the work was taken up without proper technical survey and investigation while preparing estimates of the work which resulted in unfruitful expenditure of ₹ 1.17 lakh.

3.2.4 Non -submission of utilization certificate for the TFC grant

As per the recommendation of the TFC, utilisation certificates were required to be furnished by each PRI. Though, TP Mehsana (District Mehsana) received TFC grant of ₹ 1.41 crore during 2006-07 of which ₹ 90.19 lakh were spent, utilisation certificate was not furnished to DP. TDO Mehsana stated (February 2010) that UCs would be sent in due course.

3.3 Implementation of Sardar Aawas Yojana

Under the Ninth Five Year Plan and on the model of Indira Aawas Yojana, the GoG revamped and relaunched the earlier scheme of providing free plot of 100 sq yard for landless agricultural labourers and village artisans living below the poverty line in rural areas. The scheme was renamed as ‘Sardar Aawas Yojana’ and was launched on 1st April 1997. Under the scheme, GoG’s financial assistance of ₹ 36 thousand was to be released in three installments and beneficiary’s labour contribution was purported to be ₹ seven thousand which was to be ensured by TDO/Additional Assistant Engineer.

TPs had implemented the scheme under the supervision of DPs, Development Commissioner and the Department of Panchayat and Rural Housing. Since re-

launching of the scheme (April 1997), 3.13 lakh houses have been constructed and 14 lakh plots have been allotted up to 2008-09.

During 2006-09, against a total outlay of ₹ 276.00 crore for construction of 76666 houses, only 70589 houses could be constructed at a total cost of ₹ 252.12 crore (including spill over of unfinished houses of earlier years) as shown in Table No 16 under:

Table No.16 Financial and physical targets and achievement

Year	Financial(₹ in crore)			Physical (numbers. of units)		
	Grant Allotted	Expenditure	% of expenditure to grant	Targets	Achievement	% of achievement to target
2006-07	86.40.	73.73	85	24000	22302	93
2007-08	90.00.	85.18	95	25000	21976	88
2008-09	99.60	93.21	94	27666	26311	95
Total	276.00	252.12	91	76666	70589	92

Test check of records during local audit of 19 TPs (**Appendix-VIII**) conducted between April 2010 and August 2010, revealed irregularities as detailed below.

- Sardar Aawas Yojana register is a basic record to ascertain the data of each beneficiary, progress of the works, payments made to the beneficiary etc. In six TPs (Mahuva, Kadi, Valia, Prantij, Umargam and Palitana) the registers were not maintained properly.
- In TP, Kadi, (DP Mehsana) eight numbers of free of cost plots were allotted (July 2004) to the beneficiaries, however, particulars regarding name of beneficiary, date of allotment, status of the plot i.e. whether houses were constructed or not, etc were not available on records.
- In TP, Umargam, (DP Valsad), construction of 80 housing units were assigned to four private agencies and the works were completed at cost of ₹28.90 lakh, however, particulars of agencies, work and name of beneficiaries were not on records.
- In seven TPs (Kadi, Modasa, Gadhada, Palitana, Sami, Meghraj and Prantij) though unspent balance fund of ₹ 2.84 crore of previous years was available, fund of ₹ 2.86 crore was released in 2006-07 by the Development Commissioner. These TPs could utilize only Rs 2.28 crore during 2006-07 and fund of ₹ 3.42 crore remained unspent. Thus, funds were released without assessing the requirement of TPs and status of unspent fund. It also indicated that target fixed by Development Commissioner were unrealistic and not evaluated centrally at the Commissionerate level, in spite of availability of details of number of BPL families and beneficiaries.

- Under SAY, total sum of ₹ 0.43 lakh (₹36 thousand GoG contribution and ₹ seven thousand beneficiary labour contribution) was to be provided to the beneficiary for construction of a dwelling unit. Though funds were not available, TDO, Hansot drew 15 cheques for a total sum of ₹ 4.70 lakh under the scheme on 31st March 2006, which were subsequently cancelled in July 2006. Signature of the beneficiaries in token of receipt of cash assistance during 2005-06 was not available on records.

From the above it is observed that at field level basic records for implementation of the scheme was not maintained properly. Effective monitoring of the fund utilization and execution of works was absent at State as well as District and TDO level.

For better implementation of the SAY, realistic evaluation of targets fixed, proper identification of beneficiaries, capacity building of TPs for implementation of the scheme, strengthening of monitoring at state level in respect of physical and financial planning and rational allocation of fund is recommended.

3.4 Balika Samruddhi Yojana

Balika Samruddhi Yojana (BSY) is a 100 *per cent* Centrally Sponsored Scheme (CSS) to provide benefits to two girl children of families below the poverty line (BPL) who were born on or after 15th August 1997. The scheme was launched with the objectives (i) to change the negative attitude of family & society towards girl child and her mother at the time of birth, (ii) girls attend schools regularly, (iii) girls marry at adult age, and (iv) to assist girls for earning activities. The scheme provides post-birth grant amount of ₹ 500 (to be deposited in joint bank account of Child Development Project Officer and the beneficiary and payable on attaining age of 18 years) and annual scholarship at the prescribed rate on successful completing of schooling each year.

The scheme is implemented through TPs under the overall supervision of the Commissioner of Women and Child Development at state level.

Test check of records of five¹⁸ TPs revealed following irregularities in implementation of the scheme:

- Scholarship was not paid by TP Mahuva (DP Bhavnagar) to girl children during 2005-06, though grant of ₹ 3 lakh was available. In TP, Meghraj, (DP Sabarkantha) not a single joint account was opened under BSY during 2006-07, which indicated lack of administrative response towards girl child of BPL family. Further, it was observed that, despite availability of

¹⁸ (1) Mahuva,(2) Amreli,(3)Viramgam,(4) Palitana and(5) Meghraj

fund of ₹ 1.77 lakh, benefit of annual scholarship was not given to any of the girl child during 2004-05 to 2009-10.

- Though grant of ₹14 lakh was available, only post birth grant was given to 2050 girls during 2006-07 by TP, Amreli and benefit of scholarship was not given.
- According to Commissioner of Women and Child Development orders (January 2003), under the BSY, joint accounts were to be opened only in designated nationalised banks. Despite clear instructions, authorities in TP, Palitana, opened (September 2006) 100 accounts in a bank other than nationalised banks for release of post birth grant to eligible girl children during 2006-07.

3.5 Doubtful expenditure of ₹ 14.50 lakh under Panchvati Scheme

Government of Gujarat launched (September 2004) 'Panchavati' Scheme with a view to provide gardens and other entertainment amenities in the villages. Under the scheme selected, VPs were to be provided with fund of ₹ one lakh for developing gardens in VPs and the scheme would be implemented through respective TPs.

Fund of ₹ 16 lakh (₹ Eight lakh each) was provided (2006-07) to two TPs viz. Mehsana (DP Mehsana) and Chanasma (DP Patan) of which ₹ 14.50 lakh, as of 31st March 2007 were stated as having been spent for the purpose.

Scrutiny of records revealed that details of reports of the committee at district level and village level to prove that the works were actually carried out were not available. Further, details of names of the VPs where works were executed, reports of the village level committee in respect of execution of works, details of actual expenditure incurred, name of the agency and completion certificates etc were also not available on the record. In absence of these details possibilities of fraudulent claims/payments cannot be ruled out.

TDOs stated (March 2009-July 2010) that the matter would be examined and required records would be maintained for recording such expenditures.

3.6 Poor implementation of the schemes of financial assistance to SC/ST/OBC students

To raise the level of literacy among students of Scheduled Caste (SC) and Scheduled Tribe (ST), schemes of providing scholarship, free cycle, coaching fee, food bill assistance, free cloths etc. are under implementation in the State since 1976. Some of the schemes are target specific such as for girl students, for students whose parents are engaged in unclean occupation, students of most backward communities, college students etc. During 2007-08, 16 numbers of such

schemes were in operation. The financial assistance/ scholarship are granted through TPs and District Social Welfare Officer (DSWO) is the sanctioning authority.

During local audits of nine¹⁹ TPs, it was noticed that fund amounting to ₹ 2.70 crore, received from the GoG for disbursement of scholarship/ financial assistance to various categories of students during 1976-2007 remained undisbursed and were lying in civil deposits accounts of the concerned TPs as of 28th February 2010.

The huge undisbursed amount lying in deposits indicates non-payment of financial assistance to entitled students / targeted group in time. Inaction or delayed action on the part of TDOs, thus, defeating the very purpose of the schemes.

On being pointed out this, TDOs stated (March July 2010) that factual position would be intimated to audit after verification of relevant records and undisbursed amount would be remitted to Government account.

Non utilization of the schemes fund is a serious issue and the state level monitoring for implementation of such schemes is required as benefits are not reaching to the targeted strata of the society.

3.7 Irregularities in execution of works contract

3.7.1 Undue financial benefit to the contractors due to non inclusion of liquidated damage clause in the contracts

As per section 132 of the Gujarat Panchayat Act, 1993 read with rule 124 of the Gujarat Taluka & District Panchayat Finance, Accounts & Budget Rules, 1993, inclusion of penalty clause for delay in completion of work or slow progress of work and risk and cost clause in the eventuality of failure of the contractor to complete the work in the standard bidding document is mandatory.

The standard bidding documents (B-1/ B-2 form) of Roads and Building Department, stipulate levy and recovery of liquidated damages (LD) at 0.1 *per cent* of the contract value per day of delay, subject to levy of maximum penalty to the extent 10 *per cent* of estimated cost of work put to tender. By inclusion of this clause, TPs could enforce the contractors to complete the work in time or could impose penalty, where the works were belatedly completed.

Test check of records of 11 TPs revealed that in 35 contracts of total tendered cost of ₹ 45.40 lakh (**Appendix- IX**), awarded during 2004-07, provisions for recovery

¹⁹ (1) Khambha,(2) Diodar,(3) Petlad,(4) Vadgam,(5)Tharad,(6) Ankleshwar,(7) Mahemdavad,(8)Radanpurand (9)Nizar

of LD, in case of delay or slow progress of work, were not included in tender documents.

It was observed that though, in the above cases, works were completed with delay ranging from 18 days to 1239 days, TPs could not levy penalty on the contractors and recovery of ₹ 4.06 lakh on account of LD, leviable @ 0.1 per cent per day (maximum 10 per cent) was not effected resulting in undue benefit to the contractor.

3.7.2 Inclusion of liquidated damages clause at random rates

Test check of records of three TPs revealed that instead of inclusion of uniform and standardized rate of LD i.e. @ 0.1 per cent per day in case of non completion of work/ slow progress of work, in the tenders, the TPs included varying rates for levy of LD, ranging from ₹ One to ₹ 10 per day in 14 contracts (**Appendix-X**) awarded during 2005-07 at a total tender cost of ₹ 16.21 lakh. In all these works, delay ranging from 27 days to 416 days was noticed. Further, the TPs imposed and recovered LD of only in two cases at arbitrary rates. In remaining cases though provision for recovery of LD was included in contracts, TPs neither levied nor recovered LD amounting to ₹ 1.29 lakh for delay in completion of works.

Due to inclusion of arbitrary rates of liquidated damages and non levy of LD, contractors were given undue benefit of ₹ 1.29 lakh.

3.7.3. Irregular allotment of works to village panchayats

According to PRHD circular, works costing up to ₹ Two lakh only can be allotted to VP. Further, if a VP was not able to execute the work, such works were required to be executed by TPs itself by inviting tenders.

Test check of records of TP, Vanthali (DP Junagadh) and Satlasana (DP Mehsana), revealed that four works of construction of Panchayat Ghar each costing more than ₹ Two lakh each were entrusted to the Sarpanch of the respective VPs in 2004-05 in violation of the above circular. All these works were entrusted to the VPs without proper agreement.

Further scrutiny revealed that one work of Panchayat Ghar at Shapur village, costing ₹ six lakh, taken up in March 2005 was still incomplete as of June 2010, though, ₹1.51 lakh was spent on the work during 2004-05. The works of Panchayat Ghar at Otalpur and Timba were completed with a delay of 365 days. The work of Panchayat Ghar at Rampura was shown as completed at a cost of ₹2.90 lakh though 17 items of work were not executed and final bill of the work was not available on records.

Thus, entrusting of the civil works costing more than ₹ two lakh to VPs was irregular. This also resulted in non completion / delays in completion of the works because of limited capacity and expertise of the VPs.

The report was sent to the PRHRDD on 3 December 2010 and exit meeting was held with Additional Secretary, PRHRDD on 28 December 2010. Additional Secretary, PRHRDD stated that observations made in the report as a whole were accepted and compliance to observations made in the report would be furnished in due course.

CHAPTER- IV

4 FINANCE AND ACCOUNTS OF URBAN LOCAL BODIES

4.1 Introduction

Article 243 (W) of the Constitution of India envisages that the State Government may, by law, endow the municipalities with such powers and authority as may be necessary to enable them to function as institutions of Self Government and such law may contain provisions for devolution of powers and responsibilities upon municipalities subject to such conditions as may be specified there in with respect to (i) the preparation of plans for economic development and social justice and (ii) the performance of function and the implementation of the schemes as may be entrusted to them including those in relation to the matters listed in the Twelfth Schedule.

4.2 Status of ULBs in Gujarat

After the 74th Constitutional Amendment, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government with clearly defined functions and responsibilities. Accordingly, the State Government reorganized (1993) these institutions into three tier system of ULBs namely Municipal Corporations (MCs), Nagarpalikas (NPs) and Notified Areas (NAs).

At present, there are seven MCs, 159 NPs and 23 NAs. The MCs were constituted under the Bombay Provincial Municipal Corporations Act, 1888 as revised in 1949 and amended from time to time by the State Government. The NPs were constituted under the provisions of Gujarat Municipalities Act, 1964. The NPs are classified into four categories on the basis of population as ascertained in the preceding census. Each NP is divided into a number of wards, which is determined by the State Government with regard to population, geographical condition and economic consideration of the respective area. An elected member / councilor represent each ward.

4.3 Households and Populations covered

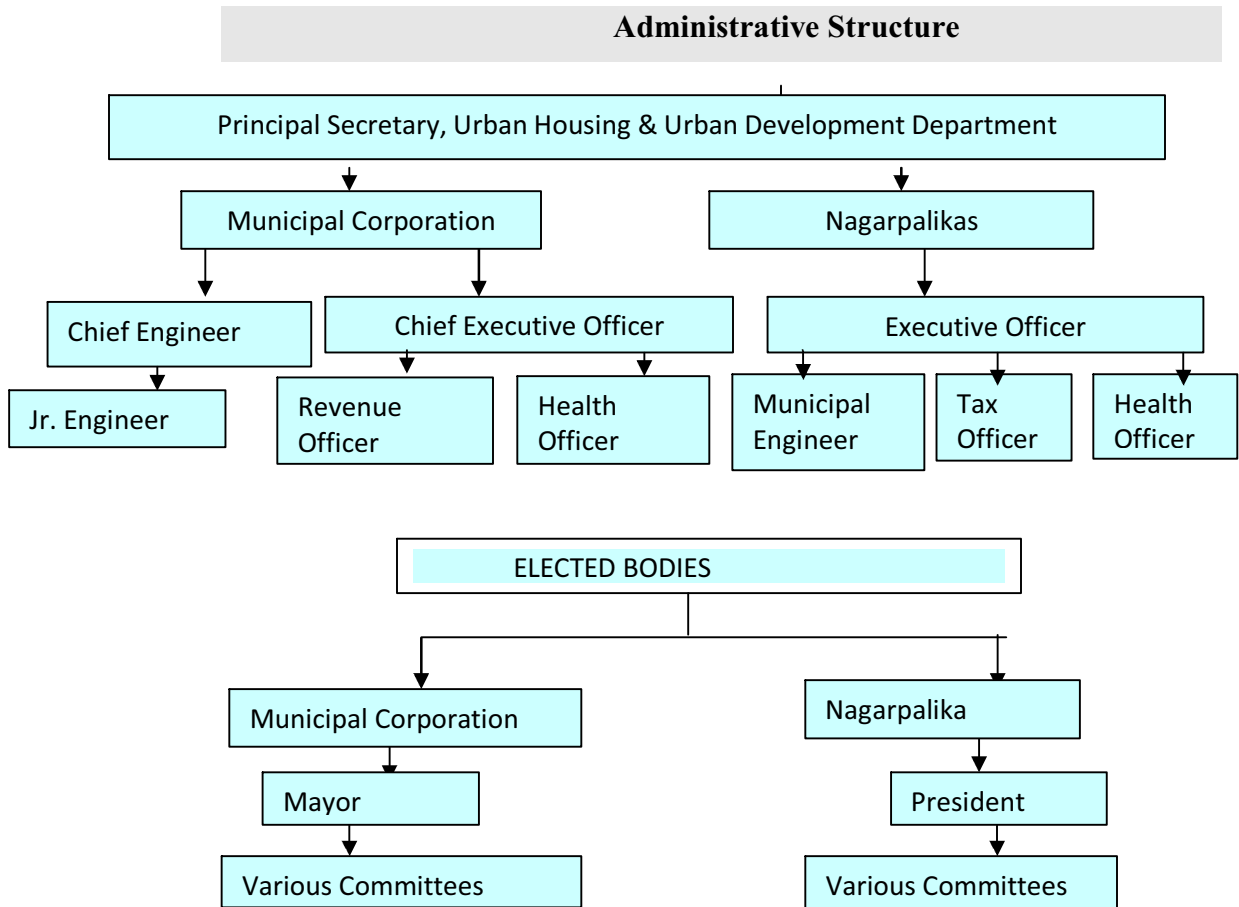
The Population of Gujarat is 5.07 crore (2001 census) of which 1.90 crore (37.36 *per cent*) reside in urban area. Total numbers of households in the State as per 2001 census are 96.44 lakh of which 37.58 lakh (38.97 *per cent*) reside in urban area.

The urban population of Gujarat has increased rapidly from 1.06 crore in 1981 to 1.42 crore in 1991 and again to 1.90 crore in 2001 representing 31.10 *per cent*, 34.47 *per cent* and 37.36 *per cent* of the total population respectively as against the national average of 23.70 *per cent* in 1981, 25.71 *per cent* in 1991 and 27.78

per cent in 2001. The last elections of six MCs and 53 NPs were held in October 2010.

4.4 Organizational setup

The NP / MC is a body corporate having a Board of Councillors. All the ULBs consist of elected members (Councillors) form each ward. The minimum numbers of wards are 21 and the maximum number is kept between 21 and 192 depending on the size of the ULB with reservation for SC, ST, OBC and women as per provisions. The following organogram depicts the structure of ULBs in the State of Gujarat.



The President / Mayor, elected by the majority of the Board of Councillors, is the executive head of the ULB. The executive powers of ULBs are exercised by the Council. The President / Mayor enjoys powers delegated by the Board. Various committees are formed to assist the NPs/ MCs.

The Chief Executive Officer (CEO)/Executive Officer (EO) appointed by the State Government is a whole time Principal Executive Officer of the MC/NP for administrative control of the ULB. Other officers are also appointed to discharge

specific function. Functions of CEO/EO include general supervision, control over the officials of the ULBs, organizing board meetings, monitoring and implementation of schemes and get the budget estimates prepared.

4.5 Powers and functions

Twelfth Schedule (Article – 243 W) of the Constitution of India envisages that the State Government may, by law, endow the ULBs with such powers and authority as may be necessary to enable them to function as institutions of self-government.

Accordingly, the State Government vide Section 87 of the Gujarat Municipality Act, 1963 devolved various functions to be exercised in the sphere of Public works²⁰, Education²¹, Public Health & Sanitation²², Development²³, Town Planning²⁴ and Administration²⁵. Similarly vide section 63 to 72 of the Bombay Provincial Municipal Corporations Act, 1949 the State Government had devolved various functions and powers to Municipal Corporations.

The details of functions devolved by the State could not be ascertained as State has not furnished (December 2010) the information though called for.

4.6 Financial Profile

The ULB fund comprises receipts from its own source, grants and assistance from Governments, SFC / Central FC grants and loans obtained from any public financial institutions or nationalized banks or such other institutions as the State Government may approve. A flow chart of finances of a ULB is as given in succeeding page.

²⁰ Naming streets and numbers of premises, giving immediate relief in the event of natural calamities.

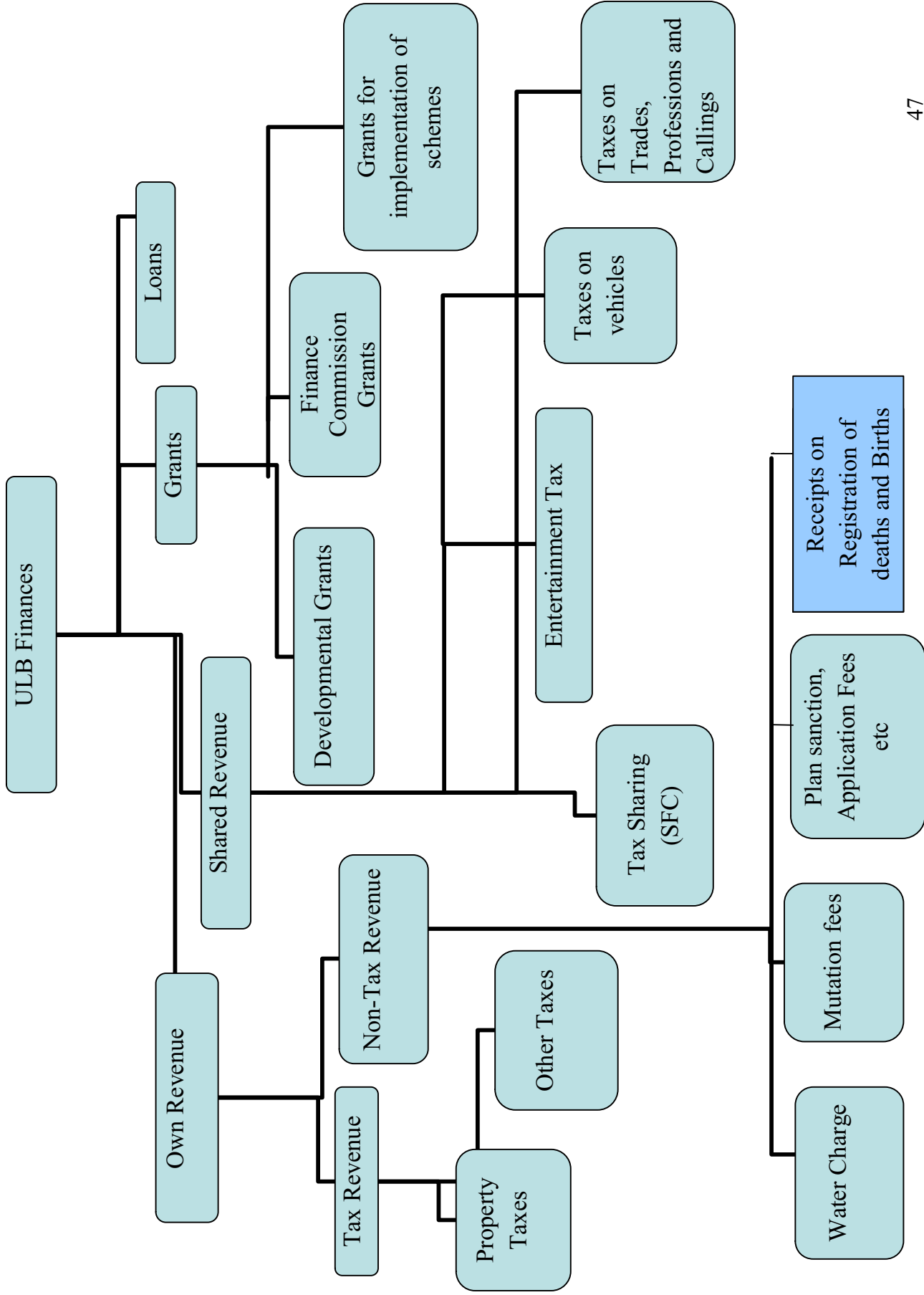
²¹ Establishing & monitoring primary school.

²² Regulating and abating offensive or dangerous trades or practice, securing and removing dangerous buildings or places and reclaiming unhealthy localities, obtaining a supply or and additional supply of water, proper and sufficient for preventing danger to the health of inhabitants from the insufficiency or unwholesomeness of the existing supply, when such supply or additional supply can be obtained at a reasonable cost, Public vaccination, watering public streets and places, cleaning public streets, introducing and maintaining the system of water closet, depositing night soil and rubbish, providing special medical aid accommodation for the sick the time of dangerous disease, establishing & maintaining public hospitals, dispensaries and family planning centers and providing public medical relief.

²³ Constructing, altering and maintaining public streets, suitable accommodation for cows and buffalos, printing such annual report of the municipal administration, paying the alary and contingent expenditure on account of such police or guards as may be required by the municipality and improving agriculture by suitable majors.

²⁴ Devising town planning within the limits of borough according to the relating to town planning.

²⁵ Lighting public streets, places and building, extinguishing fires and protecting lives and property when fires occur. Removing obstruction and projections in public places, erecting substantial boundary marks and registering births, marriages and deaths.



4.6.1 Sources of finances of ULBs

The property tax on land and building is the principal source of tax revenue of an ULB. The main sources of non-tax revenue of an ULB are plan sanction fees, mutation fees and water charges. All collections as permissible under the statute in force are meant for maintenance of administration and providing of services to the general public.

The State Government releases administrative grants to the ULBs to compensate their revenue expenditure. Grants and assistance released by the State Government and the Central Government are utilised for developmental activities as specified in the respective schemes or programmes.

The loans raised from different sources with prior approval of the State Government are utilised for execution of various projects / schemes.

4.6.2 Sector wise receipts and expenditure

The receipts and sector wise expenditure incurred during the last five years ending March 2009 are given in Table No.1 below.

	2004-05	2005-06	2006-07	2007-08	2008-09
GoG grant ²⁶	560.61	457.29	636.17	2432.39	3236.65
GoI Grant	36.49	43.31	77.27	684.85	846.49
Own Revenue	121.51	122.43	132.69	609.69	402.10
Loans	0.18	0.40	0	0.30	0.30
FC Grants	136.02	82.80	41.40	82.80	82.80
Total Receipts	854.81	706.23	887.53	3810.03	4568.34
Total Expenditure	715.10	1239.23	1169.60	3233.40	4534.61

(Source: Budget publications and figures received from the Department)

It could be observed from the above that allotment of grants by GoG and GoI reflected increasing trend during the years 2007-08 and 2008-09 due to funding for TFC works and CSS works. The expenditure had also increased during 2007-09 due to above funding and it was within the receipts of the respective years.

4.7 State Finance Commission

Article 243 W of the Constitution had made it mandatory for the State Government to constitute a State Finance commission (SFC) within a year from the commencement of the Constitutional amendment Act and thereafter on expiry of every five year to review the financial condition of the ULBs and to make

²⁶ Inclusive of JNURM and MCorps. funds

recommendations to the Governor for devolution of funds. GoI guidelines (June 2005) stipulated that state government was to act within six months of SFC's recommendations.

It was, however, noticed (as commented in paragraph 1.10 of this Report) that the State Government had neither maintained periodicity for constitution of SFCs nor placed reports (submitted by the belatedly constituted SFC) in Assembly within six months time, defeating the very purpose of the constitution of SFC.

4.8 Finance Commission Grants

As per the recommendation of TFC ₹.331.20 crore were released (2005-09) to the State Government by Government of India for ULBs which was in turn released to the ULBs. The audit observations on utilization of Finance Commission grants are included in Chapter III of Part-B of this Report.

4.9 Annual Accounts

The Accrual Based Accounting System is being followed with parallel running of cash based system on trial basis in all ULBs. The formats for database on finances of ULBs as prescribed by the C&AG have been accepted by the Government (September 2004 & August 2007). However, these are yet to be operationlised (December 2010). As per respective Acts/ Rules, the ULBs prepare the accounts pertaining to the period from 1st April to 31st March of particular year and after getting it approved by the respective Standing Committees/General Body, the accounts are submitted to respective controlling/administrative department by 31st of July each year and submitted to DLFA for audit. The audit observations on Annual Accounts of the ULBs are included in Chapter-II of Part-B of this Report.

4.10 Audit arrangements

4.10.1 Pending audit by Director, Local Fund Audit

The DLFA is the primary Auditor of the NP and NA whereas in case of MC, this work has been assigned to the Chief Auditor of the respective MC. Audit of all the 23 NAs by DLFA is in arrear since 2008-09 onwards. Details of arrears in audit of NPs by the DLFA as of 31st March 2010 are given in the Table No 2:

Table No 2

Year	Total Number of NPs	Arrears in audit by DLFA
2005-06	140	22
2006-07	140	63
2007-08	161	126
2008-09	159	159
2009-10	159	159

DLFA stated (November 2010) that the arrears in audit was due to shortage of staff. The reply is not tenable as audit in abeyance for considerable period would

lead to weak internal monitoring and fraught with the risk of frauds and irregularities which cannot be timely detected.

4.10.2 Audit by C&AG

The recommendations of the EFC stipulate that the C&AG shall be responsible for exercising control and supervision over proper maintenance of the accounts of ULBs and their audit. Accordingly State Government has entrusted (May 2005) the audit of ULBs to C&AG under section 20(1) of the C&AG's (DPCs) Act, 1971.

Regarding entrustment of audit of MCs in the State to C&AG, it was stated (December 2010) by the UH &UDD in GoG that exercise of entrusting the audit was under process and would be finalized by March 2011.

4.11 Outstanding Inspection Report Paragraphs

4.11.1 Outstanding paras of DLFA Inspection Reports

Total 1,41,308 numbers of paragraphs of Inspection Reports (IRs) as issued from time to time by DLFA were outstanding as on 31 March 2010, as detailed in Table No.3 below:

Table No. 3

	Up to 2000-01	Addition during 2001-09	As of March 2010
Nagarपालikas	94,899	46409 ²⁷	1,41,308

The reasons for huge outstanding paras though called for (November 2010) details were not provided by the DLFA.

4.11.2 Pending paragraphs of Accountant General (Civil Audit), Gujarat

Status of outstanding IRs and paragraphs issued by Sr. DAG (LBAA), Ahmedabad, Gujarat, is given in Table No 4 below:

Table No. 4

Year of audit	Inspection Reports	Outstanding Paras
2007-08	19	320
2008-09	30	381
2009-10	20	247
Total	69	948

4.12 District Planning Board

The State Government constituted (1973) District Planning Board (DPB) for each district headed by the Minister in-charge of the concerned district. The State

²⁷ 2001-02 ;6407.; 2002-03:9779; 2003-04:4824; 2004-05:.,10934; 2005-06:.,4728; 2006-07:.,9626; 2007-08:.,111;

Government under provision of Article 243 Z D of the Constitution of India constituted (July 2006 and January 2009) District Planning Committees (DPC) in all the District by a Government Resolution. Minister in-charge of the district is chairperson of the DPC in each district. The DPC consolidates the plans prepared by the ULBs in the district and prepares a Draft Development Plan (DDP) for the district as a whole on the matters of common interest of the LBs keeping in view the available resources, whether financial of otherwise, and forwards the DDP to State Government with recommendations. The DPCs in the State are working as envisaged in the Constitution.

4.13 Audit coverage

Accounts for the period 2004-08 of 29 NPs were test-checked during 2008-09 and 2009-10. Results of audit are given in the succeeding chapters.

4.14 Conclusion

The State Government has not devolved all the functions enlisted in the 12th Schedule of the Constitution to the ULBs. State Government adopted the formats for database on the finances of ULBs. However, the same are yet to be operationalised. Neither the prescribed periodicity for constitution of SFCs, as per Constitutional provisions, was maintained nor action was taken by the State Government on recommendations of the belatedly constituted SFCs. Pendency of audit by DLFA and arrears in settlement of outstanding IRs and paragraphs of DLFA and that of Sr. DAG (LBAA) indicate weak internal control system in ULBs.

4.15 Recommendations

The following measures are recommended for ensuing better accountability system in ULBs.

- Functions enlisted in the 12th Schedule may be devolved to the ULBs with adequate funds and functionaries.
- Database on finances of ULBs may be maintained in the formats prescribed by the C&AG.
- SFCs should be constituted as per Constitutional provision and immediate actions be taken on the SFCs recommendations.
- Government should initiate Steps on priority to finalise the accounts and its audit of ULBs by the primary auditors.
- Director Municipalities and concerned COs are required to form an apex level committee for clearance of outstanding paragraphs.

Chapter –V

5 Accounting Procedures and Financial Management

According to the Gujarat Municipalities Act, Bombay provincial Municipal Corporations Act and Rules made their under ULBs are required to prepare the budget estimates and maintain accounts in the prescribed forms within stipulated time. The succeeding paragraphs bring out the deficiencies noticed during test - check of records of ULBs conducted during the period from April 2009 to July 2010.

5.1 Unauthorized payment of ₹ 20.66 Crore

As per Section 49 of Gujarat Municipality Act read with para 38 of Municipal Account Code, the Chief Officer of NP should sign the bill for payment order before issue of cheque.

Scrutiny of records of Amreli NP for the period 2003-04 to 2005-06 revealed that 6759 bills amounting ₹ 20.66 Crore pertaining to expenditure on establishment, Works and contingent expenditure etc. as mentioned in table No.5 below were passed for payment without obtaining order /consent of the Chief Officer, resulting in unauthorized payment of ₹ 20.66 Crore during 2003-06.

Table No.5 (₹ in Crore)

Voucher No.	Audit Period	Total amount of payment
1 to 2622	2003-04	6.20
1 to 2342	2004-05	6.77
1 to 1795	2005-06	7.69
Grand Total		20.66

The CEO while accepting the audit observation stated (May 2007) that the bills were submitted to the Ex-Chief Officer to obtain the signature but the bills were not signed by the Ex-Chief Officer. Fact remained that payment was made unauthorisedly which calls for regularization /investigation.

5.2 Outstanding water charges of GWSSB, ₹ 35.94 crore

As per section 87 C of Gujarat Municipalities Act, 1963, in the sphere of Public health and sanitation for preventing danger to the health of the inhabitants from the insufficiency or unwholesomeness of the existing supply, a proper and sufficient supply of water can be obtained at a reasonable cost and provided to inhabitants.

As per Rule 99 (i), Chapter – VII of Municipal Taxation Rules, imposition of taxes on the basis of general water rate or a special water rate or both for water

supplied by the municipality, which may be imposed in the form of a tax assessed on buildings and lands or in any other form. If, a prudent policy was adopted, no unit would incur the losses on Water Supply Schemes operated by them.

During the course of audit for the year 2004-05 to 2006-07, it was observed that expenditure on providing water by the NP, Gandhidham increased every year and had accumulated to ₹ 35.94 crore at the end of the year 2006-07. However, no additional tax was imposed to cover the huge expenditure. Further it was observed that as on 31 March 2007, outstanding recovery of NP stood to ₹ 9.29 crore of which outstanding water tax was to the extent of ₹ 4.91 crore.

Gandhidham NP (GNP) procures water at ₹4 per thousand litre from Gujarat Water Supply & Sewerage Board (GWSSB) and supplied at fixed rate varying from ₹ 25 to ₹ 300 per month depending on end use and size of water pipe line. Due to this, during the year 2007-10 the loss sustain by GNP was ₹ 1.72 crore (2007-08: ₹ 1.49 crore 2008-09: ₹ 0.08 crore and 2009-10: ₹ 0.15 crore).

The Chief Officer, GNP stated (May 2009) that water tax was revised in March 2008 but due to increase of water supply charges and over billing by GWSSB, the liabilities on water charges have increased. On the intervention of GoG, GWSSB has agreed in April 2006 that NP would pay annually ₹ 20 lakh each year to liquidate the liabilities.

However, fact remained that as of 31 March 2007 there was liability of ₹ 35.94 crore and outstanding tax recovery mounted to ₹ 9.29 crore which indicated weak monitoring by the NP.

5.3 Improper maintenance of Cash book

As per codal provisions every ULB should maintain Cash Book in the prescribed Performa. Each financial transaction, receipt as well as expenditure, should invariably be entered in the cash book immediately on its occurrence. The cash book is vital record to establish correctness and transparency of financial transactions of the institute; therefore, it should be maintained correctly, neatly and with self contained information.

Scrutiny of cash books of Kheda, Jambusar and Harij NP for the period 2005-07 revealed following general defects in maintenance of cash books.

- (i) Prior to utilisation of cash books, the number of pages in Cash Book should be counted and certificate of head of office / Branch Officer to that effect should be recorded on the first page of the Cash Book. However, it was not found obtained.
- (ii) Daily closing was not found signed by the Chief Officers.
- (iii) Summary of receipt & expenditure at the end of month was not prepared.

- (iv) Details of cheques issued for payment were not recorded.
- (v) Monthly surprise checking/verification of cash book transactions were not made.
- (vi) Amount of Security Deposit / Tax Deducted at Source etc deducted from the bills was not properly adjusted in cash book.
- (vii) Names of Banks with available balance at the credit as per daily/monthly closing were not recorded.

The concerned Chief Officer stated (October-December 2009) that hence forth the cash book would be updated by recording necessary entries.

5.4 Un reconciled difference between Cash Books and Bank Pass Book

As per para 44 of Municipal Account (MAC) code, at the end of each month, amount of receipt and expenditure as recorded in cash book is required to be reconciled with bank Pass Book and difference, if any, should be set right with detailed explanatory foot note.

During test check of records of Dharampur NP (DP Valsad) and Nadiad NP for the period 2005-06, it was noticed (July 2010) that the balance of bank Pass books was not reconciled with that of cash books. As a result, there was unreconciled difference of ₹ 44.73 lakh between the cash book and bank pass book (Dharampur ₹ 1.36 lakh and Nadiad ₹ 46.10 lakh) as on 31st March 2009. In the absence of reconciliation of cash balance, authenticity and correctness of the accounts of these local bodies could not be verified in audit and probability of fraud/misappropriation of funds could not be ruled out.

On this being pointed out, it was replied (July 2010) by the Chief Officers that the difference would be reconciled as per audit instructions.

5.5 Unrealistic Budget

Section 76 of Gujarat Municipalities Act, 1963, read with para 24 of Municipal Code and Para 126 of Gujarat Budget Manual Vol-1 provide that the budget should be prepared in a realistic manner taking into consideration all the vital factors. Variation between the budgeted and actual receipts & expenditure entails financial indiscipline. It is, therefore, essential to take utmost care in preparing budget giving due attention to the prioritized needs of the people.

Review of the records of seven²⁸ NPs for the period 2003-06 revealed that in over all, there was huge difference between estimated and actual receipt & expenditure as shown in Table No. 6 below:

²⁸ Jambusar, Talaja, Vapi, Dharampur, Bilimora, Limbdi and Borsad

Table No. 6**(₹ in crore)**

Year	Receipt			Expenditure		
	Estimated	Actual	Variation Percentage	Estimated	Actual	Variation Percentage
2003-04	43.29	20.64	22.65 (52 %)	40.41	18.95	21.46 (53 %)
2004-05	59.53	33.99	25.54 (42 %)	56.89	27.68	29.22 (52%)
2005-06	59.21	47.31	11.91 (20 %)	58.30	40.96	17.34 (30%)

As could be seen from the Table that the variation between estimated and actual receipts ranged from 20 *per cent* (2005-06) to 52 *per cent* (2003-04). Further the variation between estimated and actual expenditure ranged from 30 *per cent* (2005-06) to 53 *per cent* (2003-04). Huge variation between estimation and actual were due to less receipt of fund and to that extent less execution of works/schemes also. This reflected that budget estimates framed were unrealistic.

In the test checked NPs the variation between estimated and actual receipts ranged from 18 *per cent* (Limbdī: 2004-05) to 72 *per cent* Jambusar: 2004-05) and variation between estimated and actual of expenditure ranged from 19 *per cent* (Bilimora: 2003-04) to 76 *per cent* (Vapi: 2005-06). Variations between estimation and actuals, thus, reflected that budget estimates framed were unrealistic.

5.6 Outstanding Advances - ₹ 3.83 crore

According to Gujarat Financial Rules (GFR), advance paid to any individual, contractor, suppliers etc, are required to be recouped within a financial year. While sanctioning the advance and temporary advances it should be ensured that it should be recovered by the end of respective financial year.

Scrutiny of records of nine²⁹ NPs (**Appendix-XI**) revealed that an amount of ₹ 3.83 crore was outstanding as of March 2009 out of which ₹ 37.62 lakh was outstanding against the contractors and suppliers for purchase of material for execution of departmental works for the period ranging from four to 15 years.

Further, scrutiny of records revealed that in Limbdī NP, advance of ₹ 63.10 lakh was outstanding as of 31st March 2010, out of which an amount of ₹ 19.75 lakh was outstanding against five officials of the NP pertaining to the period 1995-96 to 2005-06. It was also noticed that huge advances were given to these five employees routinely without insisting on adjustment /recovery of previous outstanding advances. Non recovery or adjustment of advances from employees

²⁹ Limbdī, Dharampur, Mandvi, Borsad, Jambusar, Kheda, Talaja, Balasinor and Nadiad.

since long indicated undue favour / financial aids by NP and the amounts might have been utilized by the officials for their own benefit. For want of full details Audit could not ascertain the genuineness of the expenditure of amount released.

Huge outstanding advances is indicative of weak internal control mechanism and monitoring which may lead to misuse /misappropriation and non / doubtful recovery of advance resulting in ultimate loss to the Institution.

5.7 Poor recoveries of Taxes.

The ULBs generate revenues by collecting taxes, rent, fees etc from public under their jurisdiction. Revenue from the tax collection is the main source of income of the ULBs to meet with expenditure incurred for providing basic facilities to the inhabitants. Deficit in collection of revenue materially affects the developmental works.

Scrutiny of records for the year 2005-06 revealed that in eight³⁰ NPs, the collection of Tax against the demand raised was very poor as given in Table No 7 below:

Nature of Taxes	O/s as on 1.4.05	Tax due for 05-06	Total	Recovery during the year	Recovery O/s as on 31.3.06	% of recovery
House Tax	313.00	300.29	613.29	312.31	300.98	51
Other Tax	16.70	16.19	32.89	13.03	19.86	40
Safai Tax	2.35	0.61	2.96	0.58	2.38	20
Light Tax	6.85	62.76	69.61	35.55	34.06	51
Water Tax	129.16	163.84	293.00	108.19	184.81	37
Spl Water Tax	91.40	104.05	195.45	56.19	139.26	29
Gutter Tax	113.26	126.69	239.95	116.73	123.22	49
Sanitation Tax	3.44	6.99	10.43	5.20	5.23	50
Prop & Spl Water Tax	82.03	170.29	252.32	145.97	106.34	58
Total	758.19	951.71	1709.90	793.75	916.15	46

It could be seen from the above table that, over all recovery of dues was 46 *per cent* only ranging from 20 *per cent* (Safai Tax) to 58 *per cent* (property & special Water Tax) of the total demand raised. Out of this ₹4.43 crore was outstanding in Nadiad NP forming 48 *per cent* of total outstanding of ₹ 9.16 crore. Outstanding tax recovery indicated poor monitoring in collection of taxes against the demand raised by the NPs.

³⁰ (1) Nadiad, (2) Kheda, (3) Limbdi ,(4) Bilimora ,(5) Borsad,(6) Jambusar,(7) Dhandhuka and (8) Balasinor

5.8 Conclusion

Preparation of budget proposals and financial accounting were found to be defective and not as per provisions of Gujarat Municipality Act. There was lack of budgetary control and absence of reliable budget formulation. Irregular maintenance of cash books and non reconciliation of bank book balances with that of cash book balances, payment without approval of competent authority, non-adjustment of huge advances, etc. indicated that internal control mechanism was not adequate to ensure proper accounting of substantial Public funds dealt with by the ULBs.

5.9 Recommendations

- Budget should be prepared taking inputs from constituent divisions /Wards, Governmental Departments/organisations and targets there against;
- Maintenance of a comprehensive data base for all tax payers, licensees, tenants for watching issue of demand in time and prompt collection of revenues and
- Accountability of expenditure and internal check system.

Chapter–VI

TRANSACTION AUDITS OF URBAN LOCAL BODIES

6.1 Non surrender of unutilized Tenth Finance Commission Grants

Tenth Finance Commission (Tenth FC) allotted grants to Local bodies for their community development works. Local bodies were required to make matching contribution equal to Tenth FC grants received. Savings out of funds was to be surrendered to the Government after completion of the works. Following observations were noticed.

1. Tenth FC released grant of ₹ 27.31 lakh to Nadiad NP (NNP) during 1997-98 against which NNP made total contribution of ₹ 30.31 lakh which was in excess of ₹ three lakh. It was observed in audit that, out of available funds of ₹57.62 lakh, NNP spent ₹ 47.85 lakh (1998-2003) on five developmental works. From the balance of ₹ 6.77 lakh, NNP was required to be surrendered ₹ 3.77 lakh (₹ 6.77 lakh less ₹3.00 lakh) to Government. Non-surrender the balance fund of ₹ 3.77 lakh by NNP to the Government resulted in violation of TFC grant conditions by the NNP.
2. Nadiad NP against the Tenth FC grant of ₹41.37 lakh (1998-1999) received for proposed works, was required to contribute matching share and credit the amount in joint account operated for the purpose. The above works were required to be got sanctioned from the Director of NPs. Further the fund from the account was required to be withdrawn for intended purpose and on joint signature of President of NP and Mamlatdar only. It was observed that neither proposal for the works were sent to Director of NP (Director) nor the joint account was operated by the NNP instead the fund (1999-2001) of ₹ 41.37 lakh was drawn from the bank by the President of NNP and was deposited as fixed deposits and term deposits in various banks. Thus on 30th April 2009 NNP had accumulated fund of ₹ 44.59 lakh.
3. Director NP, Gandhinagar sanctioned (June 2000) Tenth FC grant of ₹ 18.69 lakh for nine proposed works of NNP. Technical sanction of ₹ 37.38 lakh to the works was accorded by Director (October 2004). NNP had incurred expenditure of ₹ 35.10 lakh as of 31st March 2003. NNP was required to refund amount of ₹ 1.14 lakh (50 *per cent* savings of ₹ 2.28 lakh) to the Government but till 2009 the amount was not refunded.

6.2 Non / Short recovery of liquidated damage, ₹ 31.74 lakh

As per clause 2 (I) and (III) of the terms and conditions of the standard tender, in case the contractor fails to complete the assigned work within the stipulated period he is liable to pay liquidated damage @ 0.1% of the contract value per day for delay (maximum 10% of the estimated cost value).

Scrutiny (January-July 2010) of records of five³¹ NPs revealed that though, the contractors failed to complete the works within stipulated period, liquidated damage from the responsible agency/contractors were not recovered. Due to inactiveness of Local Bodies, there was loss of ₹ 31.74 lakh as shown in **Appendix-XII**.

The COs of NPs stated (January-July 2010) that cases would be examined and wherever necessary, liquidated damages would be recovered.

6.3 Loss of revenue due to non revision of License Fee

Valsad NP (VNP) has total 951 Shops in ten shopping centres / markets owned by it. The shopping centres / markets were constructed during the period 1951 to 1995. The shops were given on lease to individual traders on certain terms and condition as laid down in the agreement.

As provided in clause 12 of the lease agreement, the shops were leased for a period of five years and on completion of the period, the occupants were required to hand over the shops to the NP. Nagarpalika at its discretion was to re-allot the agreement. License fee was fixed for a period of five years only and it was to be revised on completion of each five years.

Scrutiny of records of VNP for the period 2004-05 to 2005-06 revealed that the VNP completely failed to revise the license fee of all the shops of shopping centres and markets and also to change the lease/licensees since their inception, i.e. period ranging from 13 to 50 years. This resulted in potential loss of revenue to the VNP and indicated absence of monitoring and internal control.

On this being pointed out CO of the VNP accepted the objection and agreed (August 2008) to take necessary action to review and revise the license fee.

6.4 Pending Recovery of rent of property

According to Article 113 of Municipal Account code, NP should maintain Rent Register in prescribed form No. 69 and record transactions regarding lease of property. The property can be leased by NP to local people with specific terms and conditions and rent, should be recovered accordingly.

³¹Limbdi: ₹.16.95 lakh, Kheda: ₹ 4.31 lakh, Talaja ₹.2.92 lakh, Balasinor: ₹.0.12 lakh and Bilimora: ₹.7.44 lakh

While verification of records for the year 2005-06 of Nadiad, Mandvi and Borsad NPs, it was observed (October-2009-January 2010) that besides, improper maintenance of rent register and non renewal of lease deed at regular interval, rent amounting to ₹ 1.41 crore from 81 tenants (Nadiad: ₹ 1.29 crore, Mandvi: ₹ 0.07 crore and Borsad: ₹ 0.05 crore) was outstanding as of 31st March 2006.

Inaction of COs for recovery of dues, proved undue favour to tenants and financial loss to exchequer of NPs.

6.5 Non remittance of Education cess to Government Accounts

Under section 12 of Gujarat Education Cess Act, 1962, Education Cess is levied by Government and collected by ULBs. Government has fixed a ratio for grants to ULBs for maintaining Schools according to the percentage of collection and remittance of Education Cess by the ULBs.

Review of records (2003-06) of NPs Bilimora, Borsad and Limbdi it was revealed that, NPs were slow in recovery of education cess. As on 31-03-2006 outstanding recovery of education cess was accumulated to the tune of ₹ 39.08 lakh³². Due to non recovery of cess, the share which would have been payable by Government to NPs could not be received by them.

On this being pointed out it was stated (November 2009-January 2010) by the ULBs that efforts would be made for collection of outstanding education cess.

6.6 Non-maintenance of Basic Records

As per provisions contained in Municipal Account code 1948, each NP shall maintain basic records like Work Register, Stock Register, Loan Register, Grant Register, Bill Register, Cheque Register, Deposit Register, Assets Register etc. in prescribed format. For exercising control & Supervision over proper maintenance of accounts and to prove its authenticity the maintenance of basic records properly is essential.

Scrutiny of Records of the 10³³ NPs for the year 2003-06 revealed that, important basic records such as Assets Register, Grant register, Work register, Green Tree Register, Deposit Register, Stock Register and MB register were not properly maintained. In absence of such records audit could not ascertain correctness and accuracy of the accounting figures.

Non maintenance of basic records also indicated weakness in the internal control mechanism and monitoring.

³² Bilimora NP : ₹ 12.28 lakh; Borsad NP : ₹6.17 lakh and Limbdi NP : ₹20.63 lakh

³³ Dhanduka, Dharmpur, Borsad, Jambusar, Mandvi , Boriyavi, Talaja, Balasinor, Vapi and Harij

6.7 Non remittance of Birth/death Certificate fee in to Govt. Account

According to provisions of Birth / Death Registration Act, 1969 and subsequent rules framed by GoG, Birth / death Certificate registration fee is collected by PRIs/ ULBs. The income / fees accrued to the NP by virtue of registration of Birth/Death was required to be deposited in the Government Accounts as per Government instructions of July 1995.

During the course of test check of record (2003-06) of three NPs it was observed that fees of ₹ 0.69 lakh (Kheda: ₹ 0.21 lakh, Dharampur: ₹ 0.16 lakh and Vapi: ₹ 0.32 lakh) collected on account of registration of Birth / Death was not remitted to Government Account during 2003-06.

On this being pointed out it was replied (October 2009- January 2010) by the COs that the amount would be credited to Government Account.

6.8 Irregularities in implementation of works

6.8.1 Irregularities in implementation of works under Integrated Development of Small and Medium Towns

Under the Centrally Sponsored Scheme (CSS), 'Integrated development of small and Medium Towns' (IDSMT), launched by GoI, NPs contributing 25 per cent of fund for infrastructure development projects of their towns (such as commercial Shopping centers, Traffic works, water Supply and sewerage projects etc),and abiding conditions laid down in the scheme guidelines, could avail financial assistance of remaining 75 per cent (GoI:45 per cent and GoG:30 per cent).

Authorities of Vapi NP (VNP) prepared (2002) a plan for the development of better environment, fulfilment of future requirement of commercial places and better roads for transportation etc. in the town and submitted it for approval of GoI through Urban Development Department (UDD) GoG.

The plan estimated to ₹ 1.97 crore contained Commercial Schemes³⁴: ₹ 1.08 crore, Traffic and Transportation Schemes³⁵: ₹ 67.82 lakh and Miscellaneous Schemes³⁶ of construction of Storm Water drain: ₹21.79 lakh. VNP had expected net profit of ₹ 2.59 crore from leasing and renting shops, after liquidating the loans in 11 years.

³⁴ (i) Construction of shops and departmental stores on CTS-2261:Rs.50.29 lakh,
(ii) Construction of shops and departmental stores at 640/B/part-2:Rs.27.41 lakh
(iii) Construction of shops and departmental stores at Gokul market::Rs29.82 lakh

³⁵(i) Construction of roads at nine different sites :Rs.54.36 lakh
(ii) Construction of bridge at Namdha Khanki-T2: Rs.13.46 lakh and

³⁶(i)Construction of storm water drain:Rs. 21.79 lakh

GoI approved the project (March 2003) with GoI share: ₹ 88.71 lakh, State share ₹ 59.14 lakh and NPs share of ₹ 49.28 lakh. VNP was to contribute 25 per cent share either from its own fund or by raising loans from financial institutions. The project was to be completed by August 2008.

Gujarat Municipal Finance Board (GMFB), a nodal agency of GoG released fund of ₹ 1.51 crore (July 2003 and December 2006) to the VNP. According to the conditions of the scheme, VNP was to credit 25 percent of matching share of ₹ 37.71 lakh (total funds: ₹ 1.51 crore) in the separate bank account No.14814 in Bank of India. It was observed that VNP had short credited ₹16.80 lakh as it credited only ₹ 21.32 lakh (2003-08) in the said bank account.

Irregularities noticed in implementation of the works under the scheme are discussed in succeeding paragraphs.

6.8.2 Award of contract before acquiring land by VNP resulted in time and cost overrun of Rs.23.88 lakh, besides loss of income-Rs.2.46 crore

VNP, in the proposal submitted for approval to GoI, had stated that 872 meters of land required for construction of 37 shops and departmental stores at CTS-2261 was in their possession. It was envisaged that VNP would earn deposit of ₹ 1.48 crore for 37 shops and annual rent of ₹ 7.80 lakh. It was estimated that after 10 years, gross profit earned from this project would be ₹ 1.49 crore.

Though the said land was under encroachment, VNP awarded (December 2003) the work to an agency X. Tender cost of the agency was ₹ 42 lakh against estimates of ₹ 46.96 lakh. The work was to be completed by March 2005. VNP terminated (June 2006) the contract as clear site could not be handed over to the agency for two years after giving work order.

After removing the encroachment, VNP re-invited tenders for the work in August 2006 and work was awarded to an agency Y in October 2006 with tender cost of ₹ 57.40 lakh. The work was completed by the agency in October 2008 and expenditure incurred was ₹ 65.88 lakh.

Thus awarding of contract by VNP without possession of clear land, the project was completed by delay of 34 months and cost overrun of ₹ 23.88 lakh.

Even after completion of shops and stores, sanction of collector was pending to be obtained for auction of shops as of January 2010 by VNP.

VNP stated (January 2010) that as time was required to vacate the encroachment by rehabilitating the occupants, first contract was cancelled. VNP, further stated that the extra cost incurred on the works would be debited to its own fund.

The reply is not tenable as VNP should have ensured availability of land before taking up the project. Further, the delay in completion of shops resulted in cost

overrun of ₹ 23.88 lakh, time over run of 34 months, loss of income of ₹ 1.48 crore by way of receiving deposits of 37 shops and interest on these deposits to the extent of ₹ 59 lakh³⁷ besides loss of rental income of ₹ 39 lakh (at estimates of ₹ 7.80 lakh per annum) for five years.

6.8.3. Loss of revenue due to not initiating timely action by VNP for construction of shops - ₹43.62 lakh

The project of construction of 22 shops at revenue survey (RS) no. 640/B was approved by GoI in March 2003. VNP had estimated income of ₹ 1.09 crore as deposits of the shops and rental income of ₹ 2.20 lakh per annum from these shops. The 3440 square meters of land for the aforesaid project was obtained in April 2004 from the Collector. VNP delayed the tender procedure and awarded the work only in April 2007 to an agency and the work was completed in October 2008 at cost of ₹ 30.94 lakh against original estimates of ₹ 27.41 lakh. Thus due to late initiating tender procedures and awarding work, there was time over run of five years and cost over run of ₹ 3.53 lakh. Further, though the proposal for auctioning the shops were sent to collector, Valsad in September 2008, the same was yet to be approved (December 2010) as the permission from UH &UDD was awaited.

Had the proceedings been started immediately after obtaining GoI approval along with first award of works, VNP could have completed the works at least four years earlier and could have earned rental income of ₹ 8.80 lakh in these years and interest of ₹ 34.82 lakh on the deposits of ₹ 1.09 crore for shops. Further, due to delay in granting the permission for auction of the shops by collector/UH&UDD, VNP is suffering recurring loss of rental revenue and interest income.

6.8.4 Non construction of shops at Gokul market and diversion of funds

GoI approved the plan for construction of 25 shops at Gokul market area with estimates of ₹ 29.82 lakh in March 2003. VNP had anticipated income of ₹ 1.10 crore by way of deposits for shops and annual rental income of ₹ 0.50 lakh on completion of the project.

It was observed that due to non availability of land for parking place, the project could not be started. VNP neither intimated the factual position of cancelling the project nor surrendered the amount of ₹ 29.82 lakh received (December 2006) to GoG. Besides, part of the funds for this project was diverted for another project. Thus, due to non acquisition of required land timely and not considering the

³⁷ Interest calculated @ 8 per cent for total delay of five year

problem of parking place at the time of submission of proposal to GoI by VNP, project could not be materialized even though funds were available.

VNP stated (January 2010) that new proposal would be submitted for approval or the grant received would be refunded to the Government.

6.8.5 Conclusion

Following major irregularities were observed in implementation of IDMST works by Vapi Nagarpalika, besides loss of Government revenue

- Non monitoring of projects by GoG or Nodal agency GMFB in terms of financial as well as physical aspects.
- Approval of plans by GoI/GoG without ensuring availability of land and observing fulfilment of pre requirements
- Diversion of funds by VNP and improper planning delaying the works/non completion of works.
- Non achieving targets of income framed by VNP defeating the purpose of the scheme and depriving the town people from benefits of the scheme.

6.9 Pardi Nagarpalika utilized the funds received under NSDP beyond the scope of the scheme - ₹3.12crore

National Slum Development Programme (NSDP) was Centrally Sponsored Scheme launched by GoI with the aim of overall development of slum areas under ULBs. The scheme contained objectives of providing basic amenities like water supply, shelter, health care, sanitation, education and roads to provide connectivity. The scheme was to be monitored by Urban Development and Urban Housing Department (UD&UHD) through a nodal agency, Gujarat Municipal Finance Board (GMFB).

Pardi Nagarpalika (PNP) submitted (December 2002) project plan estimating ₹ 3.12 crore which was approved by GMFB. The project comprised of four components namely (i) Construction of slab drain (six works at ward no 1 to 3: ₹ 1.37 crore, (2) Water supply in ward no.1, 3, 4, 6 and 7: ₹ 40.79 lakh, (iii) twelve works of underground drain at ward no.1, 2, 3, 4 and 7: ₹ 1.33 crore and (iv) Culverts, drainage works at ward no.1, 2, and 3: ₹ 1.40 lakh. Funding by GMFB was through two modes, Grants: 30 *per cent* and loans: 70 *per cent*. As per conditions of the scheme, contract tendering was totally prohibited and the works were required to be implemented by NPs as departmental works or through registered community society (RCS), neighborhood committees or group of public institutes. Further, the works were to be started within three months from the date of receipt of approval and completed within two years

The amount received for these projects was to be credited in joint bank account of the chief officer (CO) NP and Mamlatdar, and could only be withdrawn only after prior permission of the GMFB and it was personal responsibility of CO and Mamlatdar in case the amount was withdrawn without permission of the GMFB.

Scrutiny of records revealed that GMFB had released in December 2004, ₹ 3.12 crore (loan: ₹ 2.19 crore and grants: ₹ 0.93 crore). As the works were to be implemented in slum areas, PNP was required to declare slum/pocket areas before execution of works. In the contrary no such declaration was made by PNP and the fund sanctioned was diverted for execution of road works.

6.9.1 Unauthorised aid to the agency

PNP awarded entire project works of ₹ 3.12 crore to an NGO (agency) in December 2002. The agency started the execution of works only in December 2003 after a delay of one year.

As per the condition of the scheme, PNP was initially to pay amount of ₹ 78.10 lakh (25 per cent of estimated cost of ₹ 3.12 crore). On submission of expenditure statements by the agency and ensuring that 80 per cent work was completed satisfactorily, PNP could further make payment of ₹ 78.10 lakh (25 per cent). However, Payment of ₹ 98 lakh was made by PNP between January-December 2004 without obtaining expenditure statements and survey report from the agency. Thus, excess payment of ₹19.90 lakh (₹98 lakh (-) ₹78.10 lakh) was made to the agency. Further, as against recovery of ₹ 7.06 lakh to be made (five per cent security deposit amount on ₹ 98 lakh: ₹ 4.90 lakh, income tax @ 2.2 per cent on ₹ 98 lakh: ₹ 2.16 lakh towards), PNP recovered only ₹ 3.80 lakh from the agency which resulted in short recovery of ₹ 3.26 lakh.

It was also observed that the agency executed the works of ₹ 79.39 lakh only. In spite of issuing reminders (November 2005 and July 2006) by PNP, agency had not completed the works.

6.9.2 Diversion of funds and irregularities in execution of works

PNP had awarded 55 road works with estimates of ₹ 2.00 crore to a trust (agency) in March 2006. Payment of ₹ 1.93 crore was made to the agency between April 2006 and April 2009 without obtaining technical report from the surveying authority. Agreement made by PNP with the agency was not having clauses containing conditions of risk and cost recovery and recovery of security deposit. It was observed from PNP records that the works executed were not as per specifications provided in the agreement.

Thus, PNP did not carry out the works as per approved plan and diverted the funds for works other than sanctioned works. Nodal agency GMFB also failed to

monitor the execution of NSDP works. The works to be completed within two years were considerably delayed. Release of second installment of fund was considerably delayed by GMFB which caused further delays in completion of various works. GMFB was required to conduct physical verification of the works under execution periodically and monitor utilisation of funds for the intended purpose. The records did not reflect whether these controls were adhered to by the GMFB.

The report was sent to UH &UDD on 3 December 2010 and exit meeting was held on 28 December 2010 with Secretary, Housing department, UH&UDD in which detailed discussion was held on the observations made in the report on ULBs. Agreeing with the observations Secretary, Housing department, UH&UDD that the detailed reply to the observations would be sent in due course.

Ahmedabad
The----- day of-----2011

(D P Yadav)
Sr. Deputy Accountant General (LBAA)
Gujarat

Countersigned

Rajkot
The----- day of-----2011

Accountant General (Civil Audit),
Gujarat

Appendix – I

Statement of excess expenditure over allotted grant

(Reference: Paragraph 2.1)

(₹ in lakh)

Name of TP	Period	Excess Exp	Name of TP	Period	Excess Exp
Bhesan	2005-06	55.83	Jamklyan pur	2005-06	39.94
Patan Jamkandorana	2005-06	31.29	Kamrej	2005-06	30.90
Tankara	2005-06	4.08	Viramgam	2006-07	121.57
Kalawad	2005-06	141.21	Jam jodhpur	2006-07	23.42
Kwant	2005-06	37.51	Vallphipur	2006-07	148.91
Mahemdabad	2005-06	18.65	Savali	2006-07	56.48
Shihor	2005-06	154.3	Patan	2006-07	120.58
Jamnagar	2005-06	504.26	Vijpur	2006-07	37.98
Kathalal	2005-06	88.27	Dhrampur	2006-07	254.59
Utchal	2005-06	10635.73	Talaja	2006-07	53.76
Total					12559.26
					i.e. ₹ 125.60 crore

Appendix – II

Statement showing non surrender of unspent Grant by TPs during 2005-07

(Reference: Paragraph 2.2)

(₹. in lakh)

Name of TP (District)	Unspent Amt	Name of TP(District)	Unspent Amt
Bhesan (Junagadh)	156.04	Mhemdabad (Kheda)	157.52
Dascroi (Ahmedabad)	60.07	Shihor (Bhavnagar)	182.13
Sami (Mehasana)	142.53	Utchal (Vyara)	95.72
Kamrej (Surat)	195.81	Kathalal (Kheda)	119.19
Unjha (Mehsana)	79.14	Kwant (Vadodara)	162.43
Patan (Patan)	879.84	J'kalyanpur (Jamnagar)	39.38
Vijapur (Mehasana)	206.62	Kalawad (Jamnagar)	281.43
Siddhpur (Patan)	72.22	Tankara (Rajkot)	50.80
Kheda (Kheda)	142.43	Dabhoi (Vadodara)	269.75
Jamnagar (Jamnagar)	830.18	Total	4123.237

Annexure – III

Statement showing non utilisation of grant during 2005-07 (Reference paragraph 2.2)

(Amount in ₹)

Name of TP (District)	Opening Balance	Grant Received	Total	Surrender	Expenditure	Closing Balance
Kheda	8494842	83169880	91664722		77421438	14243284
Jamnagar	58266892	184997634	243264426		160246107	83018319
Mehmdabad (Kheda)	12324402	177502689	189827091	3892796	170182377	15751918
Shihor B'Nagar	21304758	105403686	126708444	10500	108485254	18212690
Utchhal (Surat)	11176909	43679325	54856234		45283421	9572813
Kathalal Kheda	9312874	145236723	154549597		142630596	11919001
Kwat Baroda		71573009	71573009		55330175	16242834
J'kalyanpur (J'nagar)		8935240	8935240		4997577	3937663
Kalwad (J'nagar)	34632931	74137025	108769956	52000	80574591	28143365
Tankara (Rajkot)		55197447	55197447		50117815	5079632
Kamrej (Surat)	15977569	76221754	92199323		72618208	19581115
Dhabhoi (Vadodara)	25466651	82470954	107927605		80962655	26974950
Total	196957828	1108525366	1305483194	3955296	1048850214	252677684
i.e. ₹ in crore	19.70	110.85	130.55	0.39	104.89	25.27

Appendix – IV
Statement Showing Purchase made without inviting quotations / tenders
(Reference: Paragraph 2.5)

Sl.No	DP	TP	VP	Period	Amount (in ₹)		
1	Ahmedabad	Detroj	Chhaniyar	2005-07	58,065		
2			Rampur	2005-06	201,750		
3			Kanj		84,950		
4			Sobhasan		173,800		
5			Shinor		42,454		
6		Sanand	Rethal		12,806		
7			Lilapur	120,260			
8			Mankol	18,797			
9			Sanathal	2005-07	195,867		
10		Moraiyo	332,930				
11		Pipan	487,596				
12	Amreli	Savarkundla	Nesdi	2006-07	264,285		
13			Dolati		139,910		
14			Kanatalav		147,370		
15			Hathasani		74,258		
16		Babra	Chamaradi		53,320		
17			Ghugarail		43,722		
18			Khakharia		15,810		
19		Kukavav	Devgam		2005-06	90,720	
20			Amrapur			143,844	
21			Moti Kukavav			145,280	
22	Arjanshukh		100,550				
23	Anand	Anklave	2005-07	111,386			
24		Anand		72,457			
25		Borsad		97,317			
26	Banskantha	Vav	Vavdi	2004-06	125,400		
27			Chandrava		41,441		
28			Benar		34,200		
29		Tharad	Undrana		172,500		
30			Kenghapara		192,980		
31			Morila		51,540		
32			Vami		85,240		
33			Malupur		28,980		
34		Banskantha	Shinori		Rajpur	2005-07	159,800
35					Nanola		174,450
36	Khana			102,150			
37	Teruada			82,305			
38	Banskantha	Shinori	2005-07	42,740			
39		Diyodar		Makhuna	30,316		
40				Revel	25,750		
41	Banskantha	Diyodar	Dhromdev	2005-07	6,400		
42			Ludara		19,000		
43		Vadgam	Meta		15,707		

Sl.No	DP	TP	VP	Period	Amount (in ₹)
44	Banskantha		Bhangroda	2005-06	45,860
45			Salamkot		109,440
46			Nevibadhani		138,228
47			Se		77,353
48		Amirghad	Jhanjura		154,503
49		Iqbalghadh	115,337		
50		Rampur	146,247		
51		Bhambar	Ranv		12,400
52		Dhanera	Dhakha		125,800
53		Bapla	244,200		
54	Bhavnagar	Ghogha	Ghogha		29,260
55	Dahod	Jhalod	Amba		27,847
56			Gamdi	11,231	
57			Jetpur	90,500	
58			Sutharvasa	66,810	
59			Vagela	29,312	
60			Raliyatibhura	24,400	
61			Dhavadiya	123,300	
62			Dungri	100,909	
63			Garadu	71,700	
64			Karamba	110,250	
65			Theraka	70,000	
66			Dahod	Kali Talai	54,299
67				Bhatiwada	55,486
68		Jalat		158,250	
69		Bavka		31,000	
70		Gamla	46,000		
71		Bordi Khurd	86,700		
72	Godhra	Sahera	Vaghajipur	2005-07	73,000
73	Godhra		Khojavasa		126,381
74	Rena		42,000		
75	Bhensal		96,085		
76	Umarpur		101,000		
77	Godhra	Khanpur	Limadia	2005-07	21,770
78			Kanesara		130,588
79			Madhapur		76,000
80			Babaliya		55,550
81			Dholkhakhara		211,050
82			Dhuletu		85,058
83	Ghoghmba	Raveri	65,100		
84	Godhra	Ghoghmba	Ghoghmba	2005-07	224,534
85			Chalavada		104,338
86			Sarsava		219,875
87			Thab		61,150
88			Palla		134,150
89	Godhra	Kadana	Velanvada	2005-07	118,200

Sl. No	DP	TP	VP	Period	Amount (in ₹)		
90	Godhra	Kadana	Kujali		22,000		
91	Gandhinagar	Kalol	Dhabhi		132,370		
92			Palodia		207,798		
93			Moksan		13,555		
94			Nardipur		47,275		
95			Khatraj		18,700		
96			Junagadh	Keshod	Dervan	2004-05	77,200
97	Chitri	74,225					
98	Bamansa	282,500					
99	Mudhada	60,400					
100	Jampur	75,200					
101	Veraval	Ajotha			1,199,765		
102		Kajli		43,245			
103		Andri		150,650			
104	Talala	Bamnsa		63,005			
105		Vadula		105,775			
106		Khirdhar		124,229			
107	Jamnagar	Jodiya		Ananda	2006-07		7,000
108				Dudhai			211,244
109				Jodiya			195,686
110			Koyli	216,615			
111			Dhudkat	53,160			
112		Kalawad	Nikava	2004-05	34,548		
113		Jamnagar	Jamnagar	Chhela	2005-06	31,858	
114				Bed		83,453	
115				Dhundasia		6,000	
116				Aamara		51,765	
117				Aliya		37,909	
118				Jamnagar		Jamnagar	Dhavav
119		Dhatarpar	69,870				
120		Dhichada	28,425				
121		Dwarka	Bhindharana		53,428		
122			Surajkardi		449,862		
123			Moti khevadi		146,500		
124	Majok		82,830				
125	Poshitra		59,630				
126	Khambhalia	Bharana	144,100				
127		Beh	161,024				
128	Jamnagar	Khambhalia	Bhatu	2005-06	57,522		
129			Bajana		13,650		
130		Kalavad	Makaji Meghpar		8,007		
131			Moti Nagjar		53,264		
132			Laloi		5,510		
133			Pata Meghpar		45,655		
134		Vibhaniya	77,127				
135		Jamnagar	Kalavad		Dhandhal Pipaliya	2006-07	20,600
136	Sortha			41,500			

Sl. No	DP	TP	VP	Period	Amount (in ₹)
137	Jamnagar	Kalavad	Mota Vadala	2004-06	46,188
138			Bodi		6,761
139		Lalpur	Haripar		9,264
140			Lalpur		24,215
141			Arikhana		9,380
142			Jashapar		37,719
143			Navi Pipar		10,523
144			Singach		79,860
145			Padana		14,310
146			Nava Gam		104,949
147			Rangpur		5,645
148			Zakhar		50,304
149			Dabasangh		10,018
150			Kutch		Mundra
151	Sama Ghogha	25,870			
152	Deshalpur	20,000			
153	Ramania	184,510			
154	Bhadreshwar	143,450			
155	Vanki	40,000			
156	Mehsana	Vijapur	Deriya-Techva	2006-07	89,290
157			Ranasan		118,609
158			Falu		96,240
159			Changod		43,305
160			Dhanpura		109,913
161		Visnagar	2005-06	Ghghrat	111,825
162				Umta	234,460
163				Dadihiyar	49,660
164				Gunja	80,415
165				Bukarwada	106,352
166	Bhalak			87,925	
167	2006-07		Sipor	39,740	
168			Shekhpur	82,576	
169			Undhai	111,855	
170			Sultanpura	101,525	
171			Jagapura	44,120	
172			Transwad	35,424	
173	Mehsana	Vadnagar	Sudhia	2006-07	60,970
174		Unja	Matupur		75,902
175			Bhamanwada		28,691
176			Aithor		73,049
177			Desag		58,740
178			Tundav		34,449
179			Upura		46,443
180			Unava		168,731
181			Khoda		160,683
182		Mehsana	Bodala		37,799
183	Mehsana	Mehsana	Mandali	2006-07	15,000

Sl. No	DP	TP	VP	Period	Amount (in ₹)	
184	Mehsana	Mehsana	Motidau	2004-06	130,277	
185			Nadasa		39,046	
186			Jagudan		41,520	
187	Navsari	Gandevi	Chandravasan		12,852	
188			Saridyjrang		65,547	
189			Kachhol		28,034	
190			Devsar		74,889	
191			Amalsad		11,138	
192	Narmada	Nandod	Chhitarwadi		2005-06	5,600
193			Aamdala			19,847
194			Gamkuva	24,040		
195			Bhacharwada	81,545		
196			Grudeshwar	47,100		
197			Dhalar	9,000		
198			Dedipayda	Nivalda		143,684
199		Tilakwada	Tilakwada	218,150		
200			Kanthapura	60,512		
201			Devaliya	80,360		
202			Agar	37,600		
203			Alava	80,280		
204			Rengan	66,100		
205			Gamod	35,270		
206			Vyadhori	44,100		
207	Porbandar	Kutiyana	Sunej	2005-07	83,500	
208			Ahageshri		72,000	
209			Paswari		38,500	
210			Kodeji		37,950	
211			Bhadala		59,920	
212			Barodar		423,452	
213			Khambhtla		166,046	
214		Porbandar	Pata		133,605	
215			Palakhada		18,931	
216	Porbandar	Porbandar	Natvarnagar	2005-06	15,000	
217			Ratanpor		35,500	
218	Rajkot	Dhoraji	Hadamatiya		48,820	
219			Naniparbadi		64,786	
220		Gondal	Bharudi		120,000	
221	Upleta	Aareni	18,600			
222	Rajkot	Jamkandorna	Ranspur		5,717	
223			Rajpura		111,518	
224			Meghavad		30,891	
225			Jamkorad		170,058	
226			Padria	10,790		
227		Lodhika	Lodhika	758,800		
228			Dhalara	83,546		
229		Rajkot	Rajkot	Gauridad	2006-07	32,196
230	Kuvadava			13,933		

Sl. No	DP	TP	VP	Period	Amount (in ₹)	
231	Rajkot	Rajkot	Mailyasan	2006-07	10,500	
232			Sokda		8,717	
233			Tebchada		6,710	
234			Mota Mava		36,270	
235			Madhapar		15,673	
236			Khokhadadi		11,125	
237			Aniyara		28,475	
238			Kothariya		178,023	
239			Vankaner			Kothi
240	Chandpur	61,410				
241	Gagiyavadar	96,800				
242	Jodhpur	167,410				
243	Surat	Choryasi	Umra	2004-06	177,000	
244			Mahuva		86,980	
245			Mora		2004-05	19,450
246			Bhuthar	56,980		
247			Hajira	139,455		
248			Saroli	48,247		
249			Kharwana	165,924		
250			Devdth	18,700		
251			Bardoli	Isrol	2004-06	8,500
252		Olpad		Dandi	2006-07	7,893
253				Delad		19,245
254				Saras		7,425
255				Kudsad		12,336
256		Surat	Olpad	Masma	2006-07	5,640
257				Mor		56,002
258	Surat	Sandhiayr		31,192		
259		Sayan		40,311		
260	S.K	Dhansura		Dhaminaya		2005-07
261			Haripura	2005-07	68,510	
262		Himatnagar	Katwad	98,587		
263	Kanai		59,000			
264	Tapi	Songadh	Vatpada	2004-06	10,500	
265		Valod	Shabpura		17,700	
266			kitvabelana		41,615	
267	Vadodara	Sinor	Sodhali	197,705		
268		Pavi Jetpur	Jambugam	58,850		
Total					23,533,874	
Say ₹ 2.35 crore						

Appendix - V
Statement showing Variation in Budget provision and actual for the year 2005-2007
(Reference: Paragraph 2.6)

			Income (Amount in ₹)				
Sl. No	Taluka	Name of VPs	Budget	Actual	Difference	% Variation	
1	Ankleswar	Piraman	6,203,105	314,478	5,888,627	95.00	
2		Bharan	1,762,100	231,092	1,531,008	87.00	
3		Adol	854,000	301,767	552,233	65.00	
4	Bharuch	Pariage	1884600	440000	1,444,600	77.00	
5	Ankleswar	Dayadara	829,500	856,044	-26,544	-3.00	
6		Borbhatha	382,600	361,105	21,495	6.00	
7		Panoli	1,538,000	446,627	1,091,373	71.00	
8		Bhadbhut	925,900	302082	623,818	67.00	
9		Barbhathabat	141,800	374,118	-232,318	-164.00	
10		Ravindra	2442800	48395	2,394,405	98.00	
11		Bakrol	403,900	1115223	-711,323	-176.00	
12		Sarangpur	3,295,000	377301	2,917,699	89.00	
13		Kharod	2,642,950	226,687	2,416,263	91.00	
14		Sartudin	107,100	68060	39,040	36.00	
15		Divi	1023500	176647	846,853	83.00	
16		Morbi	Bhadiyad	412200	508300	-96100	-23.00
17		Mundra	Samaghogha	79000	152581	-73581	-93.00
18			Moti Bhujpar	977500	1966177	-988677	-101.00
19	Ramniya		198000	568000	-370000	-187.00	
20	Nanakapaya		1320100	1706211	-386111	-29.00	
21	Dharab		151200	18586	132614	88.00	
22	Lakhapar		555080	100415	454665	82.00	
23	Tilakwada		Agoor	312600	98977	213623	68.00
24		Devadiya	683100	349354	333746	49.00	
25		Buletha	539000	524315	14685	3.00	
26		Kanthatrpura	491000	316136	174864	36.00	
27		Gamod	1016700	528401	488299	48.00	
Total			31172335	12477079	18695256	60.00	
1	Ankleswar	Piraman	4,723,100	926,731.00	3,796,369	80.00	
2		Bharan	1,804,700	100,213	1,704,487	94.00	
3		Adol	853,500	190153	663,347	78.00	
4		Pariage	2,188,500	1,276,366	912,134	42.00	
5		Dayadara	1427100	688015	739,085	52.00	
6		Borbhatha	337200	1178312	-841,112	-249.00	
7		Panoli	1888500	916,933	971,567	51.00	
8		Bhadbhut	1,594,800	1534635	60,165	4.00	
9		Barbhathabat	168,800	68729	100,071	59.00	
10		Ravindra	365500	255196	110,304	30.00	
11		Bakrol	323890	493192	-169,302	-52.00	

12		Sarangpur	3,245,250	836131	2,409,119	74.00
13		Kharod	2,836,450	925,337	1,911,113	67.00
14		Sartudin	110,100	38978	71,122	65.00
15		Divi	529,000	135,674	393,326	74.00
28	Rajkot	Gavaridal	610000	644715	-34715	-6.00
29		Maliyasan	784100	529432	254668	32.00
30		Haripar	418200	105440	312760	75.00
31		Kuvadva	3613700	2553149	1060551	29.00
32		Kothariya	9345000	3868711	5476289	59.00
33		Aniyara	370150	176657	193493	52.00
34		Khokhadal	501000	281126	219874	44.00
35		Kasturba dham	679200	312652	366548	54.00
36		Thebchada	300000	211324	88676	30.00
Total			39017740	18247801	20769939	

Expenditure (Amount in ₹)

Sl. No	Taluka	Name of VP	Budget	Actual	Difference	% Variation
1	Ankleswar	Piraman	4,291,609	581,930	3,709,679	86.00
2		Bharan	1,729,100	224964	1,504,136	87.00
3		Adol	853,500	202,794	650,706	76.00
4	Bharuch	Pariage	1,655,100	1800043	-144,943	-9.00
5	Ankleswar	Dayadara	1,427,100	826564	600536	42.00
6		Borbhatha	331,900	318,161	13,739	4.00
7		Panoli	1537325	460,074	1,077,251	70.00
8		Bhadbhut	840,400	268,801	571,599	68.00
9		Barbhathabat	123,200	407938	-284,738	-231.00
10		Ravindra	2214420	44122	2,170,298	98.00
11		Bakrol	700133	1068620	-368,487	-53.00
12		Sarangpur	3,127,500	422251	2,705,249	86.00
13		Kharod	2477200	507664	1,969,536	80.00
14		Sartudin	90,900	65555	25,345	28.00
15	Divi	975,750	179,695	796,055	82.00	
16	Morbi	Bhadiyad	324593	328242	-3649	-1.00
17	Mundra	Samaghogha	74000	174773	-100773	-136.00
18		Moti Bhujpar	890500	1939999	-1049499	-118.00
19		Ramniya	201000	581615	-380615	-189.00
20		Nanakapaya	1105100	1102705	2395	0.00
21		Dharab	140100	36525	103575	74.00
22		Lakhapar	433025	118563	314462	73.00
23	Tilakwada	Agoor	375270	99934	275336	73.00
24		Devadiya	681200	314268	366932	54.00
25		Buletha	550000	521868	28132	5.00
26		Kanthatrpura	491000	309343	181657	37.00
27		Gamod	1034200	579552	454648	44.00
Total			28675125	13486563	15188562	53.00

28		Piraman	6,439,100	677,095	5,762,005	89.00
29		Bharan	1,763,900	50,085	1,713,815	97.00
30		Adol	853,500	187992	665,508	78.00
31		Pariage	1,989,000	1386575	602,425	30.00
32		Dayadara	1,428,200	562,821	865,379	61.00
33	Ankleswar	Borbhatha	307,200	993,550	-686,350	-223.00
34		Panoli	1,875,000	987,984	887,016	47.00
35		Bhadbhut	1,340,000	1,400,987	-60,987	-5.00
36	Ankleswar	Barbhathabat	158,800	47466	111,334	70.00
37		Ravindra	398,560	282260	116,300	29.00
38		Bakrol	428020	462250	-34,230	-8.00
39		Sarangpur	3112500	804188	2,308,312	74.00
40		Kharod	2,788,945	845,117	1,943,828	70.00
41		Sartudin	99,000	43,185	55,815	56.00
42	Ankleswar	Divi	719000	128,990	590,010	82.00
Total			23700725	8860545	14840180	63.00
Income						
2005-06			31172335	12477079	18695256	60.00
2006-07			39017740	18247801	20769939	53.00
Total			70190075	30724880	39465195	56.00
Expenditure						
2005-06			28675125	13486563	15188562	53.00
2006-07			23700725	8860545	14840180	63.00
Total			52375850	22347108	30028742	57.00

Appendix – VI
Statement showing difference between cash book and Treasury Pass Book Balances
(Reference: Paragraph 2.8)

(Amount in ₹)

Sl. No.	Name of Dist	Name of Taluka	Balance -cash book as on 31st March	Balance - Treasury as on 31 st March	Difference
1	Kauch-Bhuj	Nalia	25924035	28047932	2184897
2	Tapi	Uchhal	14330578	5639196	8691382
3	Jamnagar	Kalawad	32730471	27798638	4931793
4	Navsari	Navsari	34997050	47734652	12737603
5	Surat	Kamrej	41551145	37651466	3899579
6	Rajkot	Tankara	11020719	11207007	186288
7	Anand	Tarapur	11594723	7360293	6105570
8	Kutch	Mudra	14888658	14130158	78500
9	Bhavnagar	Ghogha	7975874	7815328	160486
10	Mehsana	Yadnagar	11073600	5768759	5304841
11	Junagadh	Keshod	17131080	17578169	447089
12	S.K.	Idar	780776	1032540	251764
		Idar	1392566	1393521	955
13	Bhavnagar	Mahuva	34222335	25050892	9171443
14	Bharuch	Valia	140409	211611	71602
15	Bhavnagar	Vallabhipur	9992686	5112077	4880609
16	Bhavnagar	Palitana	36517816	32764792	3753024
Total					62857425
Difference carried forwarded from earlier years					
17	Bhavnagar	Sihor			11187
18	Bhavnagar	Talaja			11000752
19	Surat	Chorayasi			8998461
20	Junagadh	Sutrapada			1217860
21	Tapi	Vyara			220410
22	Amreli	Khambha			13058
Total					21461729
Grant Total					84319154

Say ₹ 8.43 crore

Appendix – VII
Statement showing Non realization of revenue during 2006-07
(Reference: Paragraph 2.10)

(Amount in ₹)

District	Taluka	VP	O.B	Demand	Total	Recovery	Outstanding	percentage
Mehsana	Unjha	3	729,332	967539	1696871	784191	912680	46.21
		1	365,135	545200	910335	451856	458479	52.87
Bhavnagar	Ghogha	5	531,416	618161	1149577	341998	807579	29.74
		6	251,260	183726	434986	93317	341669	21.45
Surat	Olpad	7	1,340,913	8829368	10170281	3134675	7035606	30.63
		7	868,353	1061951	1930304	954268	976036	49.82
Himatnagar	Prantij	5	333,551	361183	694734	397472	297262	57.26
		8	939,028	903072	1842100	979304	862796	53.16
Jamnagar	Lalpur	1	465622	360745	826367	444615	381752	49.19
		1	491,315	254766	746081	210704	535377	28.24
Rajkot	Kotdasangani	2	5,397,947	1182265	6580212	581351	5998861	8.83
		2	957,276	365470	1322746	203491	1119255	15.38
Jamnagar	Paddhari	4	2,217,968	1297015	3514983	691122	2823861	19.66
		3	1,135,709	680355	1,816,064	447112	1,368,952	24.62
Junagadh	Keshod	2	879,253	498631	1,377,884	670675	707,209	48.67
		3	520,444	442874	963,318	275607	687,711	28.61
Bharuch	Vanthli	8	548,182	226607	774,789	192872	581,917	24.89
		3	317,106	523027	840,133	385185	454,948	45.85
Surendranagar	Talala	2	264,966	50780	315,746	28321	287,425	8.97
		2	712,492	411652	1,124,144	260898	863,246	23.21
Kheda	Ankeshwar	1	635,377	415641	1,051,018	436322	614,696	41.51
		1	414,020	111390	525,410	138934	386,476	26.44
Ahmedabad	Sanand	1	46,810	26465	73,275	21765	51,510	29.70
		1	44,002	18631	62,633	12798	49,835	20.43
Banaskantha	Deodar	1	27,392	21213	48,605	13432	35,173	27.64
		1	87,467	27747	115,214	1900	113,314	1.65
Grant Total		81	20,522,336	20,385,474	40,907,810	12,154,185	28,753,625	29.71
i.e. ₹ in crore			2.05	2.04	4.09	1.22	2.87	

Appendix - VIII

Statement showing TPs selected for test checks for implementation of Sardar Awas Yojana
(Reference: Paragraph 3.3)

Sl.No.	Name of TP Test Audited		
1	Mahuva (Bhavnagar)	11	Umralla (Bhavnagar)
2	Kadi (Gandhinagar)	12	Olpad (Surat)
3	Valia (Ankleshwar)	13	Sami (Mehasana)
4	Prantij (S.K.)	14	Talaja (Junagarh)
5	Jodia (Jamnagar)	15	Jasdan (Junagarh)
6	Modasa (S.K.)	16	Detroj (Ahmedabad)
7	Meghraj (S.K)	17	Anklav (Kheda)
8	Umargam (Valsad)	18	Zafrabad (Amereli)
9	Godhara (P.M.)	19	Hansot (Bharuch)
10	Palitana (Bhavnagar)		

Appendix- IX

Statement showing works contracts executed without provision of L.D.in tender
(Reference – Paragraph 3.7.1)

Sl. No	Name of the TP/DP	Name of the work	Agency	Stipulated date of completion Actual date of completion	Delay in days	Estimated cost of work (in ₹)	L.D. to be recovered (in ₹)
1.	Tarapur/ Anand 2005-06	CC Road at VP Amliyara	Sarpanch	<u>6.06.05</u> 7.10.06	496	40000	4000
2.	Lalpur/ Jamnagar 2005-06	Protection wall at smashan of Sadhu samaj at VP Lalpur	--do--	<u>5.04.06</u> 21.12.06	256	100000	10000
		Smashan Chhapari at Vandhari vadi Mota Khadaba VP	Sarpanch	<u>5.01.06</u> 31.03.06	86	84000	7220
3	Sidhpur/ Patan 2005-06	Primary School Bldg. at Rasulpur VP	--do--	<u>3.08.06</u> 27.11.06	114	150000	15000
		Panchayat Bldg. at Dhanvada VP –	--do--	<u>30.09.06</u> 22.12.06	82	24000	1970
4	Jamkandora/ Rajkot 2005-06	Washing ghat, Kanavadala VP	--do--	<u>31.08.04</u> 15.03.05	134	66200	6620
		CC Road at	--do--	<u>31.03.05</u>	18	200000	3600

		Dadvi V.P.		19.04.05			
		Urinal block at Sathodad V.P.	--do--	<u>5.05.05</u> <u>28.07.05</u>	83	20000	1660
		CC Road at Kathi VP	--do--	<u>17.05.05</u> <u>8.07.05</u>	51	200000	10200
		Water tank for animal	--do--	<u>7.06.05</u> <u>8.08.05</u>	61	38900	2370
		CC Road at Rodhel VP	--do--	<u>13.04.05</u> <u>30.06.05</u>	77	50000	3850
		CC Road at VP Jamkandorana	--do--	<u>23.09.04</u> <u>19.04.05</u>	146	66200	6620
5	Khambhal iya/ Jamnagar 2005-06	Construction of community hall at VP Khajuriya	Sarpanch	<u>31.10.04</u> <u>20.09.05</u>	319	131200	13120
		Metal road at VP Khajuriya	--do--	<u>3.12.05</u> <u>20.03.06</u>	107	100000	10000
		CC Road at VP Sodasala	--do--	<u>31.03.05</u> <u>22.04.05</u>	21	200000	4200
		Rain Basera - Vachhdadada Nabdur village	--do--	<u>30.06.05</u> <u>26.12.05</u>	176	200000	20000
		Kotha Vishotri-Goinj approach road	--do--	<u>31.03.05</u> <u>23.12.05</u>	262	200000	20000
		Rain Basera at Aher Sinhan	--do--	<u>31.03.04</u> <u>26.06.05</u>	450	137800	13780
		Water tank in Rabbarivas -VP Vechala Bara	--do--	<u>31.03.05</u> <u>3.06.05</u>	62	25000	1550
		Cause way repairing work ate VP Danta	--do--	<u>31.03.04</u> <u>31.03.05</u>	365	150000	15000
		Causeway on Goinj-Katavad Simani Road at VP Goinj	--do--	<u>31.03.05</u> <u>28.12.05</u>	267	200000	20000
6	Vanthali/ Junagadh 2004-05	Work of PVC pipeline Part-I, II &III	Sarpanch	<u>21.07.04</u> <u>15.12.04</u>	144	99800	9980
						99200	9920
						40600	4060
7	Vijapur/ Mehsana 2005-06	CC Road from Ladol village to Gawada(MLA	--do--	<u>15.04.05</u> <u>27.07.05</u>	102	100000	10000
		Primary school room Kolvada VP (5%)	--do--	<u>18.04.05</u> <u>20.09.05</u>	162	199999	20000
8	Visnagar/ Mehsana 2005-06	Aganwadi Kendra at Sadhuthala VP	--do--	<u>7.02.04</u> <u>4.10.05</u>	602	140000	14000
		Prarthana hall	--do--	<u>24.09.02</u>	1239	131090	13109

		in Primary School at VP Rangakui		18.02.06			
9	Satlasana/ Mehsana 2005-06	Panchayat Ghar/Awas at VP Otalpur	Sarpanch	<u>31.03.05</u> ³⁸ 31.03.06	365	240000	24000
		Panchayat Ghar/Awas at VP Timba	Sarpanch	<u>31.03.05</u> ³⁹ 31.03.06	365	240000	24000
10	Kalawad/ Rajkot 2006-07	Aganwadi at VP Vibhaina	--do--	<u>31.03.06</u> 1.12.06	241	135000	13500
		CC Road at Dalitawas, VP Dodarliya	--do--	<u>30.06.06</u> 10.01.07	190	100000	10000
		Compound wall at smashan VP Lalmeghda	--do--	<u>31.03.06</u> 24.11.06	233	100000	10000
11	Jasdan/ Rajkot 2006-07	Smashan ghat & entrance gate VP Thoriyadi	--do--	<u>11.11.05</u> 22.08.06	281	199970	19997
		Compound wall primary school, VP Janda	--do--	<u>2.04.06</u> 23.03.07	351	102000	10200
		Compound wall at primary school VP Kadvhevadiya	--do--	<u>2.04.06</u> 28.02.07	326	100000	10000
		Compound wall at VP chhasiya	--do--	<u>15.04.06</u> 31.10.06	196	129000	12900
Total						4539959	406426

³⁸ Extended up to 28.02.06 vide letter no. TP/bandhkam/vashi/time extension/2004 dated 28.08.05, which was time barred.

³⁹ Irregular extension was granted upto 31.03.06 as it was granted in December 2005 after becoming time barred.

Appendix- X
Statement showing works contract executed with provision of L.D at random rates
(Reference – Paragraph-3.7.2)

Sl No.	TP/DP/ Audit Period	Name of the work	Agency	Estimated cost (in ₹)	Stipulated Actual date of completion	Delay in days	Rate of L.D. imposed	Total LD imposed (in ₹)	L.D leviable at standard rate (in ₹)	Less LD imposed (₹)	
1	Khamba (Amreli) 2005-06	Aganwadi, V.P. Manjiyasar	Sarpanch V.P.	102000	2.05.05 22.08.05	112	Rs. 1/day	112	10200	10088	
		One room of primary school at Juna Market, VP	Sarpanch	140000	31.03.05 4.06.05	64	Rs. 10/day	640	8960	8320	
		Aganwadi at V.P. Dedan	Sarpanch	102000	17.05.05 18.03.06	304	Rs. 10/day	3040	10200	7160	
		One room of PS at VP	Sarpanch	140000	8.05.05 4.06.05	27	--do--	270	3780	3510	
		Nawa Malknes	Sarpanch	100000	31.03.05 28.03.06	360	--do--	3600	10000	6400	
		Water tank, pipe stand post at V.P Katargam	Sarpanch	160000	31.03.05 29.04.05	29	--do--	290	4640	4350	
		RCC G.L. Cistern and pipe line at VP NaviDhari	Sarpanch	75000	3.12.05 28.03.06	115	--do--	1150	7500	6350	
		Samshan Chhapari at V.P. Ingorala	Sarpanch	122750	31.05.05 19.07.05	49	Rs. 5/day	245	6015	5770	
2		Descroi (Ahmedabad) 2005-07	RCC Road Bindushi house to Parashbai house at Bareja VP	Sarpanch	107953	31.03.05 19.07.05	110	--do--	550	10795	10245
			RCC Road Manijada Patiya to Ramanbhai house at Bareja VP	--do--	125082	31.03.05 23.07.05	114	--do--	570	12508	11938
	RCC Road Panch ghar to Tinbatti Chowk Bareja		--do--	122750	31.03.05 23.07.05	114	--do--	570	12275	11705	
	RCC Road Six bhag darwaja to Bhaniyaj dev			98240	31.03.05 19.07.05	110	--do--	550	9824	9274	
	Bahuchar mandir to vishang bhai			174980	31.08.06 11.10.07	415	Rs. 1/day	415	17498	17083	
3	Vadgam (B.K.) 2005-06		Room in Anjuman High school at Kaleda VP	Trustee, Anjuman school	50600	31.03.06 2.01.07	271	--do--	271	5060	4789
			Protection wall at Vankarvas, VP Vansal	Sarpanch							
	Total				1621355				12273	129255	116982

Appendix-XI
Statement showing the outstanding advance as on 31 March 2006
(Referred to Para no. 5.6) (In ₹)

Sl. No.	Nagar Palika	Outstanding Advances
1	Limbdi	85,15,675
2	Dharampur	22,80,095
3	Mandavi	1,050
4	Borsad	16,46,537
5	Jambusar	19,27,491
6	Kheda	12,61,697
7	Talaja	1,29,18,201
8	Balasinor	42,71,662
9	Nadiyad	54,41,315
Total		3,82,63,723
		i.e. ₹ 3.83 crore

Appendix –XII
Statement showing details of non levy of liquidated damages in delayed works
(Referred to para no. 6.2) (₹ in lakh)

NP	Name of work	Estimated /Tender cost	Stipulated/ actual date completion	Delay in days	L.D. to be Levied/ Actually levied	Diff
Limbdi	Underground sump pumphouse	<u>50.61</u> 44.48	<u>9-01-2001</u> 23-11-2003	441	<u>5.06</u> 0	5.06
	Shopping centre	<u>113.55</u> 111.50	<u>31-03-2007</u> 12-01-2008	281	<u>11.35</u> 0	11.35
	Storm water drain	<u>5.37</u> 6.40	<u>25-02-2005</u> 19-10-2005	234	<u>0.54</u> 0	0.54
Kheda	Asphalt work	<u>43.12</u> -NA-	<u>08-04-2003</u> 11-01-2005	638	<u>4.31</u> 0	4.31
Talaja	Shopping centre	<u>29.20</u> NA	<u>10-02-2005</u> 14-10-2005	246	<u>2.92</u> 0	2.92
Balasinor	WBM road	<u>1.23</u> 0.96	<u>04-10-2005</u> 31-12-2006	451	<u>0.12</u> 0	0.12
Bilimora	Five works	—	—	—	<u>1.20</u> <u>0.20</u>	1.00
	Shopping center	<u>29.60</u> 28.84	<u>15-12-2006</u> 31-12-2006	16	<u>0.46</u> 0	0.46
	R.C.C. Road	<u>15.44</u> 12.64	<u>05-08-2005</u> 30-04-2007	151	<u>1.54</u> 0	1.54
	Street light work	<u>8.75</u> 9.01	<u>12-04-2006</u> 1-08-2006	110	<u>0.88</u>	0.88
	Smashan Devet work	<u>49.38</u> 39.51	<u>31-12-2006/</u> 31-03-2007	90	<u>3.56</u> 0	3.56
Total					<u>31.94</u> <u>0.20</u>	31.74