

**CHAPTER – II**

**TRANSACTION AUDIT PARAGRAPHS  
(PANCHAYATI RAJ INSTITUTIONS)**

**2.1 Audit findings on Release and Utilisation of Thirteenth Finance Commission (TFC) grants of Panchayat Raj Institutions (PRIs).**

The TFC had made recommendations on the measures needed to augment the consolidated funds of the State to supplement the resources of Panchayats and Municipalities. In this regard the TFC recommended Grants-In-Aid (GIA) to Local Bodies (LBs) for both General Areas and Special Areas for its award period (2010-15). In addition to these grants, the general performance grant would be available from 2011-12 to the States which met the conditions imposed for its release. As per GOI guidelines, (September 2010) all Local Body grants were to be released in two tranches, in July and January every fiscal year, subject to fulfilment of the conditions imposed for release of grants.

Grants received by the State Government from the GOI on the recommendations of the TFC for the year 2010-11 are depicted in **Appendix – XI**.

In this regard information was collected from Finance Department (FD) Government of Madhya Pradesh, Commissioner Panchayat Raj (PR), Chief Executive Officer (CEO) Zila Panchayat (ZP) Bhopal, CEO Janpad Panchayat (JP) Fanda and Bairasia (Bhopal) for the year 2010-11. The audit findings on transfer and utilisation of grant are as under:-

**2.1.1 Delayed transfer of grant**

According to para 3 to GOI's release orders (July 2010) the amount of first installment of LBs grant was to be transferred to PRIs within 15 days of its receipt from the GOI. According to GOI's release orders (March 2011), the second instalment of the grant was also to be transferred to PRIs within five days and 10 days according to the banking infrastructural accessibility. In case of delay in transfer of grant beyond the specified period the State would be liable for payment of interest at the RBI bank rate to PRIs along with the instalment. Contrary to the guidelines the General Basic Grant (GBG) and Special Areas Basic Grant (SABG) was not released within the specified period during 2010-11 as shown in the following table:-

| Name of Grant/ No. of Instt.              | Amount Received from GOI |                        | Amount Drawn from treasury<br>(₹ in crore) | Amount Transferred to LBs   |                        | Delay in transfer of Grant to LBs beyond the stipulated period/ Amount of interest to be paid to LBs |                          |
|---|--------------------------|------------------------|--|---|------------------------|--|--------------------------|
|   | Date                     | Amount<br>(₹ in crore) |  | Date  | Amount<br>(₹ in crore) | Days   | Interest<br>(₹ in crore) |
| 1. General Basic Grant/I <sup>st</sup>    | 15.7.10                  | 191.52                 | 191.550                                    | 13.9.10<br>22.3.11  | 145.21<br>46.34        | 45 <sup>23</sup><br>235  | 1.07<br>1.79             |
| 2. Spl. Area Basic Grant/I <sup>st</sup>  | 15.7.10                  | 11.28                  | 11.284                                     | 13.9.10   | 11.284                 | 45   | 0.08                     |
| 3. General Basic Grant/II <sup>nd</sup>   | 30.3.11                  | 186.90                 | 191.490                                    | In this regard neither the certificate was sent to GOI nor the information was made available to audit, hence interest could not be worked out. |                        |  |                          |
| 4. Spl. Area Basic Grant/II <sup>nd</sup> | 30.3.11                  | 11.28                  | 8.630                                      |   |                        |  |                          |
|   | <b>G. Total</b>          | <b>400.98</b>          | <b>402.954</b>                             |   |                        |  | <b>2.94</b>              |

(Source: Information collected from Finance Department and PRD)

As per guidelines, the State Government was required to send a certificate to the GOI stating therein the amount and date of receipt of grant and its transfer to PRIs. But the Commissioner PR did not submit such certificate to the GOI through the FD in respect of second instalment of the TFC grant for 2010-11. Hence it could not be ensured in audit that these grants were transferred to PRIs within the specified period.

On being pointed out (August 2011 and November 2012) the Commissioner PRI replied that the sanction of ₹ 2.95 crore in respect of interest for delay in release of grant is awaited from FD.

### 2.1.2 Irregular parking of grant in Bank accounts

As per para 3 of the sanction order of the TFC release dated 15 July 2010, states have to transfer the amount to local bodies within 15 days of their receipt from the GOI.

Scrutiny of records (August 2011) of Commissioner PR, revealed that on recommendation of the TFC, GOI, Ministry of Finance (MoF) released ₹ 191.52 crore (July 2010) as first instalment of GBG for PRIs for 2010-11. Against this release order Commissioner PR drew ₹ 191.55 crore (September 2010) from treasury but transferred only ₹ 145.21 crore to Gram Panchayats (GPs) through e-Banking system. The balance amount of ₹ 46.34 crore was irregularly kept by the Commissioner PR in Bank account to implement e-Panchayat scheme. Further, the Commissioner, PR, deposited it in the Bank account of CEO, ZP Bhopal on 22 March 2011 instead of transferring the amount to GPs.

<sup>23</sup> Delay in days leaving 15 days.

On being pointed out (August 2011) the CEO, ZP, Bhopal replied that for want of directives from the Government the amount is still lying unutilised in their Bank account.

Thus, the Commissioner, PR kept the amount of ₹46.34 crore for 235 days in the Bank account contrary to the TFC guidelines which created an undue liability of interest of ₹1.79 crore on the State exchequer and this amount is still lying in Bank account of CEO, ZP Bhopal.

### **2.1.3 Non submission of UC to the GOI**

According to para 6.2 of the guidelines, release of any instalment of the TFC grant will be subject to an UC for the previous instalment drawn.

Scrutiny of records (August 2011) of the test checked units revealed that the actual utilisation of grants of ₹402.95 crore transferred to GPs for the year 2010-11 (**Appendix - XI**) was not reported to the GOI by the Commissioner PR through the FD. It was also observed that none of the test checked units reported utilisation of the TFC grants received by them. The upto date position was sought from Commissioner, PR in November 2012 but reply is awaited.

### **2.1.4 Lack of Monitoring & Evaluation Mechanism**

In compliance of the TFC guidelines, a High Level Committee (HLC) headed by the Chief Secretary to the State Government was constituted (July 2010) by the Finance Department to ensure adherence to the specific conditions in respect of each category of grant, wherever applicable. The HLC was required to meet once in a quarter.

It was found that only two HLC meetings (July 2010 and December 2010) were held till January 2011 which clearly shows that there was a lack of monitoring and evaluation mechanism for proper utilisation of grants.

### **2.1.5 Conclusion**

Grants received by the State Government from the GOI for Local Bodies on the recommendations of the TFC were not transferred to the PRIs within the specified period, which created a liability of ₹2.95 crore on the State Government in the form of interest payable to PRIs. An amount of GBG grant (₹46.34 crore) was irregularly transferred to Bank account of CEO, ZP Bhopal instead of GPs. Utilisation of grants transferred to the PRIs was not ensured. Due to lack of an effective monitoring mechanism, the local body-wise and activity-wise position of expenditure incurred by them against the grants was not available at any level. Consequently the actual utilisation of grants could not be reported to the GOI. The position of transfer and utilisation of local

body grants may affect the release of performance grant for the next year (2011-12) from the GOI.

**Date: 28/05/2013**

**Place: Gwalior**



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**Date: 28/05/2013**

**Place: Gwalior**