

## CHAPTER 3

### RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS

#### 3.1 Suspected embezzlement

##### **In one GP, there was no record of closing balance of ₹ 1.09 lakh**

Scrutiny of Cash Book of GP Bhalwani (Bhoranj Block of Hamirpur District) revealed that the closing balance of ₹ 1.09 lakh was not carried over to next page on 7 June 2010 (*Cash Book page 11*). The amount was shown as advance with a Pradhan and two Secretaries. After 7 June 2010, no entries were made in the Cash Book till 5 December 2010 and *page 12* of the Cash Book was left blank. The Cash Book was re-started on 6 December 2010 (*Page 13*) with a nil opening balance. Thus, ₹ 1.09 lakh appears to have been embezzled as no details of the advances given to the Pradhan and the two Secretaries were entered in the Cash Book. Besides, ₹ 3.19 lakh was withdrawn from banks and ₹ 2.36 lakh was deposited in the banks by the Gram Panchayat between 8 June 2010 and 5 December 2010 as verified from bank pass books. Neither the details in this regard were entered in the Cash Book nor were the vouchers of these transactions made available to audit. While admitting the facts, the Secretary of the GP stated (September 2011) that the matter would be investigated and outcome intimated to audit.

#### 3.2 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 cash chest upto a maximum limit of ₹ 5,000 , ₹ 2,500 and ₹ 1,000 respectively at a time.

Contrary to these rules, ZP, Shimla kept cash ranging between ₹ 7,844 and ₹ 41,724 in the chest during 2010-11 at a time. Similarly, five 5 GPs, (**Appendix-6**), retained minimum and maximum cash ranging between ₹ 1,010 and ₹ 48,899 for the days ranging between 12 and 132 days in the chest during 2006-11. The retention of cash in excess of prescribed limit was irregular. The concerned PRIs admitted the facts and stated (May 2011 to September 2011) that the excess cash beyond the prescribed limit was kept in the cash chest for miscellaneous payments and such irregularities would be avoided in future.

#### 3.3 Outstanding advances

##### **Eight GPs and two PSs did not take action to recover/ adjust the outstanding advances of ₹ 14.10 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 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 eight GPs and two PSs revealed that ₹ 14.10 lakh sanctioned as advances during 2007-11 to various office bearers such as Pradhan, Up-pradhan, Ward Members and non-elected officials for carrying out the developmental activities remained unadjusted (**Appendix-7**) as of March 2011. No efforts were made to recover these advances and in certain cases advances remained outstanding for periods ranging from one to four 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 2011 to October 2011) that the accounts have not yet been submitted by the officials and efforts would be made to recover the advances.

### **3.4 Blocking of funds in Personal Ledger Account (PLA)**

**Funds of ₹ 8.74 lakh earmarked for minor irrigation schemes remained un-utilised in Personal Ledger Accounts.**

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 out of ₹ 13.10 lakh available with seven PSs for execution of schemes during 2008-11, an expenditure of ₹ 4.36 lakh was incurred leaving an unspent balance of ₹ 8.74 lakh in PLA of these PSs as of March 2011 (**Appendix-8**). Non-utilisation of funds placed in PLA resulted in unnecessary blocking of funds and the beneficiaries were also deprived of the intended benefits of the schemes.

The concerned PRIs stated (June 2011 to December 2011) that funds were not utilized due to slow progress of works reported by GPs and the un-utilized amount would be spent after getting the schemes approved by the elected House. The reply is not acceptable as funds deposited in PLA were required to be utilized within one year from the date of sanction.

### **3.5 Non-recovery of duty**

**Revenue of ₹ 3.07 lakh remained un-realised on account of installation/renewal charges of mobile towers in 19 GPs.**

The Government of Himachal Pradesh 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 19 GPs, 40 mobile towers were installed during 2006-2010 but the installation/renewal charges of ₹ 3.07 lakh (Installation charges: 0.84 and Renewal charges: 2.23) had not been recovered from the concerned mobile companies as of March 2012 (**Appendix-9**). This deprived the GPs of their due share of revenue. The concerned Secretaries of the GPs stated (April 2011 to December 2011) that action would be taken to recover the dues shortly.

### 3.6 Purchase of material without inviting quotations

**Thirty four GPs purchased materials worth ₹2.09 crore without inviting quotations/tenders.**

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

It was observed that in 34 GPs, materials costing ₹ 2.09 crore were purchased during 2006-12 without inviting quotations (**Appendix-10**). As such the purchases were made without observing the prescribed procedures and the possibility of payment of higher rates could not be ruled out. The Secretaries of the concerned GPs stated (April 2011 to December 2011) that purchases would be made after inviting proper quotations/tenders in future.

### 3.7 Non-recovery of House Tax

**Forty five GPs did not realize house tax of ₹ 8.86 lakh.**

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

In 45 GPs, house tax amounting to ₹ 8.86 lakh for the period 2006-12 was not recovered till March 2012 (**Appendix-11**). This was indicative of an ineffective monitoring on the part of GPs and resulted in a 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 2011 to December 2011) that efforts would be made to recover the outstanding recovery of house tax.

### 3.8 Outstanding rent

**Ten PRIs failed to realize rent of shops amounting to ₹ 14.14 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.

Scrutiny of records revealed that in ten PRIs, an amount of ₹ 14.14 lakh<sup>4</sup> on account of rent of 56 shops was outstanding as of March 2011 (**Appendix-12**). This amount was outstanding with effect from 1999-2011. The concerned PRIs stated (April 2011 to January 2012) that notices have been served to the defaulters to deposit the outstanding rent immediately; otherwise necessary steps would be taken to vacate the shops. The Secretary, ZP Sirmour at Nahan stated (April 2011) that due to pending cases in courts, the outstanding amount of rent could not be recovered from the defaulters.

<sup>4</sup>ZP: ₹ 9.74, PSs: ₹ 3.12 and GPs: ₹ 1.28

### 3.9 Non-recovery of royalty from suppliers

#### **Sixty two GPs did not recover royalties amounting to ₹ 20.54 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 that royalty has already been paid by them otherwise royalty at the rate of ₹ 20 per metric tonne 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 2006-12, 62 GPs purchased 102780 metric tonne of material like sand, bajri etc. without obtaining form 'M' from the suppliers and royalty amounting to ₹ 20.54 lakh (**Appendix-13**) was not recovered from the bills of the suppliers, resulting in loss to the State Government. The Secretaries of the concerned GPs stated (April 2011-February 2012) that due to lack of knowledge of the relevant instructions of the State Government, royalty of supplied materials could not be deducted from the supplier's bills. However, they stated that the State Government instructions in this regard would be followed in future.

### 3.10 Doubtful deployments

#### 3.10.1 Irregularities in payment to labourers

#### **Eighteen GPs deployed same labourers on different works in the same period.**

Scrutiny of records revealed that in eighteen GPs, same labourers were deployed for different works in different muster rolls in the same period during 2006-11 resulting in doubtful deployment and double payment of wages to the tune of ₹ 0.65 lakh (**Appendix 14**). The name of schemes/works for which these muster rolls were issued had not been mentioned in most of the muster rolls which was indicative of inadequate and ineffective internal control mechanism. The concerned Secretaries of the GPs stated (June 2011 to February 2012) that the matter would be investigated and action taken accordingly.

#### 3.10.2 Irregular payment

#### **Six GPs paid ₹ 0.10 lakh as wages for non-existent dates of a calendar month**

During test-check of records it was noticed that six GPs released ₹ 2.72 lakh through 12 muster rolls to the labourers deployed on various works. Though the calendar months for which these muster rolls were prepared were of 28 and 30 days, yet ₹ 10503 were paid for the days beyond 28<sup>th</sup> and 30<sup>th</sup> for those calendar months during 2005-10 as detailed in **Appendix 15**. Thus, excess payment of ₹ 10503 was made to the labourers. While confirming the facts, the concerned Secretaries of the GPs stated (June 2011 to August 2011) that the excess payment was made by mistake and the same would be recovered. The replies were not acceptable as the authenticity of the MRs on which these payments were released were doubtful which is indicative of failure of internal control management in the PRIs.

### 3.10.3 Irregular payment without pass orders

#### **GP Bhalwani made payment of ₹ 12.07 lakh without pass orders**

Rule 7(1) of HPPR Rule, 2002 provides that each transaction of income and expenditure shall be got verified by the Pradhan and every voucher should bear resolution number and date vide which the expenditure was authorized by the Gram Panchayat. Contrary to this, the Secretary, GP Bhalwani made payment of ₹ 12.07 lakh to labourers, suppliers, honorarium to office bearers of GP etc. during 2007-10 without verification of the expenditure by the Pradhan and without mentioning the resolution number of the Gram Panchayat. Even the pass orders on the vouchers were not made by the Secretary. Hence the payment of ₹ 12.07 lakh made without pass order was irregular.

### **3.11 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme**

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. The funds relating to Mahatma Gandhi National Rural Employment Guarantee Scheme (MNREGA) are being received by the GPs through the District Rural Development Agencies (DRDAs) for implementation of MNREGA. Irregularities noticed in implementation of the Scheme during the course of audit of PRIs are given in the succeeding paragraphs.

#### **3.11.1 Non-maintenance of wage material ratio**

#### **Fifteen Gram Panchayats failed to adhere to the prescribed wage material ratio and accordingly made less provision of ₹ 29.74 lakh on labour component.**

Para 6.2 of MNREGA guidelines provides that ratio of wage costs to material cost should not be 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 15 GPs, 222 works were executed during 2008-11 at a total cost of ₹ 2.35 crore. Against the required expenditure of ₹ 1.41 crore to be incurred on wages, the amount spent on wage component was ₹ 1.11 crore (**Appendix 16**). Thus, the purpose of prescribing higher ratio for wage component was defeated resulting in less availability of funds of ₹ 0.30 crore for employment generation. Some Secretaries of GPs attributed (January 2012) non-maintenance of prescribed ratio due to non-receipt of orders in this regard, while no reasons for non-observing the prescribed wage and material ratio were given by others.

### 3.11.2 Delay in release of labour payment

**Twenty seven Gram Panchayats delayed payment of wages of ₹ 2.98 crore to labourers for periods ranging between 3 and 420 days.**

As per Para 7.1.5 of MNREGA guidelines, workers were to be paid wages on a weekly basis and in any case not beyond a fortnight from the date on which the work was done. In case of delay beyond a fortnight, workers were entitled for compensation as per the provisions of Payment of Wages Act, 1936. It was noticed in audit that 27 GPs made payment of ₹ 2.98 crore to the workers under MNREGA after a delay ranging between 3 and 420 days which was contrary to the provisions of MGNREGS guidelines (**Appendix-17**). No compensation was paid to the labourers for the delayed payment. The Secretaries of the GPs concerned stated (April 2011 to January 2012) that the delay in payment of wages occurred due to late receipt of funds from Block Development Officers and delay in evaluation of works.

### 3.11.3 Payment of extra wages to elected members of GPs

**Twenty seven Gram Panchayats paid extra wages of ₹ 0.40 lakh to elected members of GPs in addition to honorarium.**

Some of the elected members supervise the works under MNREGS for which they are paid wages. Scrutiny of the proceeding registers of the GPs *vis-a-vis* Muster Rolls under MNREGS revealed that during 2007-11, elected members in 27 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 ₹ 0.40 lakh (**Appendix-18**) were paid to them in addition to the honorarium. The payment of wages in the above cases raises doubt about the authenticity of muster rolls and needs investigation. The Secretaries of the concerned GPs stated (June 2011 and January 2012) that the matter would be investigated and amount would be recovered from the concerned members.