

OVERVIEW

This Report is prepared in two parts and consists of four chapters. Chapter 1 provides an Overview of Accounts and Finances of Urban Local Bodies (ULBs). Chapter 2 includes two Performance Audits on “Backward Regions Grant Fund” for Urban Local Bodies and “Functioning of Allahabad *Nagar Nigam*” along with Long Para on "Authorisation, opening, operation and reconciliation of Bank Accounts in *Nagar Palika Parishads* in Uttar Pradesh". It also includes Compliance Audit of Urban Local Bodies. Chapter 3 deals with an Overview of Accounts and Finances of *Panchayati Raj* Institutions. Chapter 4 includes Performance Audit on “Decentralised Governance including Status of Maintenance of Accounts in *Panchayati Raj* Institutions” and a Long Paragraph on “Working of *Panchayati Raj* Institutions in District Azamgarh”. The Chapter also includes compliance Audit of *Panchayati Raj* Institutions. A synopsis of audit findings is given below:

Chapter 1: An Overview of Accounts and Finances of Urban Local Bodies

There were 630 Urban Local Bodies (ULBs) in the State, governed by elected boards of their members with normally five years’ tenure.

(Paragraph 1.2)

The maintenance of accounts was inadequate and the approved formats of accounts were not adopted. Further, assets and liabilities of ULBs were not assessed.

(Paragraph 1.4)

Compliance to huge number of audit paragraphs was pending since long.

(Paragraph 1.5.2)

Full devolution of funds, functions and functionaries to ULBs as envisaged in the Constitution did not take place.

(Paragraph 1.7)

The shortfalls in devolution ranged between 8 and 18 *per cent*. The books of accounts did not depict true and fair view of the financial position of ULBs.

(Paragraph 1.10.6)

Chapter 2: Performance Audit, Long Paragraph and Compliance Audit of Urban Local Bodies

2.1 Performance Audit of “Backward Regions Grant Fund” for Urban Local Bodies

Due to non-conducting of baseline survey, non-identification of the critical gaps and non-preparation of perspective plan, the scheme funds were not utilised for all the specified works and financial management remained far from satisfactory mainly due to delay in transfer of funds to ULBs.

(Paragraph 2.1.7.1)

Despite availability, the funds were not released by the Nodal Officer to ULBs, resulting in non-achievement of the objectives of the scheme.

(Paragraph 2.1.8.2)

Due to non-submission of Utilisation Certificates (UCs) against the sanctioned amount of ₹ 3,730.63 crore, the Government of India (GoI) short released ₹ 1,290.95 crore (34.60 per cent) for the development works.

(Paragraph 2.1.8.3)

In 10 ULBs, the construction work was commenced without assessing the site conditions, resulting in an unfruitful expenditure of ₹ 1.22 crore.

(Paragraph 2.1.9.1)

The works were executed by District Urban Development Agency (DUDA) without inviting tenders and an expenditure of ₹ 4.37 crore was incurred and the works remained incomplete.

(Paragraph 2.1.10.2)

2.2 Performance Audit of "Functioning of Allahabad Nagar Nigam"

The required frameworks for the *Nagar Nigam*, Allahabad viz. accountability, budgeting, accounting and auditing were inefficient, incomplete and in some cases entirely absent.

(Paragraph 2.2.9)

Annual Rental Value (ARV) of the commercial properties was not revised after 2002-03. Consequently, revenues from property tax for the commercial properties remained stagnant between ₹ 3.45 and ₹ 3.47 crore during the year 2008-13.

(Paragraph 2.2.9.4)

The *Nigam* did not carry out assessment of requirement of vehicles, machines and equipment. Extant mandatory instructions, orders and guidelines were violated in executing agreements for procurements and execution of works.

(Paragraph 2.2.10)

2.3 Long Paragraph on "Authorisation, opening, operation and reconciliation of Bank Accounts in Nagar Palika Parishads in Uttar Pradesh"

Nagar Palika Parishads had opened four to 21 bank accounts in more than one bank without obtaining proper sanction/authorisation.

(Paragraph 2.3.2)

Out of 163 bank accounts opened by the NPPs in various bank branches, 37 accounts with ₹ 96.82 lakh were dormant.

(Paragraph 2.3.3)

In test-checked 15 NPPs, 60 current accounts in different nationalised banks were opened and ₹ 19.71 crore was the balance in these current accounts bearing no interest.

(Paragraph 2.3.4)

2.4 Compliance Audit

Award of contract relating to collection of parking fees by *Nagar Nigam Saharanpur* without effective safeguard clause relating to prompt payment led to default in payment of ₹ 35.54 lakh.

(Paragraph 2.4.1)

Non-achievement of the objective of shifting the milch cattle out of the municipal limit to milch cattle colony developed by the *Nagar Nigam, Allahabad* for ₹ 1.60 crore.

(Paragraph 2.4.2)

Sub-standard quality of road work of ₹ 2.45 lakh in *Nagar Panchayat, Sahjanwa*.

(Paragraph 2.4.3)

Fictitious measurement in construction of a drain in *Nagar Panchayat Naraura, district Bulandshahr* led to an overpayment of ₹ 1.56 lakh.

(Paragraph 2.4.4)

Unfruitful expenditure of ₹ 56.31 lakh on the construction of the shops and avoidable loss of revenue of ₹ 75.36 lakh to *Nagar Palika Parishad, Fatehpur*.

(Paragraph 2.4.5)

Idle investment of ₹ 6.49 lakh on road sweeper machine in *Nagar Palika Parishad, Padrauna, Kushinagar*.

(Paragraph 2.4.6)

Non-deduction of Labour Cess of ₹ 2.12 crore from the contractors' bills for construction works carried out by *Nagar Nigam, Varanasi* during 2010-13.

(Paragraph 2.4.7)

Commencement of work without getting permission for the complete alignment rendered expenditure of ₹ 2.29 crore wasteful.

(Paragraph 2.4.8)

Purchase of dustbins without Dumper Placer in *Nagar Panchayat, Dasna, district Ghaziabad* led to unfruitful expenditure of ₹ 16.22 lakh.

(Paragraph 2.4.9)

Willful negligence in selecting the landfill site for Solid Waste Management Project, *Gorakhpur* resulted in unfruitful expenditure of ₹ 9.13 crore, loss of Government money ₹ 2.60 crore and blockade of funds ₹ 5.47 crore.

(Paragraph 2.4.10)

Nala on which an expenditure of ₹ 1.04 crore had been incurred by *Nagar Palika Parishad, Hapur, Gaziabad* without calling for tenders remained incomplete even after five years.

(Paragraph 2.4.11)

Shops were constructed at a cost of ₹ 35.41 lakh without ensuring in advance firm demand from potential parties and clear title to the land in *Nagar Palika Parishad*, Saharanpur.

(Paragraph 2.4.12)

Chapter 3: An Overview of Accounts and Finances of Panchayati Raj Institutions

The Seventy third Constitutional Amendment Act in 1992 (Act) envisaged decentralisation of powers to *Panchayati Raj* Institutions (PRIs) to ensure participative governance and effective implementation of rural development programmes.

(Paragraph 3.1)

Model Accounting Structure for PRIs viz. PRIASoft, was being only partially implemented.

(Paragraph 3.4.1)

Test-check of Bank Statement and Cash Book (2010 to 2012) revealed unreconciled differences of ₹ 83.11 lakh in five *Kshetra Panchayats* and ₹ 2.98 crores in two *Zila Panchayats* and two *Kshetra Panchayats* as on 31 March 2011 and 31 March 2012 respectively.

(Paragraph 3.4.2)

No annual budgets in KPs and GPs were being prepared.

(Paragraph 3.6)

There was short devolution of funds ranging from 11 to 26 per cent during 2008-13.

(Paragraph 3.11.1)

The Vigilance Mechanism adopted by GoUP in the light of Prevention of Corruption Act, 1988 was inadequate as Gram Pradhan is out of purview of *Lok Ayukta* Act and the Act's recommendations are not binding on GoUP.

(Paragraph 3.15.2)

Chapter 4: Performance Audit and Compliance Audit of Panchayati Raj Institutions

4.1 Performance Audit of “Decentralised Governance including Status of Maintenance of Accounts in Panchayati Raj Institutions (PRIs)”

Devolution of functions as intended in the Constitution was not fully achieved in the test-checked PRIs due to non-transfer of functions and functionaries.

(Paragraph 4.1.7.2)

The objective of strengthening the accounting system of PRIs for exercising proper control and securing better accountability was not achieved due to partial implementation of PRIASoft accounting system. KPs did not prepare Budget Estimates and Revised Estimate. Maintenance of accounts in ZPs and KPs was improper.

(Paragraph 4.1.9.1, 4.1.9.2 and 4.1.9.3)

Rupees 4.56 crore provided (during 2007-10) to 11,403 GPs for preparation of accounts through Chartered Accountants (CAs), was lying unutilised as of August 2013. Accounts of GPs prepared by CAs were not being scrutinised by the competent authorities.

(Paragraph 4.1.9.4 and 4.1.9.5)

Neither Cash Books (seven KPs) were being maintained nor was reconciliation of Cash Book with Bank Pass Book being done.

(Paragraph 4.1.9.6 and 4.1.9.7)

Of the eight formats of PRIASoft, only Annual Receipt and Payment Accounts (Format-I), Consolidated Abstract Register (Format-II) and Bank Reconciliation Statement (Format-III) were being generated.

(Paragraph 4.1.10.3)

PRIs were without adequate manpower and Information Technology infrastructure, essential for smooth implementation of PRIASoft, both at the District and grass root levels.

(Paragraph 4.1.10.5 and 4.1.10.6)

Internal controls and monitoring in PRIs were weak.

(Paragraph 4.1.11)

4.2 Long Paragraph on “Working of Panchayati Raj Institutions in District Azamgarh”.

There are 22 KPs and 1,617 GPs in District, Azamgarh. Budget was not prepared in any of the test-checked GPs and KPs. Test-checked GPs neither maintained additional pass book of village funds nor prepared reconciliation statement.

(Paragraph 4.2.1, 4.2.2.5 and 4.2.2.6)

Stock register relating to supply of material for the construction work and issues thereof was not maintained in any of the test-checked GPs.

(Paragraph 4.2.2.8)

Improper record maintenance was seen in the test checked KPs and GPs and also monitoring of the work was not adequate.

(Paragraph 4.2.4.1 and 4.2.4.2)

Unfruitful expenditure on construction of *Gram Panchayat Sachivalya* ₹ 68.22 lakh.

(Paragraph 4.2.5.1)

Unfruitful expenditure amounting to ₹ 33.95 lakh on construction of bridge and approach road.

(Paragraph 4.2.5.2)

Unfruitful expenditure of ₹ 17.27 lakh on construction of shops.

(Paragraph 4.2.5.3)

Due to non-availability of MNREGS share of ₹ 2.99 crore, targeted Household Toilets remained incomplete.

(Paragraph 4.2.5.4)

Expenditure incurred on purchase of sodium lights amounting to ₹ 2.04 lakh remained unfruitful.

(Paragraph 4.2.5.5)

Non-renewal of leases/allotment of land valuing ₹ 1.83 crore and unauthorised possession on land of ZP valuing ₹ 1.10 crore.

(Paragraph 4.2.5.6)

Non-levy of royalty of ₹ 7.59 lakh, Non deduction of Cess of ₹ 4.04 lakh, non-deduction of Income tax of ₹ 2.27 lakh.

(Paragraph 4.2.5.7, 4.2.5.8, 4.2.5.9)

Interest amounting to ₹ 1.35 crore remained unutilised under Total Sanitation Campaign.

(Paragraph 4.2.5.10)

In large number of GPs, accounts were not prepared by CA for the last five years (2004-05 to 2009-10).

(Paragraph 4.2.5.11)

4.3 Compliance Audit

Due to delay in cancellation of the contract and non-awarding of the contract to the second highest bidder within the specified time, a loss of revenue of ₹ 10.40 lakh was incurred in *Zila Panchayat*, Mahoba.

(Paragraph 4.3.1)

Rupees 24.08 lakh was spent in *Kshetra Panchayat*, Jaspura, District Banda but objectives of *Khet Talab Yojna* under MNREGS remained unachieved due to non-procurement of High Density Poly Ethylene (HDPE) film and non-distribution of sprinkler sets to the beneficiaries.

(Paragraph 4.3.2)

An expenditure of ₹ 39.90 lakh was incurred in construction of road in *Zila Panchayat*, Siddharthnagar without fully adhering to the Uttar Pradesh Public Works Department (UPPWD) specification.

(Paragraph 4.3.3)

Codal provisions were not followed in depositing of revenue of ₹ 27.77 lakh and in incurring of expenditure of ₹ 21.83 lakh.

(Paragraph 4.3.4)

Due to non-observance of UPPWD's specifications prescribed for construction of rural link roads, an avoidable expenditure of ₹ 15.81 lakh was incurred in *Zila Panchayat*, Sant Ravidas Nagar during the period of August 2009 to January 2010.

(Paragraph 4.3.5)

Fixation of royalty for disposal of dead bodies of animals, in contravention of the Government orders, resulted in loss of revenue of ₹ 48.64 lakh in *Zila Panchayat, Chitrakoot*.

(Paragraph 4.3.6)

Undue financial benefit was extended to suppliers by giving irregular advance of ₹ 1.82 crore without safeguards. ₹ 55.51 lakh remained unrecovered for more than six years in *Zila Panchayat, Kushinagar*.

(Paragraph 4.3.7)

An expenditure of ₹ 1.26 crore was incurred in construction of nine *Gram Panchayat* Secretariats, in *Kshetra Panchayat Jhajhari, Gonda* under Backward Region Grant Fund (BRGF) scheme where cement was utilised in some items of work below the norm with adverse effect on quality and in some items the recorded consumptions of cement was well above the norm raising doubts about the authenticity of records.

(Paragraph 4.3.8)

Labour cess of ₹ 41.56 lakh was not deducted from the payments made for the construction works executed by *Zila Panchayat, Barabanki* during the year 2010-11 and 2011-12.

(Paragraph 4.3.9)

Failure to observe the Government instructions by the *Gram Panchayat Vikas Adhikari* resulted in irregular expenditure of ₹ 10.50 lakh during 2008-11 under Total Sanitation Campaign.

(Paragraph 4.3.10)

Revenue collected from own sources of the *Gram Panchayat Dhamora, Kshetra Panchayat Milak* of district Rampur amounting to ₹ 2.25 lakh was misappropriated by the *Gram Pradhan*.

(Paragraph 4.3.11)

There was excess payment of ₹ 12.62 lakh to the masons on construction of Check Dams in *Kshetra Panchayat, Ghorawal district Sonebhadra*.

(Paragraph 4.3.12)