ANNUAL TECHNICAL INSPECTION REPORT
ON
PANCHAYATI RAJ INSTITUTIONS
AND
URBAN LOCAL BODIES

for the year ending 31 March 2011

OFFICE OF THE PRINCIPAL ACCOUNTANT GENERAL (AUDIT)
ASSAM, GUWAHATI

In terms of the Technical Guidance and Supervision (TGS) by

the Comptroller and Auditor General of India

GOVERNMENT OF ASSAM

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PREFACE

This report has been prepared for submission to the Government of Assam in accordance with the terms and conditions of the Technical Guidance and Support (TGS) on the audit of accounts of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) entrusted by the Government of Assam to the Comptroller & Auditor General (C&AG) of India under Section 20 (1) of the C&AG's (DPC) Act, 1971, in May 2002.

2. This Annual Technical Inspection Report for the year 2010-11 is a consolidation of major audit findings arising out of audit of accounts of 42 PRIs (3 Zilla Parishad, 13 Anchalik Panchayat and 26 Gaon Panchayat) and 5 ULBs (3 Municipal Board and 2 Town Committee) conducted during 2010-11 (January to June 2011).

3. The Report contains three chapters. Section 'A' of Chapter I contains an overview of the organization, finances, devolution and accountability framework and Section 'B' contains the comments on financial reporting of PRIs and ULBs. Chapter II has two sections viz, Section 'A' containing results of District Rural Sector Audit and Section 'B' has the results of Audit of Transactions of PRIs. Chapter III contains results of Audit of Transactions of ULBs for the year ended 31st March 2011.

4. The purpose of this report is to provide an overview of the functioning of PRIs and ULBs in the State and draw the attention of the concerned Executive Departments to take appropriate remedial action wherever necessary.

OVERVIEW

This Report deals with the results of audit of accounts of Local Bodies and is presented in three Chapters. **Chapter I** has two sections. Section 'A' gives an overview of the organisation, finances, devolution and accountability framework of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and Section 'B' contains comments on Financial Reporting of PRIs and ULBs.

Chapter II contains two sections. Section 'A' has the results of District Rural Sector Audit conducted in Cachar district including one ZP, four APs and eight GPs while Section 'B' contains results of Audit of Transactions of PRIs of two districts including two ZPs, nine APs and 18 GPs.

Chapter III contains results of Audit of Transaction of ULBs in three MBs and two TCs located in three districts.

OVERVIEW

CHAPTER – I

SECTION 'A'

ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAME WORK

There are 2407 PRIs and 89 ULBs in the State. The Principal Secretary, Panchayat and Rural Development Department and the Principal Secretary, Urban Development Department are the administrative heads of PRIs and ULBs {except Guwahati Municipal Corporation (GMC)} respectively. The Commissioner and Secretary, Guwahati Development Department is the administrative head of GMC.

(Paragraphs 1.1, 1.4)

There was acute shortage of manpower at each level of PRI and there was urgent need to make them fully operational with adequate manpower. There was no prescribed staffing pattern for ULBs and the Urban Development Department (UDD) did not take any steps to assess the number of officers and staff of different categories required for proper functioning of each ULB.

(Paragraph 1.6)

District Planning Committee (DPC) had been formed in all districts of General Areas, however, they were yet to perform their mandated functions as envisaged in Article 243ZD of the Constitution.

(Paragraph 1.7)

The State Government was yet to complete the process of decentralization in PRIs and ULBs.

(Paragraph 1.9.1)

The State ranked 18 out of 24 States evaluated by the Indian Institute of Public Administration (IIPA) for 2010-11 in terms of devolution of Funds Functions and Functionaries (3Fs) to PRIs.

(Paragraph 1.9.2)

'Own Revenue' of the PRIs was insufficient even to meet obligatory expenditure. Thus, they were largely dependent on Government grants.

(Paragraph 1.10.4)

The State Government in November 2011 selected 10 Ombudsmen and 2 Deputy Ombudsmen in 12 out of 27 districts in the State under section 27 (1) of the MGNREG Act, 2005. However, there was no provision in the AP Act and AM Act regarding setting up of ombudsman for LBs.

(Paragraph 1.15.1)

Audit of accounts of 42 PRIs (three ZPs, 13 APs and 26 GPs), five ULBs (three Municipal Boards and two Town Committees) was conducted during January 2011 to June 2011.

(Paragraph 1.16.5)

SECTION 'B'

FINANCIAL REPORTING

29 test checked PRIs maintained more than one cash book each. Cash book balances were not reconciled with bank balances in any PRI.

(Paragraph 1.18.1 (a))

None of the 42 PRIs test checked in audit, maintained Advance Registers for accountal of advances and watching recovery/ adjustments thereof. Advances amounting to ₹27.96 lakh remained outstanding in 3 PRIs.

(Paragraph 1.18.1 (b))

Due to non-incorporation of provision of preparation of annual accounts in relevant Acts and Rules, annual accounts were not prepared by the local bodies in the State and their state of affairs remained undisclosed.

(Paragraph 1.19.1)

Budget was not prepared in 38 out of 42 PRIs test checked in audit. Sixteen PRIs incurred unauthorized expenditure of ₹1.92 crore from their own fund without preparation of budget.

(Paragraph 1.20.1)

There was no provision for internal audit in relevant Municipal Acts and Rules. The system of internal audit, thus, did not exist in ULBs.

(Paragraph 1.22)

There were arrears in issue of Audit Reports by Director of Audit, Local Fund (DALF), which would affect the accountability mechanism in auditee units.

(Paragraph 1.23.1)

Large number of Inspection Reports issued by the office of the Senior Deputy Accountant General (LBAA) during 2006-07 to 2010-11 was outstanding for settlement for want of replies from auditee units of PRIs & ULBs.

(Paragraph 1.23.3)

CHAPTER II

PANCHAYATI RAJ INSTITUTIONS

SECTION: A

DISTRICT RURAL SECTOR AUDIT

In the absence of an integrated mechanism to exercise administrative and functional as well as financial control (oversee flow of funds, deployment of funds and expenditure of the social development schemes and monitor their eventual outcome), implementation of schemes was sporadic, overlapping in nature and lacked coordination in Cachar district.

(Paragraph 2.2.2)

In the absence of well defined accountability, reporting mechanism, adequacy and quality of financial reporting of PRIs were liable to be compromised besides leading to shortcomings in monitoring by the State Government.

(Paragraph 2.3.2)

District Planning Committee (DPC) in Cachar district suffered from delayed constitution, lack of resources and infrastructure, rules and regulations, and sufficient guidelines for its functioning. DPC met very infrequently and its functioning remained incomplete without adequate participation from real beneficiaries.

(Paragraph 2.4.1 to 2.4.6)

Internal controls were weak as evidenced by non preparation of accounts, non reconciliation of balances and non maintenance of records. There was no well defined system of authorization and approval of payments, segregation of duties, inspection and audit.

(Paragraph 2.5.1 to 2.5.6)

There was no record available with the Assistant Director of Audit, Local Fund (ADALF), Silchar regarding the number of units planned and audited during a year. There was no system of analysis inherent of risk or likely to be present in the audited entity for inclusion in audit plan on priority or otherwise. DALF prepares what is a mixed audit plan for all units including Panchayats and the same official is deployed for audit of all such units.

(Paragraph 2.6.1 to2.6.3)

Test checked records of PRIs in Cachar district revealed that PRIs either did not prepare any budget or prepared unrealistic budgets which contributed to slackness in financial planning.

(Paragraph 2.7.1 to2.7.3)

Out of 3,16,111 households which demanded jobs during 2007-11, employment was provided to 2,80,183 households. Thus, 35,928 willing rural people demanding employment were deprived of the benefit of enhancement of livelihood security.

(Paragraph 2.8.1.2)

As per information obtained from 4 selected APs, 21 to 79 *per cent* works taken up under the scheme for the years 2007-08 to 2009-10 remained incomplete as of March 2011***)***

(Paragraph 2.8.1.4)

Financial achievements in four selected APs depicted would indicate that 24 to 50 *per cent* fund released by DRDA under IAY were lying unutilized during the last three years.

(Paragraph 2.8.2.3)

Test check of records relating to selection of beneficiaries under IAY revealed that 224 persons belonging to non BPL category were selected as beneficiaries by the Gaon Sabhas in four Gaon Panchayats under Sonai AP and one Gaon Panchayat under Katigorah AP in 2009-10**.**

(Paragraph 2.8.2.4)

Out of a total of 252 schemes/works taken up under Twelfth Finance Commission (TFC) between 2007-08 and 2008-09 (1st installment), only 194 schemes/ works were completed as of June 2011 though the entire sanctioned amount of ₹1.33 crore was spent. Thus, 58 works remained incomplete with no funds left to complete them.

(Paragraph 2.8.3.3)

Four PRIs spent ₹20.37 lakh on purposes not covered under the guidelines of TFC grants which deprived rural people of the commensurate intended benefits.

(Paragraph 2.8.3.7)

Work of construction of market complex at Cachar ZP premises, taken up without administrative approval and sanction remained incomplete for three years after incurring an expenditure of ₹14.00 lakh.

(Paragraph 2.8.3.8)

Eight water purifiers procured for safe drinking water in rural areas were not installed resulting in idle investment of ₹5.86 lakh in Cachar district.

(Paragraph 2.8.3.9)

Government of India released (March 2011) a total amount of ₹36.99 crore as grants under Backward Region Grant Fund (BRGF) for the period 2006-07 to 2010-11. However, the State Government delayed the release of funds to Zilla Parishads beyond the stipulated period by 83 to 320 days resulting in adverse impact on implementation of projects.

(Paragraph 2.8.4.4)

A bridge constructed without approach road could not be used since August 2009. Thus, investment of ₹50 lakh remained unproductive.

(Paragraph 2.8.5.5)

The DPC in Cachar district approved 99 works for ₹2.53 crore during 2008-09 and 2009-10 under DDP on the recommendation of elected representatives without discussing the same in the Gaon Sabha concerned.

(Paragraph 2.8.5.6)

Percentage of expenditure under SGSY in Cachar district over the last five years continuously decreased and in the year 2010-11, it came down to 37 *per cent* of the available fund. Implementing agencies needed to generate increased awareness among the rural poor to avail of the benefits of the scheme

(Paragraph 2.8.6.2)

Expenditure of ₹96.39 lakh incurred between May 2009 and March 2011 on execution of 21 works under Border Area Development Programme (BADP) could not be verified due to non submission of related payment vouchers by Katigora AP.

(Paragraph 2.8.7.2)

During May-June 163 TV sets were procured under Assam Bikash Yojana out of these 148 TV sets remained unutilized due t o want of electricity in GP offices.

(Paragraph 2.8.8.1)

CHAPTER II

PANCHAYATI RAJ INSTITUTIONS

SECTION: B

AUDIT OF TRANSACTIONS

PRIs were found to be leasing out hats, ghats, ferries and fisheries at less than the highest bid thereby losing substantial amount of revenue. It was also observed that the collecting PRIs had not apportioned the revenues according to the prescribed ratio of 20:30:50 among ZP, APs and GPs respectively.

(Paragraph 2.12)

Lakhimpur ZP did not construct market shed on account of land dispute, resulting in blocking up of TFC grant of ₹25 lakh.

(Paragraph 2.13.1)

Five PRIs of Lakhimpur district spent ₹18.55 lakh under TFC grants on ineligible items depriving rural people of commensurate intended benefits.

(Paragraph 2.13.2)

Agriculture 'bundh' remained incomplete though ₹15.25 lakh was spent on it by Narayanpur AP under MGNREGS.It was noticed that there were several breakages on the 'bundh' without any continuity of chainages covering the total length of 4166 mtr.

(Paragraph 2.14.1)

Excess expenditure on material component by three APs resulted in less generation of 93,280 mandays under MGNREGS.

(Paragraph 2.14.5)

Test check of records of four GPs[1] revealed that signature/thumb impression of the workers engaged in Muster Roll did not match with their original signature that appeared in Job Card Registers, and in some cases the signature column in the Muster Roll remained blank.

(Paragraph 2.14.6)

An amount of ₹33.74 lakh was spent to prevent erosion of river. The work was taken up in a fragmented manner with recurrent stoppages. Use of lesser number of porcupines than required made the work weak which failed to withstand the pressure of high stream of the river.

(Paragraph 2.15.1.2)

North Lakhimpur ZP distributed 19 pick up vans valued at ₹23.74 lakh to non-SC/ST beneficiaries without the approval of DPC.

(Paragraph 2.15.2)

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[1] Badati Jamaguri GP under Bihpuria AP, Niz Laluk GP, Bongalmora GP and Dikrong GP under Karunabari AP in North Lakhimpur district

Dibrugarh ZP diverted ₹1.90 crore towards payment of staff salary out of DDP fund depriving the people of the district of the commensurate intended benefits.

(Paragraph 2.15.3)

Six PRIs released ₹1.80 crore to 473 non-BPL beneficiaries in contravention of guidelines of Indira Awas Yojana.

(Paragraph 2.16.1)

Six market sheds constructed at cost of ₹59.86 lakh by three APs under RSVY in Lakhimpur district were lying idle awaiting allotment to tenants. Thus, construction of market sheds without assessing the demand and ensuring the basic facilities like water, electricity etc. led to wasteful expenditure of ₹59.86 lakh.

(Paragraph 2.17)

CHAPTER III

URBAN LOCAL BODIES AUDIT OF TRANSACTIONS

Two ULBs collected only 22 *per cent* of holding tax leaving ₹2.05 crore outstanding, during the period 2003 to 2010.

(Paragraph 3.1)

Four ULBs did not produce adjustment vouchers against advance payments amounting to ₹1.28 crore under SJSRY and IDSMT

(Paragraph 3.5)

Two MBs did not deposit ₹78.14 lakh to the CPF account including Boards' share of ₹39.07 lakh depriving the officials of the intended benefit besides increasing their liability, on this amount.

(Paragraph 3.6)

CHAPTER - I

SECTION 'A'

AN OVERVIEW OF THE ORGANISATION, FINANCES, DEVOLUTION AND ACCOUNTABILITY FRAMEWORK OF PRIs AND ULBs

1.1 Introduction

Seventy Third and Seventy Fourth Constitutional amendments gave constitutional status to the Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and established a system of uniform structure, holding of regular elections and regular flow of funds through Finance Commission etc. As a follow up, the states were required to equip and entrust these bodies with such powers, functions and responsibility so as to enable them to function as institutions of self government. The Constitutional amendments intended to pave the way for smooth transition to fiscal decentralization at the grass root level. In particular, the PRIs and ULBs were required to prepare plans and implement schemes for economic development and social justice including those functions included in the Eleventh and Twelfth Schedules of the Constitution.

Assam has a very strong historical background of local self government. Post 73rd Constitutional amendment, the State enacted Assam Panchayat Act, 1994 and framed Assam Panchayat (Administrative) Rules, 2002 and Assam Panchayat (Financial) Rules, 2002 to enable Local Bodies (LBs) to work as the third tier of government. The State has also identified and amended other related laws to empower LBs.

There were 2407 PRIs and 89 ULBs in the State as on 31 March 2011.All the 2407 PRIs were in General Areas as the Panchayati Raj system does not exist in Sixth Schedule Areas. Local governance in Sixth Schedule Areas is vested with the Autonomous District Councils (ADCs). Of the 89 ULBs, 72 were in General Areas and governed according to the provisions of the Assam Municipal Act, 1956. The remaining 17 ULBs falling within Sixth Schedule Areas were governed by the rules framed by respective ADCs. Recommendations of Third Assam State Finance Commission (TASFC) did not cover the ADCs.

The Guwahati Municipal Corporation (GMC) was constituted under the Guwahati Municipal Corporation Act, 1971 and started functioning with effect from 15 February 1974.

1.2 State profile

Assam is situated in the North East (NE) part of India. According to 2011 census, the State covers an area of 78,438 sq. km. with a population of 3.12 crore. The rural population in the State was 2.68 crore (86 *per cent*) whereas urban population was 44 lakh (14 *per cent*). The percentage shares of area and population of the State to that of the country are 2.4 and 2.58 respectively. The State has the highest population density among NE States at 397 persons per sq. km. As against decadal growth of 17.6 *per cent* at national level, the population of the State has grown by 16.85 *per cent* over the period 2001-11. The sex ratio of Assam at 954 females to 1000 males is higher than the national average of 940. Female literacy rate of the State rose to 67.27 *per cent* from 51.85 *per cent* in 2001. *(source: ecostatassam.nic.in)*

The State can be divided into three distinct geographical regions *viz*.

(i) The Brahmaputra Valley comprising of twenty two districts in plains with a total area of 56194 sq.km;

(ii) The Hill areas consisting of two districts with a total area of 15322 sq. km. and;

(iii) The Barak Valley covering three districts with a total area of 6922 sq.km.

The districts are further subdivided into *56 sub-divisions* and *145 revenue circles* for the convenience of administration and revenue collection. The economy of Assam continues to be predominantly agrarian. The service sector along with tea industry dominates Assam's economy.

As per Planning Commission and Ministry of Panchayati Raj (MoPR) report (2009-10) the state has 11 backward districts out of 278 backward districts in India.

1.3 Size of Local Bodies (LBs)

The position of local bodies in Assam in terms of number, average population and average area is given in **Table 1.1.**

Table 1.1: Position of Local Bodies (LB)

Level of LB	No.	Average Area per LB (Sq Km)	Average population
Zilla Parishad (ZP)	20	2032.93	1009940
Anchalik Panchayat (AP)	185	219.78	109183
Gaon Panchayat (GP)	2202	18.46	9173
Municipal Corporation (MC)	1	216	808021
Municipal Board (MB)	31	8.575	43802
Town Committee (TC)	57	3.71	10225

1.4 Organizational Setup in State Government and Local Bodies

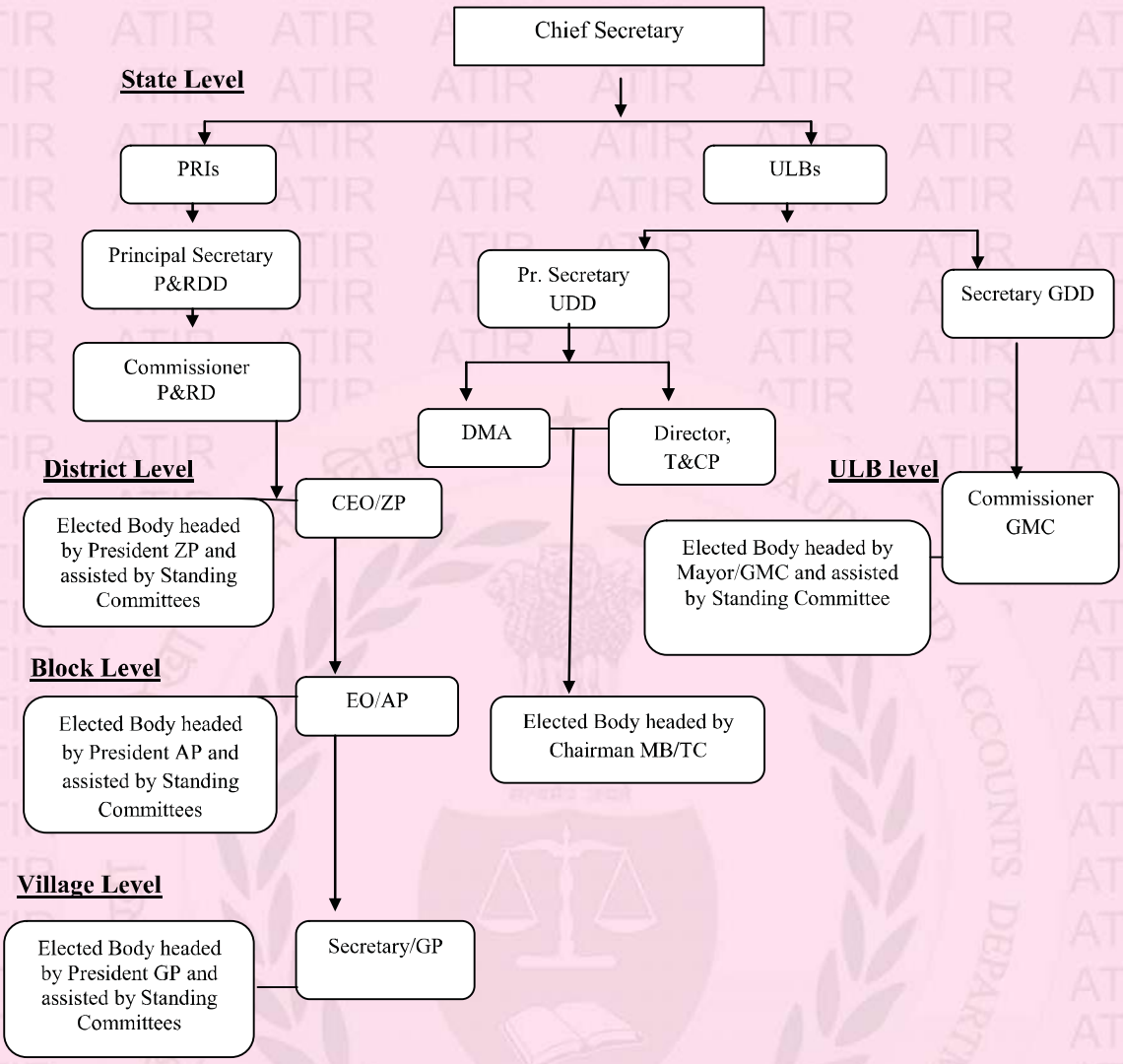
The Chief Secretary of the State is the overall in-charge of monitoring the functions and activities of local bodies in the State. The Principal Secretary, Panchayat and Rural Development Department is the administrative head of PRIs and is assisted by the Commissioner, Panchayat and Rural Development in allocation of fund and in exercising overall control and supervision of functions and schemes at the State level.

The Principal Secretary, Urban Development Department is the administrative head of ULBs and is assisted by the Directors, Municipal Administration and Town & Country Planning in allocation of funds and in exercising overall control and supervision of functions and schemes at the State level.

The Secretary, Guwahati Development Department is the administrative head of Guwahati Municipal Corporation (GMC).

The PRIs and ULBs are functioning under democratically elected bodies. PRI in each tier is headed by a President. However, GP President is represented in AP and likewise AP President is represented in ZP. As regards ULBs, a TC or MB is headed by a Chairman. The only Municipal Corporation in the State is headed by a Mayor.

Following organogram depicts the organizational set up at State level and LB level with linkage between Administrative set up and elected body:



Note: P&RDD: Panchayat and Rural Development Department, UDD: Urban Development Department, GDD: Guwahati Development Department, DMA: Director of Municipal Administration, Dir, T&CP: Director, Town and Country Planning.

CEO in a ZP, Executive Officer in an AP and Secretary in a GP carry out the policies and directions of the Parishad/Panchayat concerned, execution of works and development schemes. CEO of a ZP is also responsible for allocation of fund under Finance Commission grant and District Development Fund to the PRIs and implementing agencies in the district.

Sections 102 (2) and 103 (3) of AP Act, 1994 provide that Government shall appoint a Chief Accounts Officer (CAO) and a Chief Planning Officer in each ZP. The CAO shall advise the ZP on financial matters and shall be responsible for all matters relating to the accounts of the ZP including preparation of annual accounts and the budget. The Chief Planning Officer shall advise the ZP on plan formulation and shall be responsible for all matters relating to the planning of the ZP.

However, the Government created only the post of CAO (October 2010) for Zilla Parishad to which no appointment has so far been made by the State Government. Continuing delay in appointment of CAO, even after creation of the post contributed substantially to the occurrence of irregularities and deficiencies in the accounts of PRIs.

The executive function in the GMC is exercised by the Commissioner, GMC, under section 34 of GMC Act, 1971. As per section 53 of Assam Municipal Act (AMA), 1956, MBs may appoint Executive Officer with the approval of the Government. The Executive Officer shall function under the overall control of the Board and under the direct supervision of the Chairman. However, there is no executive officer in any MB or TC where elected body is functioning. The Chairman exercises the executive function.

1.5 Standing Committees

PRIs shall constitute standing committees to perform the assigned functions. Details of constitution of the standing committees of PRIs are given in **Table 1.2**

Table 1.2: Constitution of Standing Committees

Level of PRIs	Chief Political Executive	Standing Committees	Political executives
GP	President	i) Development Committee ii) Social Justice Committee iii) Social Welfare Committee	President is the chairman of each of the three committees
AP	President	i) General Standing Committee ii) Finance, Audit and Planning Committee	President is the chairman of each committee
		iii) Social Justice Committee	Vice President is the chairman
ZP	President	i) General Standing Committee ii) Finance, Audit and Planning Committee	President is the chairman of each committee
		iii) Social Justice Committee iv) Planning and Development Committee	Chairman is elected from amongst the elected members of each committee

Role and responsibilities of the standing committees are given in **Appendix-1.1.**

Section 20 of Guwahati Municipal Corporation Act, 1971 provides for constitution of standing committees on the following:

(i) Taxation, Finance and Planning and Development;
(ii) Public Works;
(iii) Public Health, Conservancy and Water Supply;
(iv) Assessment, Markets and Trades;
(v) Appeal.

Each standing committee is headed by a chairman and consists of five members elected by the members of the Corporation other than the mayor.

1.6 Staffing pattern of PRIs

As per the existing pattern laid down by the Assam Panchayat (Administrative) Rules 2002, grade III and IV staff together approved for ZP, AP and GP is 18, 8 and 3 respectively. However, the existing pattern is quite insufficient for PRIs to carry out their functions in view of their increasing financial and developmental activities. Even the staff in position is far below the prevailing norm. The present staff position of PRIs is shown in **Table 1.3**

Table 1.3: Present staff position of PRIs

PRIs	No. in each tier	Existing norm of staff	Total requirement as per norms	Staff in position	Casual staff	Shortfall against requirement as per norms
ZP	20	18	360	155	25	180
AP	185	8	1480	489	214	777
GP	2202	3	6606	2923	1573	2110
Total	**2407**	**29**	**8446**	**3567**	**1812**	**3067**

Source: – Preliminary report of the Fourth Assam State Finance Commission (FASFC) 2011-12

Shortfall of 3067 staff, even after engagement of large number casual staff to carry out regular works of maintenance of accounts and execution of schemes, indicated the extent of shortage of manpower in each level of PRI. There is therefore, an urgent need to make PRIs fully operational with adequate manpower support.

Engagement of casual staff in large number, where it exceeded 40 and 50 *per cent* of available manpower at AP and GP levels respectively, is bound to have adverse impact on the working of an organization as very little accountability and responsibility is expected out of such staff who are engaged purely on temporary basis.

There was no prescribed staffing pattern for ULBs and the Urban Development Department (UDD) did not take any steps to assess the number of officers and staff of different categories required for proper functioning of each ULB. As regards GMC, against the sanctioned strength of 3817 under different categories of posts, 1493 posts were lying vacant. A clear policy alongwith an action plan keeping in view the skill requirement of personnel and work load entrusted to ULBs under different programmes, schemes and projects needed to be formulated by the State Government.

1.7 District Planning Committee

In pursuance of Article 243ZD of the Constitution of India and Section 3 of AP Act, the State Government constituted District Planning Committee (DPC) in each District whose tenure is one year. The DPC consists of:

a) The members of the House of People who represent the whole or part or the district.

b) The members of Assam Legislative Assembly whose major part of the constituencies fall within the district.

c) The President of the Zilla Parishad.

d) The mayor or the Chairperson of the Municipal Corporation/Municipal Board/Town Committee as the case may be having jurisdiction over the headquarters of the district.

e) Such number of persons not less than four fifth of the total number of members as may be specified by the Government, elected in the prescribed manner from amongst the members of the Zilla Parishad, Councilors of Municipal Corporation or the Municipalities as the case may be and the members of the Town Committees in districts on rotation annually and in proportion to the ratio between the population of the rural and urban areas of the district.

Deputy Commissioner is a permanent invitee to the DPC of the district. The President of the Zilla Parishad is the Chairman and Chief Executive Officer of ZP is Ex-officio Secretary of the DPC.

The functions of DPC include scrutiny and approval of annual plans of LBs, consolidation of plans prepared by LBs and preparation of draft development plan for the district. The DPC is to monitor quantitative and qualitative progress, especially physical

and financial achievements in the implementation of the approved District plan schemes and State plan relating to the district and is to evaluate the action programme already completed.

While the DPCs have been formed in all districts of General Areas, they were yet to perform their mandated functions as envisaged in the Constitution. Most of the schemes at the district level were planned and implemented as stand alone schemes without consolidating them into one district plan comprising all development schemes of the district. DPCs met very infrequently, only about once or twice in a year, and their functions remained perfunctory and incomplete without much participation by people. Thus, the mandate for institution of a comprehensive planning mechanism for the district remained to be met.

1.8 Constitution of SEGC and organizational arrangement under MGNREGA

Section 12 (sub-section 1and 2) of the Mahatma Gandhi National Rural Employment Guarantee Act, 2005 (MGNREGA) provides for constitution of State Employment Guarantee Council (SEGC) at the State level with a view to:

a) Advising the State Government on all matters concerning the scheme and its implementation,
b) Determining the preferred works,
c) Reviewing the monitoring and redressal mechanisms from time to time and recommending improvements,
d) Promoting the widest possible dissemination of information about the Act and the schemes under it,
e) Monitoring the implementation of the Act and the schemes under it in the State and coordinating with the Central Council,
f) Preparing the annual report to be laid before the Legislature by the State Government, and
g) Any other duty or function as may be assigned to it by the Central Council and the State Government.

The Government of Assam constituted the State Rural Employment Guarantee Council in July 2008 with the Minister Panchayat & R.D. Assam as Chairman and the Commissioner & Secretary, P&RD, Assam as member Secretary and with 7 other official and 15 non-official members.

The following is observed in audit:

i) Constitution of the Council was delayed by more than two years as the scheme was implemented in February 2006 in six districts of the State.

ii) Only four women members were nominated to the Council instead of five in violation of sub-section 1 which provided that not less than one-third of the non-official members should be women.

iii) No dedicated support staff was provided to function as the secretariat of the SEGC. Thus, the Council did not have infrastructure, manpower and independent leadership and was not in a position to exercise its mandated functions in the intended manner.

iv) While the works implemented were generally within the permissible ambit of the Act, these were not determined in order of priority as provided in the Act and low priority works of road connectivity were given precedence.

v) The Council prepared its annual report only for 2010-11, so far, which was approved by the Legislature, but is yet to be circulated (February 2012).

As per Assam Rural Employment Guarantee Scheme, 2006, the Commissioner, P&RD Department was designated as State Rural Employment Guarantee Commissioner (SREGC) in addition to other duties and was responsible for fulfillment of objectives of the MGNREG Act, 2005 and discharge functions as stipulated in the Act. No officer of the rank of Commissioner was notified with the independent charge of State Rural Employment Guarantee Commissioner (SREGC).

At the field level, the BDOs were designated as Programme Officer (PO) in addition to other duties. No Additional Programme Officer was appointed to assist the BDO in the discharge of his functions as PO. No administrative assistant was appointed in the blocks for maintenance of records.

The Scheme has been introduced in the State in an *adhoc* manner with inadequate infrastructure and manpower and there was absence of direction both at State and field levels.

1.8.1 State Finance Commission Recommendations

The Fourth Assam State Finance Commission (FASFC) in its preliminary report for the period 2012-13 to 2015-16 made recommendations relating to devolution, State Taxes, grants-in-aid to the LBs, maintenance of accounts of LBs, preparation of Annual as well as Monthly accounts by the LBs as recommended by the Ministry of Panchayati Raj and Ministry of Urban Development, Government of India and streamlining of budgetary procedure with a Local Body supplement in the budget documents and Finance Accounts. These recommendations were accepted by the State Government (July 2011) but were yet to be implemented (February 2012).

1.8.2 Constitution of Audit Commission for local governments

In the Resolution of the sixth Round Table of Panchayat Ministers at Guwahati in November 2004, it was resolved that the State Government would set up an Audit Commission for local Governments, for strengthening accounting and auditing functions including Social Audit at Panchayat level. The same was yet to be set up (July 2011). Consequently, the auditing and accounting functions remained to be strengthened at Panchayat level.

1.9 Decentralized Planning

1.9.1 Status of transfer of Fund, Functions and Functionaries

The AP Act envisaged transfer of functions of various departments of the State Government to LBs to meet the requirement of the areas of their jurisdiction and prepare and implement schemes relating thereto for economic development and realization of social justice. This exercise was done through 'Activity Mapping' drawn up by the State Government in June 2007 indicating devolution of powers to PRIs for 23 out of 29 functions included in the XI Schedule of the Constitution. More significantly, it had made provision in the State Budget w.e.f 2008-09 to provide Plan and Non- Plan fund to the LBs through a new budget line. However, the State Government had decided to actually operate this budget line for the LBs only after the Line Departments transferred the relevant posts to the PRIs, which had not yet taken place (February 2012). It has been reported in Economic Survey, Assam, 2010-11, that the devolution exercise was not yet started as per Activity Mapping other than the schemes executed through Panchayat and

Rural Development Department. It was apparent that the Line Departments did not transfer staff to PRIs, and funds were also not transferred to PRIs.

The Principal Secretary, Urban Development Department (UDD) stated (March 2010) that the matter of devolution was under process. Only 8 of 18 functions listed in the Twelfth Schedule for transfer to ULBs, were actually transferred but State Government had not transferred the required functionaries to ULBs to carry out these functions.

The State Government amended (May 2011) the AM Act 1956, which provided for transfer of fund, functions and functionaries to ULBs and constitution of a committee under the Chairmanship of Minister in charge, Urban Development Department to monitor the matter for early and smooth transfer of fund, functions and functionaries. However, effective steps still remained to be taken by the State Government for expediting transfer of 3Fs[1] to ULBs (February 2012).

1.9.2 Ranking of the state in Devolution Index (DI)

The Indian Institute of Public administration (IIPA), New Delhi has been conducting an independent study on devolution to PRIs in different states. These studies assess Devolution Index (DI) of major states based on different indicators relating to transfer of fund functions and functionaries (3Fs). DI is used for Panchayat Empowerment and Accountability Incentive Scheme (PEAIS) of Government of India for rewarding States with high DI.

Devolution status of Assam against certain devolution parameters as in 2009-10 and 2010-11 as per reports of IIPA is given in **Table 1.4**.

Table 1.4: Devolution status against certain devolution parameters

Year	D_1 Framework	D_2 functions	D_3 Finances	D_4 Functionaries	Devolution Index	Rank	No of States /UTs studied
2009-10	63.70	23.08	26.56	12.67	28.31	21	23
2010-11	38.35	29.20	33.51	0.00	31.08	18	24

Source: MOPR-IIPA (2011)

Assam is still lying in the bottom half of the DI amongst all States though it had marginally improved its position from 21st in 2009-10 to 18th in 2010-11.

[1] 3Fs: Fund, Functions and Functionaries.

The rank of 18 out of 24 states during 2010-11 indicated that efforts of the State Government in strengthening Panchayats in the State through devolution of 3Fs were not encouraging enough and Panchayats required to be strengthened further in terms of their capacity, autonomy, accountability and achievements.

1.9.3 Merger of all parallel bodies with ZP

Joint statement of conclusion on devolution to Panchayat, Assam arrived at between the Chief Minister of Assam and Union Minister of Panchayati Raj and Youth Affairs & Sports {Sl No.21 (v)} on 12 September 2006 with respect to the subjects devolved to the Panchayats, enjoined that steps would be taken to merge all parallel bodies including District Rural Development Agencies (DRDAs) with Zilla Parishads (ZPs) by January 1, 2007 so that the Panchayats acquire an appropriate instrumentality for planning. However, DRDAs were yet to be merged with ZPs which made preparation of appropriate and holistic district planning, not possible.

1.10 Financial Profile of PRIs

1.10.1 Fund flow to PRIs

The resource base of PRIs consists of own revenues, assigned and shared revenue, State Finance Commission grants, Central Finance Commission grants, Central Government grants for maintenance and development purposes and loans. Details of sources of fund, its custody and reporting for each tier are given in **Table 1.5**. The authorities for reporting use of fund in respect of ZPs, APs and GPs are Chief Executive Officer (CEO), Executive Officer (EO) and Secretary respectively.

Table 1.5: Fund flow mechanism in each tier of PRI

Nature of Fund	ZPs		APs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assessees and users	Bank	Assessees and users	Bank	Assessees and users	Bank
SFC	State Government	do	State Government	do	State Government	do
CFC	GOI[2]	do	GOI	do	GOI	do
State plan Schemes	State Government	do	State Government	do	State Government	do
Centrally Sponsored Schemes	GOI & State Government	do	GOI & State Government	do	GOI & State Government	do

[2] GOI:- Government of India

Fund flow arrangements of CFC grants and Centrally Sponsored (CS) Schemes are given in **Table 1.6**.

Table 1.6: Fund flow arrangements of CFC grants and CS schemes to PRIs

Sl. No	Scheme	Fund flow
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	Central share is released direct to the DRDAs. State share provided in the Budget is released to DRDAs through Department of Panchayat and Rural Development. DRDAs disburse the fund (Central and State share together) to APs, which in turn, disburse the share of GPs under their jurisdiction.
2	Indira Awas Yojana (IAY)	Central share is released direct to DRDAs. State share provided in the Budget is released to DRDAs through Panchayat and Rural Development Department. DRDA disburses the fund (Central and State share together) to APs under its jurisdiction.
3	Swarna Jayanti Swarozgar Yojana (SGSY)	Central share is released direct to the DRDAs. State share provided in the Budget is released to DRDAs through Panchayat and Rural Development. Department. DRDAs disburses the fund (Central and State share together) to APs under its jurisdiction.
4	Central Finance Commission Grant (CFC)	Government of India transfers the fund to the State, which is released through budget allocation to the Zilla Parishads. The ZP after drawal of the fund through treasury, disburses the share to APs and GPs under its jurisdiction.
5	Backward Region Grant Fund (BRGF)	Government of India transfers the fund to the State which is released through budget allocation to the ZPs which after drawal of fund through treasury, disburse the share to APs & GPs under their jurisdiction.

Source: Scheme guidelines

1.10.2 Resources: Trends and Composition

The trend of resources of PRIs for the period 2005-06 to 2010-11 is shown in **Table 1.7.**

Table 1.7: Time series data on PRI resources

(₹ in crore)

	2006-07	2007-08	2008-09	2009-10	2010-11
Own Revenue	12.30	16.00	13.90	17.03	21.80
SFC transfers	Nil	Nil	48.60	295.68	119.36
CFC transfers (TFC)	50.04	55.17	52.60	152.71	73.44
Grants for State sponsored schemes	190.76	166.14	207.82	123.69	341.86
GOI grants for Centrally sponsored schemes	2198.10	1382.50	1184.95	1712.18	1684.81
Total	**2451.20**	**1619.81**	**1507.87**	**2301.29**	**2241.27**

Source: 2006-07 to 2008-09: Commissioner P&RD, Assam, 2009-10 & 2010-11. Appropriation & Finance Accounts.

Sharp decline in receipts under centrally sponsored schemes in 2007-08 in comparison to the previous year was mainly due to deduction of central share for less utilization of funds in previous years by PRIs.

1.10.3 Public investment in social sector and rural development

Details of public investment in social sector and rural development through major Centrally Sponsored Schemes during 2006-07 to 2010-11 are given in **Table 1.8**.

Table 1.8: Statement showing investment through major centrally sponsored schemes

(₹in crore)

Sl. No.	Schemes	Year	Fund Released	Expenditure	Percentage of shortfall in utilisation
1.	MNREGA	2006-07	357.57	269.04	25
		2007-08	570.84	320.77	44
		2008-09	718.07	455.19	37
		2009-10	785.84	632.47	20
		2010-11	807.60	592.34	27
2.	IAY	2006-07	212.58	207.06	3
		2007-08	276.66	290.09	5
		2008-09	1996.39	627.04	69
		2009-10	635.34	470.51	26
		2010-11	806.96	682.29	15
3.	PMGSY	2006-07	889.35	691.15	22
		2007-08	155.00	261.20	41
		2008-09	9.82	10.07	2
		2009-10	900.00	931.69	4
		2010-11	364.81	NA	-
4.	SGSY	2006-07	98.41	55.15	44
		2007-08	130.81	104.58	20
		2008-09	226.25	174.97	33
		2009-10	139.83	97.72	30
		2010-11	216.34	189.46	88
5.	BRGF	2006-07	NA	NA	-
		2007-08	59.98	59.98	-
		2008-09	41.06	NIL	100
		2009-10	59.41	57.78	3
		2010-11	57.70	51.42	11
6	NSAP[3]	2006-07	NA	NA	-
		2007-08	NA	NA	-
		2008-09	NA	NA	-
		2009-10	151.99	NA	-
		2010-11	102.94	NA	-

Source: Sl. No. 1-4: MORD Annual Reports 2006-07 and 2010-11, Sl. No. 5: Govt. of Assam, P&RD Deptt.

[3] National Social Assistance Programme

There was considerable increase in investment in social sector schemes like MGNREGS and IAY in 2010-11. However, utilization of the funds under MGNREGS had shown a marginal decline in 2010-11 in comparison to the previous year due to receipt of funds at the fag end of financial year from PD, DRDA as was noticed in test checked units.

1.10.4 Revenue resources of PRIs

Revenue resources of PRIs which are known as own fund, are earned from settlement of hat/ghat, fisheries etc. The details of own fund of PRIs in the State were not collected and consolidated by the Government. Hence, the details of own fund collection of all LBs were not available. However, based on information available from State SFC reports, own resources of 2407 PRIs in the state for the years 2006-07 to 2010-11, ranged between ₹12.30 crore and ₹21.80 crore, only, which was not adequate even for meeting obligatory expenses on remuneration and sitting allowance of members. Based on number of sittings per year including remuneration of Panchayat members, as per existing rate, the TASFC[4] worked out a requirement of ₹16.57 crore (remuneration ₹13.42 crore and sitting allowance ₹3.15 crore) per year from own resources of PRIs.

It is apparent that the actual receipt or generation of own fund is inconsequential even to meet the payment of remuneration and sitting allowance and there is a little scope for meeting any other exigencies. Thus, PRIs at all levels require to be proactive in augmentation and mobilization of internal revenues by working out periodical action plans after identifying the potential areas.

1.11 Financial profile of ULBs

The ULB fund comprises receipts from its own sources, grants and assistance from Government and loans obtained from any public financial institutions or nationalized banks or any other institution. Details of source of fund, its custody and reporting for each tier are given in **Table 1.9**. The authorities for reporting and use of fund in respect of MBs and TCs are Chairman and the Commissioner in respect of GMC, respectively.

[4] Third Assam State Finance Commission

Table 1.9: Fund flow mechanism in ULBs

Nature of Fund	ZPs		APs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own receipts	Assessees and users	Bank	Assessees and users	Bank	Assessees and users	Bank
SFC	State Government	do	State Government	do	State Government	do
CFC	GOI	do	GOI	do	GOI	do
State Sponsored Scheme	State Government	do	State Government	do	State Government	do
Centrally Sponsored Scheme	GOI	do	GOI	do	GOI	do

Details of fund flow arrangements in Central Finance Commission (CFC) Grants and Centrally Sponsored Schemes (CSS) are given in the **Table 1.10**.

Table 1.10: Fund flow arrangements of CFC Grants and CSS to ULBs

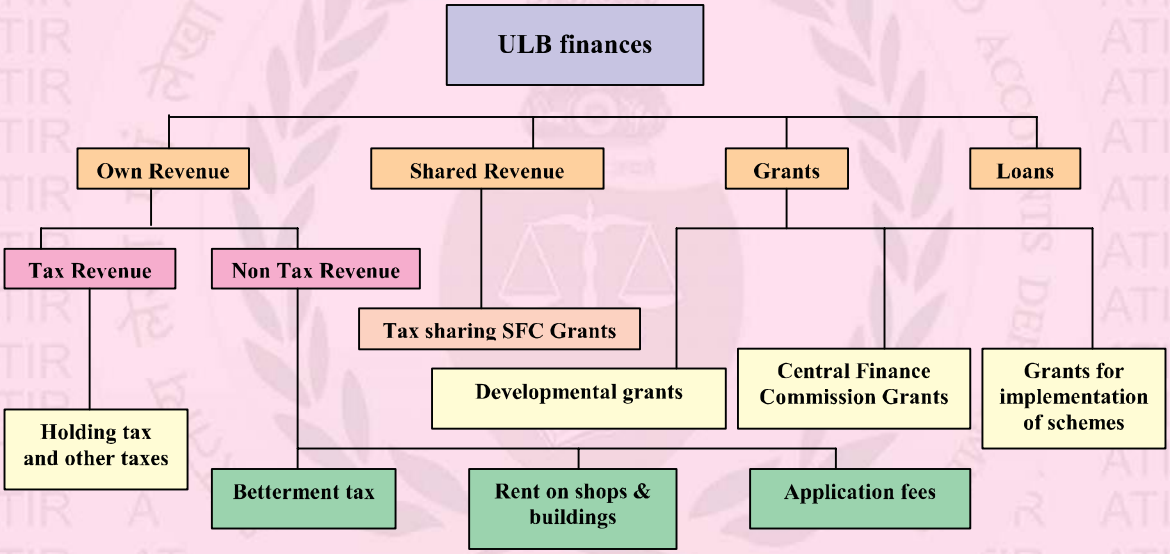
Sl. No	Scheme	Fund flow
(1)	(2)	(3)
1	Swarna Jayanti Shahari Rozgar Yojana (SJSRY)	Central share is released to the Urban Development Department, which is the State Urban Development Agency (SUDA). State share provided in the Budget is released to the Director Municipal Administration who disburses the funds (Central and State share together) to the implementing PRIs.
2	Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	Central share is released to the SUDA. The State Share provided in the budget is also released to the SUDA which disburses the fund to Guwahati Municipal Corporation (GMC) through Guwahati Metropolitan Development Authority (GMDA).
3	Urban Infrastructure Development Scheme for Small and Medium Towns (UIDSSMT)	Central share is released to the Urban Development Department (UDD) through the State Government. State share provided in the Budget is also released to UDD which disburses the funds to the ULBs through Director Town and Country Planning.
4	Basic Service to Urban Poors (BSUP)	Central share is released to UDD and Guwahati Development Department (GDD) through State Government. State share provided in the Budget is also released to UDD/GDD which disburses the funds to implementing ULBs through Director Town and Country Planning while GDD disburses the fund to GMC through GMDA.
5	Central Finance Commission Grants (CFCs)	Government of India transfers the fund to the State which is released through budget allocation to the Deputy Commissioner of the District. The DC after drawal of the fund from treasury disburses the same to MBs under its jurisdiction.
6	Backward Region Grant Fund (BRGF)	Government of India transfers the fund to the State which is released through budget allocation to the Zilla Parishad. which after drawal of the fund from treasury, disburses it to MBs within the district.

Source: Scheme guidelines

1.11.1 Source of Revenue

There are two sources of revenue for the ULBs *viz.,* (a) Government Grants and (b) Own Revenue. Own revenue resources of ULBs comprise 'Tax' and 'Non-Tax' revenue realized by them. Property Tax was the major source of revenue. Government grants comprised fund released by the Central and State Governments based on recommendations of EFC, TFC, SFC and GOI's share for various Central Sector Schemes. Besides, loans were also obtained from financial institutions for implementation of various schemes relating to Urban Development, Water Supply and Roads etc.

A flow chart of finances of an ULB is given below:



Under the provision of the Acts in force, all collections such as tax on holdings, water tax, latrine tax etc., were sources of tax revenue while building plan sanction fee, rent from shops and buildings, tolls and other fees and charges constituted the main source of non-tax revenue. The State Government released grants-in-aid and loans to the ULBs to compensate their establishment expenses. Grants and assistance were also received from State Government and Central Government for implementation of specific schemes and projects. The overall financial position of ULBs in the State could not be ascertained in the absence of the complete database of finances of ULBs.

1.11.2 Allocation and release of funds

The State Government allocated ₹120.92 crore under Grants in aid, schemes, CFC grants etc., through budget provisions during 2010-11 to ULBs. However, against the budget provision, the Director of Municipal Administration (DMA), Assam, received ₹85.81 crore and the fund released to ULBs was ₹51.19 crore only, i.e 59.65 *per cent* of the fund received by the DMA. Details of budget provision and funds released to ULBs are shown in **Table 1.11**.

Table 1.11: Statement showing budget provision and funds released to ULBs

(₹ in lakh)

Sl. No.	Name of scheme	Year	Nature of grant	Budget Provision	Funds actually released to DMA	Funds actually released to ULBs
1	Urban Development Fund	2010-11	Non Plan	2500.00	2500.00	1099.50
2	General Purpose Grant	2010-11	Non Plan	5.00	5.00	5.00
3	SCCP[5]	2010-11		225.00	225.00	225.00
4	ABY[6]	2010-11	-	200.00	200.00	156.78
5	Grants in aid	2010-11	-	1000.00	1000.00	1000.00
6	SJSRY[7]	2010-11	Central Share	5400.00	2869.96	1069.90
			State Share	820.71	820.71	602.28
7	CM's Special Programme	2010-11	-	140.00	140.00	140.00
8	13th FC Grant	2010-11	-	1741.23	794.32	794.32
9	Interest for delayed payment of 13th FC Grant	2010-11	-	60.00	26.22	26.22
Total				**12091.94**	**8581.21**	**5119.00**

Source: Information furnished by Directorate of Municipal Administration

Against ₹85.81 crore available for utilization during 2010-11, the actual release of funds to ULBs was ₹51.19 crore. Reasons for short release were not intimated though called for and were not ascertainable from the records produced to audit. Unutilized balances amounting to ₹34.62 crore were kept in the bank accounts of DMA as of 31 March 2011.

[5] *Special Component Plan for Schedule Caste*
[6] *Assam Bikash Yojana*
[7] *Swarna Jayanti Shahari Rozgar Yojana*

Conditions attached to a grant provided that under no circumstances fund earmarked for one sector be diverted to another. However, there was no mechanism available in Government to ensure that fund earmarked for a particular sector were not diverted to another sector. Details of expenditure under each sector were thus not ascertainable from DMA's accounts.

1.11.3 Short release of fund under CSS to ULBs

Details of the amount provided in the budget of the State Government, the amount received and released to ULBs during 2010-11 as per information furnished by the Director, T&CP are given in **Table 1.12:**

Table 1.12: Status of funds for CS Schemes.

(₹ in lakh)

Sl. No.	Name of scheme	Share of Grant	Budget allocation	Amount received	Amount Released to ULBs	Closing Balance	Progressive closing balance
1	IDSMT[8]	State Share	5.00	5.00	Nil	5.00	5.00
		Central Share	7.50	Nil	Nil		
2	IHSDP[9]	State Share	400.00	250.00	Nil	1040.89	1040.98
		Central Share	833.30	790.89	Nil		
3	UIDSSMT[10]	State Share	400.00	350.00	Nil	350.00	350.00
		Central Share	1000.00	Nil	Nil		
4	10 *per cent* Pool Fund	State Share	500.00	280.00	Nil	415.74	1327.00
		Central Share	135.74	135.74	Nil		
5	Night Shelter for Urban Slum	State Share	15.00	15.00	Nil	15.00	15.00
		Central Share	15.00	Nil			
Total			**3311.54**	**1826.63**	**Nil**	**1826.63**	**2737.98**

Source: Information furnished by the Director, T&CP

Against the budget provision of ₹33.12 crore, the Director, T&CP received ₹18.27 crore in 2010-11 for projects formulated by ULBs under the above mentioned schemes. No funds were, however, released to ULBs thereby adversely affecting the implementation of the schemes. An amount of ₹27.38 crore was retained by the Director T&CP Assam, in

[8] *Integrated Development of Small and Medium Towns.*
[9] *Integrated Housing and Slum Development Programme.*
[10] *Urban Infrastructure Development Scheme for Small and Medium Towns*

Bank Account without utilisation. Reasons for non release of funds have not been intimated, though called for (July 2011).

1.12 Twelfth Finance Commission Grant (TFC)

The State was entitled to 10 half yearly installments of TFC grant ₹581.00 crore (₹526.00 crore for PRIs and ₹55.00 crore for ULBs) for a period of 5 years from 2005-06 to 2009-10. The State Government has so far availed only seven installments amounting to ₹406.70 crore (₹368.20 crore for PRIs and ₹38.50 crore for ULBs). MoPR, Government of India cautioned (27 September, 2008) the State Government that the unavailed grants would lapse by 31 March 2010 and asked the States to speed up utilization of grants and submission of UCs to the Ministry of Finance. As the State Government could not speed up utilization of grants released to PRIs/ULBs and delayed submission of UCs, the subsequent three installments for ₹174.30 crore (₹157.80 crore for PRIs and ₹16.50 crore for ULBs) were not released by GOI, resulting in lapse of ₹174.30 crore out of total allocation of ₹581.00 crore under TFC grants.

1.13 Database on LB Finances

Based on recommendation of the Eleventh Finance Commission (EFC), Comptroller and Auditor General of India prescribed database formats for capturing the finances of all PRIs. The database formats were prescribed with a view to having a consolidated position of the sector-wise resources and application of funds by PRIs, details of works executed by LBs and their physical progress etc. Though, the State Government accepted (August 2004) the formats so prescribed, the development of database had not yet started (February 2012). Joint Director P&RDD stated (July 2011) that in the first phase all Zilla Parishads (ZPs) and Anchalik Panchayats (APs) were computerized, but due to some administrative reasons some delay occurred in implementing the second phase of works i.e. computerization at Gaon Panchayat (GP) level. Thus, complete data on finances in consolidated form covering all PRIs is not available. Further, though the State Government had accepted the recommendation of State Finance Commission (SFC), highlighting the need for building up database in respect of municipal finances, no tangible progress was made (February 2012).

1.14 Accountability Framework

1.14.1 Power of State Government over PRIs and ULBs

The Constitution of India empowers States to legislate on Panchayats and Municipalities. Further, in exercise of relevant Acts and Rules, the State Government exercises its powers in relation to PRIs and ULBs. Details of the powers of the State Government over the LBs in decentralized setup are given in **Table 1.13**.

Table 1.13: Power of State Government over LBs

Act/Rule/Authority	Power exercised by Government
(1)	(2)
Section 141 of AP Act, Section 301 of AM Act and Section 426 of GMC Act	**Power to frame rules** The State Government may make rules for carrying out the aims and objectives of this Act.
Section 125 of AP Act, Section 298 of AM Act and Section 425 of GMC Act	**Power to dissolve PRIs and ULBs** Government may, by notification in Gazette, dissolve the PRIs and ULBs if the Government is of the opinion that the Local Body exceeds or abuses its powers or is not competent to perform or make persistent default in the performance of the duties imposed on it under this Act or any other law, for the time being in force.
Section 124 of AP Act, Section 293 of AM Act and Section 424 of GMC Act	**Powers to revoke or suspend resolution of PRIs and ULBs** The Zilla Parishad is empowered to suspend and prohibit an order or resolution of Gaon Panchayat if the Zilla Parishad is of the opinion that the resolution is improper, cause or likely to injury or annoyance to the public or lead to a breach of peace.
	The State Government may by an order in writing suspend and prohibit an order or a resolution of a ULB if the resolution is improper, cause or likely to injury or annoyance to the public or lead to a breach of peace.
Section 123 of AP Act	**Power to restrict or withdraw functions from Panchayats** A Government may, by notification in the official gazette amend or add any activity, programeme or scheme vested in the Panchayat.
Section 121 (1) of AP Act	**Power to conduct enquiry** The Government may, at any time for reasons to be recorded, cause an enquiry to be made by any of its officers in regard to any GP, AP or ZP on matter concerning it, on any matters with respect to which the sanctions, approval, consent or orders of the Government is required under this Act.
Section 140 of AP Act read with Rule 4 and 8 of AP (Administrative) Rules	**Power of appointment, cadre control, transfer etc.** The employees of the PRIs are Government Servants. The Government shall regulate the classification, method of recruitment, conditions of service, pay and allowances, discipline and conduct of Secretaries of the GPs.
	The State Government may post from time to time additional staff of Grade I, Grade II, Grade III and Grade IV to ZP or AP or GP as it deemed necessary.
Section 122 of AP Act	**Power to issue guidelines** The State Government is empowered to issue directions to any Panchayat in matters relating to State and National Policies and such direction shall be binding on the Panchayat. The State Government may call for any record or register or other document in possession or under the control of any Panchayat.

The Assam Panchayat Act gives the State Government the following powers for ensuring proper functioning of PRIs:

- call for any Panchayat to furnish information or report, plan, estimate, statement, accounts or statistics;

- inspect any office or any record or any document of PRIs;
- inspect the works and development schemes implemented by PRIs; and
- take action for default of Panchayat President/Secretary.

The Assam Municipal Act and Guwahati Municipal Corporation Act 1971, also contain similar provisions in the respective acts to enable the State Government to monitor and ensure proper functioning of the ULBs.

Lapses/defects noticed in audit relating to formulation and implementation of schemes, matters relating to finance, etc., are mentioned in Chapters II and III of this Report.

1.15 Vigilance mechanism

1.15.1 Ombudsman

The ombudsman conducts investigation and enquires into instances of maladministration, corruption, favoritism, nepotism, lack of integrity, excessive action, inaction, abuse of position etc, on the part of officials and elected representatives of LBs. He can even register cases, *suo moto*, if the instances of the above kind come to his notice. The State Government under the Chairpersonship of the then Chief Secretary, Assam constituted a committee (August 2010) for selection of Ombudsman and Deputy Ombudsman under MGNREGA. The State Government in November 2011 selected 10 Ombudsmen and 2 Deputy Ombudsmen in 12 out of 27 districts in the State under section 27 (1) of the MGNREG Act, 2005

There was, however, no provision in the AP Act and AM Act regarding setting up of ombudsman for LBs.

1.15.2 Social Audit

The primary objective of social audit is to bring the activities of LBs under close surveillance of public for which the later needed to have access to records and documents of LBs. Such immediate access to information would facilitate transparency and accountability in day-to-day functioning of LBs. The State Finance Department issued guidelines (May 2009) for social audit which, *inter alia,* included the following:

- Use of Gaon Sabhas and Ward Committees as important vehicles for spread of awareness about social audit.
- Appointment of nodal officer at the level of Gaon Sabhas and Ward Committees who would register complaints and fix the date for social auditing.

- Wide publication of the date of social audit through local newspapers, hand bills, leaflets and notice boards etc.
- Presentation by the GP Secretaries and representatives of ULBs of the relevant data on revenue and expenditure of their organizations including bills, vouchers, muster rolls, measurement books, copies of sanction orders and other books of accounts and papers necessary for the purpose of social auditing.

Except a provision made under the Assam Rural Employment Guarantee (AREG) Scheme in respect of schemes under MGNREGA, the State Government was yet to amend the relevant Panchayat and Municipal Acts by including a statutory provision for social auditing.

1.15.3 Lokayukta

The Assam Lokayukta and Upalokayukta Act 1985 (Assam Act No. XX of 1986) came into effect in the State from December 12, 1986 for the purpose of conducting investigation into grievances and allegation against ministers, legislators and other public servants including those of PRIs and ULBs. However, the Lokayukta in Assam has not been authorized to register a case *suo moto* as in some other states in the country.

The institution of Lokayukta was established in 1989 in the state. At present the institution is headed by the Upalokayukta, while the post of Lokayukta has been lying vacant for the last 16 years (since March 1995). The Upalokayukta had received a total of 1018 complaints till December 31, 2011. The Assam Upalokayukta has recently submitted a proposal to the State Government for setting up Lokayukta cells in every district and Sub-divisional headquarters, to create awareness about the ombudsman. *(Source: The Telegraph, dated 9 April 2012 & rightspeaks.blogspot.in/2011/04/pathetic-plight-of-assam-lokayukta.html).*

There is a need to increase awareness among and periodic information to the people about the existence and functioning of the anti-corruption mechanism to make it effective and useful to the public and the Lokayukta should be empowered to register the cases *suo moto* to strengthen the institution.

1.16 Audit Mandate

1.16.1 Primary Auditor

The Director of Audit, Local Fund (DALF), Assam, established under Assam Local Funds (Accounts & Audit) Act, 1930 conducts audit of the accounts of any local authority

such as universities, colleges, schools, religious and charitable institutions etc., including PRIs and ULBs in the State. Though fund flow to PRIs increased immensely in the last 10 years at the instance of Central and State FCs and through CSS and State schemes, audit activity of DALF did not increase in proportion to the increasing fund flow. The State Government also had not made any provision in the relevant AP Act making DALF, the primary external auditor of PRIs. However, the State Government, through concerned departmental orders issued in December 2009 and January 2010, designated DALF as the primary auditor to conduct audit of accounts of ULBs and PRIs respectively.

1.16.2 Organizational Set up of DALF

The Local Fund Audit organization in the State under DALF, Assam has 16 circle offices each headed by an Assistant Director to perform audit functions at the district level. Each audit party comprised one Audit Officer and one or more Assistant Audit Officers. There were 159 audit parties (March 2011) and they work under the direct supervision and guidance of the Assistant Director of the circle.

1.16.3 Staff strength of DALF

Details of sanctioned strength and 'persons in position' in the organization during 2010-11 are shown in **Table 1.14**.

Table 1.14: Sanctioned strength and persons in position in DALF

Sl. No.	Post	Sanctioned	Persons in position	Vacant	Percentage of vacancy
1	Director	1	1	-	Nil
2	Joint Director	2	2	-	Nil
3	Deputy Director	3	3	-	Nil
4	Registrar	1	1	-	Nil
5	Assistant Director	23	23	-	-
5	Audit Officers	159	71	88	55
6	Assistant Audit Officers	220	119	101	45
7	Other ancillary staff	264	229	35	13
Overall		**673**	**449**	**224**	**33**

The organization is functioning with an overall 33 *per cent* shortage of personnel whereas shortage in the cadre of Audit Officers was 55 *per cent* and Assistant Audit Officers 45 *per cent,* which adversely affected the mandated functions of the organization as discussed in part B of this chapter.

1.16.4 Training of DALF Staff

A training for trainers on maintenance of accounts of PRIs was organized by the office of the Senior Deputy Accountant General, (Local Bodies Audit & Accounts), Assam during July 2005 for the officials of PRIs, wherein staff of DALF, Assam also participated as trainees. Two training programmes in December 2010 and February 2011 were organized by Assam Administrative Staff College and one Orientation programme was also organized by DALF in November 2011, wherein, Audit Officers of DALF were provided training by officers of the office of the Senior Deputy Accountant General, (Local Bodies Audit & Accounts), Assam for the capacity building of Audit Officers of DALF.

1.16.5 Audit by C&AG of India

C&AG of India conducts audit of substantially financed local bodies under section 14 (1) of C&AG (DPC) Act 1971 and audit of specific grants to local bodies under section 15 of the Act *ibid,* in the office of sanctioning authority. The audit of PRIs and ULBs is also conducted by C&AG under section 20 (1) of the Act as per Technical Guidance and Support (TGS) module as entrusted to C&AG in May 2002 followed by acceptance of standard terms and conditions of TGS (May 2011) by the State Government in pursuant to the 13th Finance Commission recommendations.

Audit of accounts of 42 PRIs (3 ZPs, 13 APs and 26 GPs), 5 ULBs, (three Municipal Boards and 2 Town Committees) for the year 2010-11 were conducted during January 2011 to June 2011 detailed in **Appendix 1.2**.

In selection of units for audit, the following mixed criteria were applied:

- Units due for audit.
- District in backward area.
- GPs under APs and APs under ZPs on relatively higher population, location and their connectivity's.
- Few units at random basis.

1.17 Conclusion

- Functioning of District Planning Committees (DPCs) needed to be improved and strengthened by preparing consolidated and integrated development plans of districts.
- The State is lagging behind in actual devolution of 3Fs viz. Fund, Functions and Functionaries to PRIs and ULBs.

SECTION 'B'
FINANCIAL REPORTING

1.18 Legal framework

Transparent and timely financial reporting in LBs is an essential prerequisite for ensuring accountability. Matters relating to drawal of fund, form of bills, incurring of expenditure and maintenance of primary financial records are governed by the provisions of the AP Act, AP (F) Rules, AM Act, GMC Act and AM (Accounts) Rules and other departmental standing orders and instructions.

The PRIs maintain accounts on cash basis. Receipts and payments are required to be incorporated in the accounts in order to make the accounts complete and accurate.

The AP Act and AP (F) Rules, however, did not contain any provision for preparation and rendering of Annual Accounts by PRIs.

1.18.1 Deficiencies in maintenance of primary financial records

Regular maintenance of Cash Book, daily closing of Cash Book after due attestation by the authorised officer, preparation of Properties and Asset Register, Register of Assessment and Collection of Taxes etc., are some of the controls in the matter of accounting. An effective internal control system gears up the supervisory organisation and helps it to insulate itself from financial irregularities and instances of fraud.

Deficiencies noticed in the maintenance of primary financial records of PRIs during 2010-11 are detailed below:

a. Improper maintenance of records

Rule 8, sub rule 4 (a), (b) and (c) of AP (F) Rules 2002 stipulate that all moneys received and payments made should be entered in the Cash Book which should be closed every day. Monthly closing of Cash Book with physical verification of cash and reconciliation of Cash Book balance with bank balance under proper authentication are to be done. Sub-rule 4 (e) further stipulates that at the close of each month, the bank balance as reflected in the Cash Book shall be reconciled with balances as per bank account. However, the following is noticed in audit:

- Test check Cash Book of 29 PRIs for the period ranging from 2002-03 to 2010-11 revealed that there were more than one Cash Book which were not closed daily

or monthly, analysis of closing balance and physical verification of cash was also not done.

- In addition to the operation of multiple Cash Books, funds received under different schemes/ activities were parked in a number of bank accounts for each scheme. Cash Book balances were not reconciled with bank balances in any PRI. Instances of un-reconciled balances with differences ranging from ₹0.15 lakh to ₹6.91 crore in 5 PRIs as on March 2011 are indicated in **Appendix 1.3**.
- There were short/non accountal of receipts and short receipts of ₹18.62 lakh in six PRIs as shown in **Appendix 1.4**.
- None of the PRIs furnished certificate to Audit declaring the total number of bank accounts maintained. Audit could not, thus, ascertain the correctness of the bank transactions recorded in the Cash Book.

Not only did the above indicate that PRIs needed to do a lot in the above specific critical areas but also indicated failure of the DDOs of the PRIs to adhere to the provisions of financial rules to ensure proper maintenance of Cash Book and subsidiary records. Possibility of fraud and embezzlement of money could not, therefore, be ruled out.

b. Register of Advances

PRIs granted various advances to the members and officials. Advances were also granted to the departmental officials, construction committees, suppliers etc., for execution of works/ supplies etc. However, none of the 42 PRIs, test checked in audit during 2010-11, maintained Advance Registers for accountal of advances and watching recovery/ adjustments thereof. Instances of advances remaining outstanding in 3 PRIs amounting to ₹27.96 lakh are indicated in **Appendix 1.5**.

The Assam Panchayat (Financial) Rules, 2002 {AP (F) Rules} neither provided for maintenance of 'Advance Register' nor prescribed any mechanism for recovery/adjustments of advances. In the absence of any provision in the Rules, Advance Registers were stated to have not been maintained. PRIs, thus, failed to watch recovery/ adjustment of advances and accordingly, treated the amounts of advances as final expenditure, which is fraught with the risk of possible fraud/embezzlement.

c. Asset Register

- Rule 19 of AP (F) Rules, 2002 provide for maintenance of a register of Properties and Assets in 'Form 6' for all three tiers of PRIs which should contain a list of land & buildings and all items of furniture and equipment. However, except an Asset Register maintained by GPs in respect of assets created under MGNREGS, none of the 42 PRIs test checked in audit during 2010-11, maintained any register of Properties and Assets in the prescribed format. Further, Asset Registers in respect of assets created under MGNREGS were not updated regularly.
- Annual physical verification of movable and immovable properties was not done in any PRI.

d. Register of Assessment and Collection of Taxes etc

Any fee and cess imposed under the Assam Panchayat Act, 1994 should be recorded in the Register of Assessment and Collection of Taxes etc., to be maintained under Rule 45 of AP (F) Rules, 2002. The register should contain the details of taxes against an assessee including arrears if any, taxes collected during the year and amount outstanding at the end of the year. However, the register was not maintained by any of the 42 PRIs test checked in audit.

e. Cheque issue Register

A subsidiary register called 'Cheque Issue Register' records the details of withdrawals relating to each bank account and helps in ascertaining the balance in the account after each transaction. Reconciliation of balance shown in each 'Cheque Issue Register' with the balance shown in respective pass book/statement at the end of each month is an effective mechanism to ensure the correctness of entries in the above records as well as detection of malpractices, if any, without delay. None of the test checked PRIs maintained Cheque Issue Register in proper format recording details of withdrawals in respect of each bank account maintained by them. Irregular maintenance of Cheque Issue Register and subsequent non preparation of monthly reconciliation statements were lapses on the part of PRIs and the possibility of misappropriation remaining unnoticed could not be ruled out.

1.19 Annual Accounts and Budgetary control

1.19.1 Non preparation of Annual Accounts

The Government of Assam accepted (August 2004) the accounting formats prescribed by C&AG of India for PRIs and accordingly amended the Assam Panchayat (Financial) Rules 2002 in August 2004. However, neither the formats for preparation of Monthly and Annual Accounts, as prescribed by the C&AG of India, were incorporated in the Assam Panchayat (Financial) Rules 2002 nor any provision was made in the said Rules for preparation and submission of monthly and annual accounts.

Assam Municipal (Account Rules) 1961 framed under Assam Municipal Act 1956, provides for maintenance of accounts of municipalities on cash basis and did not prescribe formats for preparation of annual accounts by ULBs. The State Government, in the line of National Municipal Accounting Manual (NMAM), prepared the draft State Municipal Accounting Manual (SMAM) in July 2010 which is based on accrual based accounting system and amended the AM Act, 1956 in May 2011, to provide for maintenance of accounts on accrual basis and preparation of Receipt and Payment Account, Income and Expenditure Account and the Balance Sheet.

However, the accounts of ULBs continued to be maintained on cash basis due to late amendment of the AM Act and thereby true and fair view of financial affairs of ULBs and their assets and liabilities were not disclosed.

1.20 Budget

1.20.1 Budget estimates of PRIs

Budget is the most important tool for financial planning, ensuring accountability and control over performance. Sections 27, 59 and 96 of Assam Panchayat Act, 1994, laying down that the Budget proposals containing detailed estimates of Income and Expenditure expected during the ensuing year were to be prepared by the respective Standing Committees after considering the estimates and proposals submitted by the Secretary and the officers dealing with respective subjects. However, 38 PRIs (12 APs and 26 GPs) test checked in audit did not prepare their budgets upto 2010-11 and unauthorisedly incurred expenditure in the absence of budget allocation. While 16 PRIs as detailed in **Appendix 1.6**, incurred unauthorised expenditure of ₹1.92 crore from their own fund, 22 PRIs did not report own fund transactions to audit.

Further, there was no mechanism at the State level to watch excess/savings in expenditure in respect of PRIs.

1.20.2 Budget estimates and expenditure of ULBs

As provided under Section-43A of the Assam Municipal Act (AMA), 1956 read with Rule-11 to 18 of the Assam Municipal Account Rules, 1961, the budget estimates showing details of probable receipts and expenditure shall be prepared in Municipal Account Form No.1 and placed before the Municipal Board in their meeting to be held, at least two months before the close of the year. Further, the budget estimates shall be approved by the Municipal Board and copies thereof shall be submitted to the DMA.

However, 5 test checked ULBs[11] did not furnish any records relating to preparation of budget.

1.21 Internal control system at the level of LBs

Internal control mechanism is an integral function of an organization which helps it to govern its activities effectively and achieve its objectives. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws. Various internal control measures in financial and operational activities when built into the departmental rules and manuals and their strict adherence, would minimize the risk of errors and irregularities. It is also designed to provide reasonable assurance to the effect that the following general objectives are achieved.

- Fulfilling accountability obligations ;
- Compliance of applicable rules and regulations;
- Implementation of programmes is carried out in an orderly, economical, efficient and effective manner.

1.21.1 Deficiencies in internal control mechanism in LBs

The internal control system at the level of each PRI and ULB has been designed by GOA through Assam Panchayat (AP) Act, 1994, AP (F) Rules, 2002, Assam Municipal Act, 1956, Assam Municipal Accounts Rules, 1961, Guwahati Municipal Corporation Act, 1971 besides application of State Government's own rules and policies relating to finance, budget and personnel matters. Significant provisions of internal control mechanism in PRIs and ULBs are indicated in **Appendix 1.7**.

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[11] Dibrugarh MB, Lakhimpur MB, Goalpara MB, Howly TC, Tihu TC

In addition to the above following deficiencies also contributed to the weakness in internal control of PRIs and ULBs.

- Expenditure Control Registers to record the details of drawal of funds against allocation were not maintained.
- Periodical report/returns in respect of implementation of various schemes and other activities in the district were not submitted to higher authorities. Thus, monitoring system, essential for ensuring compliance in terms of physical and financial implementation of schemes/programmes, was non existent.
- There was no record of evaluation, if any, carried out by the Panchayat and Rural Development, and Urban Development Department, Assam to assess the impact of implementation of programme/activities undertaken through different PRIs/ULBs.

1.21.2 Cases of misappropriation/defalcation/losses, etc.

State financial rules stipulate that each DDO of the State Government should report any case of loss, theft or fraud to the Accountant General and State Government. The State Government would follow it to recover the loss, fix responsibility and remove systemic deficiency, if any. However, no specific provision exists in AP (F) Rules 2002 for DDO or head of the PRI to report any case of loss, theft or fraud to the Accountant General and State Government. This is thus a systemic deficiency at the level of State Government.

1.22 Internal Audit

Internal Audit is an important instrument to examine and evaluate the level of compliance with rules and procedures as envisaged in the relevant Acts as well as in the Financial/ Accounting Rules so as to provide independent assurance to management on the adequacy of the risk management and internal control frame work in the LBs. It was found that Internal Audit, which is an integral part of the internal control system of an organisation, had not been introduced.

Rule 18 of Assam Panchayat (Administrative) Rules, 2002 provided for utilisation of internal auditors of Panchayat & Rural Development Department for proper and correct maintenance of accounts of PRIs. Though an internal audit wing with internal auditors was in place in the Commissionerate of P&RD, Assam, no internal audit of PRIs has so far been conducted (February 2012). The department has no Audit Manual of its own and

its main function was limited to assisting the Commissioner, P&RD, Assam in settling the outstanding audit paras and inspection reports relating to departmental units.

There was no provision for internal audit in relevant Municipal Acts and Rules and a system of internal audit does not exist in ULBs. The Director of Municipal Administration, Assam confirmed (March 2011) that the system of internal audit has not been introduced in the municipalities in Assam.

In the absence of Internal Audit periodical inspection of records had never been carried out either at the Commissionerate or at LBs level. This has affected the sense of accountability in the lower formation, besides leaving deficiency in implementation of the schemes undetected.

1.23 Audit of accounts of LBs

1.23.1 Audit coverage by DALF

Director of Audit, Local Fund (DALF), Assam is the statutory external auditor of any local authority, including PRIs and ULBs. It is the duty of DALF, *inter alia,* to certify the correctness of accounts, assess internal control system and report cases of loss, theft and fraud to auditee and Government.

Year-wise position of number of units audited, number of audit reports and arrears in issue of audit reports as intimated by DALF (March 2011) are detailed in **Table 1.15**.

Table 1.15: Arrears in issue of audit reports by DALF

Year	Name of LBs	No. of units planned for	No. of units audited	No. of audit reports issued	Arrears in issue of audit reports at the end of the year
2010-11	PRIs	1297	418	361	57
	ULBs	71	24	9	15

There was shortfall in the number of units audited against the number of units planned for audit during 2010-11. Audit reports were yet be issued in 72 units that were audited during 2010-11. Reasons for shortfall were attributed by DALF to shortage of staff and engagement of staff for conducting Assembly elections.

1.23.2 Presentation of annual consolidated audit report

As per para 101 (i) of Assam Audit Manual, DALF is required to send an Annual Report to the Finance Department by 30 September each year incorporating major outstanding audit objections relating to LBs which were pending settlement for further action by the Finance Department. However, no consolidated Annual Report had so far been sent to Finance Department. Further, the State Government did not set up any committee for discussion of Annual Report of DALF, which could have imparted a greater sense of urgency to the requirement.

Thus, in the absence of Annual Consolidated Reports, the results of audit conducted by DALF remained unreported without any follow up action thereby weakening the accountability mechanism of PRIs in Government.

1.23.3 Response to Audit Observations

Results of audit of the accounts of PRIs and ULBs, conducted by the office of the Senior Deputy Accountant General (LB Audit & Accounts), Assam, were communicated to the respective units in the form of Inspection Reports (IRs) with copy each to the State Government. PRI and ULB authorities were required to comply with the observations contained in the Inspection Reports (IRs) and rectify the defects and omissions and report their compliance to audit within three months from the date of issue of IRs. Out of 444 PRI units and 89 ULB units to whom Inspection Reports (IRs) were issued, only 129 PRI and 56 ULB units had furnished replies to IRs till the end of September 2011.

The details of IRs and the outstanding paragraphs as of September 2011 are shown in **Table 1.16**.

Table 1.16: The details of IRs and the outstanding paragraphs

Year of issue	No. of Inspection Reports		No. of outstanding Paras		Money value (₹ in crore)		Total outstanding Paras	Money value (₹ in crore)
	PRIs	ULBs	PRIs	ULBs	PRIs	ULBs		
Up to 2006-07	26	47	388	296	34.36	24.54	684	58.90
2007-08	26	12	358	116	62.18	6.39	474	68.57
2008-09	69	23	595	287	65.52	13.21	882	78.73
2009-10	260	13	1402	190	141.85	76.98	1592	218.83
2010-11	69	8	465	102	156.78	66.21	567	222.99
Total	**450**	**103**	**3208**	**991**	**460.69**	**187.33**	**4199**	**648.02**

Thus 4199 paragraphs with monetary value of ₹648.02 crore were pending settlement (September 2011) for want of replies from concerned LBs.

A review of the IRs, pending due to non-receipt of replies, revealed that the heads of the offices, whose records were inspected, did not furnish any reply to a large number of IRs/Paragraphs. The Principal Secretaries of the Departments concerned also did not ensure that the concerned officers of the LBs took prompt and timely action in furnishing replies to IRs.

1.24 Administrative Reports

Section 128, Sub-sections (1) and (2) of the AP Act, 1994, provides for submission of Annual Administrative Report of the preceding year of AP and ZP to the Government by 30 September every year. Report of the ZP together with a memorandum by the Government reviewing the working of the ZP should be laid before the State Legislature as per sub-section (3) of the section *ibid*. However, neither the PRIs prepared their Annual Administrative Reports nor the State Government (P&RDD) called for Annual Administrative Reports from PRIs for consolidation and submission to the State Legislature.

Annual Administrative Report of GMC for the preceding year together with a statement of receipts, disbursements and balance at credit of the Municipal Fund at the close of the year is required to be submitted to the Government under Section 136 of GMC Act. However, test check of records of GMC in August-September 2010 revealed that no such report was submitted to the Government.

1.25 Conclusion

- Financial reporting is not effective and inadequate with no provision in PRI and ULB Acts and Rules for preparation and rendering of annual accounts by Local Bodies. Non preparation of annual accounts resulted in lack of transparency of state of affairs as well as non-disclosure of financial assets and liabilities of Local Bodies. There is no provision for reporting of misappropriation, fraud etc., to the State Government in PRI Acts and Rules,
- Internal control mechanism was weak as evidenced by non-maintenance of Community Assets, Register of Advances and non-furnishing of utilization certificates by LBs and deficiencies in maintenance of primary financial records at

all levels of PRIs and ULBs. There is no provision for internal audit in ULB Acts and Rules. Asset Register was partially maintained. Except the assets created under MGNREGS, details of assets created under schemes implemented by LBs were not maintained. As a result, status of assets created under other flagship schemes could not be assessed.

- Appropriation of fund without preparation of budget led to unauthorized expenditure in PRIs. Preparation of unrealistic budget resulted in over estimation of revenue in PRIs.
- There was poor response and delays in furnishing replies to audit observations leading to accumulation of outstanding audit objections.
- The primary financial records of LBs were deficient.
- No vigilance mechanism such as constitution of Ombudsman for conducting investigation and enquiries into instances of maladministration, corruption etc. was adopted in the AP as well as AM Act.
- Acute shortage of manpower at each level of PRIs hampered the enlarged functional achievement of the objectives of decentralized governance in PRIs.
- Internal control relating to financial management was almost non existent leading to lapse of TFC grant.

CHAPTER – II

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

PANCHAYATI RAJ INSTITUTIONS

SECTION A: DISTRICT RURAL SECTOR AUDIT

2.1 Introduction

District Rural Sector Audit involved a review of the significant socio-economic developmental schemes/programmes implemented in the District of Cachar during the period 2006-11. The audit encompassed an appraisal of Social Sector programmes relating to Rural Sector. In the economic sector, infrastructure development was reviewed through an assessment of the projects and schemes implemented for improvement of road connectivity in villages (MGNREGS, DDP and BRGF schemes), provision of employment and houses to the poor and vulnerable sections of society.

2.1.1. District profile

Cachar is a far flung district of the country and also an international border district. It is situated in the southern part of the state of Assam. The district is one of the backward districts in the country due to its low per capita income and poor communication. It is mainly based on local agriculture and agricultural allied activities. The demographic and developmental picture of the district is given in **Table 2.1**.

Table 2.1: Important statistics of Cachar District

Indicator	Unit	Value
Area	Sq. km	3786
Population (Total)	In lakh	14.45
Population (Male)	-do-	7.43
Population (Female)	-do-	7.02
Population Density	In Sq. km	381
Gender ratio	Per '000' -do-males	945
Literacy (Total)	*per cent*	68.42
Literacy (Male)	-do-	76.51
Literacy (Female)	-do-	59.85
Number of PRIs		
Zilla Parishad (ZP)	Number	1
Anchalik Panchayat (AP)	-do-	15
Gaon Panchayat	-do-	163

Source: Zilla Parishad, Cachar, Silchar

2.1.2 Audit Objectives

Audit undertook a special exercise to review, in an aggregated way, the outcome of government investments in the rural social sector in Cachar. Broadly, the audit objectives consisted of the examination of the following issues:

(a) The extent of involvement and empowerment of Panchayati Raj Institutions (PRIs) relative to the legislative intent and the orders of State Government from time to time, especially as regards devolution of fund, functions, functionaries, and framework (3Fs);

(b) Implementation of rural social development programmes, especially of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), IAY, BRGF, DDP, TFC etc;

(c) Implementation of district planning;

(d) Adequacy of internal control procedures and internal audit system in PRIs, and

(e) Sufficiency and effectiveness of primary external auditor in PRIs.

2.1.3 Audit criteria

a. Relevant Acts, Rules and regulations governing the functions of PRIs,

b. Guidelines of various Central and State Plans and Central and State Finance Commissions, and

c. Government orders and instructions issued from time to time.

2.1.4 Scope of Audit

Cachar being one of the backward districts in the State has been selected for district rural sector audit. Audit scrutinized the records of the CEO, Cachar Zilla Parishad, 4 Anchalik Panchayats and 8 Gaon Panchayats, 2 each under each selected Anchalik Panchayat, during the period from 9 May to 30 June 2011 to assess the effectiveness of devolution, planning, implementation of social sector programmes for a period of 5 years from 2006-07 to 2010-11. Two APs were selected on the basis of relatively higher population and proximity to the district headquarters while another two APs were selected on the basis of distance from district headquarters and having state and international border. Gaon Panchayats were selected on the basis of accessibility owing to poor connectivity during rainy season. Names of selected PRI units other than the Cachar Zilla Parishad are given below:

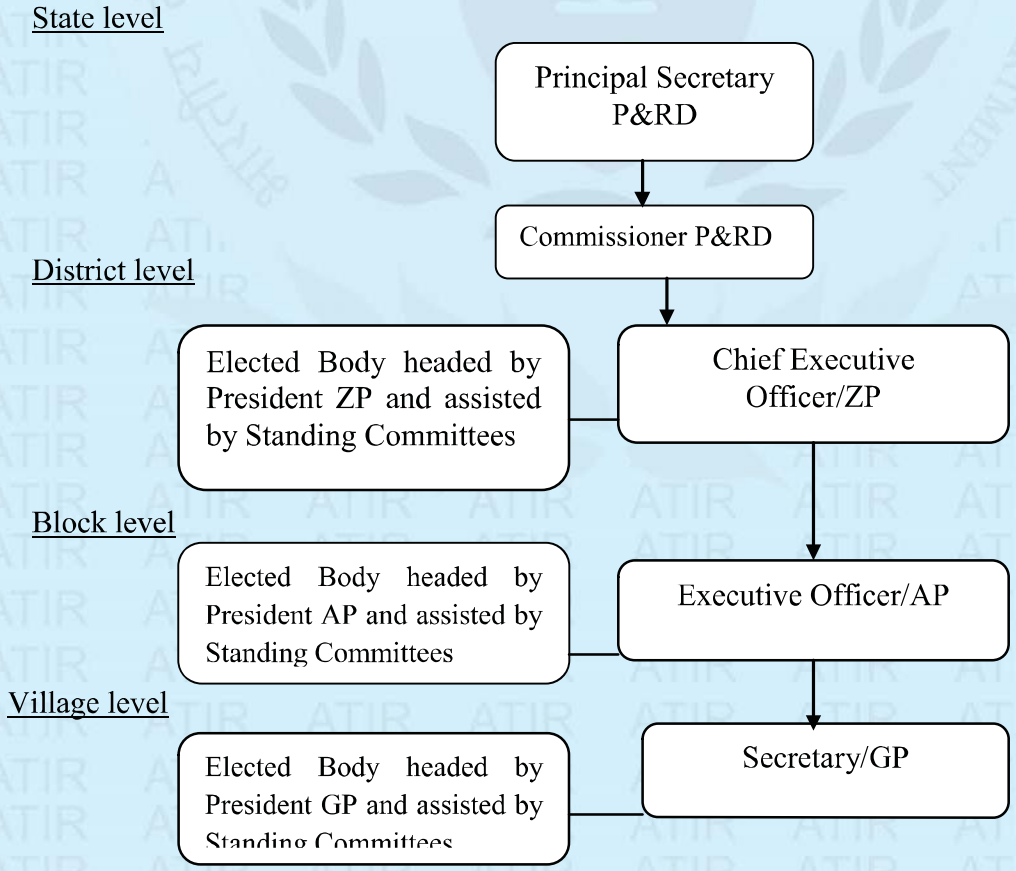
Name of Anchalik Panchayat		Name of Gaon Panchayat	
(1)		(2)	
1.	Sonai	1.	Hatikhal
		2.	Dakhin Krishnapur
2.	Lakhipur	1.	Sribar
		2.	Lakhipur Nayagram
3.	Udarband	1.	Khaspur
		2.	Dayapur
4.	Katigora	1.	Rajatila
		2.	Tarinipur

Besides, audit collected information relating to fund release and expenditure from the Project Director, DRDA, Cachar. Information was also obtained from the Assistant Director of Audit, Local Fund, Silchar to assess the sufficiency of primary external audit in PRIs.

2.2. Organizational arrangements

2.2.1 Chart 1 below depicts, to some extent, the complex organizational arrangements for PRIs in Cachar, including supra supervisory structure at the state level.

Organization chart of Panchayati Raj Institutions in Cachar District



2.2.2 Study by audit of the organizational arrangements of PRIs and of delivery system of rural social sector schemes revealed the following:

a. The functionaries are not yet transferred to PRIs. Key PRI functionaries report only functionally to the elected heads of PRIs. They remain State Government employees. They report functionally and administratively to next higher officers in the government hierarchy. There is thus little transfer of delegation of 'functionaries' to PRIs for key executive and finance functions.

b. In so far as personnel management is concerned, the local self governance at PRI level is incomplete and nebulous, as the governance space is crowded with cross cutting reporting responsibilities as discussed below:

(i) There are parallel bodies at the district level for implementation of rural sector schemes, viz. Zilla Parishad, a Panchayati Raj Institution and the DRDA, a government agency. While the CEO of the Zilla Parishad functions as controlling officer in respect of CFC, SFC, BRGF grants etc, the Project Director of the DRDA acts as controlling officer in respect of Centrally Sponsored Schemes (CSS) like SGRY, MGNREGS, IAY, SGSY, IWMP etc. Both the authorities function independently of each other.

(ii) At the intermediate level, the Block Development Officer (BDO), who is the ex-officio Executive Officer of the Anchalik Panchayat, has to report functionally to both the CEO of the Zilla Parishad and the Project Director of the DRDA according to the schemes under their control. However, the BDO is the State Government Officer under the administrative control of the P&RD Department and does not report administratively either to the Project Director of the DRDA or to the CEO of the Zilla Parishad.

(iii) On the other hand the Secretaries of the Gaon Panchayats belong to the cadre of Panchayat employees. The BDO of the Anchalik Panchayat has no administrative control over the Secretaries of the Gaon Panchayats.

Conclusion

A direct chain of command is missing in the organizational arrangements of PRIs. In the absence of an integrated mechanism to exercise administrative and functional as well as financial control (oversee flow of fund, deployment of fund and expenditure of the social development schemes and monitor their eventual outcome), implementation of schemes was sporadic, overlapping in nature and lacked coordination.

Recommendation

An integrated mechanism needs to be developed to exercise administrative and financial control for better coordination in each tier of PRIs.

2.3. Financial Management and Reporting

2.3.1 Fund Flow Arrangement

As indicated in para 1.10.1, funds for CSS are released by GOI directly to DRDAs for distribution to the implementing agencies without routing the same through the State budget. CFC and BRGF grants are transferred to the State and released through budget allocation to the PRIs. However, audit could not obtain information as regards totality of government investments in rural social development schemes in Cachar district. An attempt was made towards compilation of the Funds Available (FA) and Expenditure (Ex) in important rural social development schemes in Cachar during the five year period 2006-11 from the information collected from the Project Director, DRDA, Cachar and from the records made available by the CEO, Cachar ZP. **Table 2.2** below indicates fund flow for important Rural Social Development Schemes in Cachar during 2006-11.

Table 2.2

(₹in crore)

Scheme	2006-07		2007-08		2008-09		2009-10		2010-11		Progressive unspent balance
	FA	Ex	FA	Ex	FA	Ex	FA	Ex	FA	Ex	
SGRY/MG NREGS	32.90	31.81	78.65	55.90	28.97	28.51	26.95	25.93	17.43	14.82	2.61
IAY	16.36	15.51	22.77	22.08	33.82	31.89	52.72	52.44	40.80	30.91	9.89
SGSY	3.17	2.97	8.02	7.21	17.62	13.32	14.76	9.30	17.16	6.42	10.74
BRGF			10.00	2.80	7.30	7.05	3.28	2.37	10.86	9.30	1.56
DDP			6.03	3.01	3.07	1.68	1.38	0.94	22.26	15.68	6.58
BADP			0.06	0.05	0.35	0.33	0.43	0.24	0.52	0.35	0.17
TFC	2.47	2.05	2.73	2.01	3.20	0.90	12.97	3.63	9.53	8.85	0.68
Total	**54.90**	**52.34**	**128.26**	**93.06**	**94.33**	**83.68**	**112.49**	**94.85**	**118.56**	**86.33**	**32.23**

FA = Fund Available; Ex=Expenditure

There is a standard procedure of withdrawal of funds for incurring any government expenditure which is governed by the General Financial & Treasury Rules, Delegation of Financial Powers Rules, and specific conditions attached with a given sanction for withdrawal of funds by the competent authority for a given purpose. This procedure enables the sanctioning authorities to administer fiscal resource transfer from the government treasury down to the grassroots level of expenditure. It also enables the implementing as well as the supervisory officers at all levels to monitor that fund flow from the government accounts with due regard to efficiency, effectiveness, and economy. Most importantly, this procedure is designed to keep the public expenditure in a well-defined accountability loop and within the overall ambit of legislative financial control.

In most of the flagship schemes relating to the rural social development implemented by the PRIs, the standard procedure had not been followed mainly due to complexity in mechanisms for flow of fund and differing processes of utilisation governed by guidelines of different schemes, especially, in schemes like MGNREGS, IAY, SGSY etc, funds are released by GOI directly to DRDAs without routing the same through the State budget. As a result, flow of fund and its utilization by the implementing agencies are not readily reflected in the accounts of the State, which are left with no mechanism to monitor the flow of fund and exercise legislative financial control on implementation of schemes. Thus, the rural social development schemes were being implemented without ensuring that alternative structures were in place for ensuring integrated financial monitoring and accountability either at the district or at the state levels. This fact is further compounded by the complexity of the administrative set up explained at paragraph no. 2.2.

There is no mechanism, however, at the district and the state levels to monitor fund flow, deployment of fund, and expenditure of the social development schemes, much less their eventual outcome in an aggregated manner at any given point of time. The state accounts do not reflect the totality of government investments in social development schemes, as fund for centrally sponsored schemes flow to the implementing agencies outside of government accounts.

2.3.2 Financial Reporting issues

Financial reporting in any organization is a key element of accountability. The best practices require preparation of General Purpose Financial Statements (GPFS) for each accounting entity and government as a whole.

GPFS are accounting statements to communicate information about financial position and performance and include notes and schedules that are needed to clarify items in the statements, disclosures on assets and liabilities, and physical performance etc.

Rural social sector investment in Cachar has more than doubled in the last five years (2006-2011). PRIs engaged in implementation of rural social sector schemes, however, did not prepare GPFS. They are reporting the financial and physical progress of the schemes dealt with by them to their Directorate either directly or through their next higher authority. These reports do not contain critical information about assets, loss due to theft or negligence, pending liabilities, etc. Even in preparation and submission of these

statements, there is no centrality of financial and physical reporting regarding total investments made in the rural social sector in the district or in each Panchayat.

As recommended by EFC, PRIs ought to prepare annual accounts. However, the Assam Panchayat (Financial) Rules 2002 did not include any provision for preparation of Annual Accounts and its submission to any authority. P&RD Department, which was responsible for monitoring of the activities of PRIs, had not taken any step to ensure that PRIs maintained their records properly and annual accounts are prepared by them disclosing their financial position alongwith the status of their assets and liabilities.

Assets such as roads, community halls, Panchayat Ghar, water bodies, assets relating to water supply and sanitation, etc., have been created under different rural social sector schemes by PRIs. However, the test checked GPs had not maintained Asset Register at all. Consequently, assets created in GPs under the schemes implemented through PRIs or other implementing agencies were not ascertainable from available records.

Conclusion

In the absence of well defined accountability, reporting mechanism, adequacy and quality of financial reporting of PRIs were liable to be compromised besides leading to shortcomings in monitoring by the State Government.

Recommendation

Reporting mechanism in respect of both the financial and physical status in each tier of PRIs upto State Government level, needs to be strengthened by specifying the control and reporting requirement through a time bound action plan.

2.4. District Planning

2.4.1 The 74th Constitutional amendment inserted article 243 ZD in the Constitution, which says that there shall be constituted in every State at the district level a District Planning Committee (DPC) to consolidate the plans prepared by the Panchayats and the Municipalities in the district and to prepare a draft development plan for the district as a whole. It exhorts the State Legislatures to 'make provision with respect to- (a) the composition of the District Planning Committees; and, (b) the manner in which the seats in such Committees shall be filled'. DPC is thus the bulwark of decentralized local self-governance.

Para 11 and 12 of the BRGF guidelines provided that the district plan would emerge out of the district components of the departmental plans and also the centrally sponsored

schemes and externally aided projects assigned to LBs containing the following sources of funds:-

a. Own resources available for development.
b. Transfers by the State Finance Commission for development purposes.
c. Finance Commission Grants passed on by State Government.
d. Untied grants for local planning.
e. Grants in respect of Centrally Sponsored Schemes for implementation through local governments.
f. Grants for externally supported schemes for implementation through local Government.
g. Grants for state plan schemes.
h. Estimated contribution by the committee themselves.

The DPC was expected to consolidate the two streams - the Panchayat Plans and the urban area plans and integrate them with the departmental plans for the district and prepare draft five year plan and annual plan.

State planning department was to issue guidelines and suggest the broad structure of the district plan and the forms to be annexed to the document.

2.4.2 Government of Assam (GOA), have, within two years of passing of the 74th amendment, brought the required legislation in the form of Assam Panchayat Act, 1994 which *inter-alia* provided for setting up of DPCs in every district of the State. The State Legislature passed Assam Panchayat Act, in May 1994. However, the GOA have only in January 2004 i.e after more than 9 years of passing of the Act, issued instructions to the districts for constitution of DPC.

DPC in Cachar came into existence in December 2005, a good 12 years after the 74th amendment had come into effect in 1993. Besides, the Honourable Member of the Lok Sabha constituency, Honourable MLAs of LACs of Cachar district and Chairperson, Silchar MB, the Cachar DPC consists of 44 other members; 22 each selected from amongst the elected members of Cachar ZP and Silchar Municipal Board (MB). The President of Cachar Zilla Parishad is the ex-officio Chairman and the Deputy Commissioner is the ex-officio member of the DPC. The Chief Executive Officer Cachar ZP provides secretarial assistance to DPC in ex-officio capacity.

2.4.3 As per Assam Panchayat Act, 1994 DPC, is to consolidate the plans prepared by the Panchayats and Municipalities in the District and prepare a draft development plan for the district as a whole having regard to (i) the matter of common interest of Panchayats and Municipalities in the District including sectoral planning, sharing of water and other physical and natural resources, the integrated development of infrastructure and environmental conservation; (ii) the extent and type of available resources whether financial or otherwise, and (iii) consult such institutions and organizations as the Governor may, by order, specify.

2.4.4 GOA, Panchayat and Rural Development Department framed guidelines (June 2010) for preparation of a draft District Development Plan for PRIs detailing the method of preparation of draft plan at different stages and consolidation of a draft development plan of the district. Though the guidelines provided a scope for a review of implementation and monitoring of the plan by DPC, it did not prescribe a mechanism for reporting progress of implementation of district plan to the State Government.

Besides, the guidelines prepared by the Panchayat and Rural Development Department referred only to Panchayat Plans. Guidelines for urban area plans and integration of these plans with the departmental plans for the district for consolidation of a draft development plan incorporating all plans of the district, had not been prepared (February 2012).

2.4.5 Rule 35 of Assam Panchayat (Financial) Rules, 2002 provides for (i) creation of DPC fund through contribution from departments required to transfer their functions to Panchayats,(ii) allocation of manpower of one UDA, two LDAs and three Gr. IV staff by Panchayat and Rural Development Department and (iii) preparation of DPC's own budget.

However, neither the fund was created due to non transfer of functions by the respective departments nor the staff provided by the Panchayat and Rural Development Department. No budget allocation was made by the State Government for functioning of the DPC.

2.4.6 Audit findings on the functioning of DPC are as follows:

a. The DPC did not call for submission of their annual plan from the PRIs and other stake holders with a view to preparing the annual district plan as a whole. Thus, the DPC did not perform its primary function of preparation of holistic district plan as envisaged in the AP Act, 1994.

b. PRIs did not prepare any five-year plan. Except preparation of draft perspective plan under MGNREGS and BRGF for the period 2007-08 to 2011-12, perspective plan for resources available under other CSS and State Plan schemes were not prepared. Thus, the perspective plan under MGNREGS and BRGF did not cover all resources available under different CSS, SPS and externally aided projects etc.

c. Though the perspective plan was prepared under BRGF in March 2009, it was not placed before DPC for approval. No record for approval of perspective plan by the High Power Committee of the State Government was also available on record.

d. There was delay of more than a year in holding the first meeting of the DPC since its constitution in December 2005. As per records made available to audit, the DPC held the following meetings since its constitution till March, 2011.

Sl. No.	Date of meeting	Matter of discussion.
1.	24.2.2007	Approval for sub allocation of fund under BRGF 2006-07.
2.	04.12.2008	Allocation of DDP fund for the year 2008-09 modification of lone scheme under DDP 2006-07, 2007-08 and BRGF 2005-06.
3.	27.2.2009	Approval of action plan of BRGF 2007-08.
4.	27.1.2010	Approval of DDP fund for the year 2009-10 and modification some scheme under BRGF 2006-07.
5.	24.7.2010	Approval of DDP fund for the year 2010-11.

Thus, the DPC met only 5 times during the last five years essentially to complete the formalities of approval and modification of some schemes under BRGF 2006-07, 2007-08 and DDP 2006-07, 2007-08, 2009-10 and 2010-11. Thus, DPC did not hold any meeting to review the progress of implementation of the Schemes approved by it.

e. There was no record to indicate that the plans considered by DPC had been consolidated from the plans prepared from the grass root level of the Gaon Sabhas, AP. DPC did not appear to have insisted on confirmation of involvement of GPs.

Conclusion

DPC in Cachar district suffered from delayed constitution, lack of resources and infrastructure, absence of effective rules and regulations and insufficient guidelines for its functioning. DPC met very infrequently and its functioning remained incomplete without much participation GPs/APs.

Recommendation

Clear and comprehensive guidelines should be framed for ensuring effective functioning of DPC and supporting records/minutes should be maintained so as to help improve monitoring and evaluation of the schemes under implementation.

2.5. Internal Controls

2.5.1 Effective Internal Control system helps in providing reasonable assurance of adherence to laws, rules, regulations and orders, safeguards against fraud, abuse and mismanagement and ensures reliable financial and management information to higher authorities. The control activities include proper maintenance of accounts, reconciliation of figures, documentation, and system of authorization and approval of payments, segregation of duties, inspection and audit.

2.5.2 Accounts and reconciliation

GOA under the AP Act, 1994 framed the Assam Panchayat (Financial) Rules, 2002 which was amended in August 2004 for adoption of formats for maintenance of accounts and record keeping by PRIs as prescribed by C&AG of India in 2002.

C&AG of India in consultation with MoPR, GOI simplified the accounting formats in 2009 with coding pattern for each tier of PRIs in order to strengthen their accounting system and enable the authorities to monitor the progress of receipts and expenditure under different schemes and to take further necessary action as required.

GOA intimated (August 2010) that the accounting formats would be adopted at all levels of PRIs with effect from October 2010, but the Assam Panchayat (Financial) Rules, 2002 was yet to be amended (February 2012) to adopt the simplified formats.

2.5.3 Examination of records revealed that maintenance of accounts by ZP, APs and GPs was deficient as follows:

a. None of the PRIs maintained their accounts in the formats prescribed in 2002 or 2009. In absence of maintenance of head-wise accounts, it was not possible for the authorities to monitor the activities of PRIs for ensuring effective implementation.

b. None of the test checked PRIs prepared monthly and annual accounts. However, Assam Panchayat (Financial) Rules, 2002, as amended in August 2004, did not prescribe any format for preparation of monthly and annual accounts. Due to inadequacy in relevant Acts and Rules, annual accounts were not prepared by the PRIs in the district and thereby true and fair view of financial affairs of these institutions and their assets and liabilities were not disclosed.

c. Multiple bank accounts against each scheme or activity were maintained by all the test checked PRIs. However, none of them could furnish a list of bank accounts operated by them and none of them prepared reconciliation statements with banks.

Audit could not, therefore, ascertain the correctness of the bank transactions recorded in the cashbook.

d. In absence of Internal audit no inspection was carried out by the departmental officers to ensure that the records of PRIs were maintained. Reconciliation of balances were also not carried out with the banks.

2.5.4 Upkeep of records

GPs, APs and the ZPs were required to prepare and maintain various records and registers in accordance with Assam Panchayat (Financial) Rules, 2002, as amended in August 2004. However, the following irregularities were noticed

a. Each test checked PRI maintained more than one Cash Book which were not closed daily or monthly and were used as and when a transaction had occurred without analyzing the closing balance and conducting any physical verification of cash e.g. EO, Sonai AP maintained cash balance ranging from ₹3042 to ₹71888 during 2006-11 and during the same period, EO, Udarband AP maintained cash balance ranging from ₹2136 to ₹33397 under 'Own Fund'. No physical verification of cash was conducted.

b. In addition to the operation of multiple Cash Books, fund received under different schemes/activities were parked in a number of bank accounts for each scheme. Cash Book balances were not reconciled with bank balances in any PRI. Instances of non reconciliation of differences of balances of Banks and Cash Book are given in **Appendix 2.1.**

In the absence of periodical reconciliation, fraudulent drawals could not be ruled out.

c. None of the PRIs maintained activity wise Expenditure Control Register or Expenditure Ledger. Works ledgers were not updated, authenticated and reconciled with payments made through Cash Books and Cheque Issue registers. In the absence of reconciliation of payments with Expenditure Ledger or Works ledgers, possibility of excess or overpayments could not be ruled out.

d. None of the PRIs maintained Moveable Property Register and Asset Register. In absence of Asset Register, the assets were not ascertainable. Annual physical verification of movable and immovable properties was not done in any PRI.

e. Works in the GP areas were also undertaken by the concerned APs and the ZP. None of these institutions, however, either maintained or handed over any inventory of

assets created by them to the GP authorities. As such, creation of assets went unnoticed. Besides, in the absence of Asset Register or inventory of assets, periodical maintenance/ repair/up keep of assets was also not possible to have been done in an organized and systematic manner. Deterioration of assets due to non maintenance could not also be ruled out.

f. None of the GPs prepared estimates for the works executed by them.

g. None of the test checked PRIs maintained Register of Stores and Stock. Physical verification of stores was also not conducted by any PRI.

h. None of the PRIs maintained Advance Registers though advances were routinely paid to JEs for execution of works under MGNREGS, TFC, BRGF, DDP *etc*. Audit scrutiny of the records of CEO, Cachar ZP revealed that ₹1.76 crore was paid as advance between April 2008 and November 2010 to JEs for execution of works under BRGF, DDP and TFC and JEs submitted adjustment vouchers/MBs/MRs for ₹39.71 lakh only. Balance ₹1.36 crore remained unadjusted. Details of advances remaining unadjusted are indicated in **Appendix 2.2.** Adjustment bills submitted by JEs were not scrutinized and passed by CEO. As a result, all advances paid to JEs remained unadjusted till date.

CEO, Cachar ZP did not take any effective steps except issue of routine reminders. Physical status of works also could not be ascertained in audit due to non submission of vouchers by JEs.

Non submission of adjustment vouchers for long periods would raise suspicions of the bonafideness of expenditure or advance released.

2.5.5 Non maintenance of records.

Test check of records of Cachar ZP relating to implementation of schemes under DDP/BRGF, disclosed that CEO had drawn ₹17.47 crore during 2009-11 (₹7.16 crore for BRGF and ₹10.31 crore for DDP) in cash by presenting self cheques for incurring expenditure for execution of works through JEs. No disbursement register relating to scheme/work/ activity wise fund disbursed to JEs was maintained. Similar irregularities were noticed in respect of other programmes also. In the absence of systematic documentation such as work wise schematic ledger, progress register of works, evaluation reports etc., the outcome of the works executed by ZP could not be assessed either by the PRIs or State Government or by Audit.

2.5.6 Segregation of duties

To reduce risk of error, waste, or wrongful acts, no single individual or team should control all key stages of a transaction or event. Rather, duties and responsibilities should be assigned systematically to a number of individuals to ensure that effective checks and balances exist. However, the GPs are poorly staffed with only two Gr. III employees and Secretary, GP is controlling almost all the stages of transaction or event. This system does not provide assurance that instances of mishandling of money or store are ruled out.

Conclusion

(i) PRIs did not prepare monthly and annual accounts to exhibit true and fair view of their financial affairs and their assets and liabilities were also not disclosed.

(ii) Maintenance of multiple bank accounts and non-reconciliation of figures in Cash Book with bank would raise doubts as to the correctness of the amounts of funds received and actually spent.

(iii) Non-maintenance of advance registers and other supporting records led to accumulation of unadjusted advances indicating slackness in monitoring and ensuring proper and timely utilization of money for the intended purposes.

Recommendation

(i) PRIs should mandatorily maintain monthly and annual accounts and prescribed formats should be incorporated in the AP (F) Rules in this regard.

(ii) Timely reconciliation of closing balances and proper maintenance of records should be ensured through regular inspection and strengthening the internal control mechanism.

2. 6 Audit arrangements in PRIs

Primary external audit

2.6.1 Responsibility for conducting audit of PRIs and other bodies and authorities in Cachar district rests with the Assistant Director of Audit, Local Fund, Silchar, Cachar.

Information obtained from the Director of Audit, Local Fund (DALF), Assam, Guwahati and the Assistant Director of Audit, Local Fund (ADALF), Silchar revealed the following deficiencies in audit planning and execution.

2.6.2 Audit plan and its execution

a. There was no record available with the Assistant Director of Audit, Local Fund (ADALF), Silchar regarding the number of units planned and audited during a year. Audit of units was conducted as per programme issued from the DALF Guwahati and no follow up record was maintained at the district level.

b. As intimated by DALF in February 2012, against 120 local PRI units planned for audit during 2010-11 in Cachar district, only 77 units were audited which was 64 *per cent* of units planned. DALF attributed the shortfall to the shortages in the cadre of Audit Officers and Assistant Audit Officers, which was more than 50 *per cent* of the sanctioned strength which adversely affected the discharge of mandated functions.

c. No system existed in the office of ADALF, Silchar for obtaining of orders/instructions relating to budget, sanctions, implementation of schemes, etc., issued by PRIs, GOA and GOI, either for use in finalization of its annual audit plan or for preparatory work before conducting audit of individual unit.

d. There was no system of risk analysis inherent or likely to be present in the audited entity for inclusion in audit plan on priority or otherwise. DALF prepares what is a mixed audit plan for all units including Panchayats and the same official is deployed for audit of all such units. This system does not allow development of expertise in a particular branch of audit or functions of PRIs.

2.6.3 Reporting and pursuance of audit observations

a. Audit/Inspection Reports of the units audited were not available with the Assistant Director of Audit, Local Fund, Silchar. Draft Audit/Inspection Reports are forwarded to the Directorate for approval and are issued from their end. No follow up record was available at the district and the Assistant Director of Audit, Local Fund, Silchar. ADALF, Silchar was not aware of the status of issue of Audit/Inspection Reports in respect of units audited by his office. So far no consolidated Annual Audit Report was prepared by DALF for submission to the Finance Department.

b. There was no system of categorization of audit observations into important, serious, procedural or otherwise. Scrutiny of audit notes of ADALF revealed that audit observations related mostly to non production of records and consequently no audit checks were possible to be exercised.

c. The Deputy Director of Audit, Local Fund, Silchar did not maintain any Objection Book and hence replies were not pursued from audited entity.

2.6.4 Supplementary audit

As per terms and conditions of Technical, Guidance and Support (TGS), entrusted to C&AG by GOA, the office of the Sr. Deputy Accountant General (LB Audit & Accounts), Assam, Guwahati, {now Office of the Principal Accountant General (Audit)}

after conducting audit of PRIs, forwarded the inspection reports to the DALF for pursuance. DALF, however, expressed (January 2010) inability to pursue the IRs citing shortage of staff.

Conclusion

DALF, the primary audit institution in the State, is working with more than 50 *per cent* shortage of manpower in the cadre of Audit Officer and Assistant Audit Officer and the district level office is not well equipped with analytical techniques which adversely affected planning for effective audit.

Recommendation

Creation of databank to assess risk management for proper audit planning in each district level office and filling up the vacant posts should be taken up on priority, for ensuring effectiveness of DALF, being the primary auditor in the State.

2.7 Preparation of budget estimates

2.7.1 Budget is the most important tool for financial planning, accountability and control. As per Section 96 of Assam Panchayat Act 1994, budget proposals containing detailed estimates of income and expenditure expected during the ensuing year, beginning 1st of July to 30th June of the next calendar year, are to be prepared by the respective standing committees after considering the estimates and proposals submitted by the Secretary of the GP/Executive Officer (EO) of the AP/Chief Executive Officer (CEO) of the ZP, as the case may be. However, dates for preparation, submission and approval of budget estimates for each tier of PRI have not been prescribed either in the AP Act, 1994 of the AP (F) Rules, 2002 made thereunder.

2.7.2 Examination of records revealed the status of preparation of budget estimates by PRIs in Cachar district as under:

a. None of the 8 test checked GPs prepared budget estimates.

b. Of the 4 test checked APs, the EO Udarband AP prepared budgets for 'Own Fund' only. Other 3 APs did neither produce budget documents nor did they state whether budget estimates were prepared by them.

c. Scrutiny of budget statements of Cachar ZP for the period 2006-07 to 2010-11 revealed that the budgets prepared showed incorrect opening balances every year as detailed in **Table 2.3**.

Table 2.3

(₹in lakh)

Years	Opening balance as shown in budget statements	Actual Opening balance as per previous years Closing balance	Actual receipt as per budget statement	Total fund available	Actual expenditure as per budget statements	Actual closing balance
(1)	(2)	(3)	(4)	5 (3+4)	(6)	7 (5-6)
2006-07	4.69	4.69	880.91	885.60	880.75	4.85
2007-08	29.30	4.85	1846.64	1851.49	1496.70	354.79
2008-09	829.80	354.79	246.02	600.81	514.71	86.10
2009-10	(-) 85.14	86.10	3766.31	3852.41	1684.38	2168.03

Concerned files and ledgers based on which budgets were prepared were not made available to audit for verification. Thus, the actual position of receipt, expenditure and balances lying with the Cachar ZP could not be ascertained.

2.7.3 Besides, deficiencies in budget preparation, it was noticed that estimates were largely inflated and not based on previous trends of receipts, availability of fund under central and state plan allocations resulting in shortfall in receipts as well as in expenditure as compared to what were estimated in the budget as indicated in **Tables 2.4** and **2.5**.

Table 2.4: Estimated receipts and actual receipts of Cachar ZP during 2006-10.

Receipts **(₹ in lakh)**

Year	Estimated receipts	Actual receipt	Variation (+) Excess/(-) Less	Percentage Variation (+) Excess/(-) Less
2006-07	822.82	880.91	(+) 58.09	(+) 7.06
2007-08	4662.40	1846.64	(-) 2815.76	(-) 60.39
2008-09	4649.00	246.02	(-) 4402.98	(-) 94.71
2009-10	3704.00	3766.31	(+) 62.27	(+) 1.68

(Due to non-preparation of budget of 2011-12 by the ZP actual figures for 2010-11 was not available)

Actual receipts varied from1.68 *per cent* in 2009-10 to 94.71 *per cent* in 2008-09. During 2007-08 and 2008-09 receipts were over estimated by 60.39 *per cent* and 94.71 *per cent* respectively.

As stated in preceding para 2.7.2, the basis of preparation of budgets could not be ascertained due to non production of records. Decline in receipts in 2008-09 may, however, be attributed to non receipt of funds under BRGF and DDP for that year from the State Government, which did not release the fund for reasons not found on record.

Similarly, expenditure also varied from 18.67 *per cent* to 89.40 *per cent* during 2006-07 to 2009-10 as shown in **Table 2.5**.

Table 2.5: Budget allocations and expenditure of Cachar ZP during 2006-10

Expenditure (**₹ in lakh**)

Year	Budget allocation	Actual expenditure	Variation (+) Excess/(-) Less	Percentage Variation (+) Excess/(-) Less
2006-07	742.16	880.75	(+) 138.59	(+) 18.67
2007-08	4637.95	1496.70	(-) 3141.25	(-) 67.73
2008-09	4858.25	514.71	(-) 4343.54	(-) 89.40
2009-10	3690.60	1684.38	(-) 2006.22	(-) 54.36

Actual expenditure was less than the budget allocation by 67.73, 89.40 and 54.36 *per cent* during 2007-08, 2008-09 and 2009-10 respectively. This indicated that the ZP did not assess its ability to incur expenditure properly in these years.

Conclusion

PRIs did neither prepare any budget or prepared unrealistic budgets which rendered financial planning ineffective.

Recommendation

PRIs should prepare their annual budgets realistically based on proper assessment of anticipated inflow and outflow of funds.

2.8 Implementation of Schemes

2.8.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

2.8.1.1 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) guarantees 100 days employment in a financial year to any rural registered household on demand. The scheme is being implemented in the district since 2007-08. The Deputy Commissioner (DC) of the district worked as District Programme Coordinator of MGNREGS at the district level, while at the block level, Programme Officer (PO), and GPs at grass root level are responsible for its implementation.

The entire cost of wages for unskilled manual workers is borne by the GOI and the cost of material and wages for skilled and semi-skilled workers is shared in the ratio of 75: 25 between GOI and the State Government. In case, wage employment cannot be provided within 15 days of application, unemployment allowance is payable by the State Government.

2.8.1.2 Year wise position of funds received by DRDA, Cachar and utilization thereof during 2007-2011 is given in **Table 2.6**.

Table 2.6

(₹in crore)

Year	OB	Fund Receipt				Expenditure	CB (Percentage)
		Centre	State	Other Receipts	Total Available Fund		
2007-08	Nil	57.57	0.44	0.91	58.92	36.60	22.32 (38)
2008-09	22.32	-	5.89	0.32	28.53	25.81	2.72 (10)
2009-10	2.72	22.36	1.33	0.11	26.52	25.93	0.59 (2)
2010-11	0.59	13.21	2.86	0.34	17.00	14.82	2.18 (13)

Though the utilization of fund ranged between 87 and 98 *per cent* during 2008-09 to 2010-11, provision of employment was not consistent to the reported utilization of funds as could be seen from **Table 2.7**.

Table 2.7

Year	Total mandays generated (Figure in lakh)	Job card holders who demanded employment (In number)	Job card holders provided employment (In number)	Job card holders provided with 100 days employment (In *per cent*)	Average employment provided to each household (days)
2007-08	14.71	71887	59057	70 (0.12)	25
2008-09	28.97	105349	90118	3991(4.43)	32
2009-10	22.89	84996	83395	751 (0.90)	28
2010-11	10.07	53879	47613	172 (0.36)	21
Total	76.64	316111	280183	4984 (1.78)	27

Out of 3,16,111 households which demanded jobs during 2007-11, employment was provided to 2,80,183 households. Thus, 35,928 willing rural people demanding employment were deprived of the benefit of enhancement of livelihood security.

Further, only 0.12 to 4.43 *per cent* households were provided 100 days employment during 2007-11. Average employment provided to each household ranged between 32 and 21 days which showed decreasing trend since 2008-09. Thus, the district failed to optimally utilize funds provided under the scheme and the objective of providing 100 days employment to every household demanding work remained largely unfulfilled.

2.8.1.3 The Scheme provided that at least 33 *per cent* of jobs are to be provided to women. It was, however, noticed that out of the 76.64 lakh mandays generated during the last 4 years, women were provided employment for 4.81 lakh mandays which worked out to about 5 *per cent* against the required 33 *per cent*. as shown below in **Table 2.8**.

Table 2.8: Details of employment generated for beneficiaries belonging to SC/ST & Others under MGNREGS 2007-11

(Figure in lakh)

Year	Total mandays generated	Mandays for SC/ST	Mandays for others	Mandays for women
2007-08	14.71	5.04	9.67	-
2008-09	28.97	10.61	18.36	2.91
2009-10	22.89	6.95	15.94	1.06
2010-11	10.07	3.15	6.92	0.84
Total	**76.64**	**25.75**	**50.89**	**4.81**

2.8.1.4 Incomplete works

As regards physical performance of works taken up under the scheme, no information was furnished by the Project Director, DRDA Cachar despite repeated persuasion. As per information obtained from 4 selected APs, 21 to 79 *per cent* works taken up under the scheme for the years 2007-08 to 2009-10 remained incomplete as of March 2011 as shown in **Table 2.9**.

Table 2.9: Status of works

Year	No. of APs which furnished information	Total no. of approved works	No. of works taken up	No. of works completed	No. of works that remained incomplete	Percentage of works that remained incomplete
2007-08	4	206	202	121	59	29
2008-09	4	99	98	77	21	21
2009-10	4	120	120	26	94	78
2010-11	3	83	79	52	27	34
Total		**508**	**499**	**276**	**201**	**40**

Following were the related observations:-

i) In Sonai AP, none of the 66 works, taken up in 2007-08 with estimated cost of ₹2.95 crore was completed by March 2011. Forty-four works were stated to be under progress on which expenditure of ₹1.12 crore was incurred. Status of remaining 22 works was not stated by EO, Sonai AP.

ii) In Udarband AP, 5 works for the years 2007-08 and 2008-09 were not executed due to land dispute, overlapping of work etc. Of these, ₹35.06 lakh in respect of 4 works were refunded to the PD/DRDA, Cachar between September 2009 and January 2011 and ₹8.36 lakh in respect of one work was lying in the bank account of PO, Udarband AP. No alternate works were taken up from the incomplete works under the perspective plan.

iii) EO, Udarband, AP released ₹35 lakh to Superintending Engineer, Water Resource Division, Silchar on 7 February 2008 towards execution of 3 works relating to flood control/protection. The estimated cost of the works was ₹48.31 lakh. However, work beyond 90 *per cent* was not carried out as of June 2011 due to non release of balance fund. Work was thus taken up without ensuring availability of funds which resulted in unproductive expenditure of ₹35 lakh having been incurred on incomplete works.

iv) Out of 65 works approved for ₹4.62 crore to be taken up in Katigora AP for the year 2007-08, fifty nine works were shown as having been completed as of March 2011 at a cost of ₹3.94 crore. There was, however, no evidence in support of completion of these 59 works as completion reports, UCs or photographs were not produced to audit.

v) While five works remained incomplete on which expenditure of ₹42.06 lakh was incurred, one work of construction of road from TRK road to Singjuripur Via Madanganj at Govindapur – III was not executed and the fund amounting to ₹15.03 lakh was lying unspent with Gobindapur GP for a period of more than one year.

2.8.1.5 Payment of wages to job card holders in cash

As per Government of India guidelines, wages under MGNREGS are required to be paid through Individual Bank Accounts/Post Office Saving Accounts of job card holders.

However, scrutiny of Cash Book, Muster Roll (MR) vouchers maintained by Dayapur GP revealed that the Secretary, GP made payments in cash to job card holders thereby violating the GOI instructions. Instances of payments made in cash are indicated in **Appendix 2.3.**

2. 8.1.6 Implementation of the Scheme and upkeep of records at GP level.

During test check of records of GP, the following irregularities were noticed in implementation of MGNREG scheme:

1. Guidelines of MGNREGS laid down that works were to be allocated in the following order of priority:

(i) water connection, (ii) drought proofing, (iii) provision of irrigation facility, (iv) renovation of traditional water bodies, (v) land development and (vi) road connectivity.

Test check of records of GP revealed that works were mainly executed involving construction of road which was to be given least priority according to MGNREGS guidelines.

2. Duration of works and date of completion were not mentioned in the measurement book and as such, audit could not ascertain the date when the work was stated to have been completed.

3. Completion certificates were not available on record to show that schemes had been successfully completed.

None of the 8 selected GPs produced the following records to audit for verification:
i) Application Registration Register, ii) Job card Register, iii) Employment Register, iv) Complaint Register, v) Muster Roll Receipt Register and vi) Asset Register.

Government of India approved appointment of one Gram Panchayat Technical Assistant (GPTA) for every six GPs. No such appointment was, however, made and reasons for non-appointment though called for (February 2012), had not been intimated. Engagement of GPTA would have enabled GP to avoid irregularities in maintenance of records that had persisted.

2.8.1.7 General Comments

i) Though there was shortfall in providing employment against jobs demanded by the job seekers, no employment allowance was paid. Commissioner P&RD stated (February 2012) that no demand was placed by the districts for payment of unemployment allowance. Thus, the District Programme Coordinators failed to provide legitimate benefit to the rural poor as envisaged in the Act.

ii) Annual plans prepared under MGNREGA did not include separate plans for ongoing and new works and order of priority for selection/allotment of works was not maintained. Preparation of mixed plan for both ongoing and new works prevented an assessment being done of the status of progress/ completion of individual work.

iii) Though the Commissioner, P&RD, intimated that annual plans were approved by Gaon Sabhas and were widely publicised, minutes of Gaon Sabha meetings were not made available during test check of records of Gaon Panchayats. As a result, level of participation of rural people in decision making could not be ascertained.

iv) As intimated by the Commissioner, P&RD, Assam (February 2012), social audit was conducted by Gaon Sabhas through a team of job card holders and remedial measures were taken as and when irregularities were detected. However, minutes of social audit were not made available to audit during test check. Deficiencies detected during social

audit and remedial measures, if any, taken by the authorities could not, therefore, be ascertained.

v) Further, no provision for social audit by an independent organization/third party of reputation was made in Assam Rural Employment Guarantee Scheme, 2006, framed under MGNREGA, 2005. As a result, independent evaluation of implementation of the scheme and its impact on upliftment of rural poor were not available.

2.8.2 Indira Awaas Yojana

2.8.2.1 Indira Awaas Yojana (IAY) is a housing scheme intended to provide houses to the poor people in rural areas. IAY provides grant for construction of houses to members of Scheduled Castes/Scheduled Tribes, freed bonded labourers and also to non SC/ST rural poor who are below the poverty line subject to the condition that benefits to non-SC/ST should not exceed 40 *per cent* of total IAY allocation during a financial year.

2.8.2.2 Identification of beneficiaries

DRDAs are to decide Panchayat-wise number of houses to be constructed under IAY, during a particular financial year and intimate the same to the Gaon Panchayat. Thereafter, the Gaon Sabha is to select beneficiaries restricting its number to the target allotted from the list of eligible households, according to IAY guidelines and as per priorities fixed. Selection by the Gaon Sabha is final and no approval of any higher authority is required.

2.8.2.3 Financial and physical achievements

IAY is a centrally sponsored scheme funded by the Centre and the State in the ratio of 75:25. Details of fund received and expenditure incurred during 2006-11 as intimated by the PD, DRDA Cachar are indicated in **Table 2.10**.

Table 2.10: Funding and Expenditure under IAY

(₹ in crore)

Year	Opening balance	Fund received		Other receipts	Total fund available	Expenditure incurred (Percentage)	Closing balance
		GOI	GOA				
2006-07	0.86	10.98	4.33	0.19	16.36	15.51(95)	0.85
2007-08	0.85	17.52	4.32	0.08	22.77	22.08(97)	0.69
2008-09	0.69	25.12	7.91	0.10	33.82	31.89(94)	1.93
2009-10	1.93	46.55	4.05	0.19	52.72	52.44(99)	0.28
2010-11	0.28	33.65	6.73	0.15	40.81	30.91(75)	9.90

Utilization of funds ranged between 94 and 99 *per cent* during 2006-10 and was 75 percent during 2010-11. This reflected the position of funds released by DRDA to APs and did not depict actual expenditure incurred under the scheme on the beneficiaries.

Financial achievements in four selected APs depicted in **Table 2.11**, would indicate that 24 to 50 *per cent* funds released by DRDA were lying unutilized during the last three years. Reasons for the same ranged from incomplete and slow progress of works leading to non/delayed release of funds to beneficiaries.

Table 2.11: Utilisation of Funds under IAY

(₹In lakh)

Year	No. of AP	OB	Fund received	Other receipts	Total fund available	Expenditure	CB (*Per cent*)
2006-07	4	50.57	505.89	1.42	557.88	510.31	47.57(9)
2007-08	4	47.57	555.29	3.34	606.20	509.27	96.93(16)
2008-09	4	96.93	814.67	6.39	917.99	457.16	460.83(50)
2009-10	4	460.83	1328.44	15.41	1804.68	1362.89	441.79(24)
2010-11	3*	347.26	581.80	4.64	933.70	475.83	457.87(49)
*EO, Udarband AP did not furnish fund position for the year 2010-11							

Details of physical targets and achievements during 2006-11, as intimated by PD/DRDA, Cachar are shown in **Table 2.12**. It is noticed that as against physical target of 43325 units to be set during 2006-11, only 28024 units were completed which was 65 *per cent* of the target.

Table 2.12: Physical achievement under IAY

(figures in number)

Year	Target					Number of houses completed				
	SC	ST	Others	Minority	Total	SC	ST	Others	Minority	Total
2006-07	2849	319	3978	-	7146	3154	485	4447	-	8086[1]
2007-08	4003	354	1988	1771	8116	1590	735	1444	432	4201
2008-09	4296	387	2323	888	7894	823	76	411	516	1826
2009-10	8733	734	3945	2367	15779	3702	430	1335	1319	6786
2010-11	2537	217	947	689	4390	2939	268	2121	1797	7125
Total	**22418**	**2011**	**13181**	**5715**	**43325**	**12208**	**1994**	**9758**	**4064**	**28024**

Construction of 4807 houses was under progress as of March 2011 and there were 15301 (43325 -28024) units that remained to be completed.

[1] Includes targeted units of previous years completed during the year.

2. 8.2.4 Incomplete housing units on account of doubtful selection of beneficiaries

Para 2.2 of IAY guidelines envisaged selection of beneficiaries from the BPL list prepared on the basis of criteria fixed by the GOI, such as freed bonded labourers, SC/ST households who are victims of atrocity, SC/ST households headed by widows and unmarried women, SC/ST households affected by flood, natural calamity like earthquake, cyclone and riot, physically and mentally challenged persons etc.

As per Para 3.2 of the IAY guidelines, sanitary latrine and smokeless chulha should be provided in every house assisted under the scheme. Latrine should be constructed away from the IAY house on the site of the beneficiary, wherever possible. Efforts should be made to dovetail funds from 'Total Sanitation Campaign' (TSC) for providing sanitary latrine so that more money would be available for construction of IAY houses. Accordingly, ₹300 is deducted from the unit cost and released to the Member Secretary, DWSC [2]cum Executive Engineer(EE) PHE, Silchar as beneficiary contribution towards construction of sanitary latrine to IAY household under TSC.

Test check of records of selected APs revealed that funds released for construction of sanitary latrines were returned by the Member Secretary, DWSC cum Executive Engineer PHE, Silchar stating that ID nos. of selected beneficiaries were not available in the BPL list approved by the DRDA, Cachar.

Details of fund returned by PHE in respect of 2057 units in 3 APs and amount spent/released for construction of houses relating to these units are indicated in **Table 2.13**.

Table 2.13: Status of construction of units

Name of AP	Year of release	Unit cost	No of units	Amount released to PHE @ ₹300/- per unit, but returned	Amount spent/released for construction of houses relating to these units (₹in lakh)
Udarband	2007-08	27,500	525	1,57,500	142.80
Sonai	2007-08	27,500	444	1,33,200	120.77
	2008-09	38,500	564	1,69,200	215.48
Lakhipur	2009-10	38,500	524	1,57,200	200.17
Total			**2057**	**6,17,100**	**679.22**

[2] District Water and Sanitation Committee

While units remained incomplete without construction of sanitary latrine, the amount of ₹6.79 crore was spent/released for construction of houses relating to these units covering persons belonging to non BPL category in violation of the guidelines.

Test check of records relating to selection of beneficiaries under IAY revealed that 224 persons belonging to non BPL category were selected as beneficiaries by the Gaon Sabhas in four Gaon Panchayats under Sonai AP and one Gaon Panchayat under Katigorah AP in 2009-10 as detailed in **Table 2.14**.

Table 2.14: Selection of uncertified or ineligible beneficiaries

Name of AP	Name of GP	No. of non BPL beneficiary selected	Unit Cost	Total amount of assistance released (₹in lakh)
Sonai	Saidpur	30	38,200	11.46
	D.Krishnapur	40	-do-	15.28
	SatkarKhand	46	-do-	17.57
	Kachudaram	45	-do-	17.19
Katigorah	Gobindapur	63	-do-	24.07
Total		**224**	**-do-**	**85.57**

EOs stated that funds were spent/released according to the beneficiary list approved by the Gaon Sabhas. They, however, failed to exercise necessary checks so as to ensure that the beneficiaries identified by the Gaon Sabhas were selected only after ensuring that they figured in the BPL list.

2.8.2.5 Projection of General category beneficiaries as Scheduled Caste

PD, DRDA, Cachar released ₹9.47 crore to Barkhola AP during 2006-07, 2008-09 and 2009-10 for coverage of 2621 beneficiaries including 1498 SC,129 ST and 994 General category beneficiaries under IAY.

EO, however, released the funds to 2621 beneficiaries including 1331 SC, 129 ST and 1161 General category beneficiaries, resulting in less coverage of 167 SC beneficiaries (1498 – 1331) and excess coverage of 167 General category beneficiaries (1161 – 994) in terms of targeted numbers.

Test check (February 2011) revealed that while releasing the funds by EO, 167 beneficiaries belonging to General category were projected as belonging to SC category in violation of sanction order which resulted in less coverage of SC beneficiaries and avoidable excess coverage of General category beneficiaries. Details of beneficiaries

belonging to General category in the place of SC beneficiaries and amount released to them are indicated in **Table 2.15**.

Table 2.15: Incorrect projection of category of beneficiaries

Y/ear	No. of General category beneficiaries projected as SC	Unit cost (₹)	Total amount (₹in lakh)
2006-07	67	25,000.00	16.75
2008-09	10	38,500.00	3.85
2009-10	90	38,500.00	34.65
Total			**55.25**

It was noticed in audit that 4021 SC villagers were lying in the wait list for being covered under the scheme during the years 2006-07 to 2010-11. As such, projection of 167 General category beneficiaries as belonging to SC had reduced the projected number of SC beneficiaries and thus deprived the beneficiaries belonging to SC of entitled and legitimate benefits under the scheme.

2.8.2.6 Non allocation of IAY houses to women

Para 2.4 of IAY guidelines specifically mentioned that "allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife. However, if there is no eligible female member in the family available/alive, house can also be allotted to the male member of a deserving BPL family ".

Test check of records relating to selected APs revealed that in many cases dwelling units were allotted only to male members without verifying their marital status as well as availability of eligible female member in the family as shown in **Table 2.16**.

Table 2.16: Non allotment of houses to female members.

Name of AP	Year	Total no. of beneficiaries	Units allotted only to Men	Units allotted only to Women	Units allotted to Both H/W
Udarband	2006-07	482	189	293	Nil
	2007-08	320	90	230	Nil
	2008-09	176	119	57	Nil
Sonai (In 4 GPs)	2009-10	186	134	22	30
Total		**1164**	**532**	**602**	**30**

Thus, in allotment of houses to 532 male members, neither their martial status was verified nor availability of eligible female members in the family was ascertained which diluted the significant objective of empowerment of women in society.

2.8.2.7 Short release of IAY Fund to beneficiaries

EOs, Katigora AP and Udarband AP during 2008-09 received fund for 703 units and 578 units (total 1281) of IAY from PD, DRDA, Cachar @ ₹38,500 per unit involving a total amount of ₹4.93 crore. After deduction of ₹300 per unit as beneficiary contribution towards construction of sanitary latrine, the amount payable to the beneficiaries was ₹38,200 per unit amounting in all to ₹4.89 crore. However, EOs released ₹4.75 crore which included payment of ₹38,200 per unit to only 1154 (662 and 492 respectively) beneficiaries and part payment to 127 beneficiaries. Thus, the EOs short released ₹0.14 crore (₹4.89 crore - ₹4.75 crore) to 127 beneficiaries in spite of having the required funds. Reasons for short release were not intimated to audit, though called for.

Due to non release of fund, 127 houses remained incomplete and thus objective of the scheme to provide dwelling houses to shelterless BPL households was not achieved to that extent.

Details of fund released by EOs of Katigora and Udarband AP are indicated in **Appendix 2.4.**

2.8.2.8 Lump sum payment of funds to beneficiaries.

Para 4.10 of the scheme guidelines specifically mentioned that payment should be made to the beneficiaries on a staggered basis depending on the progress of the work.

Test check of records of Lakhipur AP revealed that funds were released in one full installment for 222 units as per allocation to the beneficiary committee of the GP violating the guidelines of the scheme during 2007-08.

Release of entire money in one lump without verifying the progress of the work was fraught with the risk or possibility of utilization of the money on the purposes other than construction of IAY houses by beneficiaries.

2.8.2.9 Inadmissible expenditure from IAY fund

There is no provision for meeting contingent expenditure from IAY fund. Test check of records of Lakhipur and Sonai AP related to IAY revealed that expenditure amounting to ₹1.93 lakh was incurred on contingent charges beyond the purview of the scheme as shown in **Appendix 2.5** depriving the beneficiaries of financial assistance of that amount for construction/upgradation of houses/dwelling units.

2.8.2.10 Implementation of IAY at GP level

Details of progress, completion of construction and handing over reports of houses under IAY that were not made available to audit by GPs test checked, are shown in **Table 2.17**.

Table 2.17 Records of construction not available

Name of GP	Period	No. of units	Amount (₹in lakh)
Khaspur	2006-10	163	54.18
Hatikhal	2006-09	75	27.17
Dakhin Krishnapur	2006-09	NA	47.67
Doyapur	2006-10	240	59.20

2.8.2.11 General comments

As per IAY guidelines, state share of financial assistance should be released by the State Government within one month of release of Central assistance. However, actual release of State share took about four to six months from the date of release of Central share. Commissioner, P&RD, Assam admitted (February 2012) that there were delays in release of state share to DRDA but did not specify the period and reason for such delay. Delay in releasing the funds resulted in delayed construction of IAY houses of benefacieries.

ii) DRDAs did not contact various organization/institutions for seeking expert advice on innovative technologies, materials, designs and methods to help beneficiaries in the construction of IAY houses. This was also confirmed by the Commissioner P&RD, Assam (February 2012). In the absence of such expertise, support and technology, adequacy of durability of IAY houses constructed could not be ascertained.

iii) PRIs did not take up any programme to ensure supply of drinking water to the IAY units as provided in the guidelines. Commissioner P&RD, Assam stated (February 2012) that fund provided for construction of IAY houses did not cover the supply of drinking water facilities. The reply was not tenable as essential arrangement for supply of drinking water could have been provided under other ongoing programme like TFC grants.

iv) As stated by Commissioner, P&RD, Assam (February2012) districts were visited by the state level officers from time to time to monitor the implementation of IAY. However, no record of such inspection was made available to audit during test check of PRIs in Cachar district, though called for. Thus, effectiveness of monitoring by State Government of implementation of IAY in the district needed to be strengthened.

2.8.3 Twelfth Finance Commission (TFC) Grants

2.8.3.1 Keeping in view the spirit of 73rd and 74th Constitutional Amendments and to provide an impetus to the decentralization process, Twelfth Finance Commission (TFC) recommended grants to the Local Bodies in the ratio 80:20 to the PRIs and ULBs respectively, during the period 2005-10.

2.8.3.2 Guidelines for utilization of such grants recommended by TFC stipulate that grants should be utilized for Water supply and Sanitation, creation of database of PRIs, maintenance of accounts, O&M and creation of other income generating assets.

Details of funds received, distributed and expenditure incurred by CEO, Cachar Zilla Parishad during the period 2006-07 to 2010-11 under TFC grants are indicated in **Table 2.18.**

Table 2.18: Funding from TFC, 2006-07 to 2010-11

(₹ in lakh)

Year	OB	Total fund release by GOA	Bank interest	Total fund available to ZP	Fund released to		Expenditure by ZP	Total expenditure	CB
					GPs (`)	APs)			
2006-07	nil	244.61	2.70	247.31	117.69	67.88	20.00	205.57	41.74
2007-08	41.74	230.33	1.30	273.37	117.89	67.22	16.23	201.34	72.03
2008-09	72.03	244.61	2.90	319.54	11.68	67.23	11.49	90.40	229.14
2009-10	229.14	1061.87	5.59	1296.60	223.75	47.71	91.37	362.83	933.77
2010-11	933.77	5.31	13.63	952.71	396.42	172.49	316.31	885.22	67.49
		1786.73	26.12	1812.85	867.43	422.53	455.40	1745.36	67.49

As against availability of funds of ₹18.13 crore, the ZP utilized/released ₹17.45 crore during 2006-11, leaving a balance of ₹0.68 crore as of March 2011. Under utilization of funds by the ZP led to non/partial implementation of the schemes to that effect.

2.8.3.3 Physical progress of works

CEO, Cachar ZP stated that 6208 schemes/works were taken up with the funds released so far, under the schematic years 2005-06 to 2008-09 and all works were completed with cent *per cent* financial and physical achievements. Year wise position of number of schemes taken up and completed is shown in **Table 2.19**.

Table 2.19: Details of schemes taken up

(Figure in number)

Year of grant	Installment	APs		GPs		ZP		Total	
		No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed	No. of schemes taken up	No. of schemes completed
2005-06	1st	237	237	337	337	68	68	642	642
	2nd	122	122	280	280	2	2	404	404
2006-07	1st	148	148	2133	2133	27	27	2308	2308
	2nd	41	41	1140	1140	72	72	1253	1253
2007-08	1st & 2nd	183	183	678	678	189	189	1050	1050
2008-09	1st	68	68	414	414	69	69	551	551
Total		**799**	**799**	**4982**	**4982**	**427**	**427**	**6208**	**6208**

As per guidelines for utilization TFC grant, the PRIs should be encouraged to take over the assets relating to water supply and sanitation and utilize the grants for repairs/ rejuvenation as also the O&M costs. The PRIs should recover at least 50 *per cent* of the recurring costs in the form of user charges and from the grants allocated for Panchayats, and priority should be given to expenditure on the O&M costs of water supply and sanitation. This will facilitate Panchayats to take over the schemes and operate them.

Test check revealed that the PRIs neither maintained any inventory of assets created out of TFC grants nor formed any user committee to which the assets were to be handed over for operation and maintenance and for recovery of user charges from the end users. In the absence of recovery of user charges, PRIs had to bear extra financial liability towards maintenance and operation out of the funds meant for development purposes.

It was also found in test check that:

(i) Though CEO, Cachar ZP reported cent *per cent* achievement in financial and physical progress of schemes/ works taken up during 2006-11 under the schematic years 2005-06 to 2008-09 (1st installment), scrutiny of progress report in respect of schemes/ works taken up by the ZP against the fund released for the schematic years 2007-08 to 2008-09 (1st installment) revealed that a total of 252 schemes/works were taken up with the sanctioned amount of ₹1.33 crore. However, only 194 schemes/ works were completed as of June 2011 after spending the entire sanctioned amount of ₹1.33 crore. Though the entire sanctioned amount of ₹1.33 crore was spent, 58 works remained incomplete with no funds left to complete them. CEO did not cite any reasons for the

schemes/ works remaining incomplete even after utilization of entire funds and as to how it was reported that there was cent *per cent* achievement of works in physical and financial terms.

(ii) CEO of Cachar Zilla Parishad on 23 September 2010 released ₹ 4.33 lakh to Katigora AP being 1st installment of TFC grants of 2008-09 (50 percent share of its grants). The entire funds of ₹ 4.33 lakh was spent on execution of 27 works and as per progress report, submitted by EO, Katigora AP, the physical status of work was shown as 50 *per cent*. EO Katigora AP stated that due to non release of balance funds of ₹ 4.33 lakh, entire aforesaid works remained incomplete till June 2011.

It was also observed that while 25 of the aforesaid executed 27 works were for drinking water supply and sanitation purposes, two works viz,(i) Construction of community hall of Shiva Kali Mandir at Gobindapur Part- II with estimated cost of ₹ 40,000/- and expenditure of ₹ 14,000/- and (ii) Construction of approach road of Sripur ferryghat with estimated cost of ₹ 60,000/- and expenditure of ₹ 30,000/- were not permissible under TFC grant.

Thus, the statement of concerned CEO that all the schemes were completed was found to be incorrect as it revealed from test check PRIs that 85 schemes remained incomplete for want of fund.

2.8.3.4 Short release of fund to GPs and APs under TFC grants.

As per release orders issued by the State Government in respect of TFC grants, fund released to ZP under different categories are to be allocated as under:

1) Database grants: To be retained with ZP until further orders.
2) Grants for maintenance of accounts: To be allocated @₹ 15,000/- each to GPs and APs and ₹ 50,000/- to the ZP.
3) Schematic grants: To be allocated at the rate of 10:30:60 for ZP, AP and GP respectively.

Scrutiny of cashbook relating to TFC Grants of the Cachar Zilla Parishad and bank statements revealed that the above criteria were not followed and all 163 GPs and 15 APs were released less than their due share of allocation as detailed in **Table 2.20**.

Table 2.20: Release of TFC grants to PRIs

(₹in lakh)

Year	Fund released for schematic grants & M/A [3]	Amount Due for release		Amount actually released to		Excess (+)/Short (-) released	
		GPs	APs	GPs	APs	GPs	APs
2005-06 (1st & 2nd)	415.91	257.68	118.86	235.58	135.10	(-) 22.10	(+) 16.24
2006-07 (1st & 2nd)	450.87	278.65	129.35	235.43	114.94	(-) 43.22	(-) 14.41
2007-08 (1st & 2nd)	488.56	301.27	140.66	254.04	130.26	(-) 47.23	(-) 10.41
2008-09 (1st)	268.58	165.22	77.62	142.38	42.23	(-) 22.84	(-) 35.39
Total	**1623.92**	**1002.82**	**466.49**	**867.43**	**422.53**	**(-) 135.39**	**(-) 43.97**

There was a short release of ₹1.35 crore to GP, while APs were also released ₹0.44 crore short of their entitlement. Reasons for short release were neither on record nor provided, though called for.

2.8.3.5 Non release of fund to GPs

Test check further revealed that Cachar ZP in March 2010 received ₹2.66 crore being the 1st Installment of TFC grant for 2008-09 with allocation of ₹1.48 crore, ₹0.72 crore and ₹ 0.46 crore to GPs, APs and the ZP respectively. Scrutiny of Cash Book of Cachar ZP revealed that CEO issued cheques for ₹0.23 crore to 71 GPs in January 2011, but these were held back and subsequently written back in the Cash Book in April 2011. Thus, ₹0.23 crore being the share of TFC grants for 71 GPs was retained by the ZP and was utilized at ZP level. As per the condition stipulated in the sanction order, TFC grants were required to be distributed amongst ZPs, APs, GPs in the ratio 20:30:50. Due to non release of funds earmarked for APs/GPs, the rural people were deprived of benefits from the stipulated sectors as mentioned in the guidelines.

2.8.3.6 Diversion of funds earmarked for creation of database

CEO, Cachar ZP during 2006-11 received ₹18.13 crore under TFC Grants. This included ₹1.63 crore earmarked for creation of database. Total expenditure including expenditure

[3] Maintenance of Accounts

on creation of database and fund released to GPs and APs upto April 2011 was ₹17.52 crore leaving a balance of ₹0.61 crore at the end of March 2011.

However, CEO, Cachar ZP incurred expenditure out of the funds earmarked for creation of database towards procurement of computers and accessories and computer tables and chairs for ₹0.83 crore only. No other expenditure was incurred for creation of database.

Accordingly, a balance of ₹0.80 crore (₹1.63 crore - ₹0.83 crore) was to have been available under the earmarked fund, where as the actual balance under total available funds of TFC was ₹0.61 crore only.

Thus, an amount of ₹0.19 crore (₹0.80 crore - ₹0.61 crore) was diverted from fund earmarked for creation of database towards other purposes by CEO, Cachar ZP, thus adversely impacting the objective of the grants to create database of PRIs.

2.8.3.7 Inadmissible expenditure of ₹20.37 lakh from T.F.C Grants

Test check of records related to TFC grant in Cachar ZP, Sonai AP , Udarband AP and Tarinipur GP revealed that while CEO, Cachar ZP and EO, Sonai AP incurred contingent expenditure on office stationery, tours, training, legal charges, purchase of AC, vehicles, office building, maintenance of office chamber of President etc. amounting to ₹11 lakh and ₹5.49 lakh respectively; EO Udarband AP incurred expenditure of ₹2.57 lakh for purchasing sewing machine, Hand Cart, Rickshaw etc., on account of Individual Beneficiary Scheme (IBS) and Secretary, Tarinipur GP incurred ₹1.31 lakh on construction of office building, which were not provided for in TFC guidelines.

Details of inadmissible expenditure incurred by Cachar ZP, Sonai AP ,Udarband AP and Tarinipur GP are given in **Appendix 2.6.** Incurring expenditure on other purposes not covered under the guidelines meant that the beneficiaries or the rural people were deprived of the otherwise intended benefits from the stipulated sectors that would have flown from diverted fund of ₹20.37 lakh.

2.8.3.8 Unfruitful expenditure on incomplete work.

The work relating to construction of 3 storied market complex at Cachar Zilla Parishad office was taken up departmentally by the Zilla Parishad in March 2008 under the provision of 'income generating assets' of TFC grants for the year 2007-08 so as to enhance its revenue base.

Administrative approval was accorded by the CEO, of Zilla Parishad in March 2008. Estimate for the work was prepared on 12 July 2008 for ₹31.68 lakh i,e four months after commencement of the work, and technical sanction was obtained from SE, PWD (Building) Silchar on 18 July 2008. Therefore, the work was taken up irregularly prior to technical sanction. Advance payments of ₹23.00 lakh were made to JE between March 2008 and October 2009 in a phased manner. Work was executed upto roof level of the ground floor with a value of ₹14.00 lakh till July 2008 and thereafter no further work was executed (June 2011). Reason for non execution of remaining work, though called for, was not stated.

Test check of records revealed that, as per allocation made by the State Government, ₹10 lakh per year is earmarked for creation of income generating assets by ZP. Accordingly, required funds was not available with the ZP to take up the work of such magnitude out of TFC grant year 2007-08 and no further provision was made from the subsequent year's funds earmarked for creation of income generating assets. Funds were provided to JE in excess of ₹10 lakh by diverting due share of APs and GPs. Unadjusted advance of ₹9 lakh (₹23 lakh - ₹14 lakh) was still lying with the JE without any recovery (June 2011).

Thus, taking up the work without ensuring availability of funds, rendered the expenditure incurred so far unfruitful besides leading to non achievement of intended objectives.

2.8.3.9 Non installation of Water Purifiers

In a review meeting held with the CEOs of Zilla Parishads under the Chairmanship of the then Minister, Panchayat and Rural Development and Transport, Assam on 30 October 2007, it was decided to procure filtration system for safe drinking water in rural areas and all CEOs were directed to demonstrate and examine people's acceptance and viability of the project and forward the proposal to the Directorate of P&RD, Assam with their comments. No time frame was set by the State Government for the project.

Consequent upon decision of the review meeting of 30 October 2007, CEO, Cachar ZP decided to procure 15 water purification systems (purifiers) for installation in 15 AP areas, out of TFC grants @₹1,95,525/- per unit (excluding cost of installation) from a Guwahati based supplier. CEO did not make any assessment of the viability of the water purifiers in AP areas before purchase. No tender was also called for to ascertain the

lowest and reasonable rates of water purifiers. The supplier supplied (September 2009) 20 water purifiers which were accepted by CEO, while an amount of ₹29.32 lakh was paid for 15 water purifiers as of March 2011. CEO had incurred a liability of ₹9.78 lakh towards the cost of remaining 5 water purifiers.

Out of the 20 water purifiers, 15 were issued to 15 APs and the balance 5 water purifiers were lying in ZP office without utilization since the date of procurement. Of the purifiers issued to the APs, 3 remained to be installed as of June 2011 due to lack of funds required for installation, non availability of site and lack of interest among the people as reported by 3 APs.

Thus, eight water purifiers could not be put to use since procurement resulting in an idle investment of ₹5.86 lakh (cost of three purifiers) besides, which ZP incurred a liability of ₹9.78 lakh for non payment of five purifiers already supplied. People's acceptance and viability of the project where the purifiers were installed were also not ascertained. Working of 12 purifiers installed by APs could not be checked in audit due to non availability of status report of the purifiers, though called for, from the concerned APs.

2.8.3.10 Execution of works under TFC Grants at GP level

Test check of records such as Cashbook, schematic ledger, estimates of works, Measurement Book etc, in respect of TFC Grants as shown in **Table 2.21** revealed that the following GPs executed/installed RCC Ring wells, tube wells, Drinking Water Tanks (DWT) and low cost sanitary latrines (LCSL) etc.

Table 2.21: Execution of works under TFC Grants at GP level

Name of GP	No. of works undertaken	Nature of works undertaken	Expenditure (₹in lakh)
Khaspur	9	Ring wells, water reservoir and LCSL	3.17
Tarinipur	4	Ring wells and LCSL	2.33
Hatikhal	7	Ring wells, DWT, community urinal	1.41
Dakhin Krishnapur	20	Ring wells, Tube wells, DWT, LCSL	4.97
Lakhipur Nayagram	17	Ring wells, Tube wells, DWT, LCSL	4.70
Doyapur	6	Ring wells and LCSL	1.40

The following irregularities were noticed in audit:

(a) No completion certificate/report regarding successful boring etc., in respect of above mentioned scheme was produced to audit for verification.

(b) No taking over report from the head of villages where the schemes was executed as produced to audit, as an evidence of successful completion of the scheme.

(c) No vouchers relating to purchase of the materials were produced to audit for verification.

In the absence of the aforesaid information/records it could not be ascertained whether the schemes were successfully completed and whether the local people were benefited there from. During discussion, CEO stated that reply would follow, which is awaited (February 2012)

2.8.4 Backward Region Grant Fund (BRGF)

BRGF is designed to redress regional imbalances in development. The fund would provide financial resources for supplementing and converging existing developmental inflows into identified districts of backward regions so as to:

(a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows,

(b) Strengthen, to this end Panchayat and Municipality level governance with more appropriate capacity building, facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs,

(c) Provide professional support to local bodies for planning, implementation and monitoring their plans, and

(d) Improve the performance and delivery of critical functions assigned to Panchayats, and counter possible efficiency and equity losses on account of inadequate local capacity.

2.8.4.1 Release and utilization of funds

The year-wise position of fund released by the State Government and expenditure incurred by Cachar ZP during 2007-08 to 2010-11 are shown in **Table 2.22**.

Table 2.22: Status of expenditure 2007-08 to 2010-11 under BRGF

(₹ in lakh)

Year	Opening balance	Fund receipt	Intt. Accrued	Total Available fund	Fund released/utilised						Closing Balance
					ZP	APs	GPs	ULBs	Others	Total	
2007-08	-	1000.00	-	1000.00	5.70	126.07	36.55	111.54	-	279.86	720.14
2008-09	720.14	-	9.98	730.12	112.03	564.38	-	29.00	-	705.41	24.71
2009-10	24.71	301.00	2.59	328.30	95.02	37.04	74.20	30.65	-	236.91	91.39
2010-11	91.39	975.00	19.82	1086.21	502.87	137.67	166.65	107.22	15.42	929.83	156.38
Total		**2276.00**	**32.39**	**2308.39**	**715.62**	**865.16**	**277.40**	**278.41**	**15.42**	**2152.01**	**156.38**

Out of an amount of ₹23.08 crore (including interest) received during 2007-11, ₹21.52 crore (93 *per cent*) was utilized while unutilized funds amounting to ₹1.56 crore was retained in the bank account of ZP, as of March 2011.

2.8.4.2 Short release of BRGF by State Government

According to information furnished by the ZP, GOI released ₹36.99 crore to the State Government for 4762 projects to be implemented in the district during 2007-11. Of this, the State Government in turn, released ₹22.76 crore (61.50 *per cent*) to the ZP for 2775 projects.

Thus, balance amount of ₹14.23 crore, released by the GOI, was not released to the district as of March 2011, reasons for which were not available with CEO, ZP.

2.8.4.3 Incomplete works

As per statement furnished by CEO, Cachar ZP, 1854 projects were taken up during the year 2007-08 to 2010-11 with the fund received from the State Government while 921 projects (2775 – 1854) were not taken up, reasons for which were not on record.

Of these 1854 works, 1152 were completed at a reported expenditure of ₹13.75 crore and ₹7.77 crore was incurred (March 2011) on rest 702 works with a physical progress ranging from 48 to 52 *per cent.* The Zilla Parishad could not produce the sanction orders of GOI and targeted schedule of completion of schemes specified by GOI, though called for.

However, documentary evidence viz. completion reports, UCs, or photographs etc., in support of completion of 1152 works executed by APs/GPs/MBs for ₹13.75 crore were not produced to audit.

Perusal of minutes of DPC meetings revealed that modified and alternate works, superseding the approved works were taken up on the grounds that funds were inadequate, works were not feasible at the proposed sites and the schemes were modified on 'public demand.' Thus, schemes were undertaken without proper planning after scrutiny of feasibility and without ensuring required fund flow. Incomplete works were unable to create permanent assets which would have delivered the intended benefits to the beneficiaries.

2.8.4.4 Delayed release/non release of fund

According to para 4.6 of BRGF guidelines, the fund released by the GOI should reach the Panchayats, the municipalities and other implementing authorities within 15 days from the release of the funds to the Consolidated Fund of the State. In case of delay in transfer of funds by the State Government beyond this stipulated period, a penal interest at the RBI rate is required to be transferred by the State Government to the concerned Panchayat/Municipality and other implementing authorities alongwith the principal amount of the funds, on the lines of the arrangements relating to TFC Grants.

Government of India released a total amount of ₹36.99 crore as BRGF grants as of March 2011 for Cachar district for the period 2006-07 to 2010-11. However, the State Government delayed the release of funds beyond the stipulated period by 83 to 320 days while funds for year 2010-11 provided by the GOI in two installments in November 2010 and March 2011 had not been released, as of March 2011, as detailed in **Table 2.23**.

Table 2.23: Delay in release of funds by State Government

(₹in lakh)

Year of the grants	Instalment	Amount of Grant by GOI	Date of receipt by the state govt.	Amount of grants released to CZP	Date of receipt by CZP	Days delayed in receipt of grants
2006-07	1st	1000	28.7.07	1000	16.2.08	189
	2nd	301	21.11.08	301	7.9.09	257
2007-08	1st & 2nd	Nil				
2008-09	-do-	Nil				
2009-10	1st & 2nd	975	28.12.09	975	30.3.10	83
2010-11	1st	764	25.11.10	764	25.10.11	320
	2nd	659	31.3.11	659	25.10.11	193
Total		**3699**		**3699**		

The State Government did not release any interest for delayed release of BRGF grants to the PRIs as of January 2012. Non release of funds and delayed release of funds would have an adverse impact on implementation of projects.

2.8.4.5 Unauthorized expenditure beyond the purview of Annual Plan

BRGF guidelines stipulate that the grant including interest earned from savings bank account, if any, should not be used beyond the purview of Annual Plan approved by the State Level High Power Committee (HPC). Further, according to guidelines, no contingency component such as advertisement bills, renovation of office building, purchase of stationery, repayment of car loans etc., should be met out of BRGF funds.

Scrutiny revealed that CEO, Cachar ZP incurred expenditure of ₹23.66 lakh beyond the purview of Annual Plan approved by HPC, on items of works including contingent expenditure on advertisement bill in local dailies, renovation of office building, purchase of stationery and repayment of car loans which was in violation of the guidelines. Details of unauthorized expenditure are given in **Appendix 2.7**.

2.8.4.6 Planning

According to guidelines, each Panchayat and Municipal Board in the backward district concerned would be the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality would be consolidated into District Plan by the DPC, constituted in accordance with Article 243ZD of the constitution. DPC is to prepare a Perspective Plan for projects after a thorough analysis of gaps in infrastructure in the district, for funding under BRGF. Projects should be taken up for implementation strictly from the Perspective Plan according to priority assigned in the Plan.

As envisaged in the guidelines, a state level High Power Committee (HPC) is required to scrutinize and approve the proposed District Plan to be taken up under the 'District Window' of the BRGF with the ultimate approval of the MoPR, GOI. Records showing approval of the projects by the HPC, however, were not made available to audit. No consolidated District Plan was prepared by ZP. Gap analyses in preparation of BRGF perspective plan were not carried out. Projects were approved and funds were released on the basis of proposals sent by PRIs.

Thus, in the absence of Perspective Plan, DPC as well as HPC were unable to assess the needs at grass root level on priority basis as well as impose checks to avoid duplication of any work under any other programme.

2.8.5 District Development Programme (DDP)

DDP is a State sponsored scheme and was launched in 2007-08..The main objective of the scheme is to provide infrastructural facilities under different sectors.

Funds under DDP are allocated to the districts through the state budget. The Zilla Parishad releases funds to APs/GPs and other executing agencies through cheques, based on the approved allocation for the individual scheme.

2.8.5.1 Receipt and utilization of fund under DDP

The position of funds released by the State Government against approved projects and funds released/utilized by Cachar ZP is as shown in **Table 2.24**.

Table 2.24: Utilisation of funds

(₹ in lakh)

Year	O.B.	Receipt	Intt. Accrued	Total	Released to line Deptt.	ZP	AP	GP	MB	Total	C.B.
2007-08	-	603.00	-	603.00	301.20	0.01	-	-	-	301.21	301.79
2008-09	301.79	-	5.12	306.91	162.63	5.83	-	-	-	168.46	138.45
2009-10	138.45	-	-	138.45	86.99	7.11	-	-	-	94.10	44.35
2010-11	44.35	2167.84	13.43	2225.62	62.26	1017.96	148.50	171.03	168.44	1568.19	657.43
Total		**2770.84**	**18.55**	**2789.39**	**613.08**	**1030.91**	**148.50**	**171.03**	**168.44**	**2131.96**	**657.43**

The unutilized funds of ₹6.58 crore was retained in bank account of ZP as of 31 March 2011. The State Government, while releasing the funds, had stipulated that the fund should be spent in the same financial year. CEO, however, while releasing the fund to line departments, APs/GPs etc., did not specify any time limit for utilization. Besides, specifying the schedule time frame, enforcing accountability for slippage in deadline could ensure expenditure within the financial year. Procedure for periodical inspection/monitoring also needed to be strengthened.

2.8.5.2 Excess reporting of expenditure

The monthly progress report along with utilization certificate and statement of expenditure as of January 2011 furnished by the CEO, Cachar ZP to Commissioner, P&RD, Assam disclosed that the ZP incurred an expenditure of ₹6.08 crore towards execution of schemes during 2007-10. The Cash Book as well bank account of DDP fund however, disclosed that on 1 April 2010, ₹5.64 crore was spent during 2007-10. There was excess reporting of expenditure of ₹0.44 crore, reasons for which were not ascertainable from the records produced. It was not clear whether unspent balances of grants for previous years were adjusted properly and completely before seeking subsequent release.

2.8.5.3 Project implementation.

The number of projects approved by District Planning Committee (DPC) during 2007-11, number of projects due for completion as of March 2011 and those completed as of March 2011 are as shown in **Table 2.25.**

Table 2.25: Projects approved and taken up

Year	No of projects approved	Taken up during the year	Completed during the 2009-11	Incomplete as on 31.3.11
2007-08	59	59	59	
2008-09	177	177	81	96
2009-10	625	625	125	500
2010-11	436	436		436
Total	**1297**	**1297**	**265**	**1032**

Source: year wise detailed progress report furnished by ZP.

Observations on implementation of the projects are as under:

2.8.5.4 Incomplete works

(i) CEO, Cachar ZP had reported that all 59 projects approved during 2007-08 were completed and entire funds of ₹6.03 crore was spent for this purpose. Audit scrutiny, however, revealed that Lamdalong PWSS (phase II) and Romganjang PWSS (Phase I) entrusted to EE, (PHE), Silchar Division No II, Silchar for execution of the scheme under DDP at an estimated cost of ₹15 lakh and ₹18 lakh, respectively, remained incomplete due to non release of funds of ₹6.66 lakh to the executing agency.

During 2008-11, DPC approved 1238 projects which were taken up during 2010-11 out of which, only 206 projects were completed leaving 1032 projects incomplete. Reasons for 1032 projects remaining incomplete were not stated by CEO, Cachar ZP, though called for.

Completion reports or photographs in respect of completed projects were not made available to audit though called for. In none of the 1032 incomplete projects, interim report of progress of the projects was made available to audit. It appeared from the above that not only was there absence of documentation, but the Zilla Parishad neither fixed any time schedule for completion of each project nor took any steps for their timely completion through regular monitoring.

Thus, the objective of the DDP of providing infrastructural facilities under different sectors was only partially achieved after spending ₹21.32 crore as 20 *per cent* of the projects were only completed as of March 2011.

(ii) Construction of RCC bridge over Nikama Nallah at Krishnapur near Bhuban Pahar was approved by the District Planning Committee (DPC) in March 2008 for which allocation of ₹15 lakh was made under DDP in 2006-07. CEO, Cachar ZP accorded the

administrative approval and released ₹15 lakh (March 2008) to the Executive Engineer (EE) PWD, Rural Road Division (RRD), Silchar for execution of work. An estimate, within the allocated amount of ₹15 lakh, was prepared by the EE, PWD (RRD), Silchar for construction of substructure of the bridge which was technically sanctioned by the Superintending Engineer, PWD (R), Cachar Circle in August 2008.

The work of substructure of the bridge was executed through a contractor in October 2009 at a total cost of ₹14.95 lakh and the Executive Engineer, PWD, Rural Road Division, Silchar certified the completion of work as per specification and drawing. Further work on the bridge was not taken up since construction of the substructure in October 2009.

EE, PWD, Rural Road Division, Silchar stated (May 2010) that the work was restricted within the sanctioned amount and requested for further allotment of funds for completion of balance portion of the bridge, but no fund was released for completion of balance portion of the bridge as of June 2011.

Thus, the inaction on the part of the ZP to keep the work upto substructure level of the bridge for more than two years and not seeking additional fund for construction of superstructure of the bridge resulted unfruitful expenditure of ₹ 15 lakh.

2.8.5.5 Unproductive expenditure

The CEO, Cachar Zilla Parishad, Silchar provided ₹50 lakh to the Executive Engineer, PWD, Silchar Rural Road Division between March 2008 and June 2009 for construction of RCC pile Bridge No.–1/1 over Autukhal stream with RCC slab over RSJ Beam at Markholin towards improvement of road from NH 53 at 33rd km to Markholin. The work was estimated at ₹50 lakh and approved by the District Planning Committee under District Development Programme (DDP) 2007-08.

The work was executed through a contractor in January 2009 at a total cost of ₹50.00 lakh and the Executive Engineer, PWD, Silchar Rural Road Division, Silchar certified the completion of work in August 2009.

Audit scrutiny, however, revealed that no provisions were made in the estimate for approach road to the bridge and the work on approaches to the bridge was not executed as of June 2011.

During field visit by audit, the President of Fulertal GP and Secretary Village Council Hmarkhawlien stated that due to non-execution of work of approach road to the bridge, the public in the area were put to inconvenience and also to risk of life. Thus, though the bridge was completed in August 2009 it could not be utilized for want of approach road, Consequently, the investment of ₹50.00 lakh on its construction remained unproductive.

2.8.5.6 Execution of work not recommended by Panchayat body

As per guidelines of DDP fund, GPs were required to forward their proposed Annual Action Plan (AAP) to APs for consolidation and onward transmission to ZPs concerned which, in turn, would forward it to DPC for consolidation and approval. DPC in ZPs was to prepare the District Development Plan based on the fiscal ceiling communicated by P&RD Department. No work was to be taken up unless it formed part of AAP.

However, in Cachar ZP, DPC approved 29 works for ₹1.53 crore during 2008-09 and 70 works for ₹99.50 lakh during 2009-10 on the recommendation of elected representatives without discussing the same in the Gaon Sabha concerned. As such, participation of people in selection of works was not ensured in violation of the spirit of decentralization.

2.8.5.7 Unauthorized retention of fund by JE against already executed work

A Junior Engineer of Cachar ZP, Shri Jasimuddin Laskar was paid ₹12 lakh on 21 May 2010 as advance for construction of low cost RCC bridge over Sahapur Nala near Sahapur Chowrangee under Rosekandi Gaon Panchayat. The work was to be taken up from the DDP fund for the schematic year 2008-09. However, physical verification carried out by Inspecting Executive Magistrate (23 August 2010) of the General Administration Department, revealed that the work had already been executed and completed with funding from MLA Local Area Development Fund.

As there was overlapping of work, CEO Cachar ZP directed (September 2010) the JE to refund ₹12.00 lakh within three days, but the same was not refunded (June 2011). CEO neither issued any reminder to the JE nor took any further action to recover the amount.

2.8.6 Swarnajayanti Gram Swarozgar Yojana (SGSY)

2.8.6.1 The objective of the scheme is to bring the assisted poor families above the poverty line through DRDA by ensuring sustainable level of income over a period of time by organizing the rural poor into Self Help Groups (SHG) through a process of social mobilization, training, capacity building and provision of income generating assets through a mix of bank credit and subsidy.

Each DRDA may incur expenditure on the following items from the fund made available under the scheme.

a) Infrastructure Development,

b) Training

c) Providing revolving fund to SHGs and

d) Providing subsidy through bank loan

The progress/performance of SHGs and individuals in management of assets for generation incremental income has to be continuously followed up, monitored and evaluated by DRDA and bankers to assess the capability of the assets so created to generate the projected income.

2.8.6.2 Details of funds received and expenditure incurred under SGSY in Cachar district during 2006-11 as intimated by the Project Director, DRDA, Cathar are indicated in **Table 2.26**.

Table 2.26: Expenditure during 2006-11

(₹in lakh)

Year	Allocation	Opening balance	Fund received	Other receipts	Total fund	Expenditure incurred *(per cent)*	Closing balance
2006-07	-	49.65	266.33	0.82	316.80	296.77(94)	20.03
2007-08	1526.17	20.03	771.87	10.03	801.93	721.02(90)	80.91
2008-09	1099.64	80.91	1666.18	15.28	1762.37	1332.47(76)	429.90
2009-10	939.27	429.90	1023.89	21.96	1475.75	930.18(63)	545.57
2010-11	1145.91	545.57	1138.76	31.63	1715.96	642.46(37)	1073.50
Total		**49.65**	**4867.03**	**79.72**	**4996..41**	**3922.91(79)**	**1073.50**

Percentage of expenditure over the last five years continuously decreased and in the year 2010-11, it came down to 37 *per cent* of the available fund. It would indicate that the implementing agencies had not generated awareness among the rural poor to avail the benefit of the scheme. Details of steps taken to motivate the bankers to come forward with bank loans for creation of income generating assets of Swarozgaries and for augmentation of their income were not ascertainable from the records produced.

2.8.6.3 Details of physical target and achievement during 2006-2011 are given in **Table 2.27**.

Table 2.27: Physical achievement

(₹ in lakh)

Year	Target (in number)		Achievement (In number)		Subsidy	Revolving fund
	SHG	Individual	SHG	Individual		
2006-07	343	-	291	-	122.33	75.56
2007-08	374	107	250	-	392.16	129.35
2008-09	570	1572	1691	850	771.20	200.00
2009-10	542	942	-	-	-	-
2010-11	682	1185	1901	-	715.21	189.38
Total	**2511**	**3806**	**4133**	**850**		

Though targets in respect of SHGs over the period of last five years were achieved, those in respect of individual Swarozgaries were not adhered. As against the target of 3806 Swarozgaries during 2006-11, only 850 were assisted in 2008-09. There was no achievement both in respect of SHGs and individual Swarozgaries in 2009-10, which was due to inadequacy of initiative on the part of the implementing agencies, to mobilize the beneficiaries as envisaged in the guidelines.

Further, the Project Director, DRDA, Cachar did not furnish any information on the follow up of the projects undertaken by the SHGs and the individual swarozgaries to ensure improvement of their financial status. Thus performance /activities of the SHGs and the individual Swarozgaries were not verified, monitored and evaluated.

2.8.7 Border Area Development Programme (BADP)

The main objective of the BADP is to meet the special developmental needs of people living in remote and inaccessible areas situated near the international border and to saturate the border areas with the entire essential infrastructure through convergence of Central/State/ BADP/Local schemes and participatory approach. It is a cent *per cent* centrally funded programme. In Cachar district, the programme is implemented in Katigora AP having international border with Bangladesh.

2.8.7.1 The position of funds released by D.C. Cachar for implementation of scheme under Border Area Development Programme (BADP) and expenditure incurred by the Katigora AP during 2007- 11 are as shown in **Table 2.28**.

Table 2.28: Status of expenditure

(₹ in lakh)

Year	OB	Fund received	Interest accrued	Total fund	Fund utilized	CB
2007-08	1.57	4.20	0.06	5.83	4.67	1.16
2008-09	1.16	34.00	0.07	35.23	32.89	2.34
2009-10	2.34	40.48	0.07	42.89	23.91	18.98
2010-11	18.98	33.26	-	52.24	34.92	17.32
Total	**1.57**	**111.94**	**0.20**	**113.71**	**96.39**	**17.32**

2.8.7.2 Incomplete works and blockade of funds

As per the progress report submitted by EO Katigora AP, 6 works at an estimated cost of ₹34.17 lakh remained incomplete till June 2011 as further installments that were due under BADP were not released by the DC, Cachar because of non-submission of UC by the EO.

It was noticed that construction of village road from Lamagram to K. H. Road upto Lamagram LP School estimated at ₹7.00 lakh was not taken up due to overlapping of work by other development scheme. EO, Katigora AP neither refunded the money to the fund releasing authority nor took up the matter with DC, Cachar for getting alternate work. Thus, the scheme funds was not only blocked, there was also no scope for its utilization.

Expenditure of ₹96.39 lakh incurred between May 2009 and March 2011 on execution of 21 works could not be verified in audit due to non submission of related payment vouchers.

2.8.8 Assam Bikash Yojana

2.8.8.1 Idle Outlay on TV Sets

Government of Assam, Panchayat and Rural Development Department (P&RDD) introduced Assam Bikash Yojana in 2007-08 to provide economic assistance/assets for income generation of poor individuals and SHGs of rural areas and approved ₹15.50 crore with the following allocation:

i) Supply of two sewing machines each to SHGs of BPL families : ₹2.50 crore

ii) Distribution of Pull cart/ rickshaws to BPL beneficiaries : ₹8.00 crore.

iii) Grants in aid @ ₹1000/- to SHGs : ₹2.00 crore

iv) Supply of Television sets to Gaon Panchayat Offices : ₹3.00 crore

Total : ₹15.50 crore

Television sets were purchased as community assets to bring awareness amongst rural people and were procured centrally by the Director, P&RD at the lowest rate of ₹11,030 for each set along with accessories and cost of transportation offered by M/s Samsung India Electronics (P) Ltd. through the process of tender.

Test check (May-June 2011) of records of CEO, Cachar ZP disclosed that 163 sets of TVs with accessories of Cachar district were received in May–June 2008. Out of 163 sets, 125 were issued to Gaon Panchayats between December 2008 and December 2010. Reason for non issue of balance 38 sets was not stated, though called for.

However, test check revealed that only 15 out of 163 GPs in Cachar district have electrical connection to utilise the TV sets procured for them by the State Government. While 125 TV sets were lying unutilized in GP offices for want of electricity, balance 38 TV sets were lying unutilized at the disposal of the CEO, Cachar ZP.

Thus, 148 (163-15) Gaon Panchayats did not have electrical facility to utilize the TV sets and therefore, the TV sets procured did not have any utility and resulted in idle outlay of ₹16.32 lakh(@ ₹11,030 each).

2.9 Evaluation of programme implementation.

No information was furnished by the Zilla Parishad on monitoring and evaluation of the implementation of programmes/schemes undertaken in the district. Non evaluation and non conduct of analysis of effectiveness of the programmes and their impact on development of the district would deprive the implementing agencies of taking required remedial measures and improve delivery mechanisms.

2.10 Conclusion

MGNREGS

- Effectiveness of the scheme left much to be desired due to failure to provide jobs to all willing rural people demanding the same, inadequate generation of man-days for women and non-payment of un-employment allowance when jobs could not be provided on demand.
- Large number of works remained incomplete due to taking up of works without ensuring availability of fund and speedy progress.
- Lack of participation of rural people in preparation of Annual Plan and non-provision of Social Audit by an independent organization/third party diluted the effectiveness of the scheme.

IAY

- Funds remained unutilized due to slow progress of works.
- Absence of strong internal control mechanism, inadequate monitoring and supervision led to disbursement of funds to persons not belonging to BPL and SC categories and non-allotment of houses to women.
- Expenditure was incurred on inadmissible items in violation of scheme guidelines.

TFC

- Inventory of assets created was not maintained.
- Funds meant for development purposes were diverted for maintenance and operation of assets created because of non-recovery of user charges against use of assets.
- Lack of propriety in fund management led to short/non-release of fund affecting development activities, diversion of funds for other purposes and incurrence of expenditure on inadmissible items of works.
- Taking up of works without ascertaining flow of funds and viability of projects resulted in works remaining incomplete and non-installation of assets.

BRGF, DDP, SGSY, BADP and ABY

- Preparation of faulty estimates of works, taking up execution of large number of works at a time without arrangement of funds, short/delay in release of funds and purchase of assets without assessing provisions of installation led to works

remaining incomplete, expenditure becoming un-productive besides resulting in blockade of funds and idle outlays on purchase.

- The intended benefits of the schemes were not fully achieved due to lack of monitoring, performance evaluation and close supervision by higher authorities.

2.11 Recommendations

- A specific mechanism of monitoring may be devised to ensure that jobs are provided to all willing rural people on demand and steps should be taken to pay unemployment allowance to those who could not be provided job on demand. Similarly, DPC needs to monitor whether adequate mandays are being generated for women and take necessary steps to ensure that this is done.
- Annual Plans may be prepared with due and effective participation of rural people by working out a time bound action plan. Estimates for works need to be prepared based on ground realities and works should be taken up according to the availability of funds. Closer monitoring of progress at DPC level would help to ensure continuous flow of funds and to achieve smooth progress of works.
- Reasons for slow progress of works, incomplete works, diversion of funds and idle outlays would need to be analyzed in depth to avoid their recurrence. Suitable steps may also be taken immediately to get the works completed by making use of idle outlays.
- Losses in the form of unauthorized, unproductive and idle expenditure as pointed out by audit have to be identified and responsibilities may be fixed for the same or steps may be initiated to recover the losses.
- Appropriate action may be taken against officials responsible for negligence in discharging their duties which led to disbursement of scheme funds to non-entitled beneficiaries. Wider publicity and circulation of important aspects of schemes should be made. Periodical training and regular awareness programmes should be held and good practices followed by other states/same state may be widely published for bringing in improvement and effectiveness of implementation.
- Internal control mechanism should be augmented by strengthening the system of inspection and supervision by providing required manpower and training to them.
- Social Audit by independent/third party may be introduced through an action plan to have a clear picture of effectiveness of the schemes and in identifying the bottlenecks in implementation of the schemes.

CHAPTER – II

PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

PANCHAYATI RAJ INSTITUTIONS

SECTION B: AUDIT OF TRANSACTIONS

2.12 Revenue Receipts

Tax and Non-tax sources allocated to PRIs under Assam Panchayat Act, 1994 constitute their own resources. Though the PRIs are empowered to levy and collect various taxes and duties, tolls and fees, they have not yet exercised these powers to augment their resources for reasons not on record.

As of now PRIs derive most of their revenues from non-tax sources like hats, ghats, ferries and fisheries located within their jurisdiction which are leased out annually by inviting sealed tenders and as per provisions of Rule 47 of Assam Panchayat (Financial) Rules, 2002 tender of highest bidders should be accepted. Settled bid values are collected in quarterly instalments.

However, very often PRIs were found to be leasing out these sources of revenue at less than the highest bid thereby losing substantial amount of revenue. Their collection drive was also found not as enthusiastic as was required and there was accumulation of outstanding revenues. Loss of revenue detected during audit is regularly reported through inspection reports and Annual Technical Inspection Reports (ATIRs). Losses pointed out by audit during the last three years are summarized in the **Table 2.29**.

Table 2.29: Loss of revenue pointed out in ATIRs

(₹in crore)

Sl. No	Particulars	As reported in ATIR 2009		As reported in ATIR 2010		Loss of revenue detected in since ATIR 2010, for this report		
		No. of PRIs involved	Loss of revenue	No. of PRIs involved	Loss of revenue	No. of PRIs	Loss of revenue	Reference
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Settlement of market with bidders with less value	8	1.07	8	2.73	2	2.08	**Appendix 2.8**
2	Short realisation of settlement of hat/ghat etc.	13	1.33	7	2.06	11	0.77	**Appendix 2.9**
3	Award of lease without stamp duty and registration	10	0.52	9	0.63	7	0.30	**Appendix 2.10**

Despite having been reported repeatedly in ATIRs, the PRIs did not take any corrective measures to augment their revenue resources or ensure their allocation as stipulated amongst their constituents (APs/GPs and ZP).

Apart from above, as per sub section 6 of section 10 of Assam Panchayat Act, 1994, revenue realized on settlement of Market/Ghat etc., is to be apportioned among ZP, APs and GPs in the ratio of 20:30:50. It was observed that collecting PRIs had not apportioned the revenues according to the prescribed ratio and retained revenues in excess of their due share. Position of retention of excess share of revenue as noticed by audit is shown in **Table 2.30**.

Table 2.30: Excess Revenue retained by ZP

(₹ in crore)

Sl. No.	ATIR Reference	No. of PRIs	Retained in excess of due share
1	ATIR 2009	14	2.39
2	ATIR 2010	9	1.16
3	ATIR 2011(Details in **Appendix 2.11**)	6	1.68

2.13 Twelfth Finance Commission Grant (TFC)

2.13.1 Blocking up of fund : ₹25.00 lakh

Test check(May-June 2011) of records of Lakhimpur ZP revealed that a provision for construction of market shed at Lakhimpur Zilla Parishad Head Quarter was included in the action plan under TFC Grants for 2006-07. CEO accorded Administrative Approval and the Executive Engineer, DRDA, Lakhimpur prepared the plan and estimate for construction of commercial complex at North Lakhimpur at an estimated cost of ₹25 lakh in October 2009 and an amount of ₹25.00 lakh was earmarked for the purpose. There was nothing on record regarding technical sanction to the project. However, the work was not started (June 2011) on account of dispute relating to encroachment of land. No alternate work site was proposed and the amount was lying unspent, as part of closing balance for 20 months. This was indicative of poor planning and blockade of fund of ₹25.00 lakh.

2.13.2 Execution of ineligible works out of TFC Grants

Scrutiny of records of 5 PRIs test-checked (January-June 2011) in audit, revealed that the PRIs in contravention of the guidelines, spent ₹18.55 lakh out of TFC grants on salaries of staff, IBS[1], construction of guest house, furniture and contingencies etc., as indicated in **Appendix 2.12.**

Thus, the expenditure of ₹18.55 lakh incurred on ineligible items, in violation of the guidelines, defeated the purpose for which funds were provided. The State High Level Committee (HLC) constituted to monitor proper utilisation of the grants also failed to control the expenditure incurred on ineligible works.

2.13.3 Doubtful expenditure of ₹14.58 lakh on maintenance of accounts

CEO Dibrugarh ZP, made payment of ₹14.58 lakh out of TFC grant during the period October 2007 to November 2009 for the purpose of review and maintenance of accounts of the ZP, seven APs and 93 Gaon Panchayats (GPs) under the jurisdiction of Dibrugarh ZP. Details of expenditure are indicated in **Table 2.31**.

Table 2.31: Payment for accounts of ZP

Date of payment	Cheque No	Particulars of payment	Amount paid (₹in lakh)
7-10-07	738467	Paid to Asif Ahmed, APO(T) for maintenance of Account	0.35
8-2-08	738473	Paid to Asif Ahmed, APO(T) for maintenance of Account	1.00
15-3-08	738488	-do-	0.20
8-9-08	359872	Paid to Amit Srivastava for review for maintenance of Account for ZP, 7 APs and 93 GPs	0.60
4-08-09	016271	Self cheque drawn for review & maintenance of accounts and paid to M/s. JD Service Centre, M/s. Mangalam, Dibrugarh for computer accessories	5.42
4-11-09	003864	Drawn and paid in cash to Amit Srivastava for maintenance of Accounts	7.01
		Total	**14.58**

Records relating to the selection of the General Accountant, the basis of selection and qualification criteria considered for selection were not made available to audit.

[1], Sewing machines under Individual Beneficiary Schemes

Test check (February 2011) revealed that neither any record in support of any review conducted on the accounts of PRIs nor any record relating to preparation of accounts in accordance to the formats as prescribed under Assam Panchayat (Financial) Rules 2002 were available with the CEO. Vouchers and APRs[2] in support of the expenditure also were not made available to audit. Further, one AP and three GPs[3] stated that no such work had so far been conducted in their AP/GPs. Thus it was not possible to conclude in audit that the work relating to review and maintenance of accounts was actually carried out and the entire expenditure was incurred for bonafide purposes.

2.13.4 Haphazard maintenance of records and non production of bills, vouchers against expenditure of ₹18.63 lakh

EO, Narayanpur AP, during 2008-11, received a total amount of ₹46.50 lakh under TFC grant and reported expenditure of ₹36.98 lakh on implementation of various works. However, against the expenditure of ₹36.98 lakh, bills/vouchers for ₹18.35 lakh only were produced to audit in very haphazard manner without any cross references to the expenditure recorded in the cash book. Further, list of works undertaken, sanction orders, schematic ledger, physical progress report and completion certificate, etc., were not made available to audit. As such, schemes undertaken, expenditure incurred thereon and physical status thereof were not assessable from the bills/vouchers for ₹18.35 lakh produced to audit. Further, bills/vouchers against expenditure of remaining amount of ₹18.63 lakh were not produced to audit. EO Narayanpur AP stated (June 2011) that the records would be maintained and wanting vouchers would be traced out.

It is thus clear that the internal control mechanism needed to be strengthened in APs through regular submission of supporting vouchers and proper maintenance of records by the concerned officials so as to rule out possibility of misappropriation of PRI funds.

[2] Actual Payees Receipt
[3] Lahowal AP, Timona GP, Bokul GP, Ekoratoli GP

2.14 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

2.14.1 Unfruitful expenditure: ₹15.25 lakh

EO,Narayanpur AP took up construction of the earthen bundh viz. "Agril. Bundh at Padigram to Temera via Nunibari Sakiyal" under MGNREGS in 2008-09 at the estimated cost of ₹20.27 lakh with a view to protecting the cultivators from flows of the Subansiri River which inundates paddy fields in rainy season. The proposed length of the bundh was 4500 mtr.



(Photograph of Agril. Bundh at Padigram to Temera via Nunibari Sakiyal taken in June 2011)



The work commenced in December 2009 and continued upto April 2010 incurring an expenditure of ₹15.25 lakh and the physical progress was 70 *per cent*. E.O. stated that the work remained incomplete due to want of funds.

Test check of records (May-June 2011) revealed that against the proposed length of 4500 mtr. earthwork of 4166 mtr. was executed as recorded in the Measurement Book (MB). However, turfing (laying of live sods of perennial turf forming grass) was not done to protect the soil from erosion though provision of the turfing at a cost ₹4.04 lakh was made in the estimate. Reasons for non

execution of turfing were not found on record. At the time of joint physical verification of the work conducted by audit alongwith the departmental officials, it was noticed that there were several breakages on the bundh without any continuity of chainages covering the total length of 4166 mtr. Actual length could not be measured because of bad site condition.

It was evident that the bundh had broken into several pieces during the rainy season (April to July) because of non execution of turfing work. Thus, the incomplete bundh with several breakages was unable to protect inundation cause by the river and the expenditure of ₹15.25 lakh remained unproductive.

2.14.2 Doubtful execution of work

The EO, Telahi AP received ₹22.12 lakh against the estimated cost of ₹22.57 lakh for the work "Brick soling of road from Gohain Tekela PWD to Majaguri Path" under MGNREGS during 2009-10. Technical sanction for ₹22.57 lakh was accorded by the Superintending Engineer, North Lakhimpur Road Circle. The length of the road as shown in the estimate was 1560 mtr., with 6 mtr. breadth and 2 RCC culverts. The work commenced on 6 December 2008 and continued upto 8 July 2009. An expenditure of ₹22.12 lakh was incurred against which 98 *per cent* physical progress was reported.

Scrutiny of records revealed that another estimate for ₹10.65 lakh was prepared for extension of the same road with one RCC culvert from 00 to 500 mtr. chainage. Technical sanction was accorded by the Superintending Engineer, North Lakhimpur Road Circle. The work commenced on 15 October 2009 and continued upto 20 August 2010 and a sum of ₹9.57 lakh was shown to have been incurred against which physical progress of 90 *per cent* was shown.

Inclusion of the extension would make the total length of the road 2060 mtr. (1560+500) with three RCC culverts, however, on physical verification of the road (June 2011) conducted by audit alongwith departmental officials, the total length of the road was found to be 1500 mtr. with two RCC culverts.

There was no physical existence of the road beyond 1500 mtr. and therefore, the work executed on the second occasion mentioned above for extension of the road, was doubtful and needed to be investigated.

2.14.3 Incomplete works

Test check (May-June 2011) of records of five PRIs under Lakhimpur district disclosed that altogether 165 schemes involving construction of road, agricultural bundh, earth filling, brick soiling of road etc. were taken up under MGNREGS during the year 2008-09 and 2009-10 at a cost of ₹19.66 crore approved by the District Planning Coordinator. Against the approved amount, the APs received only ₹13.10 crore from the Project Director, DRDA Lakhimpur. However, the PRIs took up all 165 schemes for execution, of which 146 schemes remained incomplete as of June 2011 with physical progress from 8 to 98 *per cent* as shown in **Table 2.32**.

Table 2.32: Status of works (2008-09 and 2009-10)

(₹in lakh)

Name of PRI	No. of schemes taken up	Estimated amount	Fund received	Fund utilised	No. of incomplete schemes	Physical progress in r/o incomplete schemes (PC)
Narayanpur AP	37	362.68	215.93	206.63	35	15-90
Karunabari AP	44	566.48	312.40	302.18	41	10-90
Telahi AP	22	296.44	199.60	185.32	22	8-98
Bihpuria AP	26	243.50	169.21	166.12	23	40-90
Lakhimpur ZP	36	497.22	412.86	386.86	25	50-92
Total	**165**	**1966.32**	**1310.00**	**1247.11**	**146**	

Reasons for large number of schemes remaining incomplete, were stated to be due to non-receipt of adequate funds by the implementing agencies and difficulties owing to land disputes.

MGNREGS aimed to provide rural wage employment and thereby create socio-economic durable assets. Sanctioning a large number of schemes without assessing the availability of fund and failure to release the sanctioned/estimated amount by the DRDA indicated not only poor planning but non appreciation of the need for awaiting outcomes against expenditure actually incurred.

2.14.4 Improper utilisation of funds

Test check of records revealed that North Lakhimpur ZP and Barkhola AP utilized MGNREGS funds amounting to ₹15.67 lakh during 2008-09 to 2009-2010 for other

purposes viz. maintenance of office building, purchase of computer/laptop and construction of temple etc. which were not covered under the schemes. Details of inadmissible expenditure incurred are shown in **Appendix-2.13.** Utilization of funds for purposes other than those permissible under the scheme defeated the prime objective of MGNREGS which aimed to provide livelihood security in rural areas by generating wage employment.

2.14.5 Excess expenditure on material component beyond the prescribed norms resulted in less generation of mandays under MGNREGS

The Act provides that the wage material ratio should be 60:40 and this should primarily be maintained at the district, AP and GP level. However, the said norms had not been maintained in respect of following three APs under North Lakhimpur ZP and excess expenditure were incurred towards material component beyond the prescribed limit as shown in **Table 2.33.**

Table 2.33: Non maintenance of 60:40 Wage: Material ratio

(₹ in lakh)

Name of AP	year	Total expenditure	Expenditure on wages	Expenditure on materials	40% of total expenditure	Excess expendi-ture on materials
Bihpuria	2008-09 to 2010-11	210.46	87.91	122.55	84.18	38.37
Telahi	2008-09 to 2009-10	229.58	101.97	127.61	91.83	35.78
Karunabari	2008-09 to 2009-10	248.04	106.37	141.67	99.22	42.45
Total		**688.08**	**296.25**	**391.83**	**275.23**	**116.60**

Against the prescribed norm of 60 *per cent* on wage component, the test checked APs utilised 42 to 44 percent of funds on wage component and thus failed to maintain the prescribed ratio resulting in less generation of 93,280 mandays (@₹125/- per manday) which diluted the spirit of objective of the scheme of generation of employment.

2.14.6 Doubtful engagement of job card holders

Wages of workers under MGNREGS were required to be paid through account payee cheques in Bank or Post Office. Test check of records of four GPs[4] revealed that signature/thumb impression of the workers engaged in Muster Roll did not match with

[4] Badati Jamaguri GP under Bihpuria AP, Niz Laluk GP, Bongalmora GP and Dikrong GP under Karunabari AP in North Lakhimpur district

their original signature that appeared in Job Card Registers, and in some cases the signature column in the Muster Roll remained blank. Instances of such discrepancies noticed are indicated in **Appendix 2.14**. It was thus, not possible to accept the levels of actual engagement of job card holders in audit and possibilities of interference by proxies could not be ruled out. This might keep away the intended benefits of MGNREGS from reaching the rural households.

2.14.7 Non-utilisation of materials worth ₹22.58 lakh

Two APs and one ZP spent a sum of ₹22.58 lakh during the period of December 2009 to November 2010 towards procurement of materials under MGNREGS as shown in **Table 2.34.**

Table 2.34: Status of utilisation of materials rocpred

Sl. no.	Name of test checked Unit	Name of work	Particulars of material	Amount incurred (₹)	Date of procurement
1	Karunabari AP	Agril bundh from Islampur Salmora PWD Rd. to Mujibur Chuburi	Boulder, GI net etc.	2,18,455	28/10/2010
2		Road from Sonari Water Supply to Rajbari with RCC culvert	MS rod, cement, sand, gravel etc.	2,40,060	18/8/2010, 23/3/2010
3		Protection work at Singra river	Boulder, GI net etc.	5,68,350	1/2/2010 & 22/9/2010
4		Boundary wall at Pilkhowa Nabajyoti High School	MS rod, sand, gravel, cement etc.	64,035	12/10/2010, 26/9/2010
5		Land development and plantation at GP office field.	-do-	19,990	25/10/2010
6		Land development and plantation at 2 No. Pub Borchala LP school	-do-	35,450	10/9/2010, 01/11/2010
7		Land development and plantation at Jakai Pelowa High School	-do-	25,665	6/10/2010
8	Bihpuria AP	Erosion Protection Bundh with RCC Porcupine	RCC Porcupine, Boulder	64,8702	3/10 to 9/10
9	North Lakhimpur ZP	Agril bundh and channel cutting at Bandordewa Baligaon near PTC	Main size boulder, river sand, pea-gravel, cement	4,37,700	31/12/2009
				Total ₹22,58,407	

Scrutiny of records revealed that the above materials had not been utilized till June 2011. EO stated that the materials could not be utilised because of paucity of fund for which no subsequent work could be carried out and the works remained incomplete.

Materials were procured without ensuring the fund inflow resulting in blockage of funds which could have been utilized for generation of mandays had the amount been utilised towards other labour oriented item of works viz. earth work. There is also every possibility of pilferage or damage of the materials due to prolong storage at the site of work.

2.15 District Development Programme (DDP)

2.15.1 Wasteful expenditure

2.15.1.1 Dibrugarh Zilla Parishad took up (February 2009) the work of "Improvement and beautification of Polo ground" under District Development Programme (DDP) fund at an estimated cost of ₹1 crore. The scheme was approved by DPC and technical sanction was accorded by Addl. C.E., UA Zone, Water Resource Department, Dibrugarh. After an expenditure of ₹9.23 lakh was incurred towards the construction of boundary wall as of February 2009, the defence authority Panitola cantonment raised objection over the construction of permanent structure and demolished the boundary wall constructed under the scheme as it was constructed on defence land. Injudicious decision of the ZP to construct a boundary wall in defence land without obtaining prior permission of the Defence authority led to Zilla Parishad incurring a wasteful expenditure of ₹9.23 lakh.

2.15.1.2 Dibrugarh ZP took up a scheme (2009-10) namely, Emergent Management Measures from Motholla to Oakland at an estimated cost of ₹1 crore under DDP in 2007-08 to arrest the severe ongoing erosion in the area. The work was technically sanctioned (June 2009) by the Additional Chief Engineer, Upper Assam Zone, Water Resource Department, Dibrugarh. The work executed by a construction committee constituted by ZP was commenced in April 2009 and completed in February 2010 incurring an expenditure of ₹90.76 lakh.

The work was executed in two locations viz, chainage 7400M to 8400M (1000M) in phase-I at a cost of ₹33.74 lakh and chainage 800M to 1400M (600 M) in phase –II at a cost of ₹57.02 lakh.

Scrutiny (January-February 2011) of records revealed that the construction committee allotted the work to three firms which was executed in a fragmented manner without following the approved plan and estimates. Against the requirement of 10,248 nos RCC porcupines in the work in phase-I, only 9170 porcupines were actually used. The Executive Engineer, Water Resources Division intimated (August 2010) that the work suffered significantly due to stoppage of work for several weeks by the construction committee leading to intensification of erosion. Actual period of such stoppage were not indicated. Assessment of technical expertise of firms engaged by the construction committee was also not available. It would appear that required seriousness was not bestowed by the construction committee towards the execution of the work and monitoring of work by ZP was not adequate. Finally, the work done in phase-I was completely washed away (dates not available on record). The Assistant Executive Engineer (AEE), during a joint physical verification conducted by audit (31st January 2011) to assess the state of work, stated that the work in phase-I was completely washed away due to high stream of river. Thus, injudicious selection of construction committee without assessing their technical capability and weak monitoring of work led to wasteful expenditure ₹33.74 lakh.

2.15.2 Irregularities in distribution of pick-up van

District Planning Committee (DPC), Lakhimpur approved an expenditure of ₹30 lakh for providing 3 wheeler Diesel cargo pick-up vans to 34 SC/ST beneficiaries towards meeting 50 *per cent* subsidy under poverty alleviation sector under DDP 2008-09.

Test check of records of Lakhimpur ZP (May-June 2011) revealed that the CEO purchased (December 2009) 34 pick-up vans at a total cost of ₹47.49 lakh (@ ₹1,39,667/- each) after realizing ₹23.74 lakh from the beneficiaries (@ ₹69,833.50 per beneficiary) and balance ₹23.74 lakh paid from the earmarked DDP fund of ₹30.00 lakh approved by the DPC. However, instead of selecting of 34 SC/ST beneficiaries as approved by the DPC, the members of ZP selected 15 SC/ST beneficiaries and 19 non SC/ST beneficiaries without any revised approval of DPC and distributed 34 pick-up vans to the beneficiaries so selected.

Distribution of 19 pick-up vans to non SC/ST beneficiaries, involving subsidy of ₹13.30 lakh (19 x ₹0.70 lakh), without the approval of DPC were irregular. Thus, the purpose of providing pick-up vans with the intention to help alleviate the poverty of SC/ST beneficiaries was frustrated.

2.15.3 Diversion of fund for other purpose

The State Government constituted District Development Plan (DDP) fund (2007-08) to accelerate infrastructural and socio-economic development in rural and urban areas of Assam.

Scrutiny of records of Dibrugarh ZP revealed that Chief Executive Officer (CEO) spent ₹1.90 crore (April 2009 to February 2010) towards payment of staff salary out of DDP fund though there was no provision for utilization of fund for payment. of salaries.

Thus, Dibrugarh ZP diverted the amount meant for approved schemes depriving the beneficiaries of the commensurate intended benefits of the schemes.

2.16 Indira Awas Yojana(IAY)

2.16.1 IAY houses provided to ineligible beneficiaries.

Indira Awas Yojana (IAY) scheme aims at providing dwelling units free of cost to poor families belonging to Scheduled Caste/Scheduled Tribe, freed bonded labourers and other members of below poverty line in rural areas. The scheme helps the construction/up-gradation of dwelling units of such beneficiaries.

Scrutiny in audit of the beneficiary lists of six APs under three Zilla Parishads revealed that 473 non-BPL beneficiaries were provided IAY houses involving an amount of ₹1.80 crore, as detailed in **Table 2.35.**

Table 2.35: IAY houses provided to non-BPL beneficiaries

(₹ in lakh)

Name of unit	Name of ZP	Period	Amount	No. of houses involved
Bordoloni AP	Dhemaji	2009-10	58.06	152
Borkhola AP	Cachar	2009-10	2.29	6
Karunabari AP	North Lakhimpur	2008-09	19.23	51
Narayanpur AP	Do	2008-10	46.97	124
Telahi AP	Do	2008-09	29.26	76
Bihpuria AP	Do	2008-09	24.32	64
		Total	**180.13**	**473**

Thus, the benefit of ₹1.80 crore was extended to ineligible beneficiaries depriving the bonafide beneficiaries to that extent in violation of scheme guidelines. This would show that the EOs failed to exercise necessary checks and ensure that beneficiaries were selected in accordance with the guidelines.

2.17 Idle outlay of ₹59.86 lakh under RSVY

Three APs in Lakhimpur district incurred an expenditure of ₹59.86 lakh during the period 2008-09 to 2010-11 for construction of six market sheds in rural areas under Rastriya Sam Vikas Yojana (RSVY) funded through the Deputy Commissioner, North Lakhimpur as shown in **Table 2.36**.

Table 2.36: Expenditure on Market Sheds under RSVY

(₹ in lakh)

Sl No.	Name of AP	No. of market sheds constructed	Expenditure incurred
1.	Narayanpur	3	30.01
2.	Telahi	2	19.90
3.	Bihpuria	1	9.95
	Total	**6**	**59.86**

Scrutiny revealed that all the market sheds remained unutilized till June 2011 awaiting allotment. All the APs stated (June 2011) that allotment would be done very soon but any progress in this regard had not yet been intimated (February 2012). Details of any survey to assess the demand and facilities like electricity, water supplies etc., in the market sheds were not available on records produced for audit. Construction of market sheds without assessing the demand and ensuring the basic facilities like water, electricity etc., led to wasteful expenditure of ₹59.86 lakh.

2.18 Conclusion

- Leasing out of facilities to other than the highest bidders coupled with lack of proper pursuance in collection of dues resulted in loss of revenue and accumulation of dues. State Government also did not monitor in the revenue management of PRIs to augment their revenue resources despite the fact that the matter was brought to the notice of State Government earlier, by audit.

- Lack of proper planning, absence of effective internal control mechanism and weakness in monitoring by higher authorities in utilization of TFC fund led to idle investment, blockade of fund, doubtful expenditure and diversion of fund.

- Taking up of works in un-planned manner and without ascertaining available of constant flow of fund for the works undertaken under MGNREGS had resulted in un-fruitful, doubtful and un-productive expenditure together with non-utilization of costly materials. Implementation of the scheme also suffered as there was doubtful engagement of job card holders; less generation of man-days due to violation of expenditure norms on labour and material, and so on.

- Wasteful expenditure on works due to selection of disputed site, lack of technical capability of contractors, non assessment of demand for the asset; distribution of assets and fund to ineligible beneficiaries in violation of scheme guidelines were the other major irregularities observed in utilization of fund of District Development Programme, IAY and RSVY.

2.19 Recommendations

- Periodical review of existing revenue generation activities, exploring new or additional revenue earning resources by the PRIs and State Government, strict compliance to rules and regulation in award of lease would definitely strengthen revenue base of PRIs.

- Fund should be released only after obtaining proper plan on realistic estimates. Works should be taken up after proper site survey, assessing demand of local people and ensuing availability of fund. This would avoid un-productive and wasteful expenditure, blockade of fund, idle outlay on creation of assets.

- Necessary provisions are to be made in respective scheme guidelines to penalize the official responsible for diversion, mis-utilisation of fund and utilization of fund for the purpose and in the manner not permitted in the scheme.

- Strengthening the internal control mechanism, constant watch on utilization of fund by higher authorities, introduction of periodical physical verification and introduction of Management Information System would ensure proper and timely utilization of fund and implementation of the schemes as well.

CHAPTER – III

TRANSACTION AUDIT OF URBAN LOCAL BODIES

3.1 Revenue Receipts and results of Audit

The revenue receipts of an Urban Local Body (ULB) comprise receipts from its own resources (Tax and Non-Tax revenue), State Finance Commission Grants, Grants and Loans from Governments and loans from Financial Institutions. The performance of ULBs in the State in the matter of increasing own revenue from sources allocated to them was not encouraging. The resultant inadequacy of funds prevented them from discharging even their obligatory functions. Though deficiencies in collection of revenues were brought out in the previous Annual Technical Inspection Reports (ATIRs), the State Government had not initiated action for streamlining the system and procedures in this regard. Most of the deficiencies pointed out in earlier ATIRs continued to persist in test checked ULBs. There were arrears of ₹2.05 crore of holding tax in two test checked ULBs as indicated in **Table 3.1**.

Table 3.1: Outstanding Holding Tax

(₹ in lakh)

Sl. No.	Name of ULB	Year	Amount of holding tax due including arrears	Collection including arrears	Outstanding	Percentage of collection
1	Goalpara MB	2010	112.70	10.02	102.68	8.89
2	Lakhimpur MB	do	151.47	49.26	102.21	32.52
Total			**264.17**	**59.28**	**204.89**	**22.44**

There were 5 tax collectors in Goalpara MB and 4 tax collectors in Lakhimpur MB. Inspite of availability of manpower, the ULBs failed to collect holding taxes regularly.

During 2010 only 22.44 *per cent* of outstanding holding taxes were collected leading to accumulation of huge outstanding amount at the close of the year. The ULBs did not take necessary steps for identification of defaulters, issuance of bill and notice of demand as provided in the Act.

3.2. Irregular Expenditure of TFC Grants ₹25.43 lakh

As per para 2.2 and 2.3 of the guidelines for utilisation of TFC grants, ULBs should utilize these grants to enhance service delivery of solid waste management in urban areas, creating database on their finances and for maintenance of their accounts. Diversion of fund received under TFC award is strictly prohibited.

Goalpara Municipal Board (GMB) received ₹25.05 lakh under TFC grants during 2010-11 of which ₹21.52 lakh was spent on construction of road and drain, ₹.0.75 lakh for purchase of generator set and stationery which were not covered under the guidelines. However, the balance amount of ₹2.77 lakh was spent for procurement of 'Cycle Thela' and spades for the purpose of solid waste management. Similarly, Howly Town Committee (HTC) received (March 2007) ₹3.91 lakh under TFC award (1st instalment for 2005-06) for maintenance of accounts, creation of database, procurement of cess pool cleaner, tractor, and for solid waste management which was spent for 'Improvement of Gurusthan Path' deviating from the very purpose of scheme guidelines. Thus, the two ULBs incurred expenditure of ₹25.43 lakh (₹21.52 lakh by GMB and ₹3.91 lakh by HTC) in violation of provision of TFC which defeated the purpose of the grants so provided.

3.3 Diversion of funds

Conditions attached to a grant enjoin that the grantee should utilise the grant for the purpose for which it was provided and should, in no way, be diverted for any other activity. Test check of records of three MBs and one TC revealed that grants for ₹64.51 lakh provided by Central and State Governments on various developmental activities, as detailed in **Table 3.2**, were diverted towards pay and allowances of staff:

Table 3.2: Diversion of fund for salary

(₹ in lakh)

Sl No.	Name of ULB	Name of scheme	Period	Amount diverted
1	Goalpara MB	GIA	2007-08	12.00
		MV Tax grant	2009-10	7.74
2	Lakhimpur MB	SJSRY	2007-08	2.54
		MV Tax grant	2004-08	16.87
		CFC grant	2005-06	4.74
3	Dhubri MB	SJSRY	2007-08	14.62
4	Tihu TC	GIA	2007-08	6.00
			Total	**64.51**

As a result of the diversion of funds, the ULBs failed to deliver the intended benefits to the beneficiaries defeating the objective of the scheme for which the fund was sanctioned.

3.4 Blockade of fund

Dhubri Municipal Board received (December 2009) ₹5 lakh from the Director of Municipal Administration, Assam, Dispur for construction of 50 units of low cost sanitary latrine (LCSP) @ ₹10,000/- per unit under Schedule Caste Component Plan (SCCP) for the year 2008-09 for economically weaker sections of the Schedule Caste community. As per condition stipulated in the sanction letter, the work was required to be completed within June 2010.

Scrutiny of records of Dhubri MB (February 2011) revealed that the MB neither constructed the sanitary latrines nor any initiative was taken by the Board to implement the scheme without assigning any recorded reason and the amount was lying in the bank account of Chairman of Municipal Board. Benefit of LCSP was not thus possible to be derived by the beneficiaries for more than 15 months.

3.5 Adjustment vouchers wanting

Four ULBs[1] paid advances to the tune of ₹1.28 crore in the form of cash to their officers during May 2008 to December 2009 for implementation of schemes under SJSRY and IDSMT against which related bills/vouchers were not produced to audit (March 2011). The details of advances paid are indicated in **Table 3.3**.

[1] North Lakhimpur MB, Goalpara MB, Dhubri MB, Howly TC

Table 3.3: Vouchers not produced against advance released

(₹in lakh)

Name of ULB	Date of payment	Purpose of payment	Advance given to	Amount
North Lakhimpur MB	26-5-08 to 21.12.09	Implementation of 21 nos. SJSRY Schemes	Porag Dutta, JE, Executive Officer, Sri U.C.Borah, Executive Officer	17.37
Goalpara MB	5-3-04 to 18-2-10	Implementation of schemes under SJSRY Schemes	Officials, contractors, EO etc.	34.09
	17-2-05 to 9-2-06	construction of Super Market, at Chowk Bazar, Goalpara under IDSMT	₹34.00 lakh each to two contractors	68.00
Dhubri MB	5/06 to 3/08	Implementation of 7 nos. SJSRY Schemes	Board's officials/officers	6.72
Howly TC	4/04 to 11/04	Implementation of 12 nos. SJSRY Schemes	P.Deka, JE and Sri Bhadreswar Sarma	2.08
			Total	**128.26**

None of the ULBs maintained any Advance Register as stipulated in Rule 81 of Assam Municipal (Account Rules), 1961 and were deprived of an important tool to monitor the subsequent adjustment of advances, besides ensuring that expenditure was actually incurred for bonafide approved purposes.

3.6 Huge liability on account of Employees Contribution to C.P.F.

Test check (February and March 20111) of records of Dhubri MB and Lakhimpur MB revealed that the Board authorities deducted contribution of employees @ minimum of 6.25 *per cent* to CPF from their monthly salary which, along with equal share of contribution from the employer was required to be deposited with a view to earning interest, dividends etc. The board was also required to maintain individual CPF account of employees showing deposits of employees including the employer's contribution along with interest earned/accrued on such investments.

However, the Boards neither made any contribution nor maintained individual CPF accounts for the period September 1998 to March 2008 (Dhubri) and October 1990 to January 2003 (Lakhipur). Amounts deducted from the salaries of the employees were mixed up with General Fund Accounts of the Boards. Details of amounts deducted from the salaries of the employees, and employer's contribution due in respect of the above two Boards are shown in **Table 3.4**.

Table 3.4: CPF contributions not deposited by MBs

(₹ in lakh)

Name of Board	Period of deductions	Amount deducted	Boards' share	Amount to be deposited
Dhubri	September 1998 to March 2008	29.32	29.32	58.64
Lakhimpur	October 1990 to January 2003	9.75	9.75	19.50
Total		**39.07**	**39.07**	**78.14**

Thus, non contributions of due share of the MBs and non-maintenance of individual CPF accounts accumulated huge liabilities of the Dhubri and Lakhimpur MB.

3.7 Conclusion

- ULBs did not take necessary steps for identification of defaulters, issuance of bill and notice of demand for collection of outstanding Holding Tax. State Government also had not initiated action for streamlining the collection regime though deficiencies in collection of revenues were reported through previous ATIRs.
- Inefficiency on utilization of funds received by ULB led to blockade of fund and benefit of scheme was not possible to be derived by the beneficiaries.
- ULB authorities were unable to monitor subsequent adjustment of advances paid because of non-maintenance advance register. Non-submission of adjustment vouchers by the advance payees raised doubts regarding the bonafideness of expenditure against such advances.
- Non deposit of amounts deducted from the salaries of employees of ULBs into CPF resulted in avoidable burdening of liability of ULBs.

3.8 Recommendation

- Comprehensive data base of all tax payers may be maintained for identification of defaulters and regular demand notice may be issued to them. State Government should keep watch on the collection regime and issue necessary instructions to ULBs for strengthening their own resource of revenues.
- Necessary provisions may be made in respective scheme guidelines/grants to penalize the officials concerned who are found responsible for diversion, or mis-utilization of funds hampering the intended objectives of the respective schemes. Internal control mechanism may be strengthened by deploying required trained manpower and internal audit so as to prevent recurrence of irregularities.
- Effective and proper planning for the execution of works needs to be done by the ULB to enhance efficiency in utilization of funds and also to avoid blockade of fund. State Government may issue suitable instructions to ULBs to get the released amount utilized within a specific time frame, and follow up on the same.
- Instructions may be issued immediately for maintenance of advance payment registers by all ULBs. Importance of maintaining of advance payment registers may be seriously conveyed to all ULBs. CPF contribution amount of employees should be deposited into CPF account through a time bound action plan.

Akoijam Rina
Sr. Deputy Accountant General
(Social Sector)

Guwahati

Countersigned by

P. Sesh Kumar
Principal Accountant General (Audit)

Guwahati

Appendix-1.1

(Ref to Para No. 1.5)

Role and Responsibilities of Standing Committees of PRIs

Sl. No.	Category of PRI	Name of Standing Committee	Responsibilities
1.	Gaon Panchayat	i) Development Committee	Functions relating to agricultural production, animal husbandry and rural industries and poverty alleviation programmes.
		ii) Social Justice Committee	(a) Promotion of educational, economic, social, cultural and other interests of Scheduled castes and Scheduled Tribes and Backward Classes; (b) protection of such castes and classes from social injustice and any form of exploitations; (c) welfare of women and children.
		iii) Social Welfare Committee	Functions in respect of education, public health, public works and other functions of the Gaon Panchayat.
2.	Anchalik Panchayat	i) General Standing Committee	Establishment matters, communication, buildings, rural housing, relief against natural calamities, water supply and all miscellaneous residuary matters.
		ii) Finance, Audit and Planning Committee	Finance of the Anchalik Panchayat, training, budget scrutinizing proposals for increase of revenue, examination of receipts and expenditure statement, consideration of all proposals affecting the finance of the Anchalik Panchayat and general supervision of the revenue and expenditure of the Anchalik Panchayat and Planning and consolidating the Anchalik Panchayat Plans, Co-operation, small saving schemes and any other function relating to the development of Anchalik Panchayat areas.
		iii) Social Justice Committee	Same as in case of Gaon Panchayat
3.	Zilla Parishad	i) General Standing Committee	Same as in case of Anchalik Panchayat
		ii) Finance, Audit and Planning Committee	Same as in case of Anchalik Panchayat
		iii) Social Justice Committee	Same as in case of Anchalik Panchayat
		iv) Planning and Development Committee	Activities relating to: (a) education, adult literacy and cultural activities as the Zilla Parishad may assign to it; (b) health Service, Hospital, Water Supply, Family, Welfare and other allied matters; (c) agricultural production, animal husbandry co-operation, contour ["bunding"] and reclamation; (d) village and cottage industries; (e) promotion of industrial development of the district.

Appendix 1.2

Ref. Para: 1.16.5

List of PRIs and ULBs audited during January 2011 to June 2011

Panchayati Raj Institution							
Name of Zilla Parishad				Name of Gaon Panchayat			
1	Dibrugarh ZP			1	Aradhal GP	14	Lakhipur Nayagram GP
2	Cachar ZP			2	Kachutoli GP	15	Khaspur GP
3	Lakhimpur ZP			3	Jarioltola GP	16	Dayapur GP
Name of Anchalik Panchayat				4	Moridhal GP	17	Rajatila GP
1	Tingkhong AP	8	Karunabari AP	5	Nichinpur GP	18	Tarinipur GP
2	Dhemaji AP	9	Narayanpur AP	6	Salmari GP	19	Simaluguri GP
3	Jamadarhat AP	10	Bihpuria AP	7	Bordoloni GP	20	Dakhin Laluk GP
4	Lakhipur AP	11	Telahi AP	8	Borkhola GP	21	Pichala GP
5	Sonai AP	12	Bordoloni AP	9	Jamadarhat GP	22	Pava GP
6	Katigora AP	13	Borkhola AP	10	Rajgarh GP	23	Pachim Telahi GP
7	Udharbond AP			11	Hatikhal GP	24	Madhya Telahi GP
				12	Dakhin Krishnapur GP	25	Badati Jamuguri GP
				13	Sribar GP	26	Bihpuria GP
Urban Local Bodies							
Name of Municipal Board				Name of Town Committee			
1	Dhubri MB			1	Howli TC		
2	Lakhipur MB			2	Tihu TC		
3	Goalpara MB						

Appendix 1.3

Ref. Para: 1.18.1 (a)

Statement showing non-reconciliation of Bank balances as per bank Pass Book and Cash Book

(₹ in lakh)

Sl. No.	Name of PRIs	Name of Scheme/ProGaonme	As on 31 March	Balance as per Bank Pass Book	Balance as per Cash Book	Difference
1	C.E.O. Dibrugarh ZP	DDP	2010	878.01	1569.01	691.00
	-do-	TFC	2010	688.26	358.33	329.93
2	Bordoloni AP	MGNREGS	2010	134.99	56.17	78.82
3	Lakhimpur ZP	NOAP	2011	226.45	220.56	5.89
4	Cachar ZP	DDP	2011	657.43	669.64	12.21
		BRGF	2011	156.38	156.23	0.15
5	Katigora AP	BADP	2011	17.32	17.81	0.49
		BRGF	2011	4.44	0.44	4.00

Appendix 1.4

Ref. Para: 1.18.1 (a)

Statement showing short/non-accountal receipt of money

(₹in lakh)

Sl. No.	Name of PRI	Date/period of short/non-accountal, short receipt	Amount	Particulars/Records
1	Dhemaji AP	4.8.05	1.05	IAY Cash Book
2	Cachar ZP	10.4.08	0.02	Own Fund Cash Book
3	Bordoloni AP	7/04 – 9/06	4.22	-do-
4	Karunabari AP	2008-09	0.44	Against release of ₹806.04 lakh by PD DRDA Lakhimpur ₹805.60 lakh was accounted
5	Karunabari AP	2008-09	2.00	Short receipt of NFBS Fund
6	Lakhimpuir ZP	2008-09	10.89	Short accountal of NREGS Fund
		Total	**₹18.62**	

Appendix 1.5

Ref. Para: 1.18.1 (b)

Statement showing Non-adjustment of Advances in PRIs

(₹ in lakh)

Sl No.	Name of PRIs	Name of fund from which advances made	Period of Advance	Amount of Advance	Nature of Advance	To whom paid	Remarks
1.	Jamadarhat AP	IAY	8/05 to 12/05	11.16	Construction of IAY houses	BDO & JEs	Advance register/ adjustment records not maintained
2.	Aradhal GP	MGNREGS	January 2009	0.90	Execution of work	JE	-do-
3.	Lakhimpur ZP	EFC	2006-07	15.90	Execution of work	CEO, APO (T) & DSO	-do-
			Total	**27.96**			

Appendix 1.6

Ref. Para: 1.20.1

Statement showing expenditure incurred by PRIs without preparation of budget

(₹ in lakh)

Sl. No.	Name of PRI	Year	Name of Scheme/fund	Amount of Expenditure
1	Dibrugarh ZP	2006-07 to 2008-09	Own Fund	94.32
2	Dhemaji AP	2005-06 to 2008-09		14.33
3	Bordoloni AP	2005-06 to 2009-10		33.59
4	Borkhola AP	2005-06 to 2009-10		0.87
5	Tingkhong AP	2006-07 to 2009-10		19.96
6	Lakhipur AP	2006-07 to 2010-11		0.13
7	Katigora AP	2006-07 to 2010-11		0.65
8	Udharbond AP	2006-07 to 2010-11		0.41
9.	Sonai AP	2006-07 to 2010-11		1.18
10	Karunabari AP	2006-07 to 2010-11		11.30
11	Narayanpur AP	2006-07 to 2010-11		9.85
12	Telahi AP	2006-07 to 2010-11		5.11
13	Nichinpur GP	2006-07 to 2009-10		0.14
14	Borkhola GP	2006-07 to 2009-10		0.11
15	Jarioltola GP	2005-06 to 2009-10		0.08
16	Jamadarhat GP	2005-06 to 2009-10		0.30
			Total	**192.33**

Appendix 1.7

Ref. Para: 1.21.1

Internal Control System at the level of LBs

Provision	Authority	Application to LBs	Gist of the provision
Accounts	Section 28, 60 and 97 of AP Act read Rule 8 of A (F) Rule, 2002. Section 134 to 137 of GMC Act, 1971	PRIs & ULBs	The Panchayat and Municipalities shall maintain such books of accounts and other books in relation to its Accounts.
Budget	Section 27, 59 and 96 of AP Act. Section 43A of AM Act Section 119 of GMC Act	PRIs & ULBs	Budget proposals shall be prepared by the respective standing committees taking into account the estimated receipts and disbursement of the following year submitted to Government for approval.
Reporting of loss due to fraud, theft or negligence	Rule 37 (iv), AP (F) Rules 2002	PRIs	To be reported by an officer authorized to inspect the documents of PRIs.
	Rule 8 (2) of Assam Municipal (Account Rules) 1961	ULBs	To be reported by the Chairman or the Executive Officer to the DALF and the Dy. Commissioner of the District.
External audit	Section 29, 61 & 98 of AP Act and Rule 37 (ii) of AP (F) Rules, 2002.	PRIs	The State Government may prescribe an authority to conduct audit of accounts of PRIs.
	Section 301 (2) (iv) of AM Act and Section 138 of GMC Act	ULBs	Director Audit Local Fund shall be auditor of Municipalities and Municipal Corporation.
Inspections	Section 112 of AP Act and Rule 37 of A (F) Rules, 2002	PRIs	Government or any officer empowered by the Government may inspect any works which are being carried out by GP or AP or ZP.
Execution of works	Rule 36 and 38 of AP (F) Rules' 2002	PRIs	Procedure for execution of public works. Fixing of rates in preparation of estimates, powers of various authorities to give Technical Sanction, Invitation of tenders.
Asset Register	Rule 19 of AP (F) Rules 2002	PRIs	To be maintained in the format prescribed under the rule.
	Rule 118 of Assam Municipal (Account Rules) 1961	ULBs	A register of land to be maintained.
Office Procedure Manual	NA	PRIs & ULBs	Not prescribed under APA, 1994, AP (F) Rules and Municipal Acts and Rules
Internal Audit	Rule 18 of AP (A) rules 2002	PRIs	Departmental internal auditors to conduct internal audit of PRIs.
	NA	ULBs	Not prescribed under relevant Municipal Acts and Rules
Ombudsmen	NA		Not introduced for LBs in Assam
Lok Ayukta	NA		Not introduced for LBs in Assam
Citizen charter	NA		Not introduced for LBs in Assam
Right to In formation	As per RTI Act, 2005		Applicable to all tiers of PRIs & ULBs.
Conduct rules	State Government		Rules/Orders Specific to PRIs & ULBs Not Available
Social audit	As per Assam Rural Employment Guarantee (AREG) Scheme 2006		For MGNREG Scheme and IAY

Appendix 2.1

Ref. Para: 2.5.4 (b)

Non reconciliation of differences of balances between Bank balance as per Cash Book and Bank balance as per Bank Pass Book

(Amount in ₹)

Name of PRI	Name of Fund	Date	Bank balance as per Cash Book	Bank balance as per bank pass book	Difference
Cachar ZP	DDP	31.3.11	65743000	66964000	1221000
	BRGF	31.3.11	15638000	15623000	15000
	Own Fund	31.3.09	33455	1455	32055
Katigora AP	Own Fund	31.3.07	27110	26183	927
		31.3.08	12960	9351	3609
		31.3.09	6014	936	5078
		31.3.10	2284	1114	1170
		31.3.11	2754	1727	1027
	BADP	31.3.09	238853	233853	5000
		31.3.10	1898002	1903360	5358
		31.3.11	1732002	1780760	48758
	BRGF	31.3.09	123806	234455	110649
		31.3.10	20507	4725	15782
		31.3.11	443655	43655	400000
	TFC	31.3.09	494323	494157	166
		31.3.10	16233	20625	4392
		31.3.11	136638	146064	9426
Sonai AP	Own Fund	30.06.07	40503	6556	33947
		30.06.08	18952	16964	1668
		30.06.09	8636	1274	7362
Udarband AP	Own Fund & TFC	31.3.07	27704	25834	1870
		31.3.08	55997	54919	1078
		31.3.09	469582	469443	139
		31.3.10	34563	34708	145
Rajatila GP	MNREGS	31.3.10	1851363	1855605	4242

Appendix 2.2

Ref. Para: 2.5.4 (h)

Statement showing advances paid to JEs for implementation of scheme under BRGF and DDP remain unadjusted as of June 2011.

(₹in lakh)

Sl. no.	Names of JEs to whom paid S/Sri	No. of works	Period of payment	Amount of advances paid	Adjustment vouchers produced	Advances remained unadjusted
BRGF						
1	Ramjan Ali Ahmed	9	Apr 08-Jan 10	26.07	20.51	5.56
2	Himangshu Acharjee	9	Sept 09- Apr 10	12.33	6.55	5.78
3	Saptajit Dey	6	Apr 08-Sept 09	9.00	Nil	9.00
4	A.H.Mazumdar	8	Apr 08-Dec 09	7.96	3.14	4.82
5	J.U.Laskar	4	Apr 08-Nov 10	4.58	3.36	1.22
6	Alamgir Laskar	2	Dec 08-Sep t09	2.90	1.71	1.09
7	Noor Uddin	1	Jun 08-Aug 08	2.92	2.10	0.82
8	Biswadeep Chakraborty	1	Sept 09- Jul 10	1.83	1.20	0.63
9	Kulendra Singh	1	Apr 10	0.63	Nil	0.63
Total		**41**		**69.69**	**39.71**	**29.98**
DDP						
1	Khalil uddin chowdhury	2	May 10-Mar 11	35.00	Nil	35.00
2	Saptajit Dey	2	May 10-Mar 11	18.00	Nil	18.00
3	J.U.Choudhury	1	May 10-Mar 11	20.00	Nil	20.00
4	Kulendra Singh	1	May 10-Mar 11	8.00	Nil	8.00
5	EE,PWD,SRRD,Silchar	1	May 10-Mar 11	15.00	Nil	15.00
	Total	**7**		**96.00**	**Nil**	**96.00**
TFC						
1	J.U.Laskar	4	October 09	2.52	Nil	2.52
2	S.Dey	2	October 09	1.26	Nil	1.26
3	B.Chetri	1	October 09	0.63	Nil	0.63
4	R.Ali	1	October 09	0.63	Nil	0.63
5	A.Ali	3	October 09	1.89	Nil	1.89
6	K.Sinha	2	October 09	1.26	Nil	1.26
7	N.A[1]	3	October 09	1.89	Nil	1.89
	Total	**16**		**10.08**	**Nil**	**10.08**
Grand Total		**64**		**175.77**	**39.71**	**136.06**

[1] Name of JE not recorded in the cashbook,cheque register

Appendix 2.3

Ref. Para: 2.8.1.5

Irregular payment of wages in cash to job card holders under MGNREGS in Doyapur GP

Sl. No.	Date of withdrawl from bank	cheque no	Date of payment	Particular of expenditure	Amount involved (in ₹)
1	15/3/2006	551781	15/3/2008	Sri. Abdual Matib, Silchar And 12 others	42,350.00
2	2/4/2008	551782	3/4/2008	Sri. Abdual Matib, Silchar And 12 others	23,177.00
3.	12/4/2008	551784	13/4/2008	Sri. Basanta Wrang and 93 others	49,896.00
4	12/4/2008	551784	13/4/2008	Sri Bikash kaur and 14 others	13,350.00
5	12,4,2008	551783	13/4/2008	Sri. Babulat chasa and 73 others	39,886.00
6	17/4/2008	551785	17/4/2008	Sri Ijur ali laskar	1,57,696.00
7	6/5/2008	551786	06/05/2008	Sri. Ranjit Gowala and 72 others	56,903.00
8	17/5/2008	551787	12/5/2008	Sri. Abdual Mallik and 58 others	48356.00
9	26/05/3008	551790	17/05/2008	Sri Indrajit Ali and 310 others	2,03,049.00
10	03/06/2008	5601	03/06/2008	Sri Chandra Mura and 16 others	26,700.00
11	03/06/2008	5601	03/06/2008	Sri. Biswajit Hazara.	43,700.00
				Total	**7,05,063.00**

Appendix 2.4

Ref. Para: 2.8.2.7

Short release of IAY Fund to beneficiaries

Name of AP	Year	Fund received from DRDA			Amount payable to beneficiaries @₹38200 per unit	Fund released by BDO to IAY household			
		Rate	Unit	Amount (₹)		Installment	Unit	Rate (₹)	Amount (₹)
Katigora AP	2008-09	38,500	703	2,70,65,500	2,68,54,600	1	662	20,000	1,32,40,000
						2	648	18,200	1,17,93,600
						3	48	10,000	4,80,000
						4	43	8,200	3,52,600
			Total						**2,58,66,200**
Udarband AP	2008-09	38,500	578	2,22,53,000	2,20,79,600	1	578	19,250	1,11,26,500
						2	568	15,400	87,47,200
						3	492	3,550	17,46,600
			Total						**2,16,20,300**
			Grand total	**4,93,18,500**	**4,89,34,200**				**4,74,86,500**

Appendix 2.5

Ref. Para 2.8.2.9

Inadmissible expenditure from IAY fund

(₹in lakh)

Name of AP	Date	Particulars	Expenditure
Lakhipur	10/11/2008	Contingency expenditure	0.07
	4/05/2009	Payment to casual labour (night Chowkidar)	0.03
	19/01/2010	Contingent expenditure	0.33
Total			**0.43**
Sonai	3/7/07	Godown charges	0.04
	8/11/07	Taxi fare	0.07
	19/5/07	Transfer to NREGS A/c	0.91
	30/08/08	Contingent expenditure	0.20
	20/12/08	-do-	0.15
	04/08/09	Stationary purchase	0.7
	21/08/09	Taxi fare	0.06
		Total	**1.50**
		Grand Total	**1.93**

Appendix 2.6

Ref. Para 2.8.3.7

Details of Inadmissible expenditure under TFC Grants

(₹in lakh)

Sl. No.	Date	Particulars	Amount
		Cachar ZP	
(1)	(2)	(3)	(4)
1	15.6.2007	Expenditure made for purchase of Generator	2.73
2	03/04/08	Expenditure made for President's tour	0.45
3	04/04/08	Expenditure made for deposited to Director, P&RD for training	1.00
4	03/06/08	Expenditure made for fuel charges of Presidents car.	0.24
5	17/06/08	Expenditure made for purchase of vehicle	2.28
6	19/7/08	Hire charges of car used by president.	2.00
7	29/05/08	Repayment of loan for procurement of vehicle	0.14
8	27/2/10	Payment of legal charges	0.30
9	11/3/10	Payment of legal charges	0.20
10	19/03/10	Repairing charges of president car.	0.24
11	26/3/10	Remuneration to President Car and members of ZP	0.42
12	23/4/10	Purchase of two numbers of A.C.	1.00
		Total	**11.00**
		Sonai AP	
1	28/4/08	Maintenance of office chamber president	0.22
2	19/5/08	Purchase o office stationery	0.07
3	23/10/08	Purchase o office stationery	0.10

(1)	(2)	(3)	(4)
4	15/12/09	Purchase o office stationery	0.32
5	02/8/09	Purchase o office stationery	0.15
6	28/5/09	Preparing of office building	0.72
7	05/6/09	Preparing of office building	0.50
8	22/6/09	Preparing of office building	0.70
9	14/9/09	Preparing of office building	2.46
10	06/9/09	Preparing of office building	0.25
		Total	**5.49**
		Udarband AP	
1	29/3/07/ Vr no.35, 36, 37 & 51	Purchase of Sewing machines 4nos @ 5000/- each	0.20
2	29/3/07/ Vr no.43, 44	Purchase of Sewing machines 2nos @ 4000/- each	0.08
3	29/3/07/ Vr no.38	Purchase of Fishing net	0.02
4	29/3/07/ Vr no.40,41,42	Purchase of Hand cart 3nos @ 3000/- each	0.09
5	29/3/07/ Vr no.49, 50, 55, 56	Purchase of Rickshaw 4nos @ 8500/- each	0.34
6	29/3/07/ Vr no.43,44	Constn of Panshop 1 no.	0.17
7	29/3/07/ Vr no.43,44	Constn of Riceshop 1 no.	0.17
8	16/6/09/ Vr no.146	Purchase of Sewing machines 30 nos @ 4990/- each	1.50
		Total	**2.57**
		Tarinipur GP	
1	2/27.4.2008	Construction & Repairing of Tarinipur G.P. Office	0.27
2	3/21.4.2008	Laskar Bricks Industries, Katakhal being the cost of Bricks and Sands chief against the repairing of Tarinipur G.P. Office under TFC fund.	0.19
3	4/21.4.2008	Paid to Babul Uddin for construction of G.P. Office	0.08
4	5/21.4.2008	Paid to Sri Abdual Hanna Mazumder	0.07
5	15/17.06.2010	(i) Cost of timber for construction of G.P. Office	0.22
		(ii) Cost of Hardware materials for construction of G.P. Office	0.18
		(iii) Cost of ordinary Soil for construction of G.P. Office	0.13
		(IV) Labour wages. for construction of G.P. Office	0.17
		Total	**1.31**

Appendix 2.7

Ref. Para: 2.8.4.5

Details of unauthorized expenditure beyond the purview of Annual Plan of BRGF

(₹ in lakh)

Sl. no.	Name of work/Item of expenditure	Amount spent	Date/Year of expenditure
1	Distribution of Rickshaw, thela to BPL family holder under Udharband LAC.	3.10	2007-08
2	Construction of Super Msarket at Poloirbond TE (Phase I)	4.90	2008-09
3	Construction of approach road Kashiband Bridge under Lakhipur Block.	1.00	2009-10
4	Improvement of road from Labobridge to Salamatopur via Dewan basti	1.00	2009-10
5	Improvement of signboard road	1.00	2009-10
6	Bimal Singh house, Kachudarm GP	0.80	2009-10
7	Advertisement bills in local dailies	0.76	23/9/08
8	-do-	0.78	24/9/08
9	Renovation of office building purchase of stationeries/advertisement bills/repairing of office vehicle	6.32	Between 1/8/09 and 18/3/10
10	Repayment of car loan to Manager UCO Bank	5.00	1/10/10 (cheque No. 002825 dt.1/10/10)
	Total	**23.66**	

Appendix 2.8

Ref. Para: 2.12

Loss of revenue due to non settlement of markets with the highest bidder

(₹ in lakh)

Name of PRI	Year	No. of market involved	Highest Bid value	Settled Bid value	Difference/ less settled value
Bordoloni AP	03-04	8	4.23	2.85	1.38
	04-05	7	4.44	3.57	0.87
	05-06	9	7.32	3.66	3.66
	06-07	7	6.77	3.25	3.52
	07-08	3	2.35	1.11	1.24
	08-09	8	6.98	3.77	3.21
	09-10	6	4.15	2.23	1.92
North Lakhimpur ZP	2008-09	17	181.68	69.36	112.32
	2009-10	17	163.01	82.81	80.20
		Total	**380.93**	**172.61**	**208.32**

Appendix-2.9

Ref. Para: 2.12

Short realization of settlement amount (Kist money)

(₹ in lakh)

Sl. No.	Name of PRIs	Period	Settlement amount	Amount realized	Short realized amount	No of hat/ghat
1	Dibrugarh ZP	2006-10	26.67	15.53	11.14	3-6
2	Jamadarjat AP	2007-10	2.36	1.47	0.89	7
3	Borkhola AP	2002-10	1.54	0.92	0.62	NA
4	Bordoloni AP	2003-10	42.94	29.83	13.11	4-8
5	Tingkhong AP	2008-10	8.40	7.47	0.93	NA
6	North Lakhimnpur ZP	2008-10	151.72	122.55	29.17	NA
7	Narayanpur AP	2007-10	11.41	3.14	8.27	NA
8	Tlahi AP	2007-10	4.44	2.66	1.78	NA
9	Karunabari AP	2007-10	10.38	5.55	4.83	NA
10	Cachar ZP	2008-10	18.43	13.93	4.50	NA
11	Sonai AP	2007-10	3.01	1.25	1.76	NA
		Total	**281.30**	**204.30**	**77.00**	

Appendix 2.10

Ref. Para: 2.12

Non-realization of Registration Fee & Stamp Duty

(₹ in lakh)

Sl. No.	Name of PRIs	Period	Settled value	Value of Registration Fee	Value of stamp duty	Total amount
1	Dibrugarh ZP	2006-10	80.27	5.22	2.41	7.63
2	Dhemaji AP	2002-10	NA	0.74	0.06	0.80
3	Jamadarhat AP	2007-10	5.59	0.21	0.17	0.38
4	Bordoloni AP	2003-10	42.94	2.13	1.28	3.41
5	Lakhimpur ZP	2008-10	69.36	12.16	2.08	14.24
6	Narayanpur AP	2007-10	11.41	0.44	0.34	0.78
7	Cachar ZP	2008-10	25.13	1.83	0.75	2.58
		Total	**234.70**	**22.73**	**7.09**	**29.82**

Appendix 2.11

Reference Para 2.12

Non-distribution of due share money by ZPs and APs

(₹ in lakh)

Name of PRI	Year	Total collection	Due share of ZP/AP (20/40 per cent)	Share paid to ZP/AP	Retention of share of ZP/AP	Admissible share of GP (40 per cent)	Share paid to GPs	Retention of share of GP
Bordoloni AP	2002-10	29.83	5.97	1.11	4.85	11.93	6.86	5.07
Borkhola AP	2002-10	0.92	0.18	Nil	0.18	0.37	Nil	0.37
Cachar ZP	2008-11	21.75	4.35	1.71	2.64	4.35	Nil	4.35
North Lakhimpur ZP	2008-10	123.48	49.39	7.37	42.02	49.39	7.07	42.32
Telahi AP	2007-11	3.50	0.70	Nil	0.70	1.40	Nil	1.40
Narayanpur AP	2007-11	3.14	62.71	Nil	62.71	1.25	Nil	1.25
	Total	**182.62**	**123.30**	**10.19**	**113.10**	**68.69**	**13.93**	**54.76**

Appendix-2.12

Ref. Para: 2.13.2

Expenditure on ineligible items out of TFC Grants

(₹ in lakh)

Name of PRI	Period	Amount involved	Purpose for which expenditure incurred
Dibrugarh ZP	16-8-07 to 16-2-10	12.35	Payment of pay, stationary materials, construction of guest house, Sewing machines for Individual Beneficiary, sweets and refreshment, truck fare, labour charge, procurement of furniture etc. TFC
Borkhola AP	31-5-07 to 7-1-10	1.32	
Bordoloni GP	7-8-08 to 19-3-09	2.36	
Kachutoli GP	16-6-08 to 27-8-09	2.04	
Borkhola GP	3/07 to 12/09	0.48	
	Total	**18.55**	

Appendix-2.13

Ref. Para: 2.14.4

Inadmissible expenditure out of MGNREGS fund

Name of PRI	Date of payment	Expenditure made for	Amount involved (₹)
Borkhola AP	1-10-08	Rent of office building	44,064
	1-10-08	Electricity bill for 7/07 to 3/08	2,700
	3-10-08	Rent for office godown	19,500
	25-9-09	Rent of office building & Electricity bill	46,377
	20-10-09	Rent for office godown for 10/08 to 9/09	18,000
North Lakhimpur ZP	11.4.08	Repairing of Office building	99,907
	22.4.08	Rent of warehouse	1,00,000
	9.6.08	Repairing of office building	2,99,986
	11.8. 08	Rent of warehouse	97,875
	12.1.09	Purchase of stationery	1,57,530
	4.3.09	Purchase of Laptop & Projector	1,81,772
	24.9.09	Renovation of Ganga Jamuna Temple	2,62,792
	24.9.09	Renovation of Ganga Jamuna Temple	12,516
	18.2.10	Renovation of Ganga Jamuna Temple	1,40,578
	18.2.10	Renovation of Ganga Jamuna Temple	83,340
		Total	**15,66,937**

Appendix 2.14

Ref. Para: 2.14.6

A. Statement showing the discrepancies in the payment of wages under MGNREGS

Sl. no.	Name of work	Master Roll No.	Name of worker	Job Card No.	Amount paid (₹)	Discrepancies observed
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Construction of road from Pukhuri Para Road to Lohit Chetia Path (under Niz laluk GP)	14667	Mousumi Gogoi	007-071	600	Signature did not match
		-do-	Bipul Chetia	007-1300	600	
		-do-	Hemchanda Gogoi	007-1311	600	
		-do-	Nabin Gogoi	007-009	600	
		14668	Probin Neog	007-1053	600	
2	-do-	15443 to 15446	35 no. workers		27,300	Signature/thumb impression were not obtained
3	Constn. of Fishery Tank at Lakhimpur Kristi Bikash Kendra (under Bongalmora GP)	3548	Iman Ali	07079	600	Thumb impression in the MR but signature in Job Card Register
		3544	Tejen Bora	6013-192	600	
		3551	Robin Dsutta	6015-137	600	Signature did not match
		3551	Khireswar Dutta	6015-163	600	

(1)	(2)	(3)	(4)	(5)	(6)	(7)
4	Improvement of road from Sonari Water Supply to Rajbari with 1 No. RCC culvert. (Dikrong GP)	7158	Sukhran Mundda	6003	600	Thumb impression in the MR but signature in Job Card Register
		7158	Joya Biswas	6123	600	
		7158	Sini Biswas	6069	600	
		7158	Sadhan Biswas	6030	600	
		7158	Uttam Biswas	6269	600	Signature did not match
Total					**₹35,700**	

B. Statement showing non tallying of signature of MR workers in between MR bills and Job Card register.

Name of GP	Sl. No.	Vouchers No. and date	Amount	Remarks
Badati Jamaguri	1	347/17.10.10	18,000	Signatures of the MR workers have not been tallied between the signature in MR bills and Job Card register.
	2	393/31.3.11	19,500	Signatures of the MR workers have not been tallied between the signature in MR bills and Job Card register.
	3	395/31.3.11	19,500	Signatures of the MR workers have not been tallied between the signature in MR bills and Job Card register.
	Total		**₹57,000**	