

PREFACE

1. Subsequent to the 73rd and 74th amendments to the Constitution and increasing devolution of functions and funds to local bodies, the Eleventh Finance Commission envisaged entrustment of responsibility of exercising technical guidance and support over the accounts and audit of Local Bodies to the Comptroller and Auditor General of India.
2. CAG conducts audit of Urban Local Bodies and Village Panchayats under Section 14 (1) of CAG's (DPC) Act, 1971. Further, based on the recommendations of the Eleventh Finance Commission, Government of Goa entrusted the CAG with the responsibility of providing Technical Guidance and Support under Section 20 (1) of CAG's (DPC) Act in November 2006. Also, by virtue of Section 194 of the Goa Panchayat Raj Act, 1994, CAG is the sole auditor for ZPs.
3. This is the Annual Technical Inspection Report for the year ended March 2010, prepared by the Office of Accountant General, Goa. While Chapters I and II contain an overview and audit observations relating to Urban Local Bodies, Chapters III and IV deal with Panchayati Raj Institutions.

The cases mentioned in the Report are those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which came to notice after 2009-10.

OVERVIEW

This Annual Technical Inspection Report contains four chapters. The first and second chapters contain an overview and observations of Audit on the accounts and finances of Urban Local Bodies. The third and fourth chapters contain an overview and observations of Audit on the accounts and finances of Panchayati Raj Institutions. A synopsis of the findings contained in the Report is presented in this overview.

Urban Local Bodies

- Only eight out of the 11 functions to be devolved on the Urban Local Bodies as per as per Goa Municipalities Act, were transferred as of 31 March 2010.

(Paragraph 1.4)

- Twelfth Finance Commission grants for 2006-07 and 2007-08 (` 4.80 crore) were received late from Government of India and that for the years 2008-09 and 2009-10 (` 4.80 crore) was not received due to delay in furnishing of Utilisation Certificates by the state government.

(Paragraph 1.6)

- Urban Local Bodies maintain their account on cash basis. Database formats prescribed by CAG were not implemented by the Urban Local Bodies. Further, revised Municipal Accounts Manual is yet to be adopted by the Urban Local Bodies.

(Paragraph 1.9.1)

- 623 Utilisation Certificates for grants amounting to ` 159.58 crore were pending from Urban Local Bodies.

(Paragraph 1.9.3)

- The Provisions of the Municipal Solid Waste (Management and Handling) Rules, 2000 have not been implemented by the Municipal Councils of Goa even after a lapse of seven years from the dead line.

(Paragraph 2.1)

- The failure of the Mormugao Municipal Council to adopt the revised lease rent with annual increase has resulted in accumulation of arrears of rent to the extent of ₹ 3.59 crore which led to litigation.

(Paragraph 2.2.2)

- Leasing of land for 10 years at a lower rate of rent than approved by the Council coupled with lack of internal check resulted in revenue loss to the tune of ` 42.83 lakh to Mhapsa Municipal Council

(Paragraph 2.2.3)

Panchayati Raj Institutions

- Only 12 of the 25 functions to be devolved to the ZPs have actually been devolved. Similarly, out of the 28 functions to be devolved to the VPs only 12 functions have been devolved.

(Paragraph 3.4.1)

- Delay in furnishing Utilisation Certificates resulted in non-release of Twelfth Finance Commission grants of ` 5.40 crore being second installment of 2008-09 and two installments of 2009-10.

(Paragraph 3.6)

- 2504 Utilisation Certificates for grants amounting to ` 90 crore were pending from ZPs/VPs.

(Paragraph 3.8)

- The accounts of North Goa Zilla Panchayat and South Goa Zilla Panchayat were in arrears from 2006-07 and 2007-08 respectively.

(Paragraph 3.9)

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

(Paragraph 3.10)

- The Director of Panchayats released development grants of ₹ 31.35 crore to Zilla Panchayats in contravention to the provisions of the General Financial Rules, 2005.

(Paragraph 4.1.1)

CHAPTER - I

PART A URBAN LOCAL BODIES

AN OVERVIEW OF THE URBAN LOCAL BODIES

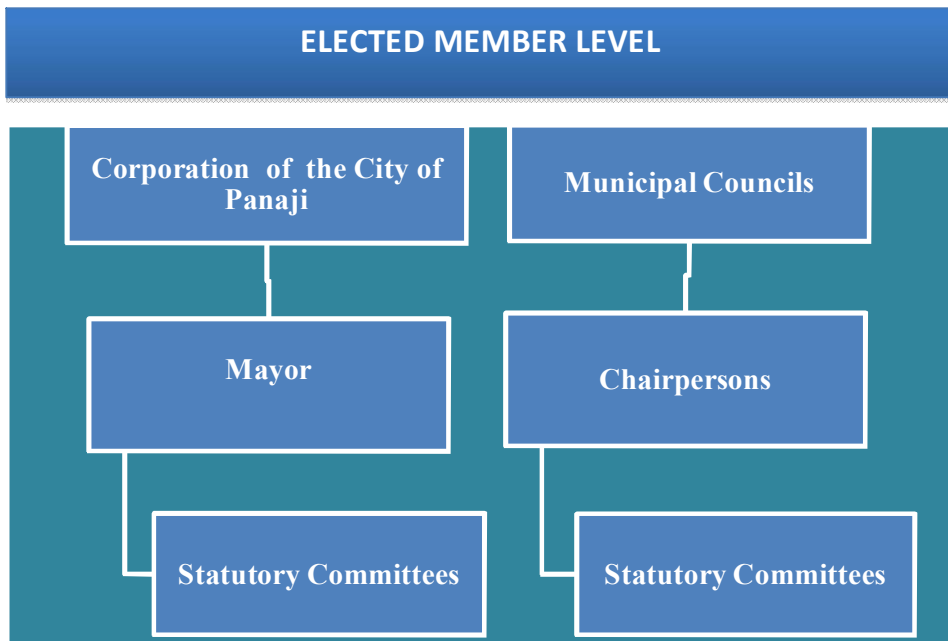
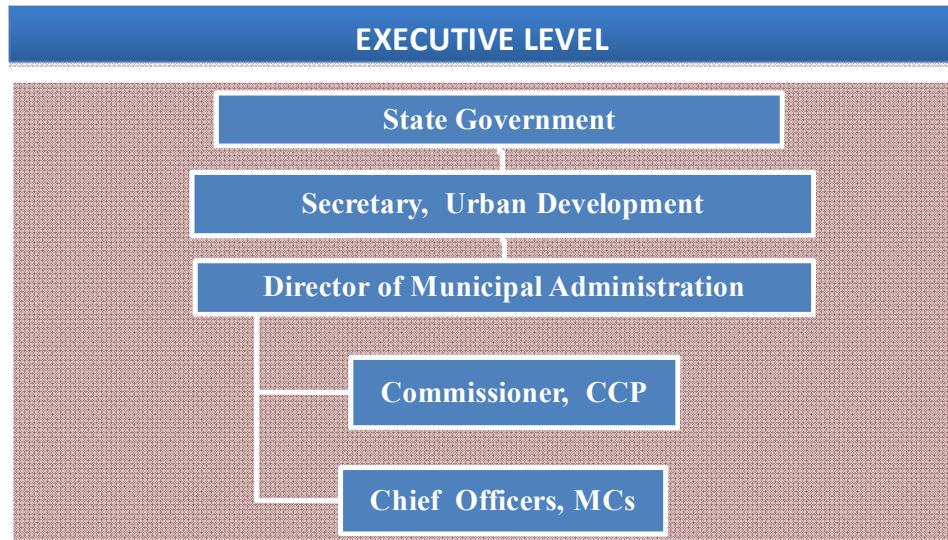
1.1 Introduction

The Urban areas of the State of Goa are administered by Municipal Corporation of the City of Panaji (CCP) and 13 Municipal Councils (MCs). The functioning of the Municipalities in the State is governed by the Goa Municipalities Act, 1968 as amended in 1994 in light of the 74th amendment to the Constitution. The lone Corporation (CCP) in the State is governed by the 'City of Panaji Corporation Act, 2002'.

The last election for 11 MCs was held in October 2010 and for the CCP in March 2011. Election to the Ponda Municipal Council and Sanquelim Municipal Council was held in January 2008.

1.2 Organizational set-up

An organisational chart combining the State Government administrative machinery with Urban Local Bodies (ULBs) is given below:



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

The DMA exercises such powers and performs such duties as are conferred and imposed upon him by the Act or any Rules made there under. The Mayor heads the CCP and Chairpersons head the MCs. The CCP is provided with a full time Commissioner and the MCs are provided with Chief Officers, besides other staff. The salaries of the Commissioner, Chief Officers and other staff on deputation are paid by the State Government.

Standing and Subject Committees are constituted for the Councils under Section 63 of the Goa Municipalities Act. The DMA stated (May 2011) that the Standing Committees would be constituted by the Municipal Authorities in due course from amongst the newly elected bodies.

1.3 District Planning Committees

As per section 184 F of the Goa Municipalities Act, 1968, every Council shall prepare every year a development plan and submit it to the District Planning Committee (DPC) constituted under section 239 of the Goa Panchayat Raj Act, 1994. The DPC shall consolidate the plans prepared by the MCs, Zilla Panchayat and the Village Panchayats in the district and prepare a draft development plan for the district as a whole.

There are two districts in the State of Goa - North Goa and South Goa. The Government constituted (October 2003) two DPCs for the two districts. These DPCs were reconstituted in September 2006 and August 2009 respectively and further reconstitution of the DPC was in progress (April 2011). However, only one meeting has been convened since its inception (October 2008).

Audit noticed that no draft development plan was submitted to the Government so far (April 2011). The non-submission of development plans adversely affects the identification and execution of the developmental works by assigning priority so as to bring about sustainable development.

The DMA stated (March 2011) that the DPCs would be reconstituted by the Directorate of Panchayats and the work is in progress. The DMA also stated (March 2011) that none of the Councils forwarded the Annual Action Plan for the year 2009-10 to DPCs.

1.4 Devolution of Functions

The Twelfth Schedule (Article 243W) of the Constitution envisaged entrustment of 18 functions to the Urban Local Bodies (ULBs). However, the Goa Municipalities Act provided (1993) for devolution of 11 functions to the Councils as detailed in **Appendix 1.1**.

The Second State Finance Commission (SSFC) was entrusted with the work of recommendation for devolution of powers, functions, responsibilities and resources to ULBs. The Commission submitted its report in December 2007. The Commission recommended (December 2007) devolution of all the 11 Functions to ULBs for economic

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development and social justice as listed in the Goa Municipalities Act, 1968.

Of the 11 functions to be devolved on the ULBs, only eight functions and one activity in one function have been transferred as of March 2011 as detailed in **Appendix 1.1**. In addition to this, the function of Urban Poverty Alleviation and the activity of Solid Waste Management under Public Health and Sanitation not envisaged in the Act have also been transferred to ULBs.

Section 143A of the Act requires that the recommendations made by the State Finance Commission together with an explanatory memorandum as to the action taken thereof shall be laid before the State Legislature. The Advocate General of Goa submitted (March 2010) before the Hon'ble High Court of Mumbai at Goa that the State would constitute a committee of ministers which would submit report to the State and thereafter the report could be tabled before the State Legislature in the session after the budget session of 2010. Accordingly, a committee consisting of six ministers was constituted (July 2010) to examine the report of the SSFC and to prepare Explanatory Memorandum on the recommendations of the Commission. The first meeting of the committee was held in March 2011. The explanatory Memorandum on the recommendations of the SSFC was awaited (April 2011).

1.5 Transfer of Funds

ULBs received grants of ` 42.45 crore from Government of Goa and no grants from Government of India (GOI) during the year 2009-10.

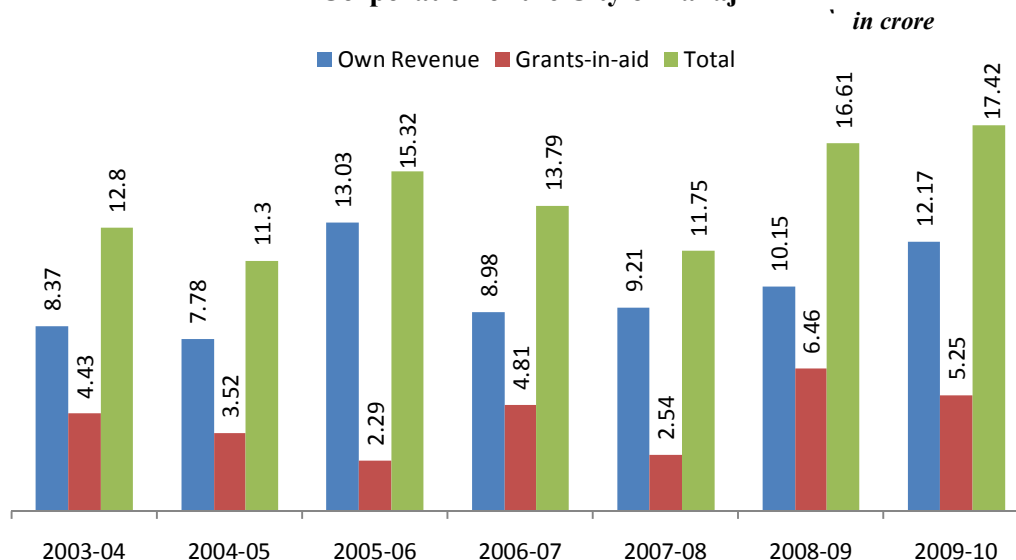
1.5.1 Sources of Funds

The position of own revenue and the grants-in-aid received during the seven years upto 2009-10 is exhibited in the table and the charts below:

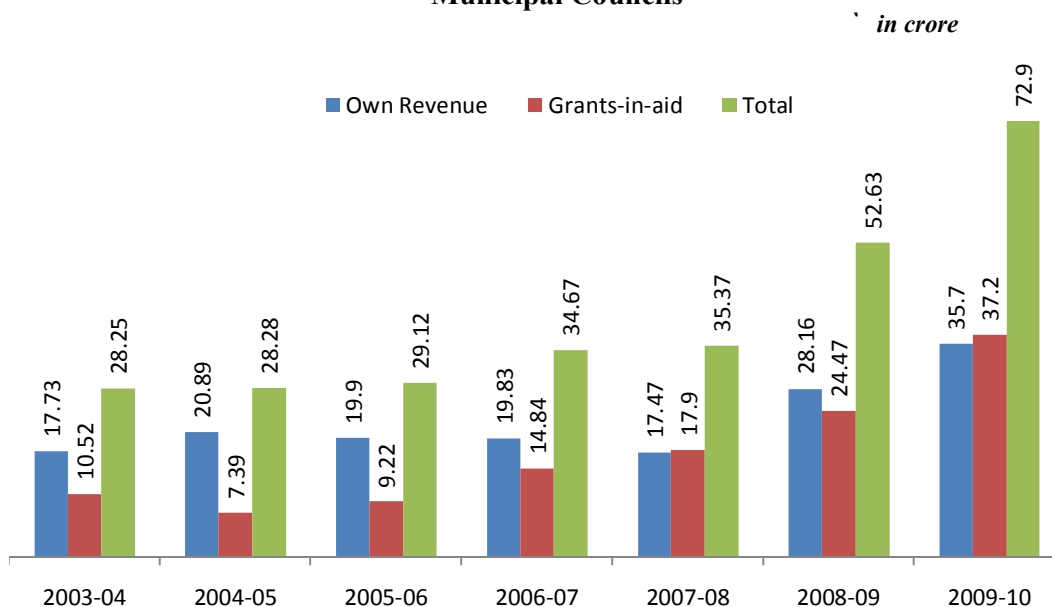
(` in crore)

Years	CCP				MCs			
	Own Revenue	Grants-in-aid		Total	Own Revenue	Grants-in-aid		Total
		Centre	State			Centre	State	
2003-04	8.37	0.10	4.33	12.80	17.73	1.25	9.27	28.25
2004-05	7.78	NIL	3.52	11.30	20.89	NIL	7.39	28.28
2005-06	13.03	NIL	2.29	15.32	19.90	NIL	9.22	29.12
2006-07	8.98	0.23	4.58	13.79	19.83	2.17	12.67	34.67
2007-08	9.21	NIL	2.54	11.75	17.47	NIL	17.90	35.37
2008-09	10.15	0.22	6.24	16.61	28.16	4.80	19.67	52.63
2009-10	12.17	NIL	5.25	17.42	35.70	NIL	37.20	72.90

Corporation of the City of Panaji



Municipal Councils



The grants-in-aid given by the Central Government to CCP reveal a fluctuating trend. The own revenue of the CCP decreased from ` 8.37 crore in 2003-04 to ` 7.78 crore in 2004-05 and increased to ` 13.03 crore in 2005-06. It again showed a decrease in 2006-07 with marginal increase in 2007-08 and stood at ` 10.15 crore in 2008-09. The own revenue has further increased to ` 12.17 crore during 2009-10.

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In respect of MCs, the grants-in-aid decreased from ` 10.52 crore in 2003-04 to ` 7.39 crore in 2004-05 and showed an increasing trend from 2005-06 and the total grants-in-aid for the year 2008-09 stood at ` 24.47 crore. During 2009-10, there was substantial increase in the release of State Government grants to MCs, whereas no Central grant was released to MCs during 2009-10. The own revenue of the MCs decreased from ` 20.89 crore in 2004-05 to ` 19.90 crore in 2005-06 and showed a decreasing trend during 2006-07 and 2007-08. The own revenue for the year 2008-09 showed an increase from ` 28.16 crore in 2008-09 to ` 35.70 crore in 2009-10. The main reason for the increase in own revenue during 2009-10 was due to release of compensation in lieu of Octroi to the extent of ` 20.32 crore as against ` 7.00 crore during 2008-09.

1.5.2 Recommendations of Second State Finance Commission

The Second State Finance Commission (SSFC) recommended (December 2007) an amount of ` 650.65 crore for nine Core Functions¹ as well as ` 818.16 crore for seven Consultative Functions² for ULBs for a five year period. The recommendations are yet to be accepted by the State Government (March 2011) as commented in para 1.4 of this report.

1.6 Twelfth Finance Commission grants

The Twelfth Finance Commission (TFC) recommended grants of ` 12.00 crore (` 2.40 crore per year) for ULBs in the State of Goa for the period 2005-10. The Government of India released ` 2.40 crore for the year 2005-06 in May 2006.

As there was delay in producing utilization certificates by the ULBs for the grants released for the year 2005-06, there was consequential delay in the release of grants for the years 2006-07 and 2007-08. Subsequently, the GOI released (December 2008) TFC grants (` 4.80 crore) for the years 2006-07 and 2007-08, which were released to five³ MCs in January 2009 for setting up of composting station and the landfill sites within the framework of Municipal Solid Waste (Management and Handling) Rules, 2000.

Audit noticed that out of the total TFC grants of ` 7.20 crore for the years 2005-06 to 2007-08, no grant was given to four⁴ MCs till March 2011. Further, due to inordinate delay in implementing the approved schemes and producing the utilization certificates, the Government of India had not

¹ Functions related to direct responsibilities of Urban Local Bodies.

² Planning and monitoring functions including selection of beneficiaries.

³ Canacona, Sanguem, Sanquelim, Cuncolim and Ponda.

⁴ Mormugao, Margao, Bicholim and Curchorem-Cacora.

Chapter-I An overview of the Urban Local Bodies

released (March 2011) grants to the extent of ` 4.80 crore pertaining to the years 2008-09 and 2009-10.

1.7 Transfer of Functionaries

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

1.8 Financial position of the ULBs

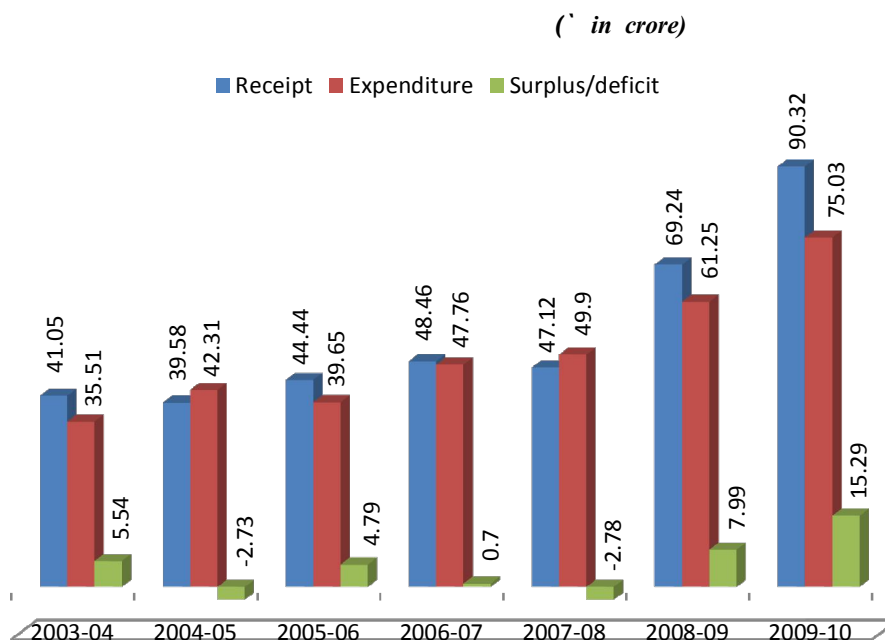
The financial position of the ULBs as aggregated from their accounts and information furnished by DMA for the seven years upto 2009-10 is exhibited in the table and the chart below:

(` in crore)

Year	Receipt			Expenditure			Surplus/ Deficit(-)
	CCP	MCs	Total	CCP	MCs	Total	
2003-04	12.80	28.25	41.05	11.59	23.92	35.51	5.54
2004-05	11.30	28.28	39.58	11.74	30.57	42.31	(-) 2.73
2005-06	15.32	29.12	44.44	13.13	26.52	39.65	4.79
2006-07	13.79	34.67	48.46	14.12	33.64	47.76	0.70
2007-08	11.75	35.37	47.12	15.99	33.91	49.90	(-) 2.78
2008-09	16.61	52.63	69.24	17.18	44.07	61.25	7.99
2009-10	17.42	72.90	90.32	16.17	58.86	75.03	15.29

Note: Receipt includes grants from Central/State Government

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The receipts and expenditure of the ULBs during 2003-04 to 2009-10 revealed that the surplus/deficit varied widely ranging from a surplus of ` 5.54 crore during 2003-04 to a deficit of ` 2.73 crore in 2004-05. It was again a surplus of ` 4.79 crore during 2005-06, turned to a deficit of ` 2.78 crore in 2007-08 and further to a surplus of ` 7.99 crore in 2008-09. During the year 2009-10 the surplus has increased to ` 15.29 crore due to release of more grants (` 11.52 crore) as compared to 2008-09.

1.9 Accounting Procedures

1.9.1 Accounting Formats

The Ministry of Urban Development, Government of India in collaboration with CAG prepared (November 2004) National Municipal Accounts Manual (NMAM) with accrual basis of accounting and provided revised formats of accounts. Based on this, the State Government issued (January 2008) Notification amending the Goa Municipal Account Code, incorporating the Accrual Based Accounting Formats. However, the ULBs are maintaining their accounts on cash basis and none of MCs have followed the accrual based double entry system and prepared the Income and Expenditure Account and the Balance Sheet (March 2011).

The eight formats prepared by CAG for creation of database of finances of ULBs were sent to the Finance Secretary in September 2003. However, these formats were not implemented by any of MCs.

The DMA stated (March 2011) that the Accrual Based Accounting System would be implemented by April 2011.

1.9.2 Revenue Arrears

The total revenue arrears as on March 2010 was ` 25.95 crore. As against the total recoverable amount of ` 41.84 crore until 2009-10⁵, ` 15.89 crore was recovered during the year 2009-10.

The accumulation of arrears was attributed to the non-issue of demand notice and non-appointment of Recovery Officers under Section 163 of the Goa Municipalities Act to collect the arrears of revenue.

1.9.3 Outstanding Utilization Certificates

As per terms and conditions for release of the grants, the entire amount of grant shall be utilized within a period of one year and a utilization certificate (UC) shall be submitted by the CCP/MCs within 18 months.

It was observed that 623 UCs in respect of grants amounting to ` 159.58 crore were outstanding from CCP/MCs as of June 2010 (**Appendix 1.2**).

1.10 Audit Coverage

As per the provisions of Section 152 of the Goa Municipal Account Code, 1972, the Director of Accounts is the statutory auditor of the ULBs and the audit of CCP and all the 13 MCs upto 2009-10 were completed.

CAG conducts audit of ULBs under Section 14 (1) of CAG's DPC Act, 1971. In addition to this, the audit is also conducted under the Technical Guidance & Supervision arrangement under section 20 (1) of DPC Act. The audit of eight MCs⁶ was conducted during 2010-11 and results of the audit are included under Chapter II of this Report.

1.10.1 Audit Reports of Director of Accounts

The Director of Municipal Administration stated (March 2011) that 868 paras in the Audit Reports of Director of Accounts were pending clearance as of March 2010 in respect of CCP and 13 MCs. Out of this 349 paras were pertaining to the period upto 2000-01 and the remaining 519 paras

⁵ The arrears of ` 2.64 crore as of March 2009 in respect of Mapusa and CurchoremCacora MCs were taken as the opening arrears for the year 2009-10 for want of details.

⁶ Bicholim, Canacona, Pernem, Ponda, Margao, Mapusa, Mormugao and Sanquelim.

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were pertaining to the period 2001-02 to 2009-10. The DMA stated (March 2011) that the proposal regarding the setting up of internal control mechanism to watch the compliance of outstanding paras in respect of CCP/MCs is under examination.

1.10.2 Poor response to Inspection Reports

The position of outstanding paras of the Inspection Reports of Accountant General in respect of CCP and 13 MCs is as under:

Year	No. of Inspection Reports	No. of Paras
2004-05	1	2
2005-06	2	3
2006-07	3	7
2007-08	9	31
2008-09	7	51
2009-10	13	170
Total	35	264

The Responses to Audit Paras are not satisfactory as replies to 264 paras in 35 Inspection Reports (issued upto 30 June 2010 and outstanding as on 31 December 2010) pertaining to the period from 2004-05 to 2009-10 were outstanding from CCP and all the MCs.

CHAPTER - II

AUDIT FINDINGS

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

As per the Municipal Solid Waste (Management and Handling) Rules, 2000 of Government of India, every Municipal Authority is responsible for collection, segregation, storage, transportation, processing and disposal of Municipal Solid Wastes (MSW).

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

Compliance Criteria	Schedule
Setting up of waste processing and disposal facilities	By 31.12.2003 or earlier
Monitoring the performance of waste processing and disposal facilities	Once in six months
Improvement of existing landfill sites as per provisions of these rules	By 31.12.2001 or earlier
Identification of landfill sites for future use and making sites ready for operation	By 31.12.2002 or earlier

The implementation status of the MSW Rules at CCP and 13 MCs, furnished (March 2011) by DMA, was as follows:

- The CCP had identified three sites and obtained (December 2005) NOC from Town & Country Planning Department and authorization by the Goa State Pollution Control Board (GSPCB). The CCP, with Government grants of ` 4.11 crore, acquired (January 2009) land at Bainguinim. The Corporation has also acquired land (bearing Pt. Sheet No.188 chalta No1 (P)) at Dona Paula Marvel. As per the court order (Writ Petition No.569 of 2010) and in terms of agreement with La Marvel Residence Welfare Association, the said land admeasuring 3000 m2 will be provided to the CCP without any cost and the said land would be handed back after its use. The same has been considered by the CCP and the process of establishing sanitary land fill facility is under progress. Regarding the third site bearing Chalta No.6 of Pt. Sheet No.56 for setting up of dry recyclable material sorting centre, Government has notified (18 November 2009) the site under section 4 of Land Acquisition Act, 1894.

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- All the 13 MCs have identified sites for disposal of solid wastes. Mormugao, Bicholim, Sanquelim and Cuncolim MCs have set up garbage treatment plants and the same are under operation. The process of setting up MSW treatment plants in five MCs¹ is in progress. Valpoi MC had acquired land and preparation of estimates is in progress, whereas Ponda MC has referred the estimates to PWD. The proposal for acquiring the land by Curchorem-Cacora MC and Mapusa MC was in progress (April 2011).

Thus, non-implementation of the MSW Rules, 2000 would lead to accumulation of municipal waste due to non-disposal and thereby emission of green house gases in to the atmosphere. This posed immense risks to public health as well as causing contamination of the environment.

2.2 Audit Paragraphs

2.2.1 Loss of revenue due to non-collection of Sanitation Fee

The Mhapsa Municipal Council could not collect the sanitation fee of ` 2.10 crore from the householders and commercial establishments during the period from August 2008 to March 2009 due to the absence of data base and improper internal control system.

The Mhapsa Municipal Council decided to commence collection of segregated solid waste/garbage within the jurisdiction of the Council with effect from 15 August 2008 and made awareness to public through an appeal to the citizens. The sanitation/garbage collection fee fixed was ` one per day for each household and ` five- to 100/- per day for each commercial establishments depending on the quantum of garbage.

There are 13,204 numbers of household and 5184 numbers of commercial units within the jurisdiction of the Mhapsa MC. Thus, the total sanitation fee collectable for a year was ` 1.43 crore².

The total collectable fee from household and commercial units for 182 days from 01 October 2008 to 31 March 2009, after allowing the preparatory period of one and half months, was to the tune of ` 71.21 lakh (` 24.03 lakh from household and ` 47.18 lakh from commercial units). As against this, the amount collected was only ` 3.11 lakh. Similarly, total collection during 2009-10 was only ` 1.03 lakh as against collectable amount of `

¹ Margao, Canacona, Quepem, Sanguem and Pernem.

² Household- = ` 48.19 lakh (13204x1x365) and Commercial - ` 94.61 lakh (5184x5x365) reckoned at the minimum rate of ` 5/- per day.

1.43 crore. Thus, total uncollected amount for the above periods worked out to ` 2.10 crore.

The audit was informed that during the year 2008-09 and 2009-10 the Mhapsa MC engaged its own supervisors to collect the sanitation fee for door-to-door garbage collection from each household and commercial units. However, it was observed that the concerned supervisors did not submit any written statements for non-payment of Sanitation fee by any household/commercial unit. It was also noticed that organized system was not evolved to enforce effective collection of the said fee.

On being pointed out in audit it was replied (August 2010) that initially collection was started in two Wards only in August 2008 and due to absence of data base, demand and subsequent collection was not made. It was further stated that from the year 2010-11 onwards the Mhapsa MC adopted a policy to collect the said sanitation fee along with House Tax payment or Trade License renewal. Reply is not acceptable as the solid waste/garbage is being collected from every households and commercials establishment, the charges should also have been collected from these units. Further, there were huge arrears of House tax/Trade License fee too. This would only lead to deferment of collection of garbage fee from the beneficiaries. Fair and transparent methodology for collection of sanitation fee is yet to be evolved.

As collection of Sanitation fee along with House tax and Trade Fee was effected only from 2010-11, the amount due to the extent of ` 2.10 crore (upto the period 2009-10) remained uncollected.

The matter was reported (Feb 2011) to the DMA. Reply is awaited.

2.2.2 Non recovery of lease rent

The failure of the Mormugao Municipal Council to adopt the revised lease rent with effect from the date of amendment to Section 88 of the Goa Municipalities Act, 1968 and the lack of proper oversight role by the Director of Municipal Administration rendered the claim for arrears of rent from two oil companies under dispute and consequent accumulation of rent to the extent of ` 3.59 crore.

As per section 88 (3) of the Goa Municipalities (Amendment) Act, 1996, a Council can lease out its immovable properties for a period not exceeding three years with appropriate annual rate of increase in rent. Such lease may be renewed beyond the period of three years with the permission of the

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Director who shall decide the reasonability of annual increase in rentals before issuing permission for extending the lease period.

Mormugao Municipal Council (MMC) leased land measuring 9070.70 sq. metre and 8038 sq. metre respectively to M/s Hindustan Petroleum Corporation Limited (HPCL) and Indian Oil Corporation (IOC). The original lease agreements for 25 years expired on 2 March 1984. There was no renewal of lease and the land remained in the occupation of the above two companies without any agreement. Subsequently, the MMC executed a lease agreement with HPCL in January 1993 for seven years from 3 March 1987 to 2 March 1994.

The MMC decided (September 1999) to fix the lease rent at ` 25 sq. metre per month for commercial premises and rupees eight per sq. metre per month for residential buildings with effect from 1 January 2000. The matter was referred (June 2000) to the Director of Municipal Administration (DMA) for approval. DMA, however, insisted (July 2000) for adoption of the new rate from 5 May 1997 onwards. In a negotiation meeting held between the MMC and the two oil companies, the rent was fixed at ` 20 per sq. metre per month for three years from 1 January 2000 and ` 25 per sq. metre per month with effect from 1 January 2003 onwards with an annual increase of five *per cent*. An agreement was also executed with IOC in January 2009. Accordingly, the MMC raised demand for arrear rent on IOC for ` 48.27 lakh for the period from January 2003 to December 2008 and the same was collected in January 2009.

Subsequently, the MMC revised its earlier demand of ` 48.27 lakh on IOC and claimed (October 2010) ` 1.38 crore by reckoning the rent at ` 25 per sq. metre per month from 5 May 1997 with annual increase of five *per cent*. However, IOC did not pay the arrears on the plea (November 2010) that the demand of the MMC was not as per the terms and conditions of the agreement entered into in January 2009.

In respect of HPCL no agreement was executed since 3 March 1994. The MMC raised a demand of ` 62.21 lakh by reckoning ` 20 per sq. metre per month for the period from January 2003 to June 2009 of which the company paid ` 18 lakh in September 2009. Subsequently, the MMC revised its earlier demand of ` 62.21 lakh and preferred (November 2010) a fresh claim of ` 2.21 crore at the revised rate of ` 25 per sq. metre per month for the period from 5 May 1997 to September 2010.

Audit scrutiny revealed the following:

- As per the amended Act, the lease of municipal immovable properties shall be made with appropriate annual rate of increase in rent. However, no such annual increase in rent for two years from 1 January 2001 to 31 December 2002 was made in the agreement with IOC.
- There was no renewal of lease agreement with M/s HPCL from 3 March 1994 and as such the claim of ` 2.21 crore was not protected by any agreement.
- The non-adoption of the rate with annual increase approved by the DMA from the date of amendment to the Act has got recurring effect on the future revenue of the MMC.
- As the claims of the MMC were against the contractual obligations, initiation of actions to recover the dues led to the case under litigation.

The matter was referred to the MMC in November 2010 and the Director of Municipal Administration in February 2011 and their replies were awaited (May 2011).

2.2.3 Loss of revenue due to lease of land below the approved rate

Due to leasing of land for 10 years at a lower rate of rent than approved by the Council coupled with lack of internal check resulted in revenue loss to the tune of ` 42.83 lakh to Mhapsa Municipal Council.

The Mhapsa Municipal Council had leased out two stretches of land admeasuring 124.20 sq. metres and 595 sq. metres to Bharat Petroleum Corporation Ltd (BPCL) for the purpose of setting up of Petrol Pumps in the year November 1963. The lease agreements were renewed from time to time. The audit observed (August 2010) that the Mhapsa MC in its meeting held in March 2007 resolved to revise rate of the rent from the existing rate of ` 35/- per sq. metre per month to ` 70/- per sq. metre per month and accordingly the Mhapsa MC sought the approval of the Director of Municipal Administration (DMA). The DMA conveyed (September 2008) approval for revised rate of ` 70/- per sq. metre per month with an annual increase of rent at the rate of 10 *per cent* for three years from 26 March 2007 to 25 March 2010. However, the then Chief Officer, Mhapsa MC had concluded two separate agreements with BPCL on 18 May 2010 for leasing of 124.20 sq. metres and 595 sq. metres of land for a period of 10 years

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from 26 March 2007 to 25 March 2017 at the rate of ` 55/- per sq. metre per month and with an increase of 10 *per cent* in every three years. Due to adoption of a lower rate with 10 *per cent* increase in every three years, instead of the rate resolved by the Council and approved by the DMA, the Mhapsa MC suffered a revenue loss to the extent of ` 42.83 lakh³ on leasing 719.20 sq. metres of land.

Further, Section 88 (3) of the Municipalities (Amendment) Act, 1996 stipulates that the Council may lease its immovable property for a period not exceeding three years with annual increase of 10 *per cent* in rent. However, as per the Agreement executed by the then Chief Officer the period of lease was 10 years with increase in rent after every three years which resulted in violation of relevant provisions of the Act.

Thus, due to fixation of a lower rate of rent and the lapse in observing proper internal check resulted in revenue loss to the tune of ` 42.83 lakh and thereby extending undue benefits to the Lessee.

The matter was reported (February 2011) to the DMA and reply is awaited.

2.2.4 Unfruitful expenditure on construction of Fish Market complex

Due to poor quality of construction Mhapsa Municipal Council demolished a market complex prematurely rendering the expenditure of ` 20.66 lakh unfruitful

The Mhapsa Municipal Council resolved (November 1988) to construct an RCC framed structure for Fish Market in the extended Municipal Market area in two phases to accommodate about 300 fish vendors. The technical sanction was accorded (February 1989) by the Superintending Engineer PWD for ` 19.73 lakh for a built up area of 1893.70 sq. metres in Phase I. The work was awarded to M/s Dilip Dessai and Associates and the construction was completed in June 1994

In May 2004 the Mhapsa MC engaged a Project Consultant & Engineers firm to inspect the building. The Consultant in his Inspection Report stated (May 2004) that the slabs and beams of the building were showing distress in several places, cover of slab had fallen off, slabs were leaking and cracks were found on beams, exposed reinforcement was heavily corroded and the building was highly dangerous for human activities.

³ ` 5.76 lakh from March 2007 to March 2010 and ` 37.07 lakh from April 2010 to March 2017

It was noticed in audit that the Mhapsa MC resolved (August 2004) to reconstruct the fish market through a Government Agency due to dilapidated condition of the building based on the report of the Consultant. The Mhapsa MC also resolved (August 2007) to demolish the existing structure immediately and to shift the fish vendors on the advice of the Consultant and suggestions of the Engineering Section of the Mhapsa MC.

As per Section 2.5.1 (d) of the CPWD Works Manual 2007, the competent authority who accord sanction should ensure that the design and specification adopted in detailed estimate are adequate enough for the building to last till its desired life. Further, as per Section 2.5.1 (e) of the CPWD Works Manual 2007, economic life of RCC framed structure is 75 years and whereas the fish market building outlived in less than 10 years. In August 2007 Mhapsa MC resolved to recommend the Government of Goa to conduct an enquiry into the matter of poor quality of construction of the fish market and to fix responsibility thereof. However, no such enquiry seems to have been conducted and no responsibility was fixed. The Mhapsa MC had further incurred an expenditure of ` 0.93 lakh in March 2009 towards demolition of roof slabs of the market building.

Thus, the Fish Market complex constructed at an estimated cost of ` 19.73 lakh (the actual expenditure was stated to be untraceable) was demolished prematurely incurring an additional expenditure of ` 0.93 lakh.

2.2.5 Non-claiming of annual reimbursement of property tax on the exempted class of property

The Municipal Councils in Goa were not claiming the reimbursement of property tax on the exempted properties from the Government.

Section 101 of the Goa Municipalities Act, 1968, empowers every Municipal Council to impose consolidated taxes⁴ on lands and buildings or both situated in the municipal area, other than those belonging to the Governments or duly registered freedom fighters, based on their rateable value⁵. If under any special or general order, the Government grants exemption in respect of any class of property or person from levy of taxes, the Government, under section 102 of the Act, may annually reimburse to the Council an amount equal to the loss appropriately incurred by the Council.

⁴ Consisting of a General tax, a general water tax, a lighting tax and a general sanitary tax.

⁵ Rateable value is the 90 *per cent* of the amount of rent for which the land or buildings might reasonably be expected to let, or for which it is actually let from year to year whichever is greater.

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Audit noticed that though the eight Municipal Councils⁶ were entitled to get the reimbursement of the loss on account of the exemption of certain class of property, the same was not assessed and claimed from the Government.

The Chief Officers of the Council stated that action would be taken to submit the proposal with the Government for getting the eligible reimbursement.

2.3 Recommendations

- ❖ **Steps need to be taken to ensure that the accounts are maintained on accrual basis.**
- ❖ **The Municipal Solid Waste (Management & Handling) Rules, 2000 need to be complied with to avoid damages to the environment.**
- ❖ **A mechanism needs to be evolved to ensure that the UCs in respect of grants received from Central and State Governments are furnished promptly so that the loss to of grants can be eliminated.**
- ❖ **Provisions of the Act need to be invoked for collection of outstanding revenue so as to improve the financial position of the Municipal Councils.**
- ❖ **DMA should ensure that the directions regarding rent revision are implemented without any change or DMA should fix the responsibility for not implementing its direction.**

⁶ Pernem, Margao, Mormugao, Canacona, Ponda, Mhapsa, Sanquelim and Bicholim

PART B
PANCHAYATI RAJ INSTITUTIONS

CHAPTER – III

AN OVERVIEW OF THE PANCHAYATI RAJ INSTITUTIONS

3.1 Introduction

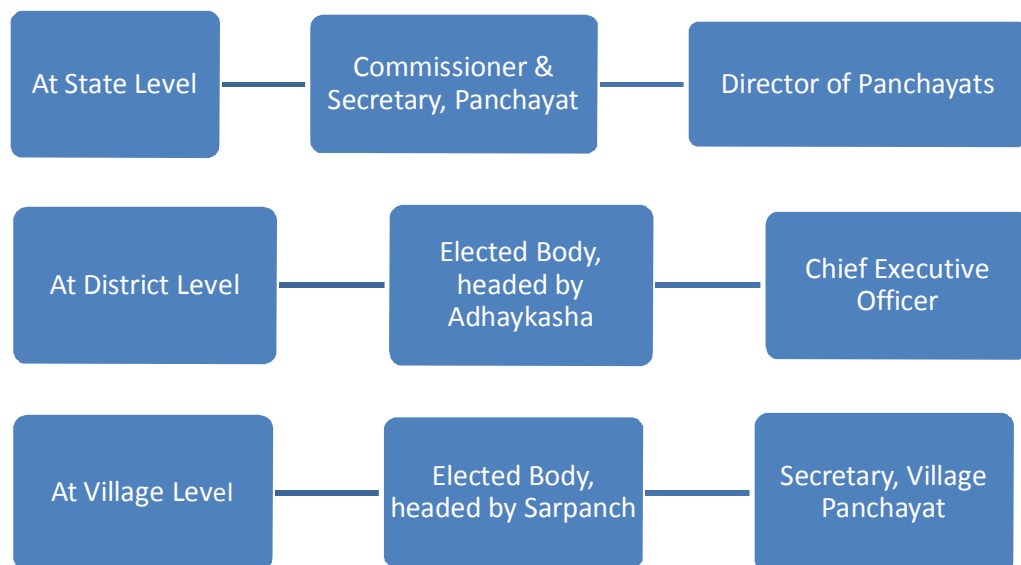
Goa along with Daman & Diu was liberated in December 1961 from the Portuguese rule. After liberation, the President of India promulgated the Goa, Daman & Diu Village Panchayat Regulation, 1962 under Article-240 of the Constitution of India. This was amended in 1994 to incorporate the provisions of the 73rd Constitutional Amendment Act, 1992 to establish a two-tier panchayat system of elected bodies – Village Panchayats (VPs) at village level and Zilla Panchayats (ZPs) at district level.

The State of Goa consists of two Districts namely ‘North Goa’ and ‘South Goa’. As of March 2010, there were two ZPs and 189 VPs in the State of Goa.

Last elections for ZPs were held in February 2010 and those of VPs were held in December 2007.

3.2 Organisational set-up

The organizational set-up of PRIs in the State is shown below:



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

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

3.3 District Planning Committees

In pursuance of Section 239 of Goa Panchayat Raj Act, 1994 the Government constituted (October 2003) District Planning Committees (DPCs) for the two districts - North Goa and South Goa. These committees were reconstituted in September 2006 and August 2009. Every year, a development plan is required to be prepared by every VP and submitted to the ZP which would consolidate the development plans received from all the VPs and forward the same along with ZP plan to the DPC who would prepare a Draft Development Plan (DDP) for the district as a whole and forward to the Government.

It was stated (November 2010) that since constitution of the DPC in October 2003, the preparation of DDPs has not been materialized due to non-preparation of the Annual Development Plans by the VPs.

3.4 Functions

3.4.1 Devolution of Functions

The XIth Schedule appended to the Constitution of India gives a list of the 29 functions and responsibilities which may be devolved to the PRIs. The Schedules-I and II appended to the Goa Panchayat Raj Act, 1994 envisaged entrustment of 28 and 25 functions to VPs and ZPs respectively **Appendix 3.1 and 3.2**. However, only the following 12 functions each have been devolved partly to the VPs and ZPs.

Chapter-III An overview of Panchayati Raj Institutions

Functions devolved to VPs		Functions devolved to ZPs	
Sr. No. of Sch XI of Constitution	Name of Function/Scheme	Sr. No. of Sch XI of Constitution	Name of Function /Scheme
1	Agriculture including Agricultural extension	1	Agriculture including Agricultural extension
4	Animal Husbandry, Dairying & Poultry	3	Minor Irrigation, Water Management & Watershed Management
5	Fisheries	4	Animal Husbandry, Dairying & Poultry
11	Drinking Water	5	Fisheries
16	Poverty alleviation programmes	8	Small scale industries including food processing industries
17	Education, including primary and secondary school	11	Drinking Water
21	Cultural Activities	16	Poverty alleviation programmes
23	Health and sanitation including hospitals, primary health centres and dispensaries	17	Education including primary and secondary school
25	Women & Child Development	21	Cultural Activities
26	Social Welfare including welfare of the handicapped and mentally retarded.	23	Health and sanitation including hospitals, primary health centers and dispensaries
29	Maintenance of community assets	25	Women & Child Development
	General functions, preparation of annual plans, preparation of annual budget, providing relief to natural calamities, removal of encroachment, organizing voluntary labour and contribution for community works and maintenance of essential statistics	26	Welfare of the weaker sections, in particular of handicapped & mentally retarded

The State Government had set up two Finance Commissions to review the financial position of Local Bodies. The Second State Finance Commission (SSFC) was set up in August 2005 and was requested to carry out activity mapping. Accordingly, SSFC recommended (December 2007) devolution of all the 28 Functions and 74 Activities to VPs and 25 Functions and 47 Activities to ZPs for economic development and social justice as listed in the I and II Schedules respectively of the Goa Panchayat Raj Act, 1994.

The Director of Panchayats stated (November 2010) that the recommendations of the SSFC on the activity mapping were under

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consideration of the Government.

3.5 Transfer of Funds

3.5.1 Sources of Funds

The Government of Goa sanctions grants-in-aid to the ZPs/VPs in the State for financing developmental works, administrative expenses, matching grants, compensation in lieu of Octroi etc. During the year 2009-10, the amount of grants-in-aid released to the ZPs and VPs (including the amount received from the Centre) was ` 9.62 crore and ` 19.71 crore respectively.

The details of own revenue, grants-in-aid and expenditure for the seven years from 2003-04 to 2009-10 were exhibited in the table and the charts below:

(` in crore)

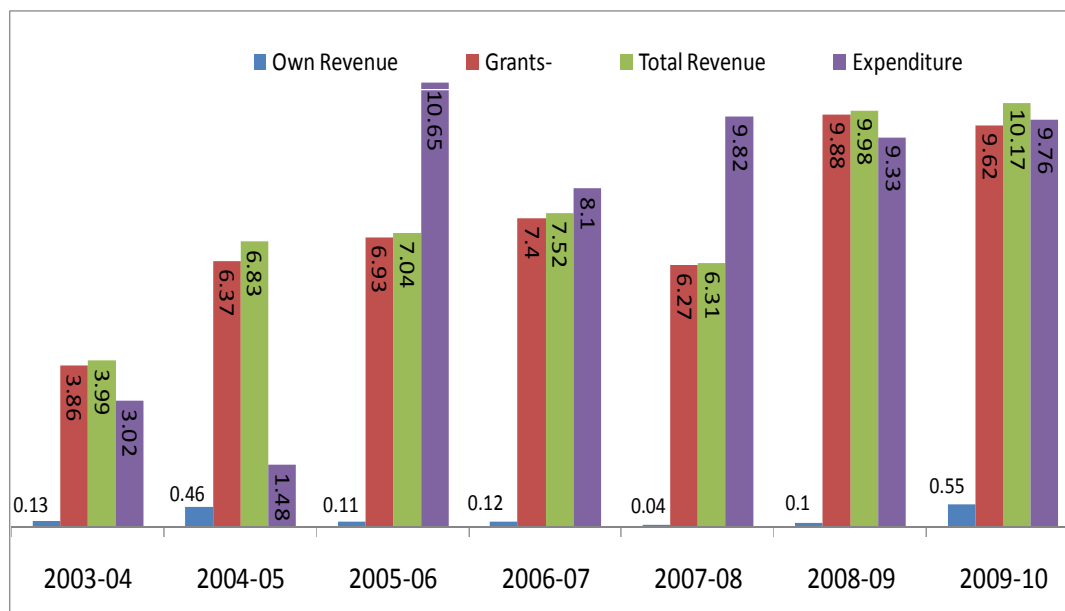
Year	ZPs				VPs			
	Own Revenue	Grants-in-aid	Total Revenue	Expenditure	Own Revenue	Grants-in-aid	Total Revenue	Expenditure
2003-04	0.13	3.86	3.99	3.02	9.87	14.69	24.56	26.39
2004-05	0.46	6.37	6.83	1.48	9.01	18.11	27.12	27.81
2005-06	0.11	6.93	7.04	10.65	11.48	29.53	41.01	32.84
2006-07	0.12	7.40	7.52	8.10	16.61	32.46	49.07	55.23
2007-08	0.04	6.27	6.31	9.82	20.99	27.20	48.19	47.63
2008-09	0.10	9.88	9.98	9.33	24.78	34.18	58.96	47.45
2009-10	0.55	9.62	10.17	9.76	45.96	19.71	65.67	59.57

Source: Information furnished by the Directorate of Panchayats

Note: Grants-in-aid include grants received from Central/State Governments and sanctioned through District Rural Development Agencies.

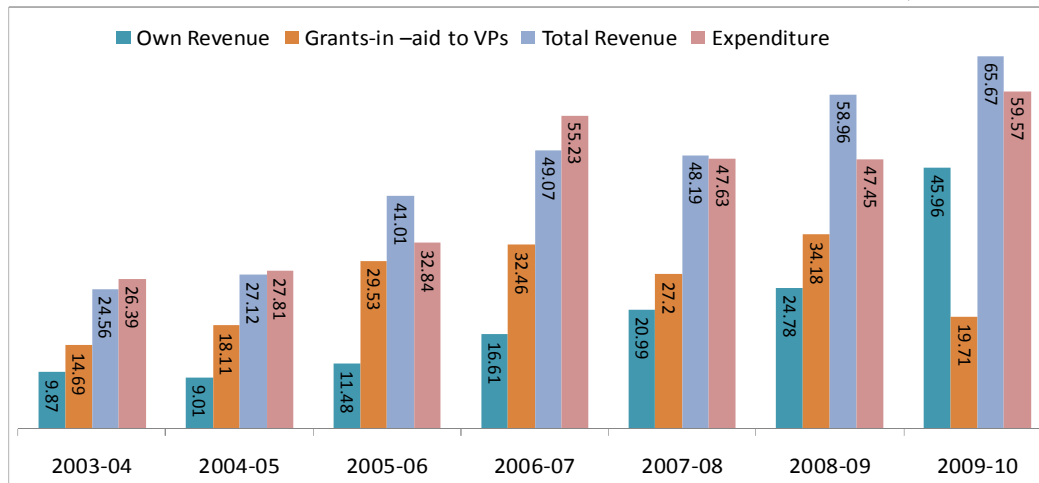
Zilla Panchayats

(` in crore)



Village Panchayats

(` in crore)



The only source of own income for ZPs was sale of tender forms. There was an increase of ` 45 lakh in own revenue and decrease of ` 26 lakh in grants-in-aid during 2009-10 as compared to the previous year. In the case of VPs, the collection of own revenue increased considerably by ` 21.18 crore during the year 2009-10. However, the grants-in-aid decreased by ` 14.47 crore during the same period.

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3.5.2 Recommendations of the Second State Finance Commission

The Second State Finance Commission (SSFC) recommended an amount of ` 722.81 crore for the 21 Core functions¹ as well as ` 1131.03 crore for 17 Consultative functions² for VPs and ` 284.51 crore for 10 Core functions and ` 459.61 crore for 11 Consultative functions for ZPs for a period of five years from 2007-08 to 2011-12.

The SSFC also recommended (December 2007) the creation of following posts in various offices, which will entail an annual expenditure of ` 11.01 crore.

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

The status of the recommendation of the SSFC is already commented in para 1.4 in this report.

3.6 Twelfth Finance Commission grants

As against the total Twelfth Finance Commission (TFC) outlay of ` 18 crore to the PRIs, the Government of Goa received ` 7.20 crore for the years 2005-06 and 2006-07 between February 2006 and July 2007. Out of the above grants, the Directorate sanctioned grants to the extent of ` 6.43 crore to VPs and ` 77 lakh to ZPs. There was a delay of 27 days in releasing ` 1.80 crore to the PRIs for which interest of ` 0.67 lakh was released to the PRIs. As there was delay in producing utilization certificates for the grants released for the years 2005-06 and 2006-07, the grants for the years 2007-08 and 2008-09 were also delayed. The Government of India released (December 2008) TFC grants for the year 2007-08 amounting to ` 3.60 crore during 2008-09 of which ` 3.37 crore was released equally among all the VPs and ` 23 lakh to ZPs in January 2009.

Out of ` 10.80 crore released for the years 2005-06 to 2007-08 an amount of ` 9.84 crore (91.11 *per cent*) was utilized (November 2009).

¹ Functions related to direct responsibilities of Local Bodies.

² Planning and monitoring functions including selection of beneficiaries.

Government of India released an amount of ` 1.80 crore being first installment for the year 2008-09 in February 2010 which was released equally among 189 VPs (` 1.50 crore) and ZPs (` 30 lakh) in March 2010. There was a delay of nine days in releasing the grants to PRIs for which the Directorate has not released interest so far (April 2011).

During the test check of 20 VPs, Audit noticed that TFC grants of ` 1.13 crore was sanctioned to these VPs during the period from February 2006 to March 2010. Out of this ` 62.93 lakh (55.69 *per cent*) only was utilized upto the end of March 2010 for clearing water bills of public water taps (` 4.84 lakh), sanitation (` 43.41 lakh), creation and maintenance of data base (` 3.56 lakh) and repairs and maintenance of wells and water tanks (` 11.12 lakh). Further, one VP³ had not utilized any amount and five VPs⁴ had not furnished the utilization certificates (March 2010).

Audit further noticed (April 2011) that due to inordinate delay in implementing approved schemes and producing the utilization certificates, the Government of India had not released grants to the extent of ` 5.40 crore being second installment of 2008-09 and both installments for the year 2009-10.

The Director of Panchayats stated (May 2011) that the lengthy procedure was prescribed for utilization of funds and VPs were lagging behind to utilize the money within the scheduled time limit. It was further stated that due to this VPs failed to submit utilization certificates to the extent of 90 *per cent* of the grants released by the Government of India which resulted in non-release of ` 5.40 crore.

3.7 Transfer of Functionaries

The Government of Goa has provided one Village Panchayat Secretary to each VP whose salaries and allowances are paid directly by the State Government. The VPs have also employed their own staff like clerks-cum-typists and peons.

The Government has appointed a Senior Grade Officer of the Goa Civil Service in each ZP as the Chief Executive Officer and an officer of the cadre of Deputy Director of Accounts as an Accounts Officer in each ZP. Other functionaries like Stenographers, Accountants, Clerks, Peons, Sweepers and Drivers have also been provided to each ZP. The services of

³ Alorna

⁴ Aldona, Agasaim, Mercas, St.Cruz and Goa Velha

Executive Engineers, Assistant Engineers and Junior Engineers from the PWD of the State have been placed at the disposal of the ZP for execution of technical works like preparation of estimates of different works, recording of measurements, tendering of works and preparation of running account bills.

3.8 Outstanding Utilization Certificates

As per terms and conditions for release of the grants, the entire amount of grant shall be utilized within a period of one year and a utilization certificate (UC) shall be submitted by the ZPs/VPs within 18 months. However, the ZPs and VPs failed to submit the UCs in time. It was observed that 45 UCs in respect of grants amounting to ` 4.40 crore and 2459 UCs in respect of grants amounting to ` 85.60 crore were outstanding from ZPs and VPs respectively as of June 2010 (**Appendix 3.3**).

3.9 Audit coverage

The audit of ZPs in Goa is conducted under Section 20 (1) of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. By virtue of Section 194 of the Goa Panchayat Raj Act, 1994, the Comptroller and Auditor General of India is the sole auditor for ZPs. The audit of accounts North Goa Zilla Panchayat (NGZP) was completed upto the period 2005-06 and South Goa Zilla Panchayat (SGZP) upto the period 2006-07. The transaction audit of NGZP was completed upto 30 November 2010 and SGZP upto March 2007 (April 2011).

The Director of Accounts is the Statutory Auditor of VPs under Section 187 of the Goa Panchayat Raj Act. The State Government, in November 2006, entrusted Technical Guidance & Support (TGS) over accounts and audit of PRIs to the CAG. Accordingly, audit of 20 VPs for the year 2009-10 was conducted and the results are given in chapter four. Further, training programme for the accounts staff of PRIs was also conducted under TGS in March 2010.

3.9.1 Internal Audit

It was observed that there was no internal audit set up in both the ZPs. The Director of Panchayats stated (August 2009) that the proposal for creation of Internal Audit Cell in the Directorate of Panchayats was under consideration and was being put up to the Government. Further progress is awaited (May 2011).

3.9.2 Response to audit

Response to the Paras of the Inspection Reports was poor as replies to 62 paras of eight Inspection Reports pertaining to the period from 2004-05 to 2009-10 in respect of two ZPs and 485 paras of 63 Inspection Reports pertaining to the year 2009-10 (issued upto June 2010) in respect of VPs were pending as of December 2010 as detailed below:-

Year	NGZP		SGZP		Village Panchayats	
	IR	Paras	IR	Paras	IR	Paras
2004-05	1	1	1	4	0	0
2005-06	0	0	1	7	0	0
2006-07	0	0	1	10	0	0
2007-08	1	1	0	0	0	0
2008-09	1	24	0	0	0	0
2009-10	1	9	1	6	63	485
Total	4	35	4	27	63	485

3.9.3 Compliance of Audit Reports of Director of Accounts

There were 7004 outstanding paras as of March 2011 pertaining to the period from 1985-86 to 2009-10 in the Audit Reports of Director of Accounts in respect of 189 VPs. The Director of Accounts stated (May 2011) that the accumulation of paras was due to absence of separate audit cell to monitor and settle the audit paras. It was further stated that there was a proposal to outsource the work to expedite the replies to outstanding paras.

3.10 Accounting Procedures

Based on the recommendation of the Eleventh Finance Commission, for exercising proper control and securing better accountability, the formats for preparation of budget and accounts and data base on finances of PRIs were prescribed by CAG in 2002. The formats were simplified in January 2009. However, VPs and ZPs had not adopted the revised accounting formats (April 2011).

CHAPTER IV

4.1 Audit Paragraphs

4.1.1 Irregular sanction of developmental grants

The Director of Panchayats released development grants of ₹ 31.35 crore to Zilla Panchayats in contravention to the provisions of the General Financial Rules, 2005.

Government of Goa provides financial assistance to the ZPs in the form of grants-in-aid for carrying out the developmental works in the ZP area. In order to have a uniformity and to monitor the utilization of the grants-in-aid, in pursuance of sub section (1) of section 160 of the Goa Panchayat Raj Act, 1994, the Director of Panchayats and Ex-Officio Joint Secretary issued (August 2000) a Notification prescribing the terms and conditions and the purpose for sanctioning the grants-in-aid to the ZPs. The terms and conditions *inter alia* included the following conditions:

- i. The ZP shall submit an application to the Director of Panchayats through the Chief Executive Officer along with a copy of the resolution seeking the release of grants.
- ii. The Grants sanctioned for specific works/projects under a scheme should be utilized exclusively for the works and no expenditure on account of salaries, wages and other items of contingent nature should be debited to any work/scheme/project.
- iii. No grants shall be sanctioned unless the previous grants are fully utilized and the utilization certificate furnished.
- iv. The utilization of grants by the ZP shall be subject to all other conditions as laid down in the General Financial Rules (GFR), Accounts Code, CPWD Manual and other instructions issued by the Government.

As per Rule 209 (1) of the GFR, 2005, any organization or Institution seeking grants-in aid from the Government is required to submit an application which should clearly spell out the need for seeking the grants. Further, Rule 209 (3) requires that the grants sought by any Institution or Organization should be considered only on the basis of viable and specific schemes drawn up in sufficient detail by such Institution or Organization. The budget for such schemes should, *inter alia*, disclose the specific quantified and qualified targets likely to be attained against the outlay.

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Audit noticed that the ZPs were not preparing the development plans based on which the works/projects/schemes were to be selected on priority basis. Further, the ZPs were not submitting any concrete proposals for grants as required under Rule 209 of the GFR, 2005 and the terms and conditions issued by the Government in August 2000. On the contrary, the Director of Panchayats was sanctioning grants-in-aid to the North Goa ZP and the South Goa ZP in lump sum without obtaining any proposal from the grantee.

During the period from April 2005 to March 2011, the Directorate of Panchayats sanctioned grants-in-aid of ` 31.35 crore to the ZPs for developmental works without getting any concrete proposals as detailed below:

(` in crore)

Year	Grants-in aid		
	North Goa ZP	South Goa ZP	Total
2005-06	3.00	2.90	5.90
2006-07	3.72	2.48	6.20
2007-08	2.94	1.96	4.90
2008-09	3.08	2.05	5.13
2009-10	2.77	1.90	4.66
2010-11	2.73	1.82	4.56
Total	18.24	13.11	31.35

Thus, the sanctioning of grants-in-aid without any request from the grantee and supported by any viable and specific schemes drawn up in sufficient details was in contravention of the Rule 209 of the GFR, 2005 and the instructions issued (August 2000) by the Government of Goa. Further, the receipt of grants in lump sum without identifying the specific developmental works on priority would result in utilizing the grants sparingly and the grant sanctioning authority cannot ensure the utilization of the grants for a balanced and sustainable development in the ZP area. Further, the grants received by the ZPs were parked in bank accounts for a long time on account of the inordinate delay in identifying and executing the works and there by delay in passing the intended benefits to the common public.

The Director of Panchayats stated (May 2011) that in future work wise details would be obtained before releasing the grants to the Zilla Panchayats.

4.2 Recommendations

- Annual Developmental Plans need to be forwarded by Village Panchayats and Zilla Panchayats to the District Planning Committees for preparing consolidated District Developmental Plan.
- Zilla Panchayats should submit Utilization Certificates in respect of grants received by them at the earliest for obtaining subsequent grants.
- Accounting Formats prescribed by CAG require to be adopted by the Panchayats.
- Steps should be taken on priority for finalization of accounts in the Zilla Panchayats for clearing the arrears.
- The Director of Panchayats should release the grants to the Zilla Panchayats after getting the concrete proposals from them in accordance with the provision of General Financial Rules and the guidelines issued by the Government.

Panaji
The ----- day of ----- 2011

(A G KULKARNI)
Deputy Accountant General
O/o the Accountant General, Goa

Countersigned

Panaji
The----- day of-----2011

(DEVIKA)
Accountant General, Goa

APPENDIX 1.1

(Referred to in Paragraph 1.4 - Page 3)

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

Sr. No.	Function envisaged to be devolved as per the Constitution	Envisaged to be devolved as per Goa Municipalities Act, 1968	Actually devolved
1	Urban planning including town planning	Yes	No
2	Regulation of land use and construction of buildings	Yes	No
3	Planning for economic and social development	No	No
4	Roads and bridges	Yes	Only internal roads are maintained by Municipal Councils.
5	Water supply for domestic, industrial and commercial purposes	No	No
6	Public health, sanitation, conservancy and solid waste management	No	Only solid waste management
7	Fire Service	No	No
8	Urban forestry protection of environment and promotion of environment and promotion of ecological aspects.	Yes	No
9	Safeguarding the interest of the weaker sections of society, including the handicapped and the mentally retarded	No	No
10	Slum improvement and upgrading	Yes	Yes
11	Urban poverty alleviation	No	Yes
12	Provision of Urban amenities and facilities such as park, gardens, playgrounds	Yes	Yes
13	Provision of Cultural, education and aesthetic aspects	No	No
14	Burial and burial grounds, cremation and cremation grounds and electric crematorium	Yes	Yes
15	Cattle pounds and prevention of cruelty to animals	Yes	Yes
16	Vital statistics including registration of births and deaths	Yes	Yes
17	Public amenities including street lighting, bus-stop, public conveniences	Yes	Yes
18	Regulation of slaughterhouse and tanneries	Yes	Yes

APPENDIX 1.2

(Referred to Para 1.9.3 – Page 9)

STATEMENT SHOWING THE YEAR-WISE BREAK-UP OF PENDING UCS IN RESPECT OF URBAN LOCAL BODIES AS OF JUNE 2010

(` in lakh)

Year	UCs due as on 01.07.2009		UCs received during 01.07.2009 to 30.06.2010		UCs not received	
	Nos.	Amount	Nos.	Amount	Nos.	Amount
1995-96	2	6.13	0	0	2	6.13
1996-97	2	2.84	0	0	2	2.84
1997-98	12	139.07	0	0	12	139.07
1998-99	13	142.23	0	0	13	142.23
1999-00	7	121.87	0	0	7	121.87
2000-01	25	212.75	0	0	25	212.75
2001-02	28	108.63	0	0	28	108.63
2002-03	62	1206.35	0	0	62	1206.35
2003-04	65	915.00	0	0	65	915.00
2004-05	53	791.17	0	0	53	791.17
2005-06	73	2450.96	0	0	73	2450.96
2006-07	87	2919.84	0	0	87	2919.84
2007-08	98	3192.39	0	0	98	3192.39
2008-09	96	3748.88	0	0	96	3748.88
Total	623	15958.11	0	0	623	15958.11

(Source: Director of Accounts)

APPENDIX 3.1

(Referred to Paragraph 3.4.1 – Page 20)

FUNCTIONS AND RESPONSIBILITIES OF VILLAGE PANCHAYAT

SI No.	Main Functions	Sub functions
I	General Functions	(1)Preparation of annual plans for the development of the Panchayat area. (2)Preparation of annual budget. (3)Providing relief in natural calamities. (4)Removal of encroachments on public properties. (5)Organizing voluntary labour and contribution for community works. (6)Maintenance of essential statistics of the village. (7)Demolition of unauthorized construction.
II	Agriculture, including agricultural extension	(1)Development of waste lands. (2)Development and maintenance of grazing lands and preventing their unauthorized alienation and use.
III	Animal Husbandry, Dairying and Poultry	(1)Promotion of dairy farming, poultry and piggery. (2)Grass land development.
IV	Fisheries	Development of fisheries in the villages.
V	Social and Farm Forestry, minor Forest Produce Fuel and Fodder	(1)Planting and preservation of trees on the sides of roads and other public lands under its control. (2)Fuel plantation and fodder development. (3)Promotion of farm forestry. (4)Development of Social forestry.
VI	Khadi, Village and Cottage Industries	(1)Promotion of rural and cottage industries. (2)Organization of conferences, seminars and training programmes, agricultural and industrial exhibitions for the benefit of the rural areas.
VII	Rural Housing	(1)Distribution of house sites within Village Panchayat limits. (2)Maintenance of records relating to the house, sites and other private and public properties.
VIII	Drinking water	(1)Construction, repairs and maintenance of drinking water well, tanks and ponds. (2)Prevention and control of water pollution. (3)Maintenance of rural water supply schemes.
IX	Roads, buildings, culverts, bridges, ferries, waterways and other means of communication	(1)Construction and maintenance of village roads, drain and culverts. (2)Maintenance of buildings under its control or transferred to it by the Government or any public authority.
X	Rural electrification	Providing for and maintenance of lighting of public streets and other places.
XI	Non-conventional energy source	(1)Promotion and development of non-conventional energy schemes. (2)Maintenance of community non-conventional energy devices, including bio-gas plants. (3)Promotion of approved chulhas & other efficient energy devices.

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XII	Poverty alleviation programmes	(1) Promotion of public awareness and participation in poverty alleviation programmes for fuller employment and creation of productive assets, etc. (2) Selection of beneficiaries under various programmes. (3) Participation in effective implementation and monitoring.
XIII	Education including Primary Schools	(1) Promotion of public awareness and participation in primary education. (2) Ensuring full enrolment and attendance in primary schools.
XIV	Adult and non-formal education	Promotion of adult literacy.
XV	Libraries	Village libraries and reading rooms.
XVI	Cultural activities	Promotion of social and cultural activities.
XVII	Markets and fairs	Regulation and fairs (including cattle fairs) and festivals.
XVIII	Rural sanitation	(1) Maintenance of general sanitation. (2) Cleaning of public roads, drains, tanks wells & public places. (3) Maintenance and regulation of burning and burial grounds. (4) Construction and maintenance of public latrines. (5) Disposal of unclaimed corpses and carcasses. (6) Management and control of washing and bathing gais.
XIX	Public Health and Family Welfare	(1) Implementation of Family Welfare Programmes. (2) Prevention and remedial measures against epidemics. (3) Regulation of sale of meat, fish and other perishable food articles. (4) Participation in programmes of human and animal vaccination. (5) Licensing of eating and entertainment establishments. (6) Destruction of stray dogs. (7) Regulation of offensive and dangerous trades. (8) Regulation of curing, tanning and dyeing of skins & hides.
XX	Women and child development	(1) Participation in the implementation of women and child welfare programme. (2) Promotion of schools, health and nutrition programmes.
XXI	Social welfare, including welfare of the handicapped and mentally retarded	(1) Participation in the implementation of the social welfare programme, including welfare of the handicapped, mentally retarded and destitute. (2) Monitoring of old age and widows pension schemes.
XXII	Welfare of the Weaker Section and in particular the Scheduled Castes and Scheduled Tribes	(1) Promotion of public awareness with regard to Welfare of Scheduled Castes, Scheduled Tribes & other weaker sections. (2) Participation in the implementation of the specific programmes for the welfare of the weaker sections.
XXIII	Maintenance of community assets	(1) Maintenance of community assets. (2) Preservation and Maintenance of other community assets.
XXIV	Construction and maintenance of cattle sheds, ponds and cart stands	--
XXV	Construction and maintenance of slaughter houses	--

XXVI	Maintenance of public parks, playgrounds etc.	--
XXVII	Regulation of manure pits in public places	--
XXVIII	Establishment and control of Shandies	--
XXIX	Such other functions as may be entrusted	--

APPENDIX 3.2

(Referred to in Paragraph 3.4.1 - Page 20)

FUNCTIONS AND RESPONSIBILITIES OF ZILLA PANCHAYAT

Sl No.	Main Functions	Sub functions
I	General functions	Overall supervision, co-ordination and integration of development schemes at District levels and preparing the plan for the development of the District.
II	Agriculture (including Agricultural Extension) and Horticulture	(1) Establishment and maintenance of godown. (2) Management of agricultural and horticultural extensions and training centres. (3) Training of farmers.
III	Land improvement and soil conservation	Planning and implementation of land improvement and soil conservation programmes entrusted by the Government.
IV	Minor irrigation, Water Management and Watershed Development	(1) Providing for the timely and equitable distribution and full use of water under irrigation schemes under the control of the Zilla Panchayat. (2) Development of ground water resources. (3) Supervision over the minor irrigation works undertaken by Taluka Panchayat.
V	Animal Husbandry, Dairying and Poultry	(1) Supervision over the Village Veterinary Hospitals, first-aid Centres and Mobile Veterinary dispensaries. (2) Training for farmers of dairy farming, Poultry and Piggery.
VI	Fisheries	(1) Development of fisheries in irrigation works vested in the Zilla Panchayat. (2) Promotion of inland, brackish water and marine fish culture.
VII	Khadi, Village and Cottage Industries	(1) Establishment and Management of Training cum Production Centres. (2) Organisation of marketing facilities for products of cottage and village industries.
VIII	Small Scale industries including Food Processing Industries	Educating youth for establishment of Small-Scale Industries.
IX	Rural Housing	Guidance to the TPs for Promotion of Rural Housing Programme.
X	Drinking Water	Guidance for promotion of drinking water and rural sanitation to TPs and VPs.
XI	Minor forest produce and Fuel and Fodder	Guidance for the management of minor forest produce of the forest raised community lands.
XII	Roads, Buildings, Bridges, Ferries, Waterways and other means of communication	(1) Construction and maintenance of District roads and culverts, causeways and bridges (excluding States Highways and Village roads). (2) Construction of administrative and other buildings connected with the requirements of the ZP. (3) Supervision over the works undertaken by VPs & TPs as regards the construction of roads.

XIII	Non-Conventional, Energy sources	Promotion and development of non-conventional energy sources.
XIV	Poverty Alleviation Programmes	Supervision over the implementation of poverty alleviation programmes in the VPs.
XV	Education including primary schools	(1)Promotion of educational activities in the District including the establishment and maintenance of Higher Secondary Schools. (2)Establishment and maintenance of Ashram School and orphanages. (3)Survey and evaluation of education activities. (4)Construction and maintenance of Higher Secondary Schools.
XVI	Technical training and vocational Education	Encouraging and assisting rural vocational training.
XVII	Adult and Non-formal Education	Supervision over the implementation of programmes of Adult Literacy and Non-formal Education Programme.
XVIII	Health and Family Welfare	(1)Management of hospitals and dispensaries excluding those under the management of Government or any local authority. (2)Supervision over the implementation of maternity and Child Health programme. (3)Supervision over the implementation of family welfare programme. (4)Supervision over the implementation of immunization and vaccination programme.
XIX	Woman and Child Development	(1)Supervision over the promotion of programme relating to development of Women and Children. (2)Supervision over the promotion of school health and nutrition programme. (3)Supervision over the promotion of participation of voluntary organisation in Women and Child Development Programmes.
XX	Welfare of the weaker sections and in particular of handicapped and mentally retarded	Promotion of Social Welfare Programme including Welfare of handicapped, mentally retarded and destitutes.
XXI	Welfare of the weaker sections and in particular of the Scheduled Castes and Scheduled Tribes	Supervision and management of hostels in the District, distribution of grants, loans and subsidies to individuals and other Schemes for the welfare of SCs, STs & BCs.
XXII	Maintenance of Community assets	Supervision and guidance over the community assets maintained by TP & VP
XXIII	Cultural activities	Promotion of social and cultural activities.
XXIV	Rural electrification	Supervision over electrification by TP & VP.
XXV	Libraries	Supervision over the construction of libraries by Taluka Panchayat and Village Panchayat.
XXVI	Such other functions as may be entrusted	--

APPENDIX 3.3

(Referred to Para 3.8 – page 26)

STATEMENT SHOWING THE YEAR-WISE BREAK-UP OF PENDING UCS IN RESPECT OF ZPS/VPS AS OF JUNE 2010

(` in lakh)

Year	UCs due as on 01-07-2009				UCs received during 01.07.2009 to 30.06.2010				Total grants for which UCs not received as of June 2010			
	ZPs		VPs		ZPs		VPs		ZPs		VPs	
	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount	Nos.	Amount
Upto 1991-92	0	0	895	35.21	0	0	0	0	0	0	895	35.21
1992-93	0	0	66	1.86	0	0	0	0	0	0	66	1.86
1993-94	0	0	46	4.69	0	0	0	0	0	0	46	4.69
1994-95	0	0	15	4.2	0	0	0	0	0	0	15	4.20
1995-96	0	0	60	7.82	0	0	0	0	0	0	60	7.82
1996-97	0	0	40	9.74	0	0	0	0	0	0	40	9.74
1997-98	0	0	77	22.95	0	0	0	0	0	0	77	22.95
1998-99	0	0	38	34.37	0	0	0	0	0	0	38	34.37
1999-00	0	0	33	142.61	0	0	0	0	0	0	33	142.61
2000-01	8	97.00	68	106.56	0	0	0	0	8	97.00	68	106.56
2001-02	8	115.00	63	277.61	0	0	0	0	8	115.00	63	277.61
2002-03	12	49.00	130	260.05	0	0	0	0	12	49.00	130	260.05
2003-04	14	100.00	199	560.87	0	0	0	0	14	100.00	199	560.87
2004-05	0	0.00	139	1066.99	0	0	0	0	0	0.00	139	1066.99
2005-06	1	18.75	126	1402.5	0	0	0	0	1	18.75	126	1402.50
2006-07	0	0.00	145	1350.86	0	0	0	0	0	0.00	145	1350.86
2007-08	0	0.00	124	1205.9	0	0	0	0	0	0.00	124	1205.90
2008-09	2	60.00	196	2070.78	0	0	1	6.04	2	60.00	195	2064.74
Total	45	439.75	2460	8565.57	0	0	1	6.04	45	439.75	2459	8559.53

(Source: Director of Accounts)