

## Chapter-II

### Audit of Transactions

#### 2.1 Unauthorised encroachment of land

**Unauthorised encroachment of land by local residents in Zila Panchayat, Lalitpur rendered the loss of Rs 3.16 crore to its asset's base.**

Government of Uttar Pradesh order (December 1999) envisaged that the vacant land as well as encroachment on the land of Zila Panchayats is to be got evicted and vacated.

Scrutiny (January 2007) of the records of Zila Panchayat, Lalitpur (ZP) revealed that local residents had encroached 18907.09 sq metre of the land of the ZP for periods ranging between eight and 28 years. The cost of the land under encroachment was Rs 3.16 crore at the prevailing market rates as assessed (January 2007) by Chief Development Officer Lalitpur as detailed below:

(Rs in lakh)					
Sl.No.	Geographical location of the land	Period of illegal occupation	Area in Sq.m.	Market rate of the land in Rs/Sq.m.	Total Amount
1	Near Lalitpur Mortuary	From 1978-79 to date	4493.64	1900	85.38
2	Left over old road Lalitpur to Kaijugawan in Panari Gram	Prior to 1998-99 to date	7176.63	1700	122.00
3	Roadside in Gram Vanpur	Prior to 1999 to date	7233.82	1500	108.51
<b>Total</b>			<b>18904.09</b>		<b>315.89</b>

Scrutiny further revealed that as of January 2007 encroachment on the ZP land could not be removed due to the construction of *Kutchha/pucca* houses by unauthorized occupants. Non-eviction of illegal occupants had therefore resulted in not only a loss of Rs 3.16 crore on the resources of the ZP but also indicated at the shrinking of its asset base.

The ZP stated (January 2007) that eviction of the unauthorized encroachment of land could not be done but efforts were being made for the recovery of rents from the illegal occupants. The reply was not tenable as instead of enforcing eviction of the

encroachment of land from the illegal occupants, the proposal of the ZP to recover rents from the unauthorized occupants was not only contrary to the Government orders but also paved the way to legalize the illegal act apart from putting the ZP to a estimated loss of Rs 3.16 crore.

Matter was referred to the Government (May 2007); reply was awaited (May 2008.)

## **2.2 Loss of Government money**

**Zila Panchayat Chandauli suffered a loss of Rs 62.69 lakh due to injudicious operation of its bank accounts in a non scheduled bank.**

Section 101 of Uttar Pradesh Kshetra Panchayat and Zila Panchayats Adhiniyam, 1961 envisages that the Zila Nidhi should be kept in Government Treasury/Sub Treasury or in the Bank to which the Government Treasury business has been made over or with the previous sanction of State Government, in one or more of the Scheduled Banks or Co-operative Banks specified by it in this behalf.

Zila Panchayat, Chandauli (ZP) received (1999-2000) grants of Rs 1.84 crore from the Government for developmental work as per recommendations of the State Finance Commission (SFC) and Tenth Finance Commission (10<sup>th</sup> FC). Besides, Rs 12.13 lakh on account of recovery of loans was also received from beneficiaries of Antyodaya Scheme for transferring it to the State Government. Both the funds were deposited in Union Bank of India (UBI), Chandauli (Nationalized Bank).

Scrutiny (May 2006) of the records of Zila Panchayats Chandauli (ZP) revealed that the Chairman of ZP opened (February 1999) new accounts in the branches of District Urban Co-operative Bank at Mugalsarai and Lahuravir in district Varanasi without prior approval of the Government and also overlooking the fact that ZP was already operating their accounts in a Nationalized Bank. Further, the ZP withdrew (February 1999) the funds (Rs 62.69 lakh) of these Schemes from UBI and deposited them in these accounts. However, as the Bank had reached the stage of bankruptcy, Reserve Bank of India blacklisted (July 1999) it and precluded it from making payments, discharging liabilities or obligations with effect from 10 July 1999. As a result, the bank accounts could not be operated and a balance of Rs 62.69 lakh lying in the accounts as on 10 July 1999 could not be used for the intended purpose as per following details:-

Sl.No.	Account Number	Name of Scheme	Balance (Rs in lakh)
1	4362	SFC 10 <sup>th</sup> FC	11.01 38.99
2	4384	Antyodaya Scheme	12.69
<b>Total</b>			<b>62.69</b>

The ZP in its reply admitted (August 2007) the facts. Thus, ZP had to suffer not only the loss of Rs 62.69 lakh (excluding the interest) but was also deprived of the coverage of the earmarked activities envisaged under the schemes.

The matter was referred to the Government (July 2007); reply was awaited (May 2008).

## **2.3 Fraudulent payment**

### **2.3.1 Disbursement of wages to same set of labourers more than once**

**Payment of Rs 0.95 lakh was made fraudulently through muster rolls by showing the deployment of the same labourers thrice/twice in the same period by Kshetra Panchayat, Robertsganj besides, suspected misappropriation of Rs1.26 lakh.**

Guidelines for the implementation of the Sampoorna Gramin Rozgar Yojna (SGRY) issued by the Ministry of Rural Development, Government of India, envisages that works be executed departmentally on Muster Rolls through such labourers only who had been identified and entered as wage-earners in the Employment Register maintained for the purpose by each Panchayat. Payment of wages to the labourers in cash and food grain in lieu of cash must be made weekly in the presence of Gram Pradhan/people's representative by recording a disbursement certificate on the Muster Rolls.

Scrutiny (December 2006) of the records of the Kshetra Panchayat, Robertsganj (KP) and further information collected (September 2007) revealed that the KP executed departmentally the work of digging of an old pond at Madar between February 2005 and July 2005 against an estimate of Rs 7.09 lakh (including construction of *Ghat*) sanctioned (February 2005) by the Executive Engineer (Rural Engineering Services), Sonbhadra under SGRY.

Scrutiny revealed that 161 labourers were engaged on Muster Rolls. The KP issued cheques for Rs 1,99,272 during March – September 2005 to work incharge for disbursement of wages to labourers in cash. Scrutiny further revealed that payment of Rs 58,696 was made in cash on the muster rolls to 161 labourers thrice for the work done between 08-07-2005 and 19-07-2005 and to 17 labourers twice for work done

between 12-07-2005 and 14-07-2005 in addition to the coupon for food grains. Similarly, disbursement of Rs 36,772 was made during 15-07-2005 to 19-07-2005 to the same set of 161 labourers twice through Muster Rolls. Neither the disbursement was made in the presence of Gram Pradhan /people's representatives nor was any Employment Register maintained for identification of the labourers. The date of disbursement was also not recorded on the muster rolls.

During scrutiny (December 2006), it was also noticed that material (Cement, Sand etc.) valuing Rs 1,26,484 purchased (July 2005) for construction of the Ghat had also been shown as consumed on construction of Ghat in old pond at Madar between 25 September 2005 and 18 October 2005 at a cost of Rs 0.63 lakh. However, neither reference of the musterrolls was recorded in the MB nor payment to the labourers was made as of September 2007 despite the availability of funds. The consumption of the building material without engagement of labourers was an indication to the misutilisation of the government money.

Thus, non-maintenance of the Employment Register after identification of eligible wage earners and making payment in absence of Gram Pradhan/ people's representative without recording disbursement certificate on the Muster Rolls facilitated fraudulent payment of Rs 0.95 lakh besides, suspected misappropriation of Rs 1.26 lakh by manipulating the consumption of the building material.

The matter reported to the Government (May 2007); reply was awaited (May 2008).

### **2.3.2 Disbursement of wages without obtaining signatures/ thumb impression**

**Muster rolls for Rs 1.86 lakh were adjusted fraudulently under Sampoorna Gramin Rozgar Yojana without acknowledgement of the labourers for the receipt of cash and food grains.**

The para 3.1 and 3.4 of the guidelines of Sampoorna Gramin Rozgar Yojna (SGRY) envisage that payment of wages in the shape of cash and food grains must be made to the labourers weekly in presence of Gram Pradhan/ people's representative by recording a disbursement certificate on the Muster Rolls.

Scrutiny (November 2006 and October 2007) of the records of the Kshetra Panchayat (KP), Asafpur, district - Badaun revealed that Nawabpur to Habibpur Gate (length 1700 metre) road was constructed between October 2004 and April 2005 departmentally by deployment of labourers on Muster Rolls. The Block Development

Officer Asafpur, Badaun (BDO), released<sup>10</sup> Rs 1, 06,227 to the Village Development Officer (VDO) for disbursement to the labourers engaged through 24 Muster Rolls. Although the VDO recorded a disbursement of Rs 1.86 lakh (cash: Rs 1.06 lakh and distribution of 160.95 quintal food grains: Rs 0.80 lakh) during the same month on muster rolls, the acknowledgement of the labourers had not been recorded. The VDO had also not recorded the 'Food Grain Coupon Book' number and coupon numbers in the Muster Rolls. Moreover, the concerned Gram Pradhan / people's representatives of the KP had not certified the disbursement. Thus, the disbursement shown by the VDO was doubtful.

On being pointed out in audit, the BDO assured (November 2006) compliance in future. On further information collected (October 2007) from the KP, the BDO justified the payment by providing photocopies of the relevant muster rolls with undated thumb/finger impressions but without the Food Grain Coupon Book number and coupon number. In view of admittance of audit contention by the same officer earlier, the reply as well as documents produced at a subsequent stage cannot be relied upon. Moreover, manipulations in muster rolls to justify the payment were fraught with the risk of fraud and malpractice in implementation of SGRY. Besides, quantity of food grains shown to be distributed to the labourers without mentioning Food Grain Coupon Book number and coupon number also puts a question mark on the reliability of the muster rolls.

The matter was referred to the Government (July 2007); reply was awaited (May 2008).

#### **2.4 Unfruitful expenditure on incomplete project**

**Lack of monitoring over the project related to shelter less beneficiaries rendered the expenditure of Rs 16.13 lakh unfruitful and blocked Rs 8.87 lakh for over five years.**

Under a centrally assisted project<sup>11</sup>, Ministry of Rural Development, Government of India (GOI) accorded (March 2002) administrative approval of Rs 50 lakh to Zila Panchayat, Farrukhabad (ZP) for providing 71 low cost houses, construction of 4 km road and installation of 14 Hand pumps (India Mark-II) to the shelter less

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<sup>10</sup> February 2005: Rs 76197 and April 2005: Rs 30030

<sup>11</sup> Innovative Stream for Rural Housing and Habitat Development

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beneficiaries living Below Poverty Line. The GOI was to release funds in two installments and the project was to be completed by March 2004.

The Government further issued (September 2003) instructions to release 30 *per cent* of the total sanctioned amount of the project as first installment in advance to the executing agency for commencing the work against Fidelity Guarantee (FG) of Rs 10 lakh. The second installment of 40 *per cent* was to be released only after submission of the utilization certificate in respect of the amount released earlier and after satisfying that the work executed by the agency was satisfactory. Payment of the third and final installment (30 *per cent*) was to be made after physical verification and satisfactory execution of work.

Scrutiny (November 2006 and October 2007) of the records of the Zila Panchayat, Farrukhabad (ZP) revealed that on receipt (April 2002) of Rs. 25 lakh from GOI as first instalment of the project, the ZP awarded (July 2002) the work to a voluntary service organization<sup>12</sup> and obtained (October 2003) a FG (with its validity of one year) of Rs 10 lakh from it. However, the FG was not pledged with the ZP during the period of its validity. Meanwhile, the ZP without getting of the validity period of the FG extended, paid an advance of Rs 16.13 lakh to the executing agency<sup>13</sup> between January 2004 and February 2005. The executing agency stopped (February 2005) the work after incurring an expenditure of Rs 16.13 lakh. Despite the stoppage of work, the ZP had not taken any penal action against the executing agency due to non-availability of any valid option with it for encashment of FG. The residual balance of Rs 11.11 lakh (left over grant of Rs 8.87 lakh plus interest of Rs 2.24 lakh thereon) was lying unutilized with the ZP as of October 2007. The second instalment of the project cost was also not released by GOI due to non-adherence of specified date of completion (March 2004) and non-submission of the utilization certificate. The work was lying abandoned after its stoppage.

The ZP stated (October 2007) that effort was underway to restart the work through the same executing agency and action would be taken in case the agency did not restart the work. The reply was not tenable as award of work without safeguarding the financial interest of Government rendered the expenditure of Rs 16.13 lakh unfruitful for more than three and half years, besides blockage of funds of Rs 8.87 lakh. Also

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<sup>12</sup> Sarwbhaum Sanskrit sansthanam, Goverdhan, Mathura (SSSM)

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the shelter less beneficiaries of the area were deprived of the benefits admissible under the project.

The matter was referred to the Government (May 2007); the reply was awaited (May 2008).

## **2.5 Misappropriation of funds**

**Six Gram Panchayats misappropriated Rs 0.85 lakh showing the deployment of same labourers at different sites during the same period on muster rolls.**

As per Gram Panchayat Manual, Gram Vikas Adhikari and Gram Pradhan are jointly responsible for all transactions from the Gram Nidhi and are responsible to ensure the correctness of daily employment of labourers, identification, eligibility as well as payments. The amount of the muster roll should be restricted to the actual value of work done as per prescribed norms,

Scrutiny (October- November 2006) of Gram Panchayats (GPs), district-Bareilly and Badaun revealed that Six GPs executed earth work on muster rolls between January 2005 and March 2006 showing the deployment of labourers of the same name and address at different sites (*Appendix 20*) on the same working days. The payment of Rs 0.85 lakh was shown to be made against the engagement of same labourers on muster rolls at different sites during the same period. The muster rolls were adjusted without any measurement of the works. The Gram Pradhan issued the certificate regarding identification of labourers and disbursement of Rs. 85188 to them. Thus, the respective Gram Pradhans and Gram Vikas Adhikari had misappropriated Rs 85188 from the Gram Nidhi. The concerned GPs did not offer any specific comment on these irregularities in their reply (October-November 2006).

The matter referred to Government (September 2007); the reply was awaited (May 2008).

## **2.6 Diversion of funds**

**Zila panchayat, Lalitpur diverted Rs 2.89 lakh on the construction of shops in violation of the guidelines of State Finance Commission and also the instructions of the Government.**

As per recommendations (September 2001) of SFC, grant released to PRIs should be utilized to meet out administrative expenses, creation of durable assets of public utility and other developmental works. Government instructions (December 1997)

further require that cost of the construction of Shops/Complex in the commercial lands of Zila Panchayats should be borne out of the premium amount received from the interested parties/persons.

Scrutiny (January 2007 and October 2007) of the records of the Zila Panchayat, Lalitpur (ZP) revealed that the ZP constructed nine shops at a cost of Rs 2.89 lakh (five shops in September 2004: Rs 1.47 lakh and four shops in September 2005: Rs 1.42 lakh) in the commercial lands owned by it. The ZP incurred the expenditure on construction of these shops from the SFC grants instead of the premium amount (Rs 3.09 lakh) received (June 2004-November 2004) from the interested parties/persons. The SFC grant was not recouped from the premium amount as of October 2007.

The ZP replied (January 2007) that construction of the shops was in public interest and approved by the Board.

The reply was not acceptable as construction of shops had a commercial motive and therefore expenditure on their construction was not admissible from the SFC funds. Moreover, the Government had also issued clear guidelines prescribing the modus operandi regarding the management of funds for construction of the shops. Diversion of Rs. 2.89 lakh for the construction of shops was thus contrary to SFC guidelines as well as Government's instructions.

The matter was referred to the Government (July 2007); reply was awaited (May 2008).

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