

## PREFACE

1. This report has been prepared for submission to the Government of Uttar Pradesh in accordance with the terms of Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of Panchayati Raj Institutions (PRIs) and their audit by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. This report has three chapters. Chapter I contains a brief introduction of functioning of various levels of the PRIs in the state with the observations and comments on accounts, Chapter II deals with the performance audit on the subjects (i) Twelfth Finance Commission-Utilisation of grants by Panchayati Raj Institutions (ii) Transfer of Functions, Functionaries and Funds to Panchayati Raj Institutions and Chapter III deals with audit comments based on inspection.
3. The cases mentioned in the report are those, which came to notice in the course of test audit/inspection of accounts during the year 2007-08. During the period from April 2007 to March 2008, accounting and other records of 52 Zila Panchayats, 139 Kstetra Panchayats and 2544 Gram Panchayats were inspected.

## CHAPTER I

### AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

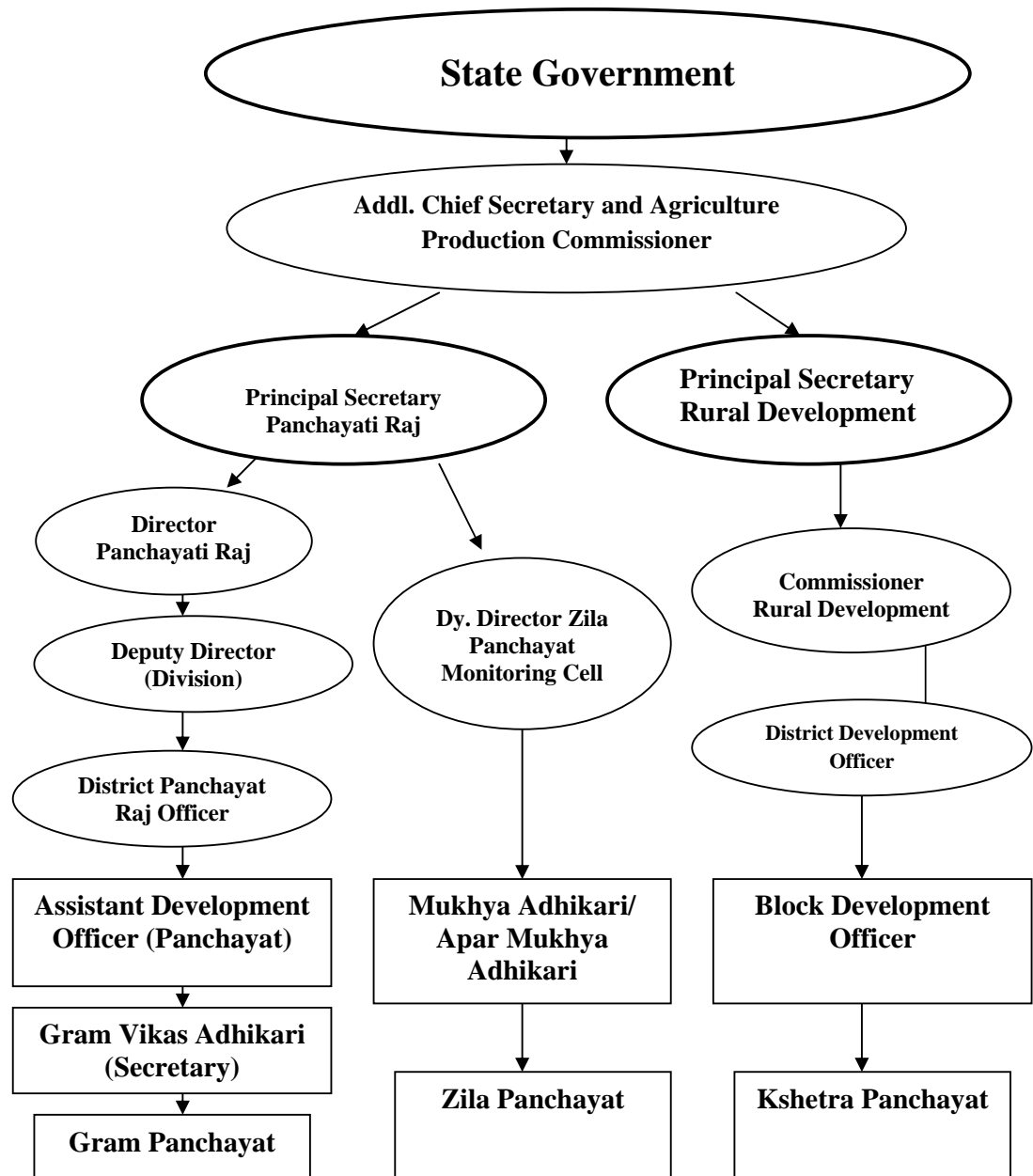
#### 1.1 Introduction

In keeping with the Seventy Third Constitutional Amendment (1992), Uttar Pradesh Kshetra Panchayat and Zila Panchayat Adhiniyam were enacted in 1994 to establish a three-tier Panchayati Raj Institution (PRI) system of elected bodies. The Act envisages decentralization of power to Rural Self Governing Bodies, viz. *Gram Panchayat* at village level, *Kshetra Panchayat* at intermediate level and *Zila Panchayat* at the district level which till then vested with the State Government. The system of PRI aimed at increasing participation of people and effective implementation of rural development programmes. The overall supervision, co-ordination, planning and implementation of developmental schemes vested with the *Zila Panchayat*.

At the end of March 2008, there were 70 *Zila Panchayats* (ZPs), 820 *Kshetra Panchayats* (KPs) and 52002 *Gram Panchayats* (GPs) in the State. The total rural population of the State, as per Census 2001, was 13.22 crore. The last election to the elected bodies of these PRIs was held during June to October 2005 in which 51976 *Gram Pradhan* for *Gram Panchayats*, 816 *Pramukh* for *Kshetra Panchayats* and 70 *Adhyaksha* for *Zila Panchayats* were elected.

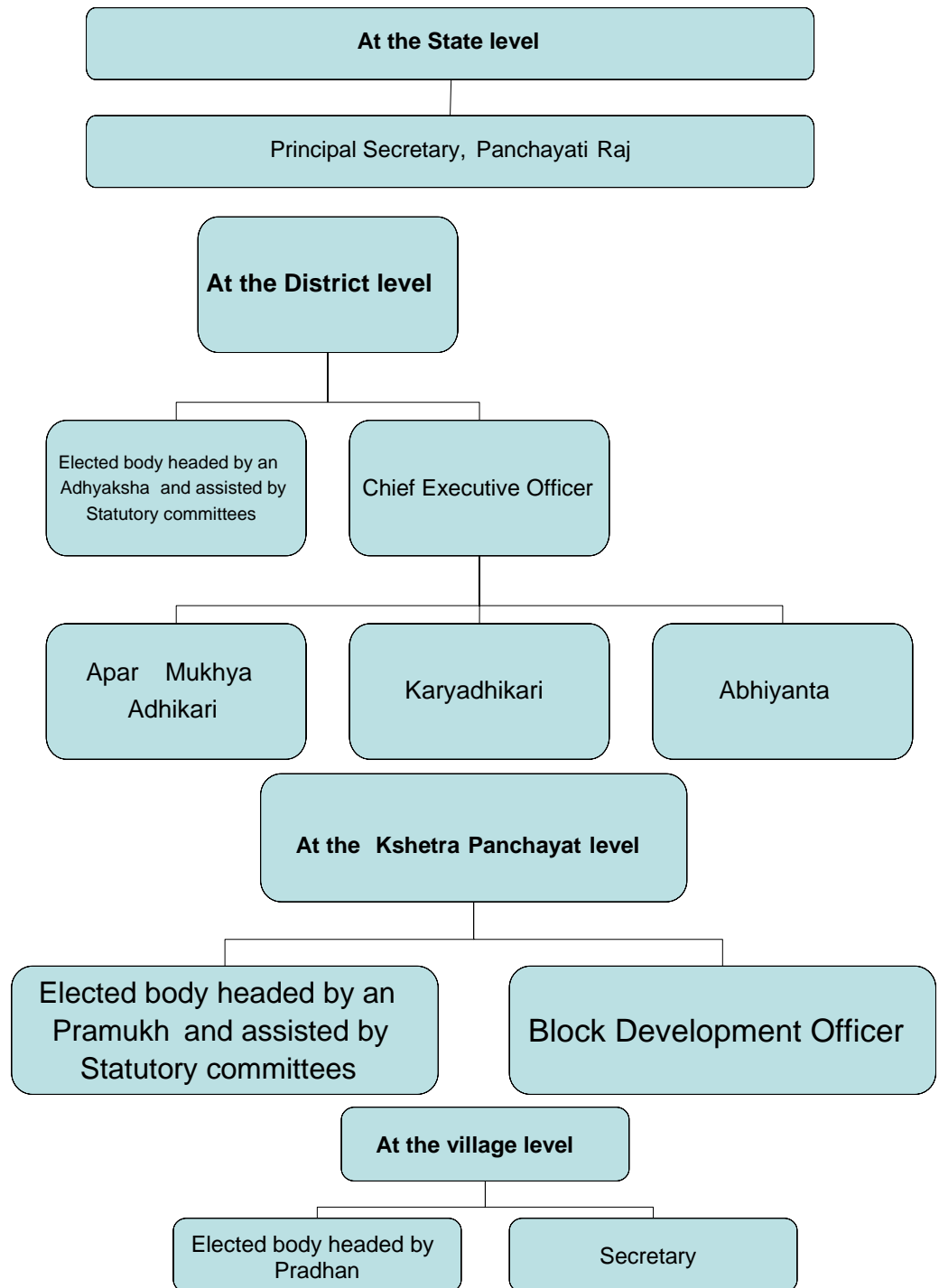
## 1.2 Organizational set-up

1.2.1 The Administrative control of the three tiers of PRIs is shown below:



While the 'Adhyaksha' heads the Zila Panchayats, 'Pramukh' and 'Pradhan' head the Kshetra Panchayats and Gram Panchayats respectively.

1.2.2 The organizational structure of the three tiers of PRIs is as shown below:



### 1.3 Data Base on finances of PRIs

Eleventh Finance Commission recommended that a data base on the finances of the PRIs should be developed at the district, State and Government of India levels and be accessible by computerizing it and linking it through VSAT<sup>1</sup>. The data were to be collected and compiled in standard formats prescribed by the Comptroller & Auditor General of India. The objective was to facilitate comparison of performance of the PRIs among the States at the Government of India level and State Government level.

The data base was, however, not developed up to May 2008 and the earmarked fund (Rs. 42.07 crore) was lying unutilized in the PLA of the Director, Panchayati Raj, Lucknow since 2000-01 (Rs. 21.04 crore) and 2001-02 (Rs. 21.03 crore). Any action in this regard taken at Government level was awaited (July 2008).

Non creation of the data base denied the Government to assess accurately overall financial performances of the PRIs.

#### **1.4 Sources of revenue**

##### *Flow of revenues*

For execution of various developmental schemes, the PRIs receive grant from GOI and the State Government. The grants are also given as per the recommendations of the Central and State Finance Commissions for enhancing the service delivery of the PRIs. In addition, the PRIs also earn tax and non-tax revenue out of their own resources. The sources of revenues for the PRIs comprises:

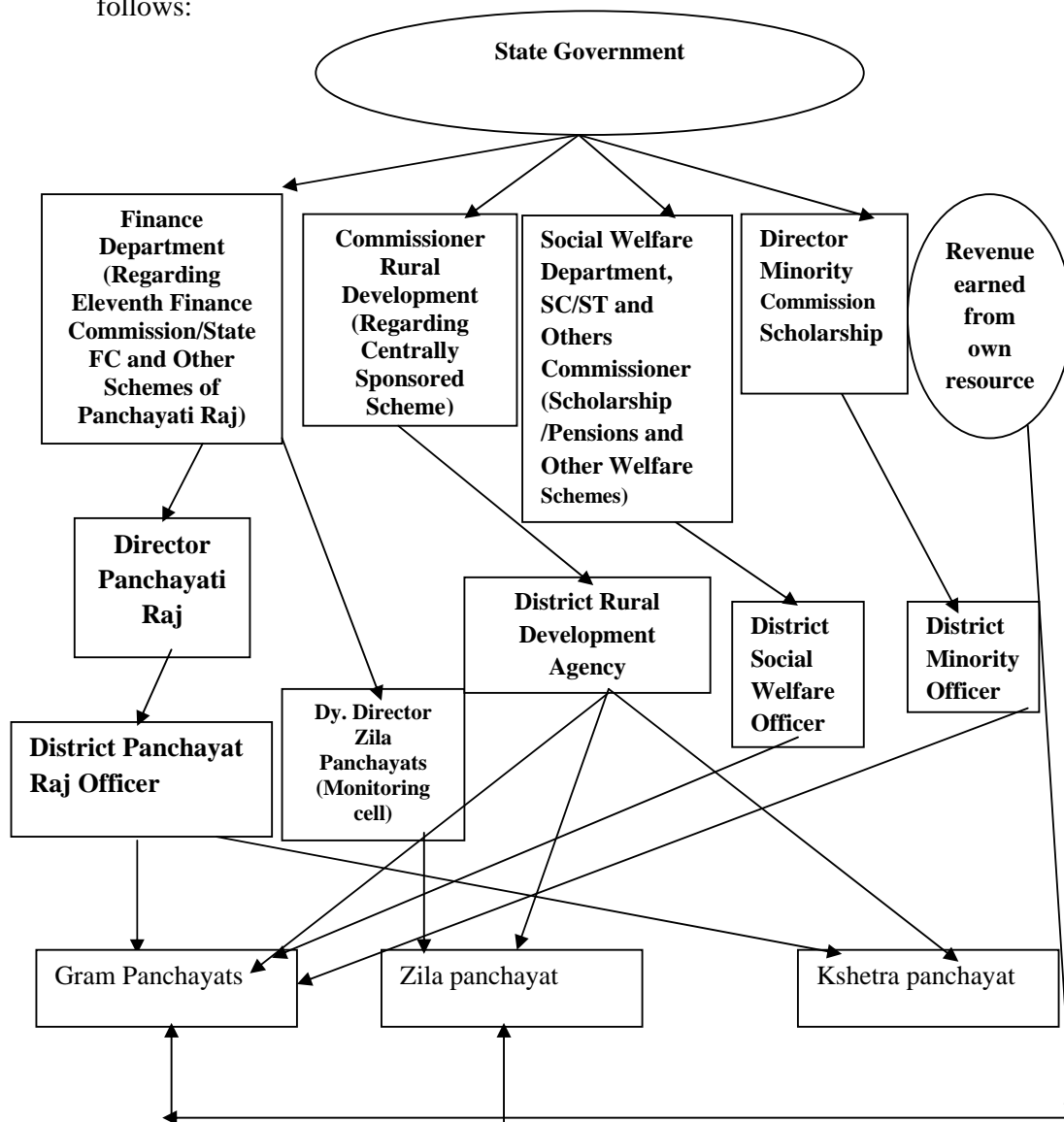
- grants assigned under the recommendations of the Twelfth Finance Commission;
- five *per cent* of net proceeds of State's total tax revenue as per recommendations of the Second State Finance Commission;
- grants received through District Rural Development Agency for execution of Centrally Sponsored Schemes;
- funds from Departments for the functions transferred to the PRIs;
- revenue earned by the PRIs out of their own resources such as taxes, rent, fees etc.

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<sup>1</sup> Very Small Aperture Terminal.

**Funds flow chart**

The flow of funds to the PRIs at the grass root level is depicted in a chart as follows:



**Aggregate receipts of the PRIs**

The aggregate receipts of grants by the PRIs under the recommendations of Twelfth Finance Commission (TFC), State Finance Commission (SFC), grants

released for Centrally Sponsored Schemes and revenue realized from their own resources during 2004-07 were as under:-

Year	Twelfth Finance Commission	State Finance Commission	Centrally Sponsored Schemes	Own resources	Total
<b>(Rupees in crore)</b>					
2004-05	0.00	758.45	1688.25	72.25	2518.95
2005-06	585.60	816.94	1949.96	80.95	3433.45
2006-07	585.60	1169.05	1698.37	73.90	3526.92
<b>Total</b>	<b>1171.20</b>	<b>2744.44</b>	<b>5336.58</b>	<b>227.10</b>	<b>9479.32</b>

*Source:* Twelfth Finance Commission-Director, Panchayati Raj, Lucknow, State Finance Commission-Director, Panchayati Raj & Dy. Director, Zila Panchayat (Monitoring Cell) Lucknow, Centrally Sponsored Scheme-Commissioner, Rural Development, Lucknow.

An analysis of the table revealed that there was increasing trend in receipts during 2004-07. There was increase of Rs. 914.50 crore in receipts during 2005-06 over the receipts of 2004-05 and Rs. 93.47 crore during 2006-07 over 2005-06. The major contributor was Centrally Sponsored Schemes the share of which to the total receipts accounted for 56 *per cent* (2004-07). This was followed by the receipts under State Finance Commission the share of which accounted for 29 *per cent* (2004-07).

#### ***Devolution of State Finance Commission grant***

Second State Finance Commission recommended that five *per cent* of the net proceeds of Tax Revenue should be devolved to the PRIs. However, shortfall in devolution was noticed during 2004-07 as is evident from the table given below:-

Year	Net proceeds of tax revenue of State Government	Funds to be devolved	Funds actually devolved	Shortfalls in devolution of fund
<b>Rupees In crore</b>				
2004-05	15693	785	758	27
2005-06	18858	943	817	126
2006-07	22998	1150	1169	(-)19
<b>Total</b>	<b>57549</b>	<b>2878</b>	<b>2744</b>	<b>134</b>

*Source:* Director, Panchayati Raj, Lucknow; Deputy Director, Zila Panchayat (Monitoring Cell), Lucknow and Commissioner Rural Development, Lucknow.

An analysis of the table revealed while there was an overall short devolution of Rs. 153 crore during 2004-06, the maximum short devolution was noticed during 2005-06 when only Rs. 817 crore was devolved against Rs. 943 crore to be devolved (short by 13 *per cent*). The shortfalls in devolution of funds deprived PRIs at the grass root level to plan and undertake developmental activities in their respective areas thereby denying increasing peoples' participation as an objective.

## 1.5 Application of funds

### *Utilization of grants received under Twelfth Finance Commission*

The table below brings out the position of funds available under the TFC, its utilization (based on expenditure statement as furnished by the District Panchayat Raj Officers to the Director, Panchayati Raj, Lucknow) during 2005-07:-

Year	Total Funds available	Funds utilised	Funds not utilised
	(Rupees in crore)		
2005-06	585.60	585.02	0.58
2006-07	585.60	551.18	34.42
Total	1171.20	1136.20	35.00

Source: Panchayati Raj Institutions, Lucknow.

Rupees 0.58 crore lapsed to Government account during 2005-06 due to non draws from the treasury at the Directorate level. Rs. 33.64 crore out of Rs. 34.42 crore (2006-07), was for Data Base computerization and the balance of Rs. 0.78 crore for maintenance of account of *Gram Panchayats*.

### *Utilization of grants under State Finance Commission Grant*

The table below brings out the position of funds available under the SFC, utilization and non utilization thereof during 2004-07:-

Year	Funds available	Funds utilised (Per cent in bracket)	Funds not utilised (Per cent in bracket)
	Rupees in crore		
2004-05	758.45	697.34 (92)	61.11 (8)
2005-06	816.94	504.36 (62)	312.58 (38)
2006-07	1169.05	714.51(61)	454.54 (39)
Total	2744.44	1916.21(70)	828.23 (30)

Source: Director, Panchayati Raj, Deputy Director, Zila Panchayat, Lucknow.

The table revealed that while there was increasing trend in availability of funds in each succeeding years during 2004-07, the pace of utilization thereof was decreasing each year successively during the same periods and shortfall in utilization against funds available increased from eight *per cent* in 2004-05 to 39 *per cent* in 2006-07. Evidently, people were deprived of the benefits of basic amenities like road, water supply and sanitation etc.



***Grants for implementation of Centrally Sponsored Schemes***

The PRIs were the works - executing agencies of Centrally Sponsored Schemes at grass root level. The Government of India released funds for this and the State Government also released its matching shares.

Based on data made available by the Commissioner, Rural Development, Lucknow, the table below brings out the position of grants received by the PRIs during 2004-07 for implementation of the Centrally Sponsored Schemes:-

Names of Centrally Sponsored Schemes and periods	Grants received			Grants released to PRIs
	Central	State	Total	
	Rupees in crore			
Sampurna Gramin Rojgar Yojna (2004-07)	2254.85	749.75	3004.60	3004.60
Swaran Jayanti Gram Swarojgar Yojna (2004-07)	542.62	180.80	723.42	723.42
Indira Awas Yojna (2004-07)	1013.51	335.55	1349.06	1349.06
National Rural Employment Guarantee Yojna (2006-07)	129.50	130.00	259.50	259.50

***Revenue realized from own resources***

The PRIs were entitled to generate revenues by levying rent, taxes, fees etc from the	2004-05		2005-06		2006-07	
	Rupees in crore					
	Target	Achievement (per cent in bracket)	Target	Achievement (per cent in bracket)	Target	Achievement (per cent in bracket)
70 Zila Panchayats	74.00	64.47 (87 )	74.48	72.56 (97)	81.43	70.03 (86)
820 Kshetriya Panchayats	Nil	Nil	Nil	Nil	Nil	Nil
52002 Gram Panchayats	7.87	7.78 (99)	8.71	8.39 (96)	8.89	3.87 (44)
<b>Total</b>	<b>81.87</b>	<b>72.25 (88)</b>	<b>83.19</b>	<b>80.95 (97)</b>	<b>90.32</b>	<b>73.90 (82)</b>

*Source:* Director, Panchayati Raj, Deputy Director, Zila Panchayat, Lucknow.

The table revealed that *ZPs* and *GPs* realized (2004-07) revenues with shortfalls (ranging between 18 and 3 *per cent*) against targets. The *KPs* did not realize revenues due to non fixation of targets for them by the Government.

It was noticed that 13 *ZPs*, raised demands for Rs. 18.90 crore for 2006-07 which included Rs. 10.84 crore on account of arrear dues on account of rents, license fees etc. from the tenants, licenses and contractors etc. (***Appendix-1***). Out of this, a sum of Rs. 6.39 crore was recovered and the rest of Rs. 12.51

crore was still lying unrecovered (for no reasons). The financial position of the ZPs suffered to this extent.

### 1.6 Overall financial position

As mentioned in preceding paragraph 1.3 and succeeding paragraph 1.10, neither the Database on finances of the PRIs was created nor were the accounts prepared as a result of which the overall financial position of the PRIs in the State depicting the opening balances, receipts, expenditure and closing balances could not be ascertained and hence not given.

During 2004-07, records of 2735 PRIs were test checked in audit. Their financial positions were as per the details brought out below:-

Year	Number of PRIs test checked	Opening balances	Funds received	Total funds available	Expenditure (per cent in bracket)	Closing balances
<b>Rupees in crore</b>						
<b>Zila Panchayats</b>						
2004-05	44	178.36	310.05	488.41	318.90 (65.29)	169.51
2005-06	51	191.55	462.20	653.75	324.35 (49.61)	329.40
2006-07	52	338.56	476.91	815.47	497.80 (61.04)	317.67
<b>Kshetriya Panchayats</b>						
2004-05	139	29.30	104.18	133.48	89.27 (66.88)	44.21
2005-06	139	47.05	121.15	168.20	117.01 (69.57)	51.19
2006-07	139	51.19	160.57	211.76	151.53 (71.56)	60.23
<b>Gram Panchayats</b>						
2004-05	562	4.54	21.01	25.55	20.43 (79.96)	5.12
2005-06	2274	20.57	92.00	112.57	75.75 (67.29)	36.82
2006-07	2430 <sup>2</sup>	39.18	135.36	174.54	132.32 (75.81)	42.22
<b>Total</b>					<b>1727.36</b>	

An analysis of the table revealed that PRIs underutilized the funds. The major defaulters were the ZPs where Rs. 317.67 crore was lying unutilized at the end of March 2007. Due to underutilization, funds continued to accumulate. Evidently, the PRIs did not keep pace with funds flow and its availability. This

<sup>2</sup> Financial position of 114 out of 2544 Gram Panchayats were not issued to the Department.

indicated poor planning for funds utilization for achieving intended objectives in a time bound manner.

### **1.7 District Planning Committees**

Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Adhiniyam* 1961 provided<sup>3</sup> that the *ZPs* would prepare each financial year a development programme for the district as a whole incorporating therein the development plan of *KPs* and *GPs* of the district and submit it for approval to the District Planning Committee which was to be constituted in terms of Uttar Pradesh District Planning Committee Act 1999.

It was noticed that such committees, though constituted in April 2008 after lapse of nine years, were non functional as of June 2008. As a result, the objective of the co-ordination amongst different local bodies for balanced and integrated development of the district could not be fulfilled.

### **1.8 Budgeting and Budgetary Process**

Budgeting and budgetary process entails preparation and examination of the annual budget estimates and the subsequent control over expenditure to ensure that it was kept within the authorized grants or appropriations. With this objective, each PRI in the State was to prepare the annual budget in terms of Uttar Pradesh *KPs* and *ZPs* Manual<sup>4</sup>. It was, however, noticed that this was not prepared in 2544 *GPs* and 139 *KPs* test checked during 2007-08 and executed works on ad hoc basis.

### **1.9 Accounting arrangements**

- The Comptroller and Auditor General of India, on the recommendations of Eleventh Finance Commission, prescribed (2002) Budget and Accounting formats for all the three tiers of PRIs. Although the Government accepted (March 2003) this format but *ZPs* and *KPs* did not maintain their accounts in the prescribed formats. The *GPs*, although maintained their accounts in it through the Chartered Accountants but their accounts were in arrears for three years due to delayed engagement of the Chartered Accountants for the purpose and non submission of records by the *GPs* to them when engaged.

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<sup>3</sup> Sections 63 and 86

<sup>4</sup> Section 110

- As of June 2008, the accounts of 27564 GPs for the year 2004-05, 41832 GPs for the year 2005-06 and 51677 GPs for the year 2006-07 were in arrears. In test check during 2006-2007, it was noticed that 9<sup>5</sup> out of 52 ZPs and 9<sup>6</sup> out of 139 KPs had not prepared annual accounts. Thus, the accounts of the PRIs lacked transparency.

TFC observed that accurate information on the finances of the PRIs were not available at the state level and accordingly recommended that credible information on the finances of the PRIs at the state level should be maintained so as to assess actual requirement of funds for each tier of the PRI. However, these accounts were not compiled at district and State levels. As a result, fund allocations to the PRIs were not based on 'need-based assessment'.

- Uttar Pradesh Zila Parishads and Kshetra Samities (Budget and General Accounts) Rules 1965<sup>7</sup> provided that each item of receipts and expenditure as per cash book should be compared with the treasury/ bank statements at the end of each month. The differences, if any, should be reconciled. It was, however, noticed in test check that seven ZPs (*Appendix-2*) and sixteen KPs (*Appendix-2*) (test checked in 2007-08) had a unreconciled difference of Rs 6.20 crore as of 31 March 2007 between the cash book and the treasury/bank statements. The unreconciled differences were fraught with possibilities of misuse / misappropriation of funds.

### 1.10 Audit arrangements

The Chief Audit Officer, Co-operative Societies and Panchayats is primary auditor for all the three tiers of the PRIs and certifies their accounts.

The relevant data made available by Chief Audit Officer, Co-operative Societies and Panchayats revealed that majority of the PRI units remained unaudited<sup>8</sup> reportedly due to non submission of records by them during the periods 2005-08 as per the details given below:-

Name of the PRIs	2005-06		2006-07		2007-08	
	Allotted	Arrear (per cent in bracket)	Allotted	Arrear (per cent in bracket)	Allotted	Arrear (per cent in bracket)
Zila Panchayats	70	50 (71.43)	70	47 (67.14)	70	47 (67.14)
Kshetra	809	752	809	750	809	787

<sup>5</sup>Ambedkar Nagar, Bijnore, Faizabad, Farukhabad, Hamirpur, Kanpur Nagar, Pratapgarh, Sant Kabir Nagar and Unnao

<sup>6</sup>Auraiya: Ajitmal and Auraiya; Azamgarh: Mirzapur, Mohammadpur and Palhani; Badaun: Samrer and Etah; Ganjundwara, Jalesar and Patiyali

<sup>7</sup>Section 84 (2)

<sup>8</sup>Based on information furnished by Chief Audit Officer, Co-operative Societies and Panchayats.

<i>Panchayats</i>		(92.95)		(92.71)		(97.28)
<i>Gram</i>	51772	41439	51772	40767	51772	37149
<i>Panchayats</i>		(80.04)		(78.74)		(71.76)
<b>Total</b>	<b>52651</b>	<b>42241</b>	<b>52651</b>	<b>41564</b>	<b>52651</b>	<b>37983</b>
		<b>(80.23)</b>		<b>(78.94)</b>		<b>(72.14)</b>

As majority of the PRIs remained unaudited during the periods 2005-08, the financial data were not authenticated and thus not reliable.

### **1.11 Position of entrustment of audit/ Technical Guidance and Supervision to Comptroller and Auditor General of India**

(a) The Eleventh Finance Commission recommended exercising of Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of PRIs and their audit by Comptroller & Auditor General of India. Consequently, Government entrusted (October 2001) audit of local bodies under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 to the C&AG. 12191 Inspection Reports and 7802 paras were sent to the Chief Audit Officer during 2003-08 for pursuance. However, these remained unreplied. Further, suitable amendments in the State Acts/ Rules were not made even after a lapse of seven years as of June 2008.

(b) During 2007-08, 52 ZPs, 139 KPs and 2544 GPs were test checked and 1461 paragraphs on poor financial management and financial irregularities resulting in infructuous and excess expenditures, diversion of funds and loss of revenue etc. were communicated to the Head of the Office, Director Panchayati Raj and Chief Audit Officer, Co-operative Societies and Panchayats during 2007-08. However, the compliance of these paragraphs was awaited.

### **1.12 Other points**

#### ***Recommendations of State Finance Commission (SFC)***

Second SFC constituted in February 2000 for the period 2001-2006, made 95 recommendations mainly on the issues relating to timely release of the grants, enhancement in their own resources, transferring of income of ZP to GP, resource mobilization of the PRIs etc. It was noticed that Government accepted *in toto* 69 recommendations and partially 7 and rejected 19 which mainly related to imposing of property tax in rural areas, revision of rates of land revenue and enhancing income of PRIs through license etc.

#### ***Non transfer of revenue to Gram Panchayat***

Government order (October 2002) envisaged that ZPs should ensure transfer to the GPs 50 *per cent* of their income earned from disposal of dead animals

including arrears. However, 14 test checked ZPs earned Rs. 2.04 crore (*Appendix- 3*) during 2006-07 from the disposal of the dead animals. Of this, Rs. 1.02 crore (50 *per cent*) was not transferred to the GPs during the same periods as of June 2008.

### **1.13 Conclusion**

The budgeting and budgetary process was not followed and the accounting records were not maintained in the prescribed formats as a result of which true and fair view of income and expenditure of the PRIs were not available and the grants were not utilized in a time bound manner to derive intended benefits. The arrears in audit rendered the financial data unreliable. The Database at any of the three levels viz., District, State and Central was also not developed despite availability of funds. The District Planning Committees were not functional even after lapse of nine years of enacting the District Planning Committee Act 1999 as a result of which their developmental activities could not be monitored centrally at district level.

### **1.14 Recommendations**

- Government should ensure that database on finances are created at the district level as well as at the state level as per recommendations of the Eleventh and Twelfth Finance Commissions.
- Government should ensure that District Planning Committees are functional.
- The PRIs should be made accountable for preparation of their annual accounts in the prescribed formats within a specified period and their accounts should be compiled at the district level and at the State level for an objective assessment of allocation and utilization of funds.
- Government should make PRIs accountable to the Chief Audit Officer for submission of records for audit and also to ensure replies to Inspection Reports/Para.

## CHAPTER-II

### Performance Audit

#### 2.1 Twelfth Finance Commission- Utilisation of grants by Panchayati Raj Institutions

##### 2.1.1 Introduction

The Twelfth Finance Commission (TFC) was appointed (November 1, 2002) to make recommendations for 2005-10 regarding, *inter alia*, the measures needed to augment the consolidated fund of the State to supplement the resources of the Panchayati Raj Institutions (PRIs) in the State.

##### 2.1.2 Recommendations of TFC

As per recommendation of the TFC, PRIs were to be encouraged to take over drinking water supply assets created under the Accelerated Rural Water Supply Programme, Swajaldhara Programme and Central Rural Sanitation Programme to maintain them utilizing TFC's grants to improve efficiency in water supply, disposal of solid waste and cleaning of drains. The PRIs could recover a minimum of 50 *per cent* of the recurring cost incurred on Operation and Maintenance (O&M) of these services in the form of user charges from the consumers/users to cover deficit as the PRIs were not in a position to meet the entire cost of O&M.

Besides, high priority was to be given to creation of database of the finances of the PRIs including their assets, revenue generation by them and expenditure to assess the requirement of funds for basic civic and developmental functions. This was to be done by all the three tiers of Panchayats.

##### 2.1.3 Scope of Audit

Records relating to release and utilization of TFC grants of 14 ZPs<sup>9</sup>, 41 KPs falling under the selected ZPs and 110 GPs falling under the selected KPs for the period 2005-08 were test checked between March 2008 and June 2008.

##### 2.1.4 Financial management

The TFC recommended (November 2004) that the GOI should release grants of Rs. 20,000 crore to PRIs, of which, Rs. 2928 crore (14.64 *per cent*) was allocated to Uttar Pradesh.

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<sup>9</sup> Allahabad, Azamgarh, Badaun, Farrukhabad, Gorakhpur, Hardoi, Jaunpur, Kannauj, Lakhimpur Kheri, Lucknow, Muzaffarnagar, Raibareli, Sitapur and Sultanpur.

**(i) Overall position of grants**

Year-wise receipt of grants and their utilization are given below:

<b>(Rupees in crore)</b>				
<b>Year</b>	<b>Grants received</b>	<b>Retained by Directorate for computerization</b>	<b>Released to GPs for maintenance of accounts</b>	<b>Release to all the 3 tiers of PRIs for work</b>
2005-06	585.60	Nil	20.80	564.80
2006-07	585.60	33.64	20.80	531.16
2007-08	585.60	28.85	20.80	535.95
<b>Total</b>	<b>1756.80</b>	<b>62.49</b>	<b>62.40</b>	<b>1631.91</b>

Source : Director, Panchayati Raj, U.P.

(a) As per Utilization Certificate (UC) submitted by State Government to Government of India (April 15, 2008) total utilization of grants by PRI for the period 2005-08 was Rs. 1399.06 crore upto March 2008.

(b) Rupees 62.49 crore earmarked for ZPs, KPs and GPs was retained by the Directorate for computerization as mentioned in the table was kept in the Personal Ledger Account (PLA) of ZP, Lucknow. No action regarding creation of database and computerisation of accounts was taken as of June 2008.

**(ii) Release of grants by the State Government**

The State Government was to ensure that the grants were credited in the PRIs account within 15 days of their receipt from the GOI, failing which, interest at RBI rate prevailing at that time for the delayed period was to be given. Scrutiny of records in the office of the Director, PR, revealed that Rs. 292.80 crore received on 30<sup>th</sup> January 2008 by the State Government was transferred to PRIs on 13<sup>th</sup> March, i.e., after a delay of 43 days causing a liability of Rs. 1.35 crore payable to PRIs as interest. This was, however, not paid.

In respect of remaining grants, though the State Government issued orders for releasing the grants within 15 days but records of test-checked PRIs revealed that the amount was actually credited in PRIs' account with the delay ranging from 02 to 274 days due to (i) delay in presentation of bills at the treasuries by ZPs in respect of ZPs and (ii) delay by banks at district level in transferring the amounts in the bank account of KPs and GPs at block and village level.



## **Diversion of funds**

### **(i) Diversion of fund by KPs**

Guidelines issued by TFC provided for utilization of grants by PRIs for repairs and rejuvenation as also the O&M costs of water supply and sanitation and creation of database. In the test check, it was noticed that 11 KPs utilized Rs. 1.17 crore<sup>10</sup> on construction/repair of office/residential premises, establishment of solar lights, construction of school boundary which were not permissible under TFC grant. In reply, KPs stated (March-June 2008) that it was spent under the orders of the District Magistrates. Reply was not correct as except expenditure on solar lights, all other expenditure were incurred by KPs on their own.

### **(ii) Non-recovery of user charges**

Out of Rs. 389.12 crore allotted to GPs during 2005-06, Rs. 24.05 crore was spent towards drinking water schemes as per utilization certificates (UCs) sent to the GOI by the State Government. The GPs were to recover a minimum of 50 *per cent* of the recurring cost, i.e., Rs. 12.02 crore in the form of user charges against which Rs. 7.39 crore was shown as recovered in the UCs which included the users charges recovered in the test checked PRIs also. However, as per records in the test checked PRIs<sup>11</sup>, neither provision for recovery was made in their budget estimates nor the amount recovered on this account. Thus, the UCs sent by State Government to GOI were not correct.

### **(iii) Lapse of grant**

The PRIs were required to present the bills to the treasury within the financial year for the grants released by the State Government to be transferred in their PLAs. In case of PRIs not having PLAs, cheques were issued by the treasuries which were to be deposited by the PRIs in their bank accounts latest by the next month of their issue. However, ZP, Sultanpur did not present the requisite bill to the treasury for the first installment of Rs. 1.12 crore of its grant for 2007-08 released by State Government on 03.08.2007 to be transferred to its PLA within the time schedule and hence the grant lapsed. Similarly, KP, Kurwar and Sangrampur (district Sultanpur ) did not present the cheques of Rs. 3.29 lakh and Rs. 1.45 lakh respectively issued by the Treasury, Sultanpur on 27.03.2006 to the Bank for collection within time limit, therefore, the

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<sup>10</sup> Badlapur : 0.04, Barhalganj: 0.11, Bijuwa: 0.09, Jaisinghpur : 0.06, Kadipur : 0.02, Koraon: 0.34, Machlishahar: 0.10, Pahela: 0.05, Pasgavan: 0.24, Sakaran: 0.02 and Uruva (Gorakhpur): 0.10 crore.

<sup>11</sup> Allahabad, Azamgarh, Gorakhpur, Hardoi , Jaunpur, Lakhimpur Kheri, Sitapur and Sultanpur.

amounts lapsed. This indicated ineffective functioning of the PRI's and improper monitoring at the Directorate level.

**(iv) Non-submission of utilisation certificates (UCs)**

The Director, Panchayati Raj (PR) released Rs. 1,350.44 crore to 820 KPs (Rs. 166.61 crore) and 52,000 GPs (Rs. 1,183.83 crore) during 2005-08. The KPs/GPs were required to submit the UCs in respect of this amount to the District Panchayati Raj Officer (DPRO). Scrutiny of the records in the test checked PRIs revealed that KPs and GPs did not submit the UCs to the DPROs. However, the DPROs without obtaining the UCs from KPs and GPs to whom funds were released submitted the UCs to the Director, PR and on that basis, the State Government sent the UCs to the GOI. It indicated that actual utilization of funds was not watched.

**2.1.5 Non-transfer of assets**

As per TFC's recommendations assets related to water supply and sanitation was to be transferred to PRIs for maintenance. However, in none of the test checked PRIs, these assets except hand pumps were transferred as of June 2008. No order for transfer of other water supply assets was issued by the State Government as of June 2008.

**2.1.6 Creation of database**

TFC emphasized creation of database of the assets of the PRIs, revenue generation by them and expenditure to assess their requirement of funds for basic civic and developmental functions and rational determination of the gap between the cost of maintenance of various services such as water supply, sanitation, roads, etc. and the capacity to raise resources on their own and computerisation of accounts on priority basis. The State Government intimated the GOI (April 2008) that Rs. 62.49 crore earmarked for creation of database had been transferred to PRIs. However, scrutiny of records in the Directorate revealed that the money was not transferred and was lying in the PLA of ZP, Lucknow as unutilized.

Further, the amount was shown as Rs. 62.14 crore instead of Rs. 62.49 crore in the PLA statement. Reason for discrepancy was not explained by the Directorate.

### **2.1.7 Irregular Work**

According to para 14 of Kshetra Panchayat and Zila Panchayat Nirman Niyamawali 1985, ZP or KP without the consent of Executive Engineer, Provincial Division, Public Works Department (PWD), shall not execute a work which was maintained by or under the limits of PWD. Administrative/Financial/Technical sanctions for Rs. 30.00 lakh was, however, accorded (August 2007) by the State Government for construction of 2.5 Km. road upto painting level from Tekardih crossing to Kalyanpur in district Jaunpur out of the grant received from the TFC. Rs. 29.41 lakh was paid to the contractor. Earlier, the Provincial Division, PWD had constructed the road upto painting level and transferred (October 2003) it to Construction Division of the department for maintenance. The ZP, Jaunpur while submitting estimates to the State Government for technical sanction did not mention that the road was constructed/ maintained earlier by the PWD. In reply, ZP stated (March 2008) that the selection of work was done at Government level and sent to it for execution. The reply is not tenable as while submitting the estimates for the technical sanction the ZP should have mentioned these facts in the estimates.

### **2.1.8 Unfruitful Expenditure**

The State Government, PR Department accorded administrative and financial sanction (April 2006) for construction of 2.00 km. road from Girgotha to Jamohara on Km 18 of Manda to Koraon Road at estimated cost of Rs. 24.00 lakh by ZP, Allahabad. The work was to be done in accordance with the provisions of KP/ZP Nirman Niyamawali, 1985. A small river existed between Girgotha to Jamohara on which construction of bridge was not proposed which was essential for linking of the road between Girgotha to Jamohara. Rs. 20.76 lakh was paid up to 4<sup>th</sup> Running Bill. Work measured in May 2007 completing 1<sup>st</sup> and 2<sup>nd</sup> coat painting and seal coat in 2.00 km. up to 5<sup>th</sup> Running Bill for Rs. 23.30 lakh but not paid as yet (December 2008). The road could not be fully utilized without construction of Bridge.

On being pointed out in audit, ZP replied (December 2008) that the case was under enquiry.

### **2.1.9 Monitoring**

As recommended by the TFC, a High Level Committee (HLC) headed by the Chief Secretary with Principal Secretary, Panchayati Raj, Principal Secretary, Finance and Director, Panchayati Raj as members was constituted by the State Government to monitor proper utilization of TFC grants. The HLC was

responsible through its quarterly meetings for monitoring of both, physical as well as financial targets and ensuring adherence to the specific conditions attached to each grant. The HLC held 6 meetings against 12 between April 2005 and March 2008 and issued instructions regarding recovery of user charges, etc. by the PRI but the same was not followed. This indicated that monitoring was not effective.

Further, to ensure proper utilization of the grant, the Director PR issued (January 2006) instructions that the DPROs would inspect the works executed by GPs and Chief Development Officers would inspect the works executed by the KPs. However, no inspection reports were shown to audit.

#### **2.1.10 Conclusion**

The TFC's two major recommendations viz., transfer of assets of water supply and sanitation to PRIs and creation of database and computerization of maintenance of accounts were not implemented even after lapse of over two years. The State Government did not issue order for taking over the assets of water supply and sanitation by the PRIs nor made any effort for computerization and creation of database. Monitoring was not effective as there was no system to ensure credit of TFC grants in the account of PRIs within 15 days from the date of release by the GOI. UCs were not obtained by DPROs from the KPs and GPs.

#### **2.1.11 Recommendations**

- State Government should develop the system for crediting the grants to the PRIs' accounts within 15 days from the date of release by GOI.
- UCs should be obtained from all the three tiers of PRIs.
- Panchayats should take over the assets of water supply and sanitation.
- Panchayats should levy the user charges on account of maintenance of water supply and sanitation.
- Works to be executed as per guidelines of TFC should not be decided by State Government but by PRIs themselves.
- Computerization and creation of database should be done on priority basis.

## **2.2 Transfer of Functions, Functionaries and Funds to Panchayati Raj Institutions**

### **Highlights**

Through the UP Act no. 9 of 1994, the powers and functions of Kshetra Panchayat and Zila Panchayat were redefined and described in schedule I and II respectively of UP Kshetra Panchayat and Zila Panchayat Act 1961. The powers and functions of Gram Panchayats were described in Section 15 of U.P Panchayat Raj Act, 1947. These powers and functions were devolved to enable them to function as institution of self Government. Actual transfer of powers and functions was, however, partial and inadequate, consequently their function was limited. Some of the highlights are given below:

**Transfer of functions/activities and funds to Panchayati Raj Institutions was incomplete and partial.**

**(Paragraph 2.2.6 & 2.2.10)**

**Powers entrusted to Panchayati Raj Institutions regarding supervision of Public Distribution System and Health Sub Centres were not exercised by them.**

**(Paragraph 2.2.8)**

**Distribution of work among three tiers of PRIs was not clearly defined, consequently, the same work such as construction of road in villages was done by all of them.**

**(Paragraph 2.2.9)**

**Shortfall in deployment of staff in Gram Panchayats was to the extent of 88 per cent due to non transfer of functionaries from line departments.**

**(Paragraph 2.2.11 (ii))**

**Despite availability of funds under Poverty Alleviation Programme, Zila Panchayat, Allahabad did not create jobs to give employment to rural people.**

**(Paragraph 2.2.13)**

**Foodgrains required to be given to labourers under Sampoorna Gram Rozgar Yojna as part of their wages to ensure food security in rural areas was not given, instead the payment was made in cash.**

**(Paragraph 2.2. 14)**

**Internal Control System consisting of financial control in Zila Panchayats and payments for works executed in Panchayati Raj Institutions was weak.**

**(Paragraph 2.2.16)**

### 2.2.1 Introduction

Seventy third amendment in the Constitution of India (Constitution) vide Article 243G-Eleventh Schedule<sup>12</sup> empowered the State Legislature to make laws for endowing Panchayati Raj Institutions (PRIs) with such powers and authority which could enable them to function as institutions of self government. Major elements of devolution were functions, functionaries and funds to the PRIs, accompanied by administrative control over staff and freedom to take administrative and financial decisions at the local level.

In accordance with the Article 243-G of the Constitution, the UP State Legislature amended the UP Panchayat Raj Act, 1947 (UP PR Act) and U.P. Kshetra Panchayat and Zila Panchayat Act, 1961 (UP KP&ZP Act) by U.P. Act No. 9 of 1994 and devolved powers and functions to GPs as specified in Section 15 of the UP PR Act and to KPs and ZPs as specified in Schedule-I Schedule-II to UP KP&ZP Act. The functions so devolved includes all the functions enshrined in the Eleventh Schedule of the Constitution except Khadi.

### 2.2.2 Organisational set up

The PRIs constitute three tier system (i) Zila Panchayat (ZP) at district level, (ii) Kshetra Panchayat (KP) at block level, and (iii) Gram Panchayat (GP) at village level.

At Government level, Principal Secretary, Panchayati Raj Department is the controlling authority and at Department level, Director, Panchayati Raj is the head of the Department. At district level, Chairman, ZP for ZP and District Panchayat Raj Officer (DPRO) for KPs and GPs are the administrative heads.

### 2.2.3 Audit Objectives

The review was conducted to ascertain whether:

- (i) The functions, functionaries and funds were actually transferred as per Eleventh Schedule of the Constitution.

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<sup>12</sup> (1)Agriculture, including agricultural extension. (2) Land improvement, implementation of land reforms, land consolidation and soil conservation. (3) Minor irrigation, water management and watershed development. (4) Animal husbandry, dairying and poultry. (5) Fisheries. (6) Social forestry and farm forestry. (7) Minor forest produce. (8) Small-scale industries, including food processing industries. (9) Khadi, village and cottage industries. (10) Rural housing. (11) Drinking water. (12) Fuel and fodder. (13) Roads, culverts, bridges, ferries, waterways and other means of communication. (14) Rural electrification, including distribution of electricity. (15) Non-conventional energy sources. (16) Poverty alleviation programme. (17) Education, including primary and secondary schools. (18) Technical training and vocational education. (19) Adult and non-formal education. (20) Libraries. (21) Cultural activities. (22) Markets and fairs. (23) Health and sanitation, including hospitals, primary health centres and dispensaries. (24) Family welfare. (25) Women and child development. (26) Social welfare, including welfare of the handicapped and mentally retarded. (27) Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes. (28) Public distribution system. (29) Maintenance of community assets.

- (ii) The transfer of functions, functionaries and funds were adequate.
- (iii) The transferred functions were performed effectively and efficiently.
- (iv) Adequate monitoring and internal control system exists for effective planning and execution of functions/activities.

#### **2.2.4 Audit Criteria**

The criteria for the review were

- (i) Eleventh Schedule of the Constitution
- (ii) Provisions of the UP KP&ZP Act 1961 and UP PR Act 1947.
- (iii) Orders, notifications and instructions issued by Government of Uttar Pradesh regarding devolution of functions, functionaries and funds to PRIs from time to time.

#### **2.2.5 Scope of Audit**

Performance review covering the period from 2003-08 was conducted between March 2008 and May 2008 by test check of the records of 99 units of PRIs. These include 6 ZPs out of 70 (Gonda, KushiNagar, Ballia, Allahabad, Budaun, Ghaziabad), 12 KPs out of 820 (Kaptanganj, Padrauna (KushiNagar), Chhapia, Nabawaganj (Gonda), Loni, Hapur (Ghaziabad), Ujhani, Dataganj (Budaun), Bahadurpur, Pratappur (Allahabad) and Sohawa and Siyar (Ballia)) and 81 GPs out of 52,000 GPs (*Appendix 4*).

Besides, information was collected from Panchayati Raj (PR), Rural Development and other line departments, viz., Child and Women Welfare, Social welfare and Agriculture.

#### **2.2.6 Audit Findings**

##### **Transfer of functions, functionaries and funds**

The State Government constituted (1994) an Administrative Reforms and Decentralization Commission to make recommendations, *inter alia*, on administrative reforms and decentralization in PRIs. The Commission recommended (August 1995) transfer of all the 29 functions devolved as per UP Act no. 9 of 1994 to PRIs alongwith activity mapping for different tiers of PRIs.

It also recommended transfer of functionaries and funds relating to the transferred functions to carry out the functions efficiently and effectively. To examine these recommendations further for implementation, a High Powered Committee (HPC) under the chairmanship of Agricultural Production

Commissioner was constituted (December 1995) which agreed (February 1997) to the proposal of the Commission.

The Eleventh Schedule of the Constitution envisaged the transfer of 29 functions to PRIs by the State Government to enable them to function as institutions of local self government. The State Government devolved all the subjects except Khadi to PRIs by amendment in UP KP&ZP Act 1961 and UP PR Act 1947 but actually transferred 16 functions partially to PRIs out of which 15 functions were transferred to GPs, four to KPs and two to ZPs.

### 2.2.6 (i) Transfer of activities to GPs

As per UP PR Act 1947, 50 activities (*Appendix 5*) related to the 29 functions were to be transferred to GPs. The State Government, however, issued orders (July 1999) for transfer of only 12 activities to GPs as detailed below:

Sl. No.	Activities to be transferred (As per G.Os. of July 1999)	Name of the function to which the activities belongs (As per 11 <sup>th</sup> Schedule of the Constitution)
1	Construction of school buildings and up keep of schools	Education including Primary and Secondary Education
2	Maintenance and repair of Tube wells	Irrigation
3	Maintenance of Health Sub-Centres	Health and Sanitation including Hospitals, Primary Health Centres and Dispensaries
4	Maintenance of veterinary hospitals in villages	Animal Husbandry, Dairy and Poultry
5	All activities undertaken at village level of youth welfare	Cultural Activities
6	Selection of pensioners under old age scheme and distribution of scholarships	Social Welfare
7	All village level works of Anganwadi programme	Women and Child Welfare
8	All village level works of agriculture	Agriculture
9	Establishment and cancellation of fair price shops	Public Distribution System
10	All village level works of Rural Development	Rural Development
11	Maintenance of hand pumps	Drinking Water
12	All village level works of Panchayati Raj	Panchayati Raj

Out of the above twelve activities, four activities, at serial numbers 1, 3, 4, and 9 have not been mentioned in the list of activities to be transferred to GPs in UPPR Act (*Appendix- 5*). The activities at serial number 1 and 9 have been earmarked for ZPs and activities at serial numbers 3 and 4 have been earmarked for KPs as per UP KP & ZP Act.



Test check of records of PR Department revealed that 15 activities were actually transferred to GPs as of June 2008 as detailed below:

Sl. No.	Activities transferred	Department from which activity transferred
1.	Maintenance and Supervision of 'D' category Veterinary Hospitals	Animal Husbandry
2.	Basic Education including Mid-Day-Meal	Basic Education
3.	Rural Sanitation Programme	Medical and Health
4.	Maintenance of assets created under Sodic land Reclamation Projects	Land Development and Water Resources
5.	Minor Irrigation- Selection of beneficiaries	Minor Irrigation
6.	Operation and Maintenance of Rural Water Supply Schemes	Rural Development
7.	Poverty alleviation programmes	Rural Development
8.	Rural Housing Schemes- Selection of Beneficiaries	Rural Development
9.	Rural Library	Education & Youth Welfare
10.	Welfare Programme for SC,ST and other Weaker Sections- selection of pensioners and distribution of scholarships	Social Welfare
11.	Youth Welfare Programme at village level	Youth Welfare
12.	Verification of Inspection notes of CMOs and Dy. CMOs of CHCs and PHCs by KP Pramukh and GP Pradhans respectively	Medical and Health
13.	Maintenance of assets created in Panchayat Area	Panchayati Raj
14.	Food and Civil Supplies- Supervision of Public Distribution System (PDS) throughout the State including Jan Kerosene Programme.	Food & Civil Supply
15.	Operation and Maintenance of Rural Market and fairs	Panchayati Raj

Out of the above activities, activities at serial number 5 and 12 actually belong to KPs and at serial number 14 belong to ZPs as per UP KP & ZP Act. Thus, remaining 38 activities were retained by respective line departments.

### 2.2.6 (ii) Transfer of activities to KPs

As per U.P. KP & ZP Act 1961, 47 activities (*Appendix 5*) related to the 29 functions were to be transferred to KPs but only 4 functions/activities were transferred as detailed below:

Sl No	Activities transferred	Department from which activity transferred
1.	Maintenance of seed stores etc. in Kshetra Panchayats	Agriculture
2.	Verification of Inspection notes of CMOs and Dy. CMOs of CHCs and PHCs by KP Pramukh and GP Pradhans respectively	Medical and Health
3.	Maintenance of assets created in Panchayat Area	Panchayati Raj
4.	Food and Civil Supplies- Supervision of Public Distribution System (PDS) throughout the State including Jan Kerosene Programme.	Food & Civil Supply

### **2.2.6 (iii). Transfer of activities to ZPs**

As per U.P. KP & ZP Act 1961, 65 activities (*Appendix 5*) related to the 29 functions were to be transferred to ZPs but only 2 activities viz., Operation and maintenance of rural markets and fairs and Supervision of PDS including Jan Kerosine Programme were transferred.

On being pointed out in audit, it was replied by the Panchayat Raj (PR) Department that the matter related to different departments and consensus was not arrived at for transfer of activities. The PR department also stated that the matter was under consideration since 1999.

### **2.2.7 Inadequate transfer of functions/activities-**

The GPs were entrusted with the job of selection of beneficiaries under different pension schemes such as old age pension scheme etc., and distribution of scholarship to the students of village schools. Test check of records revealed that in 16 GPs<sup>13</sup>, 762 beneficiaries out of 2971 selected by these GPs were not sanctioned pensions by Social Welfare Department during the period from 2003-08.

Thus, without the power to sanction the pension by GPs, merely recommendation for pension was not effective to help needy people in the villages by GPs.

### **2.2.8 Non-execution of powers entrusted to GPs/KPs**

- (i) As per UP KP & ZP Act, supervision of PDS was entrusted to ZPs but scrutiny of records of ZP Allahabad, Badaun and Ghaziabad revealed that inspection of PDS shops were not conducted at all.
- (ii) The KP Pramuks and GP Pradhans were entrusted with the work of verification of inspection notes of Chief Medical Officer (CMO) and Deputy CMOs in respect of CHCs and PHCs respectively to ascertain functioning of the CHCs and PHCs to ensure proper health care to the people. Test check of records of all test checked KPs and GPs revealed that inspection notes were not received in KPs and GPs for verification.

The above indicated that the PRIs did not exercise proper control over the functions transferred to them.

### **2.2.9 Activity mapping amongst PRIs**

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<sup>13</sup> Kusmaura Halwapur, Barkatabd jaahangirabad, Sakra, Saifalpur, Basraila, Gopramau, Kura Etegaon, Karjhan, Thawar, Banshigarhi, Fatehganj, Kakrabad, Sarsanda, Kusalganj, Karimabad and Baragaon of KP Kakori, district Lucknow

Entrustment of different activities relating to function to the three tiers of PRIs requires balanced distribution of functions and activities among them, the basic criteria for such distribution being that an activity should be performed by a tier to which it belongs naturally and there be a mechanism for inter tier co-ordination in case of overlapping of activities related to the function. The UP KP & ZP Act, 1961 and U.P. PR Act, 1947 as amended in 1994 distributed activities related to 29 functions among the three levels of PRIs which shows overlapping among different tiers in as many as 12 items as detailed below:

Sl. No.	Activities transferred to ZPs as per U.P. KP & ZP Act	Activities transferred to KPs as per U.P. KP & ZP Act	Activities transferred to GPs as per U.P.PR Act
1.		a) Promotion and Development of agriculture and horticulture.	a) Promotion and development of agriculture and horticulture.
2.	a) Maintenance of veterinary services b) Promotion dairying, poultry and piggery.	a) Maintenance of veterinary services b) Improvement of breed of cattle, poultry and other live stocks c) Promotion dairying, poultry and piggery.	a) Improvement of breed of cattle, poultry and other live stocks b) Promotion dairying, poultry and piggery
3.		a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social forestry and sericulture	a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social and agricultural forestry and sericulture
4.		Promotion and development of minor forest produce	Promotion and development of minor forest produce
5.		Implementation of poverty alleviation programmes	Implementation of poverty alleviation programmes
6.		Promotion of rural artisans and vocational education	Promotion of village art and artisans.
7.	Promotion of cultural activities		Promotion of cultural activities
8.	Participation in the social welfare programmes including welfare of the handicapped and mentally retarded.	Participation in the social welfare programmes including welfare of the handicapped and mentally retarded.	Participation in the social welfare programmes for handicapped and mentally retarded.
9.	a) Establishment, maintenance and management of PHCs and dispensaries.	a) Establishment and maintenance of PHC and dispensaries. b) Control of epidemics	a) Prevention against epidemics.
10.		Promotion of health and family welfare programmes	Promotion of family welfare programmes
11.	a) Promotion of welfare of schedule castes and weaker section. b) Preparation of plans and implementation of schemes for social justice	a) Promotion of welfare of the scheduled castes and weaker sections b) Preparation of plans and implementation of schemes for social justice	a) To prepare and implement programmes for social justice.
12.	Preservation and maintenance of	Preservation and maintenance of	Preservation and maintenance of

	community assets.	community assets.	community assets.
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Even the order issued subsequently (July 1999) by the State Government assigning the responsibilities regarding supervision of fair price shops by all the three tiers of Panchayats, operation and maintenance of Rural markets and fairs, maintenance of assets created in Panchayat and different works such as construction of roads, ponds, etc. undertaken under Poverty alleviation programme did not clarify how the overlapping activities would be segregated for carrying out the work. Consequently, all the three tiers of PRIs carried out the same work in the same village as noticed in the test check of the records in ZP, Ballia and KPs, Sohaw (district Ballia) and Bahadurpur (district Allahabad) where, during 2007-08, ZP, Ballia constructed four roads in four villages and these KPs constructed one road in two villages which were under natural jurisdiction of GPs. It also needs mention that as per Section 33 of the UP KP&ZP Act, ZPs were required to classify roads as village roads, inter village roads and district roads for the purpose of management by the GPs, KPs and ZPs respectively but it was not done.

#### 2.2.10 Transfer of funds

(i) The State Government took decision (July 1999) for transferring funds for 13 functions to GPs as detailed below:

Sl. No.	Funds transferred for
1	Maintenance of schools
2	Reading writing material for schools
3	Construction of new and existing schools.
4	Construction of additional classrooms in schools.
5	Maintenance of Government tubewells.
6	Maintenance of health sub-centres.
7	Maintenance of veterinary hospitals.
8	Funds for activities undertaken at village level related to youth welfare.
9	Funds for Anganwadi programme at village level.
10	Funds for all village level works related to agriculture.
11	Funds allotted for all village level works under poverty alleviation programme.
12	Funds allotted for all village level works for rural library and operation and maintenance of rural markets and fairs.
13	Maintenance of hand pumps

However, test check revealed that funds for eight activities viz., (1) Poverty alleviation programme, (2) Rural water supply-operation and maintenance, (3) Construction and maintenance of rural markets and fairs, (4) Rural sanitation programme, (5) Social welfare-distribution of scholarships (6) Maintenance of assets, (7) Rural library and (8) Youth welfare programme were transferred to PRIs. Funds are also being released to Panchayats by individual line departments based on the schemes entrusted to them.

Though the Government has taken the decision for transferring funds for the five functions viz., (1) Maintenance of Government Tubewells, (2) Maintenance of Health Sub-Centers, (3) Maintenance of Veterinary hospitals, (4) Anganwadi Programme at village level and (5) All village level works related to agriculture but these have not been actually transferred and these functions are still being carried out by the concerned department .

(ii) The PRIs receive funds from the state government as per recommendation of Central Finance Commission (CFC) and State Finance Commission (SFC). Besides, they get funds for execution of Centrally Sponsored Schemes (CSS) and also generate fund from their own sources by levying taxes such as property tax, house tax and water tax, *tahbazari*, etc. Details of devolution of funds prior and post devolution of functions to PRIs are given below:

**Devolution of funds prior to transfer of functions**

(Rupees in crore)

Year	CFC	SFC	Total
1997-98	151.90	187.69	339.59
1998-99	68.66	217.70	286.36

Source: Director, Panchayati raj, Lucknow

**Devolution of funds after transfer of functions**

(Rupees in crore)

Year	CFC	SFC	Total
2003-04	233.42	550.00	783.42
2004-05	00.00	778.45	778.45
2005-06	585.60	868.83	1454.43
2006-07	585.60	1174.66	1760.26

Source: Panchayati Raj Department, Government of UP

It reveals that there is effective increase in devolution of funds to PRIs after the devolution of functions.

(iii) Scrutiny of records relating to utilization of SFC's grants revealed that PRIs were slow in its utilization as there were unutilized grants ranging between 9 per cent and 57 per cent during 2003-07 which indicated the failure of the PRIs to manage their affairs in a planned manner to provide the intended benefit to their inhabitants.

(Rupees in crore)

Year	Funds available	Expenditure	Balance (per cent)
2003-04	550.00	372.24	177.76 (32)
2004-05	778.45	710.23	68.22 (9)
2005-06	868.83	481.77	387.06 (45)
2006-07	1174.66	503.07	671.59(57)

Source: Director of Panchayati Raj, Lucknow.

(iv) The State Government issued order (May 1999) for transferring funds to GPs payable as honorarium to village level Anganwadi Workers of Women and Child Welfare Department. As per provisions of the order, the honorarium was to be disbursed to the workers on the basis of their attendance and monthly report given by the concerned committee of the Gram Panchayat. However, the State Government has withdrawn (March 2001) the financial powers of GPs for disbursement of honorarium and directed the Women and Child Welfare Department for transferring the honorarium of Anganwadi Workers directly into their bank account. Thus, the withdrawal of financial control of GPs over payment of honorarium to Anganwadi Workers on the basis of their attendance and monthly report would affect adversely the GPs due to lack of control by concerned committee of Gram Panchayat.

### 2.2.11 Transfer of functionaries:

(i) The State Government issued orders (July 1999) for transfer of 12 functionaries from 8 departments to GPs as detailed below:

Sl. No.	Functionaries transferred	Name of Department	Number of functionaries transferred
1	Tubewell operator	Irrigation	22290
2	Seenchpal (Nalkoop)	-do-	----
3	Seenchpal (Nahar)	-do-	155
4	Male health worker	Medical and Public Health	102
5	Gram Vikas Adhikari (Social Welfare)	Social Welfare	665
6	Village level worker	Land Development and Water Resources	----
7	Inspector	-do-	----
8	Seenchpal/ Supervisor	-do-	----
9	Kisan sahayak	Agriculture	5401
10	Gram Vikas Adhikari	Rural Development	7136
11	Ganna Paryavekshak	Cane	2569
12	Gram Panchayat Adhikari	Panchayati Raj	6981
<b>Total</b>			<b>45299</b>

Source: Director, Panchayati Raj.

Functionaries of Land Development and Water Resources Department and Seenchpal (Nahar) of Irrigation Department were not transferred to GPs inspite of Government orders. However, 38318 functionaries from seven Departments except 6981 functionaries of Panchayati Raj Department were sent back (by July 2006) to their parent departments on the ground that work in their parent departments was suffering. Thus, remaining functionaries relating to Panchayati Raj Department were attached with GPs as of June 2008.

(ii) **Shortfall in deployment of staff:-** State Government in its order of July 1999 envisaged manning of each GP at least by one multipurpose village

level worker by transferring village level staff of eight departments but due to transfer back of the staff of seven departments viz.,(1) Irrigation, (2) Medical and Public Health, (3) Social Welfare, (4) Land Development and Water Resources (5) Agriculture (6) Rural Development and(7) Cane, out of eight, resulted in shortage of staff. Consequently, one staff nominated as Gram Panchayat Adhikari (GPA) was looking after on an average 8 villages to look after all the work of the transferred functions as only 6235 GPA (12 per cent) as of January 2008 were available against 52,000 GPs. With such a huge shortage, it was difficult to discharge the duty efficiently with the available man power covering 15 activities and utilize the funds.

(iii) As per provisions of Gramin Karya Nirdeshika, payments for construction or supply of materials can be made only after recording proper measurements in the measurement book. Scrutiny of records of all test checked GPs revealed that Rs. 5.36 crore was spent in carrying out the activities of construction of kaccha/kharanja roads, drains, nallas, maintenance of drinking water facilities and sanitation work without recording measurement. In reply, GPs stated (March -May 2008) that measurement could not be done due to non availability of Junior Engineer.

#### **2.2.12 Ineffective functioning of the transferred functions**

In compliance of the provisions of UP PR Act and UP KP& ZP Act, 6 committees<sup>14</sup> were constituted in each PRIs but all the committee except Nirman Karya Committee were non- functional as the expenditure on concerned activities were being incurred by the respective line departments. However, *Nirman Karya Samiti* was constituted in all the 3 tiers of PRIs consisting of elected members of the panchayat to exercise effective control over construction and maintenance work of the buildings and roads etc. and also to keep quality under check in construction works, but minutes of meetings of the committee were not made available to audit to ascertain its effectiveness.

#### **2.2.13 Non-creation of rural employment**

The PRIs are required to utilize the funds promptly received under poverty alleviation programme to create jobs. It was, however, noticed that ZP, Allahabad did not utilize Rs. 19.64 crore (53 per cent) out of Rs. 36.91 crore available in 2007-08 due to shortage of technical staff and enforcement of model code of conduct for elections. This indicated that poverty alleviation programme did not achieve its objective to create rural employment.

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<sup>14</sup> (1) Niyojan evamVikas Samiti, (2) Prashasanik Samiti, (3) Swasthya evam Kalyan Samiti, (4) Shiksha Samiti, (5) Jal Prabandhan Samiti and (6) Nirman Karya Samiti.

#### **2.2.14 Non-providing food security to labourers**

Under Sampoorna Gramin Rojgar Yojna (SGRY) wages to labourers were to be paid partly in cash and partly in the form of foodgrains with a view to provide food security in rural areas. Foodgrains were to be provided by the District Rural Development Agency (DRDAs). It was, however, noticed in test check that foodgrains were not provided to labourers as part of wages but paid in cash in ZPs, Allahabad and Ghaziabad, (during 2006-07), in ZP, Budaun (during 2006-07), in 5 KPs and 46 GPs (during 2003-08). In the remaining 7 KPs and 35 GPs test checked, records relating to issue of food grains were not maintained properly, hence it could not be ascertained in audit whether food grains were distributed.

Non-distribution of food grains was attributed by the units checked to non-supply of foodgrains by DRDAs. This showed lack of coordination between the PR Department and the Rural Development Department which defeated the objective of providing food security to poor people in rural areas.

#### **2.2.15 Depriving ZPs & KPs from their powers & functions in implementation of 'Swajal Dhara Yojna'**

The ZPs, KPs and GPs are responsible for planning, programming, monitoring, construction, maintenance and repair etc. of drinking water facilities in rural areas (*Appendix – 5*).

Government of India launched (November 2002) Swajal Dhara Yojna, a community based rural drinking water supply scheme to provide drinking water in rural areas. The objective of the scheme was to institutionalize community participation to ensure sustainability of system and sources by adopting demand response strategy. The Rural Development Department ordered (May 2004) that the scheme would be executed by Village Water and Sanitation Committee (VWSC). Jal Prabandhan Samiti of GPs will execute the projects as VWSC. District Water and Sanitation Committee (DWSC) will plan, manage, and monitor the scheme. The accounts of DWSC would be jointly operated by Chief Development Officer (CDO) and District Development Officer (DDO) of the District. Thus, ZPs and KPs have been deprived of their powers and functions of planning, providing and assisting in development of drinking water facilities in rural areas.

#### **2.2.16 Internal Control System and Monitoring**

(i) A Financial Adviser (FA) was posted in each ZP for management and advice on financial matters. The FA prepared quarterly observation reports containing improper preparation of budget, control on expenditure,



maintenance of financial records and follow up of audit observations for compliance by ZPs. It was, however, noticed that the objections raised in the quarterly observation reports were not attended to by any of the 6 ZPs test checked.

(ii) For effective functioning of a system and better delivery of services, periodical review and monitoring of activities and a prescribed control mechanism are important. The performance of PRIs in relation to transferred activities in general was not effective as five committees constituted in PRIs were nonfunctional, payment for construction in GPs was made without measurement. PRIs did not ensure that foodgrains were distributed to labourers to ensure food security to poor, jobs were not created despite availability of funds.

(iii) As per provisions of “Gramin Karya Nirdeshika”, Assistant Engineer(AE) is required to check and verify five *per cent* of the measurements recorded by Junior Engineer for the works of value between Rs. 10,000 to Rs. 50,000 and 20 *per cent* for the works of the value above Rs. 50,000. However, measurements were not checked and verified by AE in any of the test checked ZPs & KPs.

#### **2.2.17 Conclusion**

Seventy third amendment in the Constitution envisaged devolution of 29 functions to PRIs to enable them to work as institutions of local self government. Though the State Government amended the UP KP&ZP Act 1961 and UP PR Act 1947 and devolved the transfer of functions, functionaries and funds but it actually transferred 16 functions, one functionary and funds for eight activities only. In absence of functionaries and funds, even the transferred functions could not be implemented effectively by PRIs. Further, PRIs’s functioning was not efficient in respect of works assigned to them as was noticed in test check that five Samitis though constituted in PRIs did not function at all to supervise activities under its jurisdiction.

#### **2.2.18 Recommendations**

- The Government should consider transferring of all the functions as envisaged in the 11<sup>th</sup> Schedule of the Constitution.
- The State Government should transfer adequate number of functionaries to GPs for their effective functioning and funds for implementing the functions so transferred.
- The State Government should strengthen the internal control system in PRIs to have effective financial control over funds and execution of work.

## CHAPTER-III

### Audit of Transactions

#### 3.1 Avoidable expenditure Rs. 5.45 lakh

**Substandard construction of shops at cost of Rs. 5.11 lakh resulted in an avoidable extra expenditure of Rs. 5.45 lakh on repairs and loss of revenue of Rs. 4.06 lakh**

Zila Panchayat, Siddharth Nagar (ZP) constructed (December 1996) through contractors 16 shops in Bansi at a cost of Rs. 5.11 lakh on the Zila Panchayat land with the objective of utilizing the land for the commercial purpose and to increase the revenue of the Zila Panchayat thereby.

Scrutiny of records of ZP, Siddharth Nagar revealed (July 2007) that these 16 shops were auctioned thrice in March 1992, April 1993 and February 1994. However, 12 allottees, after partial deposits of the premium (Rs 2.32 lakh) by them, refused to take over the possession of the shops due to substandard floors, plastering, shuttering and roofs as the quality was not ensured at the time of the construction. As a result, the ZP incurred (March 2006) an additional expenditure of Rs. 5.45 lakh on the repairs. Despite this, these shops were lying vacant as of July 2007<sup>15</sup> even after over one year of their repairs although allottees had deposited the premium. This rendered a loss of revenue of Rs. 4.06 lakh<sup>16</sup> to the ZP in form of rent.

Thus, due to failure of the ZP to ensure the quality of work executed led to additional expenditure of Rs 5.45 lakh besides the loss of revenue of Rs 4.06 lakh due to non allotment even after deposit of premium which defeated the objective of utilizing the land for commercial purposes and increasing the revenue of the ZP thereby.

The matter was reported (February 2008) to the Government; reply was awaited (March 2009).

<sup>15</sup> Allotment of nine shops in August 2007 and rest seven upto April 2008.

<sup>16</sup> Loss of rent after completion of shops from January 1997 to July 2007 i.e. 127 months @ Rs 200/-per month for 16 shops=16x200x127=Rs 4.06 lakh

### 3.2 Irregular expenditure Rs. 22.60 lakh

**Houses built under Indira Awas Yojna allotted to the male members of household in contravention of the Scheme guidelines.**

Indira Awas Yojna was started with the objective to help construction of dwelling units by members of scheduled caste/scheduled tribes, liberated bonded labourers and non SC/ST rural poor below the poverty line by providing them with grants-in-aid. In order to provide financial security to ladies, Yojana guidelines provided that allotment of dwelling units should be in the name of female member of the beneficiary household. Alternatively, it can be allotted in the name of both husband and wife.

Scrutiny of records (May 2007) relating to two Kshetra Panchayats<sup>17</sup> (KP) revealed that 91 beneficiaries were provided grant-in-aid of Rs. 22.60 lakh for construction of dwelling units during 2005-07. It was noticed that the dwelling units were allotted in the name of male members only, in contravention to the provisions of the Yojana, resulting in an irregular expenditure of Rs. 22.60 lakh.

On being pointed out in audit KPs replied that allotments were made on the basis of decision taken in open meeting of the *village panchayat* under special circumstances. Reply was not tenable as allotments made contravened the scheme guidelines and defeated the objective of providing financial security to the ladies.

The matter was reported to the Government in April 2008; reply was awaited (March 2009).

### 3.3 Excess payment of Rs. 2.83 lakh on supply of stone ballast

**Excess measurement of the stone ballast and payment for quantity in excess of the stone ballast actually supplied by the Zila Panchayat, Kanpur Dehat resulted in an excess payment of Rs. 2.83 lakh.**

The Zila Panchayat (ZP), Kanpur Dehat undertook (2006-07) the work of painting of 2500 meter road, from village Nusratpur to village Bara, with the Twelfth Finance Commission grants received in 2005-06.

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<sup>17</sup> Kshetra Panchayat of Ram Nagar, Bareilly beneficiaries 70 Rs. 17.50 lakh and Amaniganj, Faizabad. Beneficiaries 21 Rs. 5.10 lakh.

Scrutiny of records of ZP revealed (December 2007) that supply of 720 cu.m<sup>18</sup> stone ballast (22.4-53 m.m.) was taken (May 2007) at a cost of Rs. 5.15 lakh. Instead of recording the measurement after its stacking, the measurement was taken in number of trucks without showing detail (ladan capacity) of each truck and the quantities received were worked out taking the capacity of each truck as 30 cu.m. As the size, model or the registration number of the truck(s) was not mentioned in the MB, the actual carrying capacity of the trucks could not be determined. However, as per the Irrigation schedule maximum carrying capacity of a truck for stone ballast is 13.52 cubic meter and as per this measurement 24 trucks could supply only 324.48 cu.m. stone ballast. Thus, accepting measurement on the basis of number of trucks instead of taking measurement after its stacking resulted in an excess payment of Rs. 2.83 lakh on account of cost of 395.52 cu.m. stone ballast measured in excess.

The ZP stated in reply (December 2007) that stacking measurement was done at the time of final payment. Reply is not tenable as no such measurement was recorded in MB during final payment in respect of the stone ballast of 22.5-53 mm.size.

The matter was referred to the Government (March 2008); reply was awaited (March 2009).

### 3.4 Non recovery of loan

**Inaction on the part of the Block Development Officers resulted in non recovery of loan and interest of Rs. 3.52 crore from the villagers.**

Government launched (1988) Nirbal Varg Awas Yojna with the objective of providing loan alongside the grants to the people living below the poverty line in the rural areas to enable them to construct houses and also evolved (December 1996 and January 2001) a mechanism for the recovery of the loan amount along with interest thereon for which the Block Development Officers (BDOs) and Village Panchayat Adhikaris (VPA) were responsible. The BDOs were to provide village wise certified copy of dues of beneficiaries to the VPAs who were to issue notice to the beneficiaries for the recovery of dues at an interval of one month and if thereafter dues were not recovered, it was to be done by issuing recovery certificate through revenue department.

<sup>18</sup> MB No.355 page 24-nine truck-270cu.m., page 26-nine truck-270 cu.m., page 27- six truck-180 cu.m.

Scrutiny of records (March 2007 to February 2008) of eleven Kshetra Panchayats revealed that these Kshetra Panchayats disbursed loan of Rs. 2.91 crore to the beneficiaries (number not available) during 1988-96 which was recoverable in 20/22 installments (*Appendix 6*) along with the interest of Rs. 1.36 crore. Of this, Rs. 0.47 crore of loan amount and Rs. 0.27 crore of interest amount could be recovered and the balance of Rs. 2.44 crore on account of loan and Rs. 1.09 crore on account of interest there on was lying unrecovered with a shortfall of 84 *per cent* in respect of principal and 80 *per cent* in respect of interest as of February 2008 despite the Government instruction (January 2001) to the District Magistrates that the District Development Officers would ensure the recovery under the direction of the Chief Development Officer and the District magistrate.

The concerned BDOs stated (March 2007 to February 2008) that efforts for recoveries were being made. Reply was not tenable for the reason that the extent of recoveries remained very poor due to inaction. In January 2001, the Government also observed that the recovery position of the loan and the interest amount was very poor.

The matter was reported to the Government (April 2008); reply is awaited (March 2009).

### **3.5 Unfruitful expenditure of Rs. 26.57 lakh**

**Lack of survey to ascertain commercial viability of the shops and dispute on construction rendered expenditure of Rs. 26.57 lakh unfruitful on construction of shops.**

With a view to avoid encroachment on Zila Panchayat land and to increase their revenue, the Government of Uttar Pradesh directed<sup>19</sup> (December 1997) the Zila Panchayats to construct the complexes and shops on the commercial lands owned by Zila Panchayats. The guidelines provided that auction of the shops may be done through advertisements/ other known methods/ local daily news papers. The guidelines further provided that the premium should be realised at the time of registration in advance and construction of shops may be carried out only from the funds received so.

Scrutiny of records (June 2007) of Zila Panchayat, Siddharth Nagar (ZP) revealed that ZP sanctioned construction of 95 shops on its land at a cost of Rs. 39.69 lakh out of funds provided under recommendations of the State Finance Commission. For registration of shops advertisement was issued (November 1999) with due date for registration 30 November 1999 along with registration fees (premium) of Rs. 50000/- and monthly rent Rs. 150/- per shop. Agreements with the contractor were entered into (October 1999) with

<sup>19</sup> G.O.No. 6336/35-3-97-10509/97 dated 27 December 1997

completion date by March 2000 and the applications for allotment of 92 shops were invited from the public. As no survey for ascertaining the commercial viability of the shops was conducted, only 31 applicants applied for the allotment of 41 shops, out of which only one applicant applied for two shops with partial premium on first advertisement for 92 shops on November 1999 after repeated advertisements<sup>20</sup> during November 1999 to January 2007 and total premium of Rs. 15.19 lakh was deposited. Out of 31 applicants, 9 applicants deposited only part of the registration amount.

Scrutiny further revealed that on account of lack of monitoring by the Engineer, Zila Panchayat, there was no co-relation between the physical and financial achievements. Only 26 *per cent* i.e. 25 out of 95 shops were constructed up to August, 2008 after delay of over four years and the remaining 70 remained incomplete even after expiry of over eight years of their stipulated date of completion while the expenditure on them amounted (May 2008) to 76 *per cent* of the estimated cost.

Thus, lack of survey to ascertain the commercial viability of the proposed shops and dispute on the construction work rendered Rs. 26.57 lakh<sup>21</sup> out of Rs. 30.08 lakh unfruitful. On the other hand SFC grant was irregularly utilized and the objective of increasing the revenue of the Zila Panchayat was defeated.

In reply, the Apar Mukhaya Adhikari, ZP stated (June 2007) that notices have been issued to the applicants for depositing premium after which shops will be allotted. The reply was not tenable as 70 out of 95 shops were incomplete.

The matter was referred to the Government (February 2008); reply was awaited (March 2009).

Allahabad  
The

**(Anjan Kumar Aich)**  
Sr. Deputy Accountant General  
(Local Bodies)

Countersigned

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<sup>20</sup> 21-11-1999, 17-06-2002, 27-06-2005, 20-01-2007

<sup>21</sup> Expenditure on 25 shops IInd phase Rs. 9.83 lakh. Cost per shop Rs. 0.39 lakh (9.83÷25); cost of 9 shops Rs. 3.51 lakh (fruitful exp.) Total expenditure ;Rs. 30.08 lakh. Hence unfruitful expenditure Rs. 26.57 lakh (30.08-3.51).

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Allahabad  
The

**(A.K. Patnaik)**  
Principal Accountant General (Civil Audit)  
Uttar Pradesh.

**Appendix-1**  
**Arrear in tax collections in Zila Panchayats (2006-07)**  
**(Reference; para no 1.5 Page no 8 )**

Sl. No.	Name of Zila Panchayats	Particulars	Arrears	Demands	Total	Recoveries	Balances
1	Behraich	C.P.tax	27.30	18.45	45.75	16.06	29.69
		Rent	34.84	7.44	42.28	10.72	31.56
		Nauka Ghat	18.53	5.26	23.79	3.98	19.81
		Matsya	5.86	7.88	13.74	7.47	6.27
		Hat Bazar	17.06	19.75	36.81	21.60	15.21
		Agriculture	40.29	20.00	60.29	1.61	58.68
2	Chandauli	C.P.tax	9.16	27.16	36.32	10.87	25.45
		Sand morum	0.00	20.00	20.00	11.93	8.07
3	Deoria	C.P.tax	71.89	11.14	83.03	13.89	69.14
		Rent	61.18	31.15	92.33	39.59	52.74
4	Gorakhpur	C.P.tax	76.78	30.14	106.92	25.94	80.98
		Rent	12.04	8.93	20.97	8.73	12.24
		Nauka Ghat	2.85	3.00	5.85	0.51	5.34
		Hat Bazar	0.00	16.00	16.00	8.64	7.36
5	Hamirpur	Dead Animal	6.53	9.34	15.87	7.84	8.03
		Rent	11.62	5.67	17.29	3.78	13.51
6	Jaunpur	License	0.00	45.00	45.00	38.90	6.10
		Rent	4.87	2.25	7.12	1.36	5.76
		Nauka Ghat	10.49	8.25	18.74	7.29	11.45
		Parav adda	28.95	0.00	28.95	0.06	28.89
7	Lakhimpur kheri	C.P.tax	80.82	31.54	112.36	48.07	64.29
		Dead animal	19.85	15.32	35.17	18.11	17.06
		Rent	35.84	26.99	62.83	27.83	35.00
8	Muzaffar nagar	C.P.tax	92.05	45.00	137.05	44.64	92.41
		Dead animal	10.85	40.00	50.85	34.97	15.88
		Rent	16.58	55.00	71.58	52.01	19.57
		Nauka Ghat	9.53	6.39	15.92	3.87	12.05
		Hat Bazar	99.27	97.40	196.67	28.16	168.51
9	Pratapgarh	C.P.tax	131.04	26.00	157.04	17.77	139.27
		Hat Bazar	13.41	11.87	25.28	10.64	14.64
		Dead Animal	12.85	2.41	15.26	2.81	12.45
10	Sant Ravidas nagar	C.P.tax	34.81	17.50	52.31	14.12	38.19
		Hat Bazar	6.35	4.00	10.35	1.76	8.59
		Rent	2.54	3.55	6.09	2.05	4.04



Sl. No.	Name of Zila Panchayats	Particulars	Arrears	Demands	Total	Recoveries	Balances
11	Siddharth nagar	C.P.tax	25.68	14.00	39.68	9.42	30.26
		Dead Animal	10.59	1.80	12.39	0.99	11.40
		Rent	7.41	32.45	39.86	6.61	33.25
		Hat Bazar	4.59	6.00	10.59	3.81	6.78
12	Unnao	C.P.tax	2.78	10.99	13.77	9.69	4.08
		Dead Animal	9.33	21.69	31.02	19.99	11.03
13	Bijnore	Dead Animal	15.69	39.62	55.31	40.44	14.87
		Nauka Ghat	1.73	0.29	2.02	0.29	1.73
	<b>Total</b>		<b>1083.83</b>	<b>806.62</b>	<b>1890.45</b>	<b>638.82</b>	<b>1251.63</b>

## Appendix-2

## Non reconciliation of differences between Cash Book &amp; Pass Book

(Reference; para no 1.9 page no 11.)

## Zila Panchayats during 2006-07

Sl. No.	Name of ZP	As per cash book	As per pass book	Difference
		Rupees. in Lakh		
1	Ambedakar nagar	352.86	351.35	1.51
2	Chandauli	180.23	250.95	70.72
3	Jaunpur	378.52	531.87	153.35
4	Etah	682.88	895.61	212.73
5	Mirzapur	293.13	308.46	15.33
6	Hamirpur	613.02	632.51	19.49
7	Basti	427.96	428.48	0.52
	<b>Total</b>			<b>473.65</b>

## Kshetra Panchayats during the year 2006-07

Sl. No.	District	Name of KP	As per cash book	As per pass book	Difference
			Rupees. In Lakh		
1	Allahabad	Baharia	62.33	58.13	4.20
2	Badaun	Samrer	38.88	37.29	1.59
3	Badaun	Dataganj	18.91	28.80	9.89
4	Firozabad	Arrao	51.56	52.13	0.57
5	Meerut	Parikshit garh	7.79	38.73	30.94
6	Firozabad	Hathwant	32.84	38.25	5.41
7	Badaun	Miyun	76.05	65.55	10.50
8	Azamgarh	Palhani	19.93	21.43	1.50
9	Azamgarh	Mirzapur	13.85	15.57	1.72
10	Etah	Ganj dundwara	67.68	26.89	40.79
11	Etah	Jalesar	22.06	19.00	3.06
12	Pratapgarh	Patti	57.72	64.52	6.80
13	Maharajganj	Mithora	54.88	36.40	18.48
14	Badaun	Bishauli	28.68	30.78	2.10
15	Pratapgarh	B.B.N.Dham	105.67	112.77	7.10
16	Auriya	Ajitmal	11.60	13.47	1.87
	<b>Total</b>				<b>146.52</b>

**Appendix-3**

**Disposal of dead animals in zila Panchayats for the year 2006-07**

(Reference; para no.1.12 page no12 )

<b>Sl. No.</b>	<b>Name of Unit</b>	<b>Income (Rupees. in lakh)</b>
1	Barabanki	38.23
2	Behraich	11.15
3	Bijnore	40.44
4	Etah	11.51
5	Hamirpur	7.84
6	Jalaun	9.06
7	Jaunpur	0.13
8	Lakhimpur kheri	18.11
9	Mainpuri	5.42
10	Pratapgarh	2.81
11	Rampur	4.85
12	Siddharth nagar	0.99
13	Sitapur	33.64
14	Unnao	19.99
	<b>Total</b>	<b>204.17</b>

**Appendix-4**  
**LIST OF GRAM PANCHAYATS**  
**(Reference to para 2.2.5 page22)**

Sl.No.	Name of GPs	Name of KPs	Name of ZPs
1.	Trilokpur Tewari	Harraiya	Basti
2.	Mahughat	"	"
3.	Bhadasi	"	"
4.	Keshavpur	"	"
5.	Narayanpur Tewari	"	"
6.	Khairi Ojha	"	"
7.	Majhauva Babu	"	"
8.	Saraiya Tewari	"	"
9.	Bharvariya Bhawan	"	"
10.	Ubhaie	"	"
11.	Kohal Tewari	"	"
12.	Nadaye	"	"
13.	Muieli	"	"
14.	Ratanpur	"	"
15.	Harraiya	"	"
16.	Basdev Kunwari	"	"
17.	Kusmaura Halwapur	K.P. Kakori	Lucknow
18.	Barkutabad Jahangirabad	"	"
19.	Sakra	"	"
20.	Saifalpur	"	"
21.	Barsaila	"	"
22.	Goyra Mau	"	"
23.	Kurha Eint Gaon	"	"
24.	Karjhan	"	"
25.	Thavar	"	"
26.	Banshigarhi	"	"
27.	Fatehganj	"	"
28.	Kakrabad	"	"
29.	Sarsanda	"	"
30.	Khushalganj	"	"
31.	Karimabad	"	"
32.	Baragaon	"	"
33.	Tiulsipur Majha	K.P. Nawabganj	Gonda
34.	Tirukha Bujurg	K.P. Chhapiya	"
35.	Etaila Bujurg	"	"
36.	Tendua Ranipur	"	"
37.	Suriyar	"	"
38.	Garhi	K.P. Nawabganj	"
39.	Pahli	"	"
40.	Mainpur	"	"
41.	Shahpur	"	"
42.	Kaptanganj	K.P. Kaptanganj	Kushinagar
43.	Mehda	"	"
44.	Sohni	"	"
45.	Kotwa	"	"
46.	Sukhwaliya	Padrauna	"
47.	Bandhuchhapra	"	"
48.	Khadda Khurd	"	"
49.	Bhatwaliya	"	"
50.	Narayanpur	K.P. Sohanv	Ballia
51.	Dularpur	"	"
52.	Nasirpurmath	"	"

53.	Sikandarpur	K.P. Sohanv	Ballia
54.	Lohra Pachdaura	K.P. Siyar	“
55.	Simri	“	“
<b>Sl.No.</b>	<b>Name of GPs</b>	<b>Name of KPs</b>	<b>Name of ZPs</b>
56.	Bhujaini	“	“
57.	Govindpur	“	“
58.	Aarakhurd	K.P. Pratappur	Allahabad
59.	Fatehpur Maphi	“	“
60.	Dalpatpur	“	“
61.	Bariyari	“	“
62.	Ram Nagar	K.P. Bahadurpur	“
63.	Sudnipur Khurd	“	“
64.	Kadi	“	“
65.	Chhivaiya Uphar	“	“
66.	Karanpur Pukhta	K.P. Dataganj	Badaun
67.	Uraina Pukhta	“	“
68.	Kadekanathpur	“	“
69.	Bakhatpur	“	“
70.	Sikandrabad	Ujhani	“
71.	Pipraulpukhta	“	“
72.	ChandanpurPukhta	“	“
73.	Bhainsora	“	“
74.	Bagiyasagar	K.P. Chhajlet	Moradabad
75.	Paharmau	“	“
76.	Sirsa That	“	“
77.	Pathangi	“	“
78.	Tiwar Khaas	K.P. Kundarki	“
79.	Hathipur Chintu	“	“
80.	Gajupur	“	“
81.	Chak Fajalpur	“	“

**Appendix-5**

**Details of functions as given in Schedule XI of the Constitution, transferred as per UP Act 9 of 1994 and actual position of transfer of functions, functionaries and funds.**

(Reference: para 2.2.6(i),(ii) & (iii) page 23, 24 and 25)

Sl. No.	Name of functions as per XI schedule	Activities transferred to ZPs as per U.P. KP & ZP Act	Activities transferred to KPs as per U.P. KP & ZP Act	Activities transferred to GPs as per U.P.P.R Act
1.	Agriculture, including agricultural extension.	a) Promotion and Development of agricultural production b) Establishment and maintenance of godowns	a) Promotion and Development of agriculture and horticulture. b) Promotion of cultivation and marketing of vegetables, fruits and flowers	b) Promotion and development of agriculture and horticulture. b) Development of Banjar land and Charagaha and prevention of unauthorized encroachment.
2.	Land improvement, implementation of land reforms, land consolidation and soil conservation.	Planning and development of land improvement, soil conservation and land consolidation programmes entrusted by the government.	Assisting the government and ZP in the implementation of land improvement, soil conservation and land consolidation programmes of the government	a) To help the government and other agencies in Land development, land reform, soil conservation. b) To help in land consolidation.
3.	Minor irrigation, water management and watershed development.	a) Construction and maintenance of minor irrigation and interkhand water projects. b) Managing the water distribution c) Development of sub soil water. d) Water shade development	a) Assisting the government and ZP in the construction and maintenance of minor irrigation works b) Implementation of Community and Individual Irrigation works	a) Assisting and managing water distribution of minor irrigation b) Regulating Water distribution from irrigation, construction, repair and maintenance of minor irrigation projects
4.	Animal husbandry, dairying and poultry.	a) Establishment and maintenance of veterinary and animal husbandry services b) Improvement of breed c) Promotion dairying, poultry and piggery.	a) Maintenance of veterinary services b) Improvement of breed of cattle, poultry and other live stocks c) Promotion dairying, poultry and piggery.	a) Improvement of breed of cattle, poultry and other live stocks b) Promotion dairying, poultry and piggery
5.	Fisheries.	a) Development of fisheries in irrigation works b) Implementation of fishermen welfare programme	Promotion of fisheries development.	Development of fisheries in villages
6.	Social forestry and farm forestry.	a) Promotion of social and farm forestry, tree plantation and sericulture b) Development of waste lands	a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social forestry and sericulture	a) Planting and preserving trees on the sides of roads and public lands b) Development and promotion of social and agricultural forestry and sericulture
7.	Minor forest produce.	Promotion and implementing programmes of minor forest produce	Promotion and development of minor forest produce	Promotion and development of minor forest produce
8.	Small-scale industries, including food processing industries.	Promotion of small scale industry and food processing units	a) Help in development of rural industry b) Creating general awareness of agro industrial development	a) Help in development of small industry b) Promotion of local business
9.	Khadi, village and cottage industries.	a) Establishing and maintaining training centres for training in village and cottage industries b) Establishment of Panchayat industries at district level	Marketing the products of cottage industries	a) Help to develop agricultural and commercial industries b) Promotion of cottage industries
10.	Rural housing.	a) Promotion and development of rural housing programmes. b) Implementation of rural housing at non residential area c) Construction of community centres and rest houses. d) Monitoring of rural housing work done by GPs and KPs	Assisting in rural housing programme and its implementation	a) Implementation of rural housing programmes b) Distribution of residential places and maintenance of related records

Sl. No.	Name of functions as per XI schedule	Activities transferred to ZPs as per U.P. KP & ZP Act	Activities transferred to KPs as per U.P. KP & ZP Act	Activities transferred to GPs as per U.P.P.R Act
11.	Drinking water.	a) Maintenance of drinking water of public use b) Plan and programme for drinking water c) Prevention and control of water pollution	a) Providing and assisting in development of drinking water b) Guarding from drinking polluted water c) Encouraging and monitoring rural water supply programmes	Construction, maintenance and repair of wells and ponds for drinking, washing and bathing purposes and regulation of resources of water recharging for drinking purposes
12.	Fuel and fodder.	a) Monitoring and development of fuel and fodder programmes b) Maintenance and development of plants for fuel and fodder areas c) Monitoring of programmes regulated by GPs and KPs	a) Promotion of programmes related to fuel and fodder b) Plantation of trees near roads in the panchayat area	a) Development of trees and bamboos related to fuel and fodder b) Control over illegal transfer of fodder land
13.	Roads, culverts, bridges, ferries, waterways and other means of communication.	a) Development and maintenance of rural roads, culverts, bridges and waterways of the district. b) Maintenance of river banks. c) Writings of directions and marks on roads. d) Help in removal of encroachment on roads and public places.	a) Construction of roads culverts outside the villages and their maintenance b) Construction of bridges c) Help in management of ferries and waterways	a) Construction and maintenance of village roads culverts, bridges and ferries b) Maintenance of waterways c) Removal of encroachment from public places.
14.	Rural electrification, including distribution of electricity.	a) Assisting GPs and KPs in electrification b) Helping in distribution of lights in rural areas	Promotion of rural electrification	To provide and maintain lighting on public roads and other places
15.	Non-conventional energy sources.	a) Development of source of non conventional energy b) Assisting programmes of GPs and KPs	Promoting use of non conventional energy and its promotion	Development, promotion and maintenance of programmes related to non conventional energy resources in the village
16.	Poverty alleviation programme.	a) Planning, monitoring and supervision of poverty alleviation programmes b) Coordination of programmes with other departments	Implementation of poverty alleviation programmes	Promotion and implementation of poverty alleviation programmes
17.	Education, including primary and secondary schools.	a) Construction, maintenance and supervision of primary and secondary schools. b) Providing education for all in the district. c) Survey and evaluation of primary and secondary education in district	a) Development of primary and secondary education b) Promotion of primary and secondary education	To promote public awareness regarding education including primary and secondary education
18.	Technical training and vocational education.	Establishment of technical and vocational training centres and its maintenance	Promotion of rural artisans and vocational education	Promotion of village art and artisans
19.	Adult and non-formal education.	Planning and implementation of adult literacy and informal education programmes	Supervision of adult literacy and informal education centres	Promotion of adult education
20.	Libraries.	a) Construction and maintenance of libraries and reading rooms at khand level and in district b) Implementation of programmes.	Promotion and supervision of rural libraries	Establishment and maintenance of libraries and reading rooms
21.	Cultural activities.	a) Promotion of cultural activities. b) Promotion and supervision of regional cultural and sports activities c) Arrangement of cultural folk activities on important occasions	a) Supervision of cultural affairs b) Promotion and organization of regional folk songs, dances and rural sports c) Promotion and development of cultural centres	a) Promotion of social and cultural activities b) Organizing cultural meets on festivals c) Establishing and maintaining village sports clubs

Sl. No.	Name of functions as per XI schedule	Activities transferred to ZPs as per U.P. KP & ZP Act	Activities transferred to KPs as per U.P. KP & ZP Act	Activities transferred to GPs as per U.P.P.R Act
22.	Markets and fairs.	a) Supervision and monitoring of rural markets, fairs including cattle fairs. b) Supervision and monitoring of works done by GPs and KPs regarding market and fairs.	Promotion management and supervision fairs and markets (including cattle fair) outside of GPs	Regulation of fairs markets and hats in GP area
23.	Health and sanitation, including hospitals, primary health centres and dispensaries.	a) Assisting and suitably financing KPs in the prevention and control of epidemics. b) Establishment, maintenance and management of PHCs and dispensaries. c) Providing drinking water facilities	a) Establishment and maintenance of PHC and dispensaries b) Control of epidemics c) Implementation of rural health and sanitation programmes	a) Promotion of village sanitation. b) Prevention against epidemics. c) Programme for human and cattle vaccination. d) Preventive action against live stock and stray animals e) Registration of birth, death and marriages
24.	Family welfare.	Implementation, supervision and monitoring of family welfare programme	Promotion of health and family welfare programmes	Promotion and implementation of family welfare programmes
25.	Women and child development.	a) Implementation of maternity and child health programmes. b) Promotion of school health and nutrition program	a) Promotion of programmes for participation of organization in women and child health, school health and nutrition programmes. b) Promotion of programmes relating to development of women and child welfare	a) To participate in implementation of women and child welfare programmes in GP b) Promotion of child health and nutrition programme
26.	Social welfare, including welfare of the handicapped and mentally retarded.	a) Participation in the social welfare programmes including welfare of the handicapped and the mentally retarded b) Promoting social welfare programmes of old age and widow pension schemes	a) Participation in the social welfare programmes including welfare of handicapped and mentally retarded b) Monitoring of old age and widow pension schemes.	a) To help in old age and widow pension schemes b) To participate in the social welfare programmes for handicapped and mentally retarded
27.	Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes.	a) Promotion of welfare of schedule castes, schedule tribes and weaker sections b) Protecting such from social justice and exploitation c) Establishment and management of hostels d) Preparation of plans and implementation of schemes for social justice	a) Promotion of welfare of the scheduled castes and weaker sections b) Preparation of plans and implementation of schemes for social justice	a) To participate in implementation of special programmes for schedule castes, schedule tribes and other weaker sections b) To prepare and implement programmes for social justice.
28.	Public distribution system.	Planning and monitoring of distribution of rural commodities	Distribution of essential commodities	a) Promotion of public awareness related to the distribution of essential commodities b) Promotion of PDS
29.	Maintenance of community assets.	a) Coordination and integration of the development schemes. b) Preservation and maintenance of community assets.	Guiding and monitoring preservation and maintenance of community assets.	Preservation and maintenance of community assets.



**Appendix -6**

**Details of Non recovery of loan**

**(Reference: para 3.4, page 35)**

(Rupees in lakh)

Sl. No.	Name of Unit		Recoverable Amount		Amount Received		Recoverable Balance	
	Keshetra Panchayat	District	Loan	Interest	Loan	Interest	Loan	Interest
1.	Deoria Sadar	Deoria	11.81	5.75	8.40	2.68	3.41	3.07
2.	Sardarnagar	Gorakhpur	33.79	15.07	5.77	5.21	28.02	9.86
3.	Khorabad	Gorakhpur	33.39	10.49	4.06	2.11	29.33	8.38
4.	Bisanda	Banda	15.39	7.41	1.75	0.83	13.64	6.58
5.	Masouli	Barabanki	22.96	7.76	2.29	0.79	20.67	6.97
6.	Jagat	Badaun	27.51	9.71	1.69	0.59	25.82	9.12
7.	Jani Khurd	Meerut	36.66	12.52	14.07	9.53	22.59	2.99
8.	Baharia	Allahabad	27.03	7.91	1.88	0.56	25.15	7.35
9.	Mitti Purwa	Bahraich	37.99	44.20	3.02	2.63	34.97	41.57
10.	Hathwant	Firozabad	23.06	8.04	3.67	2.50	19.39	5.54
11.	Dataganj	Badaun	21.88	7.36	1.20	0.10	20.68	7.26
	<b>Total</b>		291.47	136.22	47.8	27.53	243.67	108.69

## PREFACE

1. This report has been prepared for submission to the Government of Uttar Pradesh in accordance with the terms of Technical Guidance and Supervision (TGS) of the audit of accounts of Urban Local Bodies (ULBs) by the Comptroller and Auditor General of India as envisaged by the Eleventh Finance Commission.
2. This report has three chapters. Chapter-I contains a brief introduction of functioning of various levels of the ULBs in the state with the observations and comments on accounts, Chapter-II deals with the performance audit on the subjects (i) Jawaharlal Nehru National Urban Renewal Mission (ii) Twelfth Finance Commission-Utilisation of grants by Urban Local Bodies and Chapter-III deals with audit comments based on compliance/transaction audit.
3. The cases mentioned in the report are those, which came to notice in the course of test audit/inspection of accounts during the year 2007-08. During the period from April 2007 to March 2008, accounting and other records of 7 Nagar Nigams, 39 Nagar Palika Parishads and 60 Nagar Panchayats were inspected.

## CHAPTER I

### AN OVERVIEW OF URBAN LOCAL BODIES

#### 1.1 Introduction

Government implemented the system of democratic governance down to grassroot level in Urban Local Bodies (ULBs) through Uttar Pradesh Municipal Corporation Act, 1959 and Uttar Pradesh Nagar Palika Act, 1916. The objective was to make the ULBs self reliant and to provide better civic facilities to the people of the areas under their jurisdiction. Further, the Seventy-Fourth Constitutional Amendment (1992) paved the way for decentralization of powers, transfer and devolution of more functions and funds to the ULBs. Consequently, more diversified responsibilities were devolved through a three tier structure namely Nagar Nigams<sup>1</sup>(NNs), Nagar Palika Parishads<sup>2</sup>(NPPs) and Nagar Panchayat<sup>3</sup>(NPs). To incorporate the provisions of the Seventy-Fourth Constitutional Amendment, the legislature of Uttar Pradesh enacted the Uttar Pradesh Urban Local Self Government Laws (Amendment) Act, 1994.

There were 627 ULBs in the state and governed by the elected board of its members with normally five years tenure. The last election to these 627 ULBs was held in the year 2006. The population profile of the ULBs was as under:-

Number and names of ULBs	Area (Sq.Km)	Average area/ULB (Sq Km.)	Population (as per census 2001)	Average population of ULBs	Density of population <sup>4</sup>
12 Nagar Nigam	1426.56	118.88	13149882	1095823.50	9217.90
194 NagarPalika Parishad	1980.76	10.21	13398815	69066.06	6764.48
421 Nagar Panchayats	1700.42	4.04	6053844	14379.68	3560.21
Total 627 ULBs	5107.74	133.13	32602541	1179269.24	19542.59

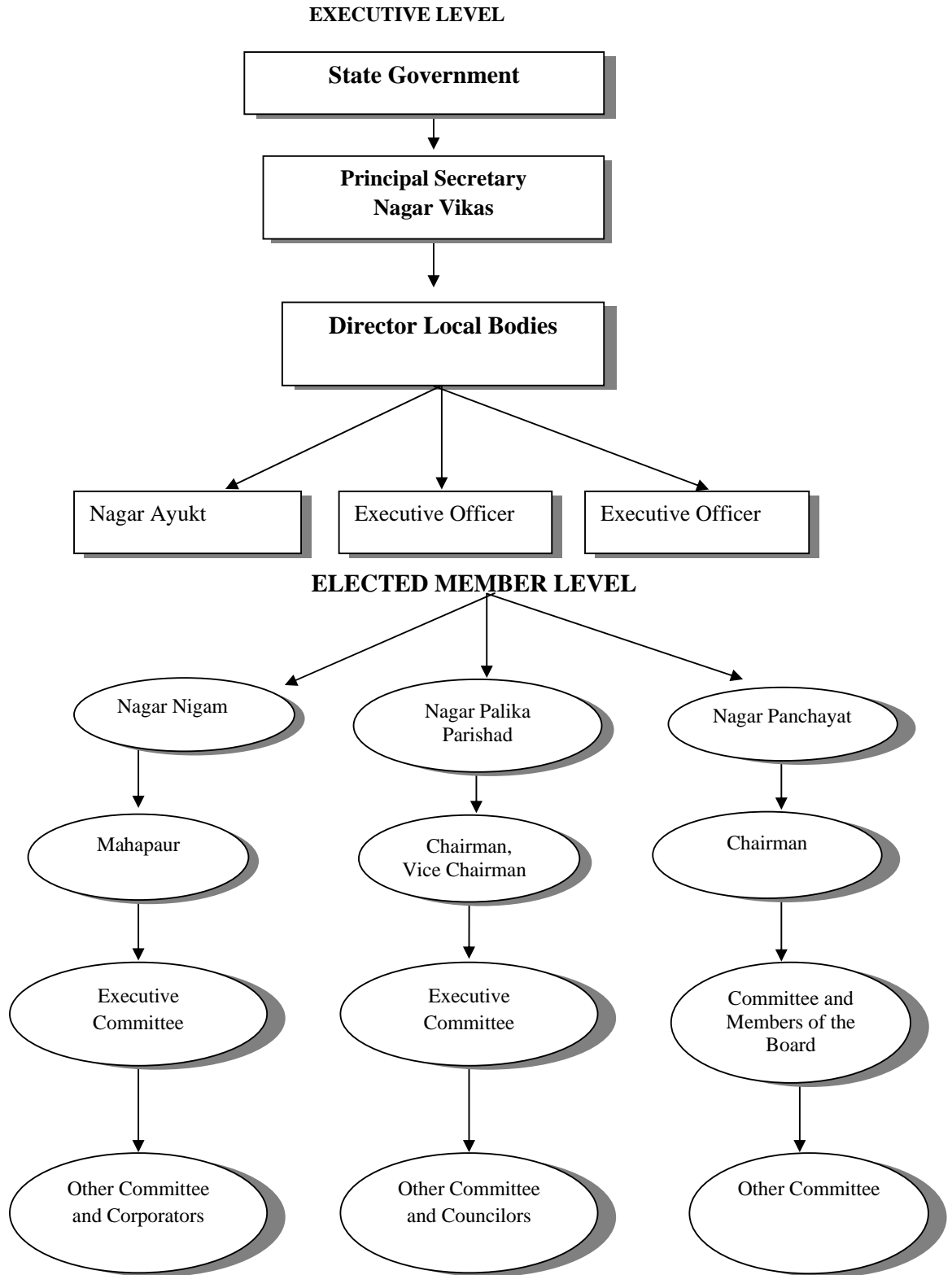
<sup>1</sup> Represents the ULBs, having the population of more than five lakh.

<sup>2</sup> Represents the ULBs, having the population between 20 thousand and five lakh.

<sup>3</sup> Represents the ULBs having the population below 20 thousand.

<sup>4</sup> Represents the average population/Sq. Km of ULBs .

**1.2 Administrative Organisation of Urban Local Bodies**



While a *Mahapaur* heads the Nagar Nigam, a *Adhyaksha* heads both Nagar Palika Parishads and Nagar Panchayats. The elected representatives exercise their powers and discharge the duties through the committees of elected members. *Nagar Ayukt* in case of Nagar Nigam and Executive Officers in case of Nagar Palika Parishads and Nagar Panchayats are the administrative heads.

### 1.3 Database on finances

The Eleventh Finance Commission (EFC) recommended that a database on the finances of the ULBs should be developed at the district, State and Central Government levels and be easily accessible through computers and linking it through V-SAT<sup>5</sup>. The data were to be collected and compiled in standard formats prescribed (2003) by the C&AG of India. The objective was to facilitate comparison of performance of local bodies among the States at the Government of India level and the Government at the State level.

The Database was, however, not developed up to June 2008 and action in this regard taken at the Government level was awaited (June 2008).

Due to non-availability of the Database on finances of the ULBs, the Government could not assess their performance in the State by comparing it with the performance of the ULBs of other States. Besides this, releases of grants after reviewing their actual needs and fiscal performance were not ensured. This was more important in terms of the recommendation of the Twelfth Finance Commission (TFC) which observed that maintenance of the database was necessary to keep accurate information on the finances of the ULBs for need based assessment of their requirements.

### 1.4 Transfer of functions

In follow up to the Constitution (Seventy-Fourth) Amendment Act, 1992, the Legislature of the State enacted laws for devolving 13 functions out of 18<sup>6</sup> (enshrined in Twelfth Schedule of the Constitution) on the ULBs leaving 5<sup>7</sup> functions yet to be devolved. In addition, one function namely parking places for vehicles (beyond Twelfth Schedule of the Constitution) was also devolved.

<sup>5</sup> Very Small Aperture Terminal.

<sup>6</sup> Urban planning including town planning; regulation of land use and construction of buildings; planning for economic and social development; roads and bridges; water supply for domestic, industrial and commercial purposes; public health, sanitation, conservancy and solid waste management; fire services; urban forestry, protection of the environment and promotion of ecological aspects; safeguarding the interests of weaker sections of society including the handicapped and mentally retarded; slum improvement and up gradation; urban poverty elevation; provision for urban amenities and facilities such as parks, gardens, playgrounds; promotion of cultural, educational and aesthetic aspects; burials and burial grounds, cremations, cremation grounds and electric crematorium; cattle ponds, prevention of cruelty to animals; vital statistics including registration of births and deaths; public amenities including street lighting, parking lots, bus stops and public conveniences; regulation of slaughter houses and tanneries.

<sup>7</sup> Urban planning including town planning; regulation of land use and construction of buildings; roads and bridges; fire services and promotion of cultural and educational and aesthetic aspects.

However, neither activities nor functionaries and funds in respect of six functions out of 14 thus devolved were transferred to the ULBs as of March 2008.

Thus, partial devolution of the activities/ functions and funds restricted the activities of the ULBs.

## **1.5 Sources of revenue**

### *Flow of revenue*

In the mandate of the Eleventh Finance Commission, ULBs were brought within purview of the Finance Commissions for the first time. The objective was to augment Consolidated Fund of the State Government to supplement the resources of the ULBs. Accordingly, the TFC recommended release of grants to the State government for them. State Government also released grants to the ULBs as recommended by its own State Finance Commission (SFC). In all, the sources of revenues for the ULBs comprised:

- Grants assigned under the recommendations of the Eleventh Finance Commission (period: 2000-05) and Twelfth Finance Commission (period 2005-10).
- Devolution of 7.5 per cent of net proceeds of total Tax Revenue of the State Government under the recommendations of the Second State Finance Commission (2003).
- Funds from departments for functions transferred to the ULBs.
- Revenue earned by the ULBs out of their own resources such as taxes, rent, fees, *tehbazari*<sup>8</sup>, taxi stands etc.

### *Aggregate receipt of grants*

The aggregate receipts of grants by the ULBs under the recommendations of EFC, TFC and SFC and revenue realized from their own resources during the period 2004-07 were as under:

SI No	Year	Eleventh and Twelfth Finance Commissions	State Finance Commission	Own resources	Total
Rupees in crore					
1	2004-05	22.79 (1.74%)	877.00 (66.84%)	412.33 (31.42%)	1312.12
2	2005-06	51.70 (3.59%)	911.25 (63.33%)	475.98 (33.08%)	1438.93
3	2006-07	103.40 (5.00%)	1518.00 (73.34%)	448.36 (21.66%)	2069.76
4	2007-08	310.20 (11.04%)	1838.43 (65.40%)	662.23 (23.56%)	2810.86

<sup>8</sup> Tax on trades and callings carried on within the municipal limits.

<b>Total</b>	<b>488.09 (6.40%)</b>	<b>5144.68 (67.41%)</b>	<b>1998.90 (26.19%)</b>	<b>7631.67</b>
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Source: Director, Local Bodies, Lucknow.

An analysis of the table revealed that there were increasing trends in the receipts by the ULBs in the state during 2004-07. There was increase of Rs. 126.81 crore in 2005-06 over the receipts of 2004-05 and Rs. 630.83 crore in 2006-07 over the receipts of 2005-06. The prime contributor to this was the grants received under the recommendations of the State Finance Commission the share of which to the total receipts was 67 *per cent*. This was followed by income generated through their own resources the share of which was 26 *per cent* during the same periods.

### ***Devolution of State Finance Commission grant***

Second State Finance Commission recommended that 7.50 *per cent* of the net proceeds of the Tax Revenue of the State Government should be devolved to the ULBs. The devolution of the funds and actual funds released by the State Government during the period 2004-07 were as under:

Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds actually devolved	Short release (per cent short releases in bracket)
Rupees in crore				
2004-05	15693	1177	877	300 (25 )
2005-06	18858	1414	911	503 (36)
2006-07	22998	1725	1518	207(12)
<b>Total</b>	<b>57549</b>	<b>4316</b>	<b>3306</b>	<b>1010 ( 23)</b>

Source: Director, Urban Bodies.

An analysis of the table revealed that the Government did not devolve 7.5 *per cent* of the net proceeds of the Tax revenue during any of the years i.e. 2004-05, 2005-06 and 2006-07 and maximum short devolution of 36 *per cent* was during 2005-06.

The shortfall in devolution of funds deprived the ULBs at the grass root level to provide better civic facilities to the people of the areas under their jurisdiction besides denying ULBs an opportunity to be self reliant.

## **1.6 Application of funds**

### ***Utilization of grants under EFC, TFC and SFC***

Based on data made available by Director, Local Bodies, Lucknow, the table below brings out the position of funds available under the Eleventh and

Twelfth Finance Commissions and Second State Finance Commission and its utilization during 2004-07:

Name of the grant	Year	Funds available	Funds utilized	Funds not utilized
	Rupees in crore			
Eleventh Finance Commission	2004-05	22.79	22.79	--
Twelfth Finance Commission	2005-06	51.70	51.70	--
	2006-07	103.40	51.70	51.70
Second State Finance Commission	2004-05	877.00	877.00	-
	2005-06	911.25	911.25	-
	2006-07	1518.00	1518.00	-

Rupees 51.70 lakh of TFC pertaining to the year 2006-07 could not be utilized as the funds were released only during 2007-08.

The data, furnished by Director, Local Bodies, were not reliable as the funds made available to the ULBs was treated as final expenditure in the records of the Director, Local Bodies, Lucknow instead of treating the same as advance and adjusting in records after receipt of expenditure statements from them.

***Revenue realized from own resources***

The ULBs were required to generate revenues by collecting taxes, rent, fee etc from the people of the areas falling under their jurisdiction. Accordingly, Government fixed (2004-07) targets of revenue realisation for them. The table below brings out the targets fixed by the Government during 2004-07 and ULBs' achievement thereagainst during the corresponding periods:

Number and Name of ULBs	2004-05		2005-06		2006-07	
	Target	Achievement (Per cent achievement in bracket)	Target	Achievement (Per cent achievement in bracket)	Target	Achievement (Per cent achievement in bracket)
	Rs. In crore					
12 Nagar Nigams	318.87	272.52 (85)	261.52	299.88 (115)	298.93	254.41 (85)
194 Nagar Palika Parishads	147.73	116.83 (79)	158.92	132.10 (83)	161.90	116.73 (72)
421 Nagar Panchayats	52.28	22.98 (44)	19.81	44.00 (222)	19.81	77.22 (390)
Total	518.88	412.33 (79)	440.25	475.98 (108)	480.64	448.36 (93)

*Source:* Director, Urban Local Bodies.

The targets fixed for revenue realisation by the ULBs from their resources were not realistic. The table revealed shortfalls and over achievements in revenue realisation against the targets during 2004-07. Nagar Nigams and Nagar Palika Parishads could not achieve the targets in any of the years except the Nagar Nigams during 2005-06. The shortfalls against targets (Nagar Nigams: 15 per cent each during 2004-05 and 2006-07 and Nagar Palika Parishads: ranging between 28 and 17 per cents during 2004-07) occurred due



to Government cancelling *chungitehbazari*. The Nagar Panchayats over achieved the targets by 222 to 390 *per cents* during 2005-07. The reason for this was the recovery of arrear of stamp duty of 2 *per cent*.

It was also noticed that 48 ULBs<sup>9</sup> out of 106 test checked<sup>10</sup> raised demands for Rs 151.20 crore of taxes etc., during 2006-07, which included Rs 83.39 crore on account of arrear dues. Out of Rs. 151.20 crore, a sum of Rs 31.61 crore was realised and balance of Rs. 119.59 crore was lying unrecovered (*Appendix- 1*) for no reason. It was also noticed that even the current demand could not be collected resulting in accumulation of arrears. As the age wise breakup of the unrecovered dues was not maintained by the test checked ULBs, the periodicity of the dues pending for recovery could not be assessed in audit.

### 1.7 Overall financial position of the ULBs

As mentioned at preceding Paragraph 1.3, the database on finances of the ULBs was not created as a result of which the overall financial position of the ULBs in the State depicting the opening balances, receipts, expenditure and closing balances could not be ascertained and hence could not be given.

In audit, records of ULBs were test checked during 2004-07 (2004-05: 100, 2005-06: 105 and 2006-07: 106). Their financial positions were as per the details brought out below:

Year	Number of ULBs test checked	Opening balances	Funds received	Total Funds available	Expenditure (per cent in bracket)	Closing balances
Rupees in crore						
<b>Nagar Nigams</b>						
2004-05	5	39.05	302.97	342.02	287.47 (84)	54.55
2005-06	7	132.32	581.23	713.55	501.83 (70)	211.72
2006-07	7	211.72	605.50	817.22	595.48 (73)	221.74
<b>Nagar Palika Parishads</b>						
2004-05	38	27.48	98.16	125.64	92.40 (73)	33.24
2005-06	39	34.10	122.99	157.09	113.14 (72)	43.95
2006-07	39	43.95	124.01	167.96	126.32 (75)	41.64
<b>Nagar Panchayats</b>						
2004-05	57	11.47	25.82	37.29	23.14 (62)	14.15
2005-06	59	15.05	40.83	55.88	39.09 (70)	16.79

<sup>9</sup> Nagar Nigams: 3, Nagar Palika Parishads: 16 and Nagar Palikas: 29.

<sup>10</sup> Nagar Nigams: 7, Nagar Palika Parishads: 39 and Nagar Panchayats: 60.

2006-07	60	17.20	49.63	66.83	51.37 (77)	15.46
Total					1830.24	

*Source:* Inspection report of the audited units.

It was noticed that the ULBs could not maintain pace in expenditure with the flow of funds during 2004-07. The *per centages* of expenditure as against the available funds ranged between 70 to 84 in case of Nagar Nigams, 72 to 75 in case of Nagar Palika Parishads and 62 to 77 in case of Nagar Panchayats. Consequently, huge amounts were lying unspent with them at the end of each financial year which indicated poor planning for funds utilization for achieving intended objectives in a time-bound manner.

### **1.8 Internal Control**

- The Nagar Palika Parishads and Nagar Palikas did not have any pre check system for bills. As such, payments were made without pre checking of the bills.
- The Executive Engineers and the Assistant Engineers were, in terms of the Rule 67 of UP Municipal Account Code, to check/ verify 5 and 25 *per cent* respectively of the measurements of the construction works entered in the measurement books. In test check of ULBs, it was, however, noticed that measurements were not checked and verified as such.

### **1.9 Budgeting and budgetary procedure**

In terms of section 146 of UP Municipal Corporation Act, 1959 and Note 1 below Rule 104 of Municipal Account Code, each ULB in the State was to prepare the annual budget estimates and monthly accounts for subsequent control over the expenditure. However, test check of records of ULBs during 2006-07 revealed that no such estimates and accounts were prepared by the NPs and NPPs.

Thus, the NPs and NPPs were incurring expenditure without any budgetary control in disregard to the statutory provisions.

### **1.10 Accounting arrangements**

- *Adoption of account formats prescribed by the Comptroller and Auditor General of India*

The Comptroller and Auditor General of India, on the recommendation of Eleventh Finance Commission prescribed the Budget and Accounting formats on accrual basis for ULBs which the Ministry of Urban Development circulated (June 2003) to the State Government for their acceptance. The Government acceptance thereto

and maintenance of accounts in the prescribed formats was awaited (June 2008).

Due to non maintenance of accounts in the prescribed formats, the assessment of the assets and liabilities of the ULBs could not be done.

- **Non reconciliation of cash balances**

Each item of receipts and expenditure as per cash book should be compared with the treasury/ bank statements at the end of each month. The differences, if any, should be reconciled. However, it was noticed in test check that three Nagar Nigams, eight Nagar Palika Parishads and 23 Nagar Panchayats had a total difference of Rs 22.66 crore as on 31 March 2007 in the cash book and treasury/bank statements (*Appendix-2*) The unreconciled differences were fraught with possibilities of misuse / misappropriation of funds.

### 1.11 Audit arrangements

- Director, Local Fund Audit is the primary auditor of ULBs in terms of Uttar Pradesh Local Fund Audit Act, 1984. Due to shortage of manpower, the arrears in audit of ULBs occurred ranging between 4.33 and 6.58 *per cents* during the year 2005-06 to 2007-08. The year wise position of the units to be audited and those actually audited have been brought out below:

Year	Number of units to be audited	Number of units actually audited	Units in arrear	Arrear in per cent
2005-06	623	596	27	4.33
2006-07	623	582	41	6.58
2007-08	623	586	37	5.94

*Source:* Information furnished by Director, Local Fund Audit

- Based on information furnished (June 2008) by Director, Local Fund Audit, position of para settled and para lying outstanding at the end of March 2008 was as under:-

Name of units	Number of paras up to 2007-08	Number of para settled during 2007-08 (per cent in bracket)	Number of paras outstanding at end of the year
Nagar Nigams	21543	06(0.03)	21537
Nagar Palika Parishads	148112	859(0.58)	147253
Nagar Panchayats	137627	2206(1.60)	135421
Total	307282	3071(1.00)	304211

*Source:* Information furnished by Director, Local Fund Audit

The position of paras settled was very poor as only one *per cent* of the paras were settled during 2007-08 due to ULBs' reluctance in submission of the compliance reports.

- Director, Local Fund Audit, in terms of section 8(3) of Uttar Pradesh Local Fund Audit Act, 1984 was required to prepare a consolidated audit report on the accounts of ULBs and submit it to the Government for placing it before the Legislative Assembly. It was noticed that while such annual audit report was not prepared since 2004-05 for no reason given, reports up to the year 2001-02 was only placed before the Legislative Assembly.

#### **1.12 Position of entrustment of audit/Technical Guidance and Supervision to Comptroller and Auditor General of India**

- The EFC recommended exercising of Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of ULBs and their audit by the Comptroller & Auditor General under section 20(1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act 1971. The Government entrusted the audit of local bodies to the Comptroller and Auditor General of India in October 2001.
- Audit of seven Nagar Nigams, 39 Nagar Palika Parishads and 60 Nagar Panchayats for the year 2006-07 was conducted during 2007-08 and 1297 paragraphs on poor financial management and financial irregularities resulting into infructuous and excess expenditures, diversion of funds and loss of revenue etc were communicated to the Head of the Office of the concerned auditee unit, Director Local Bodies and Director, Local Fund Audit. However, the compliance of these paragraphs was awaited.

#### **1.13 Other points**

##### ***Recommendation of the State Finance Commission***

Second State Finance Commission, constituted in February 2000 for the period 2001-2006, made 107 recommendations mainly on the issues relating to transfer of fixed shares of the net proceeds of the State to ULBs, formation of District Planning Committees (DPCs) to improve their resources through license fee etc and to implement e-governance and computerization in ULBs etc. The DPCs were also to approve the district development plan as a whole prepared by the ULBs for each financial year.

It was observed that Government accepted *in toto* 74 recommendations, partially 12 and did not accept remaining 21 which mainly related to imposing of property tax in rural areas, revision of rates of land revenue and enhancing income of PRIs through licenses etc.

#### **1.14 Conclusion**

Thus, Government, on one hand, did not devolve *7.5 per cent* of the proceeds of Tax Revenue to the ULBs in terms of the recommendations of the Second State Finance Commission and on the other, funds made available to them were underutilized leading to accumulation of huge amounts of fund depriving thereby the people of the areas under their jurisdiction the basic civic amenities. The financial data were also not reliable as neither the data base was developed nor data of fund utilization compiled at the state level. The status of the assets and liabilities of the ULBs were also not available due to non maintenance of accounts in the prescribed formats.

#### **1.15 Recommendations**

- Government should take effective steps to develop database on finances of the ULBs for making need based assessment of their requirements at the Government level.
- The Government should adopt the norms prescribed by the Second Finance Commission for devolution of funds to the ULBs.
- Government should ensure that the Comptroller & Auditor General of India's standard Budget/Account formats are adopted by the ULBs.
- The ULBs should be made accountable towards the primary audit by the Director, Local Fund Audit and responsive to the Audit Inspection Reports prepared under the technical guidance and supervision of the Comptroller and Auditor General of India.

## CHAPTER II

### Performance Audit

#### 2.1 Jawahar Lal Nehru Urban Renewal Mission

##### 2.1.1 Introduction

The Government of India launched (December 2005) the Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) with the objective of encouraging the State Government/Urban Local Bodies (ULBs) for planned development of identified cities with focus on efficiency in urban infrastructure projects relating to water supply and sanitation, sewerage, solid waste management (SWM), road network, urban transport and re-development of old city areas, shifting of industrial and commercial establishments to conforming areas, community participation and accountability of ULBs towards citizens. The JNNURM also intended to make reforms such as e-governance for Geographical Information System (GIS) and Management Information System (MIS), earmarking of funds for basic services to urban poor, etc. The ULBs and para-statal agencies such as Development Authorities, Public Works Department, Tourism and Culture Department, Transport Department, etc. were required to prepare Detailed Project Reports (DPRs) concerning their activities for submission to the State Government through Director, Local Bodies for onward transmission to the GOI for approval.

In the State, a State Level Steering Committee (SLSC) was constituted under chairmanship of Chief Minister with other members as per direction of the GOI to review and prioritise DPRs for inclusion in the JNNURM. Director, Local Bodies was nominated as State Level Nodal Agency (SLNA) for scrutiny of DPRs submitted by ULBs/para statal agencies and monitor the projects under execution.

##### 2.1.2 Scope of audit and methodology

Records for 2005-08 in five ULBs, Agra, Allahabad, Kanpur, Lucknow and Varanasi out of seven<sup>11</sup> where the scheme was under implementation and Uttar Pradesh Jal Nigam (JN) units at these places were examined and information was collected from the SLNA during May-June 2008.

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<sup>11</sup> Agra, Allahabad, Kanpur, Lucknow, Meerut, Varanasi and Mathura in the State of Uttar Pradesh.

### 2.1.3 Funding pattern

In respect of six<sup>12</sup> out of seven identified cities, the GOI was to contribute 50 *per cent* of the cost of each project and the remaining 50 *per cent* was to be borne by the State Government and the ULBs/para-statal agencies in the ratio of 20 and 30 *per cent* respectively. For the seventh, i.e. identified Mathura city, GOI's share was 80 *per cent* and the State Government and ULB/para-statal agency's 10 *per cent* each.

### 2.1.4 Release of funds

The GOI were to release 25 *per cent* of its share of the project cost as first installment on signing of Memorandum of Agreement by the State Government and Urban Local Bodies (ULBs) showing their commitment to implement the project. On receipt of Central share, the State Government and ULBs were to contribute their matching share into the project account. The amount thus accumulated in the project account was to be released by the SLNA to the identified ULBs. Finally, the ULBs were to provide the fund to the executing agency for execution of the projects. The GOI shall release the balance amount of Central assistance in three installments on receipt of utilization certificates (UCs) to the extent of 70 *per cent* of the first installment and subject to the achievement of implementation of reforms within the time schedule as prescribed by GOI.

### 2.1.5 Financial outlay

Details of projects sanctioned by the GOI and funds released by the SLNA to the ULBs and expenditure shown there against during October 2007 to March 2008 are given below:

(Rs. in crore)

Item	Cities	Project Sanctioned by GOI		Release date of Central share	Funds released to ULBs by SLNA		Expenditure	Balance as of March 2008
		Period	Cost		Period	Amount		
SWM	Seven <sup>13</sup>	December 2006-February 2008	241.60	January 2007-March 2008	October 2007-March 2008	40.38	Nil	40.38
Water	Six <sup>14</sup>	July 2007-	1221.98	August 2007-	February 2008	160.28	42.62	117.66

<sup>12</sup> Agra, Allahabad, Kanpur, Lucknow, Meerut and Varanasi

<sup>13</sup> Agra, Allahabad Kanpur, Lucknow, Meerut, Varanasi and Mathura

Supply		February 2008		March 2008	-March 2008			
Sewerage	Three <sup>15</sup>	September 2007 - December 2007	448.71	October 2007- January 2008	March 2008	60.90	8.31	52.59
<b>Total</b>	<b>16</b>		<b>1912.29</b>			<b>261.56</b>	<b>50.93</b>	<b>210.63</b>

The GOI, State Government and ULBs contributed (January 2007 to March 2008) their share of Rs. 468.90 crore ( GOI: Rs. 232.25 crore, SG: Rs.92.35 crore and ULBs: Rs. 144.30 crore) as first installment of 25 *per cent* of the total project cost to the SLNA. However, the SLNA released only Rs. 261.56 crore to the concerned ULBs till March 2008.

It would also be seen from the table that though the fund were released between October 2007 and March 2008 under SWM, no expenditure was incurred till March 2008. Detailed reasons for non-spending under SWM and shortfall in other two components are given in succeeding paragraphs.

### **2.1.6 Planning**

The ULBs/para-statal agencies were required to prepare DPRs after conducting survey on the basis of basic infrastructure needs relating to 9 components. Accordingly, they prepared and submitted (December 2006 to November 2007) DPRs relating to 32 projects to the GOI through the State Government, as detailed below:

SI No	Name of Component	Number of projects submitted by Nagar Nigams to GOI							
		Agra	Allahabad	Kanpur	Varanasi	Meerut	Lucknow	Mathura	Total
1	Water Supply & Sanitation	1	1	1	1	1	3	-	8
2	Sewerage & SWM	2	2	2	1	2	5	1	15
3	Drainage	1	-	1	1	-	3	-	6
4	Urban Transport System	-	-	1	-	-	-	-	1
5	Redevelopment of Inner City Areas	-	-	1	-	-	-	-	1
6	Parking Spaces	-	-	-	-	-	-	-	-
7	Development of Heritage Areas	-	-	1	-	-	-	-	1
8	Prevention & rehabilitation of soil erosion etc.	-	-	-	-	-	-	-	-
9	Preservation of Water Bodies.	-	-	-	-	-	-	-	-
<b>Total</b>		<b>4</b>	<b>3</b>	<b>7</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>1</b>	<b>32</b>

<sup>14</sup> Agra, Allahabad Kanpur, Lucknow, Meerut and Varanasi

<sup>15</sup> Agra, Kanpur and Lucknow



The GOI sanctioned (December 2006 to February 2008) 16 projects relating to Sewerage & SWM (10 projects) and Water Supply (6 projects) for Rs. 1,912.29 crore on priority basis and released (January 2007 to March 2008) Rs. 232.25 crore as their first installment of 25 *per cent*. The remaining 16 DPRs were not approved by the GOI as the ULBs had submitted the projects of different components to be undertaken in more than one phase whereas the GOI desired that, for one component, only one integrated project should be prepared and submitted. Drainage projects were returned for want of rain fall data of the cities to which these pertained. These projects were returned (February 2007 to November 2007) by the GOI to the State Government for modifications and were being modified for the last 7 to 16 months by ULBs/para-statal agencies as of June 2008.

These ULBs had not prepared any project relating to Components at SI No 4 to 9 except NN, Kanpur which prepared 3 projects each for Urban Transport System, Redevelopment of Inner City Area and Heritage Area This indicated that ULBs/para-statal agencies were slow in preparation and submission of the DPRs for approval.

#### ***2.1.6.1 Preparation of DPR without proper survey***

The GOI sanctioned (September 2007) a water supply project at a cost of Rs. 388.61 crore for NN, Lucknow. This included water supply pipe lines under bituminous roads in Kurmanchal Nagar Liberty Colony. The DPR contained a provision of Rs. 58 lakh for re-instatement of 5563.47 sqm<sup>16</sup> of bituminous road. During test check (May 2008), it was noticed that the Uttar Pradesh Jal Nigam (JN) paid (March 2008) Rs. 16.37 lakh to NN Lucknow for re-instatement of bituminous roads and Rs. 4 lakh for re-instatement of 648 sqm<sup>17</sup> of non- bituminous roads. On being pointed out, JN stated (May 2008) that the deviation was due to laying of pipe lines under *kharanja* roads wherever feasible and NN was paid accordingly.

Thus, it was evident that the DPR was prepared without proper survey.

### **2.1.7 Physical Achievement**

#### ***2.1.7.1 SWM Projects***

The GOI sanctioned (March 2007-February 2008) five SWM projects in test checked ULBs costing Rs. 209.09 crore as detailed below:-

<sup>16</sup> Distribution system (3977.47 M<sup>2</sup>) and rising main (1586.00 M<sup>2</sup>)

<sup>17</sup> Interlocking (180 sqm @ Rs.915 per sqm) and *Kharanja* (468 sqm @ Rs. 450 per sqm)

**(Rs. in crore)**

Name of city	Project Sanctioned by GOI		Period of release of Central Share	Funds released to ULBs by SLNA as of March 2008		Expenditure incurred	Balance as on 31 March 2008
	Period	Cost		Period	Amount		
Lucknow	March 2007	42.92	March 2007-August 2007	November 2007	10.73	Nil	10.73
Agra	March 2007	30.84	March 2007-August 2007	October 2007-January 2008	7.46	Nil	7.46
Kanpur	March 2007	56.24	March 2007-August 2007	January 2008	14.06	Nil	14.06
Varanasi	October 2007	48.68	December 2007	-	-	-	-
Allahabad	February 2008	30.41	March 2008	-	-	-	-
<b>Total</b>		<b>209.09</b>			<b>32.25</b>	<b>Nil</b>	<b>32.25</b>

These projects were meant for door to door collection of solid wastes, its segregation and transportation to waste treatment and disposal point and were to be completed in 12 months from the date of their sanctions by the GOI. The State Government, however, released its matching share with a delay of one to nine months. The SLNA further delayed the release (October 2007 to April 2008) of the funds to the ULBs. The overall delay in release of funds by the SLNA to the ULBs ranged from two to eleven months from the date of release of funds by the GOI.

The State Government also delayed the nomination (December 2007) of the executing agency Uttar Pradesh Jal Nigam (JN) also in respect of 5 cities<sup>18</sup> by twelve months from the date of approval of the projects by GOI.

GOI, State Government and concern ULBs contributed their share of Rs. 49.74 crore ( 25% of the project cost) to SLNA during March 2007 to March 2008 except NN, Allahabad which did not release its share of Rs. 2.28 crore and NN, Agra contributed its share short by Rs. 0.25 crore as of March, 2008. SLNA in its turn transferred only Rs. 32.25 crore to 3 ULBs<sup>19</sup> during October 2007 to January 2008. No amount was transferred to NN, Varanasi. NN, Allahabad did not receive fund as it did not contribute its share for the project as of March, 2008. Scrutiny of records of test checked ULBs revealed that no expenditure was incurred by these units as of March 2008 due to following reasons:-

<sup>18</sup> Agra, Kanpur, Lucknow, Meerut and Mathura

<sup>19</sup> Lucknow, Agra and Kanpur

(i) Landfill sites should be provided to executing agencies for disposal and treatment of solid waste but NN, Lucknow and Kanpur had not provided Landfill sites to JN;

(ii) JN initially allotted (January 2008) the work in Agra to Maintenance Division, JN. Accordingly, the Nagar Nigam (NN), Agra transferred Rs. 7.19 crore to that Division for execution of work. Meanwhile, the JN decided (May 2008) that the work would be executed by its Construction & Design Services (C&DS) units in all the five cities including Agra and ordered the transfer of work from the Maintenance Division to C&DS unit. However, Maintenance Division did not transfer the funds to C&DS unit till June 2008; consequently, the project work could not be started by C&DS unit as of June 2008. Moreover, Landfill sites were made available to JN by NN, Agra but ownership of the land site was under dispute.

Thus, the SWM projects did not commence in any of the five test checked cities due to (i) late release of funds by the State Government/SLNA (ii) delay in selection of executing agency by the State Government and (iii) non-providing the landfill sites.

#### 2.1.7.2 Water Supply

GOI sanctioned (July 2007 to February 2008) five water supply projects in test checked ULBs at a cost of Rs. 942.98 crore for replacement of worn-out water pipes by new/higher capacity ones. In test checked ULBs, financial progress of the projects was as under-

(Rs. in crore)

Name of city	Project Sanctioned by GOI		Period of release of Central Share	Funds released to ULBs by SLNA as of March 2008		Expenditure	Balance as on 31 March, 2008
	Period	Cost		Date	Amount		
Allahabad	July 2007	89.69	August 2007	February 2008	22.42	7.57	14.85
Varanasi	August 2007	111.02	August 2007	February 2008	27.76	10.31	17.45
Lucknow	September 2007	388.61	October 2007	March 2008	70.80	20.15	50.65
Kanpur	October 2007	270.95	December 2007	March 2008	39.30	2.50	36.80
Agra	February 2008	82.71	March 2008	-	0.00	0.00	0.00
<b>Total</b>		<b>942.98</b>			<b>160.28</b>	<b>40.53</b>	<b>119.75</b>

GOI (Rs.111.10 crore), State Government (Rs.44.44 crore) and concerned ULBs (Rs.90.45 crore) contributed their share of Rs. 245.99 crore during

August 2007 to March 2008 to SLNA. However, SLNA released Rs. 160.28 crore (February-March 2008) to ULBs against the contribution with the delay of four to seven months and retained balance amount of Rs. 85.71 crore as on 31 March, 2008. No fund was released to NN, Agra up to 31 March, 2008. Out of the funds of Rs. 160.28 crore, the ULBs released Rs. 117.76 crore to JN for implementing the projects as of March, 2008.

Further scrutiny of the records in the test checked ULBs revealed that:

(i) The NN, Kanpur released (March 2008) Rs. 30 crore to the JN for execution of project. Instead of executing the project, the unit invested (March 2008) Rs. 23 crore in its fixed deposit and remitted (April 2008) the interest of Rs. 0.51 lakh earned thereon to its headquarters office at Lucknow to meet establishment expenses. The JN was required to pay the charges for road restoration to NN on the basis of demand of NN but JN paid (March 2008) Rs. 2.50 crore to the NN, Kanpur on this account without any demand and treated it as utilized.

### **2.1.7.3 Sewerage Project**

Financial progress of the sanctioned projects in the test checked ULBs was as under:-

**(Rs. in crore)**

Name of city	Project Sanctioned by GOI		Month of release of Central Share	Funds released to ULBs by SLNA as of March 2008		Expenditure	Balance as on 31 March 2008
	Month	Cost		Month	Amount		
Lucknow	September 2007	236.23	October 2007	March 2008	43.04	11.00	32.04
Kanpur	December 2007	190.88	January 2008	March 2008	13.92	4.50	9.42
Agra	October 2007	21.60	December 2007	March 2008	3.94	0.80	3.14
<b>Total</b>		<b>448.71</b>			<b>60.90</b>	<b>16.30</b>	<b>44.60</b>

GOI (Rs.56.09 crore), State Government (Rs.22.43 crore) and concerned ULBs( Rs.18.26 crore) contributed their share of Rs.96.78 crore during October 2007 to March 2008 to SLNA. However, SLNA released Rs. 60.90 crore in March 2008 to ULBs and retained balance amount Rs. 35.88 crore as on 31 March, 2008. Rs. 15.40 crore was less contributed by NNs , Lucknow (Rs.4.81 crore) , Kanpur (Rs.10.15 crore) and Agra ( Rs.0.44 crore).

Out of the funds of Rs. 60.90 crore available with these ULBs, they released Rs. 31.00 crore to JN for implementing the projects as of March, 2008. The JN, however, incurred expenditure of only Rs.16.30 crore up to March 2008.

### **2.1.8 Non implementation of the reforms**

With a view to ensure improvement in urban governance, the State Government and ULBs were required to implement 13 mandatory reforms as given below and ten optional reforms (*Appendix-3*) within time schedule to get second and subsequent installments of GOI grants.

Sl. No.	Name of the reform	Level of reform
1	Implementation of decentralization measure as envisaged in 74th constitutional amendment act	State Level
2	Transfer of city planning-water supply & sanitation and public transport functions	
3	Reform in rent control	
4	Stamp duty rationalization	
5	Repeal of Urban Land Ceiling and Regulation Act	
6	Enactment of community participation law to institutionalize citizen participation	
7	Enactment of public disclosure law to ensure information to all stake holders	
8	Shift to accrual based double entry system of accounting	ULB Level
9	Reform of Property tax	
10	Hundred per cent cost recovery of water supply and solid waste	
11	Internal earmarking of funds for services to urban poor,	
12	Provision of basic services to urban poor	
13	E-Governance set-up for monitoring	

Out of above, the State Government<sup>20</sup> and the concerned ULBs<sup>21</sup> were to implement three reforms each by March 2008. Besides, two optional reforms<sup>22</sup> were to be implemented by both of them by March 2008. However, State Government has not implemented any reform up to March 2008 and ULBs implemented only one reform namely 'Internal earmarking of funds for services to Urban Poor' as of May 2008.

In the absence of implementation of the reforms by the State Government as well as by ULBs, next installments of the grants would not be released by the GOI, as provided in the Memorandum of Agreement, which would hamper the execution of projects already started. Further, due to non implementation of reforms, improvement in urban governance remained unachieved.

### 2.1.9 Monitoring

<sup>20</sup> (i) Enactment of community participation law to institutionalize citizen participation, (ii) Implementation of decentralization measure as envisaged in 74<sup>th</sup> constitutional amendment act and (iii) Enactment of Public Disclosure Law to ensure information to all stake holders

<sup>21</sup> (i) E-Governance set-up for monitoring, (ii) Internal Earmarking of Funds for Services to Urban Poor and (iii) Shift to accrual based Double Entry System of accounting

<sup>22</sup> (i) Structural Reforms and (ii) Encouraging Public Private Participation

At State level, the SLNA was to monitor the progress of preparation of DPRs by the ULBs/para-statal agencies for submission to the GOI through the State Government, physical and financial progress of the sanctioned projects and implementation of the reforms. Though, the ULBs and para-statal agencies were required to prepare DPRs for all the nine components for submission to the GOI for approval, they submitted only 32 projects relating to 7, out of 9 components, earmarked for development of the cities as of June 2008. These ULBs had not prepared any project relating to six Components viz. (1) Urban Transport System, (2) Redevelopment of Inner City Areas, (3) Parking Spaces, (4) Development of Heritage Areas (5) Prevention & rehabilitation soil erosion and (6) Preservation of Water Bodies except NN, Kanpur which prepared 3 projects each for (1) Urban Transport System, (2) Redevelopment of Inner City Area and (3) Heritage Area This indicated that ULBs/para-statal agencies were slow in preparation and submission of the DPRs covering all components for overall development of the urban area. However, the SLNA did not take effective action to accelerate the pace of preparation of DPRs by these agencies. Even where DPRs were returned back from the GOI about 7 to 16 months for modifications by these agencies as suggested by them, these were not modified and submitted.

#### **2.1.10 Conclusion**

The JNNURM scheme was launched in 2005 for a period of 2005-12. However, the scheme could not be reached at execution level as all the components of the scheme were not covered for integrated development of the cities. Delay in preparation, and submission/re-submission of DPRs and ineffective monitoring even after a lapse of two and half years deprived the ULBs the benefits envisaged in the schemes. The State Government and the ULBs had not implemented the reforms within the prescribed time frame which would deprive them to get second and subsequent installments.

#### **2.1.11 Recommendation**

It should be ensured that:

- Projects for all the components should be taken up for integrated development of the cities;
- ULBs should submit/re-submit DPRs to GOI timely;
- Funds should reach up to the executing agency without any delay;
- State Government and ULBs should implement the committed reforms within time schedule;
- System of effective monitoring in the preparation and execution of the projects at each level.

## 2.2 Twelfth Finance Commission Grants –Utilisation by Urban Local Bodies

### 2.2.1 Introduction

The Twelfth Finance Commission (TFC) was appointed (November 2002) to make recommendations for 2005-10 regarding, *inter alia*, the measures needed to augment the consolidated fund of the State to supplement the resources of the Urban Local Bodies (ULBs) in the State.

The TFC submitted its report on 30th November 2004 covering the period 2005-10 and recommended the release of Rs. 5000 crore by Government of India(GOI) for Urban Local Bodies (ULBs). Out of it, Rs. 517 crore (10.34 *per cent*) allocated to Uttar Pradesh was to be released in 10 equal installments. This was to be spent on improvement of basic civic amenities in cities/ towns.

Records for the period 2005-08 relating to release and utilization of TFC grants were test checked in the office of Director, Local Bodies (LB), Lucknow, 3 Nagar Nigams (NNs) out of 12 NNs, 38 NPPs out of 194 NPPs and 49 NPs out of 421 NPs during March 2008 to June 2008 (*Appendix-4*).

### 2.2.2 Financial management

Year-wise receipt of grants and their utilization are given below:

(Rs. in crore)		
Year	Grants received and released to ULBs	Expenditure (per cent of release)
2005-06	103.40	**
2006-07	103.40	57.34 (55)
2007-08	103.40	24.12 (23)

\*\* *Information not furnished by the Director, LB*

It would be seen from the table that the ULBs spent 23 to 55 *per cent* only as of March 2008, of the grants received by them during 2006-08.

The State Government was to ensure that the grants were credited in the ULBs account within 15 days of their receipt from the GOI, failing which, interest at RBI rate prevailing at that time for the delayed period was also to be given. Scrutiny of records in the office of the Director, LB, revealed that the State Government issued instructions to the Director, LB for transfer of grants of Rs. 51.70 crore (1<sup>st</sup> installment of 2005-06) received on 28<sup>th</sup> November 2005 from the GOI, on 12<sup>th</sup> January 2006, i.e., after a delay of 31 days. The Director, LB ordered transfer of the grant after the delay of 15 days on 27<sup>th</sup>

January 2006. Thus, there was a total delay of 46 days in transfer of the grant to ULBs from the date of receipt of grants from GOI. The State Government paid Rs. 26.35 lakh as interest on account of delay by it but did not pay for the delay by the Director, LB. No action was taken by the State Government against the Director for the delay.

Further, though the State Government issued orders for releasing the grants within 15 days during 2006-08 but test check of records of 90 ULBs revealed that the amount was actually credited in their accounts with the delay ranging from 2 to 191 days due to delay in presentation of bills at the treasuries by the ULBs.

This indicated that proper monitoring was not done at state level neither by the State government nor by the Director, LB and ULBs level, to ensure that the amount was actually credited in ULB's accounts within 15 days as desired by the TFC.

#### **2.2.2.1 Diversion of funds**

As per guidelines for the schemes "Jawahar Lal Nehru National Urban Renewal Mission" (JNNURM) and "Urban Infrastructure Development scheme for Small and Medium Town" (UIDSSMT), grants under these schemes were to be released to the ULBs after payment of matching share by them from their own resources.

Test check revealed that Rs.8.16 core<sup>23</sup> was diverted, between October 2006 and December 2007, out of TFC grants towards contribution for the JNNURM by the NNs, Lucknow and Kanpur and for UIDSSMT by the NPPs, Mirzapur and Shahjahanpur. The scheme could not reach at execution level (June 2008).

#### **2.2.2.2 Utilization Certificates (UCs)**

As per para 14.11 of TFC's recommendations, UCs against the grants released were to be furnished by ULBs to the Director Local Bodies/State Government and the State Government was to submit physical and financial progress to the GOI. However, neither any of 90 ULBs test checked sent the UCs to the Directorate/State Government nor the State Government sent the financial and physical achievement to the GOI. GOI released the funds on the basis of report of release of fund from State Government to ULB's.

### **2.2.3 Solid Waste Management (SWM)**

(i) Out of the grants of Rs. 310.20 crore released by the GOI, the State Government earmarked Rs. 155.10 crore (50 *per cent*) for SWM as per recommendations by the TFC. The remaining 50 *per cent* was to be spent on

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<sup>23</sup> NN, Lucknow: 3.22 crore, NN; Kanpur: 4.22 crore; NPP, Mirzapur: 0.48 crore; NPP, Shahjahanpur: 0.24 crore



other civic amenities such as maintenance of roads, street lights, water supply, traffic lights, crematorium and computerization of accounts, etc. Records in the 25 test checked ULBs however, revealed that Rs. 22.18 crore (55 per cent) out of Rs. 40.44 crore earmarked for management of SWM during 2005-08 was spent by these ULBs leaving Rs. 18.26 crore unutilized with them.

(ii) According to the TFC's recommendation, Municipalities over 1,00,000 population<sup>24</sup> was to prepare comprehensive scheme about collection, segregation and transportations of Municipal Solid waste (MSW) through public-private partnership. A minimum of 50 per cent of the grants was to be earmarked for this purpose. The ULBs were also required to develop infrastructure for collection, storage, segregation, transportation, processing and disposal of MSW as per provisions of Municipal Solid Wastes (Management and Handling) Rules 2000.

However, no comprehensive plan for the management of MSW was prepared in any test checked ULBs. Transportation was carried out in uncovered vehicles which would lead to scattering of collected and stored waste. Waste processing facilities were non-existent. Landfills had not been established. Contamination of ground water and environmental pollution could not, therefore, be ruled out. Photographs indicating such dumping in respect of NN, Varanasi are placed below.



**Existing waste dumps on the bank of the river at NN, Varanasi**

The above indicated that proper attention was not given to management of MSW.

#### **2.2.4 Creation of database and maintenance of accounts**

As recommended by the TFC, high priority was to be given to creation of database of the finances of the ULBs including their assets, revenue generation by them and expenditure to assess the requirement of funds for basic civic and

<sup>24</sup> as per 2001 census

developmental functions and maintenance of accounts through the use of modern technology and management systems, geographic information systems for mapping of properties in urban areas and computerization for switching over to a modern system of financial management. In the test check of 32 ULBs, it was noticed that out of Rs. 1.78 crore (2 per cent of grant received earmarked for computerization), Rs. 0.75 lakh was spent on purchase of computers but neither data base was created nor accounts were maintained on computers. The remaining amount of Rs. 1.03 crore was lying unutilised with them.

#### **2.2.5 Monitoring**

The High Level Committee (HLC) was required to fix time bound physical and financial target in respect of each item of work and watch achievement every year accordingly. Physical and financial progress in respect of NNs through Divisional Commissioner and in respect of NPPs and NPs through District Magistrates was to be sent to the Director, LB who was responsible to consolidate and submit the progress report to the State Government. Scrutiny of records revealed that ULBs did not submit progress reports of physical achievements to the Directorate. It was neither monitored at state level nor submitted to the GOI.

#### **2.2.6 Conclusion**

The State Government did not develop effective mechanism to watch timely release of grant and its utilization. Despite availability of funds, computerization and creation of database was not done even after lapse of over two years. Collection of MSW by ULBs was not done regularly and there was no system of segregation of MSW after collection. Waste processing facilities and landfill sites were non-existent as a result open dumping was done in all the test checked ULBs. In the absence of effective monitoring, violation of MSW rules escaped detection and resulted in contamination of the environment and posed risks to human health.

#### **2.2.7 Recommendations**

- Creation of data base of the finances of the ULBs including their assets, revenue generation by them and expenditure to assess the requirement of funds for basic civic and developmental functions should be ensured.
- ULBs should draw up a time bound plan for setting of MSW processing facilities.

## CHAPTER-III

### 3.1 Unfruitful expenditure of Rs 5.04 crore by Nagar Nigam, Lucknow

**Inaction and failure of Nagar Nigam, Lucknow in ensuring compliance of the Government orders resulted in an unfruitful expenditure of Rs 5.04 crore.**

The Government sanctioned (2004-06) the project of beautification of Gomti river banks from Nishatganj Setu to Hanuman Setu and construction of gates at a cost of Rs.10.54 crore and released the amount to Nagar Nigam, Lucknow (NNL) for transfer to Construction and Design Services, UP Jal Nigam, Lucknow (Nigam), the designated executing agency for execution of works of the project. The project conceived *inter alia* the construction of entrance gates at both ends of Hanuman Setu and Nishatganj Setu. As the construction of these gates from the angle of beautification was considered to be of special nature of work, the Government directed (February 2006) the Nagar Ayukta, NNL to commence the work only after approval of architectural concept and structural design as well as specifications to be used in the construction of these gates by the competent authority and also after obtaining no objection certificate from Irrigation, PWD and Environment Department etc.

Scrutiny (July 2007) of records of NNL revealed that Rs. 10.54 crore were transferred to Nigam between the period January 2006 and August 2006 to execute the works without ensuring the compliance to the above mentioned instructions of the Government. The Nigam started the construction in February 2006 without proper study and preparation of structurally sound design and even without getting required no objection certificate from concerned departments. The High Court, in a Public Interest Litigation<sup>25</sup> also directed (November 2006) that the construction may be done only after obtaining an Expert Committee<sup>26</sup> Report to ensure that it posed no danger to the life and property of the public. In the meantime, the Nigam out of Rs. 10.54 crore, spent a sum Rs.5.04 crore on the work<sup>27</sup> during October 2005 and May 2007 and refunded (December 07 and April 08) Rs.5.25 crore to the NNL retaining Rs. 0.25 crore. The Expert Committee constituted by the

<sup>25</sup> No.7486/ 2006

<sup>26</sup> Engineer-in- Chief, PWD Managing Director, UP Bridge Corporation; Chief Engineer, Nagar Nigam, Lucknow; Chief Environment Engineer, UP Pollution Control Board; Chief Engineer, Lucknow Region, UP Jal Nigam and Director, C&DS, UP Jal Nigam.

<sup>27</sup> Beautification of Gomti River Bank: Rs. 0.61 crore; Hanuman Bridge Gate: Rs. 1.59 crore; Grand Gates on both sides of Nishat Ganj Bridge: Rs. 2.84 crore.

Government opined in its report (February 2007) that depth of the foundation of pillars for gates were insufficient. Further, the committee recommended that before restarting the construction of gates, execution of necessary protection works for the safety of the foundation of gates was essential, after adequate designing thereof by an architect. The work was not resumed till date (November 2008) even after receipt of the Expert Committee Report and an architect's report (April 2007) and the unspent balance of Rs. 5.25 crore was lying parked in Personal Ledger Account of NNL. Thus, non-compliance of Government orders before the commencement of work left the project incomplete even after expenditure of Rs. 5.04 crore rendering the entire expenditure unfruitful.

NNL admitted (November 2007) that the work was not started even after receipt of the report of the architect. Thus, the NNL had failed to ensure construction work expeditiously even after expiry of twenty months of the submission of the report by the architect.

The matter was reported to the Government (July 2008), reply had not been received. (March 2009).

### **3.2 Non adjustment of advances**

#### **Advances for repair works and purchase of goods / services remained unadjusted for more than ten years**

Rule 57 (3) of Nagar Nigam Account code and Rule 162 of Financial Hand Book Volume-V (Part-I) envisages adjustment of temporary advances made to individuals by the end of the financial years in which they were made.

Scrutiny of records of Nagar Nigam, Allahabad (NN) revealed (July 2007) that an amount of Rs. 2.16 crore (*Appendix-5*) advanced to different officers of NN for repair works and purchases of goods/services etc., during the periods 1993-2007 was pending for adjustment. Of this, Rs. 21.01 lakh and Rs. 17.60 lakh was more than 10 years and five years old respectively. Non adjustment of advances violated the provisions of the Nagar Nigam Account Code as well as Financial Handbook which indicated ineffectiveness of the monitoring mechanism. Besides constituting a serious financial irregularity, the non adjustment of advances was fraught with the risk of fraud and embezzlement etc.

On being pointed out in audit NN replied (July 2007) that action for adjustment of advances was being taken. However, the latest information collected (June 2008) did not indicate any reduction in the unadjusted amount.

The matter was referred to the Government (February 2008), reply was awaited (March 2009).

### **3.3 Unfruitful expenditure of Rs. 77.19 lakh by Maharajganj Nagar Panchayat**

**An expenditure of Rs. 77.19 lakh on construction of the Water Supply System was rendered unfruitful due to injudicious decision.**

With a view to provide drinking water to the residents of Ghughali in District Maharajganj, the Nagar Panchayat (NP) passed a resolution (March 1990) to transfer the requisite land to the Uttar Pradesh Jal Nigam, Gorakhpur for construction of Water Supply System. The project report envisaged to provide water connections to 1600 households by 1996 and 1900 households by 2005 and thereby generate the income (1996: Rs 4.03 lakh and 2005: Rs 4.91 lakh) of the NP.

Scrutiny of records (January 2008) of the Maharajganj NP revealed that the construction agency commenced the construction work in April 1995 and completed it in March 1999 at a cost of Rs 77.19 lakh. The agency handed over the Water Supply System to the NP in 2005 after a delay of six years. The reasons for delay in handing/taking over of the system were not made available to audit. Thereafter, the water supply was ensured for a year and an expenditure of Rs. 3.13 lakh (during April 2005 to April 2008) on electricity charges was incurred. However, none of the households of Panchayat area took the water connections due to the fact that there existed 25 public taps within Panchayat area as a result of which the water supply was stopped and the entire water supply system was lying idle as of May 2008.

Thus, due to injudicious decision to give household water connections without assessing requirements the water supply system created at a cost of Rs. 77.19 lakh was rendered unfruitful. Besides, an expenditure Rs. 3.13 lakh (during April 2005 to April 2008) on electricity charges was incurred.

NP stated in reply (May 2008) that the connections were not given as public was not interested in taking connections. The reply indicated that proper assessment of requirement was not carried out by the NP before execution of the work.

The matter was reported to the Government (May 2008); reply was awaited (March 2009).

### 3.4 Loss of revenue

#### **Failure to take timely action resulted into loss of revenue of Rs. 39.60 lakh.**

Government order<sup>28</sup>( November 2001) provided that Nagar Panchayat can impose tax on the vehicles coming in the Nagar Panchayat limit and stopping on stands or parking spaces of the body or taking or leaving passengers within the Panchayat by framing bye-laws. Nagar Panchayat, Goverdhan (NP) framed bye-laws<sup>29</sup> for vehicles coming in NP area which provided that vehicle driver coming in the area will stop the vehicles at stands and will obtain receipt for paying charges to NP staff/contractor. Govt. vehicles excluding Roadways Buses, vehicles carrying dead body party, tractor trolleys with agricultural goods, two wheelers and vehicles entering the NP area and passing through it without stoppage were kept free of the charges.

Scrutiny of records (June 2007) of Nagar Panchayat, Goverdhan, District Mathura revealed that it auctioned (March 2004) its spaces/stands for one year without identifying them and the value of which was assessed departmentally at Rs. 60 lakh. The highest bid was of Rs. 1.25 crore while the second highest was Rs. 77 lakh. Nagar Panchayat accepted the highest bid with security deposit of Rs. 5 lakh but the bidder could not deposit one-fourth of the amount of the bid by the next banking day as required under terms and conditions of the bid. Consequently, the bid was cancelled (March 2004) and security deposit (Rs. 5.00 lakh) was forfeited.

Instead of offering contract to the second highest bidder as per conditions of the auction, Panchayat staff was deployed for twelve days<sup>30</sup> and Rs. 1.53 lakh was collected. In April 2004, spaces/stands were re-auctioned for 353 left over days of the financial year at the rate of Rs 25,225 per day (Rs. 89.04 lakh for 353 days). The contractor, due to non identification of the parking spaces by Nagar Panchayat, began to collect charges illegally from the passers-by by putting barriers. As a result, the District Magistrate (DM), Mathura ordered the contractor (June 2004) to stop this practice. However, the contractor, in defiance of DM's order, continued charging the passersby illegally upto October 2004. The Panchayat earned Rs. 13.87 lakh thereby. In October 2004, the contractor cancelled the agreement, as prime period of the contract passed without collection of parking charges under administrative orders and no charges were collected thereafter. In this way, Rs. 20.40 lakh only was earned against the departmental

<sup>28</sup> G.O.no.3586/ -9-2001- /98 dated: 26 Nov,2001

<sup>29</sup> Gazette Notification dated 29 March 2003.

<sup>30</sup> 01 April 2004 to 12 April 2004

assessment Rs. 60 lakh (Shortfall: Rs. 39.60 lakh; 66 *per cent*).

The Executive officer did not offer any comment when pointed in audit.

Thus, failure to take timely action resulted into loss of revenue of Rs. 39.60 lakh.

The matter was reported to the Government (March 2008); reply is awaited (March 2009).

### **3.5 Unfruitful expenditure of Rs.23.49 lakh by Deoria Nagar Palika Parishad**

#### **Commencement of work without approval of its layout resulted into unfruitful expenditure of Rs. 23.49 lakh.**

Scrutiny (June 2007) of records of Nagar Palika Parishad, Deoria revealed that Nagar Palika Parishad in its meeting decided (June 1999) to construct a stadium on a piece of land owned by it for which the map was approved (February 2000) by the Prescribed Authority, Regulated Area, (PARA) Deoria. The Nagar Palika Parishad, however, in its meeting in September 2002 cancelled the earlier decision of construction of the stadium and decided to develop residential colony comprising 240 residential plots and to raise funds so as to utilize it for development of infrastructure of other wards. The Nagar Palika Parishad submitted (July 2003) the map to PARA for its approval which was awaited (June 2008). Meanwhile, the Nagar Palika Parishad, without approval of the map by the PARA, started the development work through a contractor and spent Rs. 23.49 lakh<sup>31</sup> between July 2003 and September 2005. The development work was stopped (April 2004) under the order of the District Magistrate, Deoria (DM) as the work was being executed where layout plan for another work i.e. stadium already existed.

Thus starting the work without getting the approval of the layout by the prescribed authority, the expenditure of Rs. 23.49 lakh on the development work remained unfruitful.

The Executive Officer, Nagar Palika Parishad Deoria stated (June 2007) that the map had been submitted to the PARA. The reply was not acceptable as commencement of development work without approval of the lay out plan by PARA, was irregular.

The matter was reported to the Government (April 2008), reply was awaited (March 2009).

### **3.6 Avoidable liability**

#### **The Nagar Panchayat, Govardhan created liabilities of Rs. 10.69 lakh by not depositing the amounts due from the salaries of the staff and Rs. 23.94 lakh due to non disbursement of staff salary .**

The Government orders<sup>32</sup> (February 1978) provide that the amount of

<sup>31</sup> Road etc. Rs. 17.79 lakh, Park Development Rs. 5.11 lakh, Consultation Rs. 0.18 lakh Gazzette charge Rs. 0.41 lakh.

<sup>32</sup> G.O.No.12417T/9.1.1977 dated 02 February 1978



subscription to provident fund and pension contribution due from the salary of employees should be credited into the concerned employees Provident Fund Account and Pension Account respectively maintained in a nationalized bank. Further, the salary etc. of the staff should be disbursed timely to avoid increase in liabilities.

Scrutiny of the records (June 2007) of Nagar Panchayat (NP), Goverdhan revealed that Rs. 10.69 lakh on account of subscription to provident fund and pension contribution due from the salary of employees between 1988 and 2001 were not credited to their respective bank accounts. Further, Rs. 23.94 lakh remained to be paid to the staff on account of their salary for the period from 2000 to 2005. Thus, the NP had created liabilities of Rs. 34.63 lakh (*Appendix-6*) by not adhering to the Government orders.

The NP stated (April 2008) that the liabilities could not be discharged due to short receipt of State Finance Commission (SFC) grants and adverse financial position of the NP. However, no documents in support of the reply were furnished.

The matter was referred to the Government (March 2008), reply is awaited (March 2009).

### **3.7 Avoidable loss of bid amount of Rs. 9.18 lakh and loss of stamp duty Rs. 1.61 lakh**

**Failure of Nagar Palika Parishad, Akbarpur in cancellation / re-auction of the contract and not performing agreement on required stamp paper resulted into loss of revenue.**

Nagar Palika Paraishad (NPP) Akbarpur, District Ambedkar Nagar awarded (March 2005) contract of Taxi-Tempo Stand for the year 2005-06 for Rs. 20.07 lakh to the highest bidder. The selected bidder was to execute an agreement with NPP on stamp paper for Rs. 1.61 lakh<sup>33</sup> and to deposit one third amount of the sanctioned bid immediately after sanction. The balance amount was to be deposited in nine equal monthly installments (EMI) in succeeding months, the last EMI being due in December 2005. The terms of agreement provided for the cancellation and re-auction of the contract in case of default in depositing the money by the contractor. Loss on re-auction, if any, was to be recovered from the defaulting contractor.

During scrutiny of records (August 2007) of the NPP, it was noticed that the contractor, whose bid was approved, deposited only Rs. 5.69 lakh (March 2005) which was less than the one third amount of bid (Rs.6.69 lakh), failed to

<sup>33</sup> @ Rs. 80 per thousand of Rs. 20.07 lakh in accordance with the Article 40, schedule 1B of Indian Stamp Act 1899.

deposit the subsequent EMIs<sup>34</sup> and did not execute the agreement on required stamp paper. Though the conditions of the contract were flouted, the contractor was irregularly allowed to recover the parking charges up to December 2005. After cancelling the contract (December 2005), the NPP started recovery of parking charges from public departmentally and collected Rs. 5.20 lakh during January 2006 to March 2006. The NPP, however, could not recover Rs. 9.18 lakh<sup>35</sup> out of the bid amount and Rs. 1.61 lakh due on account of stamp duty from the contractor. These losses could have been avoided by timely cancellation/re-auction of the contract by NPP.

On being pointed out in audit (August 2007) the Executive Officer, NPP did not offer any comment on the matter.

The matter was reported to the Government (April 2008); reply is awaited (March 2009).

### **3.8 Non deposit of Government revenues in the treasuries**

#### **Income Tax and Trade Tax of Rs. 12.87 lakh deducted from contractors' bills was not deposited in Government account.**

Panchayati Raj Institutions (PRIs) execute various works like laying of cement concrete roads, construction of drains and meeting halls etc through contractors. Their Drawing and Disbursing Officers (DDOs) bear the responsibility of deducting Government taxes<sup>36</sup> from their bills and depositing the same in the Government Account.

Scrutiny of records (July 2007 and February 2008) of seven PRIs revealed that one Nagar Palika Parishad<sup>37</sup> in District Sitapur and six other Nagar Panchayats in five districts<sup>38</sup> awarded the works to the contractors at a contractual value of Rs. 3.33 crore during February 2002 and March 2007. The concerned DDOs while making payments deducted taxes of Rs. 12.87 lakh (income tax: Rs. 7.19 lakh and trade tax: Rs. 5.68 lakh) from their bills (*Appendix-7*) but did not deposit them in treasuries in the Government Account without citing any reason even after expiry of periods ranging between 24 and 72 months of their collections and retained them in their bank accounts.

<sup>34</sup> Required 1/3 of Rs. 20.07 lakh = Rs. 6.69 lakh.

<sup>35</sup> Recoverable Rs. 20.07 lakh, Recovered Rs.5.69 lakh from contractor & Rs.5.20lakh departmentally. Total recovered Rs. 10.89 lakh; Loss Rs. 20.07 lakh-Rs. 10.89 lakh=Rs. 9.18 lakh.

<sup>36</sup> Income tax: 2.24 per cent under Income Tax Act 1961 and trade tax: 4 Per cent under Trade Tax Act 1948.

<sup>37</sup> Mahamodabad.

<sup>38</sup> Etah: Awagarh, Unnao: Fathepur Chaurasi, Mathura: Goverdhan, Fatehpur: Kora Jahanabad and Bahua and Pratapgarh: Patti.

Thus, Rs. 12.87 lakh on account of Government revenues remained outside the Government Account even after their collections for long periods. This also violated the provision of the Financial Hand Book<sup>39</sup> under which Government receipts were to be deposited in treasury immediately on their receipt.

On being pointed out in audit, the concerned Executive Officers stated (between July 2007 and February 2008) that the revenues would be deposited in the treasuries.

Matter was referred to the Government (July 2008); reply was awaited (March 2009 ).

### 3.9 Irregular expenditure out of revolving fund Rs. 7.36 lakh

**Nagar Nigam Lucknow constructed cement concrete roads disregarding the Government Orders banning such constructions from Revolving Fund.**

With a view to develop and strengthen the infrastructure within the Urban Local Bodies (ULB), the Uttar Pradesh Government (Government) provides interest free loan to ULBs (Revolving fund) which is adjustable from the State Finance Commission Grant released in future. The construction of cement concrete road (CC) by the ULBs from the Revolving fund was banned<sup>40</sup> (April 2005) by the Government because the works were not being executed as per PWD schedule of rates and specifications with the result that the quality of the work was not maintained.

Scrutiny of records revealed (July 2007) that the Nagar Nigam (NN), Lucknow sanctioned (May 2005 and September 2005) and constructed two CC roads (November 2005 to September 2006) at a cost of Rs. 7.36 lakh<sup>41</sup> in violation of the above mentioned Government order.

On being pointed out in audit, the NN replied (July 2007) that the works were sanctioned prior to the issue of the Government order. Reply was not tenable as sanctions of the works were given in May 2005 and September 2005 whereas the order banning construction of CC roads from revolving funds was issued in April 2005.

The matter was reported to the Government (February 2008); reply was awaited (March 2009).

<sup>39</sup> Paragraph 21 of Financial Hand Book Volume V, Part I.

<sup>40</sup> G.O. No. 1/u@--9-2005 Dated 18-April 2005.

<sup>41</sup> (i) Rs. 4.26 lakh, Vr. No. 94 dated 10.11.2005 on cc road between house No. 229 to 313 in Sector 12, Indira Nagar.  
(ii) Rs. 3.10 lakh, Vr. No. 180 dated 1.9.2006 on cc road in Baba Sangat Gali in Begum Hazrat Mahal ward.

### 3.10 Excess Payment Rs. 5.43 lakh

**Failure in applying schedule of rates resulted in an excess payment of Rs. 5.43 lakh to the contractor.**

Works should be executed at the rates as fixed by the Public Works Department (PWD) in the schedule of rates (SOR). The Engineer-in-Charge should ensure that the rates for works execution are provided in the agreement with contractor as per schedule of rates.

Scrutiny of records in the office of Nagar Panchayat, Kurara, District Hamirpur revealed that the Government sanctioned (September 2006) Rs. 50 lakh to the Nagar Panchayat for execution of three works at an estimated cost of Rs. 50.02 lakh. The works, amongst the other works to be executed during 2006-07 included 679.175 cubic meter of cement concrete works<sup>42</sup> for which the PWD prescribed rate of Rs. 1250 per cubic meter<sup>43</sup> was valid up to 23.03.2007. Scrutiny also revealed that the Executing Engineer of the Nagar Panchayat prepared estimates (August 2006) for the works at the rate of Rs. 2050 per cubic meter instead of Rs. 1250 per cubic meter though the rate was higher than the PWD schedule of rates by Rs. 800 per cubic meter. Further, the Junior Engineer (Technical), Construction Division, PWD, Hamirpur also checked the estimates of the works without ensuring that the rates in the estimates were as per the valid PWD, SOR. The agreements were executed with the contractors at the higher rate and the payments of their bills of Rs. 50.18 lakh which were excess by Rs. 5.43 lakh<sup>44</sup>, were made to him during March 2007.

Thus, failure on the part of the Executive Officer of the Nagar Panchayat and the Junior Engineer (Technical), Construction Division, PWD, Hamirpur to ensure that rates are not higher than SOR, resulted in an excess payment of Rs. 5.43 lakh to the contractor.

Executive Officer, Nagar Panchayat, Kurara, District Hamirpur stated (September 2007) that the Junior Engineer (Technical), Construction Division, PWD, Hamirpur had approved the estimates. The reply was not acceptable because the rates approved by J.E.(Technical) Construction Division PWD were higher than PWD, SOR which was against the instructions of the Government.

<sup>42</sup>  $(62.394+210.13) m^3+254.347m^3+152.304 m^3 = 679.175$  cu.m.

<sup>43</sup> SOR item No. 281,Banda PWD Circle Chapter 5

<sup>44</sup>  $(2049.70-1250)*679.175$  cu.m.=Rs. 5.43 lakh.

The matter was reported to the Government (March 2008); reply is awaited (March 2009).

Allahabad  
The

**(Anjan Kumar Aich)**  
Sr. Deputy Accountant General  
(Local Bodies)

Countersigned

Allahabad  
The

**(A.K. Patnaik)**  
Principal Accountant General (Civil Audit)  
Uttar Pradesh.

**Appendix-1**

**Arrear in tax collection**

**(Reference; para no.1.6 page no. 7)**

**A- NAGAR NIGAM**

(Rupees In lakh)

Name of Nagar Nigam	Type	Arrear	Current Demand For the Year 2006-07	Total	Recovery during the Year	Balance
1	2	3	4	5(3+4)	6	7(5-6)
Kanpur	General & Saral tax	7315.86	5639.18	12955.04	1946.66	11008.38
Ghaziabad	Shop rent	90.76	49.38	140.14	30.44	109.70
	House tax	8.49	3.72	12.21	2.45	9.76
Lucknow	House tax	268.01	632.71	900.72	849.98	50.74
	<b>Total</b>	<b>7683.12</b>	<b>6324.99</b>	<b>14008.11</b>	<b>2829.53</b>	<b>11178.58</b>

**B- NAGAR PALIKA PARISHAD**

(Rupees in Lakh)

Name of Nagar palika Parishad	Type	Arrear	Current Demand For the Year 2006-07	Total	Recovery during the Year	Balance
1	2	3	4	5(3+4)	6	7(5-6)
Unnao	House tax	38.65	41.19	79.84	27.99	51.85
	Water tax	34.83	30.69	65.52	21.06	44.46
	Show tax	4.44	0.70	5.14	0.53	4.61
Mungra Badshahpur,Jaun pur	Water charges	3.15	12.00	15.15	8.09	7.06
Ujjhani, Badaun	House tax	12.56	6.06	18.62	4.27	14.35
	Water tax	16.06	5.03	21.09	2.00	19.09
	Tehbazari	7.15	0.64	7.79	0.64	7.15
	Water charges	2.10	4.02	6.12	2.29	3.83
Dadri, G.B.Nagar	Contract	21.46	6.70	28.16	6.86	21.30
	House tax	10.67	13.35	24.02	15.56	8.46

Name of Nagar palika Parishad	Type	Arrear	Current Demand For the Year	Total	Recovery during the Year	Balance
			2006-07			
1	2	3	4	5(3+4)	6	7(5-6)
Jamaniya, Ghazipur	House tax	5.93	2.98	8.91	2.19	6.72
	Water charges	1.75	3.76	5.51	2.76	2.75
Gaura Barhaj, Deoria	House tax	8.76	0.81	9.57	1.14	8.43
	Water tax	15.17	1.20	16.37	1.63	14.74
	Water charges	5.82	1.66	7.48	1.33	6.15
	Rent	8.02	2.45	10.47	1.67	8.80
Raudoli, Barabanki	House tax	3.99	3.88	7.87	1.95	5.92
	Water charges	6.67	7.05	13.72	4.83	8.89
Bilaspur, Rampur	House tax	2.25	3.11	5.36	2.67	2.69
	Water tax	3.78	6.06	9.84	5.23	4.61
	Tehbazari	9.02	0.00	9.02	2.18	6.84
Hamirpur	Shop rent	14.61	2.73	17.34	0.67	16.67
	Taxi stand	2.75	1.50	4.25	1.50	2.75
	Tehbazari	1.49	0.00	1.49	0.00	1.49
Deoria	House tax	25.27	36.30	61.57	22.31	39.26
	Water tax	20.67	36.30	56.97	20.34	36.63
	Shop rent	12.46	18.15	30.61	12.38	18.23
	Tehbazari	5.32	1.21	6.53	0.93	5.60
Siddhart Nagar	Water charges	6.15	1.88	8.03	1.29	6.74
	Taxi stand	4.90	7.06	11.96	6.53	5.43
Haldour, Bijnore	Water charges	6.19	2.79	8.98	1.78	7.20
	House tax	14.26	4.10	18.36	1.80	16.56
Kushinagar Padrauna	House tax	7.12	1.87	8.99	4.90	4.09
	Water tax	11.51	2.78	14.29	5.16	9.13
	Shop rent	13.66	6.42	20.08	14.40	5.68
Mainpuri Mainpuri	House tax	12.11	19.97	32.08	8.14	23.94
	Water tax	25.94	39.94	65.88	13.88	52.00
Nanpara Behraich	House tax	6.60	0.00	6.60	1.56	5.04
	Water tax	11.74	0.00	11.74	1.30	10.44
	Water cost	14.44	2.80	17.24	2.47	14.77
Sirsaganj Firozabad	House tax	6.83	0.00	6.83	1.99	4.84
	Water tax	9.32	0.00	9.32	3.18	6.14
	Rent	11.01	2.10	13.11	3.47	9.64
<b>Total</b>		<b>466.58</b>	<b>341.24</b>	<b>807.82</b>	<b>246.85</b>	<b>560.97</b>

**C-NAGAR PANCHAYAT**

**(Rs. in Lakh)**

Name of Nagar Panchayat	Type	Arrear	Current Demand For the Year	Total	Recovery during the Year	Balance
			2006-07			
1	2	3	4	5(3+4)	6	7(5-6)
Tullsipur, Balrampur	License	0.87	0.98	1.85	0.98	0.87
	Rent	1.90	1.63	3.53	2.50	1.03
	Stand	4.61	4.96	9.57	4.95	4.62
Laar, Deoria	Water Charges	2.05	0.48	2.53	0.56	1.97
	Rent	2.22	6.73	8.95	1.44	7.51
Phool pur, Allahabad	Water Charges	3.83	2.38	6.21	1.77	4.44
Bhadrsa, Faizabad	House tax	0.36	0.00	0.36	0.03	0.33
	Shop rent	0.03	0.01	0.04	0.00	0.04
Khargupur, Gonda	House tax	5.60	0.00	5.60	0.44	5.16
	Water charges	2.80	0.75	3.55	1.41	2.14
Pachperva, Balrampur	Water charges	0.89	2.23	3.12	0.94	2.18
Itifatganj, Ambedkar Nagar	Shop rent	0.18	0.28	0.46	0.21	0.25
	License on Animal	0.06	0.01	0.07	0.01	0.06
	Sweet & tea shop	0.04	0.01	0.05	0.01	0.04
	Shop license	1.13	0.18	1.31	0.06	1.25
Sumair pur, Hamirpur	License on Animal	0.10	0.08	0.18	0.08	0.10
	Carcalous	1.15	0.74	1.89	0.74	1.15
	Tehbazari	6.84	0.00	6.84	0.00	6.84
	House tax	5.39	0.00	5.39	0.76	4.63
Kurara, Hamirpur	Stand	1.40	2.55	3.95	2.55	1.40
	Tehbazari	3.12	0.00	3.12	0.00	3.12
	Carcalous	0.17	0.46	0.63	0.51	0.12
	House Tax	1.14	0.00	1.14	0.29	0.85
	Shop rent	0.25	0.13	0.38	0.11	0.27
	Talab tekha	0.05	0.00	0.05	0.00	0.05
Harihar pur, Sant Kabir Nagar	House tax	0.97	0.00	0.97	0.79	0.18
	Taxi stand	0.27	0.15	0.42	0.08	0.34
	Tal pokhra	0.12	0.10	0.22	0.07	0.15
	Tehbazari	0.52	0.25	0.77	0.25	0.52



Name of Nagar Panchayat	Type	Arrear	Current Demand For the Year	Total	Recovery during the Year	Balance
			2006-07			
1	2	3	4	5(3+4)	6	7(5-6)
Oon, Muzafar Nagar	House tax	2.88	9.68	12.56	2.27	10.29
Thana Bhawan	House tax	5.90	4.88	10.78	3.57	7.21
	Water Charges	4.31	4.34	8.65	3.36	5.29
	Tehbazari	0.48	0.41	0.89	0.41	0.48
Dankaur, Gautam Budh Nagar	House tax	7.70	3.34	11.04	1.71	9.33
Charthawal, Muzaffar Nagar	House tax	6.01	1.53	7.54	0.85	6.69
	Water Charges	6.51	2.49	9.00	1.70	7.30
	auction	1.43	0.47	1.90	0.79	1.11
Fatehpur Chaurasi, Unnao	House tax	0.93	0.50	1.43	0.06	1.37
	Water Charges	0.79	2.16	2.95	0.09	2.86
	Shop rent	0.30	0.08	0.38	0.03	0.35
Patyali, Etah	Tehbazari	5.57	0.00	5.57	0.00	5.57
	House tax	8.72	0.00	8.72	1.04	7.68
	Water Charges	6.29	1.52	7.81	1.14	6.67
Fafund, Auriya	House tax	0.05	1.83	1.88	0.69	1.19
	Water Charges	0.03	0.40	0.43	0.43	0.00
	Water rent	0.00	1.70	1.70	1.49	0.21
	auction	0.57	2.28	2.85	2.85	0.00
	Profession	0.21	0.68	0.89	0.05	0.84
	Shop rent	0.00	1.59	1.59	1.55	0.04
Deviyapur, Auriya	House tax	0.24	2.95	3.19	1.68	1.51
	Water Charges	1.47	2.05	3.52	2.01	1.51
Harriya, Basti	License	3.85	0.97	4.82	0.72	4.10
Bhargaun, Etah	House tax	6.74	3.17	9.91	2.07	7.84
	Shop rent	0.47	0.05	0.52	0.02	0.50
	auction	0.29	0.37	0.66	0.04	0.62
Atrauliya, Azamgarh	House tax	1.37	1.17	2.54	1.04	1.50
	Water Charges	0.36	0.61	0.97	0.50	0.47
Bilaria ganj, Azamgarh	House tax	1.58	0.71	2.29	0.48	1.81
Kora, Jahanabad	Water Charges	8.95	4.22	13.17	1.94	11.23
	House tax	4.33	4.42	8.75	0.36	8.39
Behsuma, Meerut	Auction	1.13	2.34	3.47	2.27	1.20
	Water Charges	1.85	1.66	3.51	0.96	2.55
	House tax	1.08	0.00	1.08	0.96	0.12

*ATIR on Urban Local Bodies for the year ended 31<sup>st</sup> March 2008*

Name of Nagar Panchayat	Type	Arrear	Current Demand For the Year	Total	Recovery during the Year	Balance
			2006-07			
1	2	3	4	5(3+4)	6	7(5-6)
Lawar, Meerut	House tax	6.38	1.82	8.20	2.38	5.82
	Water Charges	8.94	3.30	12.24	2.94	9.30
Taiket nagar, Barabanki	Water Charges	0.89	0.13	1.02	0.39	0.63
	House tax	7.39	2.17	9.56	1.33	8.23
Sadabad, Mahamayanagar	Water Charges	3.40	4.34	7.74	3.17	4.57
	Wealth tax	2.63	0.00	2.63	0.02	2.61
	Shop rent	2.81	8.51	11.32	7.06	4.26
Gavan, Badaun	House tax	5.58	0.00	5.58	2.86	2.72
	Water Charges	1.11	0.41	1.52	0.52	1.00
Haider garh, Barabanki	Water Charges	4.51	2.23	6.74	1.70	5.04
	Shop rent	2.13	0.76	2.89	0.63	2.26
	House tax	3.32	0.94	4.26	0.64	3.62
<b>Total</b>		<b>189.54</b>	<b>114.27</b>	<b>303.81</b>	<b>84.31</b>	<b>219.50</b>

## Appendix-2

## Non reconciliation of cash balances

(Reference; para no.1.10 page no. 9)

## A - NAGAR NIGAM

(Rupees in crore)

Sl.No.	Name of Unit	District	As per Cash Book	As per Pass Book	Difference
1	Ghaziabad	Ghaziabad	10.36	12.58	2.22
2	Lucknow	Lucknow	85.59	70.49	15.10
3	Meerut	Meerut	20.42	23.71	3.29
<b>Total</b>					<b>20.61</b>

## B- NAGAR PALIKA PARISHAD

(Rupees)

Sl.No.	Name of Unit	District	As per Cash Book	As per Pass Book	Difference
1	Ujhani	Badaun	9204298.34	9856395.84	652097.50
2	Noor pur	Bijnore	3778352.00	5318485.28	1540133.28
3	Dadri	G.B. Nagar	6907230.90	12362762.56	5455531.66
4	Amaniyani	Ghazipur	3919662.64	3962688.14	43025.50
5	Maudaha	Hamirpur	2504739.75	3717049.05	1212309.30
6	Mungra Badshah pur	Jaunpur	121217.96	999526.55	878308.59
7	Gursahai Ganj	Kannauj	7445341.77	7719124.16	273782.39
8	Laharpur	Sitapur	14562430.58	16237586.29	1675155.71
<b>Total</b>					<b>11730343.93</b>

**C- NAGAR PANCHAYAT**

**(Rupees)**

<b>Sl. No.</b>	<b>Name of Unit</b>	<b>District</b>	<b>As per Cash Book</b>	<b>As per Pass Book</b>	<b>Difference</b>
1	Phool Pur	Allahabad	481653	827166	345513
2	Iltifatganj	Ambedkar Nagar	665328	714180	48852
3	Attroliya	Azamgarh	1362647	1507254	144607
4	Barbala	Badaun	697194	869342	172148
5	Pachperva	Balrampur	402171	587619	185448
6	Tikait Nagar	Barabanki	7057603	6593158	464445
7	B.B.Nagar	Buland Shahar	11201627	8897235	2304392
8	Khanpur	Buland Shahar	238442	186567	51875
9	Laar	Deoria	1581387	1630651	49264
10	Awagarh	Etah	5361141	5643297	282156
11	Nidholi Kala	Etah	1073391	856969	216322
12	Bhadarsa	Faizabad	6628478	6626759	1719
13	Bikapur	Faizabad	1985012	3251695	1266683
14	Dankaur	Gautambudh Nagar	1721624	1920610	198986
15	Gohand	Hamirpur	1139788	418818	720969
16	Sumair pur	Hamirpur	3206692	3766756	560064
17	Ramkola	Kusi Nagar	5808799	5535372	273427
18	Sahpau	Mahamaya Nagar	3041927	3665022	623095
19	Behsuma	Meerut	1101418	1187702	86284
20	Lawar	Meerut	1554767	1826498	263132
21	Charthawal	Muzaffar Nagar	2658451	3121028	462577
22	Katra Medniganj	Pratapgarh	635850	675571	39721
23	Fatehpur Chaurasi	Unnao	308001	389392	81391
		<b>Total</b>			<b>8843070</b>

**Appendix -3**  
**List of optional reforms to be implemented by the State Government**  
**and ULBs**

(Reference: Para 2.1.8, page 18)

Sl. No.	Name of the reform
1	Introduction of property title certification system in ULBs
2	Revision of building bye-laws-streamlining the approval process
3	Revision of building bye-laws-to make rain water harvesting mandatory
4	Earmarking twenty five <i>per cent</i> developed land in all housing projects for EWS/LIG
5	Simplification of legal and procedural framework for conversion of agriculture land for non-agriculture purposes
6	Introduction of computerized process of registration of land and property
7	bye-laws on re-use of Recycled water
8	Administrative reforms
9	Structural reforms
10	Encouraging public private participation.

**Appendix-4**  
**List of units test checked**

(Reference para 2.2.1 page no. 21)

**Nagar Nigams-** Vanarasi , Kanpur, Lucknow.

**Nagar Palika Parishads-** Mirzapur, Chunar, Raibareli, Shahjahanpur, Hapur, Muzaffar Nagar, Firozabad, Sirsaganj (Firozabad), Mathura, Saharanpur, Nakud (Saharanpur) Mahamoodabad, Laharpur (Sitapur), Gonda, Nawabganj (Gonda), Hamirpur, Maudaha (Hamirpur), Mungra Badshahpur (Jaunpur), Rudauli (Faizabad), Gursahaiganj (Kannauj), Unnao, Gangaghat (Unnao), Haldaur, Noorpur (Bijnore), Pihani (Hardoi), Baheri (Bareilly), Bilashpur, Swar (Rampur), Ujhani, Sahaswan (Badaun), Dadari (Gautambudh Nagar), Ghatampur (Kanpurnagar) Pukhrayan (Kanpurdehat) Bhadohi (Sant Ravidasnagar) Deoria, Mainpuri, Jalalpur, Akbarpur, (Ambedkarnagar).

**Nagar Panchayats-** Kachhawa, (Mirzapur), Bachharawa, Unchahar, Parsadepur, Lalganj (Raibareli), Katra, Puwaya (Sahajahanpur), Niwari, Dasna (Ghaziabad), Meerapur, Thana Bhawan (Muzaffarnagar), Fariha Jasrana (Firozabad), Goverdhan, Raya (Mathura), Rampurmaniharan, Sultanpurchilkana (Saharanpur), Gohand, (Hamirpur), Nidhulikala, Bhargain, Patiyali (Etah), Hariya (Basti), Atraulia, Bilariyaganj, Jianpur, Maharajganj (Azamgarh), Fafund, Dibiyapur (Auriya) Kursath, (Hardoi), Bahuwa, Kodrh Jahanabad (Fatehpur), Ghughali (Maharajganj), Haidergarh, Tikaithnagar, Siddhaur, Ramnagar (Barabanki), Sahamau (Mahamayanagar), Lawad, Bahasuma (Meerut), Ramkola (Kusinagar), Jangipur (Gazipur), Gava, Gunnaur (Badaun), Patti, Katra Modiniganj (Pratapgarh), Shivrajpur (Kanpurnagar) B.B. Nagar, Khanpur (Bulandsahar), Dudhi (Sonbhadra).

## Appendix-5

**Outstanding Advances**  
(Reference para 3.2 page no.26)

(Rupees. In lakh)

Sl. No.	Name of the wing whose employees/officers were given advances	Period during which advances were provided			
		1992-93 to 1996-97	1996-97 to 2001-02	2002-03 to 2006-07	Total
1	2	3	4	5	6
1	Live stock Department	-	3.02	0.51	3.53
2	Works Department	-	-	121.66	121.66
3	Public Health Department	0.15	0.98	32.82	33.95
4	Horticulture Department	-	-	10.54	10.54
5	Public Works	20.86	13.60	11.91	46.37
	<b>Total</b>	<b>21.01</b>	<b>17.60</b>	<b>177.44</b>	<b>216.05</b>

**Appendix-6**

**Details of liabilities created by Nagar Panchayat Govardhan  
(Reference para 3.6 page no. 30)**

**(Rupees in lakh)**

<b>Sl. No.</b>	<b>Item</b>	<b>Period</b>	<b>Amount</b>
1.	Provident fund (Safai Majdoor)	1988 to December 1993	2.35
2.	Pension contribution	February 1993 to June 2001	8.34
3.	Pay (i) Safai Majdoor (ii) Office	(i) July-December 2004 (ii) September-November 2000 & April 2004- February 2005	7.84 3.19 & 12.91
		<b>Total</b>	<b>34.63</b>



## Appendix-7

## Income Tax/Trade Tax deducted from bill but not deposited in Government Account

(Reference para 3.8 page no. 31)

District	Name of PRIs	Periods	Amount of payment	Amount deducted as Income Tax but not deposited	Amount deducted as Trade Tax but not deposited
				In Rupees	
Sitapur	NPP Mahmodabad	2005-06	5329621	98069	119384
Etah	NP Awagarh	2/05 to 10/06	6342199	142066	317109
Unnao	NP Fatehpur NP Chaurasi	7/05 to 3/07	5230620	117166	0
Mathura	NP Goverdhan	9/05	543119	12492	21725
Fatehpur	NP Kora Jahanabad	2005-06 & 06-07	8179151	183213	0
Pratapgarh	NP Patti	2/02 to 2/04	2753800	54375	110152
Fatehpur	NP Bahua	2006-07	4966741	111255	0
<b>Total</b>			<b>33345251</b>	<b>718636</b>	<b>568370</b>