

CHAPTER 2

TRANSACTION AUDIT

2.1 Retention of cash in hand

Retention of cash-in-hand in excess of prescribed limit by PRIs.

Rules 18 (2) and 10 (3) of HPPR Rules, 2002 provide that the ZPs, PSs and GPs may allow the accumulation of cash in the departmental chest upto maximum limit of ₹ 5000, ₹ 2500 and ₹ 1000 respectively at a time.

Contrary to these rules, ZP Kinnaur kept cash ranging between ₹ 6,689 and ₹ 20,964 in the chest during 2005-10 at a time. Similarly Two PSs and 15GPs, (**Appendix-5**), retained minimum and maximum cash ranging between ₹1,014 and ₹ 1, 58,092 in the chest during 2005-10. The retention of cash in excess of prescribed limits was irregular and chances of temporary misappropriation could not be ruled out. The concerned PRIs admitted the facts and stated (May 2010 to March 2011) that such irregularities would not be repeated in future.

2.2 Outstanding advances

Twelve GPs and one ZP did not take action to recover/adjust the outstanding advances of ₹ 8.14 lakh.

Rule 30 of the HPPR Rules, 2002 provides that whenever any advance is paid to an office bearer or officer/official of GP for carrying out the developmental works, a record thereof shall be kept in the register of temporary advances and such advances should be adjusted regularly and promptly.

Scrutiny of the records of 12 GPS and one ZP revealed that ₹ 8.14 lakh sanctioned as advances to various office bearers such as Pradhan, Up-pradhan and other officials for carrying out the developmental activities remained unadjusted (**Appendix-6**) as of March 2010. Of this, ₹ 0.81 lakh were outstanding against the official of Chamba ZP and could have been recovered from his pay. No efforts were made to recover these advances and in certain cases advances remained outstanding for periods ranging from one to seven years. Lack of effective action to recover/ adjust the old outstanding advances may lead to loss with the passage of time.

On this being pointed out, the concerned PRIs stated (May 2009 to February 2010) that efforts would be made to recover the advances.

2.3 Blocking of funds in Personal Ledger Account (PLA)

Funds of ₹ 11.93 lakh earmarked for minor irrigation schemes remained un-utilised in PLA.

The PSs had been maintaining Personal Ledger Account (PLA) for crediting the grants received from Government for execution of minor irrigation and water supply schemes in rural areas. As per condition of sanctions, the funds are required to be drawn within one month and utilized within one year from the date of sanction.

Scrutiny of records revealed that in eight PSs (**Appendix-7**) there was an opening balance of ₹ 10.53 lakh as on 31 March 2007 and ₹ 3.71 lakh was received between 2007-08 and 2008-09. Thus ₹ 14.24 lakh was available for execution of schemes against which expenditure of ₹ 2.30 lakh had been incurred leaving unspent balance of ₹ 11.93 lakh in PLA as of March 2010. Non-utilisation of funds placed in PLA resulted in unnecessary blocking of funds and the purpose of sanctioning funds was also stood defeated. Action to refund the unspent funds as per terms and conditions of the sanction had not been taken. The concerned PRIs stated (April 2010 to March 2011) that funds would be utilized after getting the schemes approved by the elected house.

2.4 Non-recovery of duty

Revenue of ₹ 5.27 lakh remained un-realised on account of installation/renewal charges of Mobile Towers in 39 PRIs.

HP Government authorised (November, 2006) the GPs to levy duty on installation of mobile communication towers at the rate of ₹ 4,000/- per tower and collect annual renewal fee at the rate of ₹ 2,000/- per tower installed in their jurisdiction.

In 39 GPs, 79 Mobile towers were installed during 2006-2010 (**Appendix-8**) in their jurisdiction but the installation/renewal charges of ₹ 5.27 lakh had not been recovered from the concerned Mobile Companies as of March 2010. This deprived the GPs of their due share of revenue. The concerned GPs stated (April 2010 to March 2011) that action would be taken to recover the dues.

2.5 Purchase of material

Seventy Two GPs purchased material costing ₹ 4.11 crore without inviting quotations/tenders.

Rule 67 (5) (a) & (b) of the HPPR Rules, 2002 provides that purchases of stores above ₹ 50,000, tenders should be invited and purchase of stores for more than ₹ 1,000, but less than ₹ 50,000 are to be made by inviting quotations and for purchases respectively.

It was observed that in 72 GPs material costing ₹ 4.11 crore (**Appendix-9**), was purchased during 2005-10 without inviting quotations. As such the purchases were made without observing the prescribed procedures and the possibility of payment higher rates could not be ruled out. The concerned GPs stated (April 2010 to March 2011) that in future the purchases would be made as per rules.

2.6 Non-recovery of house tax

Loss of revenue of ₹ 31.98 lakh due to non- realisation of house tax by eighty one GPs.

Rule 33 of HPPR Rules, 2002 provides that the Secretary of the GP shall see that all revenues are correctly, promptly and regularly assessed, realised and credited to the accounts of the fund of the Panchayat concerned.

In 81 GPs an amount of ₹ 31.98 lakh on account of house tax was outstanding for recovery for the period 2005-10 as of March 2010 (**Appendix-10**). This was indicative of ineffective monitoring on the part of GPs and resulted in loss of revenue which could have been utilized for developmental works of the concerned GPs. Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of provisions contained in Section 114 of HP Panchayati Raj Act, 1994. The concerned GPs stated (April 2010 to March 2011) that efforts would be made to recover the house tax.

2.7 Outstanding rent

Seventeen PRIs failed to realize rent of shops amounting to ₹ 11.58 lakh.

The ZPs, PSs and GPs had been maintaining shops in their jurisdiction and these were rented out to the public on monthly rental basis.

It was noticed that in 17 PRIs, an amount of ₹ 11.58 lakh⁴ on account of rent of 93 shops was outstanding as of March 2010 (**Appendix-11**). This amount was outstanding for a period ranging from one to seven years. The concerned PRIs stated (May 2010 to March 2011) that action would be taken to recover the outstanding rent.

2.8 Expenditure on works without preparation of estimates

Forty three GPs incurred expenditure of ₹ 5.54 crore on 887 works without preparation of estimates.

Rule 94(3) of HPPR Rules, 2002 provide that estimates for work costing more than ₹ 25,000 but less than ₹ 50,000/- and more than ₹ 50,000/- shall be prepared by the *Takniki Sahayak* and Junior Engineer of GP respectively

Scrutiny of records revealed that 43 GPs incurred an expenditure of ₹ 5.54 crore on 887 works like construction of Mahila Mandal Bhawans, Pucca Paths, Play grounds, pavement of streets, etc. during the period 2005-10 without preparation of estimates (**Appendix-12**). In the absence of requisite estimates, authenticity of expenditure could not be vouched safe in audit. The expenditure incurred was thus irregular and possibility of payments at higher rates could not be ruled out. The concerned GPs stated (April 2010 to March 2011) that in future estimates would be prepared.

2.9 Non recovery of royalties from suppliers

Seventy Seven GPs did not recover royalties of ₹ 23 lakh from suppliers.

As per instructions (February 1999) of the state Government, form 'M' from mining officer is required to be obtained by the suppliers for supplying sand and bajri as a proof a royalties already paid by them otherwise royalty at the rate of ₹ 20 per metric tone was to be recovered from the bills of the suppliers by the GPs and the amount so realized was to be remitted to the State Government. During 2005-10, 72 GPs purchased 1,13,630 metric tone of material like sand, bajri without obtaining form 'M' from the suppliers and royalties amounting to 23 lakh (**Appendix-13**), was not recovered resulting in loss to the State Government. The secretaries of the concerned GPs stated that royalty would be recovered in future.

⁴ Two ZP: ₹ 2.85 lakh: Five PSs : ₹ 6.11 lakh and 10 GPs : ₹ 2.62 lakh

2.10 Doubtful deployment of labourers

Thirteen GPs deployed same labourers on different works in the same period.

Scrutiny of records revealed that in 13 GPs, same labourers were deployed for different works in different Muster Rolls in the same period during 2005-09 resulting in doubtful deployment of labourers and double payment of wages to the tune of ₹ 0.64 lakh (**Appendix 14**). The name of scheme/ work for which these Muster Rolls were issued had not been mentioned in these Muster Rolls. The concerned secretaries of the GPs stated (April 2010 to March 2011) that the amount would be recovered.

2.11 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme

The funds relating to Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA) are being received by the GPs through District Rural Development Agencies (DRDAs) for implementation of MNREGA. The main objective of the Act is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every household whose adult members volunteer to do unskilled manual work.

2.11.1 Less payment of labour component:

Twenty five Gram Panchayats made less payment of ₹ 1.04 crore on labour component.

Para 6.2 of MNREGA guidelines provide that ratio of wage costs to material cost should be not less than the minimum norm of 60:40. This ratio should be applied preferably at Gram Panchayat, Block and District levels. Audit noticed that in 25 GPs, 748 works were got executed during 2005-10 at a total cost of ₹ 7.00 crore. Against the required expenditure of ₹ 4.20 crore to be incurred on wages, the amount spent on wage component was ₹ 3.16 crore. Thus the purpose prescribing higher ratio for wage component was defeated resulting in less availability of funds ₹ 1.04 crore (**Appendix 15**), for employment generation. No reasons for non observing the prescribed wage and material ratio were advanced the Secretaries of the concerned GPs. However, they stated that in future, the norms of MNREGA would be kept in view.

2.11.2 Delay in release of labour payment

Twenty two Gram Panchayats delayed the wage payment of ₹ 0.53 crore for the period ranging between 15 and 315 days.

As per Para 7.1.5 of MNERGA guidelines, workers were to be paid wages on a weekly and in any case not beyond a fortnight of the day on which work was done. In the case of delay beyond a fortnight workers were entitled to compensation as per the provisions of payment of wages Act, 1936. It was noticed in audit that 22 GPs made the payment of ₹ 0.53 crore to the workers under MNREGA after a delay ranging the days between 15 and 315 (**Appendix-16**) which was contrary to the guidelines of MNREGA. No compensation was paid to labourers for delayed payment. The Secretaries of the GPs concerned stated (April, 2010 to March 2011) the delay in payment of wages occurred due to delay in measurement of works and late receipt of funds from Block Development Officers.

2.11.3 Payment of extra wages to elected members of GPs

Fourteen Gram Panchayats made extra wages of ₹ 0.24 lakh to elected members of GPs in addition to honorarium.

Some of the elected members are supervising the works under MNREGA for which they are being paid wages. Scrutiny of the proceeding registers of the GPs vis-a-vis Muster Rolls under MNREGA revealed that during 2005-10, elected members in 14 GPs attended the meetings of the GPs on various occasions/ days and also marked their attendance for those days in the Muster Rolls for which wages of ₹ 23,569 (**Appendix 17**) were paid to them in addition to the honorarium. The payment of wages in the above cases also raises doubt about the authenticity of muster rolls and needs investigation. The secretaries of the concerned GPs stated between May 2010 and March 2011 that matter would be investigated.

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