

CHAPTER 2

PERFORMANCE AUDIT

PERFORMANCE AUDIT ON BACKWARD REGION GRANT FUNDS

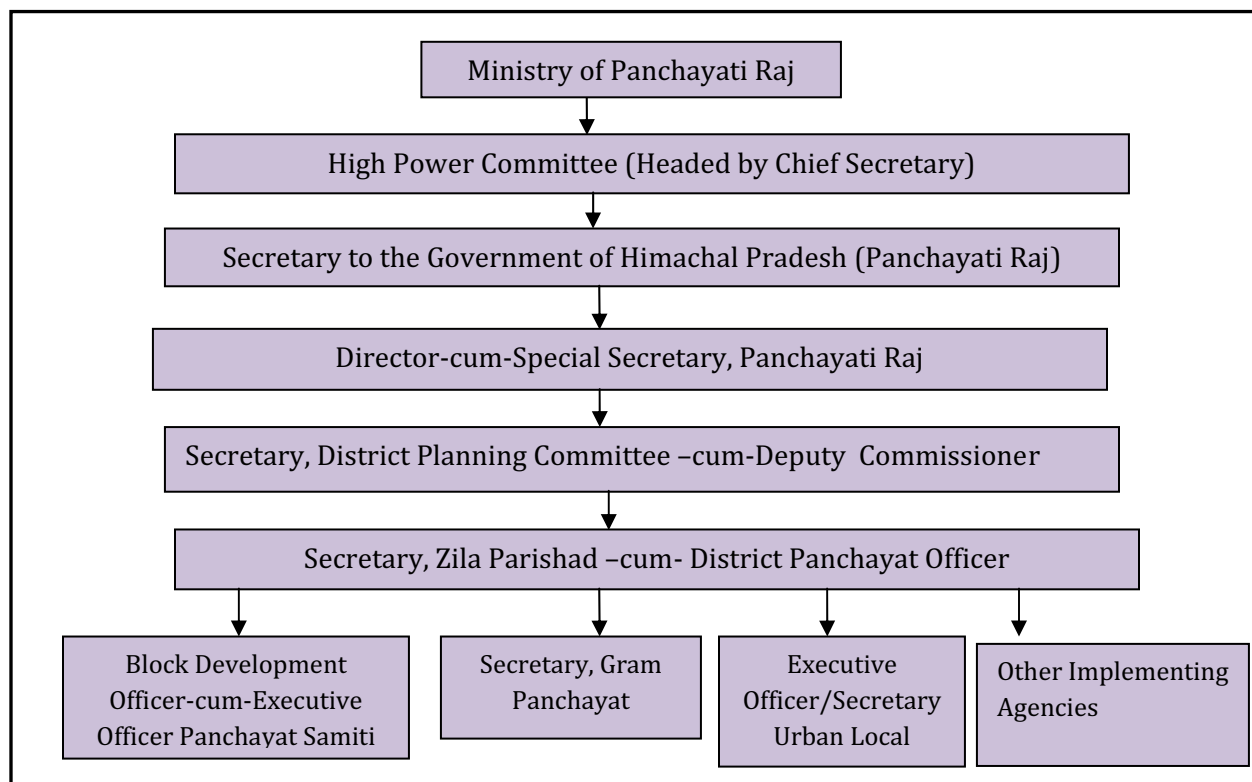
2.1. Introduction

Backward Region Grant Fund (BRGF) programme was launched by the Prime Minister on 19 February, 2006 to redress regional imbalances in development by providing financial resources for supplementing and converging existing developmental inflows in identified districts. The programme was launched in 2006 - 07 by the Ministry of Panchayati Raj, Government of India (GOI) in Himachal Pradesh for two backward districts (Chamba and Sirmour). The Programme was implemented from 2007-08 for providing financial resources to these two districts so as to:

- (a) Bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows.
- (b) Strengthen the Panchayat and Municipality level governance with more appropriate capacity building, facilitate participatory planning, decision making, implementation and monitoring, to reflect local felt needs.
- (c) Provide professional support to local bodies for planning, implementation and monitoring their plans.
- (d) Improve the performance and delivery of critical functions assigned to Panchayats.

2.2 Organizational set-up

Panchayati Raj Department of the State is the Nodal department for implementation of the BRGF Programme. The organizational set-up for implementation of the programme from Centre to State level and the field functionaries/lowest executive agency is as under:



2.3 Audit objectives

The Audit objectives were to assess whether:

- planning for implementation of the programme was effective;
- financial management was adequate;
- implementation of the programme was effective;
- monitoring and evaluation of the programme at different levels was adequate.

2.4 Audit Criteria

Audit criteria has been derived from the following sources:

- prescribed norms for planning and operation of the programme.
- programme wise physical and financial achievements.
- prescribed system for effective mechanism at different levels for monitoring and evaluation of BRGF outcomes.
- guidelines of BRGF, instructions/circulars/orders issued by MOPR, GOI.
- funding pattern of programme and criteria for distribution of funds.
- Acts/ Manuals/ Codes of H.P. Panchayati Raj and Municipalities.

2.5 Scope and methodology of audit

The review conducted during July to September 2011 covers the performance of the programme in one district (Chamba) during 2007-11. Audit test checked the records in the offices of the Director, Panchayati Raj (PR), District Panchayat Officer-cum-Secretary, Zila Parishad (DPO)

Chamba, three Panchayat Samities (PS)³ out of 7 PSs and 26 out of 283 Gram Panchayats under these PSs. Besides, two Municipal Councils (MCs) (Chamba and Dalhousie) out of three ULBs were also selected for test check. Selection of these units was made on the basis of allocation of funds in Chamba district.

2.6 Audit findings

2.6.1 Planning

Each Panchayat or Municipality within the backward district concerned was to be considered the unit for planning under BRGF. Plans prepared by each Panchayat or Municipality were to be consolidated into the District plan by the District Planning Committee (DPC). The planning exercise was to be done in accordance with the BRGF guidelines issued by the Planning Commission from time to time. Inclusion of disadvantaged groups was also to be ensured during consolidation of district plan and particular care was to be taken to ensure that the district plan addresses issues relating to SC/ST component.

2.6.2 Non-preparation of the District Vision Plan and District Perspective Plan

(a) The State Government did not prepare the district vision plan which was required to be prepared through participative process in the early part of 2006-07. Due to non preparation of district vision plan, most of the funds were released for maintenance of community assets and less importance was given to sectors like public health, animal husbandry and minor irrigation. The management attributed the reasons for non preparation of district vision plan to late constitution of District Planning Committee (DPC).

(b) At the instance of the Ministry of Panchayati Raj, the State Government awarded (March 2008) the work relating to preparation of five year district plan (2007 - 12) at a total cost of ₹ 10.00 lakh to Centre for Rural Research and Integrated Development (CRRID), Chandigarh so as to define the priority areas to facilitate advance planning and to provide a development perspective for the district.

Audit noticed that the formats developed by the CRRID upto July 2008 for collecting data for preparing the district perspective plan were complicated and were not helpful. As a result, the department could not prepare the District Perspective Plan in the absence of desired data relating to infrastructure, service and livelihood sectors.

2.6.3 Non-inclusion of disadvantaged group in the District Plan

BRGF guidelines provide that the programmes benefiting SCs/STs should be allocated funds in proportion to the population of these communities in the area for which the plan has been prepared. The guidelines issued (January 2006) by the Planning Commission provide that the villages with 50 *per cent* and above SC/ST population may be selected first and work related to development activity taken up.

It was observed in audit that DPC, Chamba did not prepare a separate sub plan for issues relating to SC/ST development as required under the programme. During 2007-08, no specific allocation

³ Bharmour, Bhatiyat and Mehla

of funds was made towards the development of targeted population. During 2008-11, against ₹ 10.17 crore (Village Population: ₹ 9.77 crore and Urban Population: ₹ 40 lakh) kept for SC/ST component, ₹ 8.92 crore (91 per cent) were sanctioned to 106 villages where SCs/STs population was below 50 per cent and ranged between 9 and 49 per cent. Further, out of 95 villages having more than 50 per cent population of SCs/STs, only 28 villages were covered with a sanctioned amount of ₹ 85 lakh (9 per cent) leaving 67 villages uncovered. Thus, lack of proper planning in allocating the funds to the tune of ₹ 8.92 crore not only led to violation of BRGF guidelines but also deprived the disadvantaged group of the intended benefits of the programme.

2.6.3.1 Non-provision of funds for priority programmes under SC/ST Plan

As per BRGF guidelines, priority was to be given to schemes like providing one time support of about ₹ 20 lakh to reputed NGOs who have land for setting up of secondary schools/colleges for girls, providing of tractor trolleys and agriculture implements to self help groups of 20 small/marginal SC/ST farmers, training of educated youth in areas such as computers, repair of mobile phones, driving etc.

It was observed in audit that funds were not provided during 2008-11 for the above priority schemes in contravention of the guidelines *ibid*.

The management stated (July 2011) that funds were released for cluster of work in SC/ST component plan. The reply is not acceptable as the criteria of sanctioning priority schemes for SC/ST population was not adhered to.

2.7 Financial performance

The year wise position of funds released by the GOI under BRGF and further released by the State Government to Director, PR for Chamba district and expenditure there against during 2007-11 is given in **Table 9** below:

Table-9 Year wise position of funds released to Chamba District under BRGF

(₹ in Crore)

Year	Annual entitlement of the District Chamba	Funds released by the Govt. of India	Funds released by the State Govt.	Expenditure
2007-08	15.53	15.53	13.98	13.98
2008-09	15.53	10.11	12.96	12.96
2009-10	15.53	13.98	13.98	13.98
2010-11	15.53	15.53	15.53	15.53
Total	62.12	55.15	56.45	56.45

The year wise position of funds received and expenditure incurred in the 31 test checked units is given in **Table 10** below:

Table 10: Year wise position of funds released and expenditure incurred in test checked units
(₹ in Crore)

Year	Opening Balance	Funds received	Total	Expenditure	Closing Balance
2007-08	0	0.98	0.98	0.54	0.44
2008-09	0.44	10.37	10.81	3.44	7.37
2009-10	7.37	4.25	11.62	8.04	3.58
2010-11	3.58	3.35	6.93	3.35	3.58

Out of 31 test checked units, the percentage of utilisation of funds in 27 units during 2007-11 ranged between 31 and 91, as per detail given in **Appendix-5**, whereas the released amount was treated as expenditure at the State level by the Director, Panchayati Raj. Thus, a clear picture of actual expenditure incurred on the programme was not available at the State level.

2.7.1 Non-fulfillment of prescribed conditions for release of funds

GOI imposed a cut of ₹ 6.97 crore during 2008-10 and as against the entitlement of ₹ 31.06 crore (₹15.53 crore of each year) for Chamba district, the district received only ₹24.09 crore (2008 - 09: ₹ 10.11 crore and 2009-10: ₹ 13.98 crore) from the GOI under the BRGF. The central assistance was lost due to non-submission of required utilisation certificate, non-embezzlement/ non diversion certificate along with submission of programme wise physical and financial achievements within the stipulated period prescribed by the GOI.

2.7.2 Non-payment of interest to the implementing agencies for delayed release of funds

As per BRGF guidelines, central funds were required to be transferred to the Panchayats and Municipalities by the State Government within 15 days of the release of funds by GOI. In case of delay in release of funds to the implementing agencies, the State Government was required to pay penal interest at the rate prescribed by the Reserve Bank of India. Audit noticed that the Director (PR) released ₹ 20.07 crore to DPO with a delay ranging between 18 and 79 days during 2007-11. Similarly, the delay in release of funds of ₹ 50.79 crore to the implementing agencies by DPO Chamba ranged between 4 and 258 days.

Audit noticed that the interest of ₹ 70 lakh (Director (PR): ₹ 59 lakh and DPO: ₹ 11 lakh) payable to implementing agencies for the delay in release of funds was not paid. The delay in release of funds was attributed by the DPO, Chamba to late formation of DPC and non-organization of meetings of DPC in time.

2.8 Implementation of Scheme

In order to redress regional imbalances, BRGF is designed to provide financial resources for supplementing and converging existing developmental inflows so as to bridge critical gaps in local infrastructure and other development requirements that are not being adequately met through existing inflows. Following points relating to utilization of funds under the programme were noticed in audit.

2.8.1 Irregular allocation of funds

As per instructions issued (May 2010) by the High Power Committee (HPC), sectors like Public Health, Animal Husbandry, Drinking Water, Minor Irrigation, Land Improvement etc. were to be given top priority. Contrary to these instructions, DPC proposals included creation of community assets like construction of Community Bhawan, Panchayat Ghar, Pucca Path, retaining wall etc. for which ₹ 28.36 crore (70 per cent) were allocated out of total release of ₹ 40.44 crore for bridging the gaps in local infrastructure and converging existing development during 2007-11. Thus, the objective of the programme to bridge critical gaps in local infrastructure and other development requirements where the existing fund flows were not adequate, could not be achieved fully.

The Secretary, Zila Parishad-Cum-DPO, Chamba stated (July 2011) that critical gaps were to be looked into by CRRID who did not visit the units at the grass root level and as such, district plan could not be prepared properly.

2.8.2 Inadmissible expenditure

BRGF guidelines provide that BRGF funds will not be used for structures in the premises of religious institutions. Contrary to this, an expenditure of ₹ 66 lakh was incurred during 2008-11 against 27 schemes like construction of committee bhawan, retaining wall, ground, toilet etc within the religious premises in Chamba district. This indicated lack of planning as the DPC did not scrutinize the propriety of proposals for execution of works under BRGF.

The Secretary, ZP, Chamba stated (July 2011) that plan for these works were approved by the Gram Sabhas. The reply is not acceptable as the expenditure was incurred in contravention of the guidelines of the programme.

2.8.3 Diversion of funds

- A sum of ₹ 30 lakh (Municipal Council, Dalhousie: ₹ 17 lakh; Directorate PR: ₹ 13 lakh) was irregularly diverted during 2009-11 for making payment of salaries of its existing staff in contravention of the BRGF guidelines. The EO, Municipal Council, Dalhousie stated (August 2011) that the BRGF grant was utilised on the salary of the municipal staff due to low income of Municipal Council. The reply is not acceptable as BRGF was not meant for meeting the administrative expenditure of the Municipal Council.
- The Director (PR) diverted (2008-11) ₹ 2.20 crore meant for capacity building for purchase of two mobile vans (₹ 20.00 lakh) for Panchayati Raj Training Institute, Mashobra in Shimla district and for construction and strengthening of Training Institute at Baijnath in Kangra district (₹ 2.00 crore). Diversion of BRGF funds of ₹ 2.20 crore to districts not covered under BRGF was irregular.

The Director, PR stated (October 2011) that GOI has given full powers to HPC to approve some additional activities. The reply is not acceptable as no document in support of this was produced to audit.

2.8.4 Unauthorized execution of works under BRGF

As per BRGF guidelines, no special bodies, management committees, societies etc. shall be set up for implementation of the programme at any Panchayat or ULB level. Contrary to the provisions of the guidelines, the DPO, Chamba entrusted execution of 357 works valued at ₹ 7.76 crore to different “participatory committees” during 2007-11. These committees were not formed by the Zila Parishad as per rule 93 of HP Panchayati Raj Rules, 2002. Besides, estimates, bills/ vouchers of the works executed by these Committees were also not available with the Secretary, Zila Parishad/Executive Officer (PS). The concerned Panchayat Samities made the payments to these committees without obtaining bills/vouchers and without ascertaining the account of assets in the records of the concerned Gram Panchayats.

The Secretary, Zila Parishad, Chamba stated (July 2011) that funds were allocated to participatory committees on the recommendations of the DPC. The reply is not acceptable as works were executed in contravention of guidelines of BRGF.

2.8.5 Irregular inclusion of the schemes in the district plan

The DPC, Chamba included 448 schemes/ works valued at ₹ 5.50 crore during 2008-11 in the district plan on the recommendations of members of Zila Parishads in contravention of BRGF guidelines which provide that priorities of works to be executed were to be decided by the Gram Sabhas.

On being pointed out, the DPO, Chamba stated (July 2011) that CRRID had not visited the units at grass root level for preparation of district plan.

2.8.6 Non-contribution of funds from other sources

BRGF guidelines provide that development grants can be utilised on physical infrastructure for the conduct of Panchayat affairs including office infrastructure/ building, provided 30 *per cent* of the cost is contributed from other sources.

Audit noticed that DPC, Chamba released ₹ 2.74 crore to different implementing agencies between June 2008 and February 2011 for creation of physical infrastructure like construction of Panchayat Ghars, meeting hall of Panchayats, Community Bhawans etc. without ensuring contribution of ₹ 82 lakh (30 *per cent*) from other sources.

The Secretary, ZP Chamba stated (July 2011) that it was not possible to implement the guidelines of BRGF on the newly constructed infrastructure. The reply is not acceptable as no margin money was contributed in contravention of guidelines *ibid*.

2.8.7 Fictitious submission of utilization certificates (UCs)

As per BRGF guidelines, UCs were required to be submitted within one year of the release of funds. During 2007-10, DPO, Chamba released ₹ 47.89 crore to various implementing agencies for execution of 2047 works/ schemes. Of this, UCs for ₹ 7.19 crore for 446 works were awaited from implementing agencies as of July 2011 whereas DPO, Chamba issued (September 2009 to December 2010) UCs for 100 *per cent* of released amount. This indicated that UCs were submitted to GOI without ensuring the actual utilization of funds by the implementing agencies.

The Secretary, ZP, Chamba admitted (July 2011) the facts.

2.9 Monitoring and evaluation

Monitoring and evaluation of BRGF provide for regular physical and financial audit of works by the local fund auditors or by Chartered Accountants, examination of utilization certificates, regular review by the High Powered Committee, social audit and regular review of monthly and annual progress reports.

2.9.1 Review Committee at District level

The Review Committee constituted (July 2009) by the Secretary, Zila Parishad for examining the peer review reports, prepared by the Panchayats and overseeing the implementation of works being executed under BRGF, neither inspected the works executed under the BRGF nor convened any meeting since its formation which is indicative that the Review Committee remained non-functional. The Secretary, ZP-cum-DPO, Chamba while confirming the facts, stated (July 2011) that review committee would review the developmental works in near future.

2.10 Conclusion

Non-preparation of the district vision plan to bridge the critical gaps in local infrastructure and other development requirements at grass root level resulted in execution of works in an unplanned manner. While identifying the works/ schemes, the District Planning Committee ignored the instructions issued by the High Power Committee. As a result, sectors like Public Health, Animal Husbandry, Minor Irrigation, Drinking Water etc. were given least importance. An innovative feature of the BRGF programme was to ensure transparency by examination of peer review reports of the Gram Panchayats by the Review Committee at District level. However, the Review Committee constituted for examining the peer review reports neither inspected the works nor convened any meeting resulting in ineffective monitoring.

2.11 Recommendations:

The Government may consider to:

- bridge critical gaps in local infrastructure and for strengthening the PRIs/ULBs, a survey at grassroot level may be conducted for ascertaining the priority work areas and preparation of District perspective plan accordingly;
- provide funds for priority schemes under SC/ST plan and make allocations proportionately keeping in view the SC/ST population of the area;
- ensure timely release of funds to the implementing agencies as prescribed by the GOI;
- ensure that the District Planning Committee and the District Review Committee holds their meetings as per prescribed intervals and inspect the works to effectively implement the peer review system.