ANNUAL TECHNICAL INSPECTION REPORT

ON

LOCAL BODIES

In terms of the Technical Guidance and

Support of the Comptroller and

Auditor General of India

FOR THE YEAR ENDED 31 MARCH 2013

GOVERNMENT OF MADHYA PRADESH

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PREFACE

This report of Comptroller and Auditor General of India has been prepared for submission to the Governor of Madhya Pradesh under Technical Guidance and Support over the audit of Urban Local Bodies and Panchayati Raj Institutions.

The report covering the period 2012-13 contains observations on Urban Local Bodies and Panchayati Raj Institutions. This Report consists of two Parts. Part - I deals with the observations on Urban Local Bodies and Part – II deals with the observations on Panchayati Raj Institutions.

The cases mentioned in the Report are among those, which came to notice in the course of test audit of accounts for the period 2012-13 as well as those which had come to notice in earlier years, but could not be reported in previous Audit Reports; Matters relating to the period subsequent to 2012-13 have also been included, wherever necessary.

Audit has been conducted in conformity with auditing standard issued by the Comptroller and Auditor General of India, based on the auditing standards of the International Organisation of Supreme Audit Institutions.

OVERVIEW

This Report consists of two Parts. Part - I on Urban Local Bodies (ULBs) and Part - II on Panchayati Raj Institutions (PRIs). Part I is divided into two Chapters viz. Chapter- 1: An Overview of the Finances and Accounts of ULBs and Chapter –2: Audit of Transactions. Part II consists of three Chapters viz. Chapter 3: An Overview on Finances and Accounts of PRIs, Chapter 4: Performance Audit of Backward Region Grant Fund Programme and Chapter-5: Audit of Transactions.

PART – I
URBAN LOCAL BODIES

CHAPTER - 1
AN OVERVIEW OF FINANCES ACCOUNTS OF URBAN LOCAL

Accounts prepared by the ULBs were not in accordance with MP Municipal Accounting Manual in ULBs. The details of receipts and expenditure of all ULBs were not available with the Directorate, UADD. There were differences between the cash book balances and bank balances of ULBs due to non-reconciliation, which is fraught with the risk of misuse of funds. Recovery of significant amount of tax and non-tax revenues remained outstanding. Temporary advances given to individuals and agencies remained unadjusted/unrecovered for a long time. UCs of ThFC grants were sent to GoI on the basis of funds released to ULBs without ascertaining actual utilisation of grants.

(Paragraphs 1.1 to 1.12)

CHAPTER – 2
AUDIT OF TRANSACTIONS

In two Municipal Corporations (MCs) no survey was conducted for assessment of annual letting value of properties and verification of self assessment of property tax made by property owners. In five MCs, there were shortfalls in collection of property tax; ₹ 561.18 crore remained outstanding as on 31 March 2013.

(Paragraph 2.1)

Municipal Council Petlawad delayed remittance of revenue collected amounting to ₹ 91,480 and failed to remit receipts of ₹ 26,380 into bank.

(Paragraph 2.2)

Municipal Corporation Dewas did not maintain monthly power factor of 90 per cent or above on High Tension electricity connections in water treatment plants, which led to payment of ₹ 23.42 lakh as penalty.

(Paragraph 2.3)

Municipal Corporation Dewas paid extra energy charges of Rs. 47.26 lakh due to continuously availing temporary electricity connection taken in place of permanent connection for a water treatment plant.

(Paragraph 2.4)

PART – II

PANCHAYATI RAJ INSTITUTIONS

CHAPTER – 3
AN OVERVIEW OF FINANCES AND ACCOUNTS OF PANCHAYATI RAJ INSTITUTIONS

Budgets and Annual Accounts prepared by the PRIs were not in prescribed formats. Details of receipts and expenditure of PRIs from their own sources were not available with Directorate of Panchayati Raj. Effective pursuance was not made by DLFA for settlement of outstanding Paras of PAG`s Audit Inspection Reports. There were differences between the cash book and bank balances of PRIs due to non-reconciliation, which is fraught with the risk of misuse of funds. Temporary advances given to individuals/ agencies remained unadjusted/ unrecovered for a long period. Utilisiation Certificates of ThFC grant were sent to GoI based on funds released to PRIs and not on the basis of actual utilisation. **(Paragraphs 3.1 to 3.12)**

CHAPTER – 4
PERFORMANCE AUDIT OF BACKWARD REGION GRNT FUND PROGRAMME

The Annual Plan did not give due priority to the most backward sectors identified through SWOT analysis defeating the Programme objective of removing critical gaps in local infrastructure and regional imbalances in development. There were delays in approval of plans which affected the programme adversely. There were significant shortfalls in execution of the works included in the Annual Plans. There were large unutilised funds since the District authorities failed to utilise the funds within stipulated period. Surplus funds against the completed works and unspent funds on works remained incomplete for a long period were not refunded by the Sarpanch of GPs and the executing agencies (line departments). Training programmes to build capability of staff and PRI representatives were not conducted regularly. BRCs were not functioning properly due to non-deployment of staff.

(Paragraph 4.1)

CHAPTER – 5
AUDIT OF TRANSACTIONS

Due to injudicious decision of Madhya Pradesh State Employment Guarantee Council, MGNREGS funds of Rs. 45.83 crore remained blocked for four months resulting in loss of interest of Rs. 61.11 lakh to the Scheme Fund.

(Paragraph 5.1)

PART – I
URBAN LOCAL BODIES

CHAPTER– 1
AN OVERVIEW OF FINANCES AND ACCOUNTS OF URBAN LOCAL BODIES

1.1 Introduction

Article 243W of the Constitution of India envisages that the State Government may, by law, endow the Municipalities with such powers and authorities as may be necessary to enable them to function as institutions of self Government and such law may contain provisions for devolution of powers and responsibilities upon Municipalities.

After 74th Amendment of the Constitution of India in 1992, the Urban Local Bodies (ULBs) were made full fledged and vibrant institutions of Local Self Government by vesting them with clearly defined functions and responsibilities. Accordingly, the Government of Madhya Pradesh re-organised these institutions into three types of ULBs, namely Municipal Corporations for larger urban areas, Municipal Councils for smaller urban areas and Nagar Parishads for a transitional area[1].

At present there are 14 Municipal Corporations, 100 Municipal Councils and 263 Nagar Parishads in the State.

The basic particulars of the State of Madhya Pradesh are given below:

Particulars	Unit	All India figure	State figure
Population	crore	121.02	7.26
Share in country's population	*per cent*	--	6
Urban population	crore	38	2
Share of urban population	*per cent*	31	28
Literacy rate	*per cent*	74	71
Sex ratio (females per thousand males)	ratio	940/1000	930/1000

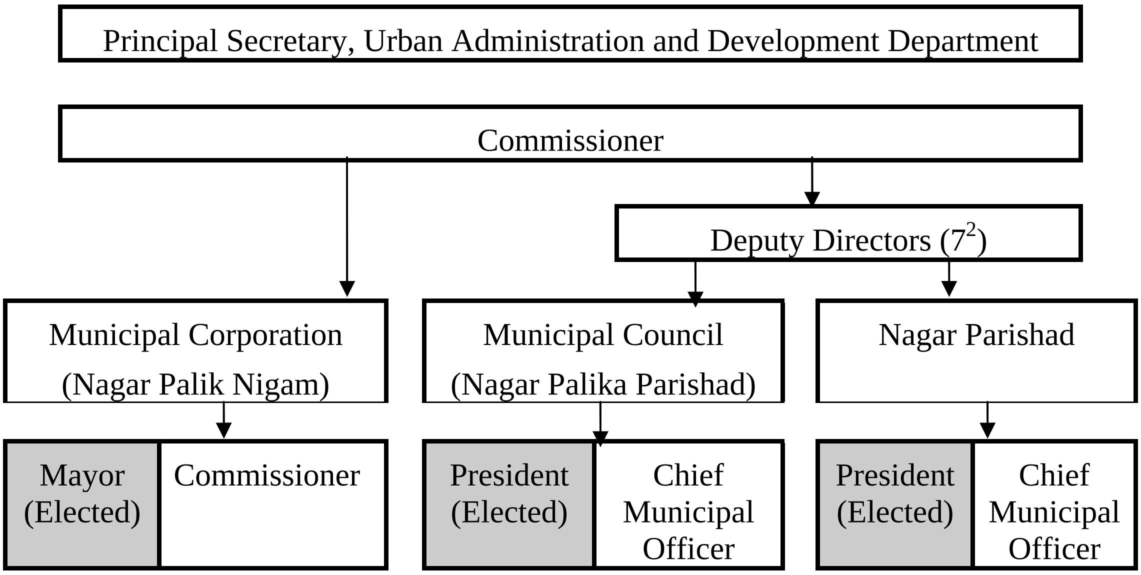
Source: Provisional report of Census 2011

1.2 Administrative arrangements

All the ULBs are empowered to discharge the functions devolved under the provisions of Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961 subject to monitoring powers vested in State authorities provided therein. The organisational structure of the Urban Administration and Development Department (UADD) is as follows:

[1] It means such area as the Governor may decide as per population density, revenue generation, agricultural activities, economic importance etc.

Organisational Chart of UADD and ULBs



1.3 Implementation of Audit Plan during 2012-13

Out of 70 ULBs (10 Municipal Corporations, 20 Municipal Councils and 40 Nagar Parisads) planned for audit, accounts and records of 57 ULBs (09 Municipal Corporations, 16 Municipal Councils and 32 Nagar Parisads) were test checked during the year 2012-13. List of ULBs audited is given in **Appendix-1.1**. In addition, Performance Audit of implementation of Solid Waste Management in 33 ULBs was conducted covering the period from August 2012 to April 2013.

1.4 Accounting arrangements

The Urban Administration and Development Department (UADD) published the Madhya Pradesh Municipal Accounts Manual (MPMAM) in July, 2007 for adoption of accrual basis of accounting by the ULBs with effect from 1 April 2008.

As per information furnished by the Commissioner, UADD, out of 377 ULBs, 40 ULBs fully adopted MPMAM and in 15 ULBs implementation was in progress. In the remaining the 322 ULBs, the formats of Accounting Rule, 1971 were adopted (July 2013).

During test check (April 2012 to August 2013) of accounts of 18 ULBs **(**two Municipal Corporations[3], nine Municipal Councils[4] and seven Nagar Parishads[5]), we observed that the accounts prepared by the ULBs were not in accordance with the MPMAM, except in Municipal Corporation, Sagar.

[2] Bhopal, Gwalior, Indore, Jabalpur, Rewa, Sagar and Ujjain
[3] Burahanpur and Sagar.
[4] Ambah, Balaghat, Dhanpuri, Harda, Hatpipalya, Malajkhand, Pipariya, Rau and Shivpuri
[5] Akodiya, Bhainsdehi, Niwadi, Orchha, Pandhana, Piploda and Shahganj.

1.5 Audit arrangements

1.5.1 As per recommendations of the Eleventh Finance Commission, audit of ULBs by Director Local Fund Audit (DLFA) has been brought (November 2001) under the Technical Guidance and Supervision (TGS) of the C&AG. Accordingly, audit of nine Municipal Corporations, 16 Municipal Councils and 32 Nagar Parishads was conducted during 2012-13 and inspection reports were sent to DLFA for providing technical guidance.

The Thirteenth Finance Commission (ThFC) recommended that Annual Technical Inspection Report (ATIR) of C&AG as well as the Annual Report of the DLFA should be placed before the State Legislature. Accordingly, amendments were made (January 2012) in the Madhya Pradesh Municipal Corporation Act, 1956 and Madhya Pradesh Municipalities Act, 1961, which provide that the ATIRs and DLFA reports are to be laid before the State Legislature.

1.5.2 Technical Guidance and Support provided by IA&AD

Section 152 of Regulation on Audit & Accounts, 2007 envisages the following arrangements regarding technical guidance and support to ULBs:

- Local Fund Auditor will prepare annual audit plan for audit of ULBs and forward it to the Principal Accountant General (Audit) of the State.
- The audit methodology and procedure for audit of ULBs by the Local Fund Auditor will be as per various Acts and Statutes of the State and guidelines prescribed by the CAG.
- Copies of inspection reports shall be forwarded to the Principal Accountant General (Audit) for advice on system improvement.
- The Local Fund Auditor will pursue compliance with the audit observations made in the Inspection Reports of the Principal Accountant General (Audit).

We observed that the Annual Audit Plans for 2012-13 were prepared by DLFA, which were forwarded to Audit.

In May 2014, a meeting was held between Director, Local Fund Audit and Principal Accountant General (Audit), Madhya Pradesh and it was agreed upon that the above provisions of section 152 of Regulation on Audit & Accounts 2007 would be complied with.

1.6 Sources of revenue

As per provisions of Section 105 of MP Municipalities Act, 1961 and Section 87 of MP Municipal Corporation Act, 1956, there are mainly two sources of revenue for Urban Local Bodies, viz. Government grants and own revenues, which contains:

- grants assigned under thirteenth Finance Commission;

- four *per cent* of divisible tax revenue of the State Government devolved as per the recommendation of Third State Finance Commission; and
- loans from State Government and other sources with prior permission of the State Government .

1.7 Budgetary allocation and expenditure

Funds (share of tax revenue of the State, scheme funds and grants etc.) allocated to ULBs by the State Government through Budget during the period 2008-09 to 2012-13, were as under:

Table No. – 1: Receipts and expenditure of grants in ULBs

(₹ in crore)

Budgetary allocation				Expenditure			Unspent balance (4-7)
Year	Revenue	Capital	Total	Revenue	Capital	Total	
1	2	3	4	5	6	7	8
2008-09	2263.38	355.24	2618.62	2112.90	205.42	2318.32	300.30
2009-10	2878.76	391.83	3270.59	2726.60	208.55	2935.14	335.45
2010-11	3577.21	323.15	3900.36	2983.60	202.64	3186.24	714.12
2011-12	4148.30	208.00	4356.30	3743.23	152.54	3895.77	460.53
2012-13	5271.89	215.09	5486.98	4879.63	138.50	5018.13	468.85
Total	**18139.54**	**1493.31**	**19632.85**	**16445.96**	**907.65**	**17353.60**	**2279.25**

Source: Detailed Appropriation Accounts (Grant Nos. 22, 53, 68 and 75).

We, however, observed that details of receipts of ULBs from their own sources and expenditure thereagainst were not maintained by the Commissioner, UADD. As per Article 98 of Madhya Pradesh Municipal Corporation Act, 1956 and Article 116 of Madhya Pradesh Municipal Council Act, 1961, the ULBs are required to prepare budget estimates covering all receipts and expenditure and send the same to the State Government.

The Commissioner, UADD stated (July 2013), that the same would be collected and furnished to Audit. Information is still awaited (May 2014).

1.8 Status of outstanding Inspection Report (IR) Paras

During the year 2012-13, the accounts and records of 57 ULBs were test checked and inspection reports were sent to DLFA for technical guidance as per TGS arrangements. The DLFA was to follow up compliance with the audit observations. We, however, observed that 5732 paragraphs in 654 Inspection Reports (IRs), (including 603 paragraphs in 61 IRs issued during 2012-13) were pending for settlement as of March 2013.

1.9 Bank reconciliation statements not prepared

Rules 97-98 of Madhya Pradesh Municipal Accounts Rules, 1971 provide that the reconciliation of differences, if any, between the balances of cash book and bank accounts is required to be conducted every month.

During test check (June to September 2013) of records, it was noticed that in seven ULBs (two) Municipal Councils and five Nagar Parisads) bank balance of ₹0.64 crore was less than cash book balance and in 13 ULBs (one Municipal Corporation, six Municipal Councils and six Nagar Parisads) bank balance was ₹ 4.38 crore more than the cash book balance as on 31 March 2013. The details are shown in **Appendix- 1.2.** However, the differences were not reconciled by the ULBs.

The non-reconciliation of cash book balance with bank balance is fraught with the risk of misuse of funds.

1.10 Non-realisation of tax/ non-tax revenue

As per Section 87 of MP Municipal Corporation Act, 1956, ULBs earn revenue from their own resources through taxes, rent, fees, issue of licenses etc.

During audit, we observed that in 29 ULBs (six Municipal Corporations[6], 15 Municipal Councils[7] and eight Nagar Parishads[8]) tax revenue (property tax) amounting to ₹ 121.55 crore, remained unrealised as on 31 March 2013. Details are given in **Appendix–1.3 A.** In addition, rent and premium of buildings and shops amounting to ₹ 4.54 crore remained unrealised as on 31 March 2013; details are given in **Appendix 1.3 B**. Other than these ULBs, in three MCs viz Burhanpur, Indore and Satna property tax amounting to ₹ 552.73 crore was outstanding as on 31 March 2013. The position of raising of demand, collection and outstanding recovery of property tax in these MCs has been discussed in Para no. 2.1 of the report.

Similarly in non-tax revenue, water charges pertaining to five Municipal Corporations[9], 13 Municipal Councils[10] and five Nagar Parishads[11] amounting to ₹ 136.95 crore remained unrealised as on 31March 2013. Details are given in **Appendix–1.4**

The ULBs did not take necessary action under sections 173 to 183 of the Act *ibid* to recover the dues.

On this being pointed out, the ULBs replied (April 2012 to September 2013) that recovery would be made. Updated position called for in December 2013 is awaited.

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6 Bhopal, Khandwa, Jabalpur, Ratlam, Sagar and Satna

7 Ambah, Balaghat, Dhanpuri, Dongerparasia, Harda, Hatpipalya, Khand, Loharda, Malajkhand , Mandleshwar, Pachor, Piparia, Rajgarh, Shujalpur and Waraseoni

8 Akodia, Badkuhi, Maksi, Manpur, Niwadi, Pandhana, Piploda and Rajgarh (Dhar)

9 Bhopal, Jabalpur, Khandwa, Ratlam and Satna

10 Ambha, Balaghat, Dhanpuri, Dongerparasia, Harda, Hatpipalya, Loharda, Malajkhand , Mandleshwar, Pachor, Pipariya, Shujalpur and Waraseoni,

11 Akodia, Maksi,Manpur,Pandhana and Piploda,

1.11 Non adjustment of temporary advances paid to individuals and agencies

Rule 112 (2) of the MP Municipal Accounts Rules, 1971 stipulates that no advance shall be drawn unless the amount is likely to be spent within one month.

Test check of records (2012-13) in 17 ULBs (eight Municipal Corporations[12] four Municipal councils[13] and five Nagar Parishads[14]) revealed that temporary advances of ₹ 7.59 crore paid to individuals and agencies during the period from October 1987 to February 2013 remained outstanding as on 31 March 2013. Details are given in **Appendix-1.5**.

The Commissioner/CMOs of concerned ULBs stated (September 2012 to September 2013) that recovery of advances would be made. Updated position called for (December 2013) is awaited.

1.12 Release and utilisation of Thirteenth Finance Commission (ThFC) Grants to Urban Local Bodies

The Thirteenth Finance Commission (ThFC) made recommendations on the measures needed to augment the Consolidated Fund of the State to supplement the resources of the Urban Local Bodies (ULBs). In this regard, basic grant recommended for its award period 2010-15 and Performance Grant would be available from 2011-12 to the State, subject to fulfillment of certain conditions.

The Central grant received/released by the State Government on the recommendations of ThFC during the year 2012-13 is given below:

Table No.-2: Grants received and released by State Government to UADD/ULBs

(₹ In crore)

Details of grants	Amount
General Basic Grant (GBG)	198.08
Special Area Basic Grant (SABG)	3.94
Special Area Performance Grant	3.94
Total	**205.96**

(**Source:** Information furnished by Finance Department and UADD)

- One of the conditions for release of Performance Grant was to implement an accounting framework consistent with the accounting format and codification pattern suggested in the National Municipal Accounting Manual (NMAM) in all ULBs. We found in 17 test checked ULBs[15] that the accounts were not being prepared as per NMAM.

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12 Bhopal, Burhanpur, Sagar , Satna ,Ratlam,Ujjain,Khandwa,Jabalpur

13 Hatpipalya, , Dhanpuri, Balaghat, and Malajkhand

14 Akodia,Rajgarh,Niwadi,Pandhana,Orchha

15 Ambah, Akodiya, Balaghat, Bhainsdehi, Burahanpur, Dhanpuri, Harda, Hatpipalya, Malajkhand, Niwadi, Orchha, Pandhana, Pipariya, Piploda, Rau, Shahganj and Shivpuri

- Para 6.4.10 of ThFC guidelines envisages that all Municipal Corporations and Municipalities will notify by the end of a fiscal year (31 March) the service standards (declaration of minimum level of services) for four service sectors i.e. water supply, sewerage, storm water drainage and solid waste management proposed to be achieved by them by the end of the succeeding fiscal year (31 March). A notification in the State Government Gazette in this regard would also demonstrate compliance with this condition before 31 March every year.

  During test check of records of 11 ULBs we observed that the notifications/ declarations were not made by six ULBs[16]. On this being pointed out (September 2013), the CMOs stated that action would be taken after consultation with UADD,

  The matter was reported to Government (November 2013); reply is awaited (May 2014).

  We also observed that Finance Department sent UCs to GoI for grants amounting to ₹ 205.96 crore received from ThFC, on the basis of funds released to ULBs by the UADD without ascertaining actual utilization of funds by the ULBs. It was further observed in 11 tests checked ULBs [17] that out of Rs. 6.24 crore released during 2012-13, ₹ 1.81 crore was lying unspent with the ULBs as on 31 March 2013. Thus, submission of UCs to GoI for the entire amount of grant received during a year was not correct.

  The matter was reported to the Secretary, FD in October and December 2013; reply is awaited (May 2014).

1.13 Conclusion

Accounts prepared by the ULBs were not in accordance with MP Municipal Accounting Manual in ULBs. The details of receipts and expenditure of all ULBs were not available with the Directorate, UADD. There were differences between the cash book balances and bank balances of ULBs due to non-reconciliation, which is fraught with the risk of misuse of funds. Recovery of significant amount of tax and non-tax revenues remained outstanding. Temporary advances given to individuals and agencies remained unadjusted/unrecovered for a long time. UCs of ThFC grants were sent to GoI on the basis of funds released to ULBs without ascertaining actual utilisation of grants.

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16 Amarkantak, Ambah, Jaithari, Naurozabad, Pali and Umaria,

17 Ambah, Amarkantak, Anuppur, Badkuhi, Baraseoni, Berasia, Jaithari, Naurozabad, Pali, Pasaan, and Umaria,

CHAPTER – 2

AUDIT OF TRANSACTIONS

2.1 Short/non-recovery of property tax by Municipal Corporations

In two Municipal Corporations (MCs) no survey was conducted for assessment of annual letting value of properties and verification of self-assessment of property tax made by property owners. In five MCs, there were shortfalls in collection of property tax; ₹ 561.18 crore remained outstanding as on 31 March 2013.

The property tax is one of the most important sources of income of the Municipal Corporations (MCs). The MCs are authorised to impose in the whole or in any part of the Municipal area, property tax at the rate not less than six *per cent* and not more than ten *per cent* of the annual letting value as may be determined by the Corporation for each financial year. Every owner of the building or land of the municipal area has to himself calculate the annual letting value of his property and the amount of the property tax and deposit the amount of the aforesaid tax in the municipality within the prescribed time.

The Commissioner has to arrange a survey of properties within the Municipal area for the purpose of assessment of the annual letting value of property tax at least once in five years. Deficiencies/ shortfalls in assessment, levy and collection of property tax in five test checked Municipal Corporations (out of 14) are discussed in the succeeding paragraphs.

- **Survey for the assessment of property tax:** As per the provisions contained in Section 143 (3) of the MP Municipal Corporation Act, 1956, the Commissioner shall arrange a survey of properties within the Municipal area for the purpose of assessment of the annual letting value of properties in each part of the city at least once in five years. The survey is also essential to verify the correctness of the self-assessment of the property tax by the property owners.

  Survey for assessment of property tax was not conducted in two MCs.

  During test check of the records (May 2013) of five MCs, we observed that in MCs Burhanpur and Sagar, no such survey was conducted during last ten years for the purpose of assessment of property tax. The survey was conducted by the MCs Bhopal, Indore and Satna.

  On this being pointed out, the Commissioner of MC Sagar replied (March 2014) that the resolution for reassessment of property tax was passed by the Mayor-in-Council in 2011-12. The assessment of property tax on the basis of GIS survey would be done in 2013-14. The Commissioner of MC Burhanpur stated (June 2013) that action was being taken for survey for the assessment of property tax.

  The reply was not in order since it was necessary to arrange for a survey to verify the correctness of the self-assessment made by the property holders under Rule 10 of the MP Municipalities (Determination of annual letting value of building/land) Rules, 1997 and addition of new properties in the municipal area.

There were shortages in collection of property tax raised by the test checked MCs.

- **Demand and collection of property tax:** In five[1] MCs, we observed that during the period 2010-13, demand of property tax amounting to ₹ 1017.79 crore was raised by these MCs, of which a total amount of ₹ 456.61 crore was realised and property tax of ₹ 561.18 crore remained outstanding for recovery as on 31 March 2013.

  We further observed (during April to September 2013) that there was shortfall in collection of demand of property tax raised by the MCs. The collection of property tax was very poor in MC Indore, which was only 18.64 *per cent* to 20.05 *per cent* of the total demand during the years 2010-11 to 2012-13, while performance was much better in MC Bhopal where collection was 79.86 *per cent* to 84.33 *per cent* of the total demand of the year during the above period. This indicated that effective steps for the recovery of property tax as required under provisions of Section 174 and 175 of the MP Municipal Corporation Act, 1956 were not taken by the MCs. The details are given in **Appendix-2.1**

  On this being pointed out (September 2013), the Commissioners of MCs replied (September 2013) that efforts were being made for recovery of outstanding taxes by organising recovery camps and issuing demand/warrant notices.

  We further noticed that there were differences of figures between closing balance of outstanding property tax of the current year with those carried forward as opening balance in the following year, as can be seen from **Appendix-2.1**

  On this being pointed out (September 2013), the Commissioners of Bhopal and Sagar replied (September 2013) that some property holders did not assess their property tax timely, hence their demand was added in the demand of following year. The Commissioners of MC Burhanpur and Indore replied that due to reassessment of properties, the rates increase which reflect as excess demand in the opening balance. The Commissioner of MC Satna replied that the reasons for the differences would be investigated and intimated to Audit.

  Significant differences of figures every year indicate that levy and realisation of property tax was not properly accounted for by these MCs, which may lead to delay in realisation of revenue.

- **Pendency in recovery for a long time:** As per the provisions contained under Section 173 of the MP Municipal Corporation Act, 1956, when any amount of tax imposed within the limit of the city shall become due, the Commissioner shall, cause to be presented to any person liable for the payment thereof, a bill for the sum claimed as due.

  If the person, does not within 30 days of the service of notice, pay the sum demanded in the notice or prefer an appeal in accordance with the provisions of Section 184 against the demand, such sum with all costs of recovery may be recovered under a warrant signed by the Commissioner under Section 175 of the Act by distress sale of the movable property or by attachment and sale of the immovable property belonging to him.

[1] Municipal Corporations of Bhopal, Burhanpur, Indore, Sagar and Satna

Significant amount of property tax remained unrealised for more than two to 18 years.

In four[2] MCs, we found that property tax amounting to ₹ 6.58 crore was outstanding for more than two to 18 years from 174 property holders as on 31 March 2013. The details are given in **Appendix-2.2**

In MC Indore, we found that there were 4737 property owners whose property tax dues were more than ₹ one lakh and an amount of ₹ 196.64 crore of property tax was due from these property owners as on 31 March 2014. Age-wise pendency was not maintained by the MC Indore. Huge pendency in recovery of property tax indicates that effective steps as per the provisions of the Act were not taken for recovery of property tax from these property owners.

On this being pointed out, the Commissioners of MCs replied that efforts were being made for the recovery of outstanding property tax.

The fact remains that due to lack of effective action, recovery of large amount of property tax remained outstanding for more than two to 18 years.

2.2 Failure in immediate remittance of revenue collected

Municipal Council Petlawad delayed remittance of revenue collected amounting to ₹ 91,480 and failed to remit receipts of ₹ 26,380 into bank.

Rules 74 and 77 of Madhya Pradesh Nagar Palika Accounts Rule (MPNPAR), 1971 provides that cashier or nominated officer shall examine the entries in Daily Collection Register (DCR) along with the counterfoils of receipt book. The money shall be remitted to the bank within one day after collection. The Chief Municipal Officer (CMO) is to ensure compliance with the above Rules.

Scrutiny (July 2012) of counterfoils of receipt books, DCR and cash book for the of Municipal Council (MC) Petlawad for the period from April 2010 to March 2012 and further information obtained (August 2013) revealed that MC Petlawad collected shops rent and water charges amounting to ₹ 91,480 on 31 March 2011, but deposited the amount[3] between April 2011 and September 2011 with delays from 6 days to 165 days. Besides, receipts of ₹ 26,380[4] on account of rent of shops and water charges collected during March 20011 and March 2012 were not remitted/ short deposited into the bank.

Non-remittance of receipt is fraught with the risk of utilisation of funds for personal purposes. Hence the rules relating to prompt remittance of receipts should be scrupulously adhered to. There is a need to collect at a higher rate of interest from the delinquent officials to act as deterrent.

On this being pointed out (August 2013 & May 2014) Government replied that matter was under investigation.

[2] Bhopal, Burhanpur, Sagar and Satna

[3] ₹ 91,480 collected on 31.03.2011 which was deposited on 07.04.2011 (₹60,000), on 18.04.2011 (₹19,000) and on 16.09.2011 (₹12,480).

[4] Short deposit ₹670 (₹15,000 deposited against ₹15,670 collected on 31.03.2011) and non-deposit of ₹10,285, ₹6,680 and ₹8,745 collected on 02.03.2012, 07.03.2012 and 15.03.2012 respectively.

2.3 Avoidable expenditure of electricity charges

Municipal Corporation Dewas did not maintain monthly power factor of 90 *per cent* or above on High Tension electricity connections in water treatment plants, which led to payment of ₹ 23.42 lakh as penalty.

As per para 1.13 of general terms and conditions of High Tension Tariff (HTT) of Madhya Pradesh Electricity Regulatory Commission, if the average monthly Power Factor (PF) of the consumer falls below 90 *per cent*, the consumer shall be levied a penalty at one *per cent* of monthly bill for each one *per cent* fall in his average monthly power factor below 90 *per cent* and two *per cent* for each one *per cent* fall in his average monthly power factor below 85 *per cent*.

During test check of records (March 2013) and further information collected (September 2013) from Municipal Corporation (MC), Dewas for the period from May 2009 to July 2013 we observed that the monthly electricity bills pertaining to water treatment plant at Rajanal Talab of Dewas City did not maintain average power factor during the entire period. Madhya Pradesh Paschim Khetra Vidhut Vitran Company Limited (MPPKVVCL) levied adjustment charges amounting to ₹17.89 lakh on account of low PF along with the monthly electricity bills from May 2009 to July 2013 and MC, Dewas paid the entire amount. The Commissioner, of MC, Dewas attributed the low power factor to voltage fluctuations and improper functioning of capacitors.

We further noticed (September 2013), that in another connection to water treatment plant Kshipra also did not maintain average PF during the period from February 2010 to June 2013, which resulted in levy of adjustment charges of low PF amounting to ₹ 5.53 lakh by MPPKVVCL along with monthly electricity bills for the period. Thus, there was an avoidable payment of adjustment charges due to low power factor amounting to ₹ 23.42 lakh by MC, Dewas for the above two connections, as shown in **Appendix-2.3**

The Commissioner intimated (September 2013) that capacitor has been changed in July 2013 in order to maintain the power factor. This was done after the issue was pointed out in audit (March 2013). No penalty on account of low PF was levied after July 2013. Thus, due to delay in taking necessary steps to install capacitors for maintaining the stipulated PF, MC, Dewas paid avoidable penalty of ₹ 23.42 lakh.

Government accepted the facts and stated (December 2013 & May 2014) that MC, Dewas was responsible to maintain power factor.

2.4 Payment of extra energy charges due to temporary power connection.

Municiapal Corporation Dewas paid extra energy charges of ₹ 47.26 lakh due to continuously availing temporary electricity connection taken in place of permanent connection for a water treatment plant.

As per para 1.17 of General terms and conditions of high tension tariff of MP Electricity Regulation Commission (MPERC), if any consumer requires supply of electricity for a temporary period, the supply shall be treated as a separate service. For temporary connection, fixed charges and energy charges would be levied at 1.3 times the normal tariff of permanent connection and the fixed charges shall be recovered for the full billing month or part thereof. The demand in excess of deemed contract would be charged at 1.5 times the normal fixed charges.

Madhya Pradesh Paschim Kshetra Vidyut Vitaran Co. Ltd (MPPKVVCL) sanctioned (November 2008) a temporary power supply connection for three months for operation of a water treatment plant (WTP) at Rajanal Talab, Dewas under Municipal Corporation (MC), Dewas. On the request of the MC, Dewas, MPPKVVCL re-sanctioned the temporary connection two times (November 2009 and November 2012) which was functional up to September 2013. Though MC, Dewas requested for permanent connection several times (April, May and June 2009, August 2010, January 2011, May and August 2012), the request was rejected by MPPKVVCL since outstanding bills against Kshipra water treatment plant (permanent connection) were not paid by the MC, Dewas.

During test check of records (March 2013) of MC, Dewas and further information obtained (September 2013), we observed that MC, Dewas paid an extra amount of ₹ 47.26 lakh[5] towards energy charges on monthly electricity bills during the period May 2009 to August 2013 (**Appendix-2.4**) due to temporary connection taken in place of permanent connection.

On this being pointed out, the Commissioner of MCD stated that due to non-clearance of electricity dues of another connection (Kshipra WTP), the temporary connection to Rajanal Talab WTP could not be converted into permanent connection. Commissioner also stated (September 2013) that matter had been referred to the Government for decision.

The reply is not convincing, as continuance of temporary connection for permanent nature of work like water treatment plant resulted in avoidable expenditure of ₹ 47.26 lakh which shows negligence of MC, Dewas.

On this being pointed out (August 2013 & May 2014), Government accepted the facts and replied that temporary connection was converted into permanent with effect from 18 October 2013.

[5] Total amount of ₹ 123.77 lakh charged for temporary connection against ₹ 76.51 lakh for normal charge of permanent connection.

PART – II
PANCHAYATI RAJ INSTITUTIONS

CHAPTER – 3
AN OVERVIEW OF FINANCES AND ACCOUNTS OF PANCHAYATI RAJ INSTITUTIONS

3.1 Introduction

To promote greater autonomy at the grass root level and to involve people in identification and implementation of development programmes involving Gram Sabhas, the Seventy-third Constitutional Amendment Act, 1992 was promulgated. According to the provisions of Article 243 G of the Constitution, the Legislature of a State may, by law, endow the panchayats with such powers and authority as may be necessary to enable them to function as institutions of self-government and such law may contain provision for the devolution of powers and responsibility upon panchayat at the appropriate level, subject to such conditions as may be specified therein with respect to:

(a) preparation of plans for economic development and social justice; and

(b) implementation of schemes for economic development and social justice as may be entrusted to them including those in relation to the matters listed in the Eleventh Schedule[1].

Similarly, according to the provisions of Article 243 H of the Constitution, the Legislature of State may:

(a) authorise a panchayat to levy, collect and appropriate such taxes, duties, tolls and fees in accordance with such procedure and subject to such limits;

(b) assign to a panchayat such taxes, duties, tolls and fees levied and collected by the State Government for such purposes and subject to such conditions and limits;

(c) provide for making such Grants-in-Aid to the panchayats from the Consolidated Fund of the State; and

(d) provide for the constitution of such Fund for crediting all moneys received respectively by or on behalf of the panchayats and also for the withdrawal of such money therefrom, as may be specified in the Law.

Consequently the following three-tier system of Panchayati Raj Institutions (PRIs) has been established in the Madhya Pradesh.

- Zila Panchayat (ZP) at district level
- Janpad Panchayat (JP) at block level and
- Gram Panchayat (GP) at village level.

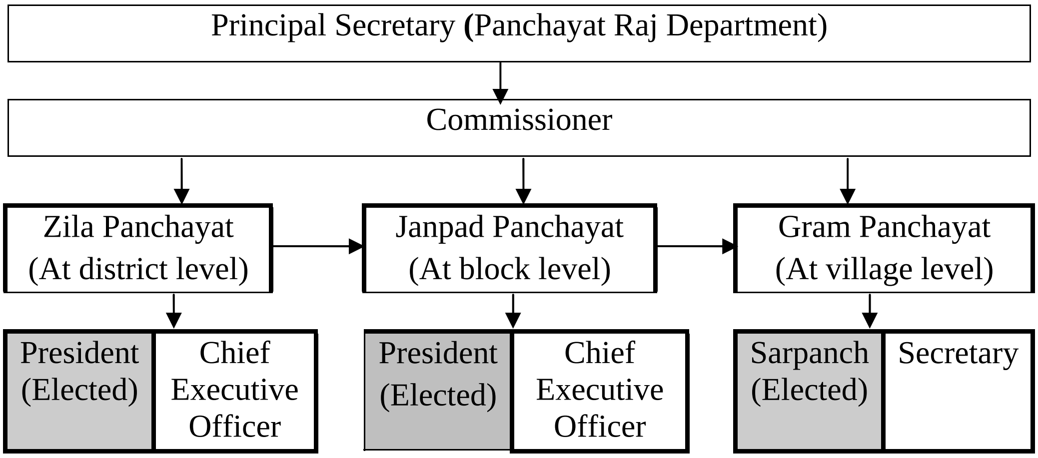
At present, there are 50 ZPs, 313 JPs and 23,006 GPs in the State(July 2013).

[1] Article 243 G and H of the Constitution (Seventy - third Amendment) Act. 1992.

3.2 Administrative arrangements

As per Chapter 3 of the Panchayat Raj Avam Gram Swaraj Adhiniyam, 1993, all the PRIs are distinct legal authorities to discharge the functions devolved under the provisions of Acts and Rules subject to monitoring powers vested in State authorities provided therein. The organisational structure of governance at State, district, block and village levels is given below:

Organisational Chart of Panchayati Raj Institutions



3.3 Role and responsibilities of three tiers of PRI

PRIs	Responsibilities
ZP	To co-ordinate, evaluate and monitor activities and guide Janpad Panchayat and Gram Panchayat
JP	To implement, execute, supervise, monitor and manage works, scheme programmes and projects through Gram Panchayat or through executing agencies, transferred by the State Government to Panchayats.
GP	To ensure the execution of schemes, works/projects entrusted to it by any law and those assigned to it by the Central and State Governments or Zila Panchayat or Janpad Panchayat.

Standing committees of Zila Panchayat and Janpad Panchayat

a. General Administration Committee
b. Agriculture Committee
c. Education Committee
d. Communication and Works Committee
e. Cooperation and Industries Committee

Standing committees of Gram Panchayat

a. General Administration Committee
b. Construction and Development Committee
c. Education, Health and Social Welfare Committee

On being enquired in audit, Directorate Panchayat Raj intimated that all the above committees were set-up at each level of PRIs.

3.4 Implementation of Audit Plan during 2012-13

Out of 23,371 PRIs (2 Directorates, 50 ZPs, 313 JPs and 23,006 GPs) in the State, 2,078 PRIs (2 Directorates, 37 ZPs, 157 JPs, and 1882 GPs) were included in Audit Plan 2012-13. However, 606 PRIs (2 Directorates, 33 ZPs, 117 JPs, and 454 GPs) were audited during the year 2012-13 **(Appendix-3.1).** In addition, Performance Audit of implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme in 329 PRIs was conducted covering the period from March 2012 to June 2012.

3.5 Accounting arrangements

3.5.1 Maintenance of Accounts in formats prescribed by the C&AG

C&AG and Ministry of Panchayati Raj (GoI) developed an accounting framework and codification pattern consistent with the Model Panchayat Accounting System (MPAS) which was proposed to be introduced from 1 April 2010. Government of Madhya Pradesh adopted MPAS with effect from August 2010.

Commissioner, PRI stated (July 2013) that maintenance of Accounts was started in 2011-12; but due to lack of skilled staff and infrastructure resources at gram panchayat level and non-availability of internet connection at GP and JP levels, maintenance of accounts was not speedily taken up.

During test check of records of 35 PRIs (seven ZPs[2], 22 JPs[3] and six GPs[4]) we observed that the accounts maintained were not in the formats prescribed in MPAS.

3.5.2 Annual Budget of PRIs

As per the Budget Estimate Rules 1997, all the three tiers of Panchayat shall prepare Annual Budget as per provisions of Section 73 of MP Panchayat Raj Avam Gram Swaraj Adhiniyam 1993. The budgets are required to be prepared within the stipulated dates as laid down in relevant Rules[5].

On being enquired in audit about the status of preparation and approval of annual budget by the PRIs the Directorate Panchat Raj intimated that the data was under compilation (May 2014).

During test check (February-September 2013) of records of 22 PRIs (seven ZPs[6], 14 JPs[7] and one GP[8]), we observed that three ZPs[9] and three JPs[10] did

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2 Alirajpur, Badwani, Datia, Dindori, Indore, Sagar and Shajapur,

3 Amla, Anuppur Bajag Bankhedi, Birsa, Chaigavmakhan, Datia Depalpur, Deori, Dondori,Garod, Kareli, Kesli, Khargone, Khurai, Shohagpur, Lalbarra, Mandsour, Pohri, Rajpur, Senganv and Susner

4 Chikhali-Jamunia, Chimadhana, Doma, Golni, Janakpur and Niwari,

5 Rules 3,4 and 5 of MP Gram Panchayat Rules (Budget and Estimates) Rules 1977, Rules 11 and 16 of MP Janpad Panchayat Rules (Budget and Estimates) and Rules 8 and 13 of MP Zila Panchayat Rules (Budget and Estimates) Rules 1977

6 Alirajpur, Badwani, Datia, Dindori, Indore, Sager and Shajapur

not prepare Annual Budget and other ZPs and JPs delayed preparation of their Annual budget detailed in Table 1:

Table:-1 Status of preparation of Annual Budget

Panchayat Institutions	No. of units test checked	Schedule time for budget preparation	No. of PRIs those did not prepare budget	No. of PRIs which prepared budget with delay (Extent of delay in days)
ZP	7	20 January	3	4 (70 to 187 days)
JP	14	30 January	3	11 (10 to 254 days)
GP	1	21 February	0	1 (53 days)

3.5.3 Preparation of Annual Accounts of PRIs

As per Rule 59 to 65 of MP Janpad Panchayat (Accounts) Rules 1999, the Annual Accounts of the JPs should be prepared and placed before General Administration Committee of JPs for approval on or before 10th May each year.

As per Rule 62 to 67 of MP Zila Panchayat (Accounts) Rules 1999, the Annual Accounts of the ZPs should be prepared and placed before General Administration Committee of ZPs for approval on or before 30th May each year.

On being enquired in audit about the status of preparation and approval of accounts by the PRIs the Directorate Panchat Raj intimated that the data was under compilation (May 2014).

3.6 Audit arrangements

As per recommendations of the Eleventh Finance Commission, audit of PRIs by DLFA has been brought (November 2001) under the TG&S of the C&AG. Accordingly, Inspection Reports were forwarded to DLFA for providing technical guidance.

Para 10.121 of the recommendations of Thirteenth Finance Commission envisages that State Government must put in place an audit system for all Local Bodies (all tiers of PRIs). The C&AG must be allowed to give TG&S for all local bodies in the State at every tier. The Annual Technical Inspection Report as well as the Annual Report of Director/Commissioner of Local Fund Audit (DLFA) must be placed before the State Legislature. Section 129 of the MP Panchayat Raj Avam Gram Swaraj Adhiniyam 1993 was amended in July 2011. According to it, the Annual Audit report of Director, Local Fund Audit on Panchayats along with the Annual Technical Inspection Report of the Comptroller and Auditor General of India shall be submitted to the Governor,

[7] Bamori, Birsa, Bankhedi, Budar, Datia, Dindori, Kannod, Kesli, Khurai, Lalbarra, Mandsour, Rajpur, Rama and Shohagpur

[8] Chimadhana,

[9] Alirajpur, Badwani and Sager,

[10] Kannod, Mandsour and Rajpur

who shall cause the said reports to be laid on the table of the Legislative assembly.

3.7 Source of revenue

There are mainly two sources of revenue for the PRIs, government grants and own tax revenues which contains:

- grant assigned under Thirteenth Finance Commission; and
- four *per cent* of divisible tax revenue of previous year of the State Government devolved as per the recommendation of Third State Finance Commission.

3.8 Receipts and expenditure of PRIs

Funds (share of tax revenue of the State, grants for implementation of schemes) allocated to PRIs by the State Government through State Budget during last five years were as under:

Table2: Receipts and expenditure of grants in PRIs (₹ in **crore)**

	Grants in aid			Actual expenditure			Unspent funds (4-7)	*Per cent* of unspent funds
Year	Revenue	Capital	Total	Revenue	Capital	Total		
1	2	3	4	5	6	7	8	9
2008-09	3985.44	2.04	3987.48	3125.25	0.03	3125.28	862.20	22
2009-10	4942.02	7.02	4949.04	4038.20	5.01	4043.21	905.83	18
2010-11	6585.74	231.40	6817.14	5678.75	198.65	5877.40	939.74	14
2011-12	7670.04	241.08	7911.12	6697.87	365.29	7063.16	847.96	11
2012-13	8948.74	345.78	9294.52	8385.85	345.30	8731.15	563.37	6
Total	**32131.98**	**827.32**	**32959.30**	**27925.92**	**914.28**	**28840.20**	**4119.10**	

Source: Detailed Appropriation Accounts Grant no 15, 52, 62 and 74

The details of receipts of all PRIs from their own sources and expenditure thereagainst were not being maintained by the Commissioner, Panchayati Raj.

On this being pointed out, Commissioner, Panchayati Raj stated (September 2013) that the details were not sent by ZPs, JPs and GPs to the Directorate.

3.9 Non-preparation of bank reconciliation statement

Rules 25-26 of Madhya Pradesh, Panchayat Accounts Rules 1999 provide that the reconciliation of difference, if any, between the balances of cash book and balances of bank accounts is required to be conducted every month.

During the test check (April-September 2013) of records we observed that in 32 PRIs (five ZPs[11], 16 JPs[12] and 11 GPs[13]) cash book balance of ₹ 23.58 crore was less than bank balance and in 13 PRIs (two ZP[14], 10 JPs[15] and one

[11] Barwani, Datia, Dindhori,Sagar and Umaria

[12] Amla, Bagh, Bamori, Banda, Bhagwanpura, Birsa, Devri, Jhiranya, Junnardev, Kannod, Khurai, Kesli, Mohkheda, Pohari, Rama and Tonk Khurd ,

[13] Chadua, Chinda, Chinodi, Godana, Kaithah , Maina, Murtihai, Piploda, Pirnalwas, Palatwara and Salasbai

[14] Datia and Dindori

[15] Alirajpur, Bamori, Bhagwanpur, Devri, Kesli, Jhiranya, Kannod, Ramnegar, Rama and Tonk Khurd

GP[16]) cash book balance of ₹ 3.09 crore was more than bank balance as on 31 March 2013. Details are given in **Appendix-3.2.** However, the differences were not reconciled by PRIs.

The non-reconciliation of cashbook balance with bank balance is fraught with the risk of misuse of funds.

3.10 Status of outstanding Inspection Report Paragraphs

During the year 2012-13 the accounts/records of 606 PRIs were test checked and Inspection Reports (IRs) were sent to DLFA for technical guidance as per TGS arrangements. The DLFA was to follow up compliance with the audit observations. We, however, observed that 21026 paragraphs of 3692 IRs, including 3610 paragraphs of 567 IRs issued during 2012-13, were pending for settlement at the end March 2013.

3.11 Non-adjustment of temporary advances

Rule 52 of the MP Zila Panchyat (Accounts) Rules, 1999 and Rule 49 of MP Janpad Panchyats (Accounts) Rules, 1999 stipulate that it will be responsibility of the person who took advance to submit the details of expenditure immediately after the completion of the purpose for which the advance was taken. Failing this, the total amount of advance would be recovered from the salary of next month or emoluments payable to the person.

Test check of records (2012-13) in 29 PRIs (nine ZPs[17] twenty JPs[18]) revealed that temporary advances of ₹ 2.36 crore paid to individuals and agencies during the period of October 1971 to February 2013 remained outstanding as on 31 March 2013. Details are given in **Appendix-3.3**.

The CEOs of PRIs stated (August 2012 to October 2013) that the recovery of advances would be made. Updated position called for (December 2013) is awaited.

3.12 Release and utilisation of Thirteenth Finance Commission (ThFC) Grants to Panchayat Raj Institutions

The ThFC recommended grants-in-aid to Local Bodies (LBs) for both General Areas and Special Areas for the period 2010-15. In addition, the general performance grant was also made available from 2011-12 to the State, subject to the fulfillment of certain conditions.

The Central grant received by the State Government on the recommendations of ThFC during the year 2012-13 is given below:

[16] Sajod

[17] Barwani, Chhindwara, Damoh, Dindhori, Guna, Indore, Sager, Shajapur and Umaria

[18] Amerpatan, Amla, Bhimpur, Bhainsdehi, Budhar, Birsa, Chaigavmakhan , Datia, Dindhori, Hutta, Harrai, Jhabua, Junnerdev, Kareli, Meghnager, Moman-badoodiya, Pohari, Rama, Susner and Seoni.

Table: 3 Grant received and released by State Government

(₹ in lakhs)

Details of grants	**Amount received**
2	**3**
General Basic Grant (GBG)	54545.79
Special Area Basic Grant (SABG)	2256.00
General Performance Grant (GPG)	37382.52
Special Area Performance Grant (SAPG)	2256.00
Total	**96440.31**

Source: Finance Department and Commissioner, Panchayati Raj

- According to the ThFC recommendations, the grants must be transferred to the PRIs within five days[19] of receipt from the Central Government. The State Government was required to pay interest at bank rate of RBI for the number of days of delay.

  Scrutiny of records (July 2013) of FD and Commissioner, PR revealed that during the year 2012-13, grants were transferred to PRIs with delays ranging from 2 to 49 days. As a result, interest of ₹ 1.70 crore was due to the PRIs against which Government transferred ₹ 1.23 crore to the PRIs during the year 2012-13. Commissioner, PR stated (February 2014) that actual delay period should have been calculated after 10 days of release orders of grant.

  The reply of the Commissioner is not in accordance with the provisions of para 4.2 of the guidelines, since the State had easily accessible banking infrastructure and the grant was released through e-transfer by the State Government to all the three tiers of the PRIs.

- One of the conditions for release of General Performance Grant for the State Government is adoption of the model accounting system for PRIs.

  We observed that the model accounting system was not adopted in the PRIs in the State. However, the State Government intimated (September 2013) to GOI that all conditions for release of the General Performance Grant were fulfilled.

- We also observed that, FD sent UCs to GoI regarding grants received for ₹ 964.40 crore under ThFC, on the basis of funds released to PRIs without ascertaining actual utilisation by PRIs. We observed from the records of Commissioner, PR that the UCs of General Basic Grant from three districts for the years 2010-11 and 2011-12 and UCs of General Performance Grant from all 50 districts for 2011-12 were

[19] 10 days for the States not having easily accessible banking infrastructure.

pending as of September 2013 though the UCs for the entire amount were sent to GoI.

3.13 Conclusion

Budgets and Annual Accounts prepared by the PRIs were not in prescribed formats. Details of receipts and expenditure of PRIs from their own sources were not available with Directorate of Panchayati Raj. Effective pursuance was not made by DLFA for settlement of outstanding Paras of PAG`s Audit Inspection Reports. There were differences between the cash book and bank balances of PRIs due to non-reconciliation, which is fraught with the risk of misuse of funds. Temporary advances given to individuals/ agencies remained unadjusted/ unrecovered for a long period. Utilisiation Certificates of ThFC grant were sent to GoI based on funds released to PRIs and not on the basis of actual utilisation.

Chapter – 4

PERFORMANCE AUDIT

Panchayati Raj and Rural Development Department

4.1 Backward Regions Grant Fund Programme

Executive Summary

Backward Regions Grant Fund (BRGF) programme, a Centrally Sponsored Scheme fully funded by GoI was launched (2006-07) to redress regional imbalances in development, contribute towards poverty alleviation in backward districts, to bridge the critical gaps in local infrastructure and to provide professional support to local bodies. It was implemented in 24 identified districts of Madhya Pradesh. Panchayat Raj Department is the nodal Department for overall implementation of BRGF programme.

A performance audit of implementation of the Programme was conducted covering the period 2008-13. Some important issues, discussed in the report, are given below:

Planning

- ***The Chief Executive Officers of Zila Panchayats (ZPs) made Strengths Weaknesses Opportunities Threats (SWOT) analysis of backwardness of districts for preparation of an integrated development in three to five most backward sectors for each district for a five year period. But the Annual Plans were prepared and executed without considering the priority sectors. As a result, the objective of the Programme to redress the backwardness and regional imbalances in development was not fully achieved.***

Financial Management

- ***The progarmme funds for development works amounting to₹ 632.89 crore remained unutilised with the ZPs. Similarly, Capability Building funds of ₹ 15.20 crore found unutilised. A surplus amount of ₹ 3.98 crore against 577 completed works was not realised by the 14 ZPs from executing agencies (line departments). Similarly, in six districts Sarpanch/ Secretary of 8 GPs had drawn and retained funds amounting to ₹ 16.56 lakh for eight works which were either not taken up or left incomplete.***

Execution

- ***In nine districts, 226 works valued ₹ 9.42 crore were either not taken up or left incomplete for a long time, but the same were not cancelled and fresh works not taken up with the unutilised funds. 2535 works valued to ₹ 118.27 crore were found incomplete as of March 2014. Completion certificates were not issued in respect of 3388 works costing ₹ 150.56 crore. Due to non-completion of work on time the Programme objectives were not fully achieved.***

Training programme

- ***Shortfalls in conducting training and poor functioning of Block resourse Centers adversely affected the capability building in PRIs and ULBs.***

4.1.1 Introduction

The Backward Regions Grant Fund (BRGF) Programme was launched by the Ministry of Panchayat Raj in 2006-07. The programme was fully funded by GoI and was designed to redress regional imbalances in development, contribute towards poverty alleviation in backward districts and to promote accountable and responsive Panchayats and Municipalities. The BRGF provides resources for supplementing existing development, bridges the critical gaps in local infrastructure, other developmental requirements and provides professional support to local bodies for planning, implementations and monitoring. The integrated development was to be commenced with each district undertaking a diagnostic study of its backwardness. It was implemented in 24 identified districts[1] of the State.

4.1.2 Organisational structure

The Panchayat Raj and Rural Development Department (P&RDD) is the nodal Department, responsible for the management, monitoring and evaluation of the BRGF programme in the State. A High Power Committee (HPC) headed by Chief Secretary constituted (November 2006) at State level is responsible for approving, managing, monitoring and evaluation of the projects proposed by District Planning Committees (DPCs). The Panchayat Raj Institutions (PRIs) i. e. Zila Panchayat (ZP), Janpad Panchayat (JP), Gram Panchayat (GP) and Municipalities at District level implement the approved plans. Works were to be executed by selected/ nominated agencies. State Institute Rural Development (SIRD), Jabalpur, nominated (March 2007), a State nodal agency under P&RDD for arranging capability building training for strengthening PRIs and ULBs.

4.1.3 Audit objectives

The objectives of performance audit are to assess whether:

- the Plans were prepared as per BRGF guidelines;
- the funds were timely transferred to executive agencies and were utilised on time for programme execution;
- training for Capability building was planned and conducted as per BRGF guidelines; and
- development programmes were executed effectively and economically.

4.1.4 Audit criteria

Audit findings are based on the following criteria:

- BRGF guidelines prepared by Government of India.

[1] 29 districts were enforced w.e.f 2009-10 since than 24 districts were divided into 29 districts.

- Instructions regarding implementation of BRGF programme issued by State Government and Panchayat Raj Department.
- MP Public Works Manual.

4.1.5 Audit coverage and methodology

The performance audit covering the period of 2008-13 was conducted in the office of the Commissioner, Panchayat Raj Department and other implementing agencies of the State viz. ZP, JP, GP, Municipalities and other executing agencies. Out of 24 districts[2] (five bifurcated districts from old BRFG districts), 14 districts[3] were selected and records of 36 JPs and 148 GPs in these districts were test checked in audit. List of selected units are in **Appendix-4.1**.

The audit objectives, scope and methodology were discussed in entry conference held on 14 June 2013 with the Secretary, Panchayat Raj. An exit conference was held with the Additional Chief Secretary, P&RDD, Bhopal on 4 April 2014 during which the audit findings were discussed. The comments of Government were incorporated in appropriate places.

Audit findings

4.1.6 Planning

Most backward sectors identified through SWOT analysis did not receive due priority in Annual Plans

BRGF guidelines envisage that an integrated development plan for each district for a five year period (perspective plan) should be prepared by the CEOs of each ZP after conducting a diagnostic study of its backwardness. The Annual Plan for each district will be prepared in accordance with the five-year integrated plan/ perspective plan.

4.1.6.1 Priority not given to identified most backward sectors

We observed that the CEOs of the ZPs made SWOT analysis (for deciding backwardness index) with the help of Technical Supporting Institutes (TSIs) (empanelled by GoI) and identified three to five most backward sectors in the district. Accordingly, priority was to be given for the identified sectors in the perspective and annual plans.

We observed in seven[4] test check districts that in the Annual Plans for the years 2008-09 to 2012-13 development works for seven to twelve[5] sectors were planed. As a result, the most backward sectors identified through SWOT analysis, did not receive due priority, as shown in **Table**-1 below.

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[2] Balaghat, Barwani, Betul, Chattarpur, Damoh, Dhar, Dindori, Guna (Ashoknagar), Jhabua (Alirajpur), Katni, Khandwa (Burhanpur), Khargone, Mandla, Panna, Rewa, Rajgarh, Satna, Sidhi (Singhroli), Seoni, Shahdol (Anuppur), Sheopur, Shivpuri, Tikamgarh and Umariya.

[3] Barwani, Betul, Damoh, Guna (Ashoknagar), Jhabua, Khandwa (Burhanpur), Khargone, Mandla, Rewa, Sidhi (Singhroli),Seoni, Shahdol (Anuppur), Shivpuri and Tikamgarh.

[4] Ashoknagar, Badwani, Betul, Khargone, Rewa, Seoni and Tikamgarh

[5] Agriculture, Education, Electrification, Hat Bazar, Health, Irrigation, Livelihood, Panchayat, Road Connectivity, Veterinary, Women & Child Welfare and others.

Table 1: Details of sector wise priorities in Annual Plans

Name of districts	Sectors identified as per SWOT	Sectors included in Annual plans for the years 2008-09 to 2012-13	No. of works in Annual Plan		No. of non-priority works (as *per cent* of total works)
			In identified backward sectors	Total no. of works as per Annual Plans	
1	2	3	4	5	6
Badwani	Education	4-9	8	2710	2547 (94)
	Agriculture		01		
	Road connectivity		154		
Betul	Road connectivity	5-7	739	1893	1154 (60)
	Electrification		0		
	Agriculture		0		
Ashoknagar (Guna)	Irrigation	3-6	0	741	723 (98)
	Dairy Production		3		
	Education		11		
	Agriculture		4		
Khargone	Irrigation	6-9	22	1422	1001 (70)
	Livelihood		09		
	Road connectivity		357		
	Agriculture		33		
Rewa	livelihood	4-7	05	2115	1189 (56)
	Agriculture		27		
	Irrigation		0		
	Road connectivity		894		
Seoni	Agriculture	4-10	114	2292	1947 (85)
	Animal Husbandry		90		
	Health		85		
	Education		56		
Tikamgarh	Irrigation	6-9	11	1357	1214 (89)
	Agriculture		0		
	Health		27		
	Education		30		
	Road connectivity		95		

Source: District Plans and summary of SWOT analysis furnished by seven ZPs

It would be seen from the above that Programme funds were thinly allotted to large number of sectors, instead of focusing on the identified backward sectors. Large number of works (56 *per cent* to 98 *per cent* of total works) included in the Annual-Plans related to the sectors other than those identified under SWOT analysis. Thus, the objective of the Programme to redress the backwardness and regional imbalances in development was not fully achieved.

During the exit conference, Additional Chief Secretary stated that plans were prepared and executed on the basis of local needs and Technical Supporting Institutes (TSIs) would also be instructed in this regard. The fact remains that there was no prioritisation of fund allocation for the backward sectors.

4.1.6.2 Shortfall in achievement of annual plans

The approved Annual Plans were to be executed by ZPs through implementing agencies.

During test check of Annual Plans of selected districts we observed that there were shortfalls in execution of works approved under the Plan. The status of sector-wise implementation of works approved in the Annual Plans for the period 2008-13 is shown in **Table-2** below:

Table 2: Sector-wise Annual Plan and Status of execution of works

Sector	No. of works Planned (As per Annual Plans)	No of works executed	Shortfalls (in No.)	*Per cent* of shortfalls against Plan
Health	477	331	146	31
Rural Connectivity	6793	4683	2110	31
Women & Child Welfare	6288	5110	1178	19
Veterinary	342	192	150	44
Irrigation	98	50	48	49
Electrification	155	69	86	55
Education	372	191	181	49
Panchayat & community	3041	2357	684	22
Hat Bazars	107	39	68	64
Others (ULBs)	3123	1723	1400	45
Total	**20796**	**14745**	**6051**	**29**

Source: Selected District Plans

It is evident from above table that the shortfalls in execution of Annual Plans were 19 to 64 *per cent* in various sectors, due to delayed approval of Annual Plans as discussed in para 4.1.6.3. The year-wise significant shortfalls in implementation of plans are shown in **Appendix-4.2**

4.1.6.3 Delay in approval of District Annual Plans by DPC

Significant delays (up to 470 days) in approval of Annual Plans were noticed

Para 3.16 envisages that the time schedule for approval of Annual Plan for each year was to be decided by State Government considering the local needs. Accordingly, State Government decided the dates for approval of Annual Plan every year as given in **Table-3.**

During test check of Annual Plans of 14 selected districts (June–December 2013), we observed that the Annual Plans were approved with delays ranging from 9 to 470 days by District Planning Committees (DPCs). The district-wise position of delay in approval is given in **Appendix-4.3** and year wise position is shown in **Table-3** below:

Table 3: **Status of Delay approval of Annual Plans**

Year	Scheduled date of approval by DPC	Actual date of approval by DPC	Period of delay in days
2	**3**	**4**	**5**
2008-09	15.08.08	08.09.08 – 22.09.08	22 to 53
2009-10	15.06.09	25.06.09–22.10.09	9 to 127
2010-11	21.12.09	04.02.10 – 01.12.10	34 to 334
2011-12	30.12.10	04.02.11– 16.06.11	35 to 399
2012-13	31.12.11	20.01.12– 19.05.12	19 to 470

Source: 14 test checked Zila Panchayats

It is evident from the above table that there were significant delays in Badwani District (334 days in 2010-11), in Burhanpur District (344 days in 2012-13) and in Singhroli District (399 days in 2011-12 and 470 days in 2012-13). The delays adversely affected timely execution of the planned works. No delay was noticed in Guna (2008-09), Jhabua (2011-12), Khargone (2008-09), Singhroli (2009-10).

On this being pointed out (June to December 2013), the CEOs of five ZP[6] replied that DPC meeting was not held since the Chairman (Minister incharge) did not spare time for the meeting. CEOs of other five ZP[7] replied that the consolidated plan proposals were not received from implementing agencies (Janpad Panchayats) on time while CEO of ZP Betul replied that instructions were received for preparation separate plans for SC/ST.

The CEOs, however, did not clarify as to how the works were executed in the absence of prior-approval of the Plans.

During exit conference, Additional Chief Secretary stated that delays were due to processing the plan and not arranging the DPC meetings.

4.1.7 Utilisation of Programme funds

BRGF programme consist of two funding windows viz. (i) grant for capability building in planning, implementation, monitoring and improving accountability and transparency of PRIs and ULBs (ii) untied grants to address critical gaps in infrastructural and other developmental requirement. The programme funds allocated by GoI are transferred to the State Government, which are then passed on to Panchayats and Municipalities in their savings bank accounts.

During test check of records of Commissioner, Panchayat Raj (PR) we observed that utilisation of funds released to address critical gaps in integrated development was poor, as shown in the **Table-4** below:-

Table 4: Utilisation of Development Grants **(₹ in crore)**

Year	Opening balance	Funds received during the year by ZPs	Total fund available	Expenditure (*per cent* of expenditure against available funds)	Balance at the end of year
1	2	3	4 (2+3)	5	6 (4-5)
2008-09	**276.20**	301.22	577.42	286.85 (50)	290.57
2009-10	290.57	306.95	597.52	300.98 (50)	296.54
2010-11	296.54	300.65	597.19	385.98 (65)	211.21
2011-12	211.21	440.21	651.42	423.68 (65)	227.74
2012-13	227.74	516.36	744.10	111.21 (15)	632.89
Total		**1865.39**		**1508.70**	**632.89**

Source: Directorate, PRI, Bhopal

It is evident from the above table that the available funds under BRGF programme were utilised to the extent of 50 to 65 *per cent* during the years 2008-09 to 2011-12 whereas, in 2012-13 the utilisation was only 15 *per cent*.

[6] Badwani, Khargone, Mandla, Seoni and Shahdol
[7] Damoh, Jhabua, Guna (Ashoknagar), Khandwa and Tikamgarh

As a result, ₹ 632.89 crore (30 *per cent* of the total available funds) remained unutilised at the end of March 2013.

An amount of ₹ 157.69 crore remained un-utilised with implementing agencies

Further, in 14 test checked districts, ₹ 758.83 crore was made available for developmental works (including previous balance and other receipts ₹155.89 crore). Out of these amount, ₹ 601.14 crore was shown as expenditure and an amount of ₹ 157.69 crore[8] remained unutilised with districts and other implementing agencies **(Appendix-4.4).** Year-wise position of fund flow and utilisation thereof is shown in **Table 5** below:

Table 5: Year-wise utilisation of development funds in selected districts (₹ in crore)

Year	Opening balance	Fund received during the year by ZPs	Other receipt (Interest+ Refund)	Total fund available	Expenditure (*per cent* of expenditure against available funds)	Balance at the end of year
1	2	3	4	5(2+3+4)	6	7 (5-6)
2008-09	**51.87**	81.38	8.81	142.06	80.32 (56)	61.74
2009-10	61.74	91.82	11.75	165.31	99.14(60)	66.17
2010-11	66.17	108.81	7.99	182.97	111.55(61)	71.42
2011-12	71.42	190.26	57.99	319.67	172.18(54)	147.49
2012-13	147.49	130.67	17.48	295.64	137.95 (47)	157.69
Total		**602.94**	**104.02**		**601.14**	

Source: ZP of selected districts and implementing agencies (line departments)

It would be seen from the above table that funds ranging from 47 to 61 *per cent* could be utilised and an amount of ₹ 157.69 crore was lying unspent at various levels which constituted 21 *per cent* of the total available funds.

On this being pointed out (June to December 2013), the CEOs, ZPs replied that due to delay in allocation, the funds could not be utilised within the stipulated period.

During the exit conference, Additional Chief Secretary stated that the funds were released by GoI at the end of the financial year against the prescribed schedule of April and August. However, instructions would be issued to utilise the fund available with the districts.

4.1.8 Surplus funds retained with Executing Agencies

Surplus funds of ₹ 3.98 crore pertaining to 577 completed works were not recovered from executing agencies

As per instructions issued by P&RDD (March 2011), unspent amount pertaining to completed works is to be recovered by Zila Panchayat and utilised the same in other sanctioned woks.

During test check of progress reports and completion certificates (CCs) of completed works in 14 selected districts, we observed that surplus funds of ₹ 3.98 crore pertaining to 577 completed works **(Appendix-4.5)** were not recovered from the executing agencies, as shown in **Table-6** below:

[8] ₹ 83.99 crore with 14 ZPs, ₹ 9.91 crore with 34 JPs, ₹ 1.96 crore with 148 GPs, ₹ 26.06 crore with 28 ULBs and ₹ 35.77 crore with 11 RES

Table 6: Year-wise details of unspent balances against completed works (₹ in lakh)

Year	No. of works completed as per CC	Amount released	Expenditure incurred	Balance amount to be taken back
1	**2**	**3**	**4**	**5(3-4)**
2008-09	406	1750.77	1567.91	182.86
2009-10	82	497.87	460.23	37.64
2010-11	50	456.00	360.67	90.36
2011-12	32	389.31	328.56	60.75
2012-13	7	113.45	87.12	26.33
Total	**577**	**3207.43**	**2809.49**	**397.94**

Source: CCs in respect of completed works of ZPs

During the exit conference, Additional Chief Secretary accepted the audit observations and stated that the unspent amount of completed works would be consolidated and utilised for developmental works after the approval of DPC.

The reply of the Government is not justifiable as the unutilised amount should have been adjusted at the time of release of funds in next year.

➢ As per instructions issued by P&RD Department (March 2011), the works which could not be started or remained incomplete for more than two years, should be cancelled and other works taken up, for which post-facto approval from DPC should be obtained. It is also envisaged that the amount released for cancelled works, found blocked with executing agencies, should be taken back.

226 works valued ₹ 9.42 crore could not be started

During test check of records related to works executed by the implementing agencies of 14 selected districts, we observed that in nine districts 226 works **(Appendix-4.6)** valued ₹ 9.42 crore could not be started, but the same were not cancelled. Details are shown in **Table-7** below:

Table 7: Details of not started/cancelled works (₹ in crore)

Sl. No.	Year	No. of the works not started/remained incomplete	Amount released	Amount not recovered (March 13)
1	**2**	**3**	**4**	**5**
1	2008-09	59	2.19	2.19
2	2009-10	76	3.03	3.03
3	2010-11	91	4.20	4.20
	Total	**226**	**9.42**	**9.42**

Source: Consolidated progress reports of ZPs

On this being pointed out (June to December 2013), four CEOs[9] replied that the amount would be taken back from the executing agencies. Four CEOs[10] replied that it was reviewed in the monthly meeting regularly for starting the work soon. One CEO[11] replied that due to non-completion of tender process the works could not be started, now the works would be started soon.

During the exit conference, Additional Chief Secretary accepted and stated that the amount pertaining to works would be consolidated and utilised for developmental works after approval of DPC.

9 Betul, Damoh, Mandla and Shivpuri
10 Khandwa, Sidhi (Singhroli),Shahdol and Tikamgarh
11 Guna

Funds were released for BRGF even where the RSVY funds remained unutilised

- Para 1.10 (a) of guidelines with reference to transition of RSVY to BRGF provides that funds would not be released to BRGF districts till submission of utilisation certificates and completion of RSVY works already approved.

During test check of records of PRI Directorate we observed that RSVY was implemented in 10 districts prior to introduction of BRGF programmes. It was reported by Commissioner PR (MP) that the allotment of BRGF funds was received after sending the UCs to GoI related to RSVY funds.

Further, it was observed in six districts[12], that an amount of ₹ 80.73 lakh remained unutilised with JP/Rural Engineering Services (RES) under RSVY. Thus, BRGF Programme was implemented in RSVY districts without ensuring submission of UCs (September 2013).

On this being pointed out (June-December 2013), the CEOs of three ZPs[13] (2)/JP replied that the unutilised amount would be called back and three ZPs[14] did not furnish reply.

During the exit conference, Additional Chief Secretary accepted the audit observations and replied that a letter would be issued to concerned districts to call back the unspent amount of RSVY lying with executive agencies.

4.1.9 Funds retained by Sarpanchs/Secretaries of GPs

Funds are provided to the GPs under BRGF programme to execute the sanctioned works. The Sarpanch /Secretary of the GP is to draw money from bank account as per requirement of the work execution. After completion of work, the concerned Sub-Engineer/Assistant Engineer is to measure and assess the value of work and issue the CC to the concerned ZPs/JPs. Excess amount drawn, if any, should be deposited in the bank immediately. It is the responsibility of CEO JPs and ZPs to take action for recovery of excess money under section 92(3) (a) and (b).

Test check of cash book, bank statements and other relevant records of GPs in eight cases (**Appendix-4.7**) revealed that an amount of ₹ 16.56 lakh was provided by the ZP for construction of anganwadi centers, community halls, godowns etc. to concerned GPs. The amount was drawn from bank without assessing requirement of money for payment. Out of eight cases, in five cases the valuation of work was recorded for a total amount of ₹ 7.73 lakh against ₹ 15.69 lakh sanctioned and drawn, in two cases (cost of ₹ 3.10 lakh) the work could not start till March 2013 and in one case, ₹ 5.50 was drawn from bank and was shown as cash in hand in cash book. Thus, an amount of ₹ 16.56 lakh, not utilised by the GPs, were not remitted back into bank and remained unaccounted for.

On this being pointed out (June to December 2013), the CEOs, ZPs of concerned districts stated that action would be taken for recovery.

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12 RES Anuppur (₹ 7.60 lakh), Janpad Panchayat Jaisinghnagar (₹ 0.81 lakh), RES Mandla (₹ 52.98 lakh), ZP Khargone (RES ₹7.76 lakh), Seoni (₹ 0.49 lakh) and Singhroli (₹ 11.09 lakh)

13 Khargone, Jaisinagar (JP) and Singhroli

14 Anuppur, Mandla and Seoni

During exit conference, Additional Chief Secretary stated that matter would be examined and remedial action would be taken.

4.1.10 Training (Capability building)

According to para 3.21 of guidelines, effective implementation of BRGF will require continuous and sustained capability building of all PRIs and ULBs.

In accordance with para 3.3 of BRGF programmes, State Government nominated (March 2007) State Institute of Rural Development (SIRD), Jabalpur as nodal agency for imparting trainings to all PRIs and ULBs. SIRD was to prepare training Annual Plans according to the need of PRIs and ULBs. SIRD prepared the Annual Plans for training accordingly.

4.1.10.1 Delay in approval of training plans by HPC

Para 4.22 of BRGF guidelines envisages that training plan should be approved by a High Power Committee (HPC) headed by Chief Secretary by the second week of January every year, which would be forwarded to GoI by 31st January.

During test check of records of SIRD, we observed that approval of training plans was delayed by four to nine months, adversely affecting timely implementation of the training programme. The participants also could not be benefited in time frame.

On this being pointed out, Director SIRD stated (June 2013) that annual training plans could not be approved due to delay in holding the meeting of HPC. However, SIRD stated that the plans were implemented in anticipation of approval from HPC.

During exit conference, Additional Chief Secretary stated that efforts would be made for timely approval of training plans by HPC.

4.1.10.2 Funds for capability building remained unutilised

During test check of relevant records of the SIRD Jabalpur, we observed that an amount of ₹ 83.60 crore (including opening balance ₹ 9.09 crore) was provided by GoI to SIRD during the period 2008-13, under Capability building funds. In addition, an amount of ₹ 7.37 crore was earned as interest/other receipts. Out of total amount of ₹ 90.97 crore, expenditure incurred was ₹ 75.77 crore (83 *per cent*) during the period, as shown in **Table**-8 below:

Table 8: Allocation and expenditure of Capability building funds **(₹ in crore)**

Year	Opening balance	Fund received during the year	Interest accrued & other receipts	Total funds available	Expenditure (*per cent* against total receipts)	Balance at the end of year
1	2	3	4	5 (2+3+4)	6	7(5-6)
2008-09	9.09	24.49	0.54	34.12	6.65 (20)	27.47
2009-10	27.47	0	1.67	29.14	10.48 (36)	18.66
2010-11	18.66	17.88	2.81	39.35	30.20 (77)	9.15
2011-12	9.15	24.19	1.21	34.55	9.29 (27)	25.26
2012-13	25.26	7.95	1.14	34.35	19.15 (56)	15.20
Total		**74.51**	**7.37**		**75.77**	

Source: SIRD

It would be seen from the above table that utilisation of funds provided to SIRD ranged between 20 and 77 *per cent.*

We further observed that ₹ 2.22 crore released (2007-08 and 2011-12) as advance to five Extension Training Centres (ETCs)[15] and two JPs (Gogava District Khargone ₹ 1.21lakh and Kasrawad ₹ 3.15lakh) were shown as final expenditure in cash book and Audit Reports of SIRD, which was irregular.

During exit conference, Additional Chief Secretary accepted the audit observations and stated (April 2014) that the correspondence with ETCs and JPs were being made and unspent balances would be utilised in one month.

- According to instructions (December 2007) issued by SIRD, three days training was to be conducted for members of JPs, Sarpanchs and Secretaries of GPs. For this purpose, an amount of ₹ 2.10[16] crore was provided by SIRD to JPs during 2008-12, of which an amount of ₹ 42.41 lakh was utilised and adjusted. Advances of ₹ 1.68[17] crore was, however, remained unadjusted as of March 2013.

During exit conference, Additional Chief Secretary accepted the audit observations and stated that correspondence was made with ETCs to obtain the utilization certificates and the matter was being pursued.

4.1.10.3 Submission of UC without incurring expenditure

Para 3.1 of guidelines, envisages that Capability building of Panchayats and ULBs for planning and implementation is a critical component of BRGF.

We observed that P&RDD released ₹ 2.46 crore to Urban Administration and Development Department (UADD) in March 2007 for imparting training to staff and Members of ULBs. Of these, UADD submitted UCs for ₹ 1.49 crore to P&RDD, though, as per bank statement actual expenditure incurred was ₹ 0.20 crore as of March 2013. We observed that there were unutilised funds of ₹ 2.02 crore including interest as of March 2013.
During the exit conference, Additional Chief Secretary stated that the balance amount would be taken back through SIRD.

4.1.10.4 Conduct of training for Capability Building

According to para 3.21 of guidelines effective implementation of BRGF will require continuous and sustained capability building of the in PRIs and ULBs.

During test check of training calendar of the SIRD, we observed that the trainings were not imparted to the PRI representatives and executives in accordance with the approved training plans, as shown in **Table-9** below:

[15] ETC Bhopal (₹ 1.77 lakh), ETC Multai (₹ 52.97), ETC Novgoan (₹ 71.77 lakh), ETC Rampur Nekin (₹ 12.27 lakh) and ETC Seoni (₹ 79.09 lakh)

[16] For members of JPs, Sarpanchs and Secretaries, ₹ 0.77 crore (2007-08) and for PESA training, ₹ 1.33 crore (2011-12).

[17] ₹ 0.35 crore (2007-08) and ₹ 1.33 crore (2011-12)

Table 9: Status of training conducted as of March 2013

Year	Subject of the training	Number of participants planned for training		Number of participants attended training	
		Elected Representatives (male/female and officials	Executives	Elected Representatives (*per cent of shortfalls*)	Executives (*per cent of shortfalls*)
1	2	3	4	5	6
2008-09	General	120000	14000	69548(42)	0(100)
2009-10	-	234760	16254	59126(75)	1313(8)
2010-11	-	232778	13439	218542(06)	12524(07)
2011-12	PESA Training	82931	7570	67784(18)	5636(26)
	Elected Women Representatives	131057	0	0	0
	Local engineers	-	378	-	130 (66)
	Modal Accounting System (MAS)	27910	0	-	0
	Computer training	13439 (IT)	0	-	0
2012-13		227284	3900	143656(63)	1206 (31)

Source: SIRD, Jabalpur

It is evident from above table that there were significant shortfalls in respect of Elected Representatives (06 to75 *per cent)* and in respect of executive (07 to 10 *per cent)* compared to approved training plan.

We observed that no training was imparted to Elected Women Representatives (EWRs), on Model Accounting System (MAS) and Computer training during 2011-12. In reply, SIRD stated (June 2013) that training to EWRs could not be given due to delay in finalisation of training module and material, while training on MAS, which is a computer based course, could not be imparted as the representatives and other staff of PRIs did not have basic knowledge of computer. We, however, observed that training on the Panchayats Extension to Scheduled Areas Act, 1996 (PESA[18]) was conducted, which ranged from 74 and 82 *per cent* during 2011-12.

During the exit conference, Additional Chief Secretary stated that training could not be imparted to elected representatives as planned because it was the last year of their tenure and election duties of the executives. The training of model accounting system could not be conducted as the participants had no basic knowledge of computer and so it was decided to conduct basic training for operation of computer in 2013-14.

4.1.10.5 Functioning of Block Resource Centers

As per circular issued by State Government (Ministry of PRD) (November 2008), a Block Resource Centre (BRC) would be established at block level under administrative control of Chief Executive Officer, Zila Panchayat. The CEO Janpad Panchayat would be responsible to keep it functional. It was also envisaged that in BRCs, the information regarding various schemes, help lines for public grievances, stories of success of beneficiaries be updated and various training programme would be conducted. For smooth functioning of BRCs, 90 *per cent* of the funds provided for training purpose would be

[18] Panchayats (Extension to Scheduled Areas) Act, 1996 or PESA is a law enacted by the Government of India to cover the "Scheduled areas", which are not covered in the 73rd amendment or Panchayati Raj Act of the Indian Constitution.

utilised in training, remaining 10 *per cent* for development of infrastructure. The essential staff[19] were to be deployed for this purpose.

During test check of records of 35 JPs (June to December 2013), we observed that all JPs constructed BRC buildings for conducting training and other activities during 2008-2010. The functioning of BRCs is shown in **Table-10.**

Table 10: Working status of BRCs

No. of BRCs sanctioned	No. of BRCs Constructed	Whether well equipped		Whether staff deployed		Whether training conducted			Whether BRCs Allotted for other purpose/ agency		Existence of Water Harvesting System	
		Yes	No	Yes	No	Yes	Partially	No	Yes	No	Yes	No
35	35	14	21	3	32	1	8	26	22	13	0	35

Source: JPs of selected districts

It is evident from above that the purpose of construction of BRCs for conducting training and other related activities was not fulfilled.

During the exit conference, Additional Chief Secretary stated that BRCs were being used for skill training, holding meetings and citizen services.
The reply of Additional Chief Secretary is not in order as reflected from the information furnished by the CEOs of all test checked JPs.

4.1.11 Implementation of Development programmes

4.1.11.1 Sanctioned works not completed within stipulated period

Expenditure of ₹ 118.27 crore was incurred on 2535 incomplete works

As per sanction orders of the works, the work taken up under BRGF programme are to be completed within the stipulated period (3-12 months), time extension, if necessary, was to be obtained from the competent authorities.

During test check of records of 14 selected ZPs we observed that 2535 works taken up during the period 2008-2013, remained incomplete after incurring expenditure of ₹ 118.27 crore **(Appendix-4.8)**. The summarized position of incomplete works during 2008-09 to 2011-12 is shown in **Table-11** below:

Table 11: **Year-wise status of incomplete works** **(₹ in crore)**

Sl. No.	Year	Number of works		No of work		Number of Incomplete works	Amount sanctioned for incomplete works	Total expenditure work (*per cent* as compared to tot al sanctioned cost)
		sanctioned	Amount sanctioned	Completed works (*per cent* compared to total sanctioned works)	Cost of completed works			
1	2	3	4	5	6	7 (3-5)	8	9
01	Up to 2009	5843	233.46	5556(95)	224.03	287	12.10	9.43 (0.04)
02	2009-10	3591	180.46	3276 (91)	166.51	315	17.71	13.95 (0.08)
03	2010-11	4704	170.70	4048 (87)	128.59	656	55.81	42.11(24)
04	2011-12	4715	209.88	3438 (73)	157.10	1230	84.75	52.79 (27)
	Total	**18853**	**794.51**	**16318(86)**	**628.04**	**2535**	**170.37**	**118.27 (69)**

Source: Monthly progress reports of districts

[19] For BRCs one ADO, one sub-engineer, three to four DEO, two care taker, one training attender and one helpline attender would be made available.

It would be seen from above that 1258 works pertaining to the period 2008-09 to 2010-11 remained incomplete in 14 districts as of March 2013. Non completion of work within stipulated period resulted in expenditure remaining unfruitful. Besides, the sanctioned funds remained unutilised and cost of the works increased.

On this being pointed out (June to December 2013) five CEOs of ZPs[20] stated (June-December 2014) that instructions were issued to concerned GPs for completion of works in stipulated time. Four CEOs of ZPs[21] replied (July-August 2013) that, physically the works were completed but due to non-issue the CCs, the said works were shown as incomplete. The reasons for non-issuance of the CC were awaited (May 2014). Two CEOs of ZPs[22] attributed (August-November 2013) the delay to delayed starting of the works. The CEOs of four ZP[23] replied that construction of work was under progress and replies of remaining districts are awaited (May 2014).

During the exit conference, Government stated that timeline would be prepared and issued to districts for completion of sanctioned work by June 2014.

It was also observed that in 14 selected districts 3388 works **(Appendix- 4.9)** amounting to ₹ 150.55 crore were completed but CCs were not issued for the completed works.

4.1.11.2 Houses under Apna Ghar Scheme remained incomplete

According to para 4.32 (c) of BRGF guidelines, if a particular District Planning Committee (DPC) aims at making the district free of housing problem and local PRIs see this as a priority, funds may be sourced for rural housing. In March 2007, P&RDD issued orders for use of BRGF fund for Apna Ghar Scheme as State Rural housing scheme. One house was to be constructed in each GP per year. The amount was provided to concerned GP in lump sum by ZP. The GP was to provide the said amount in two installments to the beneficiaries. The second installment was to be given within 45 days on the basis of progress of work of first installment.

During test check of records of 14 selected districts, we observed that 34,880 Apna Ghar was sanctioned during the period 2008-12 (**Appendix-4.10)**. We observed that out of 20,305 houses sanctioned in eight districts, 1,976 houses were reported incomplete as of March 2013. This resulted in ₹ 8.13 crore remaining un-utilised and the objective of the programmes was not fully achieved.

On this being pointed out (June to December 2013), the CEOs of eight ZPs[24] replied that during the monthly review meeting the CEOs of JP were instructed from time to time to get them completed soon and the balance amount recovered from the concerned GPs.

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20 Betul, Khandwa (Burhanpur), Khargone, Seoni and Tikamgarh

21 Badwani, Damoh, Jhabua and Shahdol

22 Guna and Mandla

23 Guna, Khandwa, Khargone and Tikamgarh .

24 Betul, Damoh, Guna (Ashoknagar), Shahdol, Seoni, Shivpuri, Sidhi (Singhroli) and Tikamgarh.

Six ZPs[25] completed all the 14,982 sanctioned houses under the Scheme within the stipulated period.

During the exit conference, Additional Chief Secretary stated that instructions would be issued to districts to complete the remaining houses by June 2014.

4.1.11.3 (a) Faulty design damaging the bank of the Stop dam

According to para 3.12 of circular issued by MP Water Resources Department (September 1993) regarding design of stop dams, construction of bank protection against erosion is necessary for both upstream and downstream portions. It was suggested to provide downstream protection up to the full length of solid floor and to a length equal to maximum depth of the flow over the crest of the stop dam in upstream.

During test check of records we observed (September 2013) that ₹ 30 lakh was sanctioned (2008-09) for executing a stop dam at Oon, by Water Resources Department (WRD) Khargone Division.

Further, WRD was to conduct tests of the soil and hydraulic gradients of the site on the basis of which the estimate was to be prepared for construction of the stop dam. However, no such test reports was made available to Audit. Scrutiny of the estimate also revealed that there was no provision for construction of upstream and downstream bank protraction as well as for wing walls.

During the joint physical inspection of the dam, we observed that the one site of downstream bank of the stop dam was damaged due to soil erosion. The photographs below show the position of erosion of the stop dam:


The erosion position of the Oon Stop dam without bank potation

Thus, construction of stop dam without proper designing resulted in the bank of the stop dam being damaged.

On this being pointed out (September 2013), the EE, WRD replied that due to stable bank of the stop dam and position of the site there was no need to construct wing wall.

Damaging of the bank within three years of completion of work indicated that the design of the stop dam was improper.

During exit conference, Additional Chief Secretary stated (April 2014) that matter would be examined and remedial action would be taken.

25 Badwani, Jhabua, Khandwa (Burhanpur), Khargone, Mandla and Rewa.

4.1.11.3 (b) Cost overrun on incomplete works

During test check of records of ZP Tikamgarh we observed that under BRGF programme 73 construction works like Anganwadi Centre, community hall, roads etc. were sanctioned during 2007-09 by ZPs and an amount of ₹ 177.80 lakh provided to 65 Gram Panachayats for executing the works. Against this, the concerned Sarpanchs/ Secretaries had withdrawn ₹149.09 lakh and started the construction works. The works were, left incomplete (2008-11) after incurring an expenditure of ₹ 85.22 lakh. For the balance work valued ₹ 92.58 lakh, a revised estimate of ₹105.60 lakh was approved by Director P&RDD (September 2012). Thus, there was cost overrun of ₹ 13.02 lakh[26] due to non-completion of works in stipulated time.

During exit conference, Additional Chief Secretary stated (April 2014) that matter would be examined and remedial action would be taken.

4.1.12 Inadequate staff for implementing BRGF programme

Para 4.11 of BRGF guidelines envisages that State shall provide adequate manpower and resources to all Panchayats and Municipalities. It was also envisaged in the meeting of HPC (January 2007) that staff would be provided at State, District and Janpad levels for smooth implementation of the Programme.

Test check of records of 14 selected districts and the PRI Directorate PRI we observed that out of 262 sanctioned posts[27] only 95[28] persons were deployed and 167 posts (64 *per cent*) remained vacant as of March-2013, which included 10 PO/APO, 85 AE/Sub-Engineer and 13 Accountants. Shortfall in man power in key posts, adversely affects Progarmme implementation.

During the exit conference, Additional Chief Secretary accepted the audit observation and stated that the services of Sub Engineers would be taken for technical part of scheme and Gram Rozgar Sahayak would be made responsible for preparation of progress report and data uploading etc.

4.1.13 Monitoring and Evaluation

4.1.13.1 Performance appraisal of PRIs/ ULBs not done

Para 1.9 (c) of guidelines stipulates that an amount of ₹ 15,000 for a JP and 10,000 for a GP, would be given as performance incentive for excellent implementation of BRGF programme.

We observed in 14 selected districts that though ₹ 34.41 lakh was provided (2008-10) for this purpose, the scheme was not implemented since

26 ₹ 105.60 lakh (revised sanction) - ₹ 92.58 lakh (original sanctioned ₹ 177.80 lakh – works done ₹ 85.22 lakh)

27 Project Officer/Assistant Project Officer (PO/APO)-19 post, Assist Engineer (AE)-14, Sub-Engineer -105, Accountant-15, Data Entry Operator (DEO)- 107, One Programmer and one Assistant Statistical Office

28 PO/APO- 9, Programmer-1, AE-3, Sub engineer- 31, Accountant- 2, DEO- 49

performance appraisal was not done by the ZP/JP. This defeated the objective of encouraging excellent performance.

During exit conference, Additional Chief Secretary stated that fund for PRI Award was released only in 2007-08 & 2008-09 and instruction was issued to use the unutilised amount of PRI Award for developmental works.

The fact remains that Government did not ensure implementation of the incentive scheme.

4.1.13.2 Status of implementation not uploaded on Rural Soft

According to para 9 of the circular issued (December 2007) by MP Panchayat and Rural Development, the current implementation status of BRGF progamme was to be uploaded on Rural Soft which was developed by National Informatics Centre (NIC) New Delhi for physical and financial monitoring of anti-poverty programme by the CEO ZPs and CEO JPs every month.

During test check of records of 14 selected districts we observed that the implementation status of BRGF programme was not being uploaded on the website 'Rural Soft'. This adversely affects the monitoring of timely completion of works, issue of CC of completed work and imparting training in BRCs etc. by the CEOs.

On this being pointed out (June to December 2013), the CEOs of six ZPs[29] admitted that the information was not being uploaded on Rural Soft. Other CEOs of ZPs[30] attributed the failure of uploading the information to absence of trained staff, non-availability of portal for uploading data and not having the password for operation.

During the exit conference, Additional Chief Secretary stated that State Panchayat portal "Panchayat Darpan" was being used for this purpose from the year 2013-14.
However, no report was made available to Audit in support of the reply.

4.1.13.3 Evaluation of training conducted

According to para 3.4 of guidelines an independent evaluation of training should be conducted by an institute designated by the Ministry of Panchayat Raj.

During test check of records of SIRD, Jabalpur we observed that the SIRD conducted training programme every year during the years 2008-09 to 2012-13. But, only one independent evaluation was got conducted in 2010-11 through School of Good Governance Institute, Bhopal.

On this being pointed out (June 2013), the Director, SIRD stated that due to non-availability of evaluation institute, independent evaluation could not be conducted. However, suggestions of the School of Good Governance for addressing the shortcomings in training courses would be adopted in future.

[29] Badwani, Betul, Damoh, Jhabua, Mandla and Rewa

[30] Guna (Ashoknagar), Khandwa (Burhanpur), Shahdol (Anuppur), Shivpuri, Sidhi (Singhroli) and Tikamgarh

During the exit conference, Additional Chief Secretary stated that independent evaluation would be conducted regularly and Tata Institute of Social Sciences would be designated for this purpose.

4.1.14 Conclusion

The Annual Plan did not give due priority to the most backward sectors identified through SWOT analysis defeating the Programme objective of removing critical gaps in local infrastructure and regional imbalances in development. There were delays in approval of plans which affected the programme adversely. There were significant shortfalls in execution of the works included in the Annual Plans. There were large unutilised funds since the District authorities failed to utilise the funds within stipulated period. Surplus funds against the completed works and unspent funds on works remained incomplete for a long period were not refunded by the Surpanch of GPs and the executing agencies (line departments). Training programmes to build capability of staff and PRI representatives were not conducted regularly. BRCs were not functioning properly due to non-deployment of staff.

4.15 Recommendations

- Due priority should be given to backward sectors of the districts in Annual Plans to redress regional imbalances. The Plans should be approved and executed on time.
- Programme funds should be utilised on time and unspent moneys remitted back into programme account.
- Monitoring of work execution should be strengthened so that sanctioned works do not languish for a long period.

Chapter – 5
Audit of Transactions

5.1 Loss of interest due to blocking of MGNREGS Fund

Due to injudicious decision of Madhya Pradesh State Employment Guarantee Council, MGNREGS funds of ₹ 45.83 crore remained blocked for four months resulting in loss of interest of ₹ 61.11 lakh to the Scheme Fund.

In February 2012, Secretary Panchayat and Rural Development Department (PRDD) decided to purchase 24,000 laptops for promoting IT in Panchayats out of the Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS), Fund earmarked for administrative expenses. PRDD requested (February 2012) the Secretary, Information and Technology (IT) Department to arrange procurement of laptops after observing the procedure prescribed in IT Department. The total cost of 24,000 laptops was estimated at ₹ 50.40 crore (per unit cost ₹ 20,000 plus service charges of five *per cent*). Madhya Pradesh State Electronics Development Corporation Ltd. (MPSEDCL) was to supply the laptops.

During test check of records (July 2013) of Commissioner, Madhya Pradesh State Employment Guarantee Council (MPSEGC)[1], we observed that MPSEGC requested (30 March 2012) the Chief Executive Officers (CEOs) of 50 Zilla Panchayats (ZPs) to purchase Demand Drafts (DDs) for the cost of laptops in favour of MPSEDCL and forwarded same to MPSEGC before 31 March 2012. Accordingly, 49 ZPs purchased DDs amounting to ₹ 45.83 crore in favour of MPSEDCL by 31 March 2012 and forwarded them to MPSEGC **(Appendix-5.1)** for sending to MPSEDCL.

We observed that MPSEGC sent DDs amounting to ₹ 28 crore in respect of 30 ZPs to MPSEDCL on 28 July 2012 for supply of 14,203 laptops, though no request for advance payment was received from MPSEDCL. Besides, payment of 100 *per cent* advance for laptops was in violation of the provision of the Rule 159 of General Financial Rule (GFR)[2].The remaining DDs in respect of 19 ZPs amounting to ₹ 17.83 crore were refunded to the concerned ZPs on 25 July 2012. Thus, entire amount of ₹45.83 crore was retained by MPSEGC for four months.

Since the procurement was delayed by more than a year, it was decided in April 2013 that only 8,000 laptops would be procured at an increased rate of ₹ 33,800 per unit plus tax.

In July 2013, Commissioner, MPSEGC stated that execution of MOUs by the respective District Collectors/CEOs, ZPs with MPSEDCL was in progress for procurement of the laptops.

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1 MPSEGC is a State level nodal agency under Panchayati Raj Institution responsible for implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme.

2 Rule159 of GFR provides for releasing advance of maximum 40 *per cent* of the cost of material to any Government agency or PSU