

Preface

1. Subsequent to the 73rd and 74th amendments to the Constitution and increasing devolution of functions and funds to local bodies, the Eleventh Finance Commission envisaged entrustment of responsibility of exercising control and supervision over the accounts and audit of Local Bodies to the Comptroller and Auditor General of India.
2. The audit of ULBs is carried out by the CAG under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971 and of the VPs under Section 194 of the Goa Panchayat Raj Act. The Comptroller and Auditor General of India (CAG) is the sole auditor for ZPs. The audit is conducted under Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The Government of Goa has entrusted Technical Guidance and Supervision over accounts and audit of Local Bodies to the Comptroller and Auditor General of India in November 2006.
3. This is the Second Annual Technical Inspection Report for the year ended March 2007, prepared by the Office of Accountant General, Goa. While the Part I of this Report contains an overview and audit observations relating to Urban Local Bodies, the Part II deals with Panchayati Raj Institutions.
4. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2006-07 as well as those which came to notice after 2006-07.

OVERVIEW

CHAPTER I

- Only eight out of the eleven functions to be devolved on the ULBs as per the Goa Municipalities Act 1968 were transferred as of 31 March 2008.

(Paragraph 1.3.1)

- Twelfth Finance Commission grants for 2006-07 were not received due to non-furnishing of Utilisation Certificates for grants released during 2005-06.

(Paragraph 1.4.2)

- No functionaries were transferred to perform the transferred functions.

(Paragraph 1.5)

- The working results of the ULBs which indicated a deficit of Rs 2.73 crore in 2004-05 had improved to Rs 4.79 crore surplus in 2005-06 but fell to Rs 0.70 crore surplus in 2006-07.

(Paragraph 1.6)

- Revised Municipal Accounts Manual is yet to be adopted by the ULBs.

(Paragraph 2.1)

- Utilisation Certificates for grants amounting to Rs 20.07 crore were pending from ULBs.

(Paragraph 2.3)

- In the absence of any laid down criteria DMA released grants arbitrarily to ULBs.

(Paragraph 3.1)

- The requirement of the Municipal Solid Waste (Management and Handling) Rules, 2000 has not yet been met in spite of lapse of the prescribed period.

(Paragraph 3.3)

- The Jawaharlal Nehru National Urban Renewal Mission to be implemented by the Corporation of the City of Panaji (CCP) had been delayed due to non conformity of the preconditions of the Scheme.

(Paragraph 3.4)

- The CCP lost Rs 7.15 lakh due to continuation of expired lease at old rates.

(Paragraph 4.2)

CHAPTER II

- Only five of the 26 functions to be devolved on the ZPs have been devolved on them. Only 13 of the 29 functions to be devolved on the VPs have been devolved on them.

(Paragraph 1.3)

- The working results of the PRIs indicated that the surplus decreased from Rs 5.42 crore in 2004-05 to a deficit of Rs 7.87 crore in 2006-07.

(Paragraph 1.5.1)

- The PRIs are yet to adopt the revised accounting formats prescribed by CAG.

(Paragraph 2.1)

- Utilisation Certificates for grants amounting to Rs 48.06 crore were outstanding.

(Paragraph 2.2)

- Rs 3.31 crore developmental grants were released to 25 non-entitled VPs.

(Paragraph 3.1)

- Two garbage compactors worth Rs 27.27 lakh were lying unutilised for over three years in South Goa Zilla Panchayat.

(Paragraph 3.2)

- Compensation in lieu of Octroi was short released to ZPs/VPs by Rs 8.23 crore.

(Paragraph 4.1)

Annual Technical Inspection Report (Local Bodies) for the year ended 31 March 2007.

CHAPTER – I

**ANNUAL TECHNICAL INSPECTION REPORT FOR THE
URBAN LOCAL BODIES**

AN OVERVIEW OF THE URBAN LOCAL BODIES

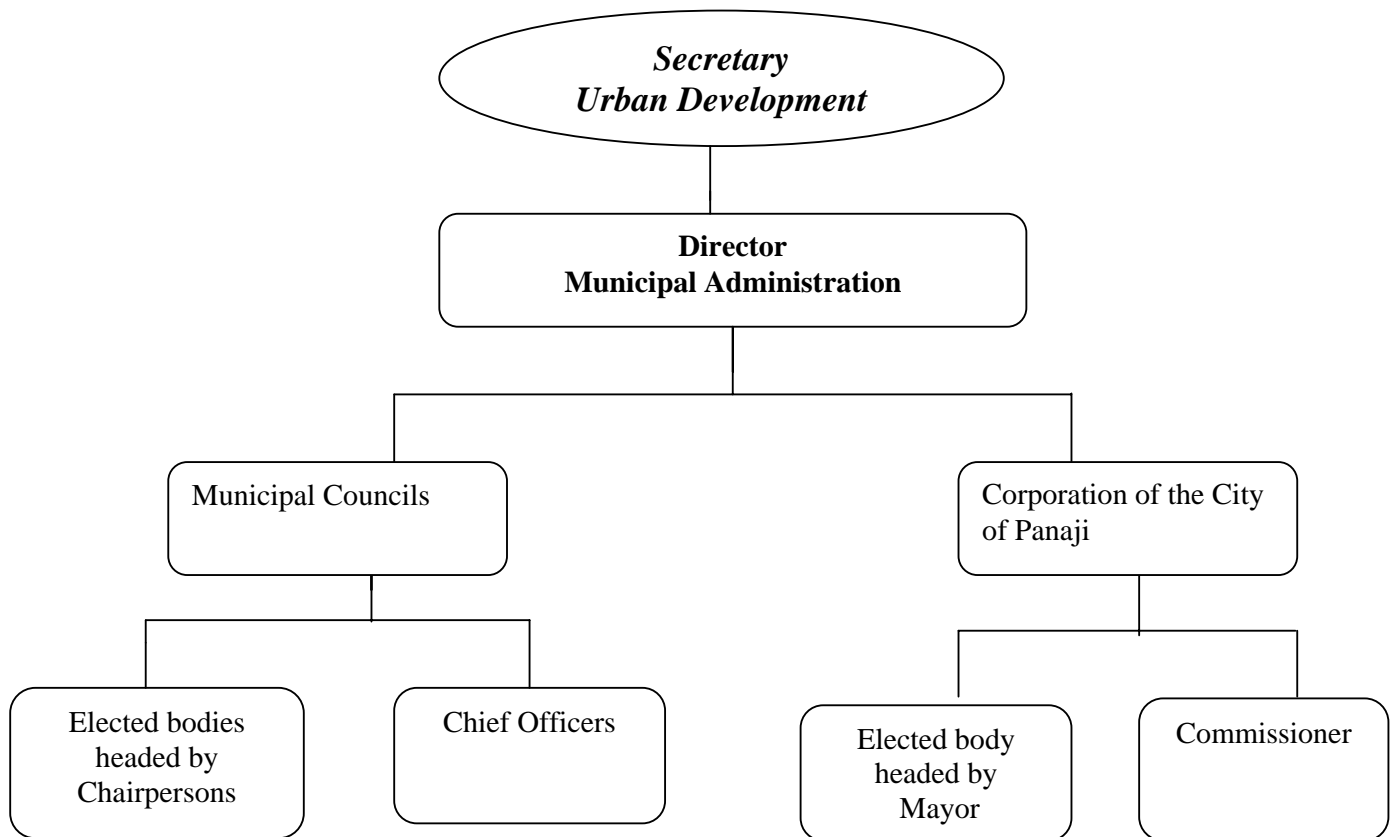
1.1 Introduction

The Urban areas of the State of Goa are administered by 13 Municipal Councils (MCs) and one Municipal Corporation for the City of Panaji (CCP). The functioning of the Municipalities in the State as institutions of Self Government is governed by the Goa Municipalities Act, 1968 duly amended in light of the 74th amendment to the Constitution. The lone CCP in the State is governed by the ‘Corporation of the City of Panaji Act, 2002’.

The last election for 11 MCs was held in October 2005 and for the CCP in March 2006. Election to the Ponda Municipal Council and Sanquelim Municipal Council, which was not held along with other MCs due to non-completion of the process of delimitation of wards and formation of new Municipal Council respectively, was held in January 2008.

1.2 Organisational set-up

The Organisational structure for ULBs in Goa is shown below:



The Secretary (Urban Development) is the Administrative Head of the Municipal Administration. He is assisted by the Director of Municipal Administration (DMA) and other officers.

The DMA exercises control and supervision over the CCP and MCs. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers, besides other staff. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government. The salaries of all other staff appointed by the CCP/MCs are paid by the ULBs concerned.

Section 63 of the Goa Municipalities Act provides for setting up of a Standing Committee. Section 68 of the Act lays down that each Council shall make bye laws to provide for the functions and powers of such Standing Committee which inter-alia should include subject of Transport Undertaking, Finance and Welfare of Conservancy staff. Section 35 of the CCP Act also provides for setting up of a Standing Committee. The Standing Committees are constituted immediately after the Council Election. The Standing Committees in various MCs and CCP were last constituted during the period November 2005 to March 2008.

1.3 Devolution of Functions

The ULBs are expected to prepare plans for economic development and social justice and perform the functions and implement schemes as may be entrusted to them. The Twelfth Schedule under Article 243W of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies. Accordingly, the Goa Municipalities Act in 1993 provided for devolution of 11 functions to the Councils (Appendix-I).

As per the terms of reference, the Second State Finance Commission was entrusted with the work of devolution of powers, functions, responsibilities and resources to Urban Local Bodies. The Commission submitted its report in December 2007. Some of the important recommendations of the Commission are:

- Devolution of all the core functions to ULBs
- Activation of District Planning Committees
- The Formats for accrual based accounting designed by the Task Force to be made operational from 2007-08
- Adoption of Model Municipal Legislation
- Finalisation of Schemes for Panaji under JNNURM

The Commission has recommended devolving of all the 11 Functions to ULBs for economic development and social justice as listed in Schedule X, Section 322A of the Goa Municipalities Act 1968. The recommendations are yet to be accepted by the Government of Goa.

1.3.1 Transfer of Functions

Out of the 11 functions to be devolved on the ULBs, as on 31 March 2008 only eight functions and one activity in one function as mentioned below have been transferred.

Sr. No.	Function
1.	Roads and bridges (only internal roads)
2.	Slum improvement and upgradation
3.	Provision of urban amenities and facilities such as parks, gardens, playgrounds
4.	Burials and burial grounds; cremations, cremation grounds and electric crematoriums
5.	Cattle pounds; prevention of cruelty to animals
6.	Vital statistics including registration of births and deaths
7.	Public amenities including street lighting, parking lots, bus stops and public conveniences
8.	Regulation of slaughter houses and tanneries
9.	Public health, sanitation, conservancy and solid waste management (only solid waste management)

Out of the above, construction of internal roads, burial grounds, registration of births and deaths, street lighting etc. were being traditionally done by the ULBs. Further, the functions transferred are of very little importance and planning being the vital function is still being done by the State Government thereby defeating the objective of decentralized planning as envisaged in the 74th Constitutional amendment. Therefore, the transfer of these functions was only on paper. All the remaining functions except Slum improvement and upgradation are now being performed by the ULBs for which funds are sanctioned by the DMA based on specific proposals from the ULBs. These functions are not being performed directly by the Government now.

1.4 Transfer of Funds

The Government of Goa sanctions grants-in-aid (GIA) to the ULBs annually to supplement their finances, so as to enable them to take up development works in their respective areas. The Central Government also provides grant to ULBs. During the year 2006-07, the total grants sanctioned to the ULBs in Goa were Rs 19.65 crore.

1.4.1 Sources of Funds

With very limited resources of their own, the ULBs require funds for meeting expenditure on civic administration and developmental activities. The funding to ULBs comprises GIA from the Central/State Government and own revenues. Since the own revenues generated by ULBs, as shown in the table below, are not sufficient, they have to depend on grants-in-aid from the Government.

(Rupees in crore)

Years	CCP				MCs			
	Own Revenue	Grant-in-aid			Own Revenue	Grant-in-aid		
		Centre	State	Total		Centre	State	Total
2004-05	7.78	NIL	3.52	11.30	20.89	NIL	7.39	28.28
2005-06	13.03	NIL	2.29	15.32	19.90	NIL	9.22	29.12
2006-07	8.98	0.23	4.58	13.79	19.83	2.17	12.67	34.67

The grants-in-aid given by the State government (including that received from Centre) to the MCs increased from Rs 7.39 crore in 2004-05 to Rs 14.84 crore in 2006-07 and in respect of CCP it increased from Rs 3.52 crore in 2004-05 to Rs 4.81 crore in 2006-07. The grants were paid for development works, compensation in lieu of Octroi, salary grants, solid waste management, etc.

It was observed that the Government has not laid down any criteria based on which funds are to be distributed to the ULBs. Specific observation on this point is mentioned at para 3.1 of this Chapter.

1.4.2 Release of Funds received from Government of India

The Twelfth Finance Commission recommended grants of Rs 12.00 crore (Rs 2.40 crore per year) for ULBs for the period 2005-10. The grants were to be released in two installments annually from 2005-06 onwards. The Government of India, Ministry of Finance, Department of Expenditure released both the installments for the year 2005-06 amounting to Rs 2.40 crore in May 2006. This amount was distributed only during October/November 2006 to the CCP and seven of the 13 MCs, for procurement of Garbage Compactors. However interest for delayed payment as

envisaged under para 6.4 of the G.O.I. guidelines was not passed on to the Councils. Though the Twelfth Finance Commission envisaged utilization of at least 50 percent of the grants for Solid Waste Management, it was observed that the whole of the grant for 2005-06 was allotted for this, leaving no funds for other requirements such as facilitating maintenance of database of finances etc. Out of this, Rs 1.26 crore only has been utilised till February 2008.

The DMA has not received subsequent grants for the year 2006-07. It was stated (March 2008) that non-receipt of both the installments of TFC grants for 2006-07 from Government of India could be because of non-submission of Utilisation Certificates for grants released earlier.

1.4.3 Recommendations of Second State Finance Commission

The Second State Finance Commission has recommended (December 2007) an amount of Rs 650.65 crore for four Core Functions as well as Rs 818.16 crore for 12 Consultative Functions for ULBs for a five year period. The recommendations are yet to be accepted by the State Government.

1.5 Transfer of functionaries

The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers by the State Government. Besides, supervisory level accounts staff, technical officers and Accountants belonging to the common cadre are also paid by the State Government. However, the Government has not transferred any functionaries to the ULBs specifically to perform the additional functions that have been transferred to them.

1.6 Financial position of the ULBs

The Financial position of the ULBs as per their accounts and information furnished by DMA for the years 2004-05 to 2006-07 was as follows:

(Rupees in crore)

Year	Receipt			Expenditure			Surplus/ Deficit
	CCP	MCs	Total	CCP	MCs	Total	
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79
2006-07	13.79	34.67	48.46	14.12	33.64	47.76	0.70

Note: Receipt includes grants from Central / State Government

1.7 Audit Coverage

As per the provisions of Section 152 of the Goa Municipal Account Code 1972, the Director of Accounts is the statutory auditor of the ULBs. Audit of all the MCs and CCP has been completed upto 2006-07 by the Director of Accounts. The audit of ULBs is carried out by the CAG under Section 14 of CAG's (Duties, Powers and Conditions of Service) Act, 1971. Audit of seven MCs and the CCP was conducted during 2006-07.

As per the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of the Eleventh Finance Commission, the State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of Urban Local Bodies to the CAG. Accordingly, in respect of three* of the seven MCs audited by the Accountant General for the year 2005-06 under TGS certain shortcomings in the ULBs such as Non-preparation of statement of annual income & expenditure and assets & liabilities, Delay in reassessment of properties, Non-preparation of Annual Development Plan, etc. not reported in the Audit Reports of the Director of Accounts were communicated to them in February 2008. Further, a training programme for the accounts staff of ULBs was also conducted under TGS in January 2008.

1.7.1 Internal Audit/Control

Scrutiny of Audit Reports of the Director of Accounts in respect of MCs sent to the DMA each year revealed that a number of paras dating back to 1970-71 were

* *Pernem, Ponda and Canacona*

outstanding. It was observed that the Audit Reports of the Director of Accounts pertaining to the MCs were merely filed, without any further action. As a result, the outstanding paras have accumulated over the years. Since some of the paras were of a serious nature, not complying with the objections in time would result in more serious irregularities. The DMA has not evolved an internal mechanism, whereby the compliance of outstanding paras is watched and progress report obtained every month, from all the councils.

1.7.2 Response to audit

Response to Audit Paras is lukewarm as replies to 106 paras pertaining to the period from 1996-97 to 2006-07 were outstanding as of December 2007 from MCs/CCP and DMA.

2. ACCOUNTING PROCEDURES

2.1 Accounting Formats

Urban Local Bodies (ULBs) are maintaining their accounts on cash basis. All the ULBs have finalized their accounts upto 2006-07. The Ministry of Urban Development, Government of India prepared (November 2004) National Municipal Accounts Manual (NMAM) which adopted accrual basis of accounting and provided revised formats of accounts. The State Governments were required to draft State specific municipal accounts manuals based on NMAM. The State Government of Goa has not yet adopted NMAM/accrual based system of accounting. However, the State Government has issued Notification (January 2008) amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats based on National Municipal Accounts Manual. It was stated that the implementation of the Accrual Based Accounting System would start from the year 2008-09, i.e. from 1.4.2008.

The eight draft formats prescribed by CAG for creation of database of finances of Urban Local Bodies were sent to the Finance Secretary in September 2003. However, no action has yet been taken in the matter.

2.2 Revenue Arrears

As per the information furnished by the DMA, the total amount of revenue arrears of all the MCs/CCP upto March 2007 was Rs 8.97 crore. Agewise and MC wise break-up of arrears was not made available to Audit. The DMA had not maintained any registers from where the figures could be verified. The reasons for non-recovery and action taken to recover these arrears were awaited (March 2008).

2.3 Outstanding utilisation certificates

The DMA releases grants to MCs every year for development work and salaries. As per terms and conditions under which the grants are sanctioned, the entire amount of the grant shall be utilized within a period of one year from the date of drawal of the grant and a utilization certificate shall be submitted to the DMA by the CCP/MCs within 18 months of drawal of the grant. It was also provided that no grant shall be sanctioned unless the previous grants are fully utilized and utilization certificates furnished.

It was noticed that utilisation certificates in respect of substantial amounts of grants sanctioned were yet to be received by DMA even after a lapse of more than 1 to 5 years as shown below:-

(Rupees in lakh)

Year	Amount Sanctioned	UCs received	Total grants for which UCs not received as of March 2007
2000-01	3.28	2.52	0.76
2001-02	21.91	20.22	1.69
2002-03	252.80	103.14	149.66
2003-04	216.30	61.97	154.33
2004-05	204.33	129.73	74.60
2005-06	542.56	254.67	287.88
2006-07	1964.47	626.53	1337.94
Total	3205.65	1198.77	2006.88

It was also observed that inspite of the non-adherence to the requirement of submission of UCs within 18 months of drawal of grants by the MCs, the DMA continued to sanction them further grants.

3. Implementation of Schemes

To supplement the finances of the Urban Local Bodies (ULBs) so as to enable them to take up development works in their respective areas, the Government of Goa

sanctions grants-in-aid (GIA) to them annually. The grants were sanctioned for construction of roads, community halls, gardens, parks, maintenance of street lights, solid waste management, purchase of vehicles, land acquisition, etc.

3.1 Arbitrary allocation of grants to Urban Local Bodies

To supplement the finances of the ULBs so as to enable them to take up development works in their respective areas, the Government sanctions grants in aid to ULBs annually. The grants were sanctioned for construction of roads, community halls, gardens, parks, maintenance of street lights, solid waste management, purchases of vehicles, etc.

Goa has one Municipal Corporation, two A Grade, seven B Grade and four C Grade Municipal Councils classified according to the population. The Government sanctioned development grants to the tune of Rs 5.01 crore, Rs 6.79 crore and Rs 7.47 crore during the years 2004-05, 2005-06 and 2006-07 respectively to these ULBs.

As the proposals for grants received from Municipal Councils are huge, the Government had decided to distribute the budget provision for the year 2004-05 according to the grade of the municipality so that the funds are evenly distributed. As such lone Municipal Corporation and two A Grade Municipal Councils would receive Rs 35 lakh each, B Grade Councils would get Rs 25 lakh each and C Grade Councils would get Rs 20 lakh each. An amount of Rs 60 lakh was retained for sanction at the discretion of higher authority.

An analysis of grants distributed to the Municipal Councils during the years 2005-06 and 2006-07 revealed that the Government had not observed any such criteria while sanctioning grants during these years. The grants to the tune of Rs 1.60 crore and Rs 1.75 crore were sanctioned during the years 2005-06 and 2006-07 respectively to a single B Grade Municipal Council (Cuncolim Municipal Council) which constituted almost 23 per cent of the total development grants sanctioned to the Municipal Councils/Corporation. Whereas, no grants were sanctioned to Canacona Municipal Council (B Grade) and a negligible sum of Rs 2.11 lakh only was sanctioned to

Mapusa Municipal Council (B Grade) during the year 2006-07 though these Municipal Councils had forwarded proposals worth Rs 29.97 lakh and Rs 119.72 lakh respectively.

The disparity in sanctioning development grants indicated grants were sanctioned arbitrarily and not based on any laid down criteria with a view to achieve overall development. The Department stated that the grants cannot be sanctioned according to the class of Municipal Councils but based on the concrete proposals from the Councils. Further, the Government has given assurance to the Hon'ble High Court that necessary financial support will be given for land acquisition as well as for setting up of Garbage Treatment Plants. As the requirements of Municipal Councils are not uniform it is difficulty to disburse grants as per the norms based on the Class of Municipal Authority.

The reply is not tenable as despite concrete proposals from Municipal Councils, the grants were not sanctioned to Canacona Municipal Council and only negligible sum was sanctioned to Mapusa Municipal Council in the year 2006-07 when compared to Rs 1.75 crore sanctioned to Cuncolim Municipal Council. Further the grant for solid waste management was sanctioned separately and not included in the grants for development works.

3.2 Non-utilisation of Night Soil Tanker procured at Rs 15.94 lakh

The Cuncolim MC (CMC) proposed in February 2004 to procure a Night Soil Tanker (NST) for sanitary work in the Council area at an estimated cost of Rs 16.17 lakh which was approved by the DMA in August 2005. The CMC placed order in September 2005 for supply of the NST at a cost of Rs 15.94 lakh. The NST was received in October 2005.

Audit observed that the NST has not been put to use so far by the CMC as a suitable dumping site for disposing the waste was not identified. Consequently, the NST procured at a cost of Rs 15.94 lakh has been lying idle for over 30 months.

The CMC stated (August 2007) that they had expected to utilize the sewage treatment plant belonging to the Public Works Department (PWD) (Div.II) at Fatorda. However the plant was temporarily closed and there was no response to further correspondence. The reply is not tenable as the CMC did not obtain any assurance from the PWD before procuring the NST that its waste would be treated at the Sewage treatment plant of the PWD. The CMC also did not identify a suitable site even after purchase of the NST.

3.3 Implementation of Municipal Solid Waste (Management and Handling) Rules, 2000

The Municipal Solid Waste (Management and Handling) Rules, 2000 of Government of India provide for managing Municipal and Urban Wastes/Garbage in an environmentally friendly manner. These rules apply to every Municipal Authority responsible for collection, segregation, storage, transportation, processing and disposal of Municipal Solid Waste. The Councils are responsible for the implementation of the provision of these rules. The Councils are required to obtain authorization from the State Pollution Control Board. Further, the Councils are required to furnish its Action Taken Report to the concerned District Magistrate as per Rule 5 (1) of the said Rules and the concerned District Magistrate has overall responsibility for enforcement of the provisions of these Rules in the State of Goa.

The implementation schedule envisaged in the said rules was as follows:

Sr. no.	Compliance Criteria	Schedule
1.	Setting up of waste processing and disposal facilities	By 31.12.2003 or earlier
2.	Monitoring the performance of waste processing and disposal facilities	Once in six months
3.	Improvement of existing landfill sites as per provisions of these rules	By 31.12.2001 or earlier
4.	Identification of landfill sites for future use and making sites ready for operation	By 31.12.2002 or earlier

The Hon'ble Supreme Court, while hearing a Writ Petition No.888 of 1996, had in its hearing in July 2004 taken serious view of non-compliance of the provisions of the said Rules and directed Chief Secretaries of States to ensure compliance.

As per the information furnished by DMA in March 2008 the 'Implementation Status' at 13 MCs & CCP was as follows:

- Though the CCP has identified the site, NOC by Town & Country Planning Department, authorisation by the Goa State Pollution Control Board (GSPCB) and land acquisition proceedings are not yet initiated. As a result, the garbage was being dumped in the open in the heart of the city causing inconvenience to the citizens of the Capital city.
- Though all the 13 MCs have identified sites and have been granted authorization by GSPCB (June 2005 to January 2008 valid upto November/December 2008) and NOC by the Town and Country Planning Department (January 1999 to May 2007), only three MCs* have acquired the land. The remaining MCs are in the process of acquiring the land.

The last date for setting up of waste processing and disposal facilities as per the Rules ibid was 31.12.2003. However, even after a lapse of four years none of the MCs in Goa had implemented the Rules. The delay in implementation of the Rules was due to delay in land acquisition which was attributed to opposition from locals against dumping waste material in the identified sites.

3.4 Jawaharlal Nehru National Urban Renewal Mission

The Jawaharlal Nehru National Urban Renewal Mission (JNNURM) was launched by the Government of India on 3 December, 2005. The Scheme aims at providing incentives to select cities to undertake institutional, structural and fiscal reforms necessary to improve service delivery systems that are sustainable, enhance local economic performance and bring about transparency and accountability in functioning of the Municipal Authorities. The City of Panaji was selected for development with central assistance under JNNURM. The duration of the Scheme is seven years from the date of launching. The release of funds by the Government of India is contingent on various reforms to be undertaken by the State Government and Municipal Authorities.

* *Mormugao, Madgaon and Sanguem*

Even though an outlay of Rs 60 crore was proposed in the State Budget during 2006-07, no funds were released to CCP. It was stated that funds would be released only after Draft Project Reports are submitted and approved by Government of India.

It was observed in audit that though two years have elapsed since the launching of the Scheme, the CCP has not yet been able to avail the benefits of the Scheme due to non-implementation of the prescribed reforms. It was also observed that a Memorandum of Agreement laying down the reforms to be undertaken and conditions under which funds would be released has been signed with the JNNURM by the State Government, Government of India and CCP on 26 December 2007. The CCP has not yet acquired the requisite qualified manpower required for implementation of the Scheme.

4. Other points of interest

4.1 Loss due to non-encashment of Bank guarantee in time

As the arrears of revenue to be collected was Rs 4.93 crore, the CCP entrusted (10 April 2006) the work of collection of arrears of revenue to M/s Avion Air Services, Panaji (contractor) from 1.6.2006 to 31.3.2007 for a fee of 10 per cent of the amount collected. As per the Agreement the contractor was to collect a minimum of Rs 1.50 crore of arrears due to the CCP within the period of the contract and to ensure this, the contractor had furnished a bank guarantee for Rs 5.00 lakh from Dena Bank, Panaji valid upto 31.5.2007.

The CCP assessed the amount collected by the contractor as Rs 67,54,607. Accordingly, Rs 7,58,137 (being the agreed commission of 10 per cent of the amount collected plus Service Tax i.e. Rs 6,75,461 + Rs 82,676), was paid to them.

Audit observed that even though the contract expired on 31.3.2007 and the contractor had not collected the minimum of Rs 1.50 crore, the CCP did not encash the performance Bank guarantee of Rs 5.00 lakh within its validity period. Consequently, the CCP lost Rs 5.00 lakh which it could have received had timely action been taken to encash the Bank guarantee.

4.2 Short recovery of lease rent

The erstwhile Panaji Municipal Council (PMC) had entered into an agreement with M/s Rao & Company in November 1975 for renewal of lease of 1594 Sq. Mtrs. of land belonging to the PMC for a period of 30 years for the purpose of building a Cinema house. The Agreement provided that the Lessee shall pay an annual lease rent of Rs 37,500. There was no provision for any periodical increase in rent. The lease expired on 24.11.2005.

Audit observed that though the lease agreement provided that after expiry of the period of 30 years, the lessor could take over possession of the land and building after paying the lessee the compensation for the building as per the prevailing fair market value at that time, but excluding the value of goodwill of the business, the PMC (later, CCP) did not take any timely action to take over the land.

The Agreement also provided that instead of the PMC taking over the land and building, the lease might be extended by mutual agreement. It was observed that though the lessee had intimated the CCP in October 2005 about the impending expiry of the lease agreement, no action was taken by the CCP till April 2007. CCP continued to accept the old lease rent.

The Goa Municipalities (Amendment) Act, 1996 provided that in respect of immovable property of a Council where the lease has already expired and the leases are not renewed, the Councils may renew the leases at such rate of rental, which shall not be less than Rs 30 per Sq. mtr. per month. This was effective from June 1997. Accordingly, in the subject lease which expired in November 2005, the monthly rent recoverable w.e.f. December 2005 @ Rs 30 per sq. mtr. was Rs 47,820 as against which the CCP recovered only Rs 3125 per month. Thus for the period of sixteen months from December 2005 to March 2007, there was a short recovery of Rs 7,15,120.

Further, as the Agreement did not provide for any increase in rent from time to time the lease rent could not be increased as per the rate prescribed by the amended Act of 1996. Due to the absence of such an enabling provision, the PMC/CCP lost an amount of Rs 45.59 lakh for 102 months from June 1997 to November 2005.

4.3 Non-discharge of liability towards payment of interest on loan

The erstwhile Village Panchayat (VP) of Cuncolim was sanctioned a loan of Rs 4.21 lakh in September 1981 and a further sum of Rs 0.35 lakh in May 1987 by the Collector of Goa for funding construction of shops and Community hall. Consequent upon up-gradation of the VP into a Municipality and formation of the Cuncolim MC (CMC) in July 1987, all assets and liabilities of the VP devolved on the CMC. The loan was repayable in installments commencing from one year after receipt of the second installment. The first and second installment of the first loan was received in March 1982 and August 1985 and the second loan in November 1987.

It was observed that the CMC had repaid the principal amount of the loan by November 1998. However, interest on the loan was not paid. The interest @ 11.25 percent (including penal interest) outstanding as of June 1988 was Rs 2,21,453. Due to non settlement, the interest liability rose to Rs 25,02,121 (@ 13.75 per cent) upto 31st March 2007.

The CMC had appealed to the Director of Panchayats in February 2007 for waiver of the liability. However the same was rejected (July 2007). Thus, the CMC carries with it an undischarged liability of Rs 25.02 lakh, as a result of its failure to pay the interest amount in time.

4.4 Short release of grants in lieu of Octroi

Upto the year 2000-01 the Village Panchayats/Municipal Councils in the State were levying Octroi on petrol, diesel and petroleum products. In March 2001, the Government abolished the Octroi and decided to compensate the revenue loss to the local bodies/PRI's on this account by increasing sales tax on these products by two percent and allotting this addition tax collection to the Village Panchayats/Zilla Panchayats and Municipal Councils in the ratio 75:50:75.

The allotment of funds for an year was to be made based on the amount of additional sales tax collected during the previous year. However, the details of amount collected as two per cent additional Sales Tax during 2005-06 were not available with the DoP.

It was observed in audit that during the year 2006-07 the DMA released only Rs 5.00 crore to the CCP/MCs. In the absence of information regarding amount of tax collected during 2005-06, had the grants been released on the basis of figures available for 2004-05 (which was Rs 19.16 crore) the CCP/MCs should have been allotted Rs 7.19 crore. Hence, there was a short release of Octroi grants to CCP/MCs to the tune of Rs 2.19 crore.

4.5 Loss due to retention of funds in Current accounts

The Grants-in-aid received by the Cuncolim MC (CMC) are deposited in three accounts in the Canara Bank, Cuncolim.

It was observed that the CMC operated Current accounts instead of Savings bank accounts and there were substantial balances in these accounts which the CMC did not require for its day-to-day activities. As no interest accrues for the amounts remaining in the Current accounts, the CMC did not earn any interest on the balances in these accounts.

The closing balances in these accounts during the last three years were as indicated in the table given below:

(Rupees in lakh)

Account number	Balance as on 31.3.2004	Balance as on 31.3.2005	Balance as on 31.3.2006
68	25.05	12.00	26.66
99	01.63	10.73	11.26
101	31.10	55.38	157.46
Total	57.78	78.11	195.38

Had these amounts remained in the Savings account they would have earned interest of Rs 7.98 lakh. The CMC should streamline the system to ensure that excess funds are transferred to Fixed Deposits.

5 Recommendations

- **The accrual based accounting formats should be adopted by the ULBs.**
- **Action should be taken for compliance of the Municipal Solid Waste (Management & Handling) Rules, 2000.**
- **Norms for distribution of development grants should be formulated so as to avoid disparity.**
- **UCs in respect of TFC grants should be furnished promptly so that subsequent grants do not lapse.**

CHAPTER – II

ANNUAL TECHNICAL INSPECTION REPORT OF THE PANCHAYATI RAJ INSTITUTIONS

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

Goa along with Daman & Diu was liberated in December 1961 from the Portuguese rule. After liberation, the President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. The said Regulation provided for setting up of a single tier Panchayati Raj system in the Union Territory of Goa, Daman & Diu. Thus, for the first time the Panchayati Raj Institutions (PRIs) came into existence in Goa in 1962.

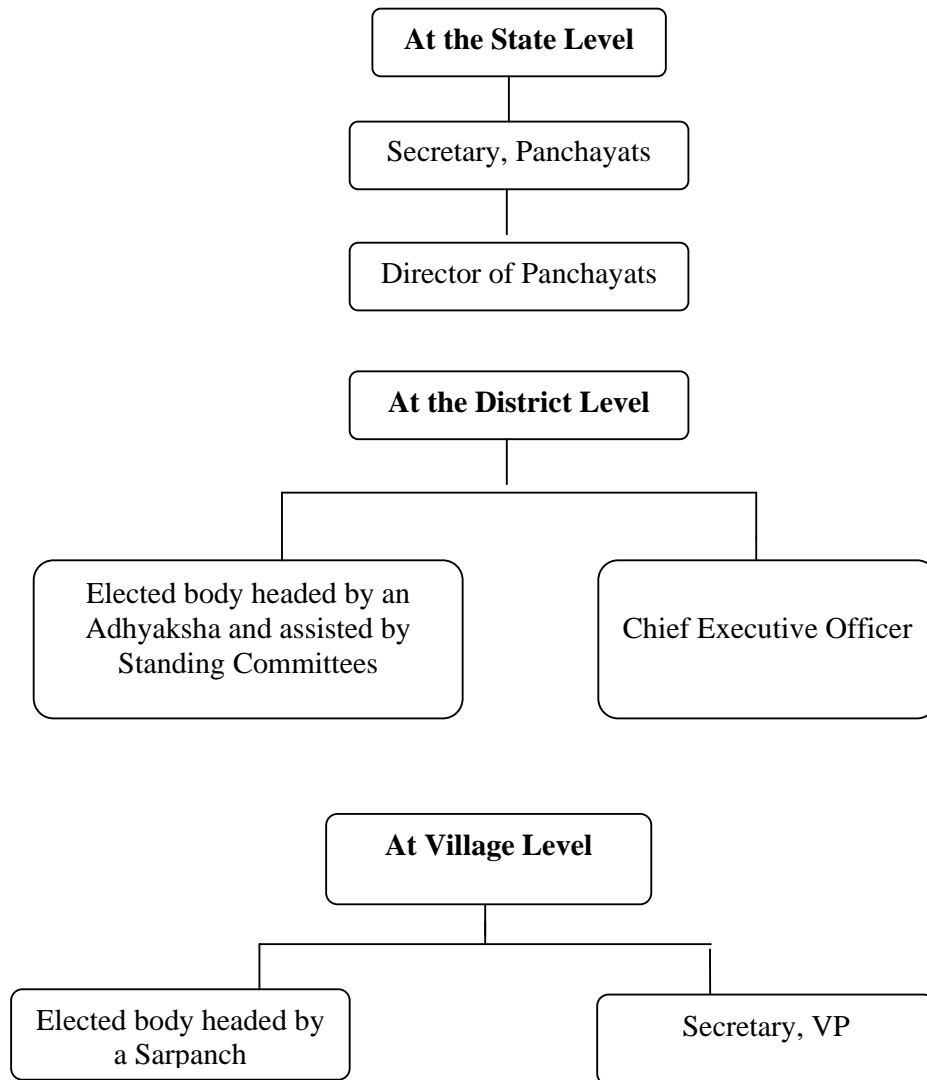
The 73rd amendment to the Constitution, carried out in 1992, prescribed a three-tier structure (two tiers in case of states with population less than 20 lakh) for Panchayati Raj Institutions. The Legislature of a State was required to endow the Panchayats by law, with such powers and authority as was necessary to enable them to function as institutions of self-government. Accordingly, the Goa Panchayat Raj Act was enacted in 1994 to establish a two-tier Panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

The State of Goa consists of two Districts namely 'North Goa' and 'South Goa', comprising six Blocks and five Blocks respectively. Each Block is headed by a Block Development Officer (BDO) who is assisted by the respective Extension Officers and their staff. As of March 2007, there were two ZPs and 189 VPs in the State of Goa.

Last elections for ZPs were held in March 2005 and those of VPs were held in May 2007.

1.2 Organisational set-up

The organisational set-up of PRIs is shown below:



The Secretary, Panchayats is the Administrative Head of the Panchayat Department. The Director of Panchayats (DoP) exercises control and supervision over the PRIs and also acts as the Appellate Authority under the Goa Panchayat Raj Act.

Adhyakshas head the ZPs. The ZPs in Goa have full time Chief Executive Officers besides other staff. Sarpanchs head the VPs. The VPs are provided with Secretaries and other staff. As per sections 142 and 63 of the Goa Panchayat Raj Act 1994, various Standing Committees are set up in ZPs and VPs respectively for governing their functions.

The ZPs are responsible for preparation of plan for development and overall supervision, co-ordination and implementation of development schemes. Similarly, the VPs are also required to prepare annual plans for the development of Panchayat areas, maintain essential statistics, remove encroachment on public property and undertake implementation of assigned schemes/works.

As per section 239 of Goa Panchayat Raj Act 1994, District Planning Committees (DPC) are required to be set up for the districts in the State. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same to the DPC who would prepare a draft development plan for the district as a whole and send to the Government.

The First DPCs were set up by Government of Goa in October 2003, in North and South Goa Districts. These committees were reconstituted in September 2006. North Goa DPC conducted only one meeting in November 2003 and no further activity has been carried out so far (March 2008). In respect of South Goa DPC, no meeting has been conducted and no activity has been carried out so far (March 2008). Thus, effectively the DPCs are non-functional and the purpose of consolidating district level development plans remains unachieved.

Scrutiny of eight VPs test checked under TGS for the period 2005-06 revealed that none of these VPs had prepared their Annual Development Plan and submitted to the DPC. It was stated by the VP Secretaries (June 2007) that these Plans would henceforth be prepared and submitted to the DPC.

1.3 Devolution of Functions

The XIth Schedule appended to the Constitution of India gives a list of the 29 functions and responsibilities that may be devolved to the PRIs. The Schedules-I and II appended to the Goa Panchayat Raj Act envisaged entrustment of 26 and 29 functions to ZPs and VPs respectively (Appendix-II). However, only the following five and 13 functions have been devolved partly to the ZPs and VPs respectively.

Functions devolved to ZPs

Sr. No.	Sr. No. of Schedule XI	Name of Function /Scheme
1	3	Minor Irrigation, Water Management & Watershed Management
2	17	Education including Primary school
3	23	Health & Family Welfare
4	26	Welfare of the weaker sections, in particular of handicapped & mentally retarded
5		Merger of DRDA's with Z.P., Financial Assistance to VPs & SGRY

Functions devolved to VPs

Sr. No.	Sr. No. of Schedule XII	Name of Function /Scheme
1	1	Agriculture including Agricultural extension
2	4	Animal Husbandry, Dairying & Poultry
3	5	Fisheries
4	9	Khadi, Village & Cottage Industries
5	11	Drinking Water
6	13	Roads, Buildings, Culverts, Bridges, Ferries, Waterways & other means of communication
7	20	Libraries
8	21	Cultural Activities
9	23	Rural Sanitation
10	25	Women & Child Development
11	26	Social Welfare
12	29	Maintenance of Public Parks & Playgrounds
13		Transport, State Rural Employment Guarantee Scheme, IAY, SSA Construction, Gymnasium/Vyayamshala, Financial Assistance to Sportsmen

As per Section 153 of the Goa Panchayat Raj Act 1994, the VPs are vested with powers to levy and impose taxes, fees on various items. The VPs are also empowered to execute various types of works, issue of permissions, licences and control the erection of buildings, factories and other constructions within its jurisdiction. They

are also empowered to impose fines, penalties and also demolish illegal structures, buildings, remove trees.

The subjects allotted to the ZPs include taking up of developmental works like construction and repairs of rural roads, rural water supply and sanitation, minor irrigation schemes, repairs and maintenance of cottage hospitals and rural health centers, conducting training programmes for farmers, etc. They have no power to levy any taxes or fees. They solely depend upon the Administrative Grants and Rural Infrastructure Developmental Grants from the Government.

The State Government had set up two Finance Commissions (FC) to review the financial position of Local Bodies. The second FC was set up in August 2005. The Commission was required to submit the recommendations within a period of three months during which it had to thoroughly examine the devolution of functions along with funds to the ZPs and VPs. The Commission submitted its report in December 2007.

The SSFC has recommended devolving of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in the Ist & IInd Schedules respectively of the Goa Panchayat Raj Act 1994. Some of the important recommendations are:

- Devolution of all the core functions to the PRIs
- Activation of District Planning committees
- Adoption of revised accounting formats designed by CAG to be made operational from 1-4-2008
- Write-off of loans of weaker Panchayats
- Assignment of two per cent of State's own revenues to PRIs
- Provision of staff for capacity building of PRIs
- Training to staff in information technology to enable computerized accounting and database of finances.

The Government is yet to consider the recommendations of the SSFC.

1.3.1 Transfer of Functions

It was observed that none of the functions devolved to the ZPs were actually transferred to them. Out of the functions transferred to the VPs, construction of internal roads, drinking water, rural sanitation, maintenance of parks and playgrounds, etc. were being traditionally performed by them. Therefore the transfer of functions in these cases was only a formalization of existing arrangements. Out of the remaining functions, Cultural activities, Women and child development, Social welfare, Community development schemes including the centrally sponsored schemes are now being performed by the VPs for which funds are sanctioned by the Director of Panchayats/District Rural Development Agency based on specific proposals from the VPs. These functions are not being performed directly by the Government now.

1.4 Transfer of Funds

In view of their meagre financial resources, the Government of Goa sanctions grants-in-aid to the VPs/ZPs in the State for financing development works, administration expenses, matching grants, compensation in lieu of Octroi, etc. During the year 2006-07, the amount of grants-in-aid released to the ZPs and VPs (including the amount received from the Centre) was Rs 7.40 crore and Rs 23.23 crore respectively.

The details of own revenue and Grants-in-aid for the years 2004-05 to 2006-07 are given below:

(Rupees in lakh)

Year	ZPs		VPs	
	Own Revenue	Grants-in aid	Own Revenue	Grants-in aid
2004-05	4.55	637.19	900.76	1811.46
2005-06	11.16	680.00	1148.01	2088.65
2006-07	12.00	739.99	1661.19	2322.50

Note: Grants-in-aid include grants received from Central as well as State Government.

1.5 Transfer of Functionaries

The Government of Goa has provided one VP Secretary to each VP whose salaries and allowances are paid directly by the Government. The VPs have also employed

their own staff like clerks-cum-typists and peons. The State Government has undertaken to sanction grants to economically weaker Panchayats from 1-4-2001 in order to enable them to make payment of the salaries and dearness allowance to the staff employed by them.

As far as ZPs are concerned, the Government has appointed a Sr. Grade Officer of the Goa Civil Service in each ZP as the Chief Executive Officer. The Government has also appointed an officer of the cadre of Deputy Director of Accounts as an Accounts Officer in each ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of Executive Engineers, Assistant Engineers and Junior Engineers from the PWD of the State have been placed at the disposal of the ZP for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

1.5.1 Financial Position of ZPs and VPs

The Financial position of the two ZPs and 189 VPs as per their accounts and information furnished by DoP for the period 2004-05 to 2006-07 was as follows:

(Rupees in lakh)

Year	Receipt			Expenditure			Surplus/ Deficit
	ZPs	VPs	Total	ZPs	VPs	Total	
2004-05	641.74	2712.22	3353.96	148.37	2633.06	2781.43	572.53
2005-06	691.16	3236.66	3927.82	1065.00	2219.00	3284.00	643.82
2006-07	751.99	3983.69	4735.68	810.32	4712.76	5523.08	(-)787.40

1.5.2 Grants-in-aid by State/Central Government

The grants-in-aid paid by the State government (including that received from Centre) to the PRIs increased from Rs 24.49 crore in 2004-05 to Rs 30.62 crore in 2006-07.

1.5.3 Recommendations of the Second State Finance Commission

The SSFC has recommended an amount of Rs 722.81 crore for the 21 Core functions as well as Rs 1131.03 crore for 17 Consultative functions for VPs and Rs 284.51 crore

for 10 Core functions and Rs 459.61 crore for 11 Consultative functions for ZPs for a period of five years.

The SSFC has also recommended the creation of following posts in various offices, which will entail an annual expenditure of Rs 11.03 crore.

Sr. No.	Name of Office	No. of Posts
1.	Directorate of Panchayats	603
2.	ZPs	21
3.	District Rural Development Agency	19
4.	District Planning Committee	13
5.	Town & Country Planning Department	10
6.	Animal Husbandry	06
7.	Agriculture Department (Soil Conservation)	03
8.	Health Services	06

The Government is yet to consider the report, which was submitted in December 2007.

1.6 Audit coverage

By virtue of Section 194 of the Goa Panchayat Raj Act, the Comptroller and Auditor General of India is the sole auditor for ZPs. The audit is conducted under Section 20(1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. The records of North Goa ZP for the years 2002-03 and 2003-04 and South Goa ZP for the year 2005-06 were test checked during the period under audit. The audit for subsequent years could not be taken up due to non finalisation of the accounts for these years.

The Director of Accounts is the statutory auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The audit of all the VPs was carried out upto the year 2006-07 by the Director of Accounts.

As per the guidelines issued by the Ministry of Finance, Government of India, on the recommendations of the Eleventh Finance Commission (EFC), the State Government, in November 2006, entrusted Technical Guidance & Supervision (TGS) over accounts and audit of PRIs to the CAG. Accordingly, in respect of eight VPs audited by the Accountant General for the year 2005-06 under TGS certain shortcomings in the VPs such as Loss of interest, Discrepancies in service records, Non-recovery of rent, Non-

preparation of Annual Development Plan, etc. not reported in the Audit Reports of the Director of Accounts were communicated to them in July 2007. Further, a training programme for the accounts staff of PRIs was also conducted under TGS in January 2008.

In addition, the audit of receipts and expenditure of local bodies or authorities financed by way of grants/loans from the Government also comes under the purview of CAG in terms of sections 14 and 15 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

1.6.1 Internal Control/Audit

It was observed that there was no internal audit set up in the North Goa and South Goa ZP. The transactions of the Office were not checked from time to time by any person other than the Accounts staff who actually pass the bills for payments. The records were also not inspected by the Inspection staff of the Director of Accounts even though substantial grants were paid to the Zilla Panchayats by the Government of Goa.

It was stated by the Director of Panchayat that no internal audit section could be set up due to shortage of staff.

1.6.2 Impact of audit, response to audit

Consequent to audit observations during the previous year regarding non-submission of Utilisation Certificates (UCs) by the VPs, the Director of Panchayats, under directives from Finance Department, Government of Goa (May 2007), issued a circular in June 2007 instructing the Block Development Officers to expedite utilisation of the grants sanctioned and submission of UCs. Further, the recovery of revenue arrears has also improved. The arrears of VPs which was Rs 16.11 crore as on 31.03.2006 have come down to Rs 10.50 crore as of 31.03.2007.

Response to Audit Paras was lukewarm as replies to 91 paras pertaining to the period from 2001-02 to 2006-07 were outstanding as of December 2007 from DoP/Dy. Director of Panchayat (South Goa).

2. ACCOUNTING PROCEDURES

2.1 Format of Accounts

The 'Guidelines for utilization of Local Bodies Grants Recommended by EFC' issued by MoF, GOI in June 2001, provided that the format for preparation of budgets and accounts for the local bodies shall be as prescribed by the CAG. The State Government is yet to adopt the formats prescribed by the CAG. The revised accounting formats were sent for publication in February 2008.

ZPs are preparing accounts in the format laid down under section 191 of the Goa Panchayat Raj Act, as they are yet to adopt the format prescribed by the CAG. While the ZP (South) had finalized their accounts upto 2004-05, ZP (North) had finalised them upto 2003-04 as of March 2008.

VPs are preparing accounts in the format laid down under Section 184 of the Goa Panchayat Raj Act, 1994. The accounts upto 2006-07 have been completed.

The eight draft formats prescribed by CAG for creation of database of finances of PRIs were sent to the Finance Secretary in September 2003. However, no action has yet been taken in the matter.

2.2 Non submission of Utilisation Certificates

As per terms and conditions under which the grants are sanctioned, the entire amount of the grant shall be utilized within a period of one year from the date of drawal of the grant and a utilization certificate is to be submitted to the DoP/BDO by the ZPs & VPs respectively within 18 months of drawal of the grant. It is also provided that no grant shall be sanctioned unless the previous grants are fully utilized and utilization certificate furnished. Further, in the orders sanctioning matching grants, the BDOs were empowered to recover the amount of unutilized grants which was sanctioned under GIA, for more than 12 months, if any, from the defaulting VPs from the matching grants payable to them.

In spite of all the above provisions, the Directorate failed to obtain the UCs from the ZPs/VPs promptly, resulting in accumulation of unsettled amounts. It was observed

from records that utilization certificates (UCs) in respect of grants amounting to Rs 48.06 crore (some of which pertain to the period prior to 1989) were outstanding from the ZPs and VPs as on 31.03.2007. Further, the Directorate has been sanctioning additional grants without adhering to the above conditions.

It was stated by the DoP that the Circular in this connection was issued on 19th June 2007 directing all the BDOs to strictly follow the guidelines regarding prompt utilisation of the grant, refund of unspent grants, etc., as provided in G.F.R. 151(1). It was further stated that funds not utilized within the stipulated period should be refunded to Government immediately and in case of failure to refund the grants to Government, action would be taken to adjust the amount against the matching grants. The progress of outstanding UCs was being reviewed and efforts were being made to obtain the UCs by BDOs from concerned VPs.

2.3 Non utilization of Finance Commission Grants

The First installment of XIIth Finance Commission (TFC) Grants for 2005-06 amounting to Rs 1.80 crore was released to the State Government on 3 January 2006 and after including the unutilised grants released during EFC period amounting to Rs 4.63 crore (now considered as part of TFC grants), the total amount of PRI grants available with the state Government to be utilized worked out to Rs 6.43 crore. Accordingly, as on 30 September 2007 the Directorate had accorded sanction for incurring the expenditure of Rs 119.25 lakh as follows.

1. Water supply Rs 29.89 lakh
2. Sanitation Rs 50.07 lakh
3. Database Rs 39.29 lakh

Details of UCs for the above grants were not furnished to audit (March 2008).

The total amount of grant receivable during 2005-06 and 2006-07 was Rs 7.20 crore (@ Rs 3.60 crore per year). After adjusting Rs 1.80 crore released in January 2006 and Rs 4.63 crore pertaining to EFC grants the balance amount of Rs 0.77 crore was also released to the State Government on 17 July 2007. Of this, Rs 4.63 crore was released to VPs by the DoP on 26 March 2007 and Rs 0.77 crore to ZPs on 20 August

2007 being the 2nd Installment of 2005-06 and 1st and 2nd Installment of 2006-07. The dates on which these funds were actually credited in the bank accounts of the VPs/ZPs have not been furnished by the DoP.

Further, even though the project proposals for utilisation of funds as per the objectives of the TFC were prepared by the Director of Panchayats (DoP) identifying the Schemes for which the funds are to be utilised, the DoP has accorded approval for Schemes worth Rs 119.25 lakh only leaving a balance of Rs 600.75 lakh with the VPs/ZPs. Further proposals from the VPs/ZPs were not received.

2.4 Arrears of revenue

As per the information furnished by the DoP, an amount of Rs 10.50 crore was yet to be recovered as of November 2007 on account of various Taxes/Rent pertaining to VPs in Goa. Even though the Finance Department, Government of Goa, had in May 2006 issued directives to the DoP to evolve a suitable mechanism to improve the revenue collection of the VPs, the position of outstanding revenue still remains substantial.

3. Implementation of Schemes

The Government of Goa sanctions grants-in-aid to the VPs in the State for financing development works in their respective areas. The Schemes undertaken by the PRIs as part of the development works include construction and repairs of drinking water wells and tanks, rural roads, public toilets, bus stands/shelters, playgrounds, etc.

3.1 Sanction of grant of Rs 3.31 crore to 25 non-entitled Village Panchayats and depriving grant in aid to other 44 Village Panchayats

In pursuance of sub-section (1) of section 160 of the Goa Panchayat Raj Act, 1994, the Government releases grants in aid to the VPs for various purposes¹ under the terms and conditions prescribed by Government from time to time. The VPs whose annual income is less than Rs 5.00 lakh only are entitled to the grant in aid for development works. The Director of Panchayats had sanctioned grants in aid totaling

¹ Construction and maintenance of village roads, drains, culverts, drinking water wells, tanks, ponds, public springs, rural water supply schemes, lighting of public places, burial grounds, general sanitation, public latrines, slaughter houses, parks, cattle ponds sheds, village libraries, bus stands, taxi stands, sports infrastructure, disposal of unclaimed corpse, prevention and control of water pollution.

Rs 7.82 crore for various developmental works to 75 VPs out of 189 VPs in the state during the year 2006-07.

A scrutiny (November 2007) of records of Director of Panchayats revealed that the department sanctioned grants totaling Rs 3.31 crore to 25 VPs whose annual income was above Rs 5.00 lakh. Of these 25 VPs, the Shiroda VP alone was sanctioned grant in aid to the tune of Rs 1.03 crore which constituted 13 per cent of the total grant sanctioned by the Government to all VPs. Whereas no grant was sanctioned to 44 VPs whose annual income was less than Rs 5.00 lakh.

The disparity in sanctioning grants in aid indicated that grants were sanctioned arbitrarily and not based on any laid down criteria with a view to achieve overall development. The arbitrary allotment of grant in aid disregarding the eligibility criteria has resulted in release of inadmissible grants to the tune of Rs 3.31 crore and depriving grants to 44 VPs whose annual income was less than Rs 5.00 lakh.

3.2 Idle equipment and blocking up of funds amounting to Rs 27.27 lakh

The DoP procured (October 2004) five Garbage Compactors at a cost of Rs 68.17 lakh under the Garbage Disposal Scheme, 2005 and placed them at the disposal of SGZP (2 numbers) and NGZP (3 numbers), in November 2005.

Audit observed that the SGZP had no exclusive area under its control, where these compactors could be deployed and the compactors were supplied without any demand from the SGZP. Consequently, the two compactors were not put to use and were lying idle for over two years. SGZP informed (January 2008) that Government approval was obtained for placement of the two compactors at the disposal of Margao Municipal Council. Similarly, NGZP had returned the three compactors after six months without using them and these compactors were subsequently issued to three VPs.

Audit also observed that though the Garbage Disposal Scheme, 2005 was notified in January 2005, the DoP had procured five compactors in October 2004 itself. Thus the compactors were idle for one year before they were allotted to the SGZP & NGZP in November 2005. Further, the Garbage Disposal Scheme provided that the Scheme

shall be strictly implemented by the VPs. Therefore there was no justification for allotting the Compactors to the SGZP & NGZP.

The procurement of these compactors without any demand from the proposed users and consequent non utilization resulted in the equipment (2 compactors) lying idle and blocking up of funds amounting to Rs 27.27 lakh for over three years.

4. Other points of interest

4.1 Short release of grants in lieu of Octroi

A reference is invited to Para 4.4 under Chapter I.

The allotment of funds for a year was to be made based on the amount of additional sales tax collected during the previous year. However, the details of amount collected as two per cent additional Sales Tax during 2005-06 were not available with the DoP.

It was observed in audit that during the year 2006-07 the DoP released only Rs 3.75 crore for VPs and did not release any grants to ZPs. In the absence of tax collection figure for 2005-06, had the grants been released on the basis of figures available for 2004-05 (which was Rs 19.16 crore) the ZPs and VPs should have been allotted Rs 4.79 crore and Rs 7.19 crore respectively. Hence, there was a short release of Octroi grants to ZPs/VPs to the tune of Rs 8.23 crore.

The Department, while accepting the audit observation, stated (November 2007) that all possible efforts to obtain the details from Sales Tax department & Petroleum Companies were made and the matter was placed before the Government.

4.2 Compliance of Inspection Reports of Director of Accounts

Scrutiny of accounts of eight VPs* revealed that 204 paras pertaining to the period 1970-71 to 2004-05 in Inspection Reports of Director of Accounts were outstanding as on 31 March 2006. Even though it was stated (June 2007) that the Panchayats were regularly complying with the observations no correspondence in this connection was shown to audit.

* *Querim, Surla, Taleigao, Calangute, Borim, Tivim, Chinchinim & Cotigao.*

4.3 Outstanding Loans and Interest under Remunerative Scheme of VPs as on 31.3.2006

An amount of Rs 158.17 lakh was outstanding (Rs 48.25 lakh Principal and Rs 109.92 lakh Interest) as on 31 March 2006 from VPs being loans paid under Remunerative Scheme and interest thereof. Year-wise break-up of outstanding loans, reasons for non-recovery of the same and efforts/action taken to recover the outstanding loans as per the provisions of Panchayat Raj Act, 1994 were not furnished by the Directorate of Panchayats.

5 Recommendations

- **The revised accounting formats prescribed by CAG should be expeditiously adopted.**
- **Norms for distribution of grants to ZPs/VPs should be formulated and scrupulously adhered to so that there is no disparity in sanctioning grants.**
- **UCs in respect of TFC grants received during 2005-06 and 2006-07 should be submitted at the earliest.**
- **The details regarding Sales Tax collected during 2005-06 and 2006-07 should be obtained from the concerned authorities so as to avoid short release of grants in lieu of Octroi.**

(Y.N. Thakare)
Accountant General

Appendix – I

STATEMENT SHOWING THE POSITION REGARDING THE FUNCTIONS DEVOLVED TO THE URBAN LOCAL BODIES.

Sr. No.	Function envisaged to be devolved as per the constitution	Envisaged to be devolved as per Goa Municipalities Act	Actually devolved
1	Urban planning including town planning	Yes	No
2	Regulation of land use and construction of buildings	Yes	No
3	Planning for economic and social development	No	No
4	Roads and bridges	Yes	Only internal roads are maintained by Municipal Councils.
5	Water supply for domestic, industrial and commercial purposes	No	No
6	Public health, sanitation, conservancy and solid waste management	No	Only solid waste management
7	Fire Service	No	No
8	Urban forestry protection of environment and promotion of environment and promotion of ecological aspects.	Yes	No
9	Safeguarding the interest of the weaker sections of society, including the handicapped and the mentally retarded	No	No
10	Slum improvement and upgrading	Yes	Yes
11	Urban poverty alleviation	No	Yes
12	Provision of Urban amenities and facilities such as park, gardens, playgrounds	Yes	Yes
13	Provision of Cultural, education and aesthetic aspects	No	No
14	Burial and burial grounds, cremation and cremation grounds and electric crematorium	Yes	Yes
15	Cattle pounds and prevention of cruelty to animals	Yes	Yes
16	Vital statistics including registration of births and deaths	Yes	Yes
17	Public amenities including street lighting, bus-stop, public conveniences	Yes	Yes
18	Regulation of slaughterhouse and tanneries	Yes	Yes

APPENDIX – I (A)

Functions envisaged to be devolved to ULBs (Schedule 10 of Goa Municipalities Act)

Sr. No.	Function	Whether devolved to ULBs (Yes/No)
1.	Urban planning including town planning.	Y
2.	Regulation of land-use and construction of buildings.	Y
3.	Roads and bridges.	Y
4.	Urban forestry, protection of the environment and promotion of ecological aspects.	Y
5.	Slum improvement and upgradation.	Y
6.	Provision of urban amenities and facilities such as parks, gardens, play grounds.	Y
7.	Burials and burial grounds; cremations, cremation grounds and electric crematoriums.	Y
8.	Cattle pounds; prevention of cruelty to animals.	Y
9.	Vital statistics including registration of births and deaths.	Y
10.	Public amenities including street lighting, parking lots, bus stops and public conveniences.	Y
11.	Regulation of slaughter houses and tanneries.	Y

APPENDIX II

(A) FUNCTION AND RESPONSIBILITIES OF ZILLA PANCHAYATS

I. General functions

Overall supervision, co-ordination and integration of development schemes at District levels and preparing the plan for the development of the District

II. Agriculture (including Agricultural Extension) and Horticulture

- (1) Establishment and maintenance of godown
- (2) Management of agricultural and horticultural extensions and training centers
- (3) Training of farmers

III Land improvement and soil conservation

Planning and implementation of land improvement and soil conservation programmes entrusted by the Government.

IV Minor irrigation, Water management and Watershed development

- (1) Providing for the timely and equitable distribution and full use of water under irrigation schemes under the control of the Zilla Panchayat
- (2) Development of ground water resources
- (3) Supervision over the minor irrigation works undertaken by Taluka Panchayat.

V Animal Husbandry, Dairying and Poultry

- (1) Supervision over the Village Veterinary Hospitals, first-aid Centers and Mobile Veterinary dispensaries
- (2) Training for farmers of Dairy farming, Poultry and Piggery.

VI Fisheries

- (1) Development of fisheries in irrigation works vested in the ZP
- (2) Promotion of inland, brackish water and marine fish culture

VII Khadi, Village and Cottage industries

- (1) Establishment and Management of Training cum Production Centers
- (2) Organisation of marketing facilities for products of cottage and village industries

VIII Small Scale industries including Food Processing industries

Educating youth for establishment of Small Scale Industries

IX Rural Housing

Guidance to the Taluka Panchayat for promotion of Rural Housing Programme

X Drinking Water

Guidance for promotion of drinking water and rural sanitation to Taluka Panchayat and Village Panchayat

XI Minor forest produce and Fuel and Fodder

Guidance for the management of minor forest produce of the forest raised community lands

XII Roads, Buildings, Bridges, Ferries, Waterways and other means of communication

- (1) Construction and maintenance of District roads and culverts, causeway and bridges (excluding States Highways and Village roads)
- (2) Construction of administrative and other buildings connected with the requirements of the Zilla Panchayat
- (3) Supervision over the works undertaken by VP and Taluka Panchayat as regards the construction of roads

XIII Non- conventional, Energy sources

Promotion and development of non-conventional energy sources

XIV Poverty Alleviation Programmes

Supervision over the implementation of poverty alleviation programmes in the VP

XV Education including primary schools

- (1) Promotion of educational activities in the District including the establishment and maintenance of Higher Secondary Schools
- (2) Establishment and maintenance of Ashram School and orphanages
- (3) Survey and evaluation of education activities
- (4) Construction and maintenance of Higher Secondary Schools

XVI Technical training and vocational Education

Encouraging and assisting rural vocational training

XVII Adult and Non-formal Education

Supervision over the implementation of programmes of Adult Literacy and Non-formal Education Programme

XVIII Health and Family Welfare

- (1) Management of hospitals and dispensaries excluding those under the management of Government or any local authority
- (2) Supervision over the implementation of maternity and Child Health programme
- (3) Supervision over the implementation of family welfare programme
- (4) Supervision over the implementation of immunization and vaccination programme

XIX Woman and Child Development

- (1) Supervision over the promotion of programme relating to development of women and children
- (2) Supervision over the promotion of School health and nutrition programme
- (3) Supervision over the promotion of participation of voluntary organisation in Women and Child Development Programmes.

XX Welfare of the weaker sections and in particular of handicapped and mentally retarded

Promotion of Social Welfare Programme including Welfare of handicapped, mentally retarded and destitute

XXI Welfare of the weaker sections and in particular of the Scheduled Castes and Scheduled Tribes

Supervision and management of hostels in the District distribution of grants, loans and subsidies to individuals and other schemes for the welfare of Scheduled castes, scheduled tribes and backward classes.

XXII Maintenance of community assets

Supervision and guidance over the community assets maintained by Taluka Panchayats and Village Panchayats

XXIII Cultural activities

Promotion of social and cultural activities

XXIV Rural electrification

Supervision over electrification by Taluka Panchayat and Village Panchayat

XXV Libraries

Supervision over the construction of libraries by Taluka Panchayat and Village Panchayat

XXVI Such other functions as may be entrusted

(B) FUNCTION AND RESPONSIBILITIES OF VILLAGE PANCHAYAT

I General Functions

- (1) Preparation of annual plans for the development of the Panchayat area
- (2) Preparation of annual budget
- (3) Providing relief in natural calamities
- (4) Removal of encroachments on public properties
- (5) Organizing voluntary labour and contribution for community works
- (6) Maintenance of essential statistics of the village
- (7) Demolition of unauthorized construction

II Agriculture, including agricultural extension

- (1) Development of waste lands
- (2) Development and maintenance of grazing lands and preventing their unauthorized alienation and use

III Animal Husbandry, Dairying and Poultry

- (1) Promotion of dairy farming, poultry and piggery
- (2) Grass land development

IV Fisheries

Development of fisheries in the villages

V Social and Farm Forestry, minor Forest Produce Fuel and Fodder

- (1) Planting and preservation of trees on the sides of roads and other public lands under its control
- (2) Fuel plantation and fodder development
- (3) Promotion of farm forestry
- (4) Development of Social forestry

VI Khadi, Village and Cottage Industries

- (1) Promotion of rural and cottage industries
- (2) Organization of conferences, seminars and training programmes, agricultural and industrial exhibitions for the benefit of the rural areas.

VII Rural Housing

- (1) Distribution of house sites within Village Panchayats limits
- (2) Maintenance of records relating to the house sites and other private and public properties

VIII Drinking water

- (1) Construction, repairs and maintenance of drinking water well, tanks and ponds
- (2) Prevention and control of water pollution
- (3) Maintenance of rural water Supply Schemes.

IX Roads, buildings, culverts, bridges, Ferries, waterways and other means of communication

- (1) Construction and maintenance of village roads, drain and culverts
- (2) Maintenance of buildings under its control or transferred to it by the Government or any public authority

X Rural electrification

Providing for and maintenance of lighting of public streets and other places

XI Non-conventional energy source

- (1) Promotion and development of non-conventional energy schemes
- (2) Maintenance of community non-conventional energy devices, including bio-gas plants
- (3) Promotion of approved chulhas and other efficient energy devices.

XII Poverty alleviation programmes

- (1) Promotion of public awareness and participation in poverty alleviation programmes for fuller employment and creation of productive assets, etc.
- (2) Selection of beneficiaries under various programmes
- (3) Participation in effective implementation and monitoring

XIII Education including Primary Schools

- (1) Promotion of public awareness and participation in primary education
- (2) Ensuring full enrolment and attendance in primary schools.

XIV Adult and non-formal education

Promotion of adult literacy

XV Libraries

Village libraries and reading rooms.

XVI Cultural activities

Promotion of social and cultural activities

XVII Markets and fairs

Regulation and fairs (including cattle fairs) and festivals

XVIII Rural sanitation

- (1) Maintenance of general sanitation
- (2) Cleaning of public roads, drains, tanks wells and other public places
- (3) Maintenance and regulation of burning and burial grounds
- (4) Construction and maintenance of public latrines
- (5) Disposal of unclaimed corpses and carcasses
- (6) Management and control of washing and bathing ghats

XIX Public Health and Family Welfare

- (1) Implementation of Family Welfare Programmes
- (2) Prevention and remedial measures against epidemics
- (3) Regulation of sale of meat, fish and other perishable food articles
- (4) Participation in programmes of human and animal vaccination
- (5) Licensing of eating and entertainment establishment
- (6) Destruction of stray dogs
- (7) Regulation of offensive and dangerous trades
- (8) Regulation of curing, tanning and dyeing of skins and hides

XX Women and child development

- (1) Participation in the implementation of women and child welfare programme
- (2) Promotion of schools, health and nutrition programmes.

XXI Social welfare, including welfare of the handicapped and mentally retarded

- (1) Participation in the implementation of the social welfare programme, including welfare of the handicapped, mentally retarded and destitute
- (2) Monitoring of old age and widow's pension schemes.

XXII Welfare of the Weaker section and in particular the scheduled castes and scheduled tribes

- (1) Promotion of public awareness with regard to Welfare of scheduled castes, Scheduled Tribes and other Weaker Sections
- (2) Participation in the implementation of the specific programmes for the welfare of the weaker sections

XXIII Maintenance of community assets

- (1) Maintenance of community assets
- (2) Preservation and maintenance of other community assets.

XXIV Construction and maintenance of cattle sheds, ponds and cart stands

XXV Construction and maintenance of slaughterhouses

XXVI Maintenance of public parks, playgrounds etc.

XXVII Regulation of manure pits in public places

XXVIII Establishment and control of Shandies

XXIX Such other functions as may be entrusted