

CHAPTER - IV

AUDIT FINDINGS

4.1 Audit Paragraphs

4.1.1 Non-release of compensation of ₹ 53.89 crore in lieu of octroi to PRIs

As against the entitlement of ₹ 118.83 crore for the period 2007-08 to 2011-12, ₹ 64.94 crore was released to PRIs resulting in short/non-release of compensation to the extent of ₹ 53.89 crore.

The State Government had decided (March 2001) to abolish octroi hitherto being levied by MCs and VPs. The MCs and VPs were to be compensated out of funds collected by levy of two *per cent* additional tax along with the sales tax (presently VAT) on petroleum products. The amount so collected, was to be distributed amongst MCs, VPs and ZPs in the ratio of 3:3:2 respectively, as compensation in lieu of octroi.

The details of additional tax collected, payable and released to PRIs for the period 2007-08 to 2011-12 are detailed in **Table XI**.

Table XI: Statement showing details of additional VAT on petroleum products collected, payable and released to PRIs

(₹ in crore)

Year	2 per cent in lieu of octroi	Total Share payable to PRIs	Share payable to ZPs/ VPs		Amount released to ZPs/VPs		Short release to ZPs/VPs	
			VPs	ZPs	VPs	ZPs	VPs	ZPs
2007-08	29.20	18.25	10.95	7.30	3.91	0.00	7.04	7.30
2008-09	37.63	23.52	14.11	9.41	10.39	2.38	3.72	7.03
2009-10	34.48	21.55	12.93	8.62	10.32	5.60	2.61	3.02
2010-11	41.42	25.89	15.53	10.36	9.76	5.30	5.77	5.06
2011-12	47.39	29.62	17.77	11.85	11.70	5.58	6.07	6.27
Total	190.12	118.83	71.29	47.54	46.08	18.86	25.21	28.68

The entitlement of PRIs amounted to ₹ 118.83 crore (₹ 71.29 crore for VPs and ₹ 47.54 crore for the ZPs). However, the DOP released only ₹ 64.94 crore to PRIs (₹ 46.08 crore to VPs and ₹ 18.86 crore to ZPs). The total short release of additional tax collected, to PRIs amounted to ₹ 53.89 crore.

The DOP replied (November 2013) that the funds were released as per the budget provision and correspondence would be made for release of balance fund.

Audit also observed that DOP released the share of additional taxes to PRIs without any relation to the quantum of petroleum products sold within jurisdiction of the PRIs. Thus, absence of a scientific/ rational method for equitable distribution of compensation has resulted in insufficient compensation of loss to some of the PRIs.

4.1.2 Delay in transfer of grant to PRIs and non-submission of UCs resulted in delay in release of second instalment of ₹ 4.19 crore

Failure to furnish Utilisation Certificate for 1st instalment of general basic grant for the year 2010-11 resulted in delay in release of 2nd instalment of ₹ 4.19 crore.

According to the recommendations of FC-XIII, the PRIs in the State were entitled to basic grant of ₹ 8.40 crore for the year 2010-11 [₹ 16.00 crore x (0.105/0.200)]. Paragraph 10.160 of the recommendations stipulated that the general basic grant would be released in two instalments, latest by 1 July and 1 January of each year, subject to submission of an Utilisation Certificate (UC) for the previous instalment drawn.

The State received (July 2010) ₹ 8.02 crore as first instalment of general basic grant, out of which ₹ 4.21 crore pertained to PRIs and ₹ 3.81 crore pertained to ULBs. Though, the funds were to be transferred within 15 days, the same were transferred after a delay of 34 days on 2nd September 2010. The Utilisation Certificate for the first instalment was furnished (August 2011) only on request by the Ministry of Panchayat Raj (MoPR), after a delay of 13 months from the receipt of funds, violating the instructions contained in Paragraph 10.160. On being pointed out by audit, the DOP replied that the release of funds was delayed due to administrative reasons and an interest of ₹ 2.35 lakh was paid for delayed payment. The second instalment was released only in October 2013. Thus, delay in release of first instalment and submission of UC delayed the release of

second instalment. The DOP stated (May 2014) that submission of UC was delayed due to administrative reasons.

4.1.3 Non-release of performance grant of ₹ 3.31 crore due to non-fulfilment of conditions specified by the Thirteenth Finance Commission

The State lost its share of performance grant of ₹ 3.31 crore for the year 2011-12 due to non-compliance of the conditions specified by the Thirteenth Finance Commission.

The FC-XIII had recommended (December 2009) transfer of grants to local bodies for the period 2010-11 to 2014-15. Paragraph 10.147 of the recommendations stated that each State is entitled to a share of the basic grant from 2010-11 and a share of general performance grant from the year 2011-12 onwards subject to compliance of nine conditions¹⁴ stipulated in Paragraph 10.161. These conditions had to be met by the end of a fiscal year (31 March) for the State to be eligible to draw its performance grant for the succeeding fiscal year. Out of these, only four conditions¹⁵ are applicable to PRIs.

The FC-XIII had allocated an amount of ₹ 3.31 crore as performance grant for the PRIs of the State for the year 2011-12. As the stipulated four conditions were not complied with by the PRIs within 31 March 2010, the State's share of general performance grant for the year 2011-12 amounting to ₹ 3.31 crore was not released to the State.

The DOP replied (December 2012) that the matter had been referred to the State Government for further action. However, the fact was that the State was unable to get its share of performance grant of ₹ 3.31 crore due to non-compliance of the conditions specified by the FC-XIII.

¹⁴ budget & accounting, auditing, ombudsman, electronic transfer of funds, membership of state finance commission, levy of property tax, property tax board, standards for service sectors and fire hazard mitigation

¹⁵ budget & accounting, auditing, ombudsman and levy of property tax

4.2 Recommendations

- ❖ Steps need to be taken to ensure that the Model Accounting System and the accounting software are adopted and implemented at the earliest.
- ❖ Annual Developmental Plans need to be forwarded by Village Panchayats and Zilla Panchayats to the District Planning Committees for preparing consolidated District Developmental Plan.
- ❖ Compensation in lieu of octroi should be distributed to PRIs using a scientific method based on sale of petroleum products; the balance amount of compensation should be released to PRIs.
- ❖ Zilla Panchayats and Village Panchayats should submit Utilisation Certificates in respect of grants received by them at the earliest for obtaining subsequent grants.
- ❖ Conditions stipulated by the Thirteenth Finance Commission for availing performance grant should be fulfilled at the earliest.
- ❖ Steps should be taken on priority by the Zilla Panchayats for finalisation of accounts to clear the arrears.

Panaji
The day of July 2014

(K SRINIVAS)
Deputy Accountant General

Countersigned

Panaji
The day of July 2014

(DEVIKA)
Accountant General