



**ANNUAL TECHNICAL INSPECTION REPORT
ON
URBAN LOCAL BODIES
AND
PANCHAYATI RAJ INSTITUTIONS
FOR THE YEAR ENDED 31 MARCH 2013**



GOVERNMENT OF UTTAR PRADESH



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PREFACE

The Report has been prepared for submission to the Government of Uttar Pradesh in accordance with terms of notification dated 31 May 2011 issued by the Government Uttar Pradesh entrusting the Comptroller and Auditor General of India Technical Guidance and Supervision (TGS) over the audit of Urban Local Bodies (ULBs) and *Panchayati Raj* Institutions (PRIs).

Chapter 1 and 3 of this Report contain observations arising from examination of accounts and finances of Urban Local Bodies and *Panchayati Raj* Institutions respectively.

Chapter 2 contains findings of performance audits on “*Backward Regions Grant Fund*” and “*Functioning of Allahabad Nagar Nigam*”, Long Paragraph on “*Authorisation, opening, and reconciliation of Bank Accounts in Nagar Palika Parishads*” in Uttar Pradesh and findings emerging from transactions audits of Urban Local Bodies. Chapter 4 contains findings of the performance audit on “*Decentralised Governance including Status of Maintenance of Accounts in Panchayati Raj Institutions*”, Long Paragraph on “*Working of PRI in District Azamgarh*” and findings emerging from Compliance audit of *Panchayati Raj* Institutions.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-13 as well as those which had come to notice in earlier years but could not be dealt with in previous Reports. Matters relating to the period subsequent to 2011-13 have also been included wherever necessary.

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 Sonbhadra.

(Paragraph 4.3.12)

CHAPTER 1

AN OVERVIEW OF ACCOUNTS AND FINANCES OF URBAN LOCAL BODIES

1.1 Introduction

The Seventy Fourth Constitutional Amendment Act (1992) paved the way for decentralisation of powers and transfer & devolution of more functions and funds to Urban Local Bodies (ULBs). Consequently, more diversified responsibilities were devolved through a three tier structure namely, *Nagar Nigams*¹ (NN), *Nagar Palika Parishad*² (NPP) and *Nagar Panchayats*³ (NP). To incorporate the provisions of the Seventy Fourth Constitutional Amendment, the legislature of Uttar Pradesh enacted the Uttar Pradesh Urban Local Self Government Law (Amendment) Act, 1994.

The Government implemented the system of democratic governance down to grass root level in ULBs through the Uttar Pradesh *Nagar Palika* Act, 1916 and Uttar Pradesh Municipal Corporation Act, 1959. The objective was to make ULBs self-reliant and to provide better civic facilities to the people of the areas under their jurisdictions.

1.2 State Profile

Uttar Pradesh is the most populated and the fifth largest state in the country spread over an area of 2.40 lakh Km² (approximately). There were 630 Urban Local Bodies (ULBs) in the State, governed by elected boards of their members with normally five years' tenure. The last election to these ULBs was held in 2012. The profile of ULBs is given in **Table 1**.

Table 1: Significant statistics

Sl. No.	Indicator	Unit	State Value	National Value	Rank amongst all states
1	Population	In crore	19.98	121.07	1 st
2	Population density	Per km ²	829	382	2 nd
3	Urban population (<i>per cent</i>)	<i>Per cent</i>	22.27	31.16	-
4	Number of ULBs.	Number	630	3842	2 nd
5	<i>Nagar Nigam</i>	Number	13	139	4 th
6	<i>Nagar Palika Parishad</i>	Number	194	1595	1 st
7	<i>Nagar Panchayats</i>	Number	423	2108	1 st
8	Gender Ratio	Females per 1000 Males	894	926	23 rd
9	Literacy (Urban)	<i>Per cent</i>	75.14	84.98	23 rd

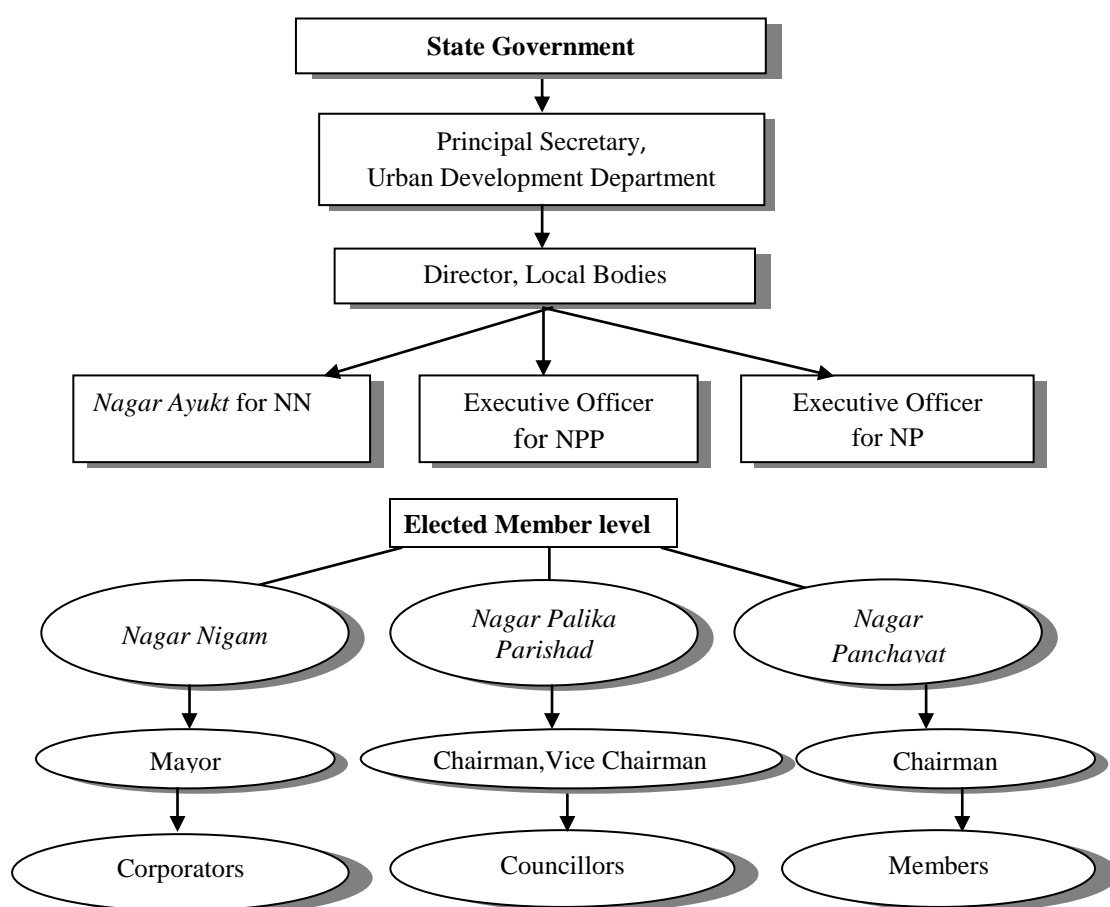
(Source: Census Report 2011 & Thirteen Finance Commission Report)

¹Represents ULBs, having the population of more than five lakh.

²Represents ULBs, having the population between 20 thousand and five lakh.

³Represents ULBs having the population below 20 thousand.

1.3 Organisational Structure of Urban Local Bodies



While Mayor heads the *Nagar Nigam*, Chairman heads *Nagar Palika Parishad* and *Nagar Panchayat*. The elected representatives exercise their powers and discharge duties through the committees of elected members. *Nagar Ayukt* in case of *Nagar Nigam* and Executive Officer in case of *Nagar Palika Parishad* and *Nagar Panchayat* are the administrative heads.

1.3.1 Standing Committees in ULBs

As per the provisions of Sections 88 to 105 of Uttar Pradesh *Nagar Nigam* Act, 1959 and Sections 104 to 112 of Uttar Pradesh *Nagar Palika* Act, 1916, a number of standing committees were required to be formed to carry out the business of ULBs. No specific information relating to committees formed and working in ULBs has been furnished by the Director, Local Bodies.

1.4 Maintenance of Accounts

Adoption of account formats prescribed by the Comptroller and Auditor General (CAG) of India

The CAG of India on the recommendation of the Eleventh Finance Commission prescribed the Budget and Accounting formats for accrual basis accounts for ULBs. The Ministry of Urban Development circulated (June

2003) it to the State Governments for their acceptance. The State Government issued an order in June 2008 for the implementation of the same in ULBs from the financial year 2009-10 onwards. As of August 2013, out of 630 ULBs, 611 were in advanced stages of operationalising accrual based Double Entry Accounting System (DEAS). Only 436 ULBs had finalised their Operating Balance Sheet (OBS) as on 1 April 2009 and Balance Sheet upto the Financial Year 2011-12. The remaining 194 ULBs did not finalise their OBS. Amendment in the existing Rules was also not made by the Government.

1.5 Audit Arrangement

1.5.1 Primary Auditor

Director, Local Fund Audit is the primary auditor of ULBs in terms of the Uttar Pradesh Local Fund Audit Act, 1984. The accounts of such bodies ranging from 11 to 18 *per cent* remained unaudited by the Director, Local Fund Audit, Allahabad and were in arrears at the close of the years 2009-13. The year-wise position of audit is given in **Table 2**.

Table 2: Year-wise position of audit of units

Sl. No.	Year	Number of units		Units in arrear	
		To be audited	Audited	In number	In per cent
1	2009-10	623	556	67	11
2	2010-11	624	542	82	13
3	2011-12	625	529	96	15
4	2012-13	624	510	114	18

(Source: Director, Local Fund Audit)

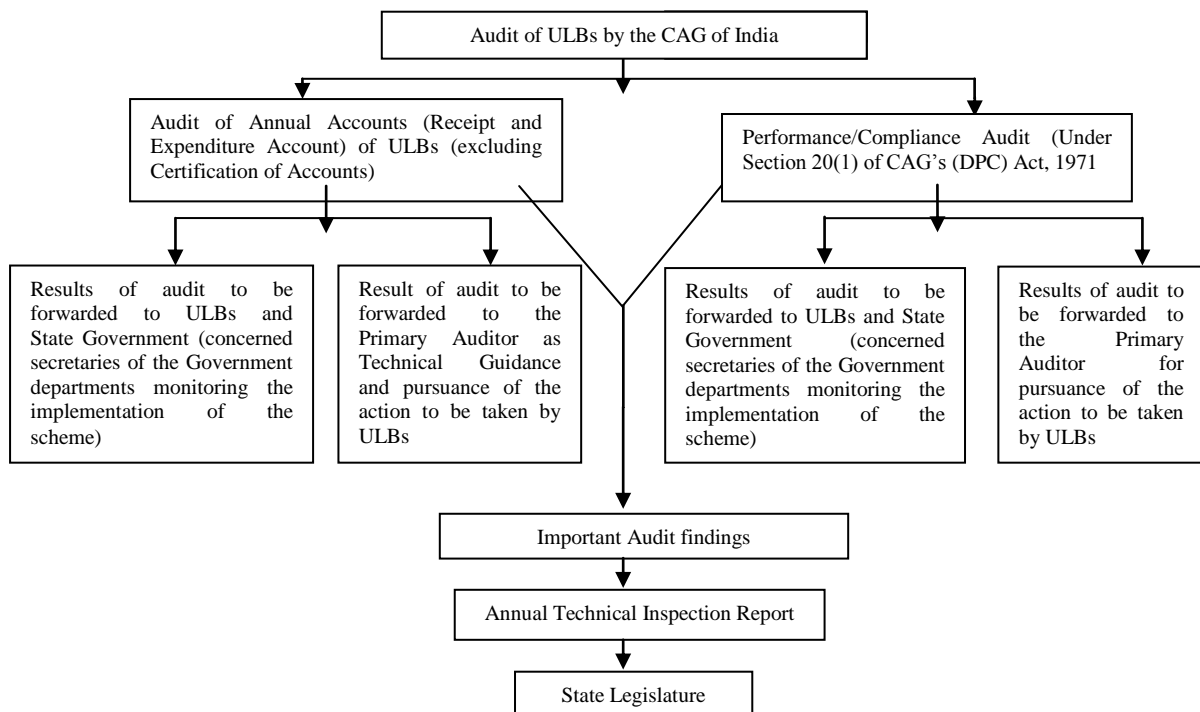
Director, Local Fund Audit, in terms of Section 8(3) of Uttar Pradesh Local Fund Audit Act, 1984, was required to prepare a consolidated audit report on the accounts of ULBs and submit it to the Government for placing it before the Legislative Assembly. Such reports were placed only upto 2008-09.

1.5.2 Audit mandate of the CAG of India

- I. Audit of Annual Accounts (Receipt and Expenditure Accounts) of ULBs is conducted by the CAG of India under Section 14 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) (CAG's (DPC)) Act, 1971. The result of audit is reported to ULBs, Director, Local Fund Audit (DLFA) and the State Government (to the concerned secretaries of the Government departments).
- II. Technical Guidance and Support (TGS) to the audit to ULBs (to Local Fund Auditors/Director, Local Fund Audit (DLFA) is given by the CAG of India under Section 20(1) of CAG's (DPC) Act, 1971.
- III. The parameters of TGS include test-check of accounts of ULBs, review of the auditing system and the internal control system of the Local Fund Auditor.

- IV. As a part of the TGS arrangements, the reports of the test-check of ULBs were sent by the Accountant General⁴ to the Director, Local Fund Audit for ensuring compliance of audit paras. No paras were settled reportedly due to shortage of manpower.
- V. The result of audit i.e. Technical Inspection Reports of ULBs are sent to ULBs, to the secretaries of the Government departments and the Director Local Fund Audit for pursuance of actions to be taken by ULBs.
- VI. Annual Technical Inspection Report (audit of ULBs conducted during preceding year) (ATIR) is sent by the Accountant General (Audit) to the State Government (to the concerned secretaries of the Government departments) by the end of June every year for the necessary remedial action.

Chart showing the procedure of audit of ULBs is depicted below:



The Eleventh Finance Commission recommended TGS arrangements for proper maintenance of accounts of ULBs and their audit by the CAG of India under Section 20(1) of the CAG's (DPC) Act, 1971. As per recommendations of the Thirteenth Finance Commission, the CAG is to be entrusted with TGS for all Local Bodies for all states, which will be a necessary consequence of the standardisation of accounting formats for all local bodies across State and to provide a credible assurance from the audit of accounts. The Government entrusted the audit of local bodies to the CAG of India in October 2001 and reiterated in March 2011. The required amendments in the rules regarding audit and maintenance of accounts have not been made by the Government. Categories of ULB units planned and audited during 2011-13 are depicted in **Table 3**.

⁴ Redesignated as Principal Accountant General (General & Social Sector Audit) with effect from April 2012.

Table 3: Audit of ULBs

Category of ULB	2011-12		2012-13	
	Unit Planned	Audited	Unit Planned	Audited
<i>Nagar Nigam</i>	4	3	8	6
<i>Nagar Palika Parishad</i>	16	16	29	31
<i>Nagar Panchayat</i>	25	24	60	49

(Source: Audit plan of the O/o PAG (G&SSA) UP)

Three hundred ninety five audit paragraphs (value: ₹ 447 crore) relating to the year 2011-12 and 485 audit paragraphs (value: ₹ 3,787.45 crore) related to the year 2012-13 were communicated to the heads of offices of the ULBs and the Director, Local Fund Audit, out of which three paragraphs (value: ₹ 5.26 lakh) were settled after obtaining replies from the department (August 2013).

1.6 Human resource arrangement

Position of Human resource arrangement for implementation of schemes and manpower sanctioned in ULBs *vis-a-vis* men in position is given in **Table 4**.

Table 4 :Human recourse arrangement

Number of Employees (As on 31-03-2012)						
Category of ULB		<i>Nagar Nigam</i>	<i>Nagar Palika Parishad</i>	<i>Nagar Panchayat</i>	Total	
Centralised	Sanctioned	1,457	1,124	359	2,940	
	Working	834	636	264	1,734	
Non Centralised	Sanctioned	16,997	12,368	3,272	32,637	
	Working	Regular	11,184	11,122	3,073	25,379
		Non-regular	1,168	1,845	2,251	5,264
Total		12,352	12,967	5,324	30,643	
<i>Safai Karmchhari</i>	Sanctioned	25,703	19,532	4,730	49,965	
	Working	Regular	20,039	15,989	4,216	40,244
		Non-regular	13,171	14,691	9,146	37,008
Total		33,210	30,680	13,362	77,252	
Total Employees	Sanctioned	58,496	49,560	19,758	1,27,814	
	Working	46,396	44,283	18,950	1,09,629	
Shortage /percentage		12,100 (20.69)	5277 (10.65)	808 (4.09)	18,185 (14.23)	

(Source: Director, Urban Local Bodies, Lucknow)

In Centralised category, 1,734 employees were working against the sanctioned strength of 2,940 with a shortage of 41 *per cent*. In Non-centralised category, 30,643 employees were working against the sanctioned strength of 32,637, a shortage of 6.11 *per cent*. In the category of *Safai Karmchhari* 77,252 employees were working against the sanctioned strength of 49,965 showing excess of 54.61 *per cent*.

1.6.1 Training of the officials for improving the skill/capacity

One lakh nine thousand six hundred twenty nine officers and employee were working (March 2013) in 630 ULBs. There were 630 mayors/chairmen and 11,290 elected corporators/members who are on the boards of ULBs. UP

lacked required infrastructure and institutional set-up for urban management and human resource development. To work in the spirit of Seventy-fourth Constitutional Amendment for empowerment of hub of urban development, there is an urgent need to design training module which is specific to the nature of duties and responsibilities of municipal functionaries. Director, Local Bodies proposed (August 2013) to establish an academy to improve the skill of the employees.

1.7 Transfer of functions to Urban Local Bodies

Article 234-W of the Constitution refers to the powers, authority and responsibilities that the legislature of a State may, by law, devolve upon the municipal bodies to enable them to function as institutions of self-government. As a follow up to the Seventy-fourth Constitutional Amendment Act, 1992, the State Legislature enacted laws in March 1996 for devolving 18 functions⁵ (enshrined in Twelfth Schedule of the Constitution), on ULBs.

A look at the list of functions makes it clear that the role of ULBs will not remain confined to the traditional functions relating to civic amenities. The Constitution envisages an active role of these bodies in poverty alleviation and planning for economic and social development of the urban areas as well. It is for the States to devolve specific powers and responsibilities to ULBs.

Some of the functions of ULBs listed in the Seventy-fourth Amendment, which have been incorporated in Sections 114 and 7 of the U.P. Municipal Corporation Act, 1959 and the U.P. Municipal Act, 1916 respectively, functions were being performed by Development Authorities, Regional *Jal Sansthans*, Regulated Area Authorities and concerned Government departments. Through G.O. No.461/IX-9-1996 dated 7 March, 1996 of the Urban Development Department, the State Government specified the functions that would be performed by different agencies.

According to the above mentioned G.O. following eight functions would be performed exclusively by ULBs:

1. Water supply for domestic, industrial and commercial purposes.
2. Public health, sanitation, conservancy and solid waste management.
3. Provision of Urban amenities and facilities, such as parks, gardens and play grounds.
4. Burials and burial grounds, cremation and cremation grounds.

⁵ (i) Urban planning including town planning, (ii) Regulation of land use and construction of buildings, (iii) Planning for economic and social development, (iv) Roads and bridges, (v) Water supply for domestic, industrial and commercial purposes, (vi) Public health, sanitation, conservancy and solid waste management, (vii) Fire services, (viii) Urban forestry, protection of the environment and promotion of ecological aspects, (ix) Safeguarding the interests of weaker sections of society including the handicapped and mentally retarded, (x) Slum improvement and up gradation, (xi) Urban poverty alleviation, (xii) Provision for urban amenities and facilities such as parks, gardens, play grounds, (xiii) Promotion of cultural, educational and aesthetic aspects, (xiv) Burials and burial grounds, cremations, cremation grounds and electric crematorium, (xv) Cattle ponds, prevention of cruelty to animals, (xvi) Vital statistics including registration of births and deaths, (xvii) Public amenities including street lighting, parking lots, bus stops and public conveniences, (xviii) and Regulation of slaughter houses and tanneries.

5. Cattle ponds, prevention of cruelty to animals.
6. Vital statistics including registration of births and deaths.
7. Public amenities including street lighting, parking lots, bus stops etc.
8. Regulation of slaughter houses and tanneries.

Following functions would continue to be performed by Government departments/agencies as mentioned below:

Sl. No.	Services	Department
1	Fire services	Fire Fighting Department
2	Urban forestry	Forest Department
3	Protection of environment and promotion of ecological aspects	Environment Department
4	Safeguarding the interest of weaker sections of society including handicapped and mentally retarded people	Urban Poverty Alleviation and Employment Department through SUDA and DUDA
5	Slum improvement and upgradation	Urban Poverty Alleviation and Employment Department through SUDA and DUDA

The responsibility for discharging the following functions has been shared between ULBs and other Government agencies by Government of Uttar Pradesh.

Sl. No.	Services	Department/ Government Agencies		
1	Urban planning including town planning.	Urban Development Authorities in 27 cities and by ULBs in remaining towns.		
2	Regulation of land use and construction of buildings.	Development Authorities in 27 cities, Regulated area Authorities in 74 towns and ULBs in remaining towns.		
3	Promotion of cultural, educational and aesthetic aspects.	(i)	Cultural Activities	Culture Department and ULBs.
		(ii)	Education	Education Department except middle level schools in Corporations.
		(iii)	Aesthetic aspect	Government Departments and ULBs.
4	Planning for economic and social development.	Development Authorities, <i>Vikas Parishads</i> , ULBs, SUDA, <i>UP Jal Nigam</i> , <i>UP Jal Sansthan</i> s and other departments.		
5	Roads and bridges	Development Authorities & ULBs.		

(Source: Director, Urban Local Bodies Lucknow)

As per Thirteenth Central Finance Commission's recommendation (Para 10.168), development authorities are to be dissolved and their functions taken over by the local bodies in whose jurisdiction they operate. As pointed out in Para 10.132, one of the reform measures mandated under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) is "assigning or associating elected ULBs with city planning functions and transferring all

special delivery civic services in urban areas to ULBs over a period of seven years". In the interim, it was recommended that these bodies should share a percentage of their income (including income from land sales) with local bodies.

The Constitution envisages an active role of these bodies in poverty alleviation and planning for economic and social development of the urban areas as well. Partial devolution of the funds, functions and functionaries restricted the activities of ULBs.

1.8 Working of District Planning Committees

Article 243 ZD of the Constitution of India (Constitution) inserted vide Seventy-fourth Constitutional Amendment Act in 1993 states that "There shall be constituted in every State at the district level a District Planning Committee (DPC) to consolidate the plans prepared by the *Panchayats* and the Municipalities in the district and to prepare a draft development plan for the district as a whole." In pursuance with the above amendment, the Government of Uttar Pradesh enacted the Uttar Pradesh DPC Act, 1999 (Act) through Act no. 32 of 1999 in July 1999.

1.8.1 Role of District Planning Committee

The Act provided that there shall be constituted a DPC in each district to prepare District Development Plan (DDP) for a whole of the district integrating the plans prepared by ULBs and allocate funds to sectors and sub-sectors within outlines of the DDP.

1.9 Vigilance Provisions

Prevention of Corruption Act, 1988, GoUP's Servants Conduct Rule, 1956, *Lok Ayukta* Act, strategic framework to combat corruption (2001) and paragraph 206 of UP Eleventh Plan document provide the framework for preventive vigilance and anti-corruption strategy. The institutional mechanism to fulfill the mandate includes *Lok Ayukta*, Vigilance set up under Director General level police officer with administrative control of Secretary Vigilance department, Economic Offences Wing and Anti-Corruption Branch in Police Department, Special task force for Serious Economic Offence under Secretary, Home Department. The vigilance mechanism adopted by GoUP in the light of Prevention of Corruption Act, 1988 is inadequate as *Lok Ayukta's* recommendations are not binding on GoUP.

1.10 Financial Profile

1.10.1 Fund flow to Urban Local Bodies

The resource base of ULBs consists of Own receipts, State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Central Government grants for maintenance and

development purposes. The fund-wise sources and its custody for each level are given in **Tables 5 (A) & 5 (B)**.

Table 5 (A): Fund flow to ULBs

Nature of Fund	Nagar Nigams		Nagar Palika Parishads		Nagar Panchayats	
	Source of the fund	Custody of the fund	Source of the fund	Custody of the fund	Source of the fund	Custody of the fund
Own Receipts	ULB	Fund collected by ULB themselves and deposited in bank by the Accounts Department of ULB.	ULB	Fund collected by ULB themselves and deposited in bank by the Accounts Department of ULB	ULB	Fund collected by ULB themselves and deposited in bank by the Accounts Department of ULB
State Plan	State Government	Accounts Department of ULB through treasury	State Government	Accounts Department of ULB through treasury	State Government	Accounts Department of ULB through treasury
State Finance Commission	State Government	Accounts Department of ULB through treasury	State Government	Accounts Department of ULB through treasury	State Government	Accounts Department of ULB through treasury
Central Finance Commission	Central Government	Accounts Department of ULB through bank which is electronically transferred by the State Government.	Central Government	Accounts Department of ULB through bank which is electronically transferred by the State Government.	Central Government	Accounts department of ULB through bank which is electronically transferred by the State Government.
Centrally Sponsored Schemes	Central Government +State Government +ULB	Accounts Department of ULB through bank which is electronically transferred by the State Government	Central Government +State Government +ULB	Accounts Department of ULB through bank which is electronically transferred by the State Government	Central Government +State Government +ULB	Accounts Department of ULB through bank which is electronically transferred by the State Government

(Source: Director, Urban Local Bodies, Lucknow)

Table 5 (B): Fund flow arrangement in major Centrally Sponsored Flagship Schemes

Name of Scheme	Fund flow arrangement
Jawaharlal Nehru National Urban Renewal Mission (JNNURM)	Fund under JNNURM as per guidelines issued by MOUD, GOI from all sources (Central+State+ULB) as according to their respective percentage share flow to the State Level Nodal Agency (SLNA) Account and from this they are released to the project account maintained by concerned ULB for which project is sanctioned.

(Source: Director, Urban Local Bodies, Lucknow)

1.10.2 Flow of revenue

With constitution of the Eleventh Finance Commission, ULBs were brought within purview of the Finance Commissions for the first time. The objective was to augment Consolidated Fund to enable the State to supplement resources of ULBs. Accordingly, the Twelfth Finance Commission recommended release of grants to the State Government for them. State

Government is to release grants to ULBs as recommended by its own State Finance Commissions. In all, the sources of revenues for ULBs comprised:

- Grants assigned under Twelfth Central Finance Commission and Thirteenth Central Finance Commission.
- Devolution of seven *per cent* of net proceeds of total Tax Revenue of the State Government under recommendations of the Third State Finance Commission.
- Funds from departments for functions transferred to ULBs.
- Revenue earned by ULBs out of their own resources such as taxes, rent, fees, taxi stands etc.

The position of receipt and expenditure of ULBs during 2008-13 is given below in **Tables 6, 7 and 8.**

Table 6: Time series data on resources of ULBs

(₹ in crore)

Sl. No.	Heads	2008-09	2009-10	2010-11	2011-12	2012-13
1	Own revenue	804.12	783.79	936.40	1,089.19	1,307.02*
2	CFC transfers (Finance Commission devolution)	103.40	103.40	274.92	517.51	756.49
3	SFC transfers (State Finance Commission devolution)	2,149.47	2,090.28	2,559.52	3,084.89	3,697.56
4	GoI grants for CSS	1,106.66	770.52	866.50	1,512.43	1,279.38
5	State Government Grants for State schemes	65.24	100.04	96.49	26.85	75.97
6	Other receipt	202.92	200.17	171.22	269.48	296.41
Total		4,431.81	4,048.20	4,905.05	6,500.35	7,412.83

(Source: Director, Urban Local Bodies, Lucknow)

*(Provisional)

Table 7: Application of sector-wise resources

(₹ in crore)

Sl. No.	Heads	2008-09	2009-10	2010-11	2011-12	2012-13
1	Expenditure from own revenue	804.12	783.79	936.40	1,089.19	1,307.02*
2	Expenditure from CFC transfers (Finance Commission devolution)	103.40	103.40	274.92	517.51	756.49
3	Expenditure from SFC transfers (State Finance Commission devolution) and other receipt two <i>per cent</i> additional stamp duty	2,352.39	2,290.45	2,730.74	3,354.37	3,993.97
4	GoI grants for CSS	1,106.66	770.52	866.50	1,512.43	1,279.38
5	State Government Grants for State schemes <i>Adarsh Nagar Yojana.</i>	65.24	100.04	96.49	26.85	75.97
Total		4,431.81	4,048.20	4,905.05	6,500.35	7,412.83

(Source: Director, Urban Local Bodies, Lucknow)

*(Provisional)

It is evident from the above tables that all the receipts are shown as application of the resources.

Table 8: Receipt and expenditure of ULBs

(₹ in crore)

Sl. No.	Year	Expenditure		Source of revenue							Receipt	Expenditure
		Revenue	Capital	Own Revenue				Transfers from 12 th CFC/ 13 th CFC	Assigned+ Devolution (SFC)	JNNUR M+ Adarsh Nagar Yojna		
				Tax Revenue		Non Tax (Inclusive of User Charges)	Total Own Receipts					
				Immovable Property Tax	Other Taxes							
1	2008-09	2,237.50	1,956.68	394.47	29.01	380.64	804.12	103.40	2,352.39	1,171.90	4,431.81	4,194.18
2	2009-10	3,162.04	1,732.23	455.04	57.68	271.07	783.79	103.40	2,290.45	870.56	4,048.20	4,894.27
3	2010-11	3,359.90	1,893.87	507.39	78.67	350.34	936.40	274.92	2,730.74	962.98	4,905.04	5,253.77
4	2011-12	4,207.63	2,457.61	647.16	68.88	373.15	1,089.19	517.51	3,354.37	1,539.28	6,500.35	6,665.24
5	2012-13*	5,049.15	2,959.13	776.60	82.66	447.78	1,307.02	756.49	3,993.98	1,355.34	7,412.83	7,998.28

(Source: Director, Urban Local Bodies, Lucknow)

*(Estimated + Actual)

1.10.3 Allocation of budget and releases to ULB

The position of budget allocation *vis-a-vis* funds released to ULBs is given in **Table 9**.

Table 9: Allocation of SFC funds from State Budget

(₹ in crore)

Sl. No.	Financial Year	General		Revised		Total		Less(-)/ More (+)
		Budget Provision	Released to ULBs	Budget Provision	Released to ULBs	Budget Provision	Released to ULBs	
1	2008-09	2035.50	1995.77	153.69	153.69	2189.19	2149.46	(-)39.73
2	2009-10	2120.59	2065.13	25.15	25.15	2145.74	2090.28	(-)55.46
3	2010-11	2565.68	2514.37	45.15	45.15	2610.83	2559.52	(-)51.31
4	2011-12	2790.00	2758.76	326.13	326.13	3116.13	3084.89	(-)31.24
5	2012-13	3373.65	3303.91	393.66	393.66	3767.31	3697.57	(-)69.74

(Source: Director, Urban Local Bodies, Lucknow)

The variation in SFC fund devolved to ULBs with reference to general budget provision arises due to the incentive fund of two *per cent* and slum fund one *per cent* which is to be released to only those who become eligible by augmenting own resources and the slum population is above 15 *per cent*.

Table 10: Allocations of Central Finance Commission funds

(₹ in crore)

Sl. No.	Financial Year	General Basic Grant		General Performance Grant		Total		Less (-)/ More (+)
		Sanctioned	Released	Sanctioned	Released	Sanctioned	Released	
1	2008-09	103.40	103.40	-	-	103.40	103.40	-
2	2009-10	103.40	103.40	-	-	103.40	103.40	-
3	2010-11	274.92	274.92	-	-	274.92	274.92	-
4	2011-12	318.83	344.60	109.02	172.91	427.85	517.51	(+) 89.66
5	2012-13	372.61	391.47	255.72	365.01	628.33	756.48	(+)128.15

(Source: Director, Urban Local Bodies, Lucknow)

The fund released to ULBs is higher as the State had fulfilled the nine conditions of the Thirteenth CFC for additional grants. In addition to that the fund of non-performing States is also distributed among the performing States.

1.10.4 Expenditure under major CSS

The major Centrally Sponsored Scheme (JNNURM) was being implemented in ULBs. The Government of India initiated JNNURM in December, 2005 with the objective of encouraging of reforms and fast-tracking development of major cities. Expenditure through ULBs in this scheme is given in **Table 11**.

Table 11: Expenditure under major CSS (JNNURM)

(₹ in crore)

Sl. No.	Year	Expenditure	Amount	Total
1	2008-09	TE	1,106.66	1,106.66
		EU	1,106.66	1,106.66
2	2009-10	TE	770.52	770.52
		EU	770.52	770.52
3	2010-11	TE	866.5	866.5
		EU	866.5	866.5
4	2011-12	TE	1,512.43	1,512.43
		EU	1,512.43	1,512.43
5	2012-13	TE	1,279.38	1,279.38
		EU	1,279.38	1,279.38

(Source: Director, Urban Local Bodies, Lucknow)

(TE = Total Expenditure EU = Expenditure through ULB)

The data regarding expenditure of grants was not reliable as the grants made available to ULBs were treated as final expenditure in the records of the Director, Urban Local Bodies, Lucknow and no system was in place to ascertain the actual expenditure.

1.10.5 Revenue realised from own resources

ULBs are required to generate revenues by collecting taxes, rent, fees etc. from the people of the area under their jurisdiction. Position of target fixed by the Government for revenue realisation and achieved there against during 2011-13 is given in **Table 12**.

Table 12: Revenue realised from own resources

(₹ in crore)

Name of ULB	No.	2011-12			2012-13		
		Target	Achievement	Percentage of shortfall	Target	Achievement	Percentage of shortfall
<i>Nagar Nigam</i>	13	972.00	833.20	14	1117.80	999.84	11
<i>Nagar Palika Parishad</i>	194	311.87	198.87	36	358.65	238.64	33
<i>Nagar Panchayat</i>	423	79.87	57.12	28	91.85	68.54	25
Total	630	1,363.74	1,089.19		1,568.30	1,307.02	

(Source: Director, Urban Local Bodies, Lucknow)

1.10.6 Devolution of State Finance Commission grant

Second SFC recommended that 7.5 per cent of net proceeds of the Tax Revenue of the State Government should be devolved to ULBs and the Third SFC reduced it to seven per cent. The devolution of funds during 2008-13 is given in **Table 13**.

Table 13: Devolution of State Finance Commission Grants

(₹ in crore)

Sl. No.	Year	Net proceeds of Tax Revenue of State Government	Funds to be devolved	Funds devolved	Short/Excess devolution (per cent in bracket)
1	2008-09	28,659	2,149	2,149	-
2	2009-10	33,877	2,541	2,090	-451 (18)
3	2010-11	43,464	3,042	2,560	-482 (16)
4	2011-12	50,351	3,525	3,085	-440 (12)
5	2012-13	57,498	4025	3,698	-327 (8)
Total		213,849	15,282	13,582	1,704 (11)

(Source: Director, Urban Local Bodies, Lucknow)

The Government did not devolve the net proceeds of the Tax revenue in any year during 2009-13 as recommended by the Second SFC and Third SFC. The shortfalls in devolution ranged between 8 and 18 per cent.

1.11 Internal Control

- *Nagar Palika Parishads* and *Nagar Panchayats* did not have any pre-check system for bills. As such, payments were made without pre-checking of the bills.

1.12 Conclusion

- The maintenance of accounts was inadequate and the approved formats of account were not adopted. Further, assets and liabilities of ULBs were not assessed.
- Compliance to huge number of audit paragraphs was pending since long.
- Full devolution of funds, functions and functionaries to ULBs as envisaged in the Constitution did not take place.
- The Government did not devolve net proceeds of the Tax Revenue during 2008-13 as recommended by the Second SFC and Third SFC. The grants made available to ULBs were treated as final expenditure in the records of the Director, Local Bodies Lucknow. Thus, the books of accounts did not depict true and fair view of financial position of ULBs.

Chapter 2

Performance Audit

2.1 “Backward Regions Grant Fund” for Urban Local Bodies

Executive Summary

Introduction

Government of India launched (February 2007) Backward Regions Grant Fund programme, a Centrally Sponsored Scheme (100 per cent) in the Eleventh Five Year Plan (2007-12) to mitigate regional imbalances, contribute towards poverty alleviation, promote accountable and responsible *Panchayats* and Urban Local Bodies and accelerate the pace of development in backward regions.

Planning

Baseline survey to identify missing infrastructure gaps to carry a diagnostic study of its backwardness was not conducted and a databank was not developed.

- Critical gaps were not identified and included in the Annual Action Plans, as baseline surveys were not conducted.
- Due to non-adherence of planning cycle and lackadaisical approach, an avoidable expenditure of ₹ 6.93 crore was incurred.

Financial Management

- The scheme funds for development works amounting to ₹ 10.66 crore was parked (Period: 2007-12) in the bank account of Urban Local Bodies of the test-checked districts.
- Non-observance of the scheme guidelines resulted in the Department incurring (till March 2012) loss of interest of ₹ 49.77 lakh.
- Delayed transfer of funds by the Government during 2008-10, resulted in payment of penal interest of ₹ 5.50 crore.

Implementation

- Unfruitful expenditure of ₹ 4.37 crore incurred on incomplete works.
- Unfruitful expenditure of ₹ 1.70 crore on incomplete/partial completed works.

2.1.1 Introduction

In the Seventy Third and Seventy Fourth Constitution Amendment Act, 1992 immense responsibility was placed on *Panchayats* and ULBs level governance

with appropriate capacity building and providing professional support for planning, implementation and monitoring of development programmes.

With the objective of balanced development, the Government of India (GoI) launched (February 2007) Backward Regions Grant Fund (BRGF) programme, a Centrally Sponsored Scheme (100 *per cent*) in the Eleventh Five Year Plan (2007-12) to mitigate regional imbalances, contribute towards poverty alleviation, promote accountable and responsible *Panchayats* and ULBs and accelerate the pace of development in backward regions. The Government identified 34 backward districts¹ of the State for the Fund. These districts included 21 districts of the State already covered (Year: 2003-06) under Rashtriya Sam Vikas Yojana (RSVY) and was subsumed (December 2007) with BRGF.

The BRGF was designed by providing financial resources for supplementing and converging existing developmental inflows:

- to ensure convergence of Central/State schemes and pooling of resources for better outcomes;
- to bridge critical gaps in the local infrastructure and other development requirements that were not being adequately met through the existing inflows;
- to strengthen governance of *Panchayats* and ULBs in participatory planning with more appropriate capacity building and to provide professional support for decision making, implementation and monitoring their plans to reflect local felt needs and counter possible efficiency and equity losses; and
- to improve the performance and delivery of critical functions assigned to *Panchayat/ULBs*.

2.1.2 Organisational Setup

At Government level, the Principal Secretary, *Panchayati Raj* is responsible for overall implementation and monitoring of the Scheme. At the Department level, Director, *Panchayati Raj* has been nominated as the State Level Nodal Agency (SLNA), responsible for implementation and monitoring of the Scheme. District Planning Committees (DPCs) constituted are to approve the integrated district plan and monitor the implementation at district level. State Level High Power Committee (SLHPC) headed by the Chief Secretary is to examine the district plans, formulate policy guidelines and monitor the implementation of the scheme activities.

¹ Ambedkar Nagar, Azamgarh, Badaun, Bahraich, Balrampur, Banda, Barabanki, Basti, Chandauli, Chitrakoot, Etah, Farrukhabad, Fatehpur, Gonda, Gorakhpur, Hamirpur, Hardoi, Jalaun, Jaunpur, Kaushambi, Kushinagar, Lakhimpur Kheri, Lalitpur, Mahoba, Maharajganj, Mirzapur, Pratapgarh, Raebareli, Sant Kabirnagar, Shravasti, Siddharthanagar, Sitapur, Sonbhadra and Unnao.

An Entry Conference was held on 4 October 2012 with the Principal Secretary, *Panchayati Raj* Department during which audit objectives, audit criteria, scope and methodology were discussed and agreed upon. The Exit Conference was held with the Special Secretary, *Panchayati Raj* Department on 26 August 2013 during which the audit findings and recommendations were discussed. The reply received from the Government has been suitably incorporated at relevant places in the Report.

Limitations

Evaluation of the activities of an entity by conducting a performance audit is possible when requisite information and records are furnished by the audited entity to Audit. Despite assurance by Principal Secretary of the Department during the entry conference, some requisite records and replies to audit memoranda were not made available to Audit team. Letters dated 27.07.2012 and 19.08.2012 addressed to the Director, *Panchayati Raj*, UP and letters dated 19.08.2012, 20.09.2012 and 25.10.2012 and demi-official letter on 12 December 2012 addressed to PD regarding non-production of replies/records were sent. The information/records relating to BRGF scheme, tender documents and activities were largely not furnished as of August 2013 (***Appendix 2.1.1***).

The non-production of the records and information to various audit memoranda limited the scope of audit.

The Government accepted (August 2013) the fact and stated in its reply that unfurnished records/documentary evidences would be furnished on priority to the office of Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad.

2.1.4 Audit Objectives

The objectives of the Performance Audit are to determine that:

- Adequate institutional capacity to achieve the desired objectives was in existence;
- Compliance of relevant rules, laws and regulations while discharging its mandated functions are made; and
- Whether the schemes activities launched by the GoI were implemented and the delivery of services was efficient and effective.

2.1.5 Audit Criteria

Following documents were used for drawing the audit criteria:

- Guidelines issued by the GoI and the State Government;
- Budget Manual and Financial Rules;
- Budget documents, Perspective plan, Annual Action plans and Performance budget;
- Departmental policies/rules and regulations; and
- Procedures prescribed for monitoring, evaluation and internal audit.

2.1.6 Compliance Issues

It is essential for sound financial administration and control that expenditure conforms to financial rules, regulations and is in consonance with orders issued by the competent authority. Some of the audit findings regarding non-compliance with rules and regulations are discussed in the following paragraphs:

2.1.6.1 Policy framework and institutional arrangements

Absence of policy framework and non-issue of guidelines

As per GoI guidelines (*Appendix 2.1.2*) the scheme guidelines were to be issued by the State Government for policy frame work regarding performance incentives and monitoring.

Scrutiny of records of ULBs of the test-checked nine districts revealed that the guidelines prepared were not issued by DPRO/AMA to ULBs. The main features of the guidelines were as follows:

- allocation of funds considering the backwardness index or level of development and addressing specific district wise priorities,
- policy for earmarking a reasonable percentage of funds towards performance incentive, based on specified criteria,
- conduct of Social Audit by Board of ULBs in urban areas,
- making implementing agencies accountable to ULBs,
- prescribing of quality monitoring system which was to be reviewed regularly by the State Level High Power Committee,
- conduct of third party audit and;
- conduct of peer review of progress by ULBs themselves and constitution of a Review Committee by DPC to review such reports.

Thus, due to non-issuance of guidelines, efforts like performance incentives and monitoring were not given due weightage at policy formulation stage.

The Government stated (June 2013) that guidelines were published and circulated (January 2008) to all the BRGF districts.

The reply is not acceptable. In the test-checked districts it was noticed that guidelines were not issued by the Nodal officer (DPRO/AMA) to ULBs.

2.1.6.2 Weak institutional arrangements

With a view to achieve the mandate of the Department and objectives in an economical, efficient and effective manner it is essential to have soundness and appropriateness of the internal systems and controls in key areas of activities. The shortcomings found during audit are as under:

2.1.6.3 Technical and professional support to ULBs

Adequate human resource is a key element required for preparation, implementation and monitoring of schemes/programmes.

Paragraph 3.22 of the GoI guidelines stipulate provision of technical support staff in planning, implementation, monitoring, accounting and improving accountability of scheme activities through contracting and outsourcing at ULB level.

Scrutiny of records of ULBs of test-checked districts revealed that technical staff was posted only in 13 ULBs. In other 75 ULBs the services of technical support staff (Junior Engineer) were taken from other departments. Thus, shortage of technical manpower at ULBs level adversely affected the qualitative achievements of the scheme as discussed in Paragraph 2.1.10.

The Government accepted (June 2013) the observation.

Non-functioning of District Project Management Units (DPMU)

To assist DPC in planning, monitoring and evaluation of developmental programmes in the backward districts, BRGF provided for setting up of DPMUs headed by Chief Development Officer and assisted by AMA, *Zila Panchayat* of respective districts. The main function of DPMU was to prepare the PP and AAP for development works and capacity building with the assistance of Technical Support Institutions (TSIs) and was to monitor and evaluate the scheme activities.

Scrutiny of records of ULBs of test-checked districts revealed that AAPs were prepared without assistance of TSIs. Further, scrutiny of records of AMA, *Zila Panchayats*⁶ of test-checked districts also revealed that:

- DPMUs only compiled the AAPs furnished by ULBs without assistance of TSI.
- DPMU was not functional in Hamirpur district.

Thus, due to non-functioning of DPMUs the objective of proper planning, effective monitoring and evaluation of the developmental works carried out under the scheme was not achieved.

The Government stated (June 2013) that DPMU had now started functioning. It further stated that DPMU was constituted for conducting the training programme at district level under Capacity Building and not for preparing AAP/PP.

The reply is not acceptable. HPC had defined (August 2009) the role of DPMU for preparation of AAP and PP.

⁶ Ambedkar Nagar, Badaun, Gorakhpur, Hamirpur, Hardoi, Jalaun, Mahoba, Sonebhadra and Unnao.

2.1.7 Planning

Perspective Plan and AAP are essential for systematic implementation of any scheme. The proposals received from ULBs are to be approved by DPCs and sent to HPC for final approval by the State Government.

The major gap in the planning process was the absence of linkages between development planning and physical planning as mentioned in the succeeding paragraphs:

2.1.7.1 No base line survey

Paragraph 3.22 of the BRGF guidelines requires that a baseline survey be conducted to identify critical infrastructure gaps and a diagnostic study of its backwardness carried out. A need based professional planning support was to be ensured and steps to address them over a period of time were also to be undertaken. The planning process was to be commenced at the initial level and the AAPs were to be based on the priorities.

The GoI released (May 2007) an amount of ₹ 25.30 crore to the State Government for Capacity Building, out of which the baseline survey was to be conducted.

Scrutiny of records revealed that during 2007-2013, no fund was released to ULBs from Capacity Building, resulting in non-conductance of base line survey and non-development of baseline data bank. The projects were included in the AAPs without conducting any base line survey.

Thus, due to non-conducting of baseline survey and non-development of baseline data bank, critical gaps were not identified which resulted in preparation of AAPs without assessing the priorities.

The Government accepted (June 2013) the fact and stated that due to technical reasons the funds were not utilised for baseline survey.

2.1.7.2 Absence of integrated as well as participatory planning

Paragraph 1.5 of the GoI guidelines envisaged that participatory plans prepared by ULBs be consolidated into integrated district plan by DPC and the same were to reflect all financial resources available in the district and ensure their optimal use without delay, diversion, duplication and leakages. It was also stipulated that a normative formula be used for the allocation of BRGF funds to each ULBs.

Scrutiny of records of ULBs of test-checked districts revealed following deficiencies:

- During 2007-12, the AAPs of ₹ 9.06 crore pertaining to 34 ULBs were included and approved by DPCs of the districts without consulting ULBs as mentioned in **Table 1**.

Table 1: Approval of AAPs by DPCs without consulting ULBs**(₹ in crore)**

Year	No. of districts	No. of ULBs	Amount of AAP
2007-08	5	7	2.36
2008-09	6	7	2.51
2009-10	6	8	1.63
2010-11	5	9	1.98
2011-12	2	3	0.58
Total		34	9.06

(Source: Records of ULBs)

- During 2007-08, the work of “Construction of 33/11 KV Power sub-station” at a cost of ₹ 1.98 crore was included in the AAP and approved by DPC without consulting the *Nagar Palika Parishad, Sandila, Hardoi*.

The Government stated (June 2013) that the proposal was initiated by Nagar Palika Parishad, Sandila, Hardoi.

The reply is not acceptable. No evidence of initiation of the proposal by Nagar Palika Parishad, Sandila, Hardoi was made available.

- During 2008-09, six works costing ₹ 19.10 lakh were sanctioned and accorded financial and administrative approval (August 2010) by the State Government for non-existing site in *Nagar Panchayat, Pipri, Sonebhadra*.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed; findings would be intimated to audit.

- During 2008-11, the AAPs for ₹ 43.57 lakh (for each year) and in 2011-12, AAP for ₹ 44.03 lakh of *Nagar Palika Parishad, Maudaha, Hamirpur* were sent by DPC to HPC. Administrative approval (January 2011) was accorded by PMU, but funds were not released by the AMA.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed; findings would be intimated to audit.

- During 2010-11, the AAPs for ₹ 97.18 lakh of three ULBs of Hardoi district were sanctioned by HPC. Due to administrative approval not being accorded by PMU, the funds were not released by the Nodal officer as mentioned in **Table 2**.

Table 2: Non-release of Funds**(₹ in lakh)**

Year	Name of the ULB	Amount of AAP not released
2009-10	<i>Nagar Panchayat, Pihani</i>	21.00
	<i>Nagar Panchayat, Sandi</i>	40.00
2010-11	<i>Nagar Panchayat, Pali</i>	36.18
Total		97.18

(Source: Records of ULBs)

Thus, due to non-release of funds, the developmental works of ULBs were not commenced, defeating the objectives of the scheme.

The Government added that new instructions have been issued and in place of PMU, administrative and financial sanction was to be accorded by the District Magistrate.

- During 2009-12, AAPs of 10 ULBs of Jalaun and 18 ULBs of Unnao were sanctioned by HPC. Due to accord of administrative approval by PMU for only two ULBs of Jalaun and one ULB of Unnao, the fund was not released to remaining ULBs by the Nodal Officer.

Thus, due to absence of participatory planning the integrated district plan did not reflect all available financial resources and ensure their optimal use.

The Government stated (June 2013) that administrative approval of seven ULBs of Jalaun was accorded in October 2012, i.e. after stoppage (August 2012) of payment and the matter regarding Unnao was being probed and the findings would be furnished to audit.

2.1.7.3 Non-preparation of Perspective Plan

The GoI guidelines specified that a well-conceived participatory District Development Perspective Plan (Period: 2007-12) to address the backwardness issue was to be prepared by the Department (January 2007) and was to be approved by DPCs till March 2007.

Scrutiny of records of PMU revealed that the proposal for preparation of Perspective Plan (PP) for the period 2007-12, was sent (February 2007) to the GoI by the State Government, which delayed the release (October 2007) of ₹ 3.40 crore (₹ 10 lakh per district) fund for preparation of PP for 34 backward districts.

Scrutiny of records of PMU revealed (September 2012) that the work of preparation of PPs for 25 districts was assigned (June 2009) to Agriculture Finance Corporation, Lucknow (AFC) for submission by October 2009. An advance payment of ₹ 1.25 crore (₹ 50.00 lakh: June - November 2009 and ₹ 75 lakh: October 2010) was made. The PPs were not furnished to Audit. As such it could not be ascertained whether the PPs were prepared.

Scrutiny of records of the Nodal officer/ULBs of test-checked districts also revealed that the PP was neither prepared by ULBs nor by AFC.

Thus, it is evident from the above that during 2007-2010, works were executed by ULBs without any planning, defeating the objective of participation of executing agencies at the grass root level.

The Government stated (June 2013) that PP was submitted by AFC. The reply is not acceptable. AMA and the ULBs of the test-checked districts had stated in their reply that PP was not prepared.

2.1.7.4 Delayed planning process

To ensure timely flow of funds from the GoI, AAPs under BRGF were required to be prepared, approved by the DPC concerned and was to be submitted to the State Government/GoI before commencement of each financial year.

According to Paragraph 3.16 of the GoI guidelines, the planning was to commence in July and was to be completed by March before commencement of next financial year.

Scrutiny of records of PMU revealed (September/December 2012) that in the third meeting of HPC it was decided (15 September 2008) to prepare AAPs for 2007-08 and payment of consultancy charges of ₹ 1.50 lakh per district was to be made to the TSIs. An advance payment of ₹ 22.50 lakh (40 per cent) was made (June-October 2010) by PMU to AFC for preparation of AAPs of ULBs of 15 districts.

Scrutiny of records (September/December 2012) of ULBs of test-checked districts revealed that no support was provided by the TSIs. There was considerable delay in preparation of AAPs and submission of district plans for the period 2007-12 to the GoI as brought out in **Table 3**.

Table 3: Delay in approval of AAP

Sl. No.	Name of District	Year (Date of Approval)				
		2007-08	2008-09	2009-10	2010-11	2011-12
1	Ambedkar Nagar	30.05.2008	12.10.2009	12.10.2009	06.02.2010	NA*
2	Mahoba	13.06.2008	22.07.2009	11.09.2009	NA	NA
3	Sonebhadra	23.05.2008	NA	NA	NA	NA
4	Jalaun	21.06.2008	05.01.2009	03.09.2009	19.08.2010	03.06.2011
5	Hamirpur	13.06.2008	NA	29.11.2009	NA	NA
6	Gorakhpur	09.06.2008	10.06.2009	06.11.2009	03.04.2010	NA
7	Badaun	14.07.2008	19.12.2008	15.09.2009	06.04.2010	NA
8	Unnao	26.06.2008	01.08.2009	01.08.2009	25.03.2011	18.05.2011
9	Hardoi	11.07.2008	01.08.2009	29.11.2009	29.11.2009	NA
Period of delay		418 to 470 days	263 to 560 days	122 to 243 days	0 to 359 days	48 to 64 days

(Source: DPRO and AMA of districts) (NA: Date not available)

It is evident from the table that the planning process was considerably delayed at the approval level of DPC which further delayed the sanction of the State Government.

Scrutiny further revealed (September 5 - December 2012) that AAPs were approved with delay of 48 to 560 days which resulted in corresponding delay of release of funds affecting the execution due to cost escalation. It was also noticed that due to delay in approval of AAPs, 53 ULBs of eight test-checked

districts had to incur (Period: 2007-12) an avoidable expenditure of ₹ 6.93 crore from other schemes⁷.

HPC directed (January 2010) to meet the additional expenditure of cost escalation for the AAPs of 2007-08, from the releases of 2009-10.

Thus, non-adherence to planning cycle and lackadaisical approach of the Department led to an avoidable expenditure of ₹ 6.93 crore.

The Government accepted (June 2013) the delay in approval of AAP and further added that as political person headed the DPC, the meetings were not held in time resulting in delayed approval of AAPs.

2.1.7.5 Absence of time schedule in planning

Scrutiny of records (November/December 2012) of AMA, Unnao revealed that AAP of ₹ 21.04 crore for development works of 2006-07 was sanctioned (August 2009) by DPC for PRIs/ULBs which was approved (August 2009) by HPC when the works of 2007-08 were already executed.

The State Government did not furnish any reply.

Further, scrutiny of records of ULBs of test-checked districts also revealed that:

- ULBs of Ambedkar Nagar (Year: 2008-09 and 2009-10), Hardoi (Year: 2009-10 and 2010-11) and Unnao (Year: 2008-09 and 2009-10) submitted AAPs of two years at the same time.
- ULBs of Mahoba and Sonebhadra (Year: 2010-11) and Badaun, Gorakhpur, Hardoi and Mahoba (Year: 2011-12) did not furnish AAPs to DPC.

Thus, it is evident from the above that in contravention of the norms of guidelines, the delayed submission and approval of AAPs adversely affected the time schedule of planning, resulting in non-achievement of the desired objectives.

The Government accepted (June 2013) the fact but specific reason for delayed submission and according of administrative approval was not given.

2.1.7.6 Non-preparation of sub-plans for Scheduled Castes/Tribes

Paragraph 2.2 of the GoI guidelines stipulates that a separate sub-plan be made within the AAP of each ULB for Scheduled Castes (SCs) and Scheduled Tribes (STs) showing scheme-wise allocation in proportion to the population of these communities.

⁷State Finance Commission, *Palika Nidhi*.

Scrutiny of records of ULBs and AMAs of the test-checked districts revealed that during 2007-12, no such sub-plan was prepared within the AAP even though SC/ST population of ULBs of these districts ranged between 11 per cent and 22 per cent of the total population as per Census 2001.

Scrutiny of records of AMA, Unnao revealed that SC/ST population of ULBs in the district was 15 per cent (as per Census 2001). A separate sub-plan within the AAP for each ULB was not made. It was also noticed that during 2011-12, State Government released (August 2011-March 2012) an amount of ₹ 6.45 crore to AMA, Unnao for the execution of development works in the SC/ST prone area of only GPs.

Thus, in contravention of the norms of the guidelines separate sub-plan for SC/ST in the district was not prepared by ULBs. The State Government released funds only for GPs.

The Government stated (June 2013) that instructions were issued (January 2010) to the Nodal Officers for preparation of plan for SC/ST population.

The reply is not acceptable. No separate sub-plan was prepared (December 2012) by ULBs of the test-checked districts.

2.1.8 Financial Management

The basic principle behind the BRGF is to provide untied grants for ULBs to use and to strengthen the entire processes behind local planning, governance and decision-making.

2.1.8.1 Funds flow mechanism

Paragraph 4.6 of the guidelines stipulates that the GoI transfer the scheme funds into the Consolidated Fund of the State Government which in turn was to be directly transferred into the bank accounts of the *Panchayats* and ULBs within 15 days of the release of funds. The guidelines also provided that the scheme funds be released to the PRIs and ULBs (in the ratio of 80:20).

Scrutiny of records of PMU revealed that during 2007-13, separate details of year-wise releases and the utilisation of the Development grant to the PRIs/ULBs were not maintained.

Further, scrutiny of records of PMU and ULBs of test-checked districts revealed that the State Government did not release funds directly to ULBs, but was released through budget provision to the Nodal Officer⁸ of the districts against the prescribed provisions, who in turn transferred the funds to ULBs/ implementing agencies. It was also noticed that the Nodal Officer, made drawal from the treasury through *Samanya Deyak Prapatra-105* (meant for drawing of Loans and Grants) and deposited the amount into a separate

⁸ District *Panchayat Raj* Officer (till December 2008) and *Apar Mukhya Adhikari* of *Zila Panchayat* (December 2008 onwards).

savings bank account which was released to PRIs and ULBs through cheques/bank drafts resulting in non-observance of norms of transferring of funds, within 15 days into the bank accounts of the *Panchayats* and ULBs.

2.1.8.2 Flow of funds under Capacity Building

Allotment, release of funds and expenditure incurred for the purpose during 2007-12 are mentioned in **Table 4**.

Table 4: Flow of funds under Capacity Building

(₹ in crore)

Year	Objectives of Grant	Allotment/ Entitlement	Releases	Expenditure
2007-08	Capacity Building	34.00	25.30	Nil
2008-09	Capacity Building	34.00	Nil	Nil
2009-10	Capacity Building	34.00	20.26	21.39
2010-11	Capacity Building	34.00	28.07	22.78
2011-12	Capacity Building	34.00	12.21	15.32
2012-13	Capacity Building	35.00	Nil	Nil
Total		205.00	85.84	59.49

(Source: Records of PD, PMU-BRGF, Lucknow)

It is evident from the above that:

- No fund under Capacity Building was released during 2008-09 and 2012-13, by the GoI due to non-submission of Utilisation Certificates (UCs) by the State Government.
- During 2007-13, against the allotment of ₹ 205 crore under Capacity Building the releases were ₹ 85.84 crore (42 per cent). The Department utilised only ₹ 59.49 crore (69 per cent) for PRIs only. No fund was utilised for ULBs. The balance amount of ₹ 26.35 crore was parked in the bank account of PMU.

The Government stated (June 2013) that due to technical reasons the funds could not be utilised.

Scrutiny of records of the Nodal Officers and ULBs of test-checked districts revealed that during 2007-13, funds to the tune of ₹ 3.99 crore were released to the Nodal Officer for Capacity Building and an expenditure to the tune of ₹ 3.48 crore was incurred. No fund was released by the Nodal officer to ULBs for survey, preparation of PP and AAPs of the scheme, resulting in inadequate planning.

Thus, it is evident from the above that despite availability, the funds were not released by the Nodal Officer to ULBs, resulting in non-achievement of the objectives of the scheme.

No relevant reply was given (June 2013) by the Government.

2.1.8.3 Flow of funds under Development Grant

The GoI releases and expenditure incurred during 2007-13 under Development fund are mentioned in **Table 5**.

Table 5: Flow of funds under Development Grant

(₹ in crore)

Year	Opening Balance	Allotment/Entitlement	Releases	Total available Funds	Expenditure	Balance
2007-08	-	602.09	Nil	Nil	Nil	-
2008-09	-	602.09	541.73	541.73	433.32	108.41
2009-10	108.41	602.09	559.61	668.02	625.66	42.36
2010-11	42.36	602.09	602.09	644.45	508.32	136.13
2011-12	136.13	655.08	570.66	706.79	260.64	446.15
2012-13	446.15	667.19	165.59	611.74	Nil	611.74
Total		3,730.63	2,439.68		1,827.94	

(Source: PD, PMU-BRGF, Lucknow)

It is evident from the above that:

- During 2007-08, due to delayed submission of AAP⁹, no fund was released by the GoI from the allocated fund of ₹ 602.09 crore.
- During 2007-13, against the allotment of ₹ 3,730.63 crore, the releases were ₹ 2,439.68 crore (65 per cent) and the Department utilised only ₹ 1,827.94 crore (75 per cent) of the releases.
- During 2007-13, though ₹ 611.74 crore was available, the State Government did not make any releases.

During 2007-13, the releases to ULBs of test-checked districts were as mentioned in **Table 6**.

Table 6: Releases to ULBs of the test-checked districts during 2007-12

(₹ in lakh)

Sl. No.	Name of district	Sanctioned amount	Releases	Expenditure	Balance
1	Ambedkar Nagar	1,161.33	1,128.18	977.54	150.64
2	Mahoba	412.05	391.97	279.00	112.97
3	Sonebhadra	461.80	413.84	405.68	8.16
4	Jalaun	449.62	409.49	338.33	71.16
5	Hamirpur	392.07	392.07	331.16	60.91
6	Gorakhpur	1,207.49	1,212.05	1,165.84	46.21
7	Badaun	1,156.48	1,148.29	995.60	152.69
8	Hardoi	1,128.36	984.60	806.66	177.94
9	Unnao	2,070.17	1,713.79	1,528.92	184.87
	Total	8,439.37 ₹ 84.39 crore	7,794.28 ₹ 77.94 crore	6,828.73 ₹ 68.29 crore	965.55 ₹ 9.66 crore

(Source: Records of ULBs)

⁹ Twenty four out of 34 districts submitted their AAPs during May-June 2008 and was approved (July 2008) by HPC.

It is evident from the above that during 2007-12, against the sanctioned amount of ₹ 84.39 crore, the releases were ₹ 77.94 crore (92 per cent). The Department utilised only ₹ 68.29 crore (88 per cent) out of the releases. The balance amount ₹ 9.66 crore remained parked in the bank account of ULBs.

The Government stated (June 2013) in its reply that due to instructions (August 2012) by the State Government to the banks not to permit drawal of the funds they remained parked in bank.

The reply of the Government is not acceptable. The expenditure on execution of the works was to be incurred within the same financial year and instructions for prohibiting withdrawal were issued in 2012-13.

During 2012-13, the funds were released to only four ULBs of the nine test-checked districts as mentioned in **Table 7**.

Table 7: Releases to ULBs of test-checked districts during 2012-13

(₹ in crore)					
Sl. No.	Name of district	Sanctioned amount	Released	Expenditure	Balance
1	Gorakhpur	3.40	1.94	-	1.94
2	Badaun	1.72	1.72	-	1.72
3	Hardoi	1.56	1.56	-	1.56
4	Unnao	3.36	2.16	-	2.16
Total		10.04	7.38	-	7.38

(Source: Records of ULBs)

It is evident from the above that during 2012-13, against the sanctioned amount of ₹ 10.04 crore, the releases were only ₹ 7.38 crore (73.51 per cent) which were not utilised and remained parked in ULBs' bank account.

The Government stated (June 2013) that due to stoppage (August 2012) of payment the funds remained parked.

Belated transfer of funds by DPRO/AMA

Paragraph 4.6 of the GoI guidelines provide that the State Government should transfer the funds to the concerned ULBs within 15 days after receiving the funds from the GoI. The GoI further prescribed (June 2009) payment of a penal interest at the rate prescribed by RBI for any delay in transfer of funds by the State Government beyond 15 days to the Local Bodies.

Scrutiny of records of PMU revealed that during 2008-10, delayed transfer of funds by the State Government, resulting in payment (2013-14) of penal interest of ₹ 5.50 crore to the ULBs.

Scrutiny further revealed that Nodal Officers of nine districts delayed 4 to 28 months in transferring funds to ULBs during 2008-09 to 2011-12 (**Appendix 2.1.2**).

It was also noticed that (September/December 2012) the AAPs submitted by ULBs were prepared at the base rates of the year of submission. Due to delay in approval of AAPs and release of funds to ULBs, the quality and progress of the work was adversely affected due to increase in cost of material and labour, which was also accepted (September 2009) by the Government.

Thus, it is evident from the above that delayed approval of AAPs resulted in delayed releases, which lead to a large gap of time between planning and actual implementation, thereby hampering the relevance of the entire planning process and also reduced transparency in the overview of fund utilisation, leading to cost increases and decrease in the quality of work.

The Government stated (June 2013) that as the integrated district plan was prepared by DPC, headed by a political person, the meetings were not held in time, which delayed the approval of AAPs. Further, it was also stated that now the District Magistrates had been empowered (February 2013) to accord administrative and financial approval.

Short release of funds

As per Paragraph 6 of the State guidelines, funds for the Development Grant were to be released to the PRIs/ULBs by the Nodal Officer in the ratio of 80:20.

The releases by the Nodal Officer against the available fund in the test-checked districts were as mentioned in **Table 8**.

Table 8: Releases to ULBs during 2007-13

(₹ in lakh)					
Sl. No.	Nodal Officer	Amount released by Government	Share due for ULBs (20 per cent)	Amount released to ULBs	Short/ Excess
1	AMA, Mahoba	3,865.10	773.02	391.97	(-) 381.05
2	AMA, Ambedkar Nagar	4,604.20	920.84	1,128.18	(+) 207.34
3	AMA, Jalaun	5,202.26	1,040.45	409.49	(-) 630.96
4	AMA, Sonebhadra	7,760.00	1,552.00	413.93	(-) 1,138.07
5	AMA, Hardoi	9,027.00	1,805.40	1,140.40	(-) 665.00
6	AMA, Gorakhpur	9,753.89	1,950.78	1,406.05	(-) 544.73
7	AMA, Hamirpur	4,416.00	883.20	392.07	(-) 491.13
8	AMA, Unnao	10,015.69	2,003.14	1,929.79	(-) 73.35
9	AMA, Badaun	8,470.00	1,694.00	1,320.09	(-) 373.91
Total		63,114.14 (₹ 631.14 crore)	12,622.83 (₹ 126.23 crore)	8,531.97 (₹ 85.32 crore)	

(Source: Records of ULBs)

It is evident from the above that:

- During 2007-13, the Nodal Officer released only ₹ 85.32 crore (67.59 per cent) against the due share of ₹ 126.23 crore.

- During 2007-13, the Nodal Officer short released an amount of ₹ 42.98 crore to ULBs of eight districts which adversely affected the execution of work and in turn defeating the scheme objectives.
- During 2007-13, the Nodal Officer released an excess amount of ₹ 2.07 crore to ULBs of one district.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed.

Non-maintenance of records

Paragraph 4.8 of the GoI guidelines specified that BRGF funds were to be kept in a separate bank account and separate cash book was to be maintained. The State Government also issued (December 2008) directives for keeping the funds in a separate bank account and maintaining separate cash book.

Scrutiny of records of ULBs of test-checked districts revealed that records (Estimate register, Tender sale register, Work register, Agreement register and Measurement book issue register) required for sound financial administration and control of the funds were not maintained. It was also noticed that in 19 ULBs (of seven districts) out of 88 in nine test-checked districts separate cash book was not maintained of which five ULBs did not produce their any record to audit.

The Government accepted (June 2013) the fact and stated that instructions were being issued to the executive agencies for maintenance of records.

Parking of scheme funds

Initially, the State Government nominated DPRO (till December 2008) and later on AMA, *Zila Panchayat* (December 2008 onwards) of the district as the Nodal Officer for execution of the scheme funds of BRGF.

Scrutiny of records of DPROs of seven test-checked districts revealed that due to non-release of funds by the Nodal Officer to the executing agencies the amount of ₹ 1.35 crore inclusive of accrued interest (2007-12) of scheme funds remained parked (March 2012) in bank.

Thus, due to non-release of funds to the implementing agencies by the DPROs the scheme funds to the tune of ₹ 1.35 crore were not utilised and remained idle in bank since last four years.

The DPROs admitted the fact but no reply was given by the Government.

Further, scrutiny of records of PMU and ULBs of the test-checked districts also revealed following deficiencies:

- Government released (December 2009), ₹ 3.40 crore to PMU for operationalising the “*Panchayati Raj Institute of Training*” (under construction), which was not utilised and funds remained parked (December 2012) in bank.

Thus, against the norms, the State Government made releases for operationalising the Institute which was under construction.

The Government accepted (June 2013) the fact and stated that as the construction of the building was still incomplete, funds remained parked in the bank account of PMU.

- An amount of ₹ 10.66 crore (Principal: ₹ 9.60 crore and Interest: ₹ 1.06 crore) pertaining to development works remained parked (Period: 2007-12) in the bank account of ULBs of the test-checked districts (*Appendix 2.1.3*).

Thus, contrary to the GoI guidelines the scheme funds for development works were parked in the bank defeating the objectives of the scheme.

The Government did not furnish reply.

Loss of interest

The GoI guidelines provided for maintaining a separate savings bank account in a Nationalised Bank for operating the scheme funds.

Scrutiny of records of the Nodal Officers and ULBs of test-checked districts revealed following deficiencies:

- Contrary to the GoI guidelines the DPRO/ ULBs of six districts¹⁰ parked and utilised the scheme funds by keeping in non-interest bearing accounts (Current account) of the Nationalised Bank and incurring a loss of interest of ₹ 44.20 lakh.

The Government stated (June 2013) that instructions had been issued for opening the saving bank account in the Nationalised Bank.

- AMA, Zila Panchayat, Mahoba released (January 2010) an excess amount of ₹ 1.39 crore to Uttar Pradesh Projects Corporation Limited, Banda (UPPCL) from BRGF funds which was refunded after five months (May 2010). Due to excess release by the AMA, Mahoba the Department had to incur a loss of interest of ₹ 5.57 lakh.

The Government stated (June 2013) that the interest amount would be recovered from the executing agency.

¹⁰ Badaun, Hamirpur, Hardoi, Jalaun, Mahoba and Unnao.

Thus, due to non-observance of norms of guidelines the Department had to incur (till March 2012) a loss of interest of ₹ 49.77 lakh.

Non-accounting of interest in Cash Book

Scrutiny of records of ULBs of test-checked districts revealed that in four ULBs of Badaun and Hardoi an interest amount of ₹ 3.68 lakh was not accounted for in cash book.

The Government stated (June 2013) that instructions had been issued for necessary action as pointed out by audit.

Non-refund of accrued interest

Paragraph 4.9 of the GoI guidelines provides that interest accrued on unspent scheme funds be treated as additional resource of grant and be utilised as per the BRGF guidelines.

Scrutiny of records of ULBs of test-checked districts revealed that during 2007-12, an accrued interest amount of ₹ 1.06 crore was not refunded to the Nodal officer and the amount remained parked in the bank.

The Government stated (June 2013) that instructions had been issued (March 2013) to all the AMAs/Nodal Officers for accounting the interest amount in the Cash Book and also for refund of accrued interest amount.

The reply is not acceptable. Evidences of issuance of instructions for refund of accrued interest by ULBs were not made available.

Loss due to non-recovery of penalty

General conditions of the contract and Financial rules¹¹ envisage that the work commenced through the tendering process should be executed within the time-frame and penalty be recovered from the defaulting contractors.

Scrutiny of records of ULBs of test-checked districts revealed that during 2007-12, 52 works costing ₹ 5.73 crore were awarded to the contractors in seven districts which were completed with a delay of one to eighteen months. The penalty accrued due to delay in completion of work was not recovered from the contractors resulting in a loss of ₹ 35 lakh¹² to the Government exchequer.

The Government endorsed (June 2013) the ULBs reply that due to delayed release of funds by the State Government the work was not completed in time. As such, penalty was not recovered.

¹¹ PWD set up and procedure rules and FHB VI: Appendix-4.

¹² Penalty 10 per cent.

The reply is not acceptable. The ULBs of the test-checked districts had stated in their reply that in future, penalty would be recovered from the contractors.

Non-submission of Utilisation Certificates

“Utilisation certificate” (UC) is one of the core triggers for the release of future development funds. Paragraph 4.5 of the GoI guidelines specifies that UCs be submitted within 12 months from the closure of the financial year in which the grants are released.

Scrutiny of records of PMU revealed that:

- During 2008-13, due to non-submission of UC against the sanctioned amount of ₹ 3,730.63 crore the GoI short released ₹ 1,290.95 crore (34.60 per cent) for the development works (detailed in **Table 5**).

No relevant reply was given (June 2013) by the Government.

- During 2011-13, due to non-submission of UC of first instalment for the sanctioned AAP of ₹ 14.24 crore by AMA, *Zila Panchayat*, Mahoba the second installment of ₹ 12.72 crore was not released by the GoI.

Thus, due to non-submission of UCs, funds for development works were short released by the GoI.

The Government stated (June 2013) that due to declaration of State Assembly elections, the first installment was not utilised. As such UC was not sent.

The reply of the Government is not acceptable. State Assembly elections were held in a certain time frame, whereas funds were utilised during 2011-13.

Incorrect submission of UCs

Paragraph 4.5 of the GoI guidelines and instructions stipulates submission of a certificate in support of non-diversion, non-embezzlement and non-treatment of advance as final expenditure while submitting UCs and proposal for release of funds.

Scrutiny of records of the AMAs and ULBs of test-checked districts revealed that fund released to the executing agencies were depicted as used funds, inflating the real expenditure and submission of incorrect UCs.

The AMAs and ULBs accepted the fact and stated that in future the UCs would be furnished on the basis of actual expenditure.

It was also noticed that in the UC of development fund for 2010-11, furnished by AMA, *Zila Panchayat*, Unnao, a closing balance of ₹ 49 lakh was reflected whereas in the UC for 2011-12 the opening balance was shown as ₹ 14.61 crore.

Thus, incorrect UCs were being submitted by the AMAs/ULBs to the GoI.

The Government accepted (June 2013) the fact and stated in its reply that revised (December 2012) UCs had been sent to the GoI.

Non-accounting of receipts

Article 304 of the Financial Hand Book Volume VI stipulates that separate record of revenue receipts be maintained for grant of the GoI/State Government.

Scrutiny of the records of ULBs of test-checked districts revealed that an amount of ₹ 10.60 lakh was realised as tender sale cost which was not accounted for in the BRGF cash book and was kept in the receipt head of ULBs and utilised.

The Government stated (June 2013) in its reply that the expenditure for tendering was met by ULBs from their own fund. As such tender sale cost was not accounted for in their Cash Book.

The reply of the Government was in contravention of the Financial Rules. ULBs were to keep a separate account and separate Cash Book for the utilisation of development grant and accounting of receipts.

Absence of transparent criteria for transfer of funds within ULBs

Paragraph 1.8 of the GoI guidelines stipulates that each State Government indicate a normative formula reflecting backwardness or level of development and addressing specific district wise priorities identified for allocation of funds to each ULBs.

Scrutiny of records of test-checked districts revealed the following deficiencies:

- AAPs for the period 2006-07, 2008-09 and 2009-10 was prepared by DPC and was approved (August 2009) by HPC for 12 ULBs at a cost of ₹ 11.49 crore in Unnao district. PMU accorded (March 2010) administrative approval of ₹ 6.14 crore only for one ULB (*Nagar Palika Parishad, Unnao*).
- Without seeking the approval of HPC, PMU accorded (September 2010) administrative sanction of ₹ 3.58 crore for 'Special AAP' of *Nagar Palika Parishad, Unnao*.
- The State Government released (August 2011) ₹ 2.11 crore for all *Nagar Panchayat* of Unnao district. PMU diverted the fund and accorded (September 2011) administrative sanction for *Nagar Palika Parishad, Unnao* without seeking approval of HPC.

Thus, PMU accorded administrative approval, only to *Nagar Palika Parishad, Unnao* without identifying the priorities, depriving the other ULBs of the development funds.

The Government stated (June 2013) that an enquiry had been set up and the matter was being probed.

2.1.9 Implementation of schemes

BRGF programme has two components, one for ‘Developmental Grant’ meant for infrastructure development and other developmental needs and the other for ‘Capacity Building Grant’ to be utilised for providing professional support to ULBs for planning, implementation and monitoring purpose as well as to impart training for capacity building of the PRIs/ULBs members/staff.

Deficiencies noticed in implementation of both the components are discussed in succeeding paragraphs:

2.1.9.1 Developmental Grants

Irregular sanction

Paragraph 4.22 of the GoI guidelines provided that the AAPs submitted by DPC of the districts were to be duly approved by HPC.

Scrutiny of records of PMU and the Nodal Officers of test-checked districts revealed the following deficiencies:

- Administrative sanction for AAP for the period 2010-11 of five ULBs¹³ costing ₹ 8.73 crore and AAP for the period 2011-12 of two ULBs¹⁴ costing ₹ 26 lakh was accorded by PMU. Accordingly funds were released to ULBs by the Nodal Officers. It was further noticed that the evidences of accord of approval of HPC were not made available (though it was essential).

The PMU accepted the fact and stated that earlier the AAPs were being approved by HPC but from 2011-12, the soft copy of AAP was uploaded on Plan Plus software after approval of DPC.

It is evident from the above that till 2011, the AAPs were to be approved by HPC, and only thereafter PMU was to accord administrative and financial sanction.

Thus, in contravention of the norms of guidelines, administrative approval and financial sanction were accorded by PMU.

- Board of *Nagar Palika Parishad*, Unnao proposed (January 2009) same eight works in the AAPs for both the years 2008-09 and 2009-10 and both the AAPs were approved (August 2009) by DPC. PMU accorded (March 2010) administrative approval for work of both the AAPs as mentioned in **Table 9**.

¹³ *Nagar Nigam*, Gorakhpur, NPP- Bilgram, Hardoi, NP- Madhavgarh, Jalaun, NP- Churk, Sonebhadra and NPP, Unnao.

¹⁴ *Nagar Panchayat*- Madhavgarh and NP-Nadigaon, Jalaun.

Table 9: Approval of duplicate works**(₹ in lakh)**

Sl. No.	Name of work	Approved AAP of 2008-09	Approved AAP of 2009-10	Expenditure
1	Construction of <i>Nali</i> & Interlocking from Collecterganj Gate to house of Shastriji	5.45	8.16	13.61
2	Construction of Damer Road from Singrauli <i>Talab</i> to National Highway	4.66	6.97	11.63
3	Construction of Damar Road from Kundanki <i>Mazar</i> to Shivshankar Kushwaha	5.01	7.50	12.51
4	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Suresh to Lucknow Kanpur Highway to house of Shambhu Nath in Gadankheda	4.17	6.18	10.35
5	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Trichand to Bada <i>Talab</i> in Singrauli	9.12	13.15	22.27
6	Construction of <i>Nali</i> & Interlocking from house of Abdul Hassan to Daya, Dinesh & Prakash Raidash <i>wali gali</i> , Achhchhe Dev Lal Mo. to CC Road in Singrauli	11.16	16.21	27.37
7	Construction of <i>Nali</i> & Interlocking from house of Dilip Dhanuk to house of Ayodhya in Krishna Nagar	3.89	5.82	9.71
8	Construction of <i>Nali</i> & <i>Kharnja</i> from house of Sushil Tiwari, Dinesh Tiwari & Near Puttan house	1.25	1.80	3.05
Total		44.71	65.79	110.50

(Source: Records of ULBs)

Scrutiny further revealed that tenders for all the eight works were invited (April 2010) by the *Nagar Palika Parishad* for total approved amount and was executed by incurring an expenditure of ₹ 1.10 crore as of March 2012.

Thus, it is evident from the above that the estimates were prepared and included in the AAPs without proper survey, which was approved by DPC and accordingly administrative approval was accorded by PMU which reflected lack of monitoring, resulting in irregular sanction of duplicate works.

The Government stated (June 2013) that the matter was being investigated and an enquiry had been set up by the District Magistrate. The outcome would be intimated to audit.

Unfruitful expenditure

BRGF *inter alia* aimed to bridge the critical infrastructure gap to expedite the growth rate in the backward districts. Thus, it was necessary to complete the projects in time and to put those to immediate use after completion.

Scrutiny of records of ULBs of test-checked districts revealed that:

- Works were included in the AAPs without proper survey and execution was commenced without assessing the ground level conditions resulting in partially completed works due to site/land dispute in four test-checked districts as mentioned in **Table 10**.

Table 10: Execution of works without proper survey and assessment of ground level conditions

(₹ in lakh)

Sl. No.	Name of ULB	Particulars of work	Amount sanctioned	Expenditure incurred
Unnao				
1	Nagar Panchayat, Purva	CC road	5.89	5.07
2	Nagar Palika Parishad, Unnao	Construction of "Nala"	98.95	38.51
3	Nagar Panchayat, Fatehpur Chaurasi	Community center	5.33	1.53
4	Nagar Panchayat, Ungu	Construction of "Nala"	9.74	3.36
5	Nagar Palika Parishad, Bangarmau	Community center	25.00	20.70
Hardoi				
6	Nagar Panchayat, Madhoganj	Construction of "Nala"	5.60	4.52
Badaun				
7	Nagar Panchayat, Wajeerganj	Construction of "Nala"	6.13	3.45
8	Nagar Palika Parishad, Badaun	Approach road	9.42	0.77
9	Nagar Panchayat, Shakhanu	Paver block road	33.70	19.33
Hamirpur				
10	Nagar Palika Parishad, Raath	Construction of "Nala"	30.07	25.10
Total			229.83	122.34

(Source: Records of ULBs)

It is evident from the above that in 10 ULBs, the construction work was commenced without assessing the site conditions, resulting in an unfruitful expenditure of ₹ 1.22 crore.

The Government stated (June 2013) that work of CC Nala in Purwa, Unnao was completed (June 2013) and other works were being completed.



**Nagar Panchayat, Fatehpur Chaurasi, Unnao
2 December 2012**

- Electricity Supply Code 2005 (Para 4.6) of UP Electricity Regulatory Commission specified that after sanctioning of energy load, estimate was to be prepared on the basis of applicable rules and regulations and charges approved by the Commission. If the work was to be done by the developer/applicant, licensee was to charge 15 *per cent* of the normative estimate as supervision charges to be deposited with the licensee before work was commenced.

Scrutiny of records of the NPP, Akbarpur in Ambedkar Nagar district revealed that supervision charges were not deposited. Work of electrification of street lights was executed by themselves (April 2011) at a cost of ₹ 92 lakh without obtaining sanction from Uttar Pradesh Power Corporation. It was also noticed that poles for street light were erected but even after a lapse of 17 months it was not energised.

The Government stated (June 2013) that enquiry had been set up and the matter was being probed.

Incomplete works

Developmental Grant is meant for infrastructure development and other developmental needs of ULBs.

Scrutiny of records of ULBs of test-checked districts revealed that proposal for infrastructure development was included in the AAPs without conducting any baseline survey. Works were commenced without assessing ground level conditions which resulted in incomplete/partial completion of works as mentioned in **Table 11**.

Table 11: Incomplete/Partial completion of works

(₹ in lakh)				
Sl. No.	Name of ULB	Name of work	Sanctioned amount	Expenditure
Unnao				
1	Nagar Panchayat, Nyutani	Community Centre	10.28	8.54
Hardoi				
2	Nagar Palika Parishad, Bilgram	Interlocking of road	20.00	8.72
Sonebhadra				
3	Nagar Panchayat, Chopan	Office building	10.00	12.30
Badaun				
4	Nagar Panchayat, Wajeerganj	Paver block road	11.38	5.99
		CC road	4.02	4.02
5	Nagar Palika Parishad, Faizganj,	Paver block road	6.61	6.61
6	Nagar Palika Parishad, Kachla	Paver block road	12.80	9.60
		CC road	5.73	3.24
7	Nagar Panchayat, Sakhanu	Paver block road	9.42	8.47

Mahoba				
8	Nagar Panchayat, Kabrai	CC road	5.11	4.25
		CC road	2.92	1.36
		CC road	4.12	1.84
		CC road	3.16	2.36
Jalaun				
9	Nagar Panchayat, Nadigaon	Electric work	50.00	35.62
Hamirpur				
10	Nagar Panchayat, Kurara	CC road	17.85	3.71
11	Nagar Panchayat, Sumerpur	CC road & "Nala"	21.81	21.81
Gorakhpur				
12	Nagar Nigam	Interlocking of road	36.65	31.89
Total			231.86	170.33

(Source: Records of ULBs)



Nagar Palika Parishad, Unnao
3 December 2012

It is evident from the above that in 12 ULBs of eight test-checked districts the construction work was commenced at a cost of ₹ 2.32 crore and ₹ 1.70 crore was spent (November 2012) on incomplete works.

The Government stated (June 2013) that due to stoppage (August 2012) of payment the work remained incomplete.

2.1.10 Contract Management

Works under BRGF were to be executed by ULBs through tendering process and was prescribed to safeguard the interest of the Government.

2.1.10.1 Execution of non-sanctioned work

Work of broadening and beautification of road from "Munnapul Chauraha to by-pass link road and interlocking of footpath, divider and erection of electric

poles” by hot-mix plant was initially proposed (2007-08) by the Executive Officer, *Nagar Palika Parishad*, Kalpi, Jalaun (EO) at a cost of ₹ 35.50 lakh and was approved (May 2009) by the Government.

Scrutiny of records (October 2012) of the *Nagar Palika Parishad*, Kalpi, Jalaun revealed that District *Panchayat Raj* Officer, Jalaun (DPRO: Nodal Officer) released an amount of ₹ 31.87 lakh (May 2009: ₹ 21.30 lakh and January 2010: ₹ 10.57 lakh) for execution of the work.

The work was changed to “Interlocking on footpath of both side road from *Munnapul Chauraha* to *Nagar Palika Parishad* office's gate” without sanction of the Government. An agreement was entered (October 2009) by EO with the contractor for completion of work in one month. In spite of restriction (June 2008) imposed by the Additional District Magistrate, Jalaun for non-execution of pavement work on PWD road, an expenditure of ₹ 35.40 lakh was incurred (up to March 2011) on interlocking of PWD road instead of footpath. The estimate was revised (February 2010) as per executed work. During joint physical inspection (October 2012) it was noticed that the work of interlocking was executed on PWD road instead of footpath.

Further, the Executive Engineer, Construction Division-3, PWD, Orai also stated (October 2012) that the road is under the administrative control of PWD.



The Government stated (June 2013) that enquiry had been set up and matter was being probed.

2.1.10.2 Irregular execution of work

Paragraph 4.4 (d) of the GoI guidelines specified and it was also decided by HPC (02 July 2008) that the Development works should be executed by the executing agencies through tendering process.

Scrutiny of records of AMA, *Zila Panchayat*, Gorakhpur revealed that the administrative sanction of ₹ 4.83 crore for execution of 44 works in ULBs was accorded by PMU to the Project officer, District Urban Development Agency, Gorakhpur (DUDA) even though ULBs were executing agencies.

Scrutiny further revealed that the AMA released ₹ 4.83 crore for execution of 44 works between November 2011 and January 2012. The works were executed by DUDA without inviting tenders and an expenditure of ₹ 4.37 crore was incurred (October 2012) and the works remained incomplete.

The Government stated (June 2013) that enquiry had been set up and matter was being probed.

2.1.10.3 Sub-standard execution of work

Scrutiny of records of *Nagar Panchayat*, Sumerpur in Hamirpur district revealed that 27 works of construction of 'CC road and Nali' were executed during 2009-10 incurring an expenditure of ₹ 1.82 crore. It was also noticed that during execution the quality testing of the executed work was not done. On the directives of the Commissioner, Chitrakoot Dham, Banda the quality of the 15 executed works was checked by the Technical Audit Cell. The execution was not done as per specifications and penalty of ₹ 3.90 lakh was proposed to be recovered. Recovery from the contractor was not made by the Department.

The Government stated (June 2013) that the Divisional Commissioner, Chitrakoot had been asked to furnish the enquiry report and to ensure the recovery from the culprits.

2.1.10.4 Execution of work without agreement

Paragraph 4.4 (d) of the GoI guidelines specified that the works under the scheme were to be executed only through tendering process. Further, as per provisions of the financial rules agreement should be entered into with the contractor after finalisation of the tender.

Scrutiny of records of ULBs of test-checked districts revealed that 28 works were executed by 10 ULBs of three districts by incurring an expenditure of ₹ 2.71 crore without entering into agreement with the contractors. Scrutiny further revealed that 23 works were completed (15 with a delay of 40-1030 days) and five were lying incomplete (October 2012).

On this being pointed out in audit, it was stated by ULBs that in future works would be executed after entering into agreement; reply of the Government is awaited (December 2013).

2.1.10.5 Irregular approval of technical sanction

Government rules¹⁵ stipulate the financial limits for accord of technical sanction (TS) to the estimate of a work. TS on a work was to be accorded of by an authority not below the rank of the Executive Engineer. The preparation of estimates, design, plan, supervising the technical quality of work and taking measurement/check measurement was to be done by the Junior Engineer (JE).

Scrutiny of records of AMAs/ULBs of test-checked districts revealed that 624 construction works at a cost of ₹ 95.17 crore were taken up during 2007-12, and were executed by obtaining technical sanction from Junior Engineer/Assistant Engineer and an expenditure of ₹ 50.40 crore was incurred (*Appendix 2.1.4*) as detailed below:

- 278 works were taken up by ULBs with the technical approval of Junior Engineer and an expenditure of ₹ 16.98 crore was incurred on execution.
- 346 works were taken up by ULBs with the technical approval of Assistant Engineer and an expenditure of ₹ 33.42 crore was incurred on execution.

The Government stated (June 2013) that directives had been issued and in future these directions would be followed.

2.1.11 Capacity Building

Capacity Building (CB) of ULBs to facilitate participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery was one of the main objectives of BRGF. The effectiveness of Capacity Building support, depended on identification and Capacity Building.

Under Capacity Building component training was to be imparted to the elected representatives and officials of PRIs/ULBs. Provision of telephone, e-connectivity and establishing of accounting and auditing system, establishment and maintenance of training help lines etc. were other important components.

Paragraph 3.2.2 (c) of the GoI guidelines specified that prior to commencement of CB support programme for officials and elected representatives of PRIs/ULBs, a base-line survey was to be conducted regarding knowledge and skill. The GoI also provided ₹ 34 crore *per annum* (₹ 1 crore per district) to the State for upgrading the capacity and performance of officials and elected representatives of PRIs/ULBs.

Scrutiny of records of PMU revealed (September/December 2012) that funds were utilised only on imparting training to the members/officials of the PRIs. No fund was allocated for ULBs.

¹⁵ GO No: A-2-1602/-95-24 (14)/95 Dated: 1.06.1995, EE: up to ₹ 40 lakh, SE: Above ₹ 40 lakh and up to ₹ one crore, CE: Above ₹ one crore

Even though HPC in the eight meeting (January 2011) issued directives for initiating CB support for PRIs/ULBs the Department only organised training programmes for PRIs.

Thus, due to non-inclusion of ULBs in the AAPs for CB and non-release of funds the participatory planning, decision making, implementation and monitoring of different schemes for better governance and service delivery were not done.

The Government stated (June 2013) that AAP for Capacity Building of members/officials of ULBs had been approved (December 2012) by HPC and in future training would be imparted to the elected members/officials of ULBs.

2.1.12 Quality Control

Quality controls were prescribed with the objective that qualitative work would safeguard the scheme objectives and interest of public funds.

2.1.12.1 Inspection of works and quality check

Paragraph 4.1.4 of the GoI guidelines provided for preparing a schedule for inspection of executed works and for instituting a Quality Monitoring System (QMS) for maintaining the quality of works. The working of the QMS was to be regularly reviewed by HPC. It was noticed that QMS was not introduced (March 2012) in the State.

Scrutiny of records of ULBs of test-checked districts revealed that, no schedule for inspection of works was prepared by the Department. Scrutiny further revealed that during 2007-12, an expenditure of ₹ 68.29 crore was incurred by ULBs on execution of 704 works. Only *Nagar Palika Parishad, Badaun* had conducted the quality test of the raw materials.

Thus, due to non-introduction of QMS, quality of the executed work was not ensured. Thus, it is evident from the above that no system was adopted (till September 2011) for quality checking of the executed work. Further, it was also noticed in the test-checked districts that DLMC was not functional and evidences of quality check done by SLM were not furnished to audit, except in *Nagar Palika Parishad, Badaun*.

The Government stated (June 2013) that State Level Monitors (SLM) had been appointed (September 2011) and District Level Monitoring Committee (DLMC) had also been constituted (March 2011) for quality checking.

2.1.12.2 Non-functioning of Review committee

Paragraph 4.13 of the GoI guidelines and instructions (16 March 2011) provided for conducting of peer review of performance of one ULB by another to identify the bottlenecks in programme implementation under BRGF and other flagship programmes and share the best practices. A review committee was also to be constituted by the District Planning Committee to review reports of the committee and take follow up action.

Scrutiny of records of the AMAs of test-checked districts revealed that, no review committee was constituted by DPCs.

The Government stated (June 2013) that circular had been issued (February 2011) for implementation of the peer review and directions were being issued again for activating the review committee.

2.1.13 Social audit and vigilance at grass root level

Paragraph 4.15 of the GoI guidelines required, Social Audit of works executed by ULBs as well as role and function of Ward level Vigilance and Monitoring Committee.

Scrutiny of records of the Nodal Officer and ULBs of test-checked districts revealed that the State Government issued directives in April 2011 i.e. a delay of four years for conducting Social Audit. The same was not undertaken till November 2012.

The Government stated (June 2013) in its reply that fresh instructions were being issued for implementation of Social Audit.

2.1.14 Monitoring and Evaluation

Monitoring

Paragraph 3.4 of the GoI guidelines specified that constant monitoring and evaluation of the executed works and documentation of the outcomes were an integral part of the scheme and programme. It also provided for preparing inspection schedule of BRGF works and for instituting a QMS for maintaining the quality of works which was to be reviewed regularly by HPC.

The byelaws of PMU also provided for holding meetings for effective monitoring, implementation, supervision and evaluation of the scheme activities.

Scrutiny of records of PMU and ULBs of the test-checked districts revealed the following deficiencies:

- QMS was not introduced. No schedule for inspection of works was prepared. HPC and DPCs mostly focused on approval of plans and projects of development grants,
- Monitoring of the scheme/programme by DPMU was totally absent,
- Only three meetings (October 2008 to December 2012) were held against nine meetings by PMU for monitoring the scheme activities; and
- Evaluation on outcome of the training and impact on planning, implementation and monitoring at levels was not undertaken.

Scrutiny of the records of PMU revealed that in the third meeting (September 2008) of HPC it was decided to retain 0.25 *per cent* of the total releases of development grant to utilise for monitoring and evaluation of the scheme

activities at the district and at State level. Further, in the sixth meeting (September 2009) of HPC it was decided to retain 10 *per cent* of the Capacity Building fund at PMU level for monitoring and evaluation of the scheme activities.

The following was observed:

- During 2008-12, an amount of ₹ 17.82 crore was retained from development fund only at PMU level. An expenditure of ₹ 4.19 crore was also incurred but evidences of concerted efforts made for monitoring and evaluation of the scheme activities were not made available. The Department accepted (December 2012) that the committee for monitoring and checking has not been constituted; and
- To ascertain the outcome of the scheme activities monitoring meetings of HPC was held after 23 months in December 2012.

Scrutiny of records of the Nodal Officer of test-checked districts also revealed that, DPMU never monitored the implementation of the programme after approval of the district plan.

The Government stated (June 2013) that for strengthening the monitoring system, decision had been taken (February 2013) to hold quarterly meetings of HPC. Further, DPMU had been reconstituted (March 2013) and District Magistrate had been made the Chairman.

2.1.15 Conclusion

The Central objective of BRGF was to redress regional imbalances and accelerate the pace of development, through convergence of all the activities and programmes and preparation of integrated district plan with involvement at grass root level. However, the AAPs were prepared without conducting any baseline survey, assessing the priorities and proper evaluation to identify the reason of backwardness and critical gaps in development infrastructure, rendering the planning inadequate.

Due to non-conductance of base line survey, non-identification of the critical gaps and non-preparation of perspective plan, the scheme funds were not utilised for the all specified 18 works of Twelfth schedule of the Constitution, defeating the objectives of the scheme.

The role of DPC remained limited, only to a plan approving body for BRGF, whereas technical and professional support to DPC for guidance, preparation of integrated district plans, monitoring and evaluation of the outcome of the scheme activities was not available. There was also absence of institutional arrangement as well as professional support at DPC and State level.

Financial management remained far from satisfactory mainly due to delay in transfer of funds to ULBs, mis-utilisation of programme funds as well as parking of funds. Funds for Capacity Building of members of ULBs were not

released for strengthening the level of governance, facilitate participatory planning, decision making, poor execution, implementation and monitoring of developmental works to reflect local felt needs.

The required guidelines for Social audit of performances of ULBs were also not prescribed by the State Government.

2.1.16 Recommendations

- *Baseline survey to identify missing infrastructure gaps and to carry a diagnostic study of its backwardness should be conducted and a data bank should be developed;*
- *Institutional arrangements and professional support at ULBs and DPC level to the extent envisaged may be provided on priority within a definite timeframe;*
- *Government should intimate all ULBs about the expected flow of funds from all flagship programmes every year to facilitate convergence with other schemes and preparation of need based plan;*
- *Financial management may be streamlined to check delay in transfers, diversion and mis-utilisation of funds;*
- *Monitoring of the scheme activities should be documented and compliance should be watched to improve the quality achievements of the schemes; and*
- *Independent and competent organisation/agency may be entrusted with evaluation of outcome of the programme to provide valuable feedback.*

2.2 Functioning of Allahabad Nagar Nigam

Executive summary

Allahabad *Nagar Nigam* is administered under the Municipal Corporation Act 1959 and is responsible for providing municipal services. Financial resources of the *Nigam* are grants under the State Finance Commission and Central Finance Commission recommendations, collection of obligatory tax and non-tax revenues and funds received under various schemes/programmes, implemented by Government of India and the State Government.

We conducted a Performance audit of functioning of the *Nigam*, covering the period from 2008-09 to 2012-13. Significant audit observations are as follows:

- The required framework for accountability, budgeting, accounting and auditing was either absent or incomplete. The Development committee was not constituted;
- Budgets were prepared with a delay ranging between 57 and 273 days. The *Nigam* though was maintaining its account on double entry accounting system since 2008-09 did not have any accounting manual, in absence of which classification of assets & liabilities and depreciation rate were not defined. Basic records *viz.* ledgers and bank reconciliation statement were not maintained/prepared. In violation of the rules, funds were kept in 31 banks accounts. No reconciliation of balances of bank accounts with those of the cash books was ever carried out during 2008-13. Details and schedules were not prepared defeating the whole objective of preparation of accounts on double entry system;
- The envisaged actions at all stages, starting from assessment, demand, collection and accounting of revenue were deficient. Instances of loss of revenue due to short/non-levy of Property tax (₹ 1.74 crore); Theatre tax (₹ 77.03 lakh); Advertisement tax (₹ 69.53 lakh) were noticed. Due to lack of deterrent action, there were shortfalls in collection of tax revenue, ranging from 2 to 100 *per cent* and that of certain non-tax revenues from 0.71 to 100 *per cent* against the targets;
- Own revenue of the *Nigam* aggregating ₹ 167.40 crore during 2008-13 was not sufficient even to meet their recurring expenditure aggregating to ₹ 354.96 crore incurred on pay & allowances and pension *etc.* The *Nigam* was largely dependent on grant/assistance from the Governments;
- Surveys for revising Annual Rental Value in respect of property tax, were not conducted at the prescribed intervals. Annual Rental Value of the commercial properties was not revised after 2002-03. In the absence of record of new construction and additions made after 2002-03, there was no assurance that all the commercial properties assessable to property tax had actually been brought into the tax net;

- Expenditure management was also deficient. Allahabad *Nagar Nigam* did not have any system of assessing annual demand/requirement of vehicle, equipment and consumables for delivering various services to the citizen. Basic records such as stock register, road register/asset register, renewal cycle register *etc.*, exhibiting details of assets were not maintained due to which it was not ascertainable as to when the works/supplies were last executed/made. In road works, there was no system in place for carrying out traffic survey to ascertain the traffic density and traffic load before preparing estimates;
- Contract management was weak as contracts were not executed adhering to the laid down provisions of the act 1959 & rules framed thereunder, Financial Rules, Government's orders and instructions issued by Central Vigilance Commission. Fifty six out of 101 agreements related to procurements during 2008-13 were executed only on single bid system. In the remaining 45 agreements, the contractors merely furnished Tax Identification Number and Permanent Account Number in the technical bids and were awarded contracts. Similarly, 32 out of 100 test-checked agreements relating to construction of road and drains were executed after the start of the works;
- In respect of establishments, the control records such as ledger, broad-sheets and pass books relating to provident funds were not maintained; and

The *Nigam* had no adequate and systematic internal check mechanism. Many of the control records were either not prepared or prepared improperly. Monitoring mechanism was lax in the *Nigam*. The minutes of proceedings of the meetings of the corporation were issued late with delay of upto 334 days. The frequency of meeting of the Executive Committee was not as per the prescribed norms.

2.2.1 Introduction

Allahabad *Nagar Nigam* (ANN) was established in October 1959, pursuant to Municipal Corporation Act 1959 (MCA). It was required to perform such primary and secondary functions and exercise such powers as embodied in different sections of MCA. Main functions of the *Nigam inter-alia* include sanitation i.e. sweeping/cleaning of streets, roads, drains *etc.*; Solid Waste Management; construction of roads, drainage, sewage; street lighting and providing urban amenities and facilities such as parks, gardens, play-grounds *etc.* The *Nigam* has its own sources of revenues and is also financed from various sources to perform its functions and implement various schemes/programmes.

2.2.2 Organisational structure

The Principal Secretary, Urban Development Department (UDD) and Director, Urban Local Bodies (ULB) are responsible for co-ordination and

monitoring of functioning of the *Nigam* at the Government and the Department levels respectively.

At the *Nagar Nigam* level its functions are executed by (i) the corporation¹⁶ headed by Mayor; (ii) Committees viz. Executive¹⁷, Development¹⁸ and Ward Committee¹⁹; (iii) the Municipal Commissioner (MC) with two Additional Municipal Commissioners and two Deputy Commissioners as depicted in an organogram. (*Appendix 2.2.1*).

2.2.3 Audit objectives

The performance audit on the functioning of the *Nigam* was conducted to ascertain whether:

- the financial management system was efficient and effective with due regard to economy;
- effective mechanism was in place and adhered to for ensuring correct assessment, prompt raising of demands and collection of revenues;
- funds were optimally utilised for the purposes, envisaged in MCA in consonance with the applicable laws and rules;
- the internal controls were adequate and robust to safeguard the *Nigam*'s funds against any loss; and
- monitoring mechanism was efficient and effective.

2.2.4 Audit Criteria

Following were the sources of audit criteria:

- Provisions of MCA and rules²⁰ framed thereunder;
- Financial Hand Books, orders issued by Government of India/the State Government/Chief Vigilance Commission (CVC) and other extant/applicable laws and rules; and
- Guidelines of various schemes being implemented.

2.2.5 Scope and methodology of Audit

The performance audit of the *Nigam* for the years 2008-13, was undertaken between April and June 2013. In addition to test check of records of the

¹⁶ The corporation consists of 80 corporators and other members nominated by the State Government and *Paden sadasya* from the house of the people and the State Legislative Assembly.

¹⁷ Consisting Mayor as ex officio Chairman and 12 corporators, elected by the Corporation.

¹⁸ Consisting 10 persons to be elected by the corporation out of corporators and two persons to be co-opted by these 10 members. One of the aforesaid elected members would be the chairman of the development committee.

¹⁹ Consisting corporator representing the ward and 10 other members, nominated by the corporation from amongst persons registered as electorals within the territorial area of the concerned ward committee.

²⁰ *Uttar Pradesh Mahapalika Lekha Niyamavali*, 1960 (*Lekha Niyamavali*, 1960); *Uttar Pradesh Nagar Mahapalika Nirman Karya evam Tender Niyamavali*, 1963 (*Tender Niyamavali*, 1963); *Uttar Pradesh Nagar Mahapalika Sarwjanik Nirman Karya Lekha Niyamavali*, 1974 (*Nirman Karya Niyamavali*, 1974); and *Uttar Pradesh Municipal Corporation (Property Taxes) Rules*, 2000.

Nigam, information was sought from Principal Secretary, UDD and Director, ULB. Besides, physical verification and photographic evidences were also conducted/ collected.

The *Nigam* received ₹ 106.19 crore for executing different works for *Maha Kumbh Mela-2013* (MKM). A performance audit of MKM was conducted separately in which findings relating to the *Nigam's* role in MKM have been discussed. Before taking up the performance audit, audit objectives, criteria, scope & methodology were discussed during entry conference of Performance audit of MKM, held on 14 December 2012. Replies of the State Government were received (February 2014) and suitably incorporated in the report. Exit conference was held (April 2014) with the Secretary, Urban Development Department. The Government confirmed facts and figures and accepted the recommendations made by the audit.

2.2.6 Limitations/Constraints

Chief Secretary had issued a general direction to all the Principal Secretaries/Secretaries of the State Government vide letter no. VAP (C/R)/92/10(45)/12 dated 04 May 2012 for furnishing all the requisite records/ information to audit during the course of each audit. Some of the records and information²¹ were not produced though repeatedly called for in audit.

Results of the test check of the records are given in the succeeding paragraphs.

2.2.7 Institutional framework

Section 117 of MCA prescribes following institutional framework for performing the activities of the *Nigam*:

Table 1: Institutional framework for the *Nigam*

Sl. No.	Name of authority	Accountable for
1	Corporation (Headed by Mayor)	Policy decisions related to expenditure from the <i>Nigam's</i> fund, implementation of various projects, schemes, etc.
2	Committees	
(i)	Executive Committee (EC)	All functions related to approval of budget and sanction for estimates, expenditure.
(ii)	Developmental Committee (DC)	Approval of developmental schemes placed before it by the Municipal Commissioner.
(iii)	Ward Committee (WC)	All functions related to its area.
3	Municipal Commissioner assisted by Additional/ deputy commissioners	Administration and execution of all schemes and projects subject to conditions imposed by the corporation.
4	<i>Mukhya Nagar Lekha Parikshak</i> (MNLP)	Audit of ANN's accounts, preparation and submission of Audit Reports to the EC.

(Source: MCA, 1959)

²¹ Stock accounts of ward offices, records related to cattle colony, *Nazool*, free hold land, licenses, JNNURM and *malwa* fee.

DC was not constituted during 2008-13. The committee consisting of public representatives was not provided envisaged opportunities for monitoring the activities of the *Nigam*.

The Government did not furnish specific reply.

2.2.8 Transfer of fund, function and functionaries

In follow up to the Seventy-Fourth Constitutional Amendment Act, 1992, the State Legislature enacted laws for devolving 18 functions (enshrined in Twelfth Schedule of the Constitution), on ULBs.

Scrutiny of records of the *Nigam* revealed that neither activities nor functionaries and funds in respect of seven²² functions were transferred to it as of June 2013.

2.2.9 Financial management

2.2.9.1 Funding pattern

Financial resources of the *Nigam* are grants under the State Finance Commission (SFC) and the Central Finance Commission (CFC) recommendations, collection of obligation taxes (e.g. tax on building and land) and levy and collection of other tax and non-tax revenues. Besides, the State Government and the GoI release grants to the *Nigam* for implementation of the schemes of the State sector and for centrally sponsored schemes, respectively.

2.2.9.2 Budgeting

According to section 146 and 147 of MCA, annual budget estimates for the succeeding year are required to be laid by MC before EC on 10 January of each year. EC has to submit the budget to the corporation by 15 February each year. The corporation is required to approve the budget by 31 March for the following year. The required revised budget is to be laid in EC meeting on or before 10 September and approved on or before first October of the year.

Scrutiny of records revealed delays in submission and approval of original budget (ranging between 42 and 124 days) and also of revised budget (57 to 273 days) as depicted in (**Appendix 2.2.2**).

The Government while accepting the fact stated (February 2014) that the delay was because of postponement of meetings of corporation and EC due to unavoidable circumstances.

2.2.9.3 Accounting framework

Accounts of the *Nigam* were earlier (upto 2007-08) maintained in the format prescribed under *Lekha Niyamavali*, 1960²³ on single entry system and from

²² (i) Fire services; (ii) Urban forestry; (iii) Protection of environment and promotion of ecological aspects; (iv) Safeguarding the interest of weaker sections of society including handicapped and mentally retarded and (v) Slum improvement and up gradation, (vi) Urban planning including town planning, and (vii) Regulation of land use and construction of buildings.

²³ Framed under section 153 of MCA.

2008-09, the *Nigam* switched over²⁴ maintenance of Annual Account²⁵ from single entry system to double entry accounting system. The C&AG of India, on the recommendation of the Eleventh Finance Commission (EFC) prescribed (June 2003) the budget and accounting formats on accrual basis for ULBs.

We observed that:

- The implementation of budget and accounting formats, prescribed by the C&AG, was pending at level of the State Government as of June 2013;
- No account manual for preparation of Annual Account on double entry system was prepared in the absence of which classification of assets & liabilities and depreciation rates were not defined;

The Government in its reply stated (February 2014) that account manual was being prepared.

- Receipt & Payment account was not maintained. Basic records viz. ledgers and bank reconciliation statement were not maintained /prepared.

The Government stated (February 2014) that receipt & payment account was being prepared.

The reply is not correct. The Annual account of the Nigam had only Income & Expenditure account.

- The *Nigam* opened and operated 31 bank accounts in nine Banks during 2008-13. Thirty one cash books (separately for each bank account) were maintained. No reconciliation of the balances of the cash books with those of the respective bank accounts was carried out during 2008-13.

The Government replied (February 2014) that reconciliation of balances of all the cash books with the respective bank accounts was completed upto 2011-12 and necessary corrections in the cash book had also been made. The reconciliation of the balances of the cash books and resultant changes in the cash books after preparation of annual accounts showed that the basic records on the basis of which annual account was prepared, were unverified and incorrect.

- The work in progress²⁶ was shown in the balance sheet but its schedules were not prepared and therefore not verified in audit. The schedules to annual account in respect of various items/heads of account did not have any details for the purpose. It was observed that these figures appearing in the Annual accounts (2008-13) did not match with the figures appearing in the budgets of the respective years.

²⁴ Vide GO no 4094/nau-5-2008-119 sha/2007, dated 2.6.2008.

²⁵ The records viz., Income & Expenditure Statement, Receipt & payment account, Balance sheet alongwith bank reconciliation statement, statement showing adjustment of creditors and debtors and valuation of closing balances of store were to be maintained.

²⁶ 2008-09: ₹ 44.96 crore, 2009-10: ₹ 192.35 crore, 2010-11: ₹ 302.98 crore, 2011-12: ₹ 209.70 crore,

The Government replied (February 2014) that a computer software in respect of double entry accounting system was being developed, introduction of which would enable the department in maintaining the accounts on double entry system more effectively.

2.2.9.4 Sources and application of funds

As has been discussed in paragraph number 2.2.9.1, apart from Grants-in-aid from the GoI and from the State Government, the *Nigam* levied and collected tax and non-tax revenues, under the provisions of Section 172 of MCA. According to section 140 of MCA, the funds collected from various sources were required to be spent on the purposes in the order of prescribed priority.

Under the provisions of section 503 of MCA, recovery of revenue was to be made through issue of bills, serving written notice of demand. If the person liable for the payment of dues, fails to deposit the dues within 15 days from serving the demand notice, the dues with cost of recovery were to be recovered by issuing warrant, selling of movable property of the defaulter, filing civil suits against the defaulters in the courts of law under the procedures mentioned in MCA²⁷. According to Rule 7 of *Lekha Niyamavali*, all collected revenues were to be deposited in the *Nigam's* office with the corresponding entries in the general cash book, centrally maintained in the *Nigam* and also in the departmental cash book, maintained in the respective departments.

Receipts and expenditure there against during 2008-13 were as under:

Table 2: Details of receipt and expenditure during 2008-13

(₹ in crore)						
Year	Opening Balance	Government grants during the year	Revenue realised during the year	Total receipts	Expenditure	Closing Balance
2008-09	43.63	97.01	24.47	165.11	98.02	67.09
2009-10	67.09	160.85	29.26	257.20	226.81	30.41 ²⁸
2010-11	30.41	172.96	37.32	240.69	205.00	37.95 ²⁹
2011-12	37.95	218.10	29.54	285.59	249.94	35.65
2012-13	35.65	306.23	46.81	388.69	294.71	93.98
Total		955.15	167.40		1,074.48	

(Source: Information provided by ANN³⁰)

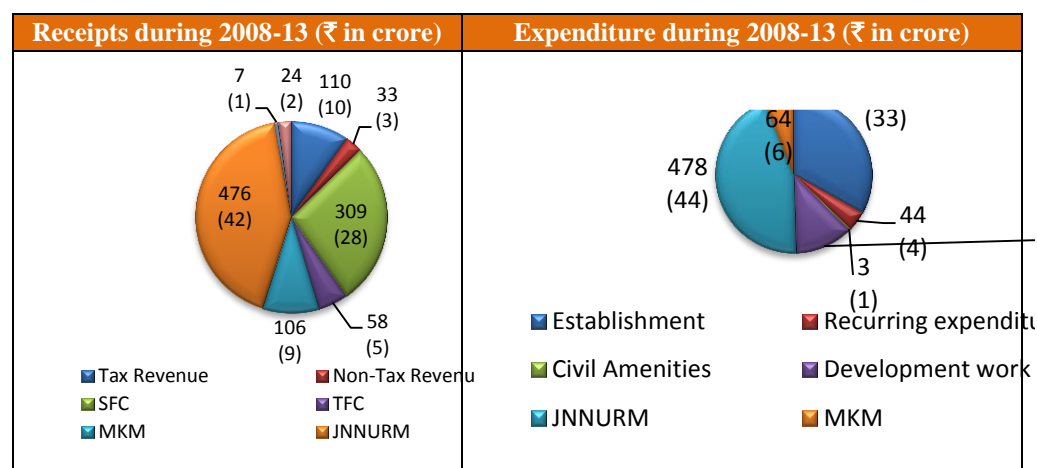
Head-wise/item-wise total receipt and expenditure of the *Nigam* during 2008-13 are depicted as under:

²⁷ Section 507 to 530 of MCA.

²⁸ Left out balance of ₹ 0.02 lakh was included by the *Nigam*.

²⁹ Closing balance increased by ₹ 2.26 crore by adding SFC amount freeze in the PLA.

³⁰ The State Government did not make available the details, though called for.



We observed:

Deficiencies in levy of taxes

Property Tax

In violation of the rules³¹, the *Nigam* did not revise Annual Rental Value (ARV) in intervals of two years. ARV was last revised in 2010-11 after a gap of eight years³².

Out of the 1,77,512 houses, ARV of only 1,45,299 houses was revised leaving ARV of 32,213 houses un-revised due to deficient survey.

Further, 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. There were 331 commercial buildings whose ARV was 'Nil'. The record of new construction and addition to the commercial properties made after 2002-03 was also not maintained. Thus, there was no assurance that all the commercial properties assessable to property tax had actually been brought to the tax net.

The Government while accepting the audit observation stated (April 2014) that necessary action for revising ARV of left over residential houses and all the commercial houses was being taken.

Theatre Tax

Despite revision in the rate of theatre tax³³ with effect from May 2001 by the State Government, the *Nigam* did not adopt the revised rate and continued (May 2001 to June 2013) levy of theatre tax at the old rates which led to loss of ₹ 77.57 lakh (**Appendix 2.2.3**). Besides, theatre tax on carnivals, exhibitions, circus, magic shows and other entertainment shows were never levied (up to June, 2013).

³¹ Section 4-A of Uttar Pradesh Municipal Corporation (property taxes), Rules, 2000.

³² Before this, the rent was revised in 2002-03 (effective from 01 April 2003).

³³ Prescribed vide GO no. 233/9-7-2001-07 E/2000 dated 19.02.2001 on the shows in the cinema halls, exhibition, and carnivals in ANN's jurisdiction.

The Government in reply stated (February 2014) that the cinema houses had protested the levy of show tax at the enhanced rate. At the request of cinema houses in a meeting with the State Government, the Government had directed (January 2006) to submit details of rate of taxes, levied in other states within 15 days to take further action in this regard. No decision, however, was taken in this regard since then. The fact remains that the show tax was not revised since May 2001 which had resulted in a loss of ₹ 77.57 lakh.

Advertisement tax

Scrutiny of records revealed that the Nigam entered into (October 2010 & December 2010) an agreement with “M/s Om Sai Samittee” on ‘BOOT basis³⁴’ for 15 years for erection of solar traffic lights, LED display board for displaying messages, Police booth and CCTV camera, connected with the Police/traffic department on 33 Road crossings in the city. The contracted firm was to pay ₹ 90,000 per annum per road crossing to the Nigam on quarterly advance basis. As per the agreement, the contracted firm could erect advertisement’s hoardings and could earn income. The work was to be completed within three months i.e. between January 2011 and March 2011. Of the earmarked 33 road crossings, traffic signals were installed at only 10 crossings and no other works were executed in any of the earmarked crossings. The fact was also confirmed in physical verification (July 2013) by audit. Due to delay in completion of work, the Nigam was deprived of the revenue of ₹ 69.53 lakh³⁵.

Further, in compliance to the orders (November 2011) of the Hon’ble High court to introduce a mechanism for the purpose of regulating the advertisements (placing hoardings etc.) in the city area, MC had directed (January 2012) that erection of hoardings on public roads and road side land etc. would only be allowed if they did not obstruct any kind of vision in any manner. We, in physical verification, however, observed that a number of advertisements/banners/posters/hoardings etc. were placed at many places in city and not a single notice was served to the violators.



³⁴ Built Own Operate and Transfer.

³⁵ The monthly revenue to be generated was ₹ 7,500. For 22 crossings: 22 x 7500 x 30 = ₹ 49,50,000 and for remaining 11 crossings: 11 x 7500 x 27 = ₹ 22, 27,500. Thus, total revenue could have been realized = ₹ 71,77,500, i.e. ₹ 71.78 lakh. The firm paid ₹ 2.25 lakh, as such loss of revenue was ₹ 69.53 lakh.

The Government while accepting the audit observation stated (February 2014) that action against erecting unauthorised banner, hoardings etc. was taken. It, however, did not furnish any documentary evidence in this regard. In respect of issue of agreement with M/s Om Sai Samittee on 'BOOT's basis for erection of solar traffic lights etc. it replied that organisation of MKM in 2013 delayed the progress of work.

The reply is not acceptable. The aforesaid work was to be completed by March 2011 whereas the MKM was held in January 2013.

Additional stamp duty

According to Para 39 of Uttar Pradesh Urban Planning Development Act, 1973, an additional stamp duty, on deed of transfer of immovable property, was to be increased by two *per cent*. This was to be distributed among the Development Authorities, the Uttar Pradesh *Awas* and *Vikas Parishad* and the *Nagar Nigams* for development of infrastructure facilities in such proportion as from time to time be determined³⁶ by the State Government. Scrutiny of records, however, revealed that against the amount due of ₹ 41.32 crore for the period 2008-13, the *Nigam* received only ₹ 30.89 crore (75 *per cent*) leaving a shortfall of ₹ 10.43 crore (25 *per cent*).

The Government while accepting the audit observation stated (February 2014) that necessary directions to the Commissioner and District Magistrate had been issued in respect of release of outstanding amount.

Deficiencies in realisation of revenues

Shortfall in realisation of revenue

Shortfalls in collection of tax revenue against income projected in the annual budget (2008-13) of the *Nigam* ranged from 2 to 100 *per cent* and that of certain non-tax revenues ranged from 0.71 to 100 *per cent*. The arrears of own revenue/dues accumulated to ₹ 5.68 crore³⁷. Own revenues of the *Nigam* amounting to ₹ 167.40 crore³⁸ during 2008-13 were not sufficient even to meet their recurring expenditure of ₹ 354.96 crore incurred on payment of salaries, contingencies, *etc.* during 2008-13. The *Nigam* was largely dependent on grant/assistance from Government.

There was no evidence on record of the *Nigam* of having made effective efforts to augment revenues. No records regarding taking any action such as seizure and sale of the properties of defaulters for not paying dues were made available to audit.

The Government replied (February 2014) that punitive actions like attachment of property etc. had been taken against the defaulters of property tax.

³⁶ As per GO no. 391/11-2008-312(268)/2001 dated 07.02.2008 the allocations were fixed at the rate of 0.67 per cent: *Nagar Nigam*; 0.67 per cent: Development Authority; and 0.66 per cent: Uttar Pradesh *Awas and Vikas Parishad*.

³⁷ House tax: ₹ 358.16 lakh; Animal tax: ₹ 0.57 lakh; Advertisement tax: ₹49.50 lakh; Passenger tax: ₹ 11.54 lakh; Theatre tax: ₹. 0.97 lakh; Stamp duty: ₹18.69 lakh; *Tehbazari*: ₹ 109.96 lakh; License fee: ₹ 14.59 lakh; Dog tax: ₹ 0.40 lakh; Income under special Act: ₹2.85 lakh; photocopy fee: ₹0.37 lakh; and mutation fee: ₹ 0.05 lakh.

³⁸ Tax revenue: ₹ 109.60 crore; non-tax revenue: ₹ 33.40 crore and others: ₹ 24.40 crore.

No documentary evidence, however, was furnished in this regard. In respect of other revenue, no reply was furnished by the Government.

Deficient records maintenance

The reconciliation of the balances of the departmental cash books with those of the general cash book was to be done weekly. Scrutiny of records revealed that none of the departmental cash books were reconciled with the General cash book during 2008-13. Further, scrutiny of records revealed difference of ₹ 6.05 crore between balances of tax department's cash book and those of General cash book on account of property tax realisation during 2011-12.

The Government, in respect of difference of ₹ 6.05 crore, replied (February 2014) that in the cash book of tax department, only cash transactions were recorded whereas in the general cash book, receipts both in cash and through cheques were recorded.

The reply is not acceptable. Receipts, both in cash and through cheques, were to be recorded in both departmental and general cash books. In the absence of this, the objective of reconciliation of balances between the aforesaid two cash book would not be fulfilled.

Further, there was no system in place to verify whether all the collected revenue in the zonal offices was actually deposited in the Nigam's office. Test check of records of Zone-1 revealed that ₹ 1,05,315³⁹ collected on account of property tax was shown deposited (December 2011) in the Nigam's office against which ₹ 1,02,789 was actually deposited leaving ₹ 2,526 un-deposited. This indicated that there were no checks and balances in place to ensure prompt remittance of taxes collected.

The Government while accepting the audit observation replied (February 2014) that the amount was being recovered. It added that tax superintendents were instructed to maintain transparency in realisation of tax revenues.

2.2.10 Procurements and execution of works

Section 135 and 136 of MCA provides financial powers to the authorities for sanction of estimates⁴⁰ for execution of works and procurements. The works and supplies were to be executed/made adhering to the provisions of financial hand book (Volumes 5 & 6); General Financial Rules, 2005; Government orders and circulars; Central Vigilance Commission's (CVC) circulars; and Tender Niyamavali, 1963 & Nirman Karya Niyamavali, 1974, framed under MCA.

³⁹ ₹ 50,921 on 14.12.2011 and ₹ 54,394 on 28.12.2011.

⁴⁰ Estimates not exceeding ₹ 10 lakh: Municipal Commissioner; Exceeding ₹ 10 lakh but less than ₹ 15 lakh: Mayor; Exceeding ₹ 15 lakh but less than ₹ 20 lakh: Executive Committee; and exceeding ₹ 20 lakh but less than ₹ 30 lakh: the Corporation; and exceeding ₹ 30 lakh by the State Government.

2.2.10.1 Absence of planning

For effective management of various municipal services to the citizen, proper planning is important. Scrutiny of records, however, revealed that the *Nigam* did not have any mechanism for assessment of requirement of vehicles, equipment, consumables such as pesticides, handcarts, street light accessories based on the number of street lights points in the streets *etc.* Instead, the *Nigam* made procurement year after year on the basis of availability of fund without considering the actual requirements. It also did not have any stock reserve limits, minimum level of stock for re-ordering for procurements to ensure uninterrupted supply of materials/consumables.



Unutilised MRSM (24.06.2013)



Unutilised Dumper placer on TATA ACE (24.06.2013)

Improper planning for procurement led to under/non-utilisation of vehicles as has been noticed in the test check of records. Scrutiny of records revealed that five “Dumper Placer on Tata ACE” for management of MSW in city at a cost of ₹ 20.43 lakh and one Mobile Road Sweeping Machine (MRSM) with hopper/container (6.5 cubic metre) at a cost of ₹ 58.35 lakh were procured by the *Nigam* in December 2008 and May 2010 respectively. All the five TATA ACE vehicles were lying unutilised since May 2011 in the *Nigam*'s workshop. Records revealed further that these five vehicles were equipped with hydraulic containers which deteriorated with time and were required to be replaced. The *Nigam*, however, did not make any arrangements for the replacement of these containers; resultantly the vehicles remained unutilised since May 2011. Similarly, MRSM remained unutilised since the date of purchase for want of trained driver and skilled staff for maintenance. The supplier of this machine was to train the *Nigam*'s staff to operate the machine on the delivery of MRSM but Company did not extend any training to the *Nigam*'s staff. The *Nigam* also did not make any arrangements for the same. Consequently, MRSM remained unutilised.

The Government in its reply stated (February 2014) that procurements were made as per the need and MRSM was utilised as per requirement but did not furnish any documentary evidences in support of any exercise done for assessment of need of vehicles/equipment and other materials and utilisation

of vehicles. The fact remains that there was no concrete planning for assessment of need and utilisation of vehicles and equipments which resulted in under utilisation of vehicles/equipment.

2.2.10.2 Absence of basic information and control records

Basic information required for preparation of estimates for execution of road works such as category, width, length, crust thickness of road, last renewals and repairs etc. was not maintained. No traffic survey to ascertain the traffic density, traffic load and drainage⁴¹ was also carried out. Besides, control records such as Road register/asset register and renewal cycle register were not maintained due to which it was not ascertainable as to when any road was last constructed/renewed.

The Government in reply stated (February 2014) that Nigam does not construct new road. Instead it maintained the road which does not require traffic census.

The reply is not correct. The Nigam had constructed new roads, apart from maintenance works. Beside, as per IRC specification, renewal of road by providing richer bituminous layers such as BM/SDBC requires traffic census.

2.2.10.3 Irregular sanction of estimates

Test check of records revealed that during 2008-13, 17 estimates relating to procurement of vehicles, cost of which ranged between ₹ 17.50 lakh and ₹ 74.79 lakh, were required to be submitted to EC for approval. However, none of the estimates was submitted to the EC. All the estimates were sanctioned by the MC. Thus, the authority of EC was eroded which lost the control over justification, financial control, execution and quality control of works.

The Government while accepting the audit observation stated (February 2014) that MC sanctioned the estimates in anticipation of the approval of the estimates by the EC. It added that formal approval of EC was received in the next meeting.

The reply is not correct as none of minutes of the meetings of EC, made available to audit, mentioned about post-facto sanction of the estimates.

2.2.10.4 Weak contract management

Test check of records revealed that 32 out of 100 test-checked agreements (out of 2,124 agreements, involving expenditure of ₹ 83.08 crore) for ₹ 4.58 crore, relating to construction of roads, streets, drains, culverts etc., were entered into with contractors after the start of the works.

Similarly, the Nigam entered into 101 agreements⁴² during 2008-13 (agreed cost: ₹ 12.03 crore) for procurement of vehicles, street light fittings, health/sanitation items etc. Scrutiny of records revealed that:

⁴¹ Required under the provision of section 228 of MCA and IRC's guidelines IRC SP-50-1999 (Chapter-1).

⁴² Street light and health section of ANN did not provide details of agreements executed during 2008-13 (except MKM).

- The extant mandatory instructions, orders and guidelines were violated while executing agreements for procurements. GoUP's orders⁴³ and CVC's circular envisage that wide publicity of the tender notices should be made before entering into agreements. In all the 101 agreements, tender notices were published in only two local news-papers⁴⁴. Thus, enough publicity of tender notices was not ensured;
- In 56 out of aforesaid 101 agreements, only single bid system was adopted. In the remaining 45 agreements, though two bid tendering process was adopted but in these 45 cases, the contractors merely furnished TIN and PAN in the technical bids⁴⁵ and these contractors were declared qualified for participation in evaluation of financial bids and awarded contracts; and
- Serious discrepancies were noticed in the chronology of events viz. agreements, supply order, date of supply and stock entry. In many cases, even the agreements were executed after the date of issue of supply orders.

The Government while accepting the audit observation stated (February 2014) that process of evaluation of technical capacity of the contractors is done once in a year while renewing the registration of the contractors by obtaining documents such as PAN number, TIN number etc. The fact remains that bid evaluation was improper.

2.2.11 Sanitation and cleaning of drains

2.2.11.1 Cleaning of streets

Test check of records revealed that the *Nigam* had 2,352 (91 per cent) sweepers (Regular: 1,917 and Contractual: 435) as on June 2013 against the sanctioned strength of 2,575 sweepers leaving a shortage of 223 (nine per cent).

2.2.11.2 Cleaning of Drains

Cleaning of drains is normally done during April-June (pre-monsoon) every year. For execution of work, a well thought plan for cleaning of drains in city was imperative. Works were to be executed after recording initial levels before execution of work and final levels after execution of works. An amount of ₹ 2.35 crore was spent by the *Nigam* on cleaning of drains during 2008-13.

Scrutiny of records revealed that neither the measurement prior to work nor actual measurement of silt clearance after execution of cleaning of drains was done. Payment was made on the basis of man days involved for execution of work due to which actual quantity of work was not ascertainable.

Further, adjustment of ₹ 40.47 lakh⁴⁶, paid to the sanitary inspectors during 2010-13 for making payments to the contractors, was pending as of June 2013

⁴³Government order no. 123/19-2-1007/74TC dated 14.04.1988.

⁴⁴*United Bharat* and Northern India Patrika of Allahabad edition.

⁴⁵Technical bid should comprise Character certificate, solvency certificate, last five years work experience by the firm, details of major items of equipment with the firm, list of lab equipment, financial report of last five years i.e. balance sheet, profit and loss account etc.

⁴⁶2010-11: ₹ 6.47 lakh; and 2011-13: ₹ 34 lakh.

i.e. even after a lapse of one to two years for want of submission of adjustment bills by the sanitary inspectors concerned.

The Government did not furnish reply. The Commissioner, ANN while accepting the facts & figures stated (August 2013) that action for adjustment of the advances was in progress. Non-adjustment of advances, even after one to two years was against the financial rules. No reply was furnished by the Government in respect of payments to the contractors without any measurements.

2.2.11.3 Construction of community toilets

To prevent open defecation and to provide facility to the residents not having toilets, National Ganga River Basin Authority (NGRBA), GoI sanctioned (May 2010) ₹ 10.75 crore for construction of 143 Community toilets Complexes (CTCs) and ₹ 4.15 crore for extending public participation and awareness programme. The scheduled date of completion of works was February 2013. The CTCs were to be constructed in the slums and the locations of CTCs were to be decided on the basis of population defecating in open and willingness to pay the user charges.

Scrutiny of records revealed that against the sanctioned 143 CTCs, only 48 were taken up (June 2011 and June 2012) of which 39 CTCs were completed as of June 2013 at an expenditure of ₹ 2.53 crore.

Besides, 28 CTCs (out of 48) were constructed at the changed locations on the pretext that land was not available on the earlier locations. While selecting new locations, the criteria for selection of site *i.e.* Slum, population defecating in open and willingness to pay the user charges were not considered as was evident from the fact that out of 28 CTCs whose locations were changed, 20⁴⁷ were not in the slums. There was no evidence in the records of having conducted any survey for ascertaining other two criteria before taking up constructions in the alternative locations.



⁴⁷ Chaufataka, Phaphamau near water tank, Karelabagh (near Kushth Ashram), Kalyani Devi, Sadiyabad (Salori), Cattle colony, Naini, Phaphamau ghat, Hazarilal hata Bahadurganj, Punjabi colony near FCI, Behind Anand Bhawan, In front of Crossweth school in Rambagh, Behind Collectorate campus, Near P.D. Tondon park, In front of Naini Jail, Near Naini railway crossing, Kooper road malin basti, Near Someshwar Mahadev temple, Near earthen dam Alenganj, Near CAV Inter college (Yadav road), and Near Agriculture Institute crossing, Naini.

Further, against the allotment of ₹ 4.15 crore for Public Participation and Awareness Programme, only ₹ 49 lakh (12 per cent) was spent as of June 2013.

Thus, the works sanctioned under the aforesaid scheme, were not completed even after the scheduled date of completion i.e. by February 2013 which defeated the objectives of the programme. Rupees 12.63 crore remained unspent with Uttar Pradesh Jal Nigam (UPJN) (₹ 9.70 crore) and with the Nigam (₹ 2.93 crore).

The Government while accepting the audit observations stated (February 2014) that due to non-availability of land, the toilets were not constructed as planned. It added that programmes for public participation and awareness are organised as per need. Fact remains that envisaged benefits were not extended to the public under the scheme and the funds remained unutilised for more than three years.

2.2.12 Establishment

The Nigam had 2,961 employees as of June 2013 against the sanctioned strength of 3,974, leaving a shortfall of 1,013 employees. Pay & allowances of the employees were paid from the Nigam's funds. Scrutiny of records revealed deficiencies in upkeep of basis records, improper sanction of advances/withdrawals from provident fund account etc. We observed that:

- Banks concerned did not issue bank pass-book or bank statement due to which DDO also did not have any records regarding balances in the bank account. Besides, no ledger, broad-sheet and pass-books were maintained in respect of PF. Pertinently, DDO sanctioned withdrawals from the bank account, on receipt of application for withdrawal of funds without ensuring whether sufficient funds were in the respective bank account.

The Government in its reply stated (February 2014) that the banks concerned have been instructed to issue pass books to the employees.

- Rupees 50.22 lakh received (December 2009) from the investments (₹ 20 lakh) made from the PF account in 1993, was irregularly transferred (₹ 49.70 lakh⁴⁸) to the Nigam's salary account. No details of such investments, details of employees to whom these funds related to, reasons for transferring the PF fund to the salary account etc. were furnished to audit, despite repeated requests.

The Government while accepting the audit observations reiterated (February 2014) that due to financial crunch the Nigam was facing difficulty in disbursing salary to its employees during the aforesaid period due to which investment from PF account was utilised for making payment of salary.

⁴⁸ Details of remaining funds was not made available to audit.

2.2.13 Other interesting issues

2.2.13.1 Encroachment of Ponds' land worth ₹ 137.20 crore

Section 296 of MCA empowered MC to remove any encroachment in contravention of Act without giving any notice. The State Government also issued (April 2006) order to remove encroachments over Government properties.

Test check of records revealed that out of 42 ponds covering an area of approximately, 73 *bigha*⁴⁹ at different locations, 25 ponds⁵⁰ (*Appendix 2.2.4*) (area: 22 *bigha*) were encroached and 315 permanent & 110 temporary structures were erected by the occupants on the encroached pond's land illegally. Further, the *Nigam* also allotted house number to the houses constructed on the pond's land as mentioned above. Deputy Municipal Commissioner, however, ordered (January 2008) to cancel the house numbers allotted to these illegal constructions but no further action was taken as of June 2013. Thus, due to lackadaisical approach of the *Nigam*, 25 ponds (cost of land: ₹ 137.20 crore) were encroached. No action was taken despite having mandate in MCA and Government order to get the encroached ponds free.

The Government in its reply stated (February 2014) that a committee at district level had been constituted and necessary action would be taken after getting the report of the said committee.

2.2.13.2 Non-condemnation of unusable vehicles

Unserviceable vehicles/equipment are to be auctioned off after declaring these condemned adhering to the laid down procedures.

Seventy five vehicles/equipment (Purchase value: ₹ 2.78 crore) were lying in *Nigam's* workshop in unserviceable condition since February 2007 to May 2012. Records revealed that the *Nigam* took initiative for auctioning these vehicles belatedly in April 2012 when it constituted a committee⁵¹ to take necessary action for the disposal of these unserviceable vehicles. At the instance of the committee, Regional Transport Officer (RTO), Allahabad in its technical inspection, found (September 2012) 61 vehicles unserviceable and declared them condemned. No further action such as valuation by surveyor and auction etc. was taken as of June 2013 by the *Nigam*. These vehicles were lying unutilised in the *Nigam* workshop in open and were exposed to sun, wind and rains in addition to natural decay and deterioration.

The Government in its reply stated (February 2014) the valuation of aforesaid vehicles was being made and the vehicles would be auctioned on completion of the process.

⁴⁹ One hectare = 4.08 *bigha*.

⁵⁰ Six ponds were occupied by the Government organisations such as Hospitals, PAC, Army and Allahabad Development Authority.

⁵¹ Chief Engineer; Chief Finance Officer; Chief Auditor; EE/Traffic /Officer In charge workshop; Environment Engineer; and Law Consultant.

The reply is not convincing. No action since 2007 was taken by the Nigam in this regard.

2.2.13.3 Registration of births and deaths

Under the provision of Registration of Births and Death Act, 1969 and relevant rules namely “Uttar Pradesh birth and death rules 2002”, everyone including Government/private hospitals and nursing homes is required to inform the *Nigam* regarding births and deaths taking place in houses, hospitals, nursing homes respectively.

Test check of records of the *Nigam*, however, revealed that 121 out of total 138 private hospitals in the city and four out of total nine Government hospitals, did not provide information regarding births and deaths that took place during 2008-13. The *Nigam* did not initiate any action such as issue of notices *etc.*, to get the complete information from the private hospitals.

The Government in its reply stated (February 2014) that action against the defaulters would be taken for not sending the details of births and deaths.

2.2.14 Internal control

Internal control is a system within an organisation enables the departments to identify the key problem areas, constraints and managerial needs for the improvement in policy formulation, allocation of resources and setting of performance standards.

2.2.14.1 Audit arrangement

Under section 142 of MCA, MNLP was responsible for audit of transactions as well as examination & audit of accounts of the *Nigam* and to submit, within a month, report thereon to the EC. Besides, MC, as soon as, may be after the first day of April in each year, was to prepare a detailed report of the *Nigam*'s administration during the previous year and a statement showing the accounts of the receipts and disbursement credited and debited to the *Nigam*'s fund during the current year for further submission to EC. EC was to forward to the report to the State Government after review.

Further, under the arrangements for external audit of the *Nigam*, Director, Local Fund Audit is the primary auditor of the *Nigam* in terms of Uttar Pradesh Local Fund Audit Act, 1984. Besides, under the entrustment by the State Government in October 2001 and May 2011, the Technical Guidance and Supervision (TGS) over the proper maintenance of accounts of Urban Local Bodies and their audit is also done by the C&AG of India under section 20 (1) of C&AG's (Duties, Powers and Conditions of Services) Act, 1971.

We observed that:

- No report was ever prepared by MNLP or MC and submitted to EC or the State Government respectively during 2008-13. Many of the deficiencies

in preparation of control records, adoption of revised rate of taxes, unnecessary procurements, timely disposal of unused stores etc. could have been corrected/plugged, had these been commented upon by internal audit.

- Despite repeated reminders, the *Nigam* did not make available details of audit observations raised and settled in the audit by Director, Local Fund Audit. Besides, 35 paras were outstanding as of June 2013 of the audit conducted by Principal Accountant General (General & Social Sector Audit), Uttar Pradesh, Allahabad for the period 2007-10 but no records/information regarding compliance to the audit observations were made available to audit.

The Government while accepting the audit observations replied (February 2014) that due to shortage of staff, monthly audit report was not submitted to EC. In respect of outstanding audit observations raised in the audit of the Director, Local fund and Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, it stated that replies to the audit observations would be submitted soon. No reply was furnished on the other issues.

2.2.14.2 Lack of evidencing and documentation

It is imperative that transactions- both expenditure and receipts are properly documented and fully evidenced. Any compromises or deficiencies in documentation and evidencing are fraught not only with the risks of errors and mis-statements but also of fraud, misappropriations, defalcations *etc.*

We observed that many of the control records were either not maintained or maintained improperly (**Appendix 2.2.5**). Similar was the position of furnishing of responses (as of August 2013) to the audit memos issued during the course of audit from April to June 2013. During the course of audit, replies to audit memos were furnished for approximately 85 *per cent*, that too after persistent pursuance – through letters to all levels, by all levels, verbal reminders leaving remaining 15 *per cent* of the audit queries unreplied.

2.2.15 Monitoring and sensitivity to error signals

2.2.15.1 Monitoring

According to section 88 of MCA, the corporation and committees (EC, DC and WC) were to meet six times and 12 times in a year respectively. Scrutiny of records revealed that against the 60 meetings of EC due to be held during 2008-13, 42 meetings (70 *per cent*) were organised leaving a shortfall of 18 meetings (30 *per cent*). Further, the minutes of the proceedings of meetings of corporation⁵² held during 2008-13 were issued late with delay of upto 334 days (**Appendix 2.2.6**) from the date of conduct of meetings. Pertinently, the meetings of corporation were to be held at intervals of two months. Thus, before holding the subsequent meetings, proceedings of previous meetings

⁵² Minutes of the proceedings of other meetings were not made available to audit.

were not communicated to the members and executives to act upon the decisions taken in the earlier meetings.

Municipal Commissioner was also to inspect the records of the *Nigam* at intervals of every six months. No such inspection was carried out during 2008-13.

The Government in its reply stated (February 2014) that efforts would be made to issue minutes of meeting in time.

2.2.15.2 Sensitivity to error signals

With a view to make the organisation responsive and thus accountable to the people, it was imperative that a system to detect error signals emanating from various sources (*Appendix 2.2.7*) together with a system for grievance redressal was put in place.

We observed that most, if not all, of the deficiencies/irregularities noticed in the performance audit, had been pointed out in the Annual Technical Inspection Reports on Urban Local bodies, Audit Inspection Reports (AIRs) issued by Principal Accountant General (General and Social Sector Audit), Uttar Pradesh, Allahabad. This indicates that no correctives were taken and similar type of irregularities still persisted.

Besides, under Right to Information Act, 2005 (RTI), 32 applications were received under RTI and the required information was provided by the *Nigam* during 2008-13. Scrutiny of information provided under RTI revealed that the information related to irregular placement of advertisements in the city, realisation of revenue from advertisements and procurement of bitumen by the *Nigam* during 2008-13. In this performance audit, similar types of deficiencies were also noticed. This indicated that the *Nigam* failed to take corrective measures to overcome the deficiencies coming to light.

2.2.16 Conclusion

The required frameworks for the *Nigam viz.* accountability, budgeting, accounting and auditing were inefficient, incomplete and in some cases entirely absent. Budgets and Annual accounts were not prepared in time. Control records such as Ledgers, reconciliation statements, schedules of accounts were not prepared. Reconciliation of balances of bank accounts with the cash books was never carried out during 2008-13. Due to shortcomings on part of the *Nigam* to enforce the statutory provisions regarding deterrent actions such as seizure and sale of the properties of defaulters, the arrears of own revenue/dues accumulated to ₹ 5.68 crore. The *Nigam* failed to take recourse to the provisions of MCA in assessment, revision and collection of tax and non-tax revenues. There was no assurance that all the properties assessable to property tax had actually been brought into the tax net.

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.

The *Nigam* did not have adequate and systematic internal check mechanism to prevent and detect errors and irregularities to guard against loss of public money. Internal audit was not effective as it did not furnish any report to EC for correction of errors and to rectify the deficiencies. The documentation and evidencing were poor and the authorities were largely insensitive to the error signals.

2.2.17 Recommendations

- *Manual for preparation of annual accounts, elaborating the classification of assets & liabilities, rate of depreciation etc. should be provided for adhering to the objective of early switching from cash based single entry system to accrual based double entry system of accounting in letter and spirit;*
- *Preparation and proper maintenance of control records should be ensured and budget & annual accounts should be prepared in time;*
- *For augmenting revenues, levy of taxes at prescribed rates should be ensured and deterrent action should be taken against the defaulters;*
- *A transparent system for procurement of goods and execution of works should be in place for safeguarding the financial interest of the stake holders; and*
- *Laid down procedure for Auditing and submitting the reports to the Executive Committee and to the State Government should be adhered to.*

Long Paragraph

2.3 Authorisation, opening, operation and reconciliation of Bank Accounts in *Nagar Palika Parishads* in Uttar Pradesh

2.3.1 Introduction

The Government implemented the system of democratic governance down to the grass root level in Urban Local Bodies (ULBs) through Uttar Pradesh Municipal Corporation Act, 1959 and Uttar Pradesh *Nagar Palika* Act, 1916. The objective was to make the ULBs self-reliant and to provide better civic facilities to the people of the area under their jurisdiction. ULBs are of three categories namely, *Nagar Nigam*, *Nagar Palika Parishads* (NPPs) and *Nagar Panchayats* (NPs). The Seventy-fourth Constitutional Amendment Act, 1992, paved the way for decentralisation of powers, transfer and devolution of more functions and funds to NPPs. *Nagar Palika Parishad* is a form of local Self-Government. Smaller district cities and bigger towns with urban population between 20,000 to 5,00,000 have a *Nagar Palika Parishad*.

The main sources of revenue receipts of the NPPs include grants received from the State Finance Commission, Central Finance Commission, funds received under Centrally Sponsored Schemes (CSS), MPs/MLAs Local Area Development (MPLAD/MLALAD) funds and municipal funds as house tax, water tax, property tax, rent fee (from markets, taxi stands etc.) etc.

Under Section 115 (1) of UP Municipalities Act, 1916, municipal funds are required to be kept in the Government treasury or sub-treasury or in the State Bank of India or with the previous sanction of the State Government, in the U.P. Co-operative Bank or in a Scheduled Bank⁵³. The entries shown in the bank statements are to be checked with the receipts and payments entered into cash book at the end of each month and differences, if any are to be reconciled with the bank to detect and the anomaly removed.

During the scrutiny of the records (April-June 2013) of the test-checked NPPs⁵⁴ the deficiencies noticed in respect of authorisation, opening, operation and reconciliation of bank accounts are discussed in the succeeding paragraphs.

2.3.2 Authorisation and opening of Bank Accounts

As per Introductory references (RBI Directive 6g & 6p) and directives of December 14, 2002, a Government department or agency can open an account in a branch of the bank on production of an authorisation from the Government to open and operate a bank account.

During scrutiny of the records of Director, ULBs and the test-checked NPPs, we observed that the State Government did not issue any specific direction or

⁵³ Funds received for various Government schemes are to be kept in separate bank accounts of nationalised bank according to the guidelines of the related schemes.

⁵⁴ Achnera, Basti, Bindaki, Chitrakoot, Faridpur, Fatehpur, Ghazipur, Hardoi, Lalitpur, Mubarakpur, Muradnagar, Nageena, Siyana, Sultanpur and Utraula.

separate guidelines to the NPPs for opening and operation of bank accounts for municipal funds.

On this being pointed out, Director, Local Bodies, Uttar Pradesh intimated (April 2013) that NPPs, being Constitutional Bodies, were operating their funds as per the provisions of Municipalities Act, 1916.

Separate bank accounts for Central/State schemes are to be kept to ensure proper control over receipt and utilisation of funds. Thus, apart from a bank account to keep funds received from various sources, separate accounts for specific ongoing schemes should only be maintained in banks.

Scrutiny of records of test-checked NPPs revealed that the NPPs had opened 4 to 21 bank accounts in more than one bank without obtaining proper sanction/authorisation of the Government/Competent authority.

2.3.3 Dormant Bank Accounts

In nine⁵⁵ test-checked NPPs, we observed that out of 163 bank accounts, opened by the NPPs in various bank branches, 37 accounts (*Appendix 2.3.1*) were dormant with ₹ 96.82 lakh (₹ 96.63 lakh: from own sources, ₹ 7,000: grants from the Government and ₹ 12,000 : sources were not provided by the concerned NPPs). These amounts were lying in dormant accounts for long, resulting in blockade of funds meant for providing civic services to the people of these nine NPPs. Although called for, the date (period) since when these accounts were dormant was not furnished.

2.3.4 Operation and current Bank Accounts in NPP

The Government order⁵⁶ provides that the NPPs should open interest bearing Saving Bank Accounts in State Bank of India or any Nationalised Bank.

In violation, all the 15 test-checked NPPs had opened 60 current accounts in different nationalised banks and ₹ 19.71 crore (*Appendix 2.3.1*) was the balance in these current accounts bearing no interest. Consequently, loss of ₹ 1.67 crore⁵⁷ (*Appendix 2.3.2*) as interest, was incurred by the NPPs. Further, none of the 15 test-checked NPPs furnished records, though called for, showing the authorities and dates of opening of these Bank Accounts.

2.3.5 Non- deposit of Bank interest in State Government Account

As per the Government order the interest earned (from saving bank accounts from the Central/State schemes fund) by the NPPs were to be deposited in Government Account.

⁵⁵ Basti, Bindaki, Chitrakoot, Hardoi, Lalitpur, Mubarakpur, Muradnagar, Sultanpur, Utraula.

⁵⁶ No.A-1-122/das-2012-10(33)2010 dated:21March,2012

⁵⁷ Four Per cent Per Annum from 03/2009 to 03/2013.

Scrutiny of the records of 15 test-checked NPPs, revealed that nine NPPs⁵⁸ did not deposit the earned interest of ₹ 1.16 crore (*Appendix 2.3.3*) into the Government account and six NPPs⁵⁹ neither maintained the records of the interest earned and deposited it into the Government account nor provided any details of the same, although called for.

2.3.6 Non-reconciliation of balances of Bank Accounts with those of Cash Book

As per Chapter 30.7 of National Municipal Accounts Manual, NPPs are required to prepare monthly reconciliation statements showing the cash balances as per bank statement vis-a-vis cash book. Reconciliation helps detect the differences between cash book balances with those of Treasury/bank passbook balances at the end of every month and at the end of financial year. Due to non-reconciliation of cash book balances, cases of wrong credit and debit, interest accrued and commissions charged by the bank etc, remained undetected.

Scrutiny of the records of the 15 test-checked NPPs revealed that neither reconciliation statements were being prepared nor the bank accounts were reconciled, an essential part of accounting process to have a true and fair picture of the financial position of the entity. As a result, there were differences of ₹ 24.93 crore between cash book balances and those of Treasuries/bank pass books during 2012-13 (as on 31.03.2013) (*Appendix 2.3.4*). Therefore, the correctness and authenticity of the figures disclosed in financial statements of NPPs were not ascertained in audit. Non-reconciliation of balances reflected deficient fund management resulting in rendering bank accounts dormant, though ₹ 96.82 lakh was lying idle in those dormant bank accounts. Closing balances of cash books were neither analysed by the NPPs nor reasons for the differences furnished to audit.

On this being pointed out in audit, NPPs replied (April-June 2013) that the differences were due to un-cashed cheques, time barred cheques and amounts of bank interest.

The reply of NPPs is not acceptable. NPPs did not provide any details or documents in support of their statements.

Government/Director Local Bodies did not issue directives/guidelines to Local Bodies relating to authorisation and operation of bank accounts. Activities of NPPs in respect of financial management were not ascertained. The Government orders to deposit the funds in saving bank accounts were not adhered to and resultantly, loss of interest was being borne by NPPs. Large numbers of bank accounts were opened, of which 23 *per cent* were dormant. In contravention of the provisions, interest earned on scheme funds, were not deposited into the Government Account. Periodical reconciliation of cash balances as per bank statement with balances of cash book was not being done, though essential.

⁵⁸ Basti, Bindaki, Faridpur, Fatehpur, Ghazipur, Lalitpur, Muradnagar, Siyana and Utraula.

⁵⁹ Achnera, Chitrakoot, Hardoi, Mubarakpur, Nageena, and Sultanpur.

Financial management should be so regulated by NPPs that the intended use of funds is ensured. Necessary instructions should be issued by the State Government/Director Local Bodies for proper maintenance of the bank accounts, periodical reconciliation in respect of various funds of NPPs, so that any misappropriation of funds and loss to the Government is obviated.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

2.4

Compliance Audit

2.4.1 Favour to a contractor

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.

Nagar Nigam (Nigam), Saharanpur collects parking fees from the owners of vehicles carrying *Ret/Bajri* and accordingly issued notice inviting tender (NIT) (March 2008) for auction of the parking place for vehicles. As per NIT, the successful bidder was to deposit 25 per cent of the bid amount on the day of award of the tender and the remaining in three equal installments by end of June 2008, September 2008 and December 2008. Failure to deposit the remaining amount not only entailed cancellation of the bid but also recovery of the pending amount with simple interest at the rate of 10 per cent per annum. The contractor was to submit solvency and character certificate and to enter into an agreement with the *Nigam* on stamp paper valuing 10 per cent of auction amount.

Despite non-submission of solvency certificate and character certificate the aforesaid work was awarded to a contractor for ₹ 50.53 lakh.

The contractor deposited ₹ 10.60 lakh instead of ₹ 12.63 lakh. A major risk was default in payment of the balance amount as per time schedule. An effective way to address this risk was to obtain a bank guarantee for the full amount. This was not done. The contractor failed to adhere to time schedule for payment of balance amount of ₹ 37.90 lakh.

On this being pointed out, *Nagar Ayukt, Nagar Nigam*, Saharanpur stated (January 2013) that a notice for recovery of ₹ 24.23 lakh, along with 10 per cent interest had been issued (March 2009) to the contractor by the Administrator/District Magistrate. The contractor filed a suit (2011) in the Hon'ble High Court, Allahabad against the notice and stay was granted in the matter (2011).

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

2.4.2 Inappropriate Procedure

Expenditure of ₹ 1.60 crore was incurred by *Nagar Nigam, Allahabad* on development of a milch cattle colony without achieving the objective of shifting the milch cattle out of the municipal limit.

Following the recommendation of the Twelfth Finance Commission, *Nagar Nigam*, Allahabad decided (September 2008) to develop a milch cattle colony which included development works comprising 100 plots, one Veterinary Hospital, one mini 10 HP tube well, water supply system, a public (10 seated) toilet, nine shops and a guard room, outside its municipal limit, on

an area of 1.75 hectares in *Bela Kachhar*, Phaphamau, Allahabad at an estimated cost of ₹ 1.72 crore. The work was awarded (February 2009) to a private firm⁵⁸ for completion by July 2009. The objective of developing the colony was to shift the milch animals outside of the municipal limit of the *Nigam*.

There was a risk of the existing cattle owners not shifting to the new premises. An effective way to address this risk was to assess commitment to shift and willingness to pay the premium fixed by way of collection of advance from these parties. Such a procedure was not adopted.

Scrutiny of records of the *Nigam*, Allahabad revealed (April 2010) that the *Nigam* acquired only 1.23 hectares land as there was ownership dispute on remaining 0.52 hectare. Further, the *Nigam* issued the work order without ascertaining the cost of each plot to be sold at to the cattle owners. The firm commenced the development work on acquired land in February 2009 and constructed 61 plots, six shops and one Veterinary Hospital by May 2010 at ₹ 1.60 crore. However, as of August 2013, these plots were lying un-allotted as the cattle owners were not ready to pay the premium price of ₹ 3,023 per square meter for the plots, fixed by the *Nigam* subsequently.

Nagar Ayukt intimated (June 2012) that a proposal to reduce 50 per cent of the aforesaid premium price had been sent to the Government for approval in December 2011. Response of the Government was awaited (August 2013). *Nagar Nigam* should have fixed the premium of the plots prior to commencement of the development work of the colony.

Incurring of an expenditure of ₹ 1.60 crore without firm commitment from the existing cattle owners was inappropriate. The objective of shifting the milch animals from municipal limit of the *Nagar Nigam* was also not achieved.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.3 Sub-standard work

Overlaying of road with interlocking paver block bricks without base coat under *Manyawar Kanshiram Nagar Vikas Yojna* resulted in sub-standard quality of work of ₹ 2.45 lakh in *Nagar Panchayat, Sahjanwa*.

As per the circular (January 2007) of Chief Engineer (Central Region), Public Works Department (PWD), Lucknow, there should be base coat of 20 mm to 40 mm of coarse sand below the block and a water bound macadam (WBM) or water mix macadam (WMM) granular sub-base of 20 mm to 30 mm there under for overlaying inter-locking paver block brick works in the construction of a road.

⁵⁸ M/s. Singh Associates, Stanley Road, Allahabad.

The Government sanctioned (February 2010) interest free loan of ₹ 14.55 lakh for construction of interlocking paver block bricks road and drain from Jigna pitch road to Sahjanwa village temple and Amarjeet house in Ward number one of *Nagar Panchayat* (NP), Sahjanwa district Gorakhpur under *Manyawar Kanshiram Nagar Vikas Yojna* Executive Officer (EO), NP, Sahjanwa sanctioned an estimate of ₹ 14.12 lakh (March 2010) for a work which involved overlaying of road of interlocking paver block bricks in 450 meter length and 3.5 meter breadth having a base coat of 0.08 meter below interlocking paver block bricks covering an area of 1575 sqm. Tender was invited for the work (March 2010). An agreement was executed with M/s Kalyani Associate, Gorakhpur (March 2010) at 0.5 *per cent* below sanctioned departmental estimated rates.

Scrutiny of records of EO, NP Sahjanwa revealed (November 2011) that contrary to the estimate, the executed quantity of overlaying of paver block bricks was 1,888m² and payment of ₹ 11.40 lakh was made for the base coat work of 1,483m² as per measurement books resulting in overlaying of road of interlocking paver block bricks without base coat in an area of 405m² (1,888 m²-1,483 m²) and payment of ₹ 2.45 lakh⁵⁹ for sub-standard work. Thus, overlaying of road of interlocking paver block bricks without base coat resulted in sub-standard work of ₹ 2.45 lakh.

On this being pointed out, EO stated (November 2011 and May 2012) that the contractor was paid for the quantity of brick ballast laid on site of the work. About execution of work in excess of estimated quantity, EO stated that the work was executed as per local demand and by the order of *Adhyaksha*, NP.

The reply is not acceptable. The work was not executed as per norms fixed by the Chief Engineer (Central Region), Public Works Department, Lucknow.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.4 Fraudulent measurement

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

Financial Rules⁶⁰ envisage that before signing the bill the quantities in the bill should be compared with those recorded in the measurement book and ensure that all the rates are correctly entered and that all calculations have been checked arithmetically. When the bill is on a running account, it is to be compared with the previous bill. The memorandum of payment is then to be made and recoveries, if any, effected.

Executive Officer (EO), *Nagar Panchayat* (NP) Naraura, district Bulandshahr sanctioned (June 2008) an estimate of ₹ 4.94 lakh for construction of a drain in Ward No. 6 from *Anguri Devi's* house to *Girish Kumar's* field from the fund

⁵⁹ 1,888 sqm-1,483 sqm=405 sqmx ₹ 604 per sqm= ₹ 2,44,620

⁶⁰ Financial Hand Book Volume VI Articles 448.

of State Finance Commission. Tender was invited on short term notice (June 2008). The EO placed work order to M/s Prakash Enterprises (July 2008) at 10 *per cent* above the sanctioned departmental estimated rates.

Scrutiny of records of the EO, NP Naraura, revealed (June 2010) that as per measurement books and vouchers, up to date cost of the work done as per measurement taken in March, April and September 2009 were ₹ 3.76 lakh⁶¹, ₹ 5.32 lakh⁶² and ₹ 4.40 lakh⁶³ respectively and payments were made accordingly. However, up to date measurement of quantities of work executed and cost of work done in September 2009 was less than the quantities of work executed and cost of work done in April 2009. Thus, fictitious measurement of construction of drain led to overpayment of ₹ 1.56⁶⁴ lakh.

On this being pointed out (June 2010) the EO stated that action would be taken after examining the facts and further intimated (August 2013) that ₹ 2 lakh had been deposited (February 2012) by the contractor in the account of the NP. Recovery was made at the instance of Audit in February 2012 but action taken against the person(s) responsible for the fictitious measurement and over payment was not intimated.

The matter was reported (February 2013) to the Government. However, no reply has been received (June 2014).

2.4.5 Unfruitful expenditure and avoidable loss

Inadequate assessment of the use of shops led to an 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.

With a view to generate income from its own sources by providing a market place to the vegetable sellers to sell vegetables at one place, *Nagar Palika Parishad* (NPP), Fatehpur decided (September 2006) to construct shops for *Sabji Mandi* behind the compound of *Jalkal* Department. NPP constructed 82 shops for *Sabji Mandi* at ₹ 56.31 lakh (July 2008). The shops were to be allotted to the vegetable sellers at a premium of ₹ 1.50 lakh per shop on rent fixed (October 2008) between ₹ 1,800 and ₹ 2,000 per month on the basis of the size of the shops.

Scrutiny (May/June 2013) of records of NPP, Fatehpur, revealed that due to non-allotment of the shops at the decided rates, NPP revised the premium amount and rent of shops thrice⁶⁵ in a period of 13 months and finally in November 2009 reduced the premium amount to ₹ 60,000 and rent to ₹ 550 per shop per month. Advertisements/notices for allotment of shops were issued in October 2008, November 2008 and February 2010 but applications

⁶¹ First R/B dated 05.03.2009.

⁶² Second R/B dated 17.04.2009.

⁶³ Second and final bill 22.09.2009.

⁶⁴ ₹ 5,32,191 (Payment of second R/B) less ₹ 3,75,670 (Payment of first R/B)

⁶⁵ October 2008, December 2008 and November 2009.

for only 36 shops were received (August 2013). Non-allotment resulted in the constructed shops not being put to use and NPP was deprived of the revenue of ₹ 49.20 lakh⁶⁶ on account of premium and regular and recurring income of ₹ 26.16 lakh⁶⁷ (upto August 2013) in the form of rent. Thus, inadequate assessment on the part of NPP for the use of the shops prior to the construction resulted in unfruitful expenditure of ₹ 56.31 lakh and avoidable loss of revenue ₹ 75.36 lakh (August 2013).

On this being pointed out in audit, the Executive Officer stated (June 2013) that the advertisement for allotment of shops was made in February 2010 but none of the shops could be allotted and further efforts were being made for allotment of the shops.

The reply is not acceptable. Just assessment of demand would not be adequate. Construction without firm demand (by way of advance payment by potential parties) is fraught with the risk of non-utilisation/underutilisation of space.

As a result there was unfruitful expenditure of ₹ 56.31 lakh and avoidable loss of revenue of ₹ 75.36 lakh on account of premium and rent of shops (August 2013).

The matter was reported (June 2013) to the Government. However, no reply has been received (June 2014).

2.4.6 Wasteful expenditure

Nagar Palika Parishad, Padrauna, Kushinagar made an idle investment of ₹ 6.49 lakh on road sweeper machine as the decision to purchase it was taken without assessing the practical issues involved.

Nagar Palika Parishad, Padrauna, Kushinagar, in its Board meeting in June 2008, decided to purchase one piece of road sweeping machine for cleaning the roads of the Nagar Palika from the funds provided by the Twelfth Finance Commission for which Administrative Approval (July 2009) and Financial Sanction of ₹ 6.49 lakh (September 2009) was given by Apar Zila Adhikari (Finance/Revenue), Kushinagar.

Scrutiny of records of the Executive Officer, *Nagar Palika Parishad, Padrauna, Kushinagar* revealed (October 2010) that the aforesaid decision to purchase the machine was taken without its demonstration and addressing environmental concerns in cleaning roads of the *Nagar Palika*. The Executive Officer, in follow up to the said decision, placed (September 2009) the purchase order on a firm for supply of the machine at a cost of ₹ 6.49 lakh. An advance payment of ₹ 6.49 lakh was also made (September 2009) to the firm⁶⁸. The firm supplied (November 2009) the machine to the *Nagar Palika*. When the machine was put to use, the shop owners and the residents of

⁶⁶ Premium amount ₹ 60,000 per shop X 82 shops = ₹ 49,20,000

⁶⁷ Rent per shop ₹ 550x82 shops x 58 months (from 10/08 to 08/13) = ₹ 26,15,800.

⁶⁸ UP Envirotech, Lucknow

Nagar Palika protested against its use as it raised heavy dust in the atmosphere. Consequently, the use of the machine was stopped and the same was lying idle rendering investment of ₹ 6.49 lakh idle as of August 2013.

In reply, the Executive Officer admitted (August 2013) that the machine was lying idle.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

2.4.7 Non-deduction of Labour Cess

Labour Cess of ₹ 2.12 crore was not deducted from the contractors' bills for construction works carried out by *Nagar Nigam*, Varanasi during 2010-13.

With a view to regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare the Government of India (GoI) enacted "The Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996" which came in force on 1st March 1996. The Government of Uttar Pradesh (GoUP) also implemented the Act through a notification⁶⁹ (February 2009) and subsequently constituted⁷⁰ (November 2009) UP Building and Other Construction Workers' Welfare Board in compliance of the Act. The Board is authorised to collect the cess at the rate of one *per cent* of the total cost of all the construction works under section 3(2) of the Building and Other Construction Workers' Welfare Cess Act, 1996. Further, the State Government issued directions (February, 2010) to all the Heads of Departments to comply with the Act and to issue orders to the subordinate offices to ensure deduction of labour cess from the payments against bills of contractors and deposit the same to the Board through a crossed cheque/bank draft in favour of Secretary, Uttar Pradesh Building and Other Construction Workers' Welfare Board.

The Government sanctioned Storm Water Drainage Project for Varanasi City under Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for ₹ 253.73 crore. M/s L&T Ltd. Okhala, New Delhi (Contractor) commenced the work in April 2010. The Firm had been paid ₹ 212.36 crore between 18 May 2010 and 29 August 2013 for Varanasi City Storm Water Drainage Works.

Scrutiny of records of the *Nagar Nigam*, Varanasi (September 2013) revealed that for the Varanasi City Storm Water Drainage Works, against the gross amount of ₹ 212.36 crore, after deducting ₹ 46.71 crore on account of Trade Tax, Income Tax and Mobilisation advance, net payment of ₹ 165.65 crore was made to the contractor. The statutory deduction of labour cess of ₹ 2.12 crore (one *per cent* amount of total cost of construction work) was not made from the payments to the Contractor.

⁶⁹ Notification No. 143 dated 04.02.2009.

⁷⁰ Notification No. 1411 dated 20.11.2009.

On this being pointed out in audit, the *Nagar Ayukta*, Varanasi *Nagar Nigam* stated (September 2013) that deductions would be made from the Contractor.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.8 Wasteful expenditure

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

As per Para 378 of the Financial Hand Book Volume VI, no work should be commenced on land which has not been duly made over by the responsible civil officer.

With a view to augment uninterrupted flow of sewage of Kanpur Nagar to the sewage treatment plant at *Jajmau* and its subsequent release in the river Ganga, a project was approved (2007-08) under JNNURM Scheme to replace old sewer line by laying 2,000 mm diameter new Sewer Trunk Line (STL) from *Dadamia Majar (Chabileypurwa)* to common mainhole at *Phoolbag* (Length: 8,930 metre) through Kanpur cantonment area of *Kumaun Regiment* (Army).

Scrutiny of records of the *Nagar Nigam* (NN), Kanpur (September 2013) revealed that the Cantonment Board had granted permission (May 2009) to lay STL from only *Chabileypurwa* to *Lalkurti* with the condition that the permission for the remaining area would be given after ground inspection as the alignment was going through defence land.

Ganga Pollution Control Unit, Uttar Pradesh, *Jal Nigam*, Kanpur was nominated as executing agency to lay STL at an estimated cost of ₹ 31.50 crore. The construction of STL work was awarded (October 2008) to a contractor⁷¹ by the executing agency at a cost of ₹ 31.40 crore. The work was to be started in October 2008 and was to be completed by 31 March 2010 (extended up to 30 June 2013). The work was commenced (October 2008) by the executing agency without getting permission for complete alignment. Further, laying of STL in onward alignment was stopped by the Cantonment Board and partially completed up to *Lalkurti* (March 2010).

An alternative alignment⁷² suggested by the Cantonment Board was approved by the Chief Engineer, *Jal Nigam* (April 2011). By changing the alignment the expenditure incurred (₹ 2.29 crore on 695 metre)⁷³ on the old alignment was rendered wasteful as the new alignment was diverted to 695 metre before the end point of the ongoing work and being away from STL, and being unconnected with the STL and purpose of sewer drainage was affected.

⁷¹ M/S Jyoti Buildtech Pvt Ltd.

⁷² From trenching ground to common manhole through VIP Marg, Circuit House, Railway Ground, CC Paraw, Sabzi Mandi.

⁷³ 5-6 BGL200 metre ₹ 25,460.78 per metre expenditure ₹ 50,92,156.00

7-8 BGL150 metre ₹ 35,850.38 per metre expenditure ₹ 53,77,557.00

8-9 BGL150 metre ₹ 33,452.78 per metre expenditure ₹ 50,17,917.00

9-10 BGL195 metre ₹ 38,247.98 per metre expenditure ₹ 74,58,356.00

On this being pointed out in audit, the Municipal Commissioner, NN, Kanpur stated that permission for laying of STL upto *Lalkurti* was granted by the Cantonment Board. Further, onward construction of STL was not permitted by the Cantonment Board. Hence, alternative alignment as suggested by the Cantonment Board was adopted. It was also stated that the constructed STL between Trenching ground to *Lalkurti* (695 metre) would be used by tapping an existing *Nala* situated there.

The reply is not acceptable as tapping of such existing *Nala* was not required initially as it was not proposed in the design of the project. The commencement of laying of STL work before getting permission for complete alignment from Cantonment Board led to wasteful expenditure of ₹ 2.29 crore.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.9 Unfruitful expenditure

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

Financial Rules (para 179 of Financial Hand Book Volume VI) provide that the purchase of store materials in advance or in excess of requirement is likely to result in direct or indirect losses to the Government. In *Nagar Panchayat* (NP), Dasna, Ghaziabad, Dustbins⁷⁴ and Dumper Placer⁷⁵ were to be purchased for collection and disposal of garbage and other solid wastes at the disposal site.

Scrutiny of records of NP Dasna (June 2011) revealed that Executive Officer (EO) accorded administrative and financial sanction (February 2008) to procure Dumper Placer and Dustbins under *Manyawar Kanshiram Shahari Samagra Vikas Yojana* for urban Solid Waste Management. Tenders were invited for purchase of Dumper Placer and Dustbins. Subsequently, supply order was issued (June 2008) to M/s Usha Engineering Sahibabad, Ghaziabad for supply of 30 Bins and one Dumper Placer amounting to ₹ 16.22 lakh and ₹ 3.24 lakh respectively.

Dustbins were received at a cost of ₹ 16.22 lakh during June/July 2008 but the Dumper Placer for lifting of dustbins and disposal of collected garbage was not purchased. Without Dumper Placer, the Dustbins (30) were lying idle in office premises (October 2013).

On this being pointed out in audit, the Executive Officer (EO) stated (October 2013) that the Dustbins were purchased for future requirement and all the Dustbins would be installed at the identified sites at the earliest.

⁷⁴ The Bins are placed in lanes/colonies to collect the garbage which is lifted by the Dumper Placer.

⁷⁵ Dumper Placer is an equipment/vehicle that collects the garbage and unloads the dump conveniently.

The reply is not acceptable as the Dustbins were not purchased merely for collecting of garbage but for lifting, transporting and unloading of garbage at solid waste disposal site which was not being done in absence of Dumper Placer.

The matter was reported (March 2012) to the Government. However, no reply has been received (June 2014).

2.4.10 Improper selection of site and defective agreement

Improper selection of landfill site for Solid Waste Management Project, Gorakhpur and absence of safeguard clause relating to bank guarantee resulted in unfruitful expenditure of ₹ 9.13 crore, loss of Government money ₹ 2.60 crore and blockade of funds ₹ 5.47 crore.

The Jawahar Lal Nehru National Urban Renewal Mission (JNNURM) was launched by Government of India in 2005 to improve the public service delivery in urban areas. Accordingly, the Government of Uttar Pradesh (GoUP) accorded administrative and financial sanction (November 2006) for Solid Waste Management Project (A Scheme under JNNURM) for Gorakhpur city for ₹ 15.64 crore⁷⁶ on Design, Build, Operate, Maintain and Transfer (DBOMT) basis under Public Private Partnership (PPP) Model. The project involved door to door collection, segregation, conversion of garbage into fertiliser and scientific disposal of the remaining garbage outside the municipal limit of the Gorakhpur city. The project was to be completed within eight months (December 2010) from the date of start (24 April 2010). The completion date was extended upto December 2013. Construction and Design Services (C&DS), Uttar Pradesh *Jal Nigam* was nominated as executing agency by the GoUP (January 2007). A joint team of Chief Engineer, *Nagar Nigam* (NN), *Nagar Ayukt* (NN) and Project Manager, C&DS, *Jal Nigam* selected (September 2008) a site measuring 11.567 hectare of land for landfill in village *Jungle Bahadur Ali* situated on the Gorakhpur-Nautanva main road in the Gorakhpur district for the Project and paid ₹ 9.13 crore to Special Land Acquisition Officer (SLAO) towards cost of acquired land (between September 2008 to May 2010). Subsequently, the land was acquired and transferred to the executing agency (August 2010). Further, ₹ 8.07 crore were also transferred to the executing agency between March 2008 to January 2012 for execution of the work. The bid for implementing the project was invited by the executing agency in August 2009. The bid of M/s. APR Projects Pvt. Ltd. Hyderabad (being the lowest) was accepted and Letter of Award (LoA) was issued in November 2009 on DBOMT basis but the Concession Agreement was executed amongst NN, Gorakhpur, C&DS, Uttar Pradesh *Jal Nigam* and M/s Gorakhpur Solid Waste Management Pvt. Ltd, Hyderabad (Concessionaire)⁷⁷ (April 2010). A performance bank guarantee of ₹ 1.70 crore was executed in favour of NN, Gorakhpur by M/s APR Projects, Hyderabad instead of Concessionaire (December 2009). Once a bank

⁷⁶ Central Share: ₹ 1,250.88 lakh (80 per cent), State Share: ₹ 156.36 lakh (10 per cent) and ULB Share: ₹ 156.36 lakh (10 per cent).

⁷⁷ A company different from the bidder M/s APR Projects Pvt. Ltd. registered at Hyderabad.

guarantee is not revalidated it no longer serves the objective of providing security. To address this risk a clause should have been stipulated in the agreement that failure to revalidate the bank guarantee sufficiently in advance (say three weeks) before its expiry would itself be a reason for encashment of bank guarantee. Such a clause was absent. It was observed that the performance bank guarantee of ₹ 1.70 crore was not revalidated and expired on 8 December 2011.

Environmental clearance of this project was given⁷⁸ (January 2010) with the condition that the project proponent will have to obtain “No objection” certificate from the UP Pollution Control Board (PCB) before start of construction. No objection certificate from the PCB was not obtained by the executing agency.

We during scrutiny of records (September 2013) of *Nagar Ayukta* (NN), Gorakhpur observed that a bank guarantee of ₹ 2.35 crore was executed by M/s. APR Projects Pvt. Ltd. Hyderabad in favour of Project Manager C&DS, *Jal Nigam* Gorakhpur. Against this bank guarantee, the executing agency paid ₹ 2.60 crore⁷⁹ to M/s APR Projects Pvt. Ltd., Hyderabad as mobilisation advance. Though, the Concession Agreement was executed with Gorakhpur Solid Waste Management Pvt. Ltd., Hyderabad, all payments were made to M/s APR Projects Pvt. Ltd. and the bank guarantee was also submitted by M/s APR Projects Pvt. Ltd. Hyderabad.

On complaint (November 2010) by the Concessionaire regarding suitability of the landfill site and thereafter on request of executing agency (October 2012) the Technical Committee⁸⁰ gave its report (April 2013) that the land was not suitable for the project as the landfill site lies within 100 year flood plain of *Rohin* river/ *Maheshara Tal* (lake) and the ground water was just 1.5 meter below the surface. Meanwhile, the bank guarantee of ₹ 2.35 crore expired on 5 November 2012. *Nagar Ayukta*, NN, Gorakhpur and the executing agency did not take action at appropriate time to extend its validity and both the bank guarantees were not forfeited.

Resultantly, the Concessionaire did not start the work (June 2013) even after 38 months from the date of agreement and left the job and an expenditure of ₹ 9.13 crore incurred on acquisition of unsuitable landfill site became unfruitful. A FIR was lodged with police against both the companies to recover ₹ 2.60 crore (August 2013), but no action was taken against the authorities responsible.

On this being pointed out in audit, the Municipal Commissioner confirmed the facts and stated that FIR had been lodged against the company. *Nagar Ayukt*, NN, Gorakhpur intimated (March 2014) that the agreement had been terminated in October 2013 and the process of re-tendering has been initiated for the project.

⁷⁸ By the Directorate of Environment, Gomti *Nagar*, Lucknow, UP.

⁷⁹ ₹ 2.35 crore against the bank guarantee of ₹ 2.35 crore deposited (May 2010) by M/s APR Pvt. Ltd. Hyderabad and ₹ 25.00 lakh (January 2012) as its 50 per cent share towards earth work without any security.

⁸⁰ MMM Engineering College, Gorakhpur.

The reply is not acceptable as the report of the Committee also confirmed the (September 2013) unsuitability of site selection for which the Secretary, Urban Development Department had called (November 2010) for the reasons and responsibility of the officers for selecting the unsuitable site⁸¹. A suitable clause relating to bank guarantee was not incorporated in the agreement.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

2.4.11 Unfruitful expenditure

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

A preliminary estimate for construction of 1,500 meter *Nala* from GT Road bridge to connect the *Nala* of *Mandi* side for ₹ 50.81 lakh was sanctioned (May 2006) by Administrator/Deputy Collector, Hapur for effective water drainage system of the Hapur city. The work order was issued (September 2006) to the contractor⁸² for completing the work by March 2007. As it did not fulfill the objectives of the water drainage of the city, the *Nala* was extended upto *Kali Nadi*. Meanwhile, revised estimate for ₹ 1.24 crore was sanctioned (October 2006) by the Administrator for a total length of 3,500 metre.

Scrutiny of records (September 2010) of *Nagar Palika Parishad* (NPP), Hapur, district Ghaziabad revealed that the work of construction of the *Nala* was awarded for ₹ 1.17 crore to the same contractor without calling for tenders and on the basis of previously invited (June 2006) tender. The contractor constructed 2,470 meter *Nala* and was paid ₹ 1.04 crore through the fourth running bill (March 2008). The fifth and final running bill for ₹ 1.16 crore for the payment of ₹ 12.15 lakh⁸³ (₹ 1.16 crore - ₹ 1.04 crore) paid upto the fourth running bill), submitted by the contractor on 31 March 2008, remained unpaid due to non-completion of 1,030 metre of the *Nala*. Thus, after incurring expenditure of ₹ 1.04 crore, only two-third of the *Nala* could be constructed and the work was held up for more than five years.

On this being pointed out in audit, the Executive Officer, NPP, Hapur stated that departmental action was being taken against Junior Engineer and the contractor was black listed for non-completion of the *Nala*.

The reply itself confirmed that due to incomplete construction of the *Nala*, the expenditure of ₹ 1.04 crore was rendered unfruitful.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

⁸¹ The site was four metre below the road level and flooded during four months of rainy season.

⁸² Shri Suresh Gupta.

⁸³ The difference of ₹ 0.15 lakh is due to rounding off.

2.4.12 Construction without proper assessment

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.

With the objective of creation of durable public assets and promoting resource generating schemes for the urban local bodies to improve their overall financial position, ₹ 3.49 crore⁸⁴ was sanctioned in 2002-03 under Integrated Development of Small and Medium Towns (IDSMT) Scheme of Government of India for *Nagar Palika Parishad* (NPP), Deoband in district Saharanpur. As a component of the Scheme, 57 shops and three halls were to be constructed at ₹ 97.90 lakh. Shops were to be auctioned by NPP on minimum premium of ₹ 7,485 per shop and charge ₹ 400 per month as rent for each shop. The halls were to be rented out for ₹ 50,000 per month. An income of ₹ 2.89 crore was envisaged to be generated in a span of 10 years⁸⁵. Urban and Rural Planning Department UP, Lucknow sanctioned ₹ 37.25 lakh⁸⁶ for construction of 30 shops and three halls. Only 10 shops were sanctioned in December 2005. The construction work was completed in March 2007 at a cost of ₹ 35.41 lakh.

Scrutiny of records (October 2012) of NPP, Deoband, revealed that the halls and shops were not auctioned/allotted to public. Attempt to auction the shops/halls were made twice in March 2005 and May 2005 by publishing advertisements in newspapers but nobody attended the auction process as the site of shops/halls was away from market area and was not suitable for commercial activities. There is a risk of inadequate demand for the shops. An effective way to address the risk is to assess firm demand by way of collection of advance amount from interested parties. Such a procedure was not adopted. A writ petition was also filed by a private person in the court (2005) on the ground of litigation of approach road and obtained stay (May 2005) from the District court which further obstructed the process of auction.

On this being pointed out in audit, the EO, NPP, Deoband intimated (October 2013) that the shops/halls were constructed on the Nazul land⁸⁷ after demolishing the building of *Nagar Palika Parishad*, without getting it converted into freehold land and bringing this fact to the knowledge of the District Magistrate/Government. As no alternative arrangement for the NPP office was made, NPP office was running in the halls and shops. This led to grant of stay by the court and obstructed auction of shops and halls.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

⁸⁴ Government of India Grant: ₹ 149.74 lakh, State Grant: ₹ 99.83 lakh and Local Bodies Share: ₹ 99.83 lakh.

⁸⁵ Cost Benefit Analysis of MB Commercial-cum-office complex Scheme (Phase I) C III.

⁸⁶ ₹ 16.67 lakh in December 2005 for construction of 10 shops and two halls and ₹ 20.57 lakh prior to December 2005 for construction of 20 shops and one hall.

⁸⁷ Nazul means any land or building which, being the property of Government is not administered as a State Property under the control of the Land Reforms Commissioner or the Forest or the Irrigation Department, or is not under the control of the Military, Postal, Telegraph, Railway or other purely Central Government Department.

CHAPTER 3

AN OVERVIEW OF ACCOUNTS AND FINANCES OF *PANCHAYATI RAJ INSTITUTIONS*

3.1 Introduction

Government of India (GoI) enacted the Seventy third Constitutional Amendment Act in 1992 (Act) to empower the local self-governing institutions *viz.* *Panchayati Raj* Institutions (PRIs) to ensure a more participative governance structure in the country. The amended Act envisaged decentralisation of the power to the rural self-governing bodies, *viz.*, *Gram Panchayat* (at the village level), *Kshetra Panchayat* (at the intermediate level) and *Zila Panchayat* (at the district level) which till then were vested in the State Government. The system of PRIs aimed at increasing the participation of people in local governance and effective implementation of rural development programmes. The overall supervision, co-ordination and planning of developmental schemes vested in the *Zila Panchayat*. The GoI further entrusted the implementation of key socio-economic developmental programmes to PRIs and devolved funds through successive Finance Commissions.

The States, in turn, were required to entrust these local bodies with such powers, functions and responsibilities as to enable them to function as institutions of self-government and implement schemes for economic development and social justice including those enumerated in the Eleventh and Twelfth Schedules of the Constitution.

Consequently, The UP *Panchayat Raj* Act, 1947 and Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Adhiniyam*, 1961 were amended in 1994 and Rules framed thereunder.

3.2 State Profile

Uttar Pradesh is the fifth largest State in the country in terms of size and spans an area of 2.41 *lakh* square kilometer. As per the Census, 2011, the total population of the State was 19.98 crore of which 77.73 *per cent* resided in rural areas. The comparative demographic and development profile of the state *vis-a-vis* the national profile is given in **Table 1**.

Table 1: Important statistics of the State

Indicator	Unit	State value	National value	Rank amongst all States
Population	Crore	19.98	121.07	1 st
Population density	Per km ²	829	382	2 nd
Rural population (per cent)	Per cent	77.73	68.84	-
Number of PRIs	Number	52807	246062	1 st
Number of Zila Panchayats (ZPs)	Number	72	543	1 st
Number of Kshetra Panchayat (KPs)	Number	821	6087	2 nd
Number of Gram Panchayats (GPs)	Number	51914	239432	1 st
Gender ratio	Females per 1000 males	912	943	23 rd
Literacy(rural)	Per cent	67.68	74.04	23 rd

(Source: Thirteenth Finance Commission, Director, Panchayati Raj Lucknow and Census Report 2011)

3.3 Audit Arrangement

3.3.1 Primary Auditor

The Chief Audit Officer, Co-operative Societies and Panchayats, is the primary auditor for all the three tiers of PRIs.

3.3.2 Audit Mandate of the CAG of India

The Eleventh Finance Commission recommended exercising of TGS over the proper maintenance of accounts of PRIs and their audit by the CAG. As per para 10.121 and 10.122 of the recommendations of Thirteenth Finance Commission, the CAG is to be entrusted with TGS for all Local Bodies for all states to provide a credible assurance from the audit of accounts.

- (i) Audit of Annual Accounts (Receipt and Expenditure Accounts) of PRIs is conducted by the CAG of India under Section 14 of CAG's (DPC) Act, 1971. The result of audit is reported to Director, PRI, Chief Audit Officer, Co-operative Societies and Panchayats and the State Government (to the secretaries of the Government departments).
- (ii) TGS to the audit of PRIs (to Director and Chief Audit Officer, Co-operative Societies and Panchayats) is given by the CAG of India under Section 20 (1) of CAG's (DPC) Act, 1971.
- (iii) The product of audit i.e. Technical Inspection Reports of PRIs are sent to PRI (Director), State Government (to the Secretaries of the Government Departments) and Chief Audit Officer, Co-operative Societies and Panchayats for pursuance of action to be taken by PRIs.

The audit objections were communicated to the Heads of the Offices, Director,

Panchayati Raj and Chief Audit Officer, Co-operative Societies and *Panchayats*. Details of audit objections are given in **Table 2**.

Table 2: Details of audit objections

(₹ in lakh)

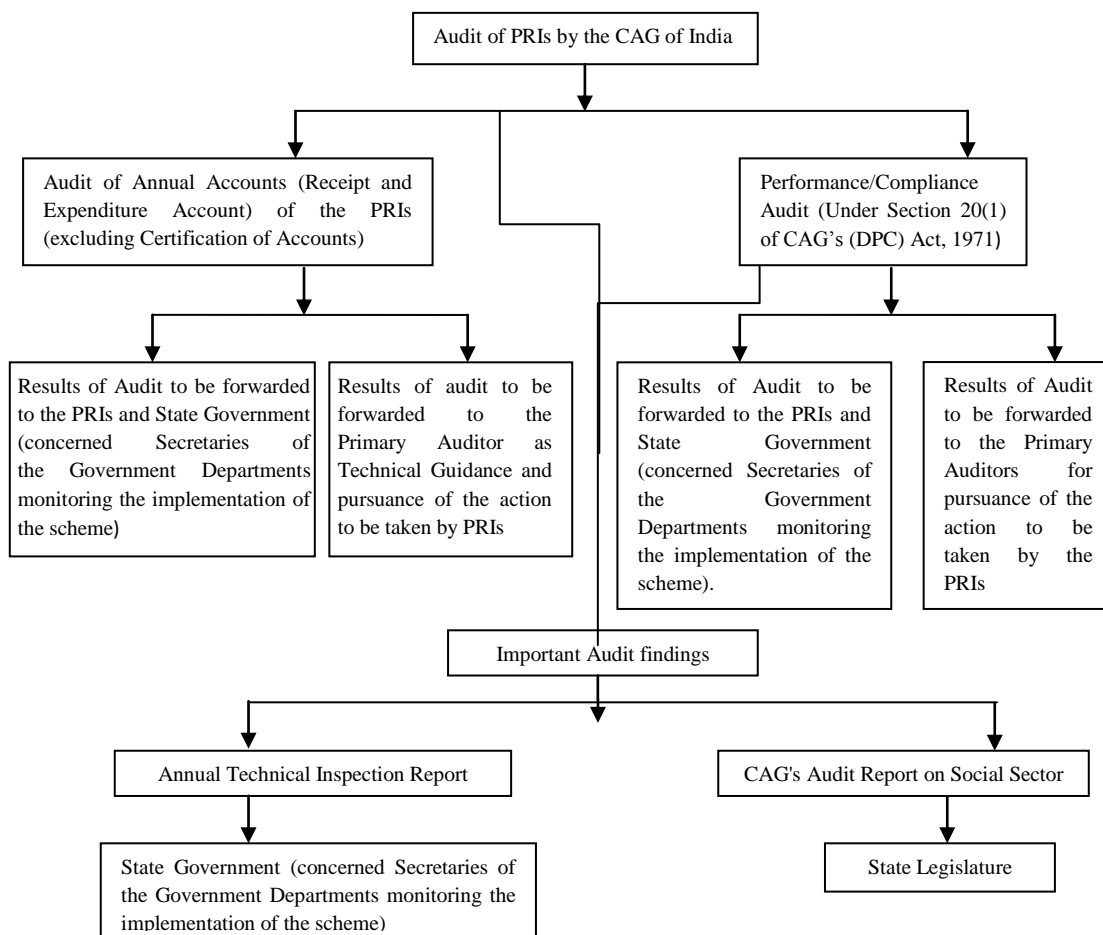
Sl. No.	Year	Opening Balance of Paras		Paras added during the year		Paras settled during the year		Outstanding paras	
		No.	Value	No.	Value	No.	Value	No.	Value
1	2008-09	8,146	28,128.92	1,779	22,615.28	1	4.68	9,924	50,739.52
2	2009-10	9,924	50,739.52	2,775	38,875.75	5	79.43	12,694	89,535.84
3	2010-11	12,694	89,535.84	1,308	16,219.90	1	0.27	14,001	1,05,755.47
4	2011-12	14,001	1,05,755.47	2,033	24,237.45	-	-	16,034	1,29,992.92
5	2012-13	16,034	1,29,992.92	482	22,316.33	-	-	16,516	1,52,309.25

(Source: Register of Audit Inspection Reports)

The table shows that 16,516 paras (money value: ₹ 1,523.09 crore) were outstanding at the close of 2012-13. It is also seen that only seven paras were settled pertaining to the period 2008-11. No para was settled pertaining to 2011-13 which indicates that the entities were not responsive to audit observations.

On this being pointed out, Chief Audit Officer, Co-operative Societies and *Panchayats* stated (August, 2013) that necessary directions have been issued to regional officers to expedite compliance.

Chart showing procedure of audit of PRIs is depicted below:



3.4 Maintenance of Accounts

3.4.1 Adoption of account formats prescribed by the Comptroller and Auditor General of India

PRIs maintain their accounts in the formats prescribed under Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat* Act, 1961. The Eleventh Finance Commission recommended exercising control and supervision over the maintenance of accounts of all the three tiers of PRIs by the CAG of India. The CAG of India and Ministry of *Panchayati Raj*, GoI recommended Model Accounting Structure for PRIs in 2009. PRIASoft Accounting Software prescribed by the Ministry of *Panchayati Raj*, has been adopted by the State Government and is in the process of implementation in all the three tiers of PRIs. Necessary amendments (2011) through the seventeenth amendment in UP *Panchayati Raj* Rules, 1947 and sixth amendment in UP *Zila Panchayat* and *Kshetra Panchayat* (Budget and General Accounts) Rules, 1965 have been made. Consequently, accounts are being partly uploaded on PRIASoft in all the levels of PRIs since 2010-11.

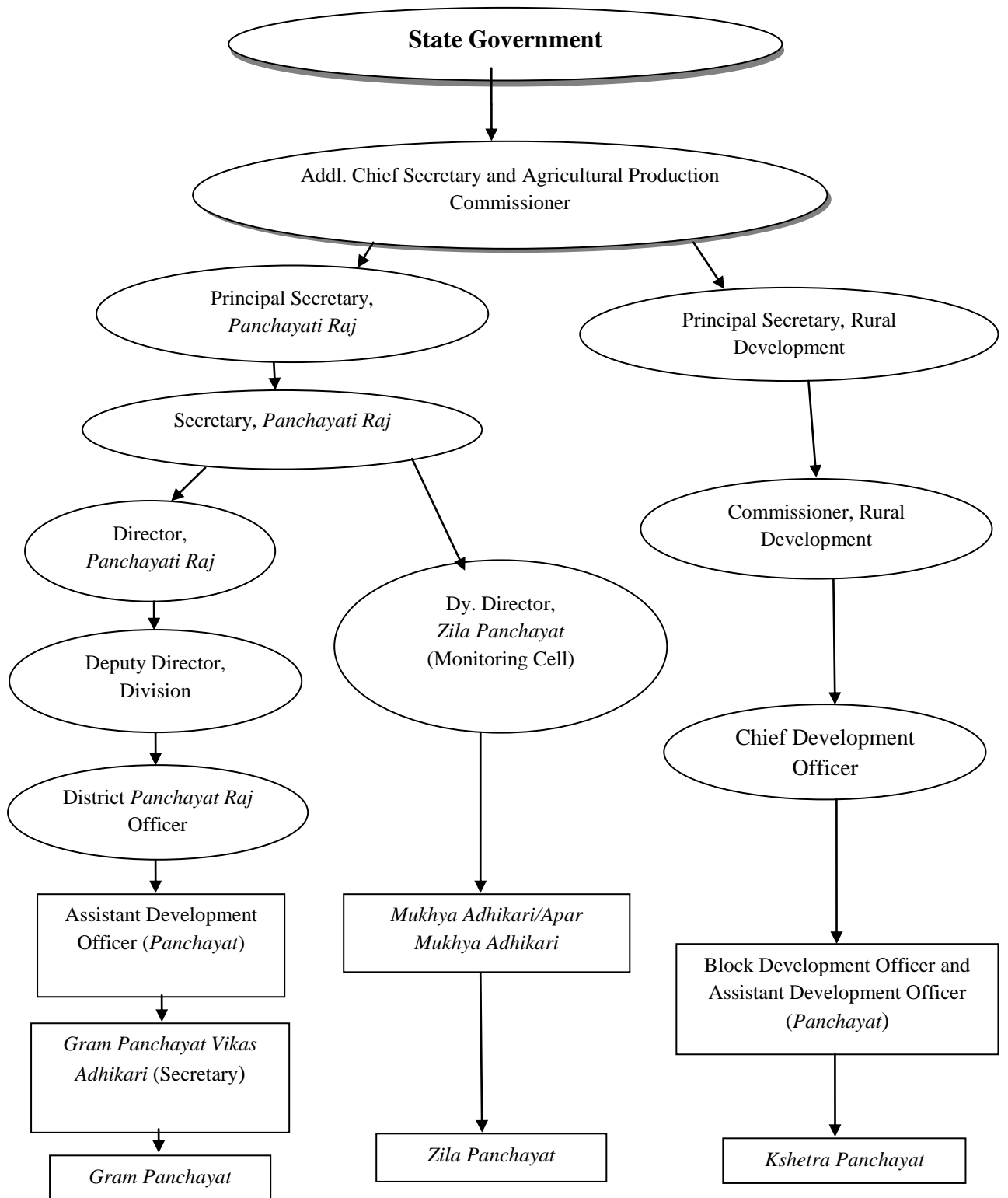
3.4.2 Non-reconciliation of Cash Balances

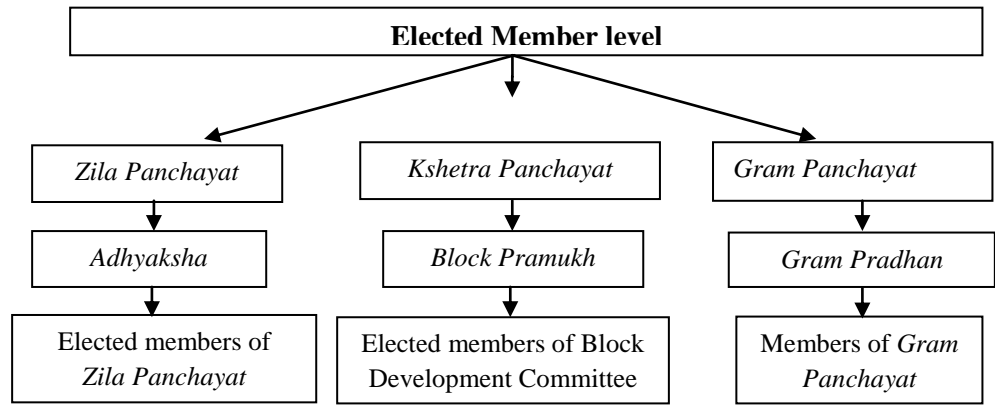
Section 84(2) of UP *Zila Panchayat* and *Kshetra Panchayat* (Budget and General Accounts) Rules, 1965 provides that each item of receipt and expenditure should be compared with the treasury/ bank statements at the end of each month and differences, if any, should be reconciled.

Test-check of bank statement and cash book maintained by the audited entities (2010-12) revealed that five *Kshetra Panchayats* had un-reconciled differences of ₹ 83.11 lakh as on 31 March 2011 and two *Zila Panchayats* and two *Kshetra Panchayats* had un-reconciled differences of ₹ 2.98 crore as on 31 March 2012 (*Appendix 3.1*).

3.5 Organisational structure of *Panchayati Raj* Institutions

Social sector Programmes/Schemes are implemented by the PRIs, Parallel Bodies and Line Departments. Accordingly, Linkages of PRIs, Parallel bodies and line departments with Administrative Setup in Blocks, District and State level by way of organisational chart are given below:





Structure of Line Departments

Name of Department	Rural Development	Panchayati Raj	Social Welfare	Backward Class Welfare	Minority Welfare	Women & Child Welfare	Planning
Chief Controlling Officer	PS, Rural Development (RD)	PS, Panchayati Raj (PR)	PS, Social Welfare (SW)	PS, Backward Class welfare (BCW)	PS, Minority Welfare (MW)	PS, Women & Child Welfare	PS, Planning
Controlling Officer Level	Commissioner RD	Director, PR	Director, SW	Director, BCW	Director, MW	Director, Child Development & Nutrition	Director, Economics & Statistics (E&S)
Sanctioning Officer in District	CDO	CDO	CDO	CDO	CDO	CDO	CDO
DDO Level	District Development Officer	DPRO	DSWO	DBCWO	DMWO	DPO	DE&SO

Abbreviations: DBCWO-District Backward Class Welfare Officer, DE&SO-District Economics & Statistics Officer, DMWO- District Minority Welfare Officer, DPO-District Programme Officer, DSWO-District Social Welfare Officer, PS-Principal Secretary.

Structure of the Parallel Bodies (main schemes)

	MGNREGS	NRHM	SSA
Government level	State Employment Guarantee Council headed by Agricultural Production Commissioner (APC)	State Health Mission (SHM)	State Implementing Society (SIS)
	Principal Secretary, Rural Development	State Health Society (SHS)	
Department level	Commissioner, Rural Development (known as Rural Employment Commissioner)	Principal Secretary– Health & ex-officio Head-Executive Committee of SHS	State Project Director (SPD)
		Mission Director	
District level	District Rural Development Agency (DRDA)	District Health Society (DHS)	District Education Planning Committee
		District Health Planning and Monitoring Committee	
		District Project Officer-NRHM	
Block level	Programme Officer	Block Health Planning and Monitoring Committee	Block Development Committee
Village level	Vigilance Monitoring Committee	Village Health and Sanitation Committee	Village Education Committee

3.6 Budgeting and Budgetary Process

Budgeting and budgetary process entails preparation and examination of the annual budget estimates and the subsequent control over expenditure to ensure that it is kept within the authorised grants or appropriations.

With the aforesaid objective, each PRI is to prepare the annual budget in terms of the Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Manual*¹. It was noticed in audit during 2011-13 that the annual budget in test-checked² *Kshetra Panchayats* and *Gram Panchayats* was not being prepared.

3.7 Standing Committees

Brief introduction on the working of PRIs and various standing committees involved in financial matters and implementation of schemes is given in **Table 3:**

Table 3: Details of Standing Committees

Level of PRI	Standing committee Headed by	Names of the Standing Committees	Roles and responsibilities of the Standing Committees
<i>Zila Panchayat</i>	<i>Apar Mukya Adhikari/ Adhyaksha, Zila Panchayat</i>	(i) <i>Niyojan Avam Vikas Samiti</i> (ii) <i>Shiksha Samiti</i> (iii) <i>Nirman Karya Samiti</i> (iv) <i>Swasthya Avam Kalyan Samiti</i> (v) <i>Prashasanik Samiti</i> (vi) <i>Jal Prabandhan Samiti</i>	As per UP Government Notification No. 4430/33-1-99 SPR/99- Dated: 29 July 1999 functions are enumerated in (Appendix 3.2)
<i>Kshetra Panchayat</i>	<i>The Pramukh</i>	(i) <i>Niyojan Avam Vikas Samiti</i> (ii) <i>Shiksha Samiti</i> (iii) <i>Nirman Karya Samiti</i> (iv) <i>Swasthya Avam Kalyan Samiti</i> (v) <i>Prashasanik Samiti</i> (vi) <i>Jal Prabandh Samiti</i>	---As above---
<i>Gram Panchayat</i>	<i>The Pradhan</i>	(i) <i>Niyojan Avam Vikas Samiti</i> (ii) <i>Shiksha Samiti</i> (iii) <i>Nirman Karya Samiti</i> (iv) <i>Swasthya Avam Kalyan Samiti</i> (v) <i>Prashasanik Samiti</i> (vi) <i>Jal Prabandh Samiti</i>	As per UP Government Notification No. 4077/33-2-99-48G/99 Dated:29 July 1999 Functions are enumerated in (Appendix 3.2)

(Source: Director, *Panchayati Raj*)

3.8 District Planning Committee

Article 243 ZD of the Constitution of India (Constitution) inserted vide Seventy Fourth Constitutional Amendment Act in 1993 states that "There shall be constituted in every State at the district level a District Planning Committee (DPC) to consolidate the plans prepared by the *Panchayats* and the Municipalities in the district and to prepare a draft development plan for the district as a whole". In line with the above amendment the Government of Uttar Pradesh (the Government) enacted the Uttar Pradesh District Planning Committee Act, 1999 (Act) through Act no. 32 of 1999 in July 1999. DPCs were constituted in April 2008 and made functional from December 2009.

¹ Section 110 and 115.

² 11 districts: 54 KPs and 340 GPs in the year 2011-12, 21 district: 52 KPs and 159 GPs in the year 2012-13.

Under Sections 63 and 86 of the Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Adhiniyam*, 1961, the ZPs were to prepare a development programme for each financial year for the district as a whole, incorporating the development plan for KPs and GPs and submit it for approval to the DPC.

3.8.1 Role of District Planning Committee

Under the provision of the Act, DPCs were required to perform *inter-alia* the following role:

- (i) To assess the local needs and objectives of the district within the framework of National and State plan objectives.
- (ii) To collect, compile and update the information of facilities available in *Gram Panchayats* (GPs), *Kshetra Panchayats* (KPs) and *Zila Panchayats* (ZP) regarding human and natural resources and to prepare integrated and comprehensive five year or annual development plan for rural and urban areas of the district on the subjects enshrined in Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat Act*, 1961 and Uttar Pradesh *Nagar Palika Adhiniyam*, 1916 or Uttar Pradesh *Nagar Nigam Adhiniyam*, 1959 respectively in order to address local needs.
- (iii) To monitor, review and evaluate the projects being executed under decentralised governance of the district including centrally sponsored scheme and Members of Parliament and Members of State Legislative Assembly Local Area Development funds.
- (iv) To submit progress report of the projects included in the district plan to the State Government regularly.

3.9 Status of devolution of funds, functions and functionaries to PRIs

Eleventh schedule of the Constitution of India empowered the State Legislature to make laws for endowing PRIs with such powers and authority which would enable them to function as institutions of self Government. Major elements of devolution were functions, funds and functionaries to the PRIs accompanied by administrative control over staff and freedom to take administrative and financial decisions at the local level. Accordingly, the UP State Legislature amended the UP *Panchayat Raj Act*, 1947 (UPPR Act) and UP *Kshetra Panchayat* and *Zila Panchayat Act*, 1961 (UPKP & ZP Act) by UP Act no. 9 of 1994 and devolved powers and functions to GPs as specified in section 15 of the UPPR Act and to KPs and ZPs as specified in Schedule I and Schedule II to UP KP & ZP Act.

Transfer of functions, funds and functionaries have been commented upon in Performance Audit on Decentralised Governance and Status of Maintenance of Accounts in PRIs, in para 4.1.7 of this Report.

3.10 Financial Profile

3.10.1 Fund flow to PRIs

The resource base of PRIs consists of Own receipts, SFC grants, CFC grants, State Government grants and Centrally Sponsored Schemes for maintenance and development purposes. The fund-wise source and its custody for each tier and the fund flow arrangements in flagship scheme are given in **Table 4A & 4B**.

Table 4A: Fund Flow: Source and custody of funds in PRIs

Nature of fund	ZPs		KPs		GPs	
	Source of fund	Custody of fund	Source of fund	Custody of fund	Source of fund	Custody of fund
Own Receipt	Users	<i>Zila Nidhi</i>	NA	<i>Kshetra Nidhi</i>	Users	<i>Gram Nidhi</i>
State Finance Commission	State Government	<i>Zila Nidhi</i>	State Government	<i>Kshetra Nidhi</i>	State Government	<i>Gram Nidhi</i>
Central Finance Commission	Government of India	<i>Zila Nidhi</i>	Government of India	<i>Kshetra Nidhi</i>	Government of India	<i>Gram Nidhi</i>
Centrally Sponsored Scheme	Government of India	<i>Zila Nidhi</i>	Government of India	<i>Kshetra Nidhi</i>	Government of India	<i>Gram Nidhi</i>

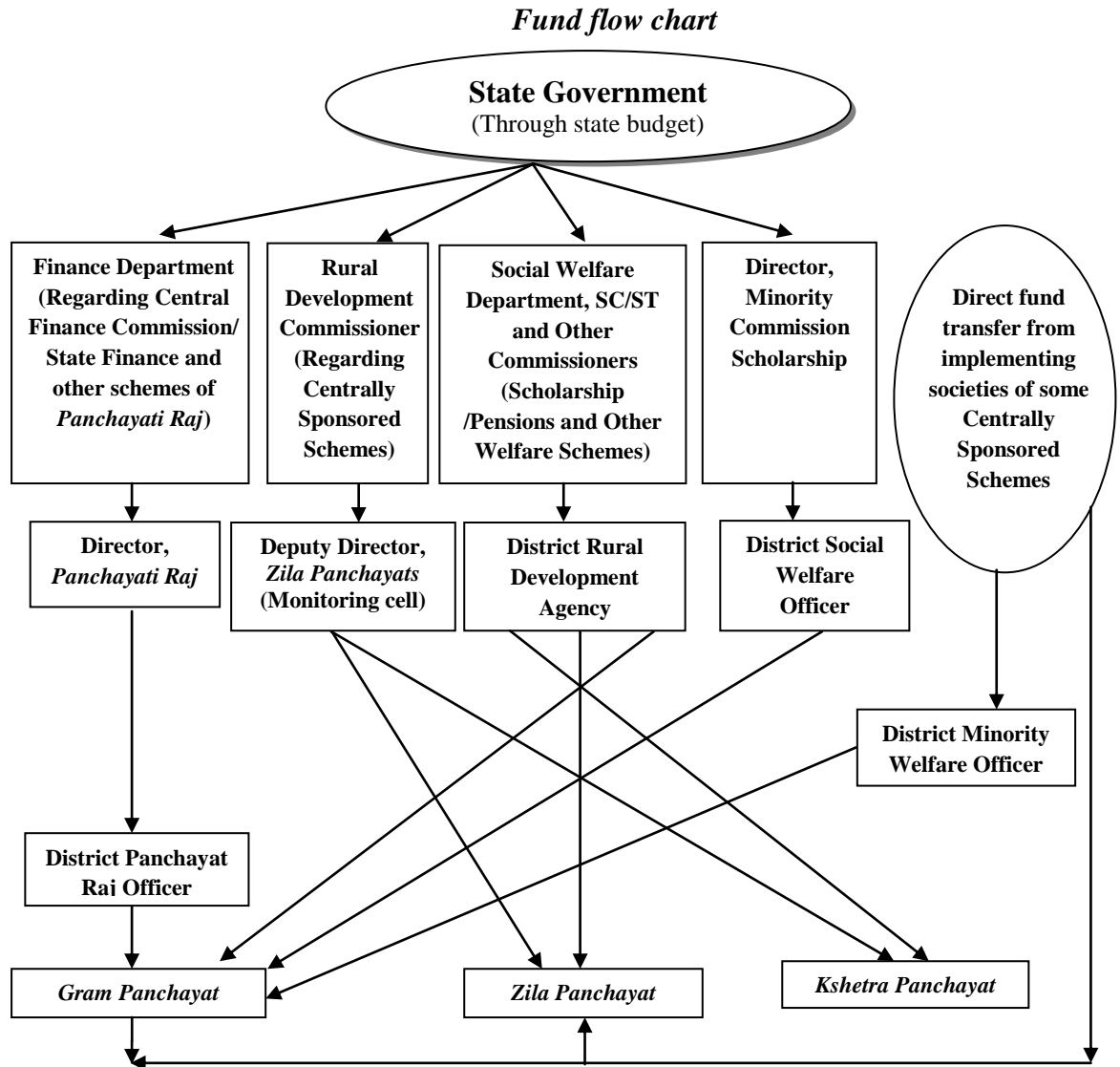
(Source: Director, Panchayati Raj)

Table 4B: Fund flow arrangements in major Centrally Sponsored flagship Schemes

Sl. No.	Scheme	Fund flow Arrangement
1	Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)	The GoI and GoUP transfer their respective shares of MGNREGS funds in a Bank Account, called State Employment Guarantee Fund (SEGF), set up outside the State Accounts. Commissioner Rural Development is the custodian of SEGF and administers onward transfer of funds from it to district and sub-district level.
2	<i>Sarva Shiksha Abhiyan (SSA)</i>	The GoI and GoUP transfer their shares of SSA funds in yet another Bank Account of the State Implementing Society (SIS) outside the State Accounts. SIS is a Society set up by the GoUP for implementation of SSA. It is headed by a State Project Director (SPD), who is a senior officer of the GoUP. Finance Controller and Senior Finance Officer of SSA are joint custodians of SSA Bank Account Funds at State level. SPD is the administrator of funds transfers to DPO-SSA, established by the GoUP for each district within SIS. At the district level, DPO and Assistant Accounts Officer in DPO's Office are joint custodians of the Bank Account.
3	<i>Indira Awas Yojna (IAY)</i>	The GoI transfer their share directly to DRDA through cheques. DRDA draws GoUP's share from district treasury and keep both in a Bank Account. Project Director operates the Bank Account and is administrator of the fund. He transfers the fund to the beneficiaries account.
4	Rural Drinking Water Supply Programme (RDWSP)	For Accelerated Rural Water Supply Programme, the GoUP transfer funds to Uttar Pradesh Jal Nigam (UPJN) centrally at Lucknow for the entire State. UPJN transfers funds to its District units. For other Rural Water Supply Schemes, DDO draws funds from District Treasury out of allotments placed at his disposal, and gives it to UPJN unit in the districts for execution.
5	Total Sanitation Campaign (TSC)	GoI transfer their share directly in Bank account of District Water and Sanitation Mission set up in each District. DPRO, ex-officio Secretary of the Mission, draws GoUP's share from District treasury on the basis of allotment received from GoUP and deposits it too in the Mission's Bank Account.

Flow of revenues

For execution of various development schemes, PRIs receive grants from the GoI and the State Government. Grants are also received as per recommendations of the Central and State Finance Commissions for enhancing the service delivery of PRIs. In addition, PRIs also collect tax and non-tax revenue out of their own resources, as already mentioned in Table 4 A.



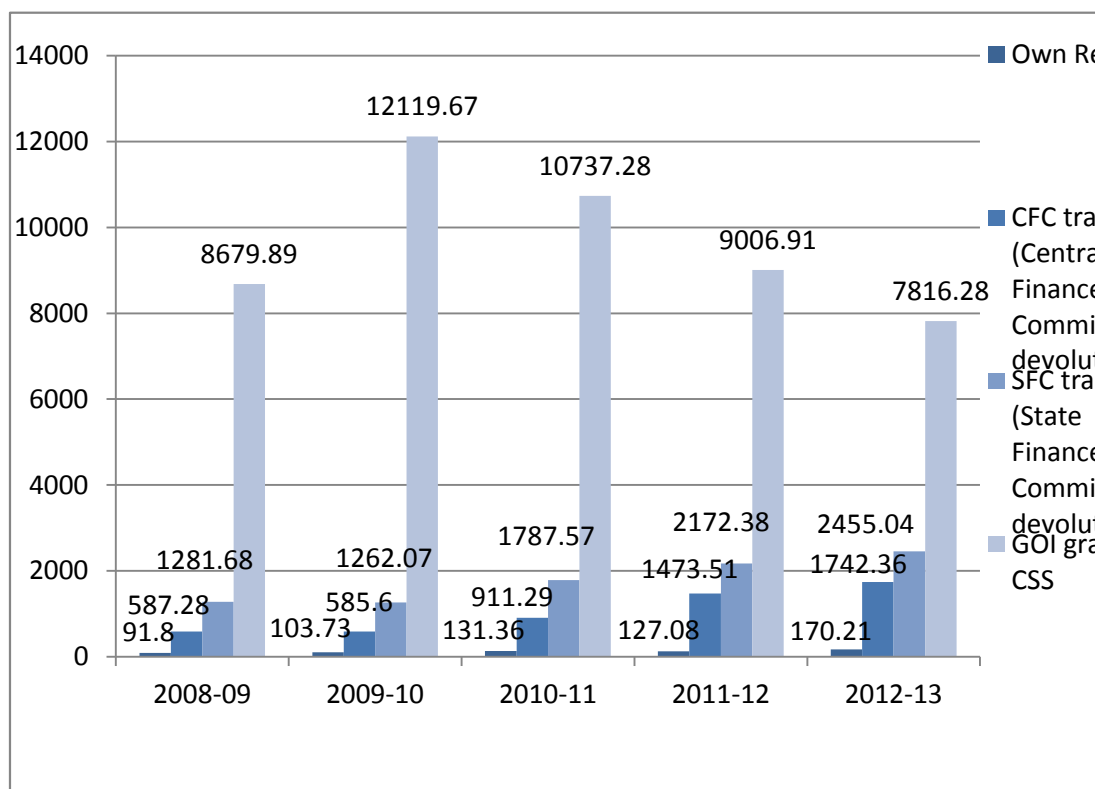
3.11 Aggregate Receipts

The position of aggregate grants received by PRIs under the recommendations of the CFC, the SFC, revenues realised from their own sources by charging rent, taxes, fees, etc. from the people through sources as envisaged in Rule 37 of UP PR Act 1947 (*Appendix 3.3*) and grants released under Centrally Sponsored Schemes for rural development during 2008-13 (*Appendix 3.4*) is given in Chart and **Table 5** below:

Resources: Trends and Composition

Time Series Data on Resources of PRIs

(₹ in crore)



There is an increasing trend in own receipts during 2008-09 to 2010-11. It declined during 2011-12.

Table 5: Revenue realised from own resources

(₹ in crore)

Panchayati Raj Institutions (number in bracket)	2009-10		2010-11		2011-12		2012-13	
	Target	Achievement	Target	Achievement	Target	Achievement	Target	Achievement
Zila Panchayats (72)	103.26	100.60	115.02	128.82	138.68	127.08	148.47	160.19
Gram Panchayats (51,914)	4.42	3.13	4.96	2.54	NA	NA	NA	10.02
Total	107.68	103.73	119.98	131.36	138.68	127.08	148.47	170.21

(Source: Director, Panchayati Raj and Deputy Director, Zila Panchayat Monitoring cell, Lucknow)

(NA: Not available)

3.11.1 Devolution of State Finance Commission grant

One of the recommendations of the Second SFC was that *five per cent* of the net proceeds of total tax revenue should be devolved to PRIs. Considering the importance and need of PRIs, the Third SFC increased it to *5.5 per cent* of the net proceeds of total tax revenue for devolution to PRIs. The devolution of funds and actual releases there against to PRIs by the State Government during 2008-13 is given in **Table 6**.

Table 6: Devolution of funds vis-a-vis Net proceeds**(₹ in crore)**

Sl. No.	Year	Net proceeds of tax revenue of State Government	Funds to be devolved	Funds actually devolved	Shortfall (-)/ Excess (+)	Per cent
1	2008-09	28,659	1,433	1,282	(-) 151	(-) 11
2	2009-10	33,878	1,694	1,262	(-) 432	(-) 26
3	2010-11	41,110	2,261	1,788	(-) 473	(-) 21
4	2011-12	52,613	2,894	2,172	(-) 722	(-) 25
5	2012-13	58,098	3195	2455	(-) 740	(-) 23
Total		2,14,358	11,477	8,959	(-) 2,518	(-) 22

(Source: Finance Accounts and Director, Panchayati Raj Lucknow, Dy. Director Zila Panchayat Monitoring Cell Lucknow, Commissioner, Rural Development Lucknow)

There was an overall short devolution of funds (₹ 2,518 crore) during 2008-13 which ranged between 11 and 26 per cent. The maximum shortfall was during 2012-13 when only ₹ 2,455 crore was devolved against ₹ 3,195 crore.

3.12 Utilisation of funds

3.12.1 Utilisation of grants received under Central Finance Commission

The position of funds available under Twelfth Finance Commission and Thirteenth Finance Commission and utilisation thereof is given in **Table 7**.

Table 7: Utilisation of grants received under Central Finance Commission**(₹ in crore)**

Year	Total grants available	Grant utilised	Grants not utilised		
			Lapsed	Balance	Total
2008-09	587.28	587.10	0.18	0.00	0.18
2009-10	585.60	580.25	5.35	0.00	5.35
2010-11	911.29	911.29	0.00	0.00	0.00
2011-12	1,473.51	559.61	0.00	913.90	913.90
2012-13	1,742.36	1,498.45	0.00	243.91	243.91

(Source: Director, Panchayati Raj, Lucknow)

Out of ₹ 1,172.88 crore, ₹ 1,167.35 crore of grants were utilised and ₹ 5.53 crore lapsed during 2008-10. Further, maximum amount of grants remained unutilised at the end of 2011-12 and 2012-13.

3.12.2 Utilisation of grants received under State Finance Commission

The status of grants available under SFC, utilisation and non-utilisation thereof during 2008-13 is given in **Table 8**.

Table 8: Utilisation of Grants received on the recommendation of State Finance Commission

(₹ in crore)

Sl. No.	Year	Grants received during year	Grants utilised	Grants not utilised		
				Lapsed	Balance	Total
1	2008-09	1,281.68	1,280.71	0.97	0.00	0.97
2	2009-10	1,262.07	1,262.07	0.00	0.00	0.00
3	2010-11	1,787.57 ³	1,787.57	0.00	0.00	0.00
4	2011-12	2,172.37	2,077.44	4.22	90.71	94.93
5	2012-13	2,455.04	1,020.34	0.00	1,434.70	1434.70

(Source: Director, Panchayati Raj, Deputy Director, Zila Panchayat Monitoring Cell, Lucknow)

Note- Different figures were provided by Director, Panchayati Raj Lucknow.

It is evident from the above table that ₹ 0.97 crore lapsed during 2008-09 and ₹ 4.22 crore during 2011-12 and ₹ 90.71 crore and ₹ 1,434.70 crore were unutilised at the end of 2011-12 and 2012-13.

3.12.3 Grants for implementation of Centrally Sponsored Schemes

The GoI sponsored schemes for rural development are executed by PRIs at the grass root level. The grant released by the GoI during 2011-12 and 2012-13 to the State Government for their implementation is given in **Table 9**.

Table 9: Grant for implementation of Centrally Sponsored Schemes

(₹ in crore)

Names of Centrally sponsored schemes and periods	Grants released		
	Central	State	Total
2011-12			
<i>Swaran Jayanti Gram Swarajgar Yojana</i>	364.33	128.04	492.37
<i>Indira Awas Yojana</i>	1,120.34	412.09	1,532.43
National Rural Employment Guarantee Yojana	4,240.48	471.11	4,711.59 ⁴
<i>Pradhan Mantri Gramin Sadak Yojana</i>	473.13	-	473.13
Rural Drinking Water Scheme	749.23	821.08	1,570.31
National Health Insurance Scheme	192.35	32.75	225.10
Bio gas	1.98	-	1.98
Total	7,141.84	1,865.07	9,006.91
2012-13			
<i>Indira Awas Yojana</i>	883.21	292.32	1,175.53
Rural Drinking Water Scheme	1,151.87	879.81	2,031.68
Bio gas	0.66	-	0.66
Mahatma Gandhi National Rural Employment Guarantee Scheme	2,264.86	251.65	2,516.51
Backward Region Grant Fund*	207.65	-	207.65
Mid-Day Meal	1,258.50	368.57	1,627.07
Total Sanitation Campaign	256.85	0.33	257.18
Total	6,023.60	1,792.68	7,816.28

(Source: Commissioner, Rural Development Lucknow; Chief Executive Officer, RSBY, Lucknow)

*The released amount contains figures of PRIs and ULBs.

³ Differs from Annual Technical Inspection Report 2010-11.

⁴ ₹ 3,889.15 crore released to PRIs, ₹ 822.44 crore released to other line departments.

The GoI released substantial amount for rural development of the State through centrally sponsored schemes. Maximum amount of ₹ 4,240 crore was released by the GoI during 2011-12 for providing employment under Mahatma Gandhi National Rural Employment Guarantee Scheme. Out of this ₹ 3,889.15 crore was released to PRIs and rest was provided to the other line departments.

3.13 Accountability framework by PRIs (Internal Control System)

A large number of PRIs (unit year) remained unaudited due to non-submission of records during 2010-13. The details of audit of PRIs proposed, actually audited and in arrears are given in **Table 10**.

Table 10: Position of units proposed, audited and those lying in arrear

Name of PRIs	Units to be audited		Units audited		Arrear (per cent in bracket)	
	Proposed for current year	Arrear of previous years	Against current	Against arrear	Against current	Against arrear
2010-11						
<i>Zila Panchayats</i>	70	178	30	36	40 (57)	142 (80)
<i>Kshetra Panchayats</i>	809	6,720	58	194	751 (93)	6,526 (97)
<i>Gram Panchayats</i>	51,944	2,26,960	19,820	15,485	32,124 (62)	2,11,475 (93)
2011-12						
<i>Zila Panchayats</i>	71	182	30	33	41 (58)	149 (82)
<i>Kshetra Panchayats</i>	819	7,277	115	402	704 (86)	6,875 (94)
<i>Gram Panchayats</i>	51,257	2,43,599	24,929	19,578	26,328 (51)	2,24,021 (92)
2012-13						
<i>Zila Panchayats</i>	71	190	48	68	23 (32)	122 (64)
<i>Kshetra Panchayats</i>	813	7,579	116	261	697 (86)	7,318 (97)
<i>Gram Panchayats</i>	51,674	2,50,349	26,519	16,029	25,155 (49)	2,34,320 (94)

(Source: The Chief Audit Officer, Co-operative Societies and *Panchayats*, Lucknow).

As majority of PRIs (unit year) remained unaudited during 2010-13, the financial data of these PRIs was not authenticated.

On this being pointed out, Chief Audit Officer Co-operative Societies and *Panchayats* stated (August, 2013) that non-production of records by the ZPs, KPs and GPs was the main reason for large arrears.

Rule 186 of the Uttar Pradesh Panchayat Raj Rules, 1947, as amended vide notification no. 854/33-1-2011-126/96 dated 30 March 2011, provides for preparation of annual reports on the audit of the accounts of GPs. Consolidated audit report up to 2009-10 was not being prepared by Chief Audit Officer, Co-operative Societies and *Panchayats*. Preparation of report for 2010-11 is under process.

3.14 Overall Financial Position

Thirteenth Finance Commission recommended (Para 10.161) that the State Government would be eligible to draw down its performance grant for succeeding fiscal year on production of a certificate that accounting system as recommended has been introduced in all the Rural and Urban Local Bodies.

The CAG of India had prescribed eight accounting formats through PRIASoft accounting software for PRIs in the State. MoPR advised (October, 2009) the State Government to introduce Model Accounting System developed by NIC for PRIs on web based software (PRIASoft) with effect from 1 April, 2010. The State Government made it mandatory (January, 2011) to maintain the account on PRIASoft with effect from 1 April, 2010. Out of eight formats, reports in only three formats (Annual Receipt and Payment Account, Consolidated Abstract Register and Monthly Reconciliation Statement) were being generated by ZPs and KPs. Reports I and II were being generated in GPs.

On this being pointed out Director, *Panchayati Raj* stated that the reports in the remaining formats would be generated in the year 2013-14.

Status of adoption of accounts format up to 2012-2013 is given in **Table 11**.

Table 11: Status of maintenance accounts on PRIASoft

Name of PRIs	No. of PRIs	No. of PRIs Maintaining Account on PRIASoft
<i>Zila Panchayat</i>	72	64
<i>Kshetra Panchayat</i>	821	713
<i>Gram Panchayat</i>	51,914	51,914

(Source: Director, *Panchayati Raj*)

During 2008-12, records of 6,131 PRIs were test checked in audit. The year-wise financial position of PRIs during 2008-12 is given in **Table 12**.

Table 12: Financial position of PRIs during 2008-12

(₹ in crore)

Year	Number of PRIs checked	Opening balances	Funds received	Total funds available	Expenditure (per cent)	Closing balances
<i>Zila Panchayats</i>						
2008-09	55	439.04	993.15	1,432.19	1,022.87 (71)	409.32
2009-10	55	381.80	682.90	1,064.70	646.94 (61)	417.76
2010-11	11	100.57	145.29	245.86	139.07 (57)	106.79
2011-12	29	192.37	330.72	523.09	294.87(56)	228.22
<i>Kshetra Panchayats</i>						
2008-09	300	156.36	532.09	688.45	503.09(73)	185.36
2009-10	147	86.13	248.56	334.69	246.26 (74)	88.43
2010-11	42 ⁵	33.21	102.17	135.38	87.36 (65)	48.02
2011-12	59	35.71	69.36	105.07	64.16(61)	40.91

⁵ Financial position of 12 out of 54 KPs was not available, hence not included in the table.

Gram Panchayats						
2008-09	3,003	71.85	363.89	435.74	307.84(71)	127.90
2009-10	1,891	78.85	252.95	331.80	220.41 (66)	111.39
2010-11	333 ⁶	26.32	83.71	110.03	76.31 (69)	33.72
2011-12	186 ⁷	10.45	22.69	33.14	24.01(72)	9.13

(Source: Register of Audit Inspection Reports)

Substantial funds received by PRIs remained unutilised in each financial year during the 2008-12. Decreasing trend of utilisation of funds was noticed in ZPs and KPs.

3.15 Monitoring Mechanism and Vigilance Provisions

3.15.1. Monitoring Mechanism:

Internal control is a system within an organisation that governs its activities to effectively achieve its objectives; it helps to provide reasonable assurance of adherence to Laws, Rules, Regulations and Orders, safeguards against fraud, abuse and mismanagement and ensures reliable financial and management information to higher authorities. The control and monitoring activities include proper maintenance of accounts, reconciliation of figures, documentation, system of authorisation and approval of payments, segregation of duties, inspection and audit.

The MoPR in consultation with the CAG of India had prescribed the accounting formats with coding pattern for each tier of PRIs to strengthen their accounting system and enable the authorities to monitor the progress of receipts and expenditure under different objectives to take further action as required. Object Head wise accounts were not prepared by the PRIs. Monthly closing balances of cash books were not reconciled with the balance shown in the bank pass books by the GPs.

3.15.2 Vigilance provisions

Prevention of Corruption Act 1988, GoUP's Civil Servants Conduct Rules 1956, *Lok Ayukta* Act, strategic framework to combat corruption (2001) and paragraph 206 of UP Eleventh Plan document provide the framework for preventive Vigilance and anti-corruption strategy. The Institutional mechanism to fulfill the mandate includes *Lok Ayukta*, Vigilance set up under Director General level police officer with administrative control of Secretary Vigilance department, Economic Offences Wing, Anti-Corruption Branch in Police Department and Special Task Force for Serious Economic Offences under Secretary, Home Department.

The Vigilance Mechanism adopted by GoUP in the light of Prevention of Corruption Act, 1988 was inadequate as discussed below:-

- a. *Gram Pradhan* is out of purview of *Lok Ayukta* Act unlike chairpersons of ULBs, KPs and ZPs.
- b. *Lok Ayukta's* recommendations are not binding on GoUP.

⁶ Financial position of seven out of 340 GPs was not available, hence not included in the table.

⁷ Financial position of one out of 187 GPs was not available, hence not included in the table.

3.16 Conclusion

The budgeting and budgetary process was not followed. All PRIs were still not maintaining the accounting records in the prescribed formats. Consequently, accounts presenting a true and fair view of income and expenditure of PRIs were not available. The available financial data was unreliable as the majority of ZPs (64 *per cent*) KPs (97 *per cent*) and GPs (94 *per cent*) units remained unaudited at the end of the year 2012-13. The State Government did not release the full amount of devolved funds to PRIs. Due to lack of monitoring at the State Government level, compliance to observations reported in the inspection reports was poor.

Chapter 4 Performance Audit, Long Paragraph and Compliance Audit

Performance Audit

4.1 Decentralised Governance including Status of Maintenance of Accounts in *Panchayati Raj* Institutions.

Executive Summary

- Article 243-G of the Constitution of India, which was included after enactment of the Seventy Third Constitutional Amendment Act, 1992, enjoins that the State Legislature may endow the *Panchayats* with such powers and authority as may be necessary to enable them to function as institutions of self government. It further provides that such law may contain provisions for devolution of powers and responsibilities upon *Panchayats* with respect to the preparation and implementation of plans for economic development and social justice in relation to the matters listed in the Eleventh Schedule (the 29 item list) of the Constitution.
- As per the recommendations of the Eleventh Finance Commission (EFC), to exercise better control and to secure better accountability, the formats for preparation of budget & accounts and database on finances of *Panchayati Raj* Institutions were prescribed by the Comptroller and Auditor General (CAG) of India in 2002. These formats were further simplified in 2007 by the CAG for easy adoption at the grass root level. Ministry of *Panchayati Raj* (MoPR) informed the State Governments (October 2009) to introduce Model Accounting System developed by National Informatics Centre (NIC) for *Panchayati Raj* Institutions on web based software (PRIASoft) with effect from 01 April 2010. The State Government made it mandatory (January 2011) to maintain the accounts on PRIASoft with effect from 01 April 2010.
- Devolution of functions as intended in the Constitution and the Government Orders was not fully achieved in the test-checked *Panchayati Raj* Institutions.
- Flow of funds to the *Panchayati Raj* Institutions increased hugely after decentralisation. There was 718 *per cent* increase in State Finance Commission (SFC) grants and 689 *per cent* increase in Central Finance Commission (CFC) grants to the *Panchayati Raj* Institutions between the year 1998-99 and 2007-08.
- Transfer of functionaries to the *Panchayati Raj* Institutions did not take place in the State.
- The Government's intent to decentralise governance and promote people's participation remained largely unfulfilled due to non-transfer of all the functions and functionaries and the inactive approach of

Panchayati Raj Institutions' committees.

- Due to non-maintenance of accounts and budget estimates in the *Zila Panchayats* (ZPs) and *Kshetra Panchayats* (KPs) in the prescribed formats, the objective of strengthening the accounting system of *Panchayati Raj* Institutions for exercising proper control and securing better accountability was not achieved. Consequently, the estimated receipt and the flow of funds and expenditure thereof was neither analysed nor monitored by the competent authorities
- Rupees 4.56 crore provided (during 2007-10) to 11,403 *Gram Panchayats* (GPs) for preparation of accounts through Chartered Accountants was lying unutilised as of August 2013.
- There is no assurance with regard to the accuracy of the accounts prepared by Chartered Accountants for the period 2007-10 at a cost of ₹ 5.52 crore as these accounts were not checked by the competent authorities.
- There was non-maintenance of Cash Book in *Zila Panchayat*, Maharajganj; and non-reconciliation of Cash balances with Bank in *Zila Panchayat*, Mirzapur; *Kshetra Panchayat*, Risiya in Bahraich; *Kshetra Panchayat*, Kaptanganj in Basti; and in all 70 test-checked *Gram Panchayats*.
- The time schedule prescribed by the State Government for the closure of year books of *Panchayati Raj* Institutions in PRIASoft for 2010-11 and 2011-12 was not adhered to.
- Receipt and Payment accounts in PRIASoft did not reflect true and fair picture of financial position of *Panchayati Raj* Institutions during 2010-13.
- Of the eight formats of Model Accounting System, only the Annual Receipt and Payment Accounts (Format I), Consolidated Abstract Register (Format II) and Bank Reconciliation Statement (Format III) were generated on PRIASoft. *Zila Panchayats* kept their receipts of ₹ 13.98 crore and payments of ₹ 22.62 crore in Suspense Accounts during 2010-13.
- *Panchayati Raj* Institutions were without adequate trained manpower and Information Technology infrastructure, essential for smooth implementation of Model Accounting System and PRIASoft, both at the district and the grass root levels.
- Internal control and internal audit in the *Panchayati Raj* Institutions were weak and requisite monitoring by competent authorities of functioning of *Panchayati Raj* Institutions was lacking.

4.1.1 Introduction

The Seventy Third Constitutional Amendment Act, 1992 (Act), envisaged decentralisation of powers, responsibilities and finances to *Panchayats*. Article 243-G of Constitution enjoins that the State Legislature may endow the *Panchayats* with such powers and authority as may be necessary to enable them to function as institutions of self government.

Article 243-H of the Constitution provides that the State Legislature may authorise *Panchayats* to levy, collect and appropriate such taxes, duties, tolls, fees etc. as would be authorised by the State. The Act also provides for constitution of SFC to devolve finances to *Panchayats* from the Consolidated Fund of State.

As per the recommendations of the EFC, the CAG prescribed formats for preparation of budget and accounts and database of the finances of *Panchayati Raj* Institutions PRIs in 2002. The State Government adopted these formats in March 2003 and issued (January 2005) orders to PRIs for maintenance of accounts in these formats. The State Government directed that the accounts of GPs would be prepared by Chartered Accountants (CAs) 2000-01 onwards for which they were to be paid ₹ 4,000 per GP per year as remuneration. These formats were further simplified in 2007 by the CAG for easy adoption at the grass root level. The Technical Committee on Budget and Accounting Standards for PRIs, co-chaired by Secretary, MoPR and Deputy Comptroller and Auditor General (LB), considered (04 August 2008) the need for developing a simple but robust format for accounts of *Panchayats*. The Committee in its meeting in January 2009 approved a simplified format of accounts for PRIs, to facilitate generation of financial reports through Information and Communication Technology as proposed by its sub-committee constituted for this purpose. Further, MoPR informed (October 2009) the State Governments to introduce Model Accounting System (MAS) developed by NIC for PRIs on a web based software (PRIASoft) with effect from April 2010. The State Government made it mandatory (January 2011) to maintain the account on PRIASoft with effect from April 2010. Further, the Thirteenth Finance Commission also recommended that the CAG be entrusted with TGS for all local bodies for all states, which would be a necessary consequence of the standardisation of accounting formats for all local bodies across the states.

4.1.2 Administrative Set-up

Panchayati Raj Institutions constitute three tier systems, viz. (i) ZPs at the district level, (ii) KPs at block level and (iii) GPs at village level. At the Government level, Principal Secretary, *Panchayati Raj* assisted by Secretary, *Panchayati Raj* is the controlling authority. At the department level, Director, is the head of the *Panchayati Raj* Department. The *Apar Mukhya Adhikaris* (AMAs) in ZPs, Block Development Officers (BDOs) in KPs and *Gram Panchayat Vikas Adhikaris* (GPVAs) in GPs are working as Secretaries to the elected *Adhyaksh* (ZPs), *Pramukh* (KPs) and *Gram Pradhan* (GPs) respectively who are also the administrative heads.

4.1.3 Audit Objectives

The objectives of performance audit were to assess whether:

- the funds, functions and functionaries (3Fs) were actually transferred as per provisions of the Constitution;
- the transferred functions were being performed effectively and efficiently, and fulfilled the objective of decentralisation of Governance;
- the accounting formats, prescribed from time to time by the CAG, were adopted and implemented in PRIs;
- the implementation of PRIASoft in PRIs was efficient and effective and;
- the internal control and monitoring & evaluation mechanism were efficient and effective.

4.1.4 Audit Criteria

The performance audit was carried out with reference to provisions of following:

- Eleventh Schedule of the Constitution;
- Provisions of the Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat* Act, 1961; Uttar Pradesh *Panchayati Raj* Act, 1947; and UP, ZP and KP (Budget and General Accounts) Rules, 1965;
- Accounts of GPs as prepared by CAs and Accounts of ZPs and KPs prepared by their accounting staff in prescribed proforma;
- Guidelines and list of codes of MAS for *Panchayats*; and
- Orders, notifications and instructions issued by the State Government, from time to time, for decentralisation of Governance and maintenance of accounts in PRIs.

4.1.5 Audit Scope and Limitations

Performance audit covered the period from 2007 to 2013 and was carried out from September 2012 to November 2012 and updated in September 2013 by examining records relating to decentralisation of Governance and maintenance of accounts in PRIs at the Secretariat, Directorate, *Panchayati Raj* Institutions levels. Scrutiny of records of 12 districts and information collected from sampled units comprised 12 out of 72 District *Panchayat Raj* Officers (DPROs), 12 ZPs¹, 12 KPs and 96 GPs². The details of sample selected for the performance audit are given in **Appendix 4.1.1**.

¹ Aligarh, Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahoba, Mahrajganj, Mau and Mirzapur.

² KPs and GPs are selected on the basis of Simple Random Sampling statistical method.

Audit was limited in its scope for reasons of non-production of records. Despite repeated requests and pursuance, requisite information was not furnished by any of the selected GPs in district Mahoba and Hathras, besides information by three, two and five GPs was also not provided in districts Jaunpur, Lalitpur and Mau respectively. The details of units which did not furnish information are given in *Appendix 4.1.2*.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.1.6 Audit Methodology

It involved examination of the records at the Directorate (*Panchayati Raj* Department), office of DPROs, ZPs, KPs and GPs level. An entry conference with the Principal Secretary, *Panchayati Raj* Department, Government of Uttar Pradesh was held (September 2012) to appraise the objectives, criteria and sample of the performance audit and the same was agreed to by the State Government. The exit conference could not be held due to the reason that the State Government did not furnish the reply of the performance audit and did not convey the date, time and venue for exit conference despite repeated requests³ made by audit.

4.1.7 Audit Findings

4.1.7.1 Decentralised Governance in *Panchayati Raj* Institutions

Eleventh Schedule in the Constitution contains a list of 29 subjects which the State Legislature may, by law, transfer to PRIs. Pursuant to it, Uttar Pradesh *Panchayati Raj* Act, 1947 (UP, PR Act) and Uttar Pradesh *Kshetra Panchayat* and *Zila Panchayat* Act, 1961 (UP KP & ZP Act) through activity mapping, identified 50 activities for transfer to GPs, 56⁴ to KPs and 71⁵ to ZPs pertaining to these subjects.

4.1.7.2 Transfer of functions

Pursuant to Seventy Third constitutional amendment, the State Government issued orders (May, 1999)⁶ for transfer of six functions to KPs and 15 functions to GPs (July, 1999)⁷. No information was furnished for functions transferred to ZPs.

In response to a query about the transferred functions to PRIs, the Director, PR Department replied that the Government transferred 16 functions to PRIs. No specific orders in this regard were made available by the Department.

Analysis of the information provided by 12 test-checked ZPs revealed that all ZPs have undertaken activities relating to Maintenance of Assets Created in

³ D.O. Letters No. PAG/G&SSA/PA/SS I/2011-12/302 dated 16.01.2013; 201 dated 13.08.2013 and 360 dated 09.09.2013.

⁴ Nine activities related to three other subjects excluding 29 subjects as mentioned above.

⁵ Seven activities related to two other subjects excluding 29 subjects as mentioned in schedule XI.

⁶ G.O. No. 2542/33-1-99-159/99 T.C. dated 27 May 1999.

⁷ G.O. No. 3467/33-1-99-222/99 dated 01 July 1999.

Panchayat Area, 10 ZPs⁸ have undertaken activities against the function ‘Operation and Maintenance of Rural Markets and Fairs’ and 10 ZPs⁹ have undertaken activities under ‘Poverty Alleviation Programme’. The function of ‘Operation and Maintenance of Rural Water Supply scheme’ was being carried out by only ZPs Lalitpur and Jaunpur. Thus, 12 out of 29 functions as mentioned in Eleventh Schedule of the Constitution were not undertaken by any of the test-checked ZPs.

Similarly, analysis of the information provided by 12 test-checked KPs revealed that activities for ‘Poverty Alleviation Programme and Maintenance of Assets Created in *Panchayat* Area’ were undertaken by all the test-checked KPs. Five KPs¹⁰ undertook activities for ‘Rural Housing Scheme – selection of beneficiaries’ and three KPs¹¹ for ‘Food and Civil Supplies – supervision of PDS’ throughout the state including Jan Kerosene Programme. Activities mentioned for ‘Minor Irrigation – selection of beneficiaries’ was being carried out by only KP Basgaon (Gorakhpur). Thus, 11 against 29 functions remained unattended in the test-checked KPs.

Analysis of the information provided by 70 GPs revealed that all the GPs undertook activities against functions – ‘Operation and maintenance of rural water supply schemes’, ‘Poverty Alleviation Programme’, ‘Basic Education including Mid-day-Meal’, ‘Rural Sanitation Programme’, ‘Welfare Programme for SC, ST and other weaker sections – Selection of pensioners and distribution of scholarships’, ‘Maintenance of Assets Created in *Panchayat* Area’ and ‘Rural Housing schemes – Selection of beneficiaries. Thus, GPs had undertaken only seven out of 29 functions.

Hence, the transfer of functions, as intended in the Constitution was not achieved to the full extent in the State.

4.1.7.3 Transfer of funds

(i) The Director, PR Department informed (September 2013) that funds were released to PRIs under CFC, SFC, Total Sanitation Campaign, Construction and maintenance of Rural Markets and Fairs and Rural Library.

Analysis of the information provided by test-checked ZPs revealed that nine¹² out of 12 selected ZPs received funds for activities- Poverty alleviation programme, Operation and maintenance of Rural Markets and Fairs and Maintenance of assets created under different scheme. Besides, ZP Lalitpur also received funds for activity named ‘Rural Water supply – operation and maintenance’, while two ZPs (Mirzapur and Hathras) received funds for activity named ‘Maintenance of assets created under different schemes’ only.

⁸ ZPs Basti, Bahraich, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahrajganj, Mahoba, Mau and Mirzapur.

⁹ ZPs Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahrajganj, Mahoba, and Mau.

¹⁰ KPs Basgaon (Gorakhpur), Birdha (Lalitpur), Kabrai (Mahoba), Kopaganj (Mau) and Sadar (Mahrajganj).

¹¹ KPs Basgaon (Gorakhpur), Birdha (Lalitpur) and Khair (Aligarh).

¹² ZPs Basti, Bahraich, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahrajganj, Mahoba and Mau.

Further, scrutiny of records of test-checked KPs revealed that they received funds for only two activities-Poverty alleviation programme and Maintenance of assets created under different scheme.

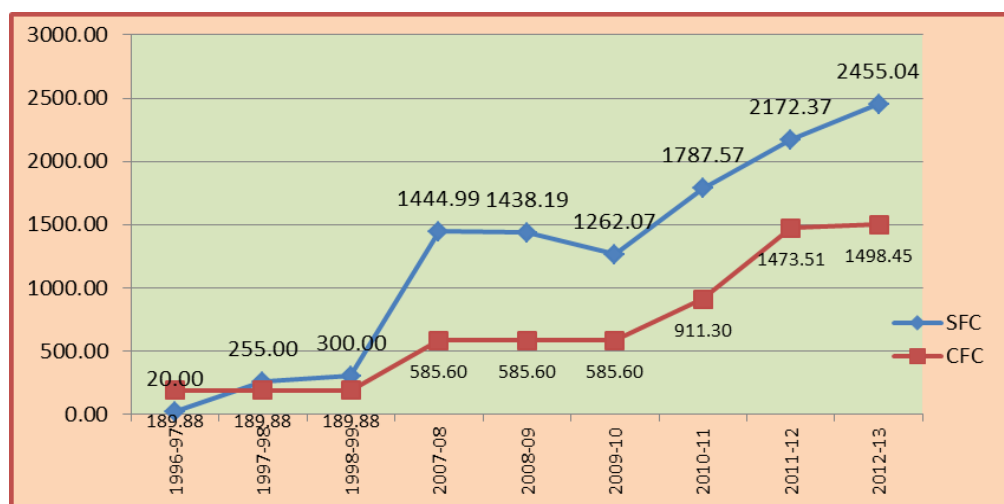
Analysis of information provided by the 70 GPs revealed that they received funds only for activities-Poverty alleviation programme, Rural Water supply-operation and maintenance, Rural Sanitation programme, Social Welfare-Distribution of Scholarship, Maintenance of assets created under different scheme and Mid-day Meal.

Thus, ZPs, KPs and GPs did not receive funds for Rural Library.

(ii) We observed that funds received from the State Government as per recommendations of CFC and SFC formed a major part¹³ of the devolution of funds to PRIs during 2007-13 (**Appendix 4.1.3**). Besides, PRIs generate funds also from their own sources as per the provisions of UP, KP and ZP Act, 1961 by levying taxes and fees such as *Tehbazari*, property tax, water rate/tax etc. None of the test-checked KPs was levying all the taxes provided for in the Act¹⁴. ZP, Jaunpur did not levy Circumstances and Property tax (CP Tax), while ZP, Mahoba levied CP Tax only with effect from 2011-12. It is evident from **Appendix 4.1.3** that own revenue receipts in the PRIs showed a decreasing trend during 2007-13.

The status of the devolution of funds to PRIs under CFC and SFC grants, before 1998-99 and after decentralisation of governance in the State (2007-13)¹⁵, was as depicted below in the **Chart I**.

Chart 1: Status of devolution of funds to PRIs under CFC and SFC grants



(Source: Director, Panchayati Raj, Uttar Pradesh)

Thus, there was a huge increase, 718 per cent in SFC grants and 689 per cent in CFC grants to PRIs in 2012-13 compared to 1998-99, i.e., after the orders of the State for devolution of 3 Fs.

¹³ SFC – 59 per cent and CFC – 31 per cent.

¹⁴ UP PR Act, 1947 Rule 37 (for GPs) ; Section 131(a) and Section 119 of UP KP & ZP Act 1961 for KP and ZP respectively.

¹⁵ Period covered in the performance audit.

4.1.7.4 Transfer of functionaries

The State Government was (July 1999)¹⁶ to appoint at least one multi-purpose *Panchayat* worker in each GP, designating him as ‘*Gram Panchayat and Vikas Adhikari*, redesignated as *Gram–Panchayat Vikas Adhikari*,¹⁷ (GPVA). In addition to this multi-purpose *Panchayat* worker, an additional official was to be posted in the GP, subject to the availability of officials. These GPVAs were to be appointed from amongst the village level workers of following eight departments as mentioned in **Table 1**.

Table 1: Transfer of functionaries to GPs from the different departments

Sl. No.	Name of the Department	Designation of the official
1	Rural Development	<i>Gram Vikas Adhikari</i>
2	<i>Panchayati Raj</i>	<i>Gram Panchayat Adhikari</i>
3	Agriculture	<i>Kisan Sahayak</i>
4	Medical	Male Health Worker
5	Irrigation	Tubewell operator
		<i>Seenchpal</i> (Tubewell)
		<i>Seenchpal</i> (Canal)
6	Social Welfare	<i>Gram Vikas Adhikari</i> (Social Welfare)
7	Cane	Cane supervisor (<i>Ganna Paryavekshak</i>)
8	Land Development and Water Resources	Village level worker, inspector and supervisor

(Source: Director, *Panchayati Raj*, Uttar Pradesh)

Analysis of information furnished by 12 test-checked DPROs revealed that against the required posting of functionaries of eight departments mentioned above, only *Gram Panchayat Adhikari* (GPA) of PR Department and *Gram Vikas Adhikari* (GVA) of Rural Development Department were posted in the GPs. Further, as against 9,318 GPs in test-checked districts, only 1,746 GPAs/GVAs¹⁸ (19 per cent) were posted and GPA/GVA was holding charge of five GPs on an average (**Appendix 4.1.4**). Further, the total number of sanctioned posts of GPA and GVA was 2,798 in the 12 test-checked districts, which was not in consonance with the order(s) of the State Government for appointment of at least one GPVA in each GP. Similarly, scrutiny of information furnished by 12 ZPs revealed that the post of Accountant was vacant in ZP Lalitpur, post of Assistant Accountant was vacant in two ZPs (Bahraich and Hathras), whereas, neither Accountant nor Assistant Accountant was posted in ZP, Mirzapur.

The Director, PR Department while accepting the audit observations stated (September 2013) that the State Government was trying to devolve funds, functions and functionaries to PRIs at appropriate level as per the provisions of the Constitution.

¹⁶ G.O. No. 3467/33-1-99-222/99 dated 01 July, 1999.

¹⁷ G.O. No. 4071/33-1-99-222/99 dated 26 July, 1999.

¹⁸ GPA 864, GVA – 882(August 2013).

Thus, the transfer of functionaries to PRIs in the State was not fully in consonance with the extant orders. The vacant posts in ZPs adversely affected the accounts, which deprived the beneficiaries from intended benefits of maintaining the accounts and monitoring thereof.

4.1.8 Ineffective functioning of PRI committees constituted for decentralised governance

The State Government decided (July 1999)¹⁹ to constitute six symmetrical committees²⁰ in each tier of PRIs for the devolved functions to the PRIs. The committees were to meet at least once in a month. These committees were to be constituted by each ZP, KP and GP from their elected members to look after the activities relating to (i) planning and development (ii) works (iii) education (iv) health and welfare (v) administration and (vi) water management within their jurisdiction. We observed:

- In three (Basti, Lalitpur and Bahraich) out of 12 test-checked ZPs, no meeting of these committees was held during 2007-13. *Zila Panchayat*, Chandauli intimated (September 2013) that only meetings of works committee was held in 2011-12 while ZP, Mahoba intimated (September 2013) that only two meetings (Works Committee) were held. *Zila Panchayat*, Mau replied (September 2013) that Planning and Development Committee held its meeting in 2009-10, 2010-11 and 2011-12 and of Works Committee in 2011-12 and 2012-13. *Zila Panchayat*, Mirzapur intimated that meetings of works committee were held during 2012-13. *Zila Panchayat*, Gorakhpur intimated (September 2013) that only the Works Committee held its meeting in 2012-13. *Zila Panchayats*, Mahrajganj and Jaunpur intimated that its committees were active and ZPs, Lalitpur, Aligarh and Hathras intimated that committees held their meetings along with the Board meetings of ZP.
- Further, out of 12 KPs test-checked, six committees were constituted in all KPs except KP Sadar, Mahrajganj where only four committees were constituted.

On this being pointed out in audit BDO stated (September 2013) that in the said Government order, a provision for constitution of only four committees instead of six committees was mentioned. The order was not readily available with them. No documentary evidence in support of committee's meeting was furnished by any of the test-checked KPs.

- Information furnished by test-checked 70 GPs revealed that although the said committees were constituted in all the GPs, they did not furnish the records in support of the meetings held.

Thus, the objective of the State Government for decentralised governance and public participation was only partially achieved.

¹⁹ G.O. No. 4430/33-1-99-SPR/99 dated 29 July 1999.

²⁰ Planning and Development Committee, Education Committee, Works Committee, Health and Welfare Committee, Administrative Committee and Water Management Committee.

4.1.9 Status of maintenance of accounts in PRIs

4.1.9.1 Non-maintenance of accounts in the prescribed formats by ZPs and KPs

On the recommendations of the EFC, for exercising proper control and securing better accountability, 16 formats (*Appendix 4.1.5*) for the preparation of budget and accounts and database of the finances of PRIs were prescribed by the CAG on coding pattern in 2002 further simplified in 2007. After 2009-10, Web-based accounting system, PRIASoft, was introduced as discussed in Paragraph 4.1.10. The State Government issued orders (January 2005) for maintenance of accounts in these formats with the direction that the accounts of GPs would be maintained through CAs, whereas, the accounts of KPs and ZPs would be prepared and maintained by their respective accounts staff. Test check of the records of ZPs and KPs revealed that none of the ZPs and KPs maintained their accounts in the prescribed formats.

Non-maintenance of accounts in the ZPs and KPs in the formats prescribed not only was against the recommendations of the EFC but also deprived the benefits of efficient and effective planning, execution and monitoring of various activities, devolved to PRIs.

4.1.9.2 Non-maintenance of Budget Estimates by KPs

As per Rule 3 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, revised estimate for the current year and the budget estimate for the following year is to be prepared by ZPs and KPs in October, every year. The information furnished by the 12 test-checked KPs revealed that none of the KPs prepared Budget Estimates and Revised Estimate. Thus, receipts and flow of expenditure were not analysed and monitored by any competent authority.

4.1.9.3 Improper maintenance of accounts in ZPs and KPs

As per Rule 22 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, ZPs and KPs were to prepare monthly account by tenth day of each month in respect of receipts and expenditure for the previous month for submission to first meeting of the ZP and KP respectively which was to be held after tenth day of that month.

Scrutiny revealed that monthly accounts were prepared by 11 ZPs (except by ZP, Mahoba). These were not submitted in meetings of ZPs. Further, KPs did not even prepare their monthly accounts.

This indicated weak financial control of the competent authorities over ZPs and KPs.

4.1.9.4 Status of the accounts of GPs prepared by Chartered Accountants

Pursuant to the recommendations of the EFC, the State Government ordered (January 2005) that the accounts of GPs would be prepared by CAs 2000-01 onwards for which they were to be paid ₹ 4,000 per GP per year. The State Government issued an order (June 2006) for selection of CAs, according to

which the selection/empanelment of CAs was to be done by a district level committee headed by the District Magistrate of the concerned district and funds for the purpose was to be allocated as per the recommendations of the Twelfth Finance Commission (TFC).

Analysis of the information furnished by Director, *Panchayati Raj* revealed that 27,954 GPs accounts²¹ of the 12 test-checked districts were to be prepared for the period 2007-2010 by 9,318 GPs²². Scrutiny of the relevant records revealed that out of 27,954 GPs accounts, only 15,193 accounts (54 *per cent*) were prepared by the CAs. 12,761 GP's accounts remained incomplete/unprepared (2007-10). Further, out of these 12,761 accounts, preparation of 11,403 GP's accounts (89 *per cent*) was not initiated in 11 districts²³, of which in eight districts²⁴ even the selection of CAs for 2009-10 was not made.

Consequently, ₹ 4.56 crore, provided to 11,403 GPs in the 12 test-checked districts for preparation of accounts through CAs, was lying unutilised at GP level. (*Appendix 4.1.6*)

4.1.9.5 Accounts of GPs prepared by CAs remained unscrutinised

As per order of the State Government (June 2006), the Deputy Director, *Panchayat* (DDP) was to check the accuracy of accounts prepared by the CAs by selecting five *per cent* of GPs on a random basis. Besides each DPRO, *Vittiya Paramarsh Data* (VPD), ZP and District Audit Officer (DAO), Co-Operative Societies and *Panchayats* were to check 10 *per cent* of the GPs in their districts.

Scrutiny of records of 12 test-checked DPROs revealed that the order was not adhered to in any district except in Chandauli.

Thus, there is no assurance with regard to accuracy of the accounts prepared by CAs for the period 2007-10 at a cost of ₹ 5.52 crore²⁵.

4.1.9.6 Non-maintenance of Cash books

As per Rule 84 of UP, ZP and KP (Budget and General Accounts) Rules, 1965, cash book of every ZP and KP was to be maintained and closing balance worked out on daily basis. Authenticity of the entries made in the cash book was to be verified by the *Karya-Adhikari/Khand-Vikas Adhikari*. Scrutiny of cash book of ZP, Mahrajganj revealed that the cash book was maintained with effect from September 2011 only.

On this being pointed out, AMA, Mahrajganj stated (September 2012) that the then Accountant was ordered to complete cash book and the matter of non-compliance of his orders had been reported to the State Government, while opening balances were taken as per bank's pass book.

²¹ 9,318 per year, for the year 2007-08, 2008-09 and 2009-10. i.e. $9,318 \times 3 = 27,954$.

²² Aligarh: 853; Basti: 1,047; Bahraich: 903; Chandauli: 620; Gorakhpur: 1,233; Hathras: 430; Jaunpur: 1,514; Lalitpur: 340; Mahrajganj: 777; Mahoba: 247; Mau: 596; and Mirzapur: 758.

²³ Aligarh, Bahraich, Basti, Chandauli, Gorakhpur, Hathras, Jaunpur, Mahrajganj, Mahoba, Mau and Mirzapur.

²⁴ Aligarh, Bahraich, Gorakhpur, Jaunpur, Mahrajganj, Mahoba, Mau, and Mirzapur.

²⁵ Total accounts prepared in 12 test-checked district except Chandauli, i.e. $(15,193 - 1,404) \times ₹ 4,000 = ₹ 5,51,56,000$

Seven KPs²⁶ out of 12 test-checked did not maintain cash book.

On this being pointed out, these KPs stated that Grant Registers (Part-I, II and III) were being maintained in place of cash book. This was fraught with risks of defalcation and misappropriation apart from non-adherence to laid down procedures. GPs maintained the cash book.

4.1.9.7 Non-reconciliation of balances of cash book with those of bank pass-books

According to rule 84 (2) of UP, ZP & KP (Budget & General Accounts) Rules, 1965, the balances of cash book should be checked with reference to the balances of bank pass book at the close of every month and difference, if any, should be reconciled.

Two ZPs (Mirzapur and Mahoba), three KPs (Risiya, district Bahraich; Kopaganj, district Mau and Kaptanganj, district Basti) and all 70 test-checked GPs did not reconcile the cash books with the banks up to 2011-12. ZP Mahoba and KP Kopaganj had prepared reconciliation statement in 2012-13. The rest did not reconcile their cash balances with banks even in 2012-13.

4.1.9.8 Non-inclusion of details of roads in asset register

As per Rule 4 of UP, ZP and KP (*Chal तथा Achal Sampatti*) Rules, 1965, each and every ZP and KP should classify and enter the details of (a) Metalled Road (b) Unmetalled Road and (c) Other roads in their asset registers.

Information collected from the test-checked 12 ZPs and 12 KPs revealed that none of the ZPs and KPs mentioned/recorded details of roads in their asset registers.

4.1.10 Status of web-based accounting software PRIASoft

MoPR, Government of India informed the State Governments (October 2009) to mandatorily introduce MAS developed by NIC for PRIs on a web based software (PRIASoft) with effect from April 2010. The State Government emphasised (April 20, 2012) that, accounts of PRIs for 2010-11 and 2011-12 were to be prepared on PRIASoft latest by April 30, 2012 and May 10, 2012 respectively.

4.1.10.1 Delayed/ non-entering of accounts on PRIASoft

We observed that data entries for scheme codes²⁷ 11, 13, 14, 15, 16, 18, 19, 20, 21 and 22 were not made on PRIASoft in any of the test-checked KPs. Entries for scheme code 11 were made by only five ZPs²⁸.

²⁶ KP Basgaon; KP Chandauli; KP Kaptanganj; KP Kopaganj; KP Mahrajganj sadar; KP Risiya; and KP Sujanganj.

²⁷ Code 11-Mahatma Gandhi National Rural Employment Guarantee Scheme; 13-Swaran jayanti Gram Swarozgar Yojana; 14-Indira Awas Yojana; 15-National Rural Health Mission; 16-Accelerated Rural Water Supply Programme; 18-Mid Day Meal Scheme; 19-Sarva Shiksha Abhiyan; 20-Pradhan Mantri Gram Sadak Yojana; 21-Integrated Watershed Management Programme; and 22-Integrated Child Development Services.

²⁸ ZP Chandauli, ZP Jaunpur, ZP Lalitpur, ZP Mahrajganj, and ZP Mau.

Analysis of the information furnished by 12 test-checked ZPs revealed that annual accounts for 2010-11 were not closed in ZP, Mau up to the prescribed date and accounts for 2011-12 were not closed in three ZPs (Bahraich, Chandauli, and Jaunpur) and not initiated in ZPs, Mirzapur, Basti and Mau by the prescribed date (30 April 2012 and 10 May 2012 for 2010-11 and 2011-12 respectively).

The status of PRIASoft in KPs and GPs of 12 test-checked districts was as shown in **Table 2**.

Table 2: Status of Year book closing in KPs and ZPs

Sl. No.	Name of the District	No. of KPs/GPs	No. of KPs/GPs Accounts closed for 2010-2011	No. of KPs/GPs Accounts not closed for 2010-2011	No. of KPs/GPs Accounts closed for 2011-2012	No. of KPs/GPs Accounts not closed for 2011-2012	No. of KPs/GPs Accounts closed for 2012-2013	No. of KPs/GPs Accounts not closed for 2012-2013
1	Chandauli	09/620	06/618	03/2	05/293	04/327	0/11	09/609
2	Mirzapur	12/758	12/757	00/01	12/756	00/02	02/753	10/05
3	Jaunpur	21/1514	21/1513	00/01	18/1134	03/380	09/277	12/1237
4	Mahrajganj	12/777	12/776	00/01	12/777	00/00	11/687	01/90
5	Mau	09/597	09/593	00/04	09/582	00/15	03/97	06/500
6	Gorakhpur	19/1233	19/1233	00/00	19/1233	00/00	12/1176	07/57
7	Hathras	07/430	06/428	01/02	06/380	01/50	01/69	06/361
8	Lalitpur	06/340	04/339	02/01	02/333	04/07	02/43	04/297
9	Mahoba	04/247	04/247	00/00	04/247	00/00	02/152	02/95
10	Aligarh	12/853	10/851	02/02	09/654	02/199	01/56	11/797
11	Basti	14/1047	14/1047	00/00	14/1044	00/03	04/523	10/524
12	Bahraich	14/903	12/901	02/02	11/837	03/66	03/375	11/528

(Source: Director, *Panchayati Raj*, Uttar Pradesh)

As can be seen from the table, out of 139 KPs and 9,318 GPs in 12 test-checked districts, annual accounts of 2010-11 of 10 KPs and 16 GPs and annual accounts of 2011-12 of 17 KPs and 1,049 GPs were not closed up to August 2013. Annual accounts of 2012-13 were not closed in 89 KPs and 5,100 GPs, though the target date of closing of accounts of 2012-13 was September 2013, as stated (September 2013) by the Director, *Panchayati Raj*.

4.1.10.2 Non-preparation of Statement of affairs and difference between Cash Book's opening balance and Opening Balance of PRIASoft

As per Para 7 of D.O. letter of MoPR of October 2009, all the *Panchayats* need to prepare a 'Statement of Affairs' based on which, opening balance as on 01 April 2010 can be worked out.

Scrutiny of the records of 12 ZPs and 12 KPs revealed that no Statement of Affairs (details for entering Opening Balances (OBs) as on 01 April 2010 on PRIASoft) was worked out by any ZP and KP except ZP Aligarh.

Differences between OBs as per Cash Book/Financial Statements (furnished to audit) and OBs in PRIASoft were as shown below in **Table 3**.

Table 3: Difference in Opening Balances between Cash Book and PRIASoft

(In ₹)

Sl. No.	Name of the ZP/KP	OB (10-11) as per Cash Book/Financial Statement	OB (10-11) as per PRIASoft	Difference between columns (3) & (4) (-) More in PRIASoft (+) Less in PRIASoft
(1)	(2)	(3)	(4)	(5)
1	ZP, Mahoba	4,35,07,652.72	6,64,98,473.73	(-) 2,29,90,821.01
2	ZP, Aligarh	2,46,37,937.00	2,46,77,947.53	(-) 40,010.53
3	ZP, Hathras	1,90,32,965.05	1,84,62,331.05	5,70,634.00
4	ZP, Gorakhpur	15,81,50,006.83	15,72,45,258.83	9,04,748.00
5	ZP, Lalitpur	4,08,81,187.00	4,08,81,187.00	0.00
6	ZP, Jaunpur	14,47,52,406.11	15,08,02,545.13	(-) 60,50,139.02
7	ZP, Bahraich	9,27,17,661.42	9,00,62,715.72	26,54,945.70
8	ZP, Basti	7,97,81,000.00	13,18,21,922.97	(-) 5,20,40,922.97
9	ZP, Mahrajganj	20,94,01,932.54	15,62,73,920.70	5,31,28,011.84
10	ZP, Chandauli	5,00,49,000.00	4,78,38,476.00	22,10,524.00
11	ZP, Mau	5,44,00,351.92	5,44,00,351.92	0.00
12	KP, Kabrai, Mahoba	47,98,157.50	32,10,296.00	15,87,861.50
13	KP, Sujanganj, Jaunpur	80,43,507.49	16,18,092.00	64,25,415.49
14	KP, Basgaon, Gorakhpur	82,76,046.77	42,59,525.00	40,16,521.77
15	KP, Birdha, Lalitpur	1,58,34,492.35	84,50,586.00	73,83,906.35
16	KP, Risiya, Bahraich	48,47,200.00	8,89,853.00	39,57,347.00
17	KP, Khair, Aligarh	42,00,704.00	33,29,699.00	8,71,005.00
18	KP, Rajgarh, Mirzapur	1,04,04,050.70	6,48,825.70	97,55,225.00
19	KP, Sadar, Chandauli	1,60,01,577.01	13,69,538.00	1,46,32,039.01
20	KP, Kaptanganj, Basti	23,62,027.61	2,81,444.00	20,80,583.61

(Source: Director, Panchayati Raj, Uttar Pradesh)

Twenty (KPs and ZPs) out of 24 test-checked stated that OBs were entered as per cash book except in ZP, Mahrajganj where OB was entered on the basis of bank accounts as cash book was not maintained by the ZP.

The replies cannot be accepted. They did not prepare the Statements of Affairs and OBs (for 2010-11) entered on PRIASoft were also not as per OBs of cash book in nine ZPs.

Thus, Receipt and Payment accounts in PRIASoft did not reflect accurate picture of financial position of PRIs.

4.1.10.3 All Eight formats of Model Accounting System were not generated on PRIASoft.

Model Accounting System for *Panchayats* was introduced for ensuring proper control and better accountability. MAS contained eight accounting formats (*Appendix 4.1.7*) in which accounts of PRIs were to be maintained.

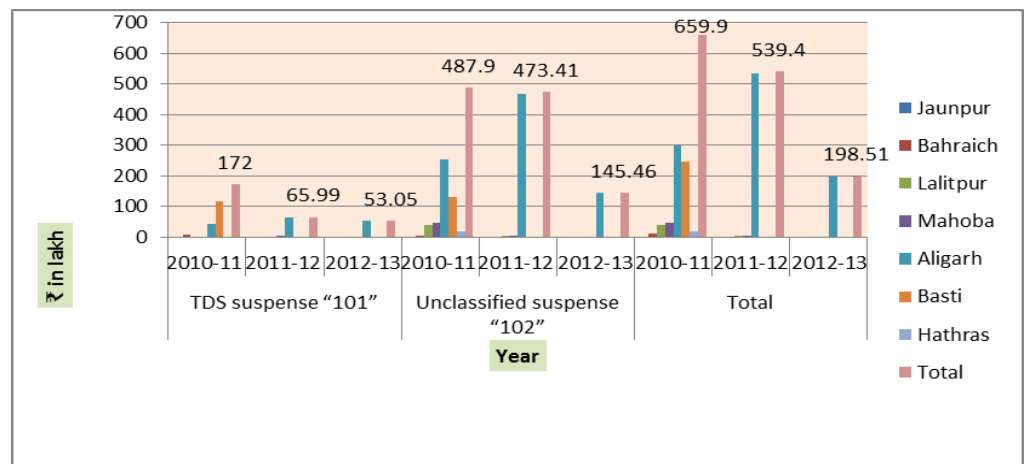
Scrutiny of information furnished by all test-checked entities, revealed that only three (Format I, II and III) out of eight formats of MAS were generated on PRIASoft by the test checked ZPs and KPs. Only two Formats (Format I and III) were generated by most of the GPs. Further, Budget Estimates parts of Format-I, though prepared by ZPs, were not entered on PRIASoft. Since no budget was prepared by KPs and GPs, the same was not taken to PRIASoft. Format-IV, V, VI, VII and VIII in respect of Statement of Receivables and Payables, Immovable Properties, Movable Properties, Inventories and Demand Collection respectively were not generated by any entity in the test-checked districts, as the transactions were not entered on PRIASoft.

The Director, *Panchayati Raj* stated (September 2013) that the facility to generate these formats was provided recently by the GoI and since the annual closing of the accounts of 2012-13 was done, all the eight formats would be generated from 2013-14.

4.1.10.4 Large amounts of receipts and payments kept under Suspense Accounts

Scrutiny of Annual Receipt and Payment Accounts of 12 test-checked ZPs on PRIASoft (Format-I) revealed that huge amounts were shown under the Minor Heads 101-TDS Suspense and 102-Unclassified Suspense of “Major Head 8658– Suspense Accounts” shown in **Chart II (Appendix 4.1.8)**

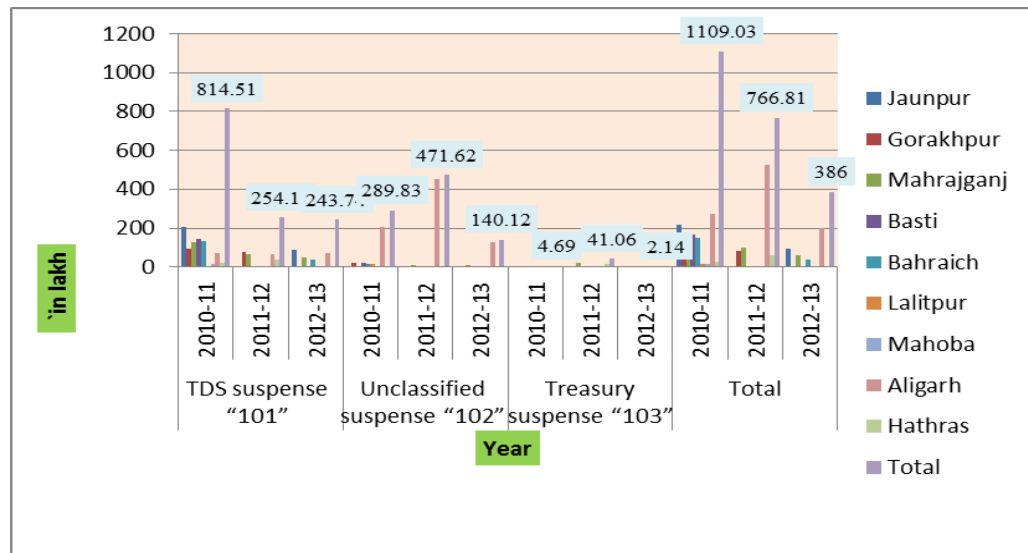
Chart 2: Amount lying under various heads of 8658-Suspense Account in PRIASoft in test-checked ZPs “Receipt side”



It is evident from the above chart that a sum of ₹ 6.60 crore, ₹ 5.39 crore and ₹ 1.99 crore was lying under suspense accounts (TDS and Unclassified) during 2010-11, 2011-12 and 2012-13 respectively in receipt side of Format-I.

Similarly ₹ 11.09 crore, ₹ 7.67 crore and ₹ 3.86 crore were lying under TDS suspense, Unclassified suspense and Treasury suspense accounts during 2010-11, 2011-12 and 2012-13 respectively in payment side of Format-I shown in **Chart 3(Appendix 4.1.9)**.

Chart 3: Amounts lying under various heads of 8658-Suspense Accounts in PRIASoft in test-checked ZPs "Payment side"



Keeping receipts of ₹ 13.98 crore during 2010-13 in Suspense Accounts by the test-checked ZPs indicated that ZPs were unaware of their fund resources. Similarly, ZPs kept their payments of ₹ 22.62 crore in Suspense Accounts during 2010-13 and, therefore ZPs were unaware of correct classification for their expenditure.

On this being pointed out in audit, ZPs stated (September 2013) that necessary corrections would be made in future. The replies of ZPs are not acceptable. Accounts of 2010-13 were closed in the nine (payment side) and six districts (receipt side) at the time of audit.

4.1.10.5 Deficiency in resources and PRIASoft trained manpower in PRIs

Scrutiny of the information furnished by the Director, PR Department, revealed that the workshops for implementation of PRIASoft and MAS in PRIs were held in Lucknow (One Day), Agra (Two Days) and in Allahabad (Two Days) in June 2010, November 2010 and December 2010 respectively, in which AMAs of ZPs, DPROs and Accountants of all districts were imparted training about the software. They further informed that practical training on different aspects of the software was being provided to officers and staff connected with accounts at different levels. Analysis of information provided by the test-checked PRIs revealed that the accountants of the test-checked ZPs,

except ZP, Mirzapur, and 11 out of 1,746 GPs/GVAs in 12 test-checked districts, were only imparted training on PRIASoft. In ZP, Mirzapur office clerk was imparted training on PRIASoft instead of the accountant. However, no accountant was imparted training on PRIASoft in the test-checked KPs.

Analysis of the information of the test-checked PRIs revealed that computers, internet access and other necessary infrastructure, required for feeding in PRIASoft were inadequate. State Government decided (June, 2011)²⁹ to provide computers and computer operators in the districts covered under Backward Regions Grant Fund (BRGF) on the basis of total number of KPs in the district. AMAs of the ZPs concerned informed the BDOs of KPs concerned to avail services of computers operators for feeding records (of all GPs in that KP) in PRIASoft. No such arrangement was made for non-BRGF districts.

Thus, PRIs were largely devoid of trained manpower and Information Technology infrastructure which was essential for smooth implementation of MAS and PRIASoft both at district and grass root levels.

4.1.10.6 Additional manpower for entering data on PRIASoft in districts covered under BRGF.

Scrutiny of information relating to test-checked ZPs revealed that in the districts covered under BRGF, the State Government sanctioned (April 2011) ₹ 10,000 per month for each KP in the district for eight months (one Computer Operator for each KP) on outsourcing basis, from Capacity Building fund of BRGF for entering GP's account, of the concerned KP on PRIASoft. The State Government nominated Vibgyor Info Private Limited (Agency) for providing manpower. Further scrutiny of records in nine test-checked³⁰ BRGF districts revealed that:

- Three ZPs (Basti, Lalitpur and Mahoba) did not enter into any agreement/Memorandum of Understanding with the Agency.
- ZP, Mirzapur, did not appoint any Computer Operator even after entering into an agreement with the Agency concerned, as a result of which ₹ 9.60 lakh³¹ was lying idle with the ZP.
- Payment to the agency was to be made only after obtaining the certificate of satisfactory work of the Operators from Assistant Development Officer *Panchayat* (ADO (P)) but the ZPs made payments after obtaining attendance report only.
- AMA Lalitpur availed the services of one Assistant Programmer @ ₹ 12,000 per month, without the sanction of the State Government in addition to six Computer Operators one each for KP (six computer operators were sanctioned by the State Government). AMA Lalitpur paid

²⁹ No. 2386/33/PMU/2011 dated 13.06.2011.

³⁰ Bahraich, Basti, Chandauli, Gorakhpur, Jaunpur, Lalitpur, Mahoba, Mahrajganj and Mirzapur, which was among the 12 test-checked districts.

³¹ ₹10,000×8 months = ₹ 80,000×12 KP = ₹ 9,60,000.

₹ 7.20 lakh (₹ 2.40 lakh + ₹ 4.80 lakh) in advance against the total sanction of ₹ 4.80 lakh to the agency without any agreement/MoU. This advance was not entered in the advance register. Services of Computer Operators except one Assistant Programmer were terminated after eight months of their joining.

The performance of computer operators was not up to the mark because *cent-per cent* closing of year books for 2010-12 in KPs and GPs of the test-checked districts was not done. No arrangement for outsourcing was made for non-BRGF districts. The State Government revoked (February 2012) the decision of January 2012 to avail the services of computer operators all over the State for entering the data on PRIASoft at the rate of ₹ 10,000 per month (including all taxes etc.) per operator.

4.1.11 Internal control and monitoring

Internal control (IC) is a system within an organisation that governs its activities to effectively achieve its objectives. A built-in Internal Control System provides reasonable assurance to an organisation about compliance with applicable norms and rules thus achieving reliability of financial reporting and efficiency and effectiveness in organisational functions to achieve the organisational goals. Internationally, the best practices in IC have been given in the Committee of Sponsoring Organisation of the Tradeway Commission (COSO) framework which is a widely accepted model for IC.

We examined the adequacy of internal controls in PRIs with reference to the laid down procedures for monitoring, supervision, maintenance of records *etc.*

Scrutiny revealed that although the committees were constituted, as envisaged in Government Order (July 1999) in each tier of PRIs (ZPs, KPs and GPs) they were not actively participating in the functioning of PRIs as meetings were not regularly held. Consequently, all the payments were being made by PRIs without obtaining the required approval of the committees concerned as discussed in Paragraph 4.1.8.

The Government Order³² (June 2006) for maintenance of GPs' accounts by the CAs, emphasized on inspection of the quality of accounts. The order laid stress on inspection of quality of accounts of GPs by the DDP (five *per cent*) and by the DPRO, VPD and DAO (10 *per cent* each) in the district. The envisaged inspections were not conducted in any of the test-checked PRIs as discussed in paragraph 4.1.9.5.

As per the Government Orders (January 2011 and April 2012)³³ the DPROs were responsible for accuracy and up-dating of accounts, and timely completion of entering of vouchers of GPs and KPs on PRIASoft for 2010-11 and 2011-12, latest by April 30, 2012 and May 10, 2012 respectively.

³² G.O.No.506/33-3-2006-100(14)/04, *Panchayat Raj* Section-3 dated 16 June 2006.

³³ Vide G.O.No. 1/121/2012-1/205/2012 dated 20 April 2012.

On this being pointed out in audit (percentage/random checking of vouchers of GPs and KPs being entered in the PRIASoft), it was stated by seven³⁴ out of 12 DPROs of 12 test-checked districts that random checking would be done in future. One³⁵ DPRO stated that inspection work was in progress. Two³⁶ DPROs stated that inspection was done by the ADOs (P). However, no documents, in support, though called for, such as inspection notes or correction advice were furnished. Further, Director, PRIs stated (September 2013) closing date for 2012-13 account was September 2013.

Thus, internal controls in PRIs were weak and requisite monitoring of functioning of PRIs by competent authorities was lacking.

4.1.12 Conclusion

Though the State Government amended (April 1994) the UP KP and ZP Act 1961 and UP, PR Act 1947 and devolved funds, functions and functionaries, only 16 functions were transferred to PRIs. Even the transferred functions/activities were not carried out effectively by PRIs. Further, six Committees, constituted in PRIs did not supervise the activities under their jurisdiction.

The test-checked PRIs did not maintain their accounts in the formats (during 2007 to 2010) prescribed by the CAG. Even after the simplification of eight formats of accounts (during 2010-13) issued by the CAG, the desired reports from PRIASoft were not generated as basic data was either not entered in the PRIASoft or entered erroneously in most of the PRIs. Accounts on PRIASoft did not reflect an accurate picture of financial position of PRIs. PRIs were without adequate computer-trained manpower as the training on PRIASoft was not imparted to any accounts-keeping staff in KPs except to a few GPs and GVAs in the test-checked districts. They were, therefore, facing problems in data-entry in PRIASoft.

4.1.13 Recommendations

- *The Government should fix a deadline for transfer of all the functions as envisaged in the Eleventh Schedule of the Constitution at the earliest.*
- *The State Government should make arrangement for transfer of adequate number of functionaries to PRIs for their effective functioning and provide required funds for implementing the transferred functions.*
- *Skilled staff should be permanently posted in all PRIs including BRGF districts for proper accounting in PRIASoft.*
- *The State Government should strengthen the internal control mechanism in PRIs for effective financial control over funds and execution of works.*

³⁴ DPROs, Aligarh, Gorakhpur, Hathras, Jaunpur, Lalitpur, Mahrajganj and Mahoba.

³⁵ DPRO, Mau.

³⁶ DPROs, Chandauli and Mirzapur.

Long Paragraph

4.2 Working of *Panchayati Raj* Institutions in District Azamgarh

4.2.1 Introduction

Keeping in view the Seventy Third Constitutional amendment 1992, Uttar Pradesh *Kshetra Panchayat and Zila Panchayat Adhiniyam*, 1961 was amended in 1994 to establish a three-tier *Panchayati Raj* system of elected bodies. The amended Act envisaged decentralisation of power to rural self-governing bodies viz., *Gram Panchayat* (GP) at village level, *Kshetra Panchayat* (KP) at intermediate level and *Zila Panchayat* (ZP) at the district level which till then were vested with the State Government. The system of *Panchayati Raj* Institutions (PRIs) aimed at increasing participation of people in local governance and effective implementation of rural development programmes. The overall supervision, co-ordination, planning and implementation of developmental schemes vests with the ZP.

There are 22 KPs and 1,617 GPs in District Azamgarh. Audit of working of PRI was taken up to assess whether (i) Planning and Budget preparations processes are being followed efficiently, (ii) Financial Management for the schemes are adequate, (iii) Human resource management was proper and efficient, (iv) the schemes were implemented in accordance with the prescribed guidelines in an efficient and effective manner, (v) efficient monitoring system existed at various levels and was functioning effectively and (vi) the internal controls and internal audit system were effective.

Test-check of records of ZP, District *Panchayat Raj* Officer (DPRO), five KPs³⁷ and 10 GPs³⁸ (two from each KP) was conducted between July 2013 to October 2013 covering the period from April 2010 to March 2013.

4.2.2 Financial Management

4.2.2.1 Funding arrangement

District Azamgarh received funds under the recommendations of the Thirteenth Finance Commission (TFC), Third State Finance Commission (SFC), Backward Regions Grant Fund (BRGF), Total Sanitation Campaign (TSC)/*Nirmal Bharat Abhiyan* (NBA) and Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS). Revenue, by the PRIs was earned from their own resources such as taxes, rents, fees etc.

³⁷ KPs Martinganj, Palhana, Koilsa, Phoolpur and Sathiyav.

³⁸ GP Kuriyawan and Larpur Baksu of KP Martinganj, GP Benupur and Asausa of KP Palhana, GP Bhimakol and Ekdangi Viharpur of KP Koilsa, GP Gobarha and Manpur of KP Phoolpur, GP Sikandarpur and Dilia of KP Sathiyav.

4.2.2.2 Fund flow mechanism

BRGF	The BRGF funds are directly transferred by the State Government into the bank account of <i>Panchayats</i> within 15 days of release from Government of India (GoI). Funds are released immediately by the <i>Panchayat</i> either in full or in installments on the sanction of the works as may be decided by the <i>Panchayat</i> concerned.
MNREGS	The GoI and Government of Uttar Pradesh (GoUP) transfer their respective shares of MNREGS funds into a bank account called State Employment Guarantee Fund (SEGF) set up outside the State Accounts. Commissioner, Rural Development is custodian of SEGF and administers onward transfer of funds from it to the District and Sub District level.
TSC/NBA	The GoI transfers its share directly in bank account of District Water and Sanitation Mission set up in each district. DPRO, who is ex-officio secretary of mission, draws GoUP's share from District Treasury Officer (TO) on the basis of allotment received from GoUP and deposits it into Mission Bank Account.
TFC/SFC	The TFC fund received by State Government and funds of SFC are sent to Directorate, <i>Panchayati Raj</i> (DPR) and Deputy Director, <i>Zila Panchayat</i> (DDZP). The DPR transfers the fund to DPRO and allotments are made to GPs & KPs, while DDZP transfers the funds to ZPs.

4.2.2.3 Financial position

The yearwise status of opening balance, funds received, expenditure incurred and closing balance during 2010-13 under the various schemes of the test-checked units is given in **Table 1**.

Table1: Funds received

Year	Opening balance	Funds received during the year	Total funds available	(₹ in lakh)	
				Expenditure (per cent)	Closing balance (per cent)
2010-11	2,068.18	5,164.64	7,232.82	4,890.78 (67.62)	2,342.04 (32.38)
2011-12	2,342.04	3,193.29	5,535.33	4,190.55 (75.70)	1,344.78 (24.30)
2012-13	1,344.78	3,453.25	4,798.03	1,825.13 (38.04)	2,972.90 (61.96)

(Source: Budget statement³⁹ of ZP, five KPs & ten GPs)

4.2.2.4 Revenue realised from own sources

Under Section 119 of *UP Kshetra Panchayat and Zila Panchayat Act, 1961* (UP KP & ZP Act), ZP was made responsible for generation of revenue by levying rent, taxes, fees etc. under their jurisdiction. The revenue realised by ZP during 2012-13 is given under **Table 2**.

³⁹ The details of schemewise fund are given in *Appendix 4.2.1*

Table 2: Revenue realised from own sources**(₹ in lakh)**

Name of item	Outstanding dues of previous year	Demand for the year 12-13	Total target	Achievement	Balance
Circumstances and property tax	27.09	53.15	80.24	49.74	30.50
Shops, Building rent	44.80	13.14	57.94	12.08	45.86
Tehbazari	19.18	7.44	26.62	7.51	19.11
Total	91.07	73.73	164.80	69.33	95.47
Achievement Percentage				42.07	

(Source: Recovery statement of ZP Azamgarh)

The table reveals that in the beginning of 2012-13, outstanding dues were ₹ 91.07 lakh and during 2012-13, ZP raised a demand for ₹ 73.73 lakh. Out of the due total amount of ₹ 1.65 crore, only ₹ 69.33 lakh (42.07 per cent) was recovered and the remaining ₹ 95.47 lakh (57.93 per cent) was still unrecovered at the end of 2012-13.

4.2.2.5 Budgeting and Budgetary Process

Budgeting and budgetary process entails preparation and examination of the annual budget estimates and subsequent control over expenditure. The ZP, KPs and GPs were to prepare the annual budget in terms of UP, KP & ZP Act (Section 110 & 115) and *Panchayati Raj Act, 1947* (UP PR Act) (Section 41), following which it was to be passed by ZP/KP/GP. It was, however, noticed that budget was not prepared in any of the test-checked GPs and KPs. ZP prepared the Annual Budget but it did not adhere to the time-line.

4.2.2.6 Cash Management

GPs are to keep three separate village funds I- Miscellaneous, II- MNREGA and III- Scholarship. GPs may keep the amounts of these funds in post office, co-operative banks and gramin banks or nationalised banks in three separate accounts. For these, *Gram Panchayat Adhikari* (GPA) is to maintain three passbooks in the prescribed format in addition to the passbooks issued by bank. On the last day of each month it has to reconcile the difference, if any, in the two sets of figures. *Gram Pradhan* is to check and sign them on the same day. None of the test-checked GPs maintained additional passbook of village funds or prepared reconciliation statement.

4.2.2.7 Operational Management

Under MNREGA, Programme Officer (PO) is responsible for ensuring that responsive and participative *Gram Sabhas* are held each year on 2 October for identification and recommendation of works for preparation of development plan of the year. It was seen that meetings of the *Gram Sabhas* were not conducted on the due dates. The funds received under SFC/TFC were being operated in a single bank account in GPs due to which GPs could not ascertain the correct position of the funds.

4.2.2.8 Inventory Management

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

4.2.3 Human resources

The State Government launched several schemes in GPs, which raised their outlay. In District Azamgarh, against the sanctioned strength of 488 village level workers only 295 (163 GPA & 132 GVA) were working (shortage 40 *per cent*) in 1,617 GPs; on an average only one official for five GPs against the norm of one GPA/GVA for one village.

As per MNREGA guidelines, the State Government is required to appoint *Gram Rozgar Sevak* (GRS) at GP level for effective implementation of the scheme. Only 249 GRS were posted in 326 GPs in the five test-checked KPs.

4.2.4 Internal Control

4.2.4.1 Upkeep of records

Effective Internal Control system helps to provide reasonable assurance of adherence to Laws, Rules, Regulations and Orders, safeguards against Fraud, mismanagement and ensures reliable financial and management information. The controls include proper maintenance of accounts, reconciliation of figures, documentation and inspection.

GPs and KPs are to prepare and maintain various records and registers. None of the test-checked GPs had maintained cheque book receipt and issue register, demand and recovery register, inspection register, work register, stock register, asset register and additional pass books of village funds. None of them prepared reconciliation statements.

In respect of MNREGA, it was found that out of 10 test-checked GPs, nine GPs⁴⁰ had not maintained work register while eight GPs⁴¹ did not maintain stock register. The Asset Register was not maintained by two KPs⁴² and four GPs⁴³.

For creation of assets under different schemes such as roads, *Anganwadi* centers, *Panchayat Ghar*, Plantation etc., the GPs had not maintained asset register.

According to provisions of *Panchayat Manual*, GPA is to prepare quarterly accounts for submission to GP's planning and development committee for internal audit. The committee is to examine it and put up its findings to

⁴⁰ GP Kuriyawan, Larpur Baksu, Asausa, Benupur, Ekdangi Viharpur, Gobraha, Manpur, Sikandarpur and Dilia.

⁴¹ GP Kuriyawan, Larpur Baksu, Asausa, Benupur, Bhimakol, Ekdangi Viharpur, Gobraha and Manpur.

⁴² Palhana and Phoolpur.

⁴³ Gobarha, Asausa, Manpur and Larpurbaksu.

Gram Pradhan for further action as required. Test-checked GPs had not prepared quarterly accounts.

4.2.4.2 Non monitoring of works

As per section 33 (iii) of UP KP & ZP Act, ZPs are to supervise the work of KPs and GPs. Azamgarh ZP did not do so.

MNREGS has prescribed procedures for inspection and monitoring. It includes 100 *per cent* inspection of works by block level, 10 *per cent* by District level and two *per cent* by State level officials.

Test-check revealed that no records were maintained in KPs and GPs regarding inspection of work by an officer at a higher level. Audit could not assess the prescribed inspection and monitoring arrangement due to non-maintenance of records.

4.2.5 Audit Findings

4.2.5.1 Unfruitful expenditure on construction of *Gram Panchayat Sachivalayas* ₹ 68.22 lakh

The GoI introduced (January 2007) BRGF programme with the objective to redress regional imbalances in development and to bridge critical gaps in local infrastructure which were not being adequately met through existing inflows.

Out of five test-checked KPs, in two KPs the Project Director, Project Management Unit (PMU), BRGF approved (February 2009) the proposal for construction of *Gram Panchayat Sachivalayas* (GPS) relating to 2007-08 and sanctioned ₹ 10.74 lakh for each GPS against an estimate of ₹ 13.35 lakh (KP Sathiyav) and ₹ 17.30 lakh (KP Palhana) for which 90 *per cent* was released to the KPs (May 2009 and July 2009). Five and two GPS were to be constructed by KP Sathiyav and KP Palhana respectively. Administrative & Financial sanction for 2009-10 was given by Under Secretary, *Panchayati Raj* Department (PRD) on the condition that projects of 2007-08 had to be completed on priority. The construction of GPS (2007-08) was started in 2009-10 for which the date of completion was March 2010 which was extended upto March 2013. Further, it was noticed that GPS Rampur (KP Palhna) was constructed on disputed land and six other GPS were lying incomplete. Thus, seven GPSs were not handed over to GPs even after a lapse of four years after incurring an expenditure ₹ 68.22 lakh with an unadjusted advance of ₹ 5.64 lakh. The details are given in **Table 3**.

Table 3: Incomplete sachivalyas**(₹ in lakh)**

Name of KPs	Name of GP where the GPS was to be built	Year in which expenditure incurred.	Advance given to work incharge	Expenditure	Remarks
Palhana	Rampur	2009-10	1.00	7.26	Disputed
	Malapar	2009-10	1.00	7.26	Incomplete
Sathiyav	Bithauli	2009-10	0.76	10.02	Incomplete
		2010-11	0	0.28	
	Abari	2009-10	0.95	9.08	Incomplete
	Karpia	2009-10	0.26	9.40	Incomplete
		2010-11	0.25	0.26	
	Fhakruddinpur	2009-10	0.41	9.50	Incomplete
		2010-11	0.25	0.27	
	Gajhada	2009-10	0.76	9.25	Incomplete
	Total			5.64	62.58
Grand Total			68.22		



GPS Malapar



GPS Rampur

On this being pointed out, the Block Development Officer (BDO) Palhana and Sathiyav replied (August and October 2013) that the work was incomplete due to paucity of fund and work incharge would be asked to submit the adjustment against the advance. Regarding construction on disputed land the BDO Palhana replied that work was initiated on the basis of land record (khatauni) of Sub-District Magistrate wherein the land was shown as allotted for GPS.



Ambari GPS

The reply is not acceptable. New GPS (project of 2009-10) was completed by Sathiyav without completing the old GPS and advances were still unadjusted in both KPs. In case of Palhana works was started on disputed land.

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

Under BRGF scheme {para 1.1(A)}, the provisions for construction of bridges and approach roads are included to improve connectivity and increase regional development.

Scrutiny of records of five test checked KPs revealed that in KP Sathiyav, PD, PMU had approved the project 'Awabpura Rajbhar Basti to Deoria Tal bridge and approach work' (February 2009) for ₹ 21.48 lakh. Due to upgradation in drawing & design, *Apar Mukhya Adhikari* (AMA), ZP Azamgarh issued a direction (February 2010) to prepare a revised estimate. In compliance, a detailed estimate for ₹ 39.80 lakh was prepared (February 2010) by the KP Sathiyav. Technical approval was accorded (February 2010) by the Executive Engineer, Rural Engineering Service, Azamgarh⁴⁴ and the work was started on 7 June 2010. On the basis of last measurement (July 2010), ₹ 33.95 lakh had been paid to contractor though it is evident that approach roads were not completed (upto 53 per cent), despite the work being executed under short term tender.



Awabpura Raj Awabpura Rajbhar Basti to Deoria Tal bridge and approach work

On this being pointed out the BDO Sathiyav stated (October 2013) that due to non-availability of fund (10 per cent), the work was not completed and no reply was given regarding inviting of short term tender.

The reply is not acceptable. No demand for fund was made after July 2010.

4.2.5.3 Unfruitful expenditure ₹ 17.27 lakh on construction of shops

According to the UP KP & ZP Act (Schedule 2) construction, management and maintenance of shops are to be done by the ZP.

⁴⁴ A short term tender was invited (March 2010) by the KP and the tender was accepted at 0.10 per cent below estimate.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that in GP Mahul, 32 shops (part A to E) were to be built on the land belonging to ZP for which estimate of ₹ 46.94 lakh was prepared in five parts for Block A to E. Technical approvals were accorded by Chairman (September 2009 to November 2009). The agreement was executed (15.01.2010) with one contractor against each estimate in which dates of start of work and completion of work were 15.01.2010 and 31.08.2010 respectively. Construction of shops was proposed to be done from the premium amount of ₹ 1.50 lakh demanded per shop. An amount of ₹ 20.20 lakh was received from 16 interested parties. The construction was started (January 2010) and the executed work (part A to E) was at plinth level (February 2010) for which ₹ 17.27 lakh was paid to the contractor. No progress was seen till date of audit (July 2013).

On this being pointed out, the AMA replied that the shops were not completed due to insufficient funds in *Zila Nidhi*.

The reply is not acceptable. Despite a lapse of three years and five month no efforts were made by the ZP to complete the work by obtaining the remaining amount of premium. Moreover, the work should have not been started for all shops without availability of requisite fund.

4.2.5.4 Incomplete targeted Household Toilets due to non availability of MNREGS share of ₹ 2.99 crore

The GoI runs the TSC renamed as the *Nirmal Bharat Abhiyan* (NBA), administered by Ministry of Drinking Water and Sanitation that aims to provide access to individual toilets to all rural households.

Under the scheme, total cost per Household Toilets (HHT) is ₹ 10,000; out of which combined share of Central & State is ₹ 4,600, MNREGS share is ₹ 4,500 and minimum beneficiary contribution is ₹ 900. In 2012-13, under NBA, ₹ 5.72 crore (Central and State share) was received by DPRO Azamgarh who transferred it to GPs without ensuring availability of MNREGS share of ₹ 3.38 crore required for wage component of 7,519 HHT. Under MNREGS, only an amount of ₹ 38.91 lakh was made available to GPs.

On this being pointed out, the DPRO stated (August 2013) that matter is under correspondence.

The reply is not acceptable. Without ascertaining availability of MNREGS share ₹ 2.99 crore, the Central and State share had been transferred to GPs. Thus, huge amount of central and state share remained unutilised in the GPs and the targeted HHTs were not completed.

4.2.5.5 Unfruitful expenditure of ₹ 2.04 lakh on purchase of Sodium Light in GPs

In accordance with recommendation of SFC for maintenance of lamp post etc. in GPs, a Government order was issued in June 2005 according to which

DPRO shall directly make fund available under village *Nidhi* account-1. As per direction of District Magistrate (DM) concerned, the GPs were to purchase bulbs, tubelight, Sodium light and install them on poles. DM was to assure that the *Gram Pradhan* of the GP would complete all formalities with Uttar Pradesh (UP) Power Corporation Limited.

Scrutiny of records (August 2013) of DPRO, Azamgarh revealed that during 2010-11 and 2011-12, GPs Dugdugwa and Jairampur of KP Palhana had purchased sodium lights worth ₹ 62,400 and ₹ 1.42 lakh respectively despite both GPs not being electrically connected. Thus, expenditure incurred on purchase of sodium lights amounting to ₹ 2.04 lakh became unfruitful.

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

Lands under the control of ZP are to be managed according to the Section 107 of the UP KP & ZP Act.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that out of 16,624.81 sq. mtr of residential and non residential land under its control, 11,049.81 sq. mtr of land valuing ₹ 1.83 crore was allotted to 41 leasee between 1933 to 1967. The allotment of land was to be renewed after 30 years from the date of allotment. No action was taken by the ZP for renewal or re-allotment of lands. Moreover, lease for all allotted land also was due for renewal/reallotment from 1963 to 1997 these were neither renewed nor lands reallocated. A meager sum of ₹ 371 was being earned from all these allotted lands.

Further, it was revealed that 3,577 sq. mtr land valuing ₹ 1.10 crore (3100 per sq. mtr) was in unauthorised possession of 34 shop keepers. The appeal of ZP regarding possession of shop is pending in Hon'ble High Court since 1982.

The valuation of the lands was done prior to 2002. Thereafter, valuation of 16,624.81 sq. mtr of land has not been made.

In reply, the AMA stated (July 2013) that action regarding renewal of lease was being taken and valuation of lands would be made.

4.2.5.7 Non levy of royalty of ₹ 7.59 lakh

Under the Uttar Pradesh Mines and Minerals Concession (UPMMC) Rules 1963 and G.O. dated 2 February 2001, royalty on stone ballast/boulders is to be paid by the department/contractor. The Government vide its order dated 5 August 2002 stipulated that each Drawing and Disbursing Officer (DDO) is responsible for realisation of royalty. If the contractor does not produce royalty receipt in form MM-11, the DDO is to deduct the royalty from the contractors' bill and deposit the same into the treasury. The rate of royalty on stone ballast was fixed as ₹ 68 per cubic mtr (02 June 2009) which was raised to ₹ 102 (02 November 2012).

Scrutiny of records (July 2013) of contractors of ZP Azamgarh revealed that 11,168.50 cubic meter stone ballast was procured by them from Sukurut district Sonebadra for bituminous works of 31 roads during the period 2010-11 to 2012-13. The DDO did not deduct the amount of royalty from the bills of contractors despite non-submission of MM-11 forms by the contractors. Thus, undue benefit of ₹ 7.59 lakh was given to the contractors.

On this being pointed out, the AMA stated (July 2013) that the MM-11 form would be obtained from the contractors and the recovery would be made.

4.2.5.8 Non deduction of Cess of ₹ 4.04 lakh

To regulate the employment and conditions of service of building and other construction workers and to provide for their safety, health and welfare measure, the GoUP vide a Government notification (November 2009) constituted 'UP Building and Other Construction Workers Welfare Board'. The GoUP also issued (November 2009) instructions for deduction of cess at the rate of one *per cent* of the cost of construction incurred by an employer. All Departments engaged in construction work were required to deduct cess at the prescribed rate from the bills of contractors and remit the same to the Board through a demand draft within 30 days of such deduction.

Scrutiny of records (July 2013) of ZP Azamgarh revealed that during 2010-11 to 2012-13, various construction works were carried out by the ZP through contractors and an amount of ₹ 4.04 crore had been paid to them. It was noticed that deduction of one *per cent* had not been made from the contractor's bills.

On this being pointed out, the AMA replied (July 2013) that the ₹ 4.04 lakh cess could not be deducted as there was no provision for the same in the estimates.

The reply is not acceptable as it was in contravention of the G.O.

Thus, non deduction of cess resulted in undue favour to the contractors.

4.2.5.9 Non deduction of Income tax of ₹ 2.27 lakh at source and ₹ 7.52 lakh of the amount lying undeposited

Para 159.6 of Income Tax (IT)⁴⁵ provides that IT at the rate of two *per cent* shall be deducted from the bills of contractors/suppliers and the deducted amount shall be deposited into the head concerned.

Scrutiny of records of KPs and GPs revealed that tax at the rate of two *per cent* was not deducted from the bills of suppliers. This resulted in non-realisation of tax amounting to ₹ 2.27 lakh.

⁴⁵ Taxman's Direct Taxes Ready Reckoner.

Further, scrutiny revealed that deduction towards IT was made from some suppliers. The deducted amount of ₹ 7.52 lakh was not deposited in the head concerned. The details are given under **Table 4**.

Table 4: Non deduction of IT and non deposited of deducted amount of IT (in ₹)

Name of Unit	Name of KP	Amount of non deduction of IT	Deducted amount which was yet to be deposited
Martinganj	Martinganj	31,993	1,72,918
Palhana	Palhana	00	34,214
Koilsa	Koilsa	59,389	6,607
Phoolpur	Phoolpur	00	1,56,780
Sathiyav	Sathiyav	00	3,78,862
GP Bhimakol	Koilsa	10,064	00
GP Akdangi viharpur	Koilsa	9,729	00
GP Asausa	Palhana	18,481	00
GP Benupur	Palhana	13,404	00
GP Gobaraha	Phoolpur	8,645	00
GP Manpur	Phoolpur	6,693	2,692
GP Sikandarpur	Sathiyav	25,033	00
GP Dilia	Sathiyav	26,494	00
GP Larpur Bakshu	Martinganj	17,094	00
Total		2,27,019	7,52,073

(Source: Payment vouchers of supplier)

On this being pointed out *Khand Vikas Adhikari* in KPs and GPA in GPs stated that action would be taken.

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

Scrutiny of records (August 2013) of DPRO Azamgarh revealed that an account was opened with Union Bank Azamgarh by District Drinking Water Sanitation Mission (DDWSM) on 2 August 2000. In this account, interest earned amounting to ₹ 1.35 crore was lying unutilised till August 2013.

On this being pointed out, the DPRO Azamgarh stated (August 2013) that the amount of interest earned during the year was shown in utilisation certificate of the year concerned.

The reply of the department is not acceptable. The interest earned since the year 2000 to 2013 was blocked in the bank account. No suitable action was taken for utilisation of such a huge amount.

4.2.5.11 Non utilisation of Fund ₹ 1.44 crore for preparation of Annual accounts by Chartered Accountant

The State Government order dated 16.6.2006 directed that the Annual accounts of GPs would be prepared by Chartered Accountant (CA) from 2000-01 onward for which they were to be paid ₹ 4,000 per year.

Scrutiny of records (August 2013) of DPRO district Azamgarh revealed that in large number of GPs, accounts were not prepared by CA for the last five years (2004-05 to 2009-10). An amount ₹ 1.44 crore was lying unutilised at GPs level. The details are given under **Table 5**.

Table 5: Incomplete account of GPs

(₹ in lakh)

Year	No. of GPs	Account completed by CA of GPs	Account not completed by CA of GPs	Blockage of Fund at the level of GPs
2004-05	1,617	797	820	32.80
2005-06	1,617	621	996	39.84
2006-07	1,617	1,491	126	5.04
2007-08	1,617	1,491	126	5.04
2008-09	1,617	1,491	126	5.04
2009-10	1,617	203	1,414	56.56
Total	9,702	6,094	3,608	144.32

(Source: Progress report of DPRO office.)

On this being pointed out the DPRO Azamgarh stated (August 2013) that action was being taken for completion of accounts.

The matters were reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.2.6 Conclusion

None of the test-checked GPs and KPs prepared annual budgets. Basic records such as cheque book receipt register, cheque issue register, demand and recovery register, inspection register, work register and stock register were not maintained by GPs. Despite creation of huge assets, GPs and KPs did not maintain Assets Register.

Inefficient and lax execution was observed in case of infrastructure creation in rural areas (GPS, Bridge and Approach road, Household toilets etc.). ZP showed a lackadaisical attitude towards asset management (Non renewal of lease land, unauthorised possession) and levy/collection of cess/royalty. The activities of GPs and KPs were not supervised by the ZP. The internal control and monitoring systems were not effective.

4.2.7 Recommendation

- *The GPs and KPs should be made accountable for preparation of their annual budget and proper fund management.*
- *DPRO should issue directions to GPs for maintenance of basic records.*
- *Proper execution and completion of projects at level of ZP should be ensured.*
- *Levy/Collection of cess, royalty and income tax should be done as per extant laws and rules.*
- *The District Administration should strengthen the internal control mechanism in PRIs for efficient and effective monitoring of works.*

4.3.1 Loss of revenue to Zila Panchayat

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 during September to December 2010.

As per the Financial Hand Book⁴⁶, if a successful bidder fails to pay the balance of the amount within the time specified, the auction in his favour will be cancelled and the earnest money deposited by him on the third fall of the hammer will be forfeited to the Government and will be offered to the next highest bidder provided his bid *plus 25 per cent* realised from the highest bidder as earnest money does not fall short of the bid offered by the highest bidder.

Tender notice for *Tehbazari*⁴⁷ on mining products' transportation in Zila Panchayat (ZP), Mahoba provided that the highest bidder would deposit the whole of the amount in one installment of the bid. The contract was awarded to the highest bidder (contractor) at ₹ 41 lakh and an agreement was executed (August 2010) between the ZP and the contractor. As per the terms of the agreement, out of the total bid amount of ₹ 41 lakh, ₹ 15 lakh was deposited by the contractor and the remaining ₹ 26 lakh was to be deposited by him within a fortnight. In case of non-deposit of the amount, the *Adhyaksh/Apar Mukhya Adhikari*, ZP had the right to cancel the contract and forfeit the earnest money.

Scrutiny of records (April 2011) of the ZP, Mahoba revealed that it received only ₹ 15 lakh against the bid amount. Despite issue of reminders⁴⁸, neither the contractor deposited the said amount within the specified time nor did the ZP cancel the contract. Also, the contract was not awarded to the second highest bidder at ₹ 40.50 lakh. The cancellation process of the contract started only after four months (December 2010) and the *Tehbazari* contract for the remaining period (upto March 2011) was awarded (January 2011) to the next highest bidder for ₹ 15.60 lakh as the first bidder, who won the contract withdrew citing inability to execute it. Further, audit observed that an enquiry (October 2010) was conducted by Deputy Director, *Panchayati Raj* Department, Chitrakootdham *Mandal*, Banda where it was pointed out that *Adhyaksh* and *Apar Mukhya Adhikari* of ZP, Mahoba extended undue favour to the contractor but no action was taken.

On this being pointed out (April 2011) in audit, the *Apar Mukhya Adhikari* (AMA), Zila Panchayat stated (April 2011) that revenue would be recovered from the contractor as land revenue.

⁴⁶ FHB Vol. V (part I) Appendix XIX D Rule 18.

⁴⁷ Tax collected on a daily basis by the local authority from small traders for selling/transportation of their items in a weekly market or any other public place.

⁴⁸ Dated 04.09.2010, 25.09.2010.

The AMA accepted the audit observation. Thus, due to late cancellation of the contract and non-awarding of the contract to the second highest bidder within time, the ZP suffered a loss of ₹ 10.40 lakh⁴⁹.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

4.3.2 Unfruitful expenditure

Objectives of *Khet Talab Yojna* under MNREGS remained unachieved due to non-procurement of HDPE film and non-distribution of sprinkler sets to the beneficiaries although ₹ 24.08 lakh was spent in *Kshetra Panchayat, Jaspura, District Banda, during 2010-11.*

To utilise the run off water of monsoon rains in the fields of farmers for irrigation, Uttar Pradesh Government issued guidelines (May 2008) for *Khet Talab Yojana*⁵⁰ (Scheme) under Mahatama Gandhi National Rural Employment Guarantee Scheme (MNREGS) vide a Government Order⁵¹ (G.O.) dated 05 May 2008. It provided for construction of ponds measuring 20x20x3 metre at unit costs ranging from ₹ 64,000 to ₹ 76,000 on the personal agriculture land of small and poor farmers, especially SC/ST and BPL farmers. The specification for the construction of ponds included laying of High Density Poly Ethylene (HDPE) film (₹ 16,000) to be arranged at District Magistrate level to check seepage of water and construction of drainage (₹ 10,000) around the pond and inlet pipe for collection of rain water. Chief Development Officer Banda directed (May 2010) Block Development Officers to make available list of beneficiaries to Deputy Director, Agriculture Extension to provide sprinkler sets to the beneficiaries. A G.O. dated 13 August 2010 provided to motivate beneficiaries to cultivate fruits trees on the platform built from the soil dug out of the pond. Estimates of the ponds also included HDPE film, pipes and sprinkler sets.

Scrutiny of records (June 2011) of *Kshetra Panchayat (KP) Jaspura*, of district Banda revealed that against the target of 146 ponds for 2008-09, only 57 ponds (39 *per cent*) were constructed (₹ 24.08 lakh). Despite the provision of HDPE film in the estimate, the ponds were constructed without laying it.

On this being pointed out in audit, the Block Development Officer (BDO), Jaspura replied (June 2011) that targets could not be achieved due to refusal of beneficiaries and accepted that sprinkler sets have not been provided to the beneficiaries. The BDO further intimated (September 2013) that the HDPE film was not received from the District Administration.

From the reply it is confirmed that by not laying the HDPE film in the ponds and non distribution of sprinkler sets the authorities did not adhere to the approved drawing and design of the scheme and estimate.

⁴⁹ Bid for the year 2010-11 ₹ 41.00 lakh; Recovered ₹ 15.00 lakh + ₹ 15.60 lakh Total ₹ 30.60 lakh; loss ₹ 10.40 lakh [₹ 41.00 lakh - (₹ 15.00 lakh + ₹ 15.60 lakh)].

⁵⁰ *Khet Talab Yojana* the objective of the scheme was to utilise the run off water of monsoon rains in the fields of farmers for irrigation.

⁵¹ G.O. No. 1075/38-7-06-50/Misc.

Matter was referred to the Government (February 2012). The Government replied (December 2013) that laying of plastic sheet in the constructed ponds was cancelled vide G.O. dated 18 June 2010 as it was harmful for environment and recharging of water would not take place.

The reply of the Government is not acceptable because the ponds were completed before June 2010 and the very objective of the scheme to store water for irrigation purpose was not achieved. Thus, by not laying HDPE film seepage of the water was not checked.

Thus, an unfruitful expenditure of ₹ 24.08 lakh was incurred and the objectives of the Scheme were not achieved. Besides, the beneficiaries of the drought prone area were also deprived of the much needed irrigation facilities.

4.3.3 Non-adherence to specification

An expenditure of ₹ 39.90 lakh was incurred in construction of road in Zila Panchayat, Siddharthnagar without fully adhering to the UPPWD's specification.

Execution of the construction works in *Zila Panchayat* is required to be based on the specifications and norms of Uttar Pradesh Public Works Department (UPPWD). UPPWD specified⁵² that if a provision is made for premix carpeting (PC) for rural roads, PC and seal coat will be executed directly by overlaying prime coat over Top coat. UPPWD also adopted specifications of the Ministry of Road Transport and Highways (MoRTH) in the year 2008 according to which seal coat should be applied four to six hours after laying the premix carpet. Further, the traffic should not be allowed over the premix surface with or without seal coat for six to eight hours after rolling.

Scrutiny of the records (February 2013) of *Zila Panchayat* (ZP) Siddharthnagar, revealed that out of the Backward Regions Grant Fund (BRGF) (2009-10), ZP opted for constructing the road with the specifications of Premix carpeting. The provision for seal coat was not made. An estimate for construction of the road '*Brajmanganj Marg se Narsinghpur hotey huye Madhu Veliya Tunihawa Marg tak Lapan*' was sanctioned by Assistant Engineer (AE), ZP for ₹ 40 lakh for which administrative, financial and technical approval was accorded by the *Panchayati Raj* Department, Project Management Unit, BRGF (February–May 2010). The work was carried out only up to P. C. level, violating the specifications of UPPWD. Thus, execution of work was carried out with defective estimate upto P. C. level.

On this being pointed out (February 2013), the *Apar Mukhya Adhikari* (AMA), ZP stated that pitch road was constructed as per requirement of the site and within the sanctioned cost. Further, AMA informed (October 2013), that prior to 2010 road construction took place as per P1,P2 norms of UPPWD wherein there was no provision for seal coat and the quality of the road was maintained without seal coat.

⁵² Circular No. 3583 MT/60MT/2007 dated 13.06.2007

The reply of the AMA is not acceptable. The required specifications of UPPWD for roads with PC were not adhered to completely by ZP.

The matter was reported (August 2013) to the Government. However, no reply has been received (June 2014).

4.3.4 Codal provision not followed in depositing of revenue and incurring of expenditure

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

As per Financial Hand Book, it is a prerequisite⁵³ to enter the materials supplied for more than ₹ 50 in the measurement book (MB). Uttar Pradesh Accounts Manual for Management of Finance and Accounts in *Gram Panchayats* (GPs) provides⁵⁴ that all the tax receipts of the GP shall be deposited into the *Gram Nidhi* I Accounts opened in a nationalised bank, post office or a *Gramin bank*. As per the provisions⁵⁵ of the Act, all withdrawal of moneys from the *Gram Nidhi* and disbursement thereof shall be made jointly by the *Gram Pradhan* and the Secretary of the GP/ *Gram Panchayat Adhikari* (GPA).

Scrutiny of records (August 2011) of *Gram Panchayat Patwai*, in *Kshetra Panchayat Shahabad*, District Rampur, revealed that revenue of ₹ 27.77 lakh of the *Tehbazari*⁵⁶ of two *haats* (markets), pertaining to 2007-11, was deposited⁵⁷ in an unauthorised bank account operated as *Bazar khata*⁵⁸ instead of *Gram Nidhi* I Account. During the same period, ₹ 26.42 lakh⁵⁹ was withdrawn and spent on construction works. Scrutiny of the copies of the vouchers for ₹ 21.83 lakh made available (September 2012) by the GP revealed that the details of the work and MB were not recorded on the vouchers. The vouchers, instead of being jointly signed by the *Gram Panchayat Adhikari* (GPA) and *Gram Pradhan*, were signed only by the *Gram Pradhan*; MBs were not furnished by the GP, even after a lapse of two years (September 2013). The Deputy Director, *Panchayati Raj*, Lucknow referred (July 2012) the matter to the District Magistrate (DM), Rampur for investigation. Despite issuing of reminder (July 2013) such report was not furnished by the DM.

On this being pointed out, the GPA, Patwai accepted the fact of operating the *Bazar Khata* and keeping the *Tehbazari* receipts outside of the regular GP's account.

The matter was reported (April 2012) to the Government. However, no reply has been received (June 2014).

⁵³ Financial Hand Book Vol. VI para 434.

⁵⁴ Chapter 2, para 3.

⁵⁵ *Panchayat Raj Adhiniyam*, 1947, section 32(4).

⁵⁶ Tax collected on a daily basis by local authority from small traders for selling their items in a weekly market or any other public place.

⁵⁷ Account No. 14040100012855 (old A/c No 2007310).

⁵⁸ Account No. 14040100012855 (old A/c No 2007310), Bank statement for the period 2007-11, Bank of Baroda , Branch Patwai, District Rampur.

⁵⁹ Account No. 14040100012855 (old A/c No 2007310), Bank statement for the period 2007-11, Bank of Baroda , Branch Patwai, District Rampur.

4.3.5 Avoidable expenditure on construction of rural link roads

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 August 2009 to January 2010.

Circulars regarding specifications of Uttar Pradesh Public Works Department (UPPWD) are to be followed in each and every construction work of the *Panchayati Raj* Department. UPPWD specified⁶⁰ (June 2007) that in the construction of rural link roads, PC and Seal Coat shall be laid directly by applying prime coat over top coat/water bound macadam (WBM) surface i.e. first coat painting (P-I) will not be required.

Scrutiny of records (April 2012) of the *Zila Panchayat* (ZP), Sant Ravidas Nagar revealed that administrative, financial and technical approval was accorded by the *Apar Mukhya Adhikari* (AMA), *Adhyaksh* and Engineer, ZP respectively for construction of 11 rural link roads in ₹ 94.63 lakh (June 2009). Roads were constructed with a total surface area of 24,600 square metre and completed during the period of August 2009 to January 2010 incurring a total expenditure of ₹ 94.31 lakh. Further, scrutiny of records revealed that in contravention of PWD specifications, laying of P-I between WBM and PC led to an expenditure of ₹ 25.01 lakh, while execution of Prime Coat over WBM surface as per PWD specification would have costed ₹ 9.20 lakh. Thus, the ZP incurred an avoidable expenditure of ₹ 15.81 lakh in violation of the specifications laid down (*Appendix 4.3.1*).

On this being pointed out in Audit, the AMA, ZP accepted the facts, and stated (April 2012) that due to late receipt of Circular of UPPWD, P-1 was laid before applying PC over WBM surface. The reply is not acceptable. The circular was issued on 13.06.2007.

Thus, non-observance of the UPPWD specifications prescribed for construction of rural link roads resulted in an avoidable expenditure of ₹ 15.81 lakh.

The matter was reported (June 2013) to the Government. However, no reply has been received (June 2014).

4.3.6 Loss of revenue

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 during the year 2009-14.

Uttar Pradesh Government Order⁶¹ (G.O.) provided that the amount of royalty in *Zila Panchayat* for disposal of dead bodies of animals, is to be fixed on the

⁶⁰ Circular No. 3,583 MT/60 MT/2007 dated 13.06.2007

⁶¹ 858/33-2-69-57W/91 dated March 1996.

basis of the average income of the last three years or the previous year's income, whichever of the two is more. In the next year, it is to be fixed with an enhancement of 10 per cent. The *Apar Mukhya Adhikari* (AMA), *Zila Panchayat*, Chitrakoot is responsible for fixing the royalty for the district under its jurisdiction on auction basis.

Scrutiny of records (August 2013) of AMA, revealed that the *Zila Panchayat* suffered a loss of ₹ 48.64 lakh due to non-observance of G.O. as tabulated below:

(₹ in lakh)

Name of Kshetra Panchayat	Year								Total amount of royalty from 2009-10 to 2013-14
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	
Chitrakoot	1.88	2.38	2.65	1.00	1.25	1.38	3.21	3.30	
Manikpur	2.02	3.12	4.01	2.10	1.50	1.70	1.96	2.26	
Pahari	2.80	2.38	4.03	1.00	1.50	1.72	1.96	2.30	
Ram Nagar	0.65	1.62	2.54	1.00	0.70	0.80	2.55	3.00	
Mau	2.22	0.61	1.71		0.55	0.65	2.01	2.40	
Royalty actually fixed	9.57	10.11	14.94	5.10 + 9.87 ⁶²	5.50	6.25	11.69	13.26	51.67
Royalty to be fixed	-	-	-	16.43	18.07	19.88	21.87	24.06	100.31
Loss due to incorrect fixation of royalty	-	-	-	1.46	12.57	13.63	10.18	10.80	48.64

On this being pointed out, the AMA stated (August 2013) that the royalty was fixed under the provisions of the G.O. Since this work was not done by any other person except those for whom it is a family business and none of them took the contract, a contract was entered into due to complaints to the higher officers.

The reply of AMA is not acceptable. Due to fixing of royalty incorrectly from the year 2009-14, *Zila Panchayat* suffered a loss of ₹ 48.64 lakh.

The matter was reported (September 2013) to the Government. However, no reply has been received (June 2014).

4.3.7 Irregular and unrecovered advance

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

As per rule 12 (1) of Financial Hand Book Vol. V Part-I, payment for supplies is not permissible until the articles have been received and surveyed.

Scrutiny of records (June 2010) of *Apar Mukhya Adhikari*, *Zila Panchayat* (ZP), Kushinagar revealed that the ZP made advance payments of ₹ 1.82 crore⁶³ to suppliers for purchase of generators, diesel engines and

⁶² Due to model code of conduct for election, royalty for eight months (April to November) was ordered by ZP to collect from the previous year contractors on the average basis.

⁶³ ₹ 98.70 lakh in December 2005 and ₹ 83.27 lakh in June 2006.

electric motors. Advance payment is fraught with the risk of default in supplies. An effective safeguard was to obtain a bank guarantee. Such a procedure was not adopted. The amount paid in advance remained unadjusted till the date of audit (June 2010).

On this being pointed out in audit (June 2010), the *Apar Mukhya Adhikari* (AMA), ZP replied that the amount would be adjusted soon. Further, the AMA intimated (October 2012) that generators and pump sets costing ₹ 1.56 crore had been received and distributed to the beneficiaries. But no proof of supply and distribution of the articles like receipts and photographs of beneficiaries was made available to audit. Recovery certificate of the unadjusted amount was issued (November 2007). Subsequently, a sum of ₹ 17,000 was deposited by the contractor on October 2008. A sum of ₹ 25.48 lakh on account of principal amount and ₹ 30.03 lakh interest remained unadjusted (March 2014).

Thus, undue financial benefit of ₹ 1.82 crore was extended to the suppliers and ₹ 55.51 lakh remained unrecovered for more than six years.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.8 Non-adherence to specifications

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

Execution of all the construction work in *Panchayati Raj* Department is to be based on the specifications and norms of Uttar Pradesh Public Works Department (UPPWD).

Uttar Pradesh Government accorded financial and administrative sanctions (August 2010) for construction of nine *Gram Panchayat Sachivalaya* (secretariats) during 2010-11 at the cost of ₹ 14 lakh each under the Backward Region Grant Fund scheme. *Kshetra Panchayat, Jhajhari, District Gonda* and *Apar Mukhya Adhikari (AMA), Zila Panchayat, Gonda* were nominated as executing agency and nodal officer respectively. The nodal officer was directed to adhere to the prescribed norms and instructions contained in the estimate prior to the transfer of the amount to the executing agency.

Use of cement below what is specified is fraught with the risk of adverse effect on the quality. Scrutiny of the records (July 2013) of the *Kshetra Panchayat, Jhajhari, Gonda* revealed that during the year 2010-11, for construction of nine secretariats buildings consumption of cement was

below UPPWD norms in foundation⁶⁴ (35 per cent), brickwork in super structure⁶⁵ (33 per cent) and plastering work⁶⁶ (35 to 40 per cent).

Records indicating use of cement in items of the specifications raise doubts about the authenticity of figures needing further investigation. Further, scrutiny revealed that consumption of cement as recorded was above the norms in other items viz. RCC⁶⁷ (30 per cent) (*Appendix 4.3.2*). The total expenditure incurred was ₹ 1.26 crore.

On this being pointed out, the Block Development Officer (BDO), *Kshetra Panchayat* stated (July 2013) that action would be taken after enquiry.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.9 Non-deduction of cess

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.

The State Government constituted UP Building and Other Construction Workers' Welfare Board vide notification⁶⁸ (November, 2009) under section 18(1) of the Building and Other Construction Workers (Regulation of Employment and Conditions of Service) Act 1996. The Board is authorised to collect the cess at the rate of one per cent of the total cost of all the construction works under section 3(2) of the Building and Other Construction Workers' Welfare Cess Act, 1996. Further, the State Government issued (February, 2010) instructions to all the Heads of Departments to comply with the provisions to ensure deduction of labour cess and remittance of the amount to the Secretary, Uttar Pradesh Building and Other Construction Workers' Welfare Board.

Scrutiny of records (December, 2012) of *Apar Mukhya Adhikari* (AMA), *Zila Panchayat* (ZP), Barabanki revealed that ZP executed construction works amounting to ₹ 41.56 crore under State Finance Commission and Twelfth/Thirteenth Finance Commission Grants during the year 2010-11 and 2011-12. Labour cess amounting to ₹ 41.56 lakh (@ of one per cent of the cost of works) was not deducted from the payment bills against the construction works thereby depriving the Board by an equal amount.

On this being pointed out in audit, AMA, ZP intimated (October 2013) that the labour cess was not deducted from the payments made for the construction works executed during the year 2010-11 and 2011-12 as provision of cess was not made in the estimates of these works due to non-receipt of such Government order at that time. Reply of the AMA stating non-receipt of the Government order is not acceptable as the order was issued in February 2010.

⁶⁴ Norms of Per Cubic metre 3.44 bags cement, consumed 2.25 bags.

⁶⁵ Norms of Per Cubic metre 1.86 bags cement, consumed 1.25 bags.

⁶⁶ Norms of Per Cubic metre 0.115 bags cement, consumed 0.075 bags.

⁶⁷ Norms of Per Cubic metre 6.66 bags cement, consumed 8.68 bags.

⁶⁸ Notification no.1411/36-2-2009-251(SM)/95 dated 20.11.2009.

The matter was reported (October 2013) to the Government. However, no reply has been received (June 2014).

4.3.10 Irregular expenditure

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

With a view to preventing open defecation, the Government of India launched (1999) a community led Total Sanitation Campaign in the State. As per Government instruction (September 2008) relating to the purchase of material, quotations were to be invited from the suppliers for purchases exceeding ₹ 20,000 upto ₹ one lakh and tenders for purchases exceeding ₹ one lakh.

Scrutiny of records (August-September 2011) of *Gram Panchayat Vikas Adhikari, Gram Panchayat, Khutaha* of Block Ghorawal and *Gram Panchayat Vikas Adhikari, Gram Panchayat, Babhni* and *Bhawanr* of Block Babhni in District Sonbhadra revealed that the *Gram Panchayat Vikas Adhikaris* of these *Panchayats* irregularly purchased doors at total cost of ₹ 10.50 lakh during 2008-11 from the programme fund for supply to the beneficiaries (*Appendix 4.3.3*).

On this being pointed out, *Gram Panchayat Vikas Adhikari* of the respective *Gram Panchayats* stated (August-September 2011) that procedure for quotation for purchase of material would be followed in the future.

The replies are in contravention with the financial rules as well as the Government orders with regard to purchase of material through quotation.

Thus, 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.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.3.11 Suspected defalcation

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*.

As per the Uttar Pradesh Accounts Manual for Management of Finance and Accounts in *Gram Panchayats*⁶⁹, all sums received by the *Gram Panchayat* should be deposited in the *Gram Nidhi* opened in Nationalised Bank, Post Office or *Gramin Bank*. Further, the accounts of the *Panchayat* should be audited annually by the Chief Audit Officer.

⁶⁹ Chapter 2, Para 3.

Scrutiny of the records (September 2011) of *Gram Panchayat*, Dhamora in Block Milak of District Rampur revealed that the *Gram Pradhan* of the *Panchayat* collected ₹ 9.55 lakh on account of rents of shops/ godowns/ buildings owned by the *Panchayat* during April 2007 to December 2010, though not being authorised to do so. Out of the amount collected, the *Gram Pradhan* deposited ₹ 7.30 lakh in the bank account⁷⁰ of the *Gram Nidhi* and misappropriated the remaining amount of ₹ 2.25 lakh, indicating failure of internal control mechanism. The Chief Audit Officer conducted (September 2011) the audit of accounts of the *Gram Panchayat* for 2005-10 but did not point out the irregularity.

On this being pointed out (April 2012) in audit, the District *Panchayat Raj* Officer, Rampur investigated (May 2012) the matter and found the *Gram Pradhan* guilty of misappropriation of the amount and issued an order for recovery. No recovery was made as of October 2013.

In July 2012, the Director, *Panchayati Raj*, Uttar Pradesh, Lucknow, requested the District Magistrate, Rampur to further investigate the issue and initiate action including lodging of First Information Report against the erring person, but as per the Director, *Panchayati Raj* (July 2013) such report was not furnished by the DM.

The matter was reported (January 2013) to the Government. However, no reply has been received (June 2014).

4.3.12 Excess payment

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

Para 6.7.5 of operational guidelines of Mahatama Gandhi National Rural Employment Guarantee Scheme provided that payments be made after measuring the works executed by the work-in-charge and technical assistant deployed for the work.

Scrutiny of records (September 2011) of Block Development Officer (BDO), *Kshetra Panchayat*, Ghorawal, district Sonebhadra revealed that six check-dams at different sites with a total cost of ₹ 1.39 crore were sanctioned by the BDO to be constructed during 2008-10. Work on these sites commenced between December 2008 and February 2009. First running payment for wages was made between January 2009 and May 2009. It was noticed from the work orders, cheque issue register, payment receipts etc., that payments amounting to ₹ 19.20 lakh to the masons⁷¹ engaged at different sites, were made for 1,244 days as against ₹ 6.58 lakh payable for 293 days of works actually executed by them. Thus, payment of ₹ 12.62 lakh for 951 days was made in excess. These payments were made without measuring the works and the basic records of payments to the masons (that is muster rolls) were also not maintained in the

⁷⁰ Account number: 60094 of Prathma Bank, Branch Milak, District Rampur.

⁷¹ Wages paid to masons (skilled and semi skilled labours) are included in material components as per MNREGS Act 2005

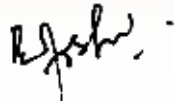
office of the *Kshetra Panchayat*. It was not ascertainable as to whether the payments were actually made to them for the works executed. The details of works executed and expenditure incurred on six check dams are given in **Appendix 4.3.4**.

On this being pointed out (September 2011), the BDO stated, that the masons were engaged for stone crushing and wages were paid to them.

The reply is not convincing as there was no provision for stone crushing by masons in the estimates. The reply was also not supported by documents.


The matter was reported (January 2013) to the Government. The Government replied (December 2013) that "Show cause notice was served on the concerned officials and action against erring officials was being taken".

ALLAHABAD
THE 15 JUL 2014


(BHAVIKA JOSHI LATHE)
Deputy Accountant General (LB)
Uttar Pradesh

COUNTER SIGNED

ALLAHABAD
THE 15 JUL 2014


(MUKESH P SINGH)
Principal Accountant General (G&SSA)
Uttar Pradesh

Appendix 2.1.1
(Reference: Paragraph no. 2.1.3; Page 22)

Details of records not submitted to audit

1. Year wise Releases and expenditure of ULBs,
2. Stock Book,
3. Records related to tender document and Agreement files,
4. Records related to advances,
5. Expenditure vouchers,
6. Evaluation Report of scheme.

Appendix 2.1.2
(Reference: Paragraph no.2.1.6.1 & 2.1.8.3; Page No.23 & 35)
Delay in release of fund by AMAs to ULBs.

Sl. No.	Nodal Officer	Period of receipt by Nodal officer		Period of release of fund to ULBs		Duration of delay in release of fund to ULBs	
		Year	Date	Year	Date		
1	Apar Mukhya Adhikari, Badaun	2009-10	09.12.2009	2009-10	No release of fund	5 months to 15 months	
			2010-11		19.08.2010		2010-11
		19.08.2010					
		14.01.2011					
		31.03.2011					
		2011-12		29.07.2011			
			06.08.2011				
03.09.2011							
2	Apar Mukhya Adhikari, Unnao	2009-10	24.11.2009	2009-10	30.03.2010	4 months	
			25.03.2010				
		2010-11	28.07.2010	2010-11	14.07.2010		
			10.02.2011		26.11.2010		
		2011-12	04.08.2011	2011-12	12.09.2011		
17.10.2011							
3	Apar Mukhya Adhikari, Gorakhpur	2009-10	24.11.2009	2009-10	No release of fund	6 months	
			25.03.2010				
		2010-11	28.07.2010	2010-11	03.06.2010		
					05.09.2010		17.08.2010
					11.01.2011		07.12.2010
		2011-12	27.08.2011	2011-12	20.12.2011		
31.01.2011							
4	Apar Mukhya Adhikari, Hamirpur	2009-10	17.11.2009	2009-10	No release of fund	16 months to 18 months	
			31.03.2010				
		2010-11	29.09.2010	2010-11	25.03.2011		
			18.03.2011				
		2011-12	NA	2011-12	25.06.2011		
02.07.2011							
5	Apar Mukhya Adhikari, Hardoi	2009-12	18.12.2009	2009-10	09.03.2010	8 months to 18 months	
		2010-11	20.08.2010	2010-11	09.09.2010		
			13.01.2011		10.09.2010		
					12.11.2010		
			03.02.2011				

					10.03.2011	
					30.03.2011	
		2011-12	04.08.2011	2011-12	27.09.2011	
			30.03.2012		31.10.2011	
6	Apar Mukhya Adhikari, Jalaun	2009-10	08.12.2009	2009-10	No release of fund	15 months to 23 months
		2010-11	12.08.2010	2010-11	No release of fund	
16.09.2010						
		2011-12	07.06.2011	2011-12	31.10.2011	
			20.06.2011			
			27.09.2011			
			04.10.2011			
			11.11.2011			
7	Apar Mukhya Adhikari, Sonebhadra	2008-09	12.01.2009	2008-09	02.03.2009	7 months
			17.03.2009			
		2009-10	18.12.2009	2009-10	22.07.2009	
			31.03.2010			
		2010-11	24.09.2010	2010-11	06.07.2010	
			27.01.2011		15.02.2011	
					02.11.2010	
2011-12	07.09.2011	2011-12	19.10.2011			
8	Apar Mukhya Adhikari, Mahoba	2009-10	03.03.2010	2009-10	No release of fund	12 months to 28 months
		2010-11	05.09.2010	2010-11	No release of fund	
			01.03.2011			
		2011-12	04.09.2011	2011-12	02.04.2011	
					13.04.2011	
			01.03.2012		29.04.2011	
					30.04.2011	
			12.12.2011			
			26.12.2011			
9	Apar Mukhya Adhikari, Ambedkar Nagar	2008-09	30.09.2008	2008-09	No release of fund	12 months
		2009-10	02.09.2009	2009-10	05.06.2009	
			25.01.2010		12.06.2009	
					16.06.2009	
					03.09.2009	
					09.09.2009	
		2010-11	29.07.2010	2010-11	27.08.2010	
		2011-12	08.06.2011		22.12.2010	
	04.08.2011		18.11.2011			

Appendix 2.1.3
(Reference: Paragraph no.2.1.8.3; Page 38)
Amount parked in the bank of ULBs

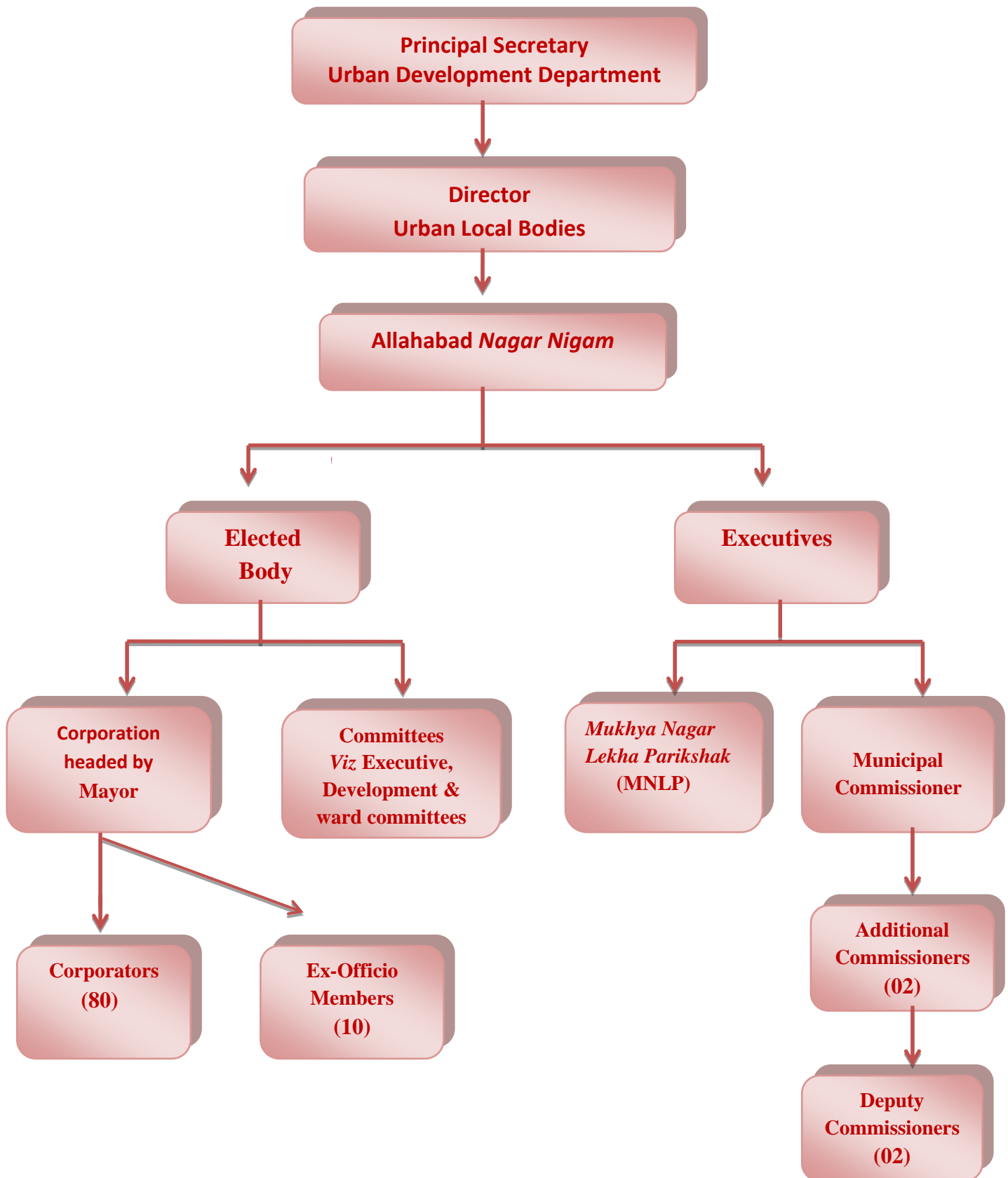
Sl. No.	Name of District	Principal Amount (₹ in lakh)	Interest Accrued (₹)
1	Ambedkar Nagar	149.50	10,40,914
2	Mahoba	112.97	1,12,001
3	Sonebhadra	8.16	5,27,859
4	Jalaun	71.16	1,73,627
5	Hamirpur	60.91	4,57,298
6	Gorakhpur	46.21	32,15,508
7	Badaun	148.60	17,10,772
8	Unnao	184.87	26,26,988
9	Hardoi	177.94	7,01,888
Total Amount		960.32 ₹ 9.60 crore	1,05,66,855 ₹ 1.06 crore

(Source: Records of ULBs)

Appendix 2.1.4
(Reference: Paragraph No. 2.1.10.5; Page 51)
Non-obtaining of technical sanction from competent authority

Sl. No.	Name of District	Number of the work	Estimated cost of the work	Expenditure by according of TS (₹ in lakhs)		Expenditure incurred (₹ in lakhs)
				Junior Engineer	Assistant Engineer	
1	Ambedkar Nagar	38	850.22	Nil	731.57	731.57
2	Badaun	165	4,385.07	854.63	75.80	930.43
3	Gorakhpur	53	251.88	50.72	133.70	184.42
4	Hamirpur	35	308.79	41.47	194.69	236.16
5	Hardoi	87	999.96	313.30	433.36	806.66
6	Jalaun	13	153.01	61.35	Nil	61.35
7	Mahoba	18	391.30	Nil	232.19	232.19
8	Sonebhadra	81	436.94	126.65	279.03	405.68
9	Unnao	107	1,747.80	134.76	1,385.62	1,520.38
Grand Total		597	9,525.06	1,642.88	3,465.96	5,108.84

Appendix 2.2.1
(Reference: Paragraph No 2.2.2; Page 61)
Organogram of Allahabad Nagar Nigam



Appendix 2.2.2
(Reference: Paragraph no. 2.2.9.2; Page)
Details showing delayed approval of Budget during 2008-13

Year	Annual Budget									Revised Budget								
	By Municipal Commissioner			By Executive Committee			By Corporation			By Municipal Commissioner			By Executive Committee			By Corporation		
	Due Date	Actual	Delay	Due Date	Actual Date	Delay	Due Date	Actual Date	Delay	Due Date	Actual Date	Delay	Due Date	Actual Date	Delay	Due Date	Actual Date	Delay
08-09	10.01.08	NA	NA	15.02.08	NA	NA	31.03.08	NA	NA	10.09.08	NA	NA	15.09.08	19.01.09	125	01.10.08	21.01.09	111
09-10	10.01.09	NA	NA	15.02.09	20.06.09	124	31.03.09	30.06.09	90	10.09.09	NA	NA	15.09.09	21.01.10	127	01.10.09	10.02.10	131
10-11	10.01.10	NA	NA	15.02.10	08.04.10	51	31.03.10	13.05.10	42	10.09.10	NA	NA	15.09.10	20.01.11	126	01.10.10	26.02.11	147
11-12	10.01.11	NA	NA	15.02.11	19.04.11	62	31.03.11	#	-	10.09.11	NA	NA	15.09.11	07.12.11	82	01.10.11	#	-
12-13	10.01.12	NA	NA	15.02.12	NA	NA	31.03.12	NA	NA	10.09.12	07.11.12	57	15.09.12	10.06.13	267	01.10.12	02.07.13	273

NA: Not made available

During 2011-12 house was suspended.

(Source: Information made available by Allahabad Nagar Nigam)

Appendix 2.2.3
(Reference: Paragraph no. 2.2.9.4; Page 67)
Details of Theater Tax realised

Year	No. of Cinema halls	No. of Shows organised during the year	Actual realisation (₹ in lakh)	Should be realised (₹ in lakh)
2001-02	16	23,880	1.78	9.55
2002-03	16	23,580	2.29	9.43
2003-04	16	23,870	1.58	9.55
2004-05	14	21,100	1.45	8.44
2005-06	14	21,160	1.86	8.46
2006-07	14	20,050	1.60	8.02
2007-08	13	19,700	1.68	7.88
2008-09	12	18,240	1.35	7.30
2009-10	07	10,940	0.50	4.38
2010-11	12	17,885	1.02	7.15
2011-12	13	20,400	1.05	8.16
2012-13	13	19,785	2.50	7.91
Total		2,40,590	18.66	96.23
The loss= ₹ 77.57 lakh				

(Source: Information made available by Allahabad Nagar Nigam & Entertainment Tax Department, Allahabad)

Appendix 2.2.4

(Reference: Paragraph no. 2.2.13.1; Page 78)

Details of encroached/ occupied ponds of Allahabad Nagar Nigam

Sl. No.	Mauza Name	Ponds Araji no.	Area	Circle Rate (Unit)	Total Value (₹ in lakh)	No. of Trespassers
1	Chaka, Pargna Arail	470/1	0.3990 Hectare	11,000.00 /m ²	438.90	74
2	Chaka, Pargna Arail	470/2	1.5980 Hectare	11,000.00 /m ²	175.78	-
3	Naini Dadri	36/2	02 Bigha 12 Biswa	12,000.00 /m ²	763.78	34
4	Naini Dadri	37	01 Bigha 01 Biswa	12,000.00 /m ²	308.45	-
5	Chak Bhatrai, Naini	74/2	02 Bigha 14 Biswa	8500.00//m ²	561.82	10
6	Kajipur, Naini	77	01 Bigha 16 Biswa	65,00,000.00/ Hectare	28.64	11
7	Kajipur, Naini	67	10 Biswa	65,00,000.00/ Hectare	7.96	05
8	Sarai Memrej, Keedganj	43	03 Bigha 16 Biswa	18,000.00 /m ²	1,674.43	01
9	Sarai Memrej, Keedganj	143	16 Biswa	18,000.00 /m ²	352.51	14
10	Kajipur, Naini	142	18 Biswa	65,00,000.00/ Hectare	14.32	05
11	Bakshi Uparhar	348	01 Bigha 01 Biswa	15,000.00/m ²	385.56	05
12	Harwara	102	01 Bigha 01 Biswa	8,500.00/m ²	218.48	01
13	Chakdaud Nagar, Naini	56	03 Biswa	65,00,000.00/ Hectare	2.39	37
14	Pura Phateh Mohd. Naini	136/2	03 Bigha 10 Biswa	4,800.00/m ²	411.26	44
15	Pura Phateh Mohd. Naini	136/1	Included in above	4,800.00/m ²	00	-
16	Lokpur, Naini	19/3	12 Bigha 18 Biswa	4,800.00/m ²	1,515.80	105
17	Naini Dadri	95	07 Biswa	12,000.00/m ²	102.81	-
18	Fatehpur, Bichuaha	408	10 Bigha 02 Biswa	17,000.00/m ²	4,203.22	35
19	Harwara	539/14	0.741 Hectare	8,500.00/m ²	629.85	11
20	Harwara	539/11	0.265 Hectare	8500.00/m ²	225.25	11
21	Mubarakpur, Kotwan	319	0.982 Hectare	2,00,000.00/ Hectare	1.96	-
22	Mubarakpur, Kotwan	371	0.377 Hectare	2,00,000.00/ Hectare	0.75	-
23	Ali patti, Allahpur	34	0.639 Hectare	15,000.00/m ²	1,039.50	22
24	Ali patti, Allahpur	34	0.199 Hectare	15,000.00/m ²	298.50	-
25	Ali patti, Allahpur	34	0.239 Hectare	15,000.00/m ²	358.50	-
Total money					13,720.42 lakh	Say ₹ 137.20 crore

(Source: Information made available by Allahabad Nagar Nigam)

For calculation:

01 Hectare = 4.08 Bigha

01 Bigha = 2,448.00 square metre

01 Hectare= 10,000 square metre

01 Biswa= 122.40 square metre

Appendix 2.2.5

(Reference: Paragraph no. 2.2.14.2; Page 81)

Position of non/improper maintenance of records during 2008-13

Sl. No.	Authority (Lekha Niyamawali, 1960)	Proforma no. in which record was to be maintained	Name of records not maintained	Name of records not maintained properly	Remarks
1	Rule 11	04	--	Departmental cash book (except tax department)	
2	Rule 20	15	Receipt to be issued by the cashier in lieu of Tax deposited by tax collector		
3	Rule 21	16	Details of daily collection of taxes by the zonal offices.		
4	Rule 42 (2)	29	Personal ledger account in respect of firms/contractors with whom regular transactions occurred.		
5	Rule 52	30	Register for Permanent advances to employees		
6	Rule 54	31	Account of Permanent advances to employees		
7	Rule 57 (a)	33		Temporary Advance Register	Adjustment entry of the advances was not done.
8	Rule 66	42	Investment register		
9	Rule 67	43	Deposit register		
10	Rule 71	44 & 45	--	Suit and decree register, Court decree register	Only payments made to the counsels were entered but other details like details of decretal amount and payment there against, were not mentioned.
11	Rule 88 (3)	Proforma B-1	Expenditure on original works executed		
12	Rule 88 (3)	Proforma P-4	Expenditure details of Government's grants		
13	Rule 88 (3)	Proforma P-5	Details of developmental schemes		
14	FHB Vol- VI		--	Stock register by Jankarya Vibhag & Fuel and lubricants stock register of work shop	In the stock register, entries in respect of bitumen received for MKM works (2012-13) were made. Besides, the stock register was never closed, closing balances were calculated. Entries of fuel and lubricants were not done properly in stock register.
15	Para 9 (3) Sarvjanik karyalekha Niyamawali, 1974			Measurement book	Bill no, check no. regarding payments were not mentioned.

(Source: Lekha Niyamawali, 1960, Sarvjanik Karya Lekha Niyamawali, 1974, FHB, Vol-VI and information collected from ANN).

Appendix 2.2.6
(Reference: paragraph no. 2.2.15.1; Page 81)
Position of meetings of the Corporation during 2008-13

Year	Number of meeting due	Details of meetings held		Date of issue of minutes of meetings	Number of days taken in issuance of minutes of meetings
		No.	Date of meeting held		
2008-09	06	11	02.04.2008	24.05.2008	51
			04.04.2008	24.05.2008	49
			30.05.2008	07.08.2008	68
			31.05.2008	07.08.2008	67
			11.08.2008	10.11.2008	29
			12.08.2008	11.11.2008	28
			19.08.2008	10.11.2008	21
			20.08.2008	10.11.2008	20
			11.11.2008	01.12.2008	13
			19.11.2008	03.12.2008	19
			21.01.2009	22.12.2009	334
2009-10	06	11	24.06.2009	22.12.2009	180
			25.06.2009	22.12.2009	179
			27.06.2009	22.12.2009	177
			30.06.2009	22.12.2009	174
			15.09.2009	22.12.2009	97
			16.09.2009	22.12.2009	96
			26.10.2009	08.01.2010	73
			25.01.2010	26.03.2010	59
			03.02.2010	30.04.2010	85
			10.02.2010	01.05.2010	79
			29.03.2010	15.07.2010	107
2010-11	06	06	12.05.2010	16.07.2010	64
			13.05.2010	04.08.2010	82
			02.12.2010	16.03.2011	103
			26.02.2011	18.03.2011	19
			23.03.2011	13.06.2011	81
			29.04.2011	14.06.2011	45
2011-12	06	09	03.05.2011	14.06.2011	41
			25.06.2011	05.07.2011	09
			06.07.2011	30.07.2011	23
			03.11.2011	Not mentioned	--
			04.11.2011	08.12.2011	33
			11.11.2011	Not mentioned	--
			15.11.2011	Not mentioned	--
			24.12.2011	24.02.2012	61
2012-13	06	06	14.09.2012	05.10.2012	20
			22.12.2012	08.04.2013	106
			24.12.2012	08.04.2013	104
			26.12.2012	08.04.2013	102
			28.12.2012	08.04.2013	100
31.12.2012	08.04.2013	97			

(Source: Minutes of meetings of corporation during 2008-13).

Appendix 2.2.7
(Reference: Paragraph no. 2.2.15.2; page)
Important sources generating error signals

- Questions raised by the respected members of the parliament and the State Legislature;
- Report of the Comptroller and Auditor General of India tabled in the *Vidhan Sabha*;
- Inspection Reports of the State Principal Accountant General;
- Information called for under RTI Act, 2005 by various applicants;
- Complaints received in complaint boxes/registers;
- Applications received in Grievance Redressal Cell; and
- Reports appearing in media-electronic and print.

Appendix 2.3.1**(Reference: Paragraph no. 2.3.3 & 2.3.4; Page 86)****Details of Bank Accounts opened in Nagar Palika Parishads**

Sl. No.	Name of N.P.Ps.	Total No. of bank Accounts Opened	No. of Current A/cs	No. of Saving A/cs	No. Of PLAs	No. of dormant accounts	Amount blocked in dormant accounts as on 31.3.2013 (₹)	Closing Balance of current accounts as on 31.03.2013 (₹)
1	Achhnera	4	3	1	0	0	0	23,92,059.19
2	Basti	19	2	17	0	8	2,86,565.34	76,300.00
3	Bindaki-Fatehpur	8	2	6	0	1	15,673.00	1,73,438.00
4	Chitrakoot-Karvi	16	14	1	1	6	9,762.56	4,53,16,677.51
5	Faridpur-Bareilly	5	0	4	1	0	0	00.00
6	Fatehpur	13	5	7	1	0	0.00	3,89,43,538.55
7	Ghazipur	10	5	4	1	0	0	88,56,909.06
8	Hardoi	21	4	16	1	9	93,13,146.93	37,34,000.00
9	Lalitpur	10	2	6	2	2	3,283.00	2,12,44,723.00
10	Mubarakpur-Azamgarh	10	5	4	1	3	8,159.00	8,159.00
11	Muradnagar-Ghaziabad	7	4	2	1	1	38,342.10	73,08,541.48
12	Nageena- Bijnore	5	4	0	1	0	0	1,04,95,183.19
13	Siyana-Bulandshahr	9	4	3	2	0	0	1,42,02,435.42
14	Sultanpur	15	4	9	2	4	3,408.09	2,26,83,760.44
15	Utaraula	11	2	8	1	3	3,648.64	2,16,55,086.67
Total		163	60	88	15	37	96,81,988.66	19,70,90,811.51

Appendix 2.3.2

(Reference: Paragraph no. 2.3.4; Page 86)

Loss of Interest due to operation of Current Account in place of Savings Account

(In ₹)

Name of NPP	CA Number	C.B. on 31.03.09	Interest @4%	C.B. on 31.03.10	Interest @ 4%	C.B. on 31.03.11	Interest @4%	C.B. on 31.03.12	Interest @ 4%	C.B. on 31.03.13	Interest @ 4%
Interest on Previous Year		0	0	14,19,691.197	56,787.6479	14,43,587.5	57,743.5	29,43,502.219	1,17,740.0888	28,56,959.21	1,14,278.3684
Achnera	40098	77,761	3,110.44	4,300	172	14,871.19	594.8476	1,34,663.19	5,386.5276	20,35,579.19	81,423.1676
	101	66,051.7	2,642.068	22,412.7	896.508	2,08,116.7	8,324.668	0	0	0	0
	14	0	0	0	0	0	0	1,09,242.75	4,369.71	68,470	2,738.8
	16	0	0	0	0	0	0	2,88,010	11,520.4	288,010	11,520.4
Basti	386	0	0	0	0	0	0	0	0	68,590	2,743.6
	1	0	0	0	0	0	0	0	0	7,710	308.4
Bindaki	1471	15,673	626.92	15,673	626.92	15,673	626.92	15,673	626.92	15,673	626.92
	583	4,40,883	17,635.32	1,58,073	6,322.92	1,32,310	5,292.4	1,72,236	6,889.44	1,57,765	6310.6
Chitrakoot	5320	19,56,341.51	78,253.6604	6,55,343.51	26,213.7404	41,10,428.66	1,64,417.1464	91,33,014	3,65,320.56	2,23,52,891.51	8,94,115.6604
	9482	19,840	793.6	19,841.11	793.6444	19,840.12	793.6048	21,712	868.48	22,144	885.76
	16	1,64,923	6,596.92	2,04,418	8,176.72	3,77,716	15,108.64	2,31,202	9,248.08	6,75,182	27,007.28
	8999	41,452.29	1,658.0916	27,205	1,088.2	27,205.29	1,088.2116	46,154	1,846.16	47,015	1,880.6
	6610	500	20	500	20	500	20	500	20	500	20
	483	2,752.67	110.1068	2,752	110.08	2,752	110.08	2,752	110.08	2,752	110.08
	2852	2,254	90.16	2,254	90.16	2,254	90.16	2,254	90.16	2,254	90.16
	2687	3,010.16	120.4064	3,010.16	120.4064	3,010.16	120.4064	3,010.16	120.4064	3,010	120.4
	7395	307.9	12.316	307.9	12.316	307.9	12.316	308	12.32	308	12.32
	318	1,438.27	57.5308	1,438.27	57.5308	1,438.37	57.5348	1,438.27	57.5308	1,438	57.52
	10043	1,57,284.15	6,291.366	8,69,864	34,794.56	99,896.15	3,995.846	79,005	3,160.2	79,005	3,160.2
		347.86	13.9144	347.86	13.9144	347.86	13.9144	0	0	0	0
	5673	16,792	671.68	16,792	671.68	16,792	671.68	18,675	747	19,051	762.04

	7381	0	0	0	0	0	0	0	0	1,11,16,470	4,44,658.8
	314	0	0	0	0	0	0	0	0	1,09,94,657	4,39,786.28
Faridpur	0	0	0	0	0	0	0	0	0	0	0
Fatehpur	6962	0	0	0	0	0	0	0	0	3,38,04,288	13,52,171.52
	6862	0	0	0	0	0	0	2,26,995	9,079.8	26,65,045.42	1,06,601.8168
	CA-01	5,43,270.31	21,730.8124	8,10,657.31	32,426.2924	9,08,341.31	36,333.6524	3,30,287.31	13,211.4924	7,03,676.31	28,147.0524
	CA-02	39,30,210.97	1,57,208.4388	52,23,516.97	2,08,940.679	48,94,743.97	1,95,789.7588	3,71,548.97	14,861.9588	4,65,028.97	18,601.1588
	CA-3446	7,09,401.85	28,376.074	8,23,999.85	32,959.994	9,32,148.85	37,285.954	12,39,693.85	49,587.754	13,05,499.85	5,2219.994
Ghazipur	361	0	0	0	0	0	0	0	0	78,212.79	3,128.5116
	343	0	0	0	0	0	0	0	0	37,13,685.79	1,48,547.4316
	6023	0	0	0	0	0	0	0	0	41,62,998.39	1,66,519.9356
	20060	0	0	0	0	0	0	0	0	3,05,576.45	12,223.058
	422	0	0	0	0	0	0	0	0	5,96,435.64	23,857.4256
Hardoi	47511	65,800	2,632	68,200	2,728	70,600	2,824	73,400	2,936	76,300	3,052
	24013	1,09,800	4,392	1,19,800	4,792	1,19,800	4,792	1,19,800	4,792	1,19,800	4,792
	43249	7,22,700	28,908	5,80,700	23,228	6,14,400	24,576	4,12,900	16,516	11,45,500	45,820
	24016	59,28,700	2,37,148	99,23,600	3,96,944	37,69,900	1,50,796	30,40,500	1,21,620	23,92,400	95,696
Lalitpur	1133255414	51,09,569	2,04,382.76	29,89,108	1,19,564.32	71,52,179	2,86,087.16	60,01,215	2,40,048.6	1,84,54,158	7,38,166.32
	18	0	0	20,09,449	80,377.96	20,52,148	82,085.92	30,31,680	1,21,267.2	27,90,565	1,11,622.6
Mubarakpur Azamgarh	3650	13,036	521.44	5,694	227.76	5,794	231.76	6,022	240.88	6,022	240.88
	4074	2,924	116.96	7,84,370	31,374.8	67,38,046	2,69,521.84	21,12,991	84,519.64	0	0
	4059	981	39.24	931	37.24	931	37.24	931	37.24	931	37.24
	3493	1,206	48.24	1,206	48.24	1,206	48.24	1,206	48.24	1,206	48.24
	33142	0	0	76,722	3,068.88	11,276	451.04	11,186	447.44	0	0
Muradnager Ghaziabad	43	13,215.23	528.6092	5,131.23	205.2492	23,43,260.23	93,730.4092	84,511.23	3,380.4492	57,95,675.23	2,31,827.0092
	39	6,17,654.04	24,706.1616	15,84,617.57	63,384.7028	5,75,134.57	23,005.3828	2,26,674.17	9,066.9668	12,40,243.17	49,609.7268
	G2	45,827.98	1,833.1192	34,429.98	1,377.1992	45,309.98	1,812.3992	44,976.98	1,799.0792	2,34,280.98	9,371.2392
	1066	38,342.1	1,533.684	38,342.1	1,533.684	38,342.1	1,533.684	38,342.1	1,533.684	38,342.1	1,533.684

Nageena Bijnore	11121345119	1,36,066.1	5,442.644	4,21,371.1	16,854.844	1,47,630	5905.2	60,990.1	2,439.604	10,67,218.1	42,688.724
	11121345108	72,481	2,899.24	20,384	815.36	17,472	698.88	10,745	429.8	2,343	93.72
	19931	10,30,133	41,205.32	7,99,667	31,986.68	35,99,190	1,43,967.6	35,52,282	1,42,091.28	93,76,384	3,75,055.36
	1064	5,149	205.96	5,149	205.96	5,149	205.96	5,039	201.56	0	0
	647	15,52,960.19	62,118.4076	2,33,924.19	9,356.9676	2,37,507.19	9,500.2876	21,35,719	85,428.76	49,238.19	1,969.5276
	1120	48,134	1,925.36	51,592	2,063.68	53,419	2,136.76	55,442	2,217.68	0	0
	1121	9,940	397.6	10,654	426.16	11,031	441.24	11,448	457.92	0	0
Siyana Bulandshahr	11333775037	9,44,095.42	37,763.8168	3,86,608.42	15,464.3368	80,77,484.42	3,23,099.3768	17,91,955.42	71,678.2168	1,24,19,450.42	4,96,778.0168
	201909	35,20,901	1,40,836.04	10,28,392	41,135.68	12,78,386	51,135.44	22,280	891.2	17,61,336	70,453.44
	4465605	0	0	0	0	10,000	400	9,150	366	8,600	344
	337569	0	0	0	0	29,754	1,190.16	9,309	372.36	13,049	521.96
Sultanpur	11166806113	45,85,509	1,83,420.36	22,41,472	89,658.88	61,92,182	2,47,687.28	1,05,20,797	4,20,831.88	1,90,41,865	7,61,674.6
	24002	7,34,535.96	29,381.4384	10,03,672.87	40,146.9148	17,74,969.49	70,998.7796	27,94,078.17	1,11,763.1268	14,40,575.04	57,623.0016
	36057	0	0	0	0	16,66,808.2	66,672.328	3,09,343.2	12,373.728	6,73,434.2	26,937.368
	29040	8,93,786.6	35,751.464	10,34,486.6	41,379.464	12,39,086.6	49,563.464	14,38,586.6	57,543.464	15,27,886.2	61,115.448
Utraula, Balrampur	10813774251	3,27,042.67	13,081.7068	3,36,869.67	13,474.7868	1,24,86,682.67	4,99,467.3068	1,81,09,957.67	7,24,398.3068	2,16,50,090.67	8,66,003.6268
	30328308352	8,11,295	32,451.8	10,746	429.84	10,196	407.84	8,646	345.84	4,996	199.84
		3,54,92,279.93	14,19,691.197	3,60,89,687.57	14,43,587.5	7,35,87,555.48	29,43,502.219	7,14,23,980.36	28,56,959.214	19,99,47,770.8	79,97,910.833

Total Interest

2008-09	14,19,691.20
2009-10	14,43,587.50
2010-11	29,43,502.22
2011-12	28,56,959.21
<u>2012-13</u>	<u>79,97,910.80</u>
Total	1,66,61,650.90

Appendix 2.3.3

(Reference: Paragraph no. 2.3.5; Page 86)

Details of Earned Interest on Schemes deposits

Sl. No.	Name of NPPs	No.	Purpose	Bank Account No.	Year					Total Amount (₹)
					2008-09	2009-10	2010-11	2011-12	2012-13	
1	Basti	1	XIFC	3201030060	00	00	00	00	366.00	366.00
		2	UIDSSMT	3143000100109682	00	00	00	00	25,58,034.00	25,58,034.00
		3	UIDSSMT(SWM)	3143000100104641	00	00	00	00	31,436.00	31,436.00
		4	UIDSSMT (SWM)	3143000100104650	00	00	00	00	20,276.00	20,276.00
		5	TFC	0587000100355842	00	00	00	00	3,01,091.00	3,01,091.00
		6	BRGF	1208010012314	00	00	00	00	3,51,455.00	3,51,455.00
2	Bindaki, Fatehpur	1	TFC	0170000100324031	10,948.00	43,641.00	60,576.00	87,139.00	1,96,836.00	3,99,140.00
		2	BRGF	30670050318	00	68,366.00	78,308.00	64,955.00	13,652.00	2,25,281.00
		3	Adarsh Nagar Yojana	30487270208	30,709.00	49,191.00	4,508.00	65,165.00	24,105.00	1,73,678.00
3	Faridpur, Bareilly	1	TFC	422600009442	13,284.00	38,144.00	71,775.00	87,109.00	1,62,495.00	3,72,807.00
		2	Adarsh Nagar Yojana	6065000100002770	00	00	1,57,608.00	1,44,971.00	29,888.00	3,32,467.00
4	Fatehpur	1	UIDSSMT (WS)	0170000100323209	90,370.00	2,52,489.00	1,74,283.00	1,09,208.00	2,46,054.00	8,72,404.00
		2	UIDSSMT (SWM)	0170000100323193	9,462.00	5,20,602.00	18,661.00	42,396.00	3,30,292.00	9,21,413.00
		3	TFC	0170000100324022	44,771.00	1,08,233.00	3,02,744.00	4,79,668.00	8,37,128.00	17,72,544.00
5	Ghazipur	1	TFC	6267859	00	00	00	00	2,72,791.00	2,72,791.00
		2	UIDSSMT	6264001	00	00	00	00	1,74,951.00	1,74,951.00
6	Lalitpur	1	TFC	299000103270841	27,574.00	69,222.00	2,55,726.00	4,24,691.00	5,46,062.00	13,23,275.00
		2	BRGF	20211	00	1,02,312.00	1,88,157.00	00	00	2,90,467.00
		3	BRGF	0020	00	00	00	18,410.00	1,03,893.00	1,22,303.00
7	Murad Nagar, Ghaziabad	1	Adarsh Nagar Yojana	19805	00	00	00	00	20,272.00	20,272.00
8	Siyana, Bulandshahr	1	TFC	69000402408357	9,094.00	12,162.00	82,785.00	1,50,956.00	1,21,473.00	3,76,470.00
9	Utraula, Gonda	1	TFC	105031707	00	00	00	94,223.00	1,21,360.00	2,15,583.00
		2	BRGF	20834012317	00	32,263.00	27,916.00	3,30,936.00	45,236.00	4,36,351.00
Total									1,15,64,855.00	

Appendix 2.3.4
(Reference: Paragraph no. 2.3.6; Page 86)
Details of difference between Cash book and Bank Passbook.

(Amount in ₹)

Sl. No.	Name of N.P.P.	Date of Balance	Closing Balance as per Cash Book	Closing Balance as per Pass Books	Difference
1	Achnera, Agra	31.03.09	1,92,989.96	3,81,717.70	1,88,727.74
		31.03.10	16,13,943.96	9,12,176.70	7,01,767.26
		31.03.11	2,22,565.96	19,73,728.89	17,51,162.93
		31.03.12	19,48,937.96	16,53,681.94	2,95,256.02
		31.03.13	84,42,388.96	58,66,443.94	25,75,945.02
2	Basti	31.03.09	15,11,35,012.54	15,71,89,455.99	60,54,443.45
		31.03.10	92,95,042.67	4,16,88,838.21	3,23,93,795.54
		31.03.11	1,45,54,906.24	2,12,48,965.15	66,94,058.91
		31.03.12	3,46,72,549.68	1,89,46,979.94	1,57,25,569.74
		31.03.13	17,07,21,180.70	16,39,07,086.66	68,14,094.04
3	Bindaki, Fatehpur	31.03.09	68,33,881.00	71,96,490.00	3,62,609.00
		31.03.10	31,68,628.00	92,96,513.00	61,27,885.00
		31.03.11	1,02,07,609.00	1,12,78,153.00	10,70,544.00
		31.03.12	42,85,451.00	79,74,105.00	36,88,654.00
		31.03.13	68,80,076.00	92,12,949.00	23,32,873.00
4	Chitrakoot-Karvi	31.03.09	30,10,75,313.54	3,33,32,970.54	26,77,42,343.00
		31.03.10	2,80,05,402.54	2,97,33,515.54	17,28,113.00
		31.03.11	2,68,66,934.54	3,09,39,916.54	40,72,982.00
		31.03.12	30,10,50,627.54	3,35,39,135.54	26,75,11,492.00
		31.03.13	5,97,13,008.54	6,78,91,327.54	81,78,319.00
5	Faridpur, Bareilly	31.03.09	20,24,232.78	42,42,210.78	22,17,978.00
		31.03.10	63,62,456.78	1,06,35,464.78	42,73,008.00
		31.03.11	74,59,660.38	1,54,67,652.00	80,07,991.62
		31.03.12	40,79,699.48	87,67,349.48	46,87,650.00
		31.03.13	1,93,63,454.48	2,08,47,834.48	14,84,380.00
6	Fatehpur	31.03.09	2,48,26,647.95	6,28,72,632.63	3,80,45,984.68
		31.03.10	5,32,05,026.85	7,30,93,960.20	1,98,88,933.35
		31.03.11	4,04,58,965.85	7,06,50,055.20	3,01,91,089.35
		31.03.12	4,32,07,898.35	6,02,41,815.70	1,70,33,917.35
		31.03.13	4,05,78,864.35	10,08,59,367.20	6,02,80,502.85
7	Ghazipur	31.03.09	2,67,01,416.36	2,66,01,275.75	1,00,140.61
		31.03.10	1,85,14,156.26	89,22,585.19	95,91,571.07
		31.03.11	1,88,65,600.63	1,32,73,384.74	55,92,215.89
		31.03.12	3,31,57,024.11	1,32,41,323.25	1,99,15,700.86
		31.03.13	8,19,69,527.14	2,47,01,522.74	5,72,68,004.40
8	Hardoi	31.03.09	4,66,28,000.00	4,08,12,100.00	58,15,900.00
		31.03.10	3,58,58,200.00	2,78,01,100.00	8,05,7100.00
		31.03.11	1,88,36,900.00	2,88,60,800.00	1,00,23,900.00

		31.03.12	2,56,11,800.00	3,99,03,000.00	1,42,91,200.00
		31.03.13	3,46,21,400.00	9,08,77,600.00	5,62,56,200.00
9	Lalitpur	31.03.09	2,35,43,705.00	2,61,41,601.00	25,97,896.00
		31.03.10	3,94,93,030.00	4,11,16,820.00	16,23,790.00
		31.03.11	3,42,09,412.00	4,07,63,228.00	65,53,816.00
		31.03.12	93,99,222.00	1,69,85,461.00	75,86,239.00
		31.03.13	6,24,14,478.00	6,04,75,603.00	19,38,875.00
10	Mubarakpur, Azamgarh	31.03.09	47,47,665.00	64,49,599.00	17,01,934.00
		31.03.10	55,61,707.00	80,56,824.00	24,95,117.00
		31.03.11	50,58,945.00	1,02,35,720.00	51,76,775.00
		31.03.12	25,07,112.00	91,54,013.00	66,46,901.00
		31.03.13	44,69,450.00	1,01,96,383.00	57,26,933.00
11	Muradnagar, Ghaziabad	31.03.09	60,39,986.32	73,77,655.32	13,37,669.00
		31.03.10	1,56,10,058.43	2,08,57,386.43	52,47,328.00
		31.03.11	1,02,14,456.68	1,16,85,699.68	14,71,243.00
		31.03.12	55,98,526.28	59,73,442.28	3,74,916.00
		31.03.13	1,96,21,640.26	1,83,10,393.26	13,11,247.00
12	Nageena, Bijnore	31.03.09	31,00,586.00	74,11,547.87	43,10,961.87
		31.03.10	25,49,455.00	37,04,923.87	11,55,468.87
		31.03.11	33,90,846.00	57,57,728.87	23,66,882.87
		31.03.12	76,26,452.00	72,48,480.87	3,77,971.13
		31.03.13	94,07,159.00	1,40,58,236.87	46,51,077.87
13	Siyana, Bulandshahr	31.03.09	21,59,601.30	1,09,13,970.30	87,54,369.00
		31.03.10	1,04,84,588.30	1,35,56,846.30	30,72,258.00
		31.03.11	1,22,53,937.30	1,76,76,594.30	54,22,657.00
		31.03.12	1,75,463.30	47,67,219.30	45,91,756.00
		31.03.13	78,39,312.30	2,11,11,164.30	1,32,71,852.00
14	Sultanpur	31.03.09	1,18,57,750.20	1,50,36,979.48	31,79,229.28
		31.03.10	67,62,704.29	2,06,37,143.39	1,38,74,439.10
		31.03.11	2,02,44,019.46	2,56,28,191.71	53,84,172.25
		31.03.12	2,11,90,314.37	2,26,67,111.39	14,76,797.02
		31.03.13	4,35,58,170.57	6,61,10,056.26	2,25,51,885.69
15	Utraula, Balrampur	31.03.09	88,28,658.37	1,07,60,651.37	19,31,993.00
		31.03.10	36,71,685.37	64,86,393.37	28,14,708.00
		31.03.11	1,22,66,606.37	1,75,34,599.37	52,67,993.00
		31.03.12	1,85,16,186.37	2,25,69,801.37	40,53,615.00
		31.03.13	2,65,96,223.37	3,12,69,361.37	46,73,138.00
Total		31.03.09			34,43,42,178.63
		31.03.10			11,30,45,282.19
		31.03.11			9,90,47,483.82
		31.03.12			36,82,57,635.12
		31.03.13			24,93,15,326.87

Appendix 3.1
(Reference: Paragraph no. 3.4.2; page.110)
Non-reconciliation of Cash Balances

(₹ in lakh)

Sl. No.	District	Units	As per Cash Book	As per Pass Book	Difference Amount not reconciled
As on 31st March 2011					
1	Rampur	KP Milak	35.44	36.32	0.88
2	Sonebhadra	KP Babhani	264.64	292.86	28.22
3	Sonebhadra	KP Duddhi	36.47	39.62	3.15
4	Chitrakoot	KP Ramnagar	103.37	116.17	12.80
5	Chitrakoot	KP Manikpur	118.34	156.40	38.06
Total					83.11
As on 31st March 2012					
1	LakhimpurKheri	ZP LakhimpurKheri	2169.22	2291.85	122.63
2	Gautam Buddha Nagar	ZP Gautam Buddha Nagar	533.20	651.90	118.70
3	Kanpur Nagar	KP Ghatampur	20.56	32.23	11.67
4	Pilibhit	KP Barkheda	21.37	66.75	45.38
Total					298.38

(Source: Audit Inspection Report number 64,79,63,29 and 34 of 2011-12 and 05,232,244 and 129 of the year 2012-13).

Appendix 3.2
Functions of Standing Committees
(Reference: Paragraph no. 3.7; page 113)

(a) Standing Committees in Gram Panchayat

- (i) **Niyojan Avam Vikas Samiti:** The planning and development committee is responsible for preparing development plan for *Gram Panchayat* area and implementing Agriculture, Animal Husbandry and Poverty Alleviation schemes.
- (ii) **Shiksha Samiti:** Implementation of schemes regarding primary education, adult and informal education and literacy programme.
- (iii) **Nirman Karya Samiti:** Construction Committee is responsible for all construction and maintenance works and quality thereof.
- (iv) **Swasthya Avam Kalyan Samiti:** Health and Welfare Committee is enshrined with the task of Medical, Health, Family planning and Social Welfare Schemes. Specially implementation of Women and Child Welfare Schemes.
- (v) **Prashasanik Samiti:** Administrative Committee deals with matters related to establishment of employees and fair price shop of *Gram Panchayat*.
- (vi) **Jal Prabandhan Samiti:** Water management Committee deals with operation and maintenance of Drinking Water Scheme and Tube wells.

(b) Standing Committees in Kshetra Panchayat/Zila Panchayat

- (i) **Niyojan Avam Vikas Samiti:** Planning and development committee is assigned the task to prepare a plan for *Gram Panchayats* and to implement the Agriculture, Animal Husbandry and Poverty Alleviation schemes.
- (ii) **Shiksha Samiti:** Education committee is assigned the task regarding Primary Education, upper primary education, informal education and literacy programme.
- (iii) **Nirman Karya Samiti:** Construction committee is entrusted with the task to have effective control and Quality assurance in all the temporary and permanent constructions and maintenance works.
- (iv) **Swasthya Avam Kalyan Samiti:** Health and welfare committee is responsible for implementation of Medical, Health and Family Welfare schemes.
- (v) **Prashasanik Samiti:** Administrative Committee is responsible for all the subjects of Personnel engaged under the control of *Gram Panchayat* and works related to fair price shops.
- (vi) **Jal Prabandhan Samiti:** Water management Committee is responsible for operation and maintenance of tube wells and operation of schemes regarding drinking water.

Appendix 3.3

(Reference: Paragraph no. 3.11; page 118)

Revenue realised from own sources

- (a)& (b) Taxes on land revenue
- (c) Tax on theatre and cinema
- (d) Tax on animal
- (e) Tax on sale of goods in *haat* or *melas*
- (f) Fees on registration of animals sold in any market under GP
- (g) Fees on slaughter house
- (h) Water rates.

Taxes, fees etc. levied by ZPs & KPs as per Section-119 of UP KP & ZP Act 1961:

- (i) Circumstances and Property Tax (Section 120)
- (ii) Fees for use otherwise than under a lease of property of a ZP & KP (Section 142)
- (iii) License fees (Section 145)
- (iv) Fees for the use of libraries, *sarais* and *paraos* etc. *Haat Bazar* and tolls for use of bridges (Section 144)
- (v)
 - (a) License fees on brokers, commission agents, weigh-men or measures practicing their calling within markets (Section 145)
 - (b) Toll on vehicles, park animals or porters for sale in markets
 - (c) Market fees for sale of goods
 - (d) Fees on registration of animals sold in market.

Appendix 3.4
(Reference: Paragraph no. 3.11; page 118)
Aggregate Receipts Time series data on resources of PRI

(₹ in crore)

Nature of Fund	2008-09	2009-10	2010-11	2011-12	2012-13	Total
Own revenue	91.80	103.73	131.36	127.08 ¹	170.21	624.18
CFC transfers (Central Finance Commission devolutions)	587.28	585.60	911.29	1,473.51	1,742.36	5,300.04
SFC transfers (State Finance Commission devolutions)	1,281.68	1,262.07	1,787.57	2,172.38 ²	2,455.04	8,958.72
GOI grants for CSS	8,679.89	12,119.67	10,737.28	9,006.91³	7,816.28	48,360.04
Total	10,640.65	14,071.07	13,567.50	12,779.88	12,183.89	63,242.98

(Source: Director *Panchayati Raj* Lucknow; Dy. Director, *Zila Panchayat* Monitoring Cell, Lucknow; Commissioner, Rural Development Lucknow)

¹ Only *Zila Panchayat*.

² Differs from annual technical inspection report 2010-11 because the Director, *Panchayati Raj* furnished different figures.

³ Only ₹ 3889.15 crore released to PRIs.

Appendix 4.1.1

(Reference: Paragraph no. 4.1.5; page 128)

Name of the units selected for collection of information

Sl No.	District	Zila Panchayat	DPRO	Khestra Panchayat	Gram Panchayat
1	Jaunpur	ZP, Jaunpur	DPRO, Jaunpur	KP, Sujanganj	GP Pilkichhan, KP Khutahan
2					GP Manikpur, KP Madihaun
3					GP Hathera, KP Rampur
4					GP Hatwan, KP Dobhi
5					GP Mukeripur, KP Dobhi
6					GP Patti Kiratrah, KP Rampur
7					GP Alamganj, KP Barsathi
8					GP Suratpur, KP Muftiganj
9	Mau	ZP, Mau	DPRO, Mau	KP, Kopaganj	GP Dewaria Bujurg, KP Muhammadabad
10					GP Khalispur, KP Kopaganj
11					GP Padari, KP Ranipur
12					GP Gotha, KP Doharighat
13					GP Ranveerpur, KP Pardaha
14					GP Rasri, KP Ghosi
15					GP Nadwansarai, KP Badraon
16					GP Dubaari, KP Fatahpur Mandaw
17	Mahrajganj	ZP, Mahrajganj	DPRO, Mahrajganj	KP, Sadar	GP Bhagwanpur, KP Nichlaul
18					GP KhairahwaJangal, KP Nautanwan
19					GP Belsad, KP Dhani
20					GP Digahi, KP Nichlaul
21					GP Amarootiya, KP Mithaura
22					GP HarpurPakadi, KP Siswan
23					GP Chhatiram, KP Partawal
24					GP Shitalapura, KP Siswan
25	Gorakhpur	ZP, Gorakhpur	DPRO, Gorakhpur	KP, Basgaon	GP Sonbarsa, KP Charganwa
26					GP Vadgo, KP Pali
27					GP Bharpahi, KP Pali
28					GP Variadiah, KP Badahalganj
29					GP Sarpataha, KP Kaimpiarganj
30					GP Sonaura Khurd, KP Kaimpiarganj

31					GP Ramnagar, KP Sahajanwan
32					GP Tal Likhia, KP Jangalkaudia
33	Basti	ZP, Basti	DPRO, Basti	KP, Kaptanganj	GP Baijipur, KP Bankati
34					GP Bairagal, KP Dubaulia
35					GP Gaur, KP Gaur
36					GP Mugraha, KP Rudhauri
37					GP Nidhara, KP Rudhauri
38					GP Amari, KP Haraia
39					GP Achraul, KP Parasurampur
40					GP Dhensa, KP Rudhauri
41	Bahraich	ZP, Bahraich	DPRO, Bahraich	KP, Risia	GP Baundi Fatahe Ullapur, KP Tejawapur
42					GP Sonahara, KP Hujurpur
43					GP Jamunaha Babaganj, KP Nawabganj
44					GP Chandrawan, KP Visheshwarganj
45					GP Mirpur Konia, KP Jarwal
46					GP Badagaon, KP Chittaura
47					GP Bhakhrauli Kanpurwa, KP Kaisarganj
48					GP Musepatti, KP Fakharpur
49	Mahoba	ZP, Mahoba	DPRO, Mahoba	KP, Kabrai	GP Dhawar, KP Panwari
50					GP Panwari, KP Panwari
51					GP Ajanar, KP Jaitpur
52					GP Bhagari, KP Jaitpur
53					GP Anghaura, KP Charkhari
54					GP Barada, KP Charkhari
55					GP Utiyan, KP Kabrai
56					GP Kabrai Dehat, KP Kabrai
57	Lalitpur	ZP, Lalitpur	DPRO, Lalitpur	KP, Birdha	GP Bakhtar, KP Jakhaura
58					GP Pataua, KP Birdha
59					GP Jiraun, KP Birdha
60					GP Madawara, KP Madawara
61					GP Bangaria, KP Birdha
62					GP Barkhera, KP Birdha
63					GP Hanupura, KP Baar
64					GP Ugarpur, KP Talbehat

65	Aligarh	ZP, Aligarh	DPRO, Aligarh	KP, Khair	GP Jaitholi, KP Iglas
66					GP Sapera Bhanpur, KP Jawan
67					GP Kandali, KP Iglas
68					GP Ikari, KP Dhanipur
69					GP Rohinasinghpur, KP Dhanipur
70					GP Jatusihaur, KP Dhanipur, KP
71					GP Bhawangarhi, KP Dhanipur
72					GP Harduaganj Dehat, KP Dhanipur
73	Hathras	ZP, Hathras	DPRO, Hathras	KP, Sadar	GP Agasaui, KP Sigrarau
74					GP Bajidpur, KP Sigrarau
75					GP Hasanpurbaru, KP Sahrpau
76					GP Isauda, KP Sahrpau
77					GP Naraharpur Dostpur, KP Sigrarau
78					GP Khorana, KP Saasni
79					GP Jalalpur, KP Saasni
80					GP Sathiya, KP Saasni
81	Chandauli	ZP, Chandauli	DPRO, Chandauli	KP, Sadar	GP Masauni, KP Chandauli
82					GP Salempur, KP Chandauli
83					GP Dewai, KP Niyamatabad
84					GP Budhana, KP Niyamatabad
85					GP Shantipur Torwan, KP Dhanapur
86					GP Derhgawan, KP Sakaldiha
87					GP Dudaui, KP Chandauli
88					GP Sarne, KP Niyamatabad
89	Mirzapur	ZP, Mirzapur	DPRO, Mirzapur	KP, Rajgarh	GP Kotari, KP Rajgarh
90					GP Rekari, KP Rajgarh
91					GP Karaunda, KP Rajgarh
92					GP Gorthara, KP Rajgarh
93					GP Dadra, KP Rajgarh
94					GP Parihara, KP Rajgarh
95					GP Naudiya Lalpur, KP Rajgarh
96					GP Jamuhar, KP Rajgarh

Appendix 4.1.2*(Reference: Paragraph no. 4.1.5; page 128)***Name of the units which did not furnish the sought information**

SI No.	District	Gram Panchayat
1	Mahoba	GP Dhawar, KP Panwari
2		GP Panwari, KP Panwari
3		GP Ajanar, KP Jaitpur
4		GP Bhagari, KP Jaitpur
5		GP Anghaura, KP Charkhari
6		GP Barada, KP Charkhari
7		GP Utiyan, KP Kabrai
8		GP Kabrai Dehat, KP Kabrai
9	Hathras	GP Agasauli, KP Sigrarau
10		GP Bajidpur, KP Sigrarau
11		GP Hasanpurbaru, KP Sahpau
12		GP Isauda, KP Sahpau
13		GP Naraharpur Dostpur, KP Sigrarau
14		GP Khorana, KP Saasni
15		GP Jalalpur, KP Saasni
16		GP Sathiya, KP Saasni
17	Mau	GP Gotha, KP Doharighat
18		GP Ranveerpur, KP Pardaha
19		GP Rasri, KP Ghosi
20		GP Nadwansarai, KP Badraon
21		GP Dubaari, KP FatahpurMandaw
22	Lalitpur	GP Hanupura, KP Baar
23		GP Ugarpur, KP Talbehat
24	Jaunpur	GP Hatwan, KP Dobhi
25		GP Mukeripur, KP Dobhi
26		GP Patti Kiratrah, KP Rampur

Appendix 4.1.3
(Reference: Paragraph no. 4.1.7.3; page 131)
Details of devolution of funds to the PRIs during 2007-13

(₹ in crore)

Sl. No.	Year	CFC	SFC	Own Revenue
(A)	(B)	(C)	(D)	(E)
1	2007-08	585.60	1,444.99	483.53
2	2008-09	585.60	1,438.20	357.77
3	2009-10	585.60	1,262.07	313.46
4	2010-11	911.30	1,787.58	253.92
5	2011-12	1,473.51	2,172.37	219.48
6	2012-13	1,498.45	2,455.04	170.21
Total		5,640.06	10,560.25	1,798.37
Total (C+D)			16,200.31	
Total (C+D+E)			17,998.67	

Appendix 4.1.4*(Reference: Paragraph no. 4.1.7.4; page 132)***Sanctioned Strength and Person-in-Position of GPA and GVA**

Sl. No.	Name of district	No. of GPs	Sanctioned Strength			Person-in-Position		
			GPA	GVA	Total	GPA	GVA	Total
1	Chandauli	620	102	104	206	59	63	122
2	Gorakhpur	1,233	191	190	381	117	140	257
3	Lalitpur	340	48	60	108	18	37	55
4	Mahrajganj	777	102	120	222	62	79	141
5	Aligarh	853	122	135	257	76	94	170
6	Mau	596	92	95	187	49	61	110
7	Jaunpur	1,514	218	205	423	158	70	228
8	Mirzapur	758	105	120	225	81	77	158
9	Hathras	430	64	70	134	45	38	83
10	Mahoba	247	39	52	91	26	25	51
11	Basti	1,047	139	153	292	86	111	197
12	Bahraich	903	136	136	272	87	87	174
Total		9,318	1,358	1,440	2,798	864	882	1,746

Appendix 4.1.5
(Reference: Paragraph no. 4.1.9.1; page 134)
Formats prescribed by C&AG for PRIs

Sl. No.	Name of formats	Formats No.
1	Annual Income and Expenditure (Budget Estimate)	Proforma-A
2	Annual Receipt and Payment Account	Proforma-1
3	Annual Receipt and Payment Account (Statement of Capital Expenditure)	Proforma-2
4	Annual Receipt and Payment Account (Statement of due receipt and due Expenditure at the end of the year)	Proforma-3
5	Annual Receipt and Payment Account (Statement of deposits, loans and advances at the end of the year)	Proforma-4
6	Annual Receipt and Payment Account (Statement of provident fund and investments at the end of the year)	Proforma-5
7	Monthly receipt and payment account	Proforma-6
8	Monthly reconciliation statement	Proforma-7
9	Cash Book	Proforma-8
10	Register of Immovable Property	Proforma-9
11	Register of Compilation of demand and balance	Proforma-10
12	Register of Movable Property	Proforma-11
13	Compilation Sheet	Proforma-12
14	Register of Stock Book	Proforma-13
15	Consolidated Abstract	Proforma-14
16	Register of Roads	Proforma-15
17	Register of Land under the ownership of <i>Panchayats</i>	Proforma-16

Appendix 4.1.6*(Reference: Paragraph no. 4.1.9.4; page 136)***GP's accounts not initiated by the CAs****(in ₹)**

Sl. No.	Name of district	Total no of GPs	Accounts not initiated by CAs		
			2007-08	2008-09	2009-10
1	Chandauli	620	0	0	270
2	Gorakhpur	1,233	0	0	1233
3	Jaunpur	1,514	524	989	1514
4	Mirzapur	758	183	353	758
5	Mahrajganj	777	0	0	777
6	Mau	596	77	77	596
7	Lalitpur	340	0	0	0
8	Mahoba	247	0	0	247
9	Aligarh	853	303	308	853
10	Hathras	430	21	71	114
11	Basti	1,047	191	191	191
12	Bahraich	903	159	500	903
Total		9,318	1,458	2,489	7,456
Grand Total					11,403
Amount lying unutilized on account of GPs' accounts not initiated					₹4,56,12,000 (11,403 x 4,000)

Appendix-4.1.7
(Reference: Paragraph no. 4.1.10.3; page 140)
Formats prescribed by C&AG for PRIs
(Model Accounting System-PRIASoft)

Sl. No.	Name of Format	Format Number
1	Annual Receipt and Payment Accounts	Format-I
2	Consolidated Abstract Register	Format-II
3	Reconciliation Statement	Format-III
4	Statement of Receivable and Payable	Format-IV
5	Register of Immovable Property	Format-V
6	Register of Movable Property	Format-VI
7	Inventory Register	Format-VII
8	Register of Demand, Collection and Balance	Format-VIII

Appendix 4.1.8*(Reference: Paragraph no. 4.1.10.4; page 141)***Suspense Account of Annual Receipt and Payment Account “Receipt side”****(₹ in lakh)**

Sl. No.	Name of ZP	TDS suspense “101”			Unclassified suspense “102”			Total		
		2010-11	2011-12	2012-13	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	1	2	3	4	5	6	7	11 (2+5)	12 (3+6)	13 (4+7)
1	Jaunpur	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2	Bahraich	8.93	0.00	0.00	2.14	0.00	0.00	11.07	0.00	0.00
3	Lalitpur	0.00	0.00	0.00	40.00	5.99	0.00	40.00	5.99	0.00
4	Mahoba	0.00	0.24	0.00	46.42	1.03	0.00	46.42	1.27	0.00
5	Aligarh	44.98	65.75	53.05	252.42	466.39	145.46	297.40	532.14	198.51
6	Basti	118.09	0.00	0.00	129.47	0.00	0.00	247.56	0.00	0.00
7	Hathras	0.00	0.00	0.00	17.45	0.00	0.00	17.45	0.00	0.00
Total		172.00	65.99	53.05	487.90	473.41	145.46	659.90	539.40	198.51

Appendix-4.1.9*(Reference: Paragraph no. 4.1.10.4; page 142)***Suspense account of Annual Receipt and Payment Account “Payment side”****(₹ in lakh)**

Sl. No.	Name of ZP	TDS suspense “101”			Unclassified suspense “102”			Treasury suspense “103”			Total		
		2010-11	2011-12	2012-13	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13	2010-11	2011-12	2012-13
	1	2	3	4	5	6	7	8	9	10	11 (2+5+ 8)	12 (3+6+9)	13 (4+7+10)
1	Jaunpur	208.41	0.00	87.57	6.39	0.00	4.62	0.00	0.00	00	214.80	0.00	92.19
2	Gorakhpur	91.97	78.17	00	22.05	5.66	00	0.00	0.00	00	114.02	83.83	0.00
3	Mahrajganj	125.36	63.97	47.77	6.51	10.64	7.73	3.57	23.33	2.14	135.44	97.94	57.64
4	Basti	144.79	0.00	0.00	20.09	0.00	00	0.00	0.00	00	164.88	0.00	0.00
5	Bahraich	135.52	0.00	36.36	14.88	0.00	1.90	0.00	0.00	00	150.40	0.00	38.26
6	Lalitpur	0.00	0.00	0.00	15.00	0.00	0.00	0.00	0.00	00	15.00	0.00	0.00
7	Mahoba	14.98	4.44	0.00	0.00	0.21	0.00	0.00	0.28	00	14.98	4.93	0.00
8	Aligarh	70.20	68.00	72.04	203.72	454.19	125.87	0.23	0.00	00	274.15	522.19	197.91
9	Hathras	23.28	39.55	0.00	1.19	0.92	0.00	0.89	17.45	00	25.36	57.92	0.00
	Total	814.51	254.13	243.74	289.83	471.62	140.12	4.69	41.06	2.14	1,109.03	766.81	386.00

Appendix 4.2.1
(Reference : Paragraph no. 4.2.2.3; page 149)
Schemewise Financial Position for the year 2010-11

(₹ in lakh)

Name of Unit	OB	Receipt							Total Receipt	Grand Receipt	Expenditure							Total Expenditure	CB
		SFC	TFC	MGNRE GS	BRGF	Sansad Fund/ MLA	Own resources	Other			SFC	TFC	MGNR EGS	BRGF	Sansad Fund/ MLA	Own resources	Other		
ZP Azamgarh	1,770.93	974.08	520.34	111.57	2,564.85	0.00	228.86	0.00	4,399.70	6,170.63	673.90	343.37	1.49	2,480.58	0.00	227.79	577.20	4,304.33	1,866.30
KP Martinganj	51.82	2.53	20.63	68.94	0.04	0.00	0.00	0.00	92.14	143.96	14.42	6.72	79.37	0.00	0.00	0.00	0.00	100.51	43.45
KP Palhana	81.56	7.12	9.21	30.39	0.00	0.00	0.00	26.20	72.92	154.48	3.91	0.00	9.91	10.64	0.98	0.00	26.94	52.38	102.10
KP Koilsa	21.38	16.14	15.19	80.90	0.00	4.00	0.00	20.82	137.05	158.43	17.27	4.45	46.05	1.84	3.90	0.00	9.18	82.69	75.74
KP Phoolpur	13.79	28.27	10.64	93.17	0.04	0.00	0.00	24.21	156.33	170.12	10.34	5.10	51.59	0.44	0.00	0.00	12.61	80.08	90.04
KP Sathiyav	95.59	25.11	22.18	33.04	122.82	0.00	0.00	0.00	203.15	298.74	15.49	18.09	41.15	94.94	0.00	0.00	1.72	171.39	127.35
GP Kuriyawan	2.51	3.51		10.96	0.00	0.00	0.00	0.00	14.47	16.98	2.72		10.87	0.00	0.00	0.00	0.00	13.59	3.39
GP LarpurBaksu	0.29	1.64		11.62	0.00	0.00	0.00	0.00	13.26	13.55	1.91		11.24	0.00	0.00	0.00	0.00	13.15	0.40
GP Benupur	2.35	2.24		6.71	0.00	0.00	0.00	0.00	8.95	11.30	1.92		5.62	0.00	0.00	0.00	0.00	7.54	3.76
GP Asausa	3.65	1.57		6.41	0.00	0.00	0.00	0.00	7.98	11.63	1.47		8.39	0.00	0.00	0.00	0.00	9.86	1.77
GP Bhimakol	4.25	1.47		6.26	0.00	0.00	0.00	0.00	7.73	11.98	1.48		8.60	0.00	0.00	0.00	0.00	10.08	1.90
GP EkdangiBiharpur	5.78	1.73		5.00	0.00	0.00	0.00	0.00	6.73	12.51	1.37		4.50	0.00	0.00	0.00	0.00	5.87	6.64
GP Gorahva	2.51	5.07		5.90	0.00	0.00	0.00	0.00	10.97	13.48	3.55		6.02	0.00	0.00	0.00	0.00	9.57	3.91
GP Manpur	4.67	1.29		2.99	0.00	0.00	0.00	0.00	4.28	8.95	0.44		5.31	0.00	0.00	0.00	0.00	5.75	3.20
GP Sikandarpur	3.48	4.83		11.38	0.00	0.00	0.00	0.00	16.21	19.69	4.51		8.87	0.00	0.00	0.00	0.00	13.38	6.31
GP Dalia	3.62	3.88		8.89	0.00	0.00	0.00	0.00	12.77	16.39	2.81		7.80	0.00	0.00	0.00	0.00	10.61	5.78
Total	2,068.18	1,080.48	598.19	494.13	2,687.75	4.00	228.86	71.23	5,164.64	7,232.82	757.51	377.73	306.78	2,588.44	4.88	227.79	627.65	4,890.78	2,342.04

The funds received under SFC/TFC are being operated in single bank account in GPs due to which could not ascertain the correct position of the funds (as mentioned in paragraph 4.2.2.7). Therefore the amount of both funds are shown in single column i.e. SFC and also include the fund of TSC.

Schemewise Financial Position for the year 2011-12

(₹ in lakh)

Name of Unit	OB	Receipt							Total Receipt	Grand Receipt	Expenditure							Total Expenditure	CB
		SFC	TFC	MGNREGS	BRGF	Sansad Fund/MLA	Own resources	Other			SFC	TFC	MGNREGS	BRGF	Sansad Fund/MLA	Own resources	Other		
ZP Azamgarh	1,866.30	1,237.00	429.97	0.00	830.38	25.86	181.25	0.00	2,704.46	4,570.76	1,598.46	520.29	81.20	1,166.82	22.60	215.42	0.00	3,604.79	965.97
KP Martinganj	43.45	49.87	14.88	46.19	0.00	0.00	0.00	0.00	110.94	154.39	32.11	15.43	42.61	0.00	0.00	0.00	0.00	90.15	64.24
KP Palhana	102.10	23.19	4.45	1.17	0.00	1.19	0.00	14.63	44.63	146.73	0.60	0.00	19.74	3.55	1.06	0.00	14.38	39.33	107.40
KP Koilsa	75.74	40.64	2.34	24.24	14.15	0.00	0.00	0.75	82.12	157.86	42.62	10.38	57.37	8.87	0.00	0.00	0.36	119.60	38.26
KP Phoolpur	90.04	22.35	9.25	25.16	0.00	0.00	0.00	2.57	59.33	149.37	38.95	6.65	56.37	0.00	0.00	0.00	12.98	114.95	34.42
KP Sathiyav	127.35	47.79	10.69	25.13	0.43	7.13	0.00	0.00	91.17	218.52	24.73	5.51	32.42	38.83	6.26	0.00	1.25	109.00	109.52
GP Kuriyawan	3.39	3.56		5.26	0.00	0.00	0.00	0.00	8.82	12.21	3.82		4.35	0.00	0.00	0.00	0.00	8.17	4.04
GP LarpurBaksu	0.40	3.96		5.22	0.00	0.00	0.00	0.00	9.18	9.58	1.86		4.35	0.00	0.00	0.00	0.00	6.21	3.37
GP Benupur	3.76	4.03		5.64	0.00	0.00	0.00	0.00	9.67	13.43	4.16		6.70	0.00	0.00	0.00	0.00	10.86	2.57
GP Asausa	1.77	3.69		4.61	0.00	0.00	0.00	0.00	8.30	10.07	4.13		5.19	0.00	0.00	0.00	0.00	9.32	0.75
GP Bhimakol	1.90	5.18		4.28	0.00	0.00	0.00	1.19	10.65	12.55	5.13		3.90	0.00	0.00	0.00	1.19	10.22	2.33
GP Ekdangi Biharpur	6.64	1.70		2.23	0.00	0.00	0.00	0.51	4.44	11.08	3.22		4.78	0.00	0.00	0.00	0.51	8.51	2.57
GP Gorahva	3.91	3.55		7.57	0.00	0.00	0.00	0.00	11.12	15.03	3.95		8.84	0.00	0.00	0.00	0.00	12.79	2.24
GP Manpur	3.20	7.35		2.50	0.00	0.00	0.00	0.00	9.85	13.05	7.90		3.38	0.00	0.00	0.00	0.00	11.28	1.77
GP Sikandarpur	6.31	2.65		7.09	0.00	0.00	0.00	0.00	9.74	16.05	3.86		10.50	0.00	0.00	0.00	0.00	14.36	1.69
GP Dalia	5.78	8.47		10.40	0.00	0.00	0.00	0.00	18.87	24.65	9.08		11.93	0.00	0.00	0.00	0.00	21.01	3.64
Total	2,342.04	1,464.98	471.58	176.69	844.96	34.18	181.25	19.65	3,193.29	5,535.33	1,784.58	558.26	353.63	1,218.07	29.92	215.42	30.67	4,190.55	1,344.78

The funds received under SFC/TFC are being operated in single bank account in GPs due to which could not ascertain the correct position of the funds (as mentioned in paragraph 4.2.2.7). Therefore the amount of both funds are shown in single column i.e. SFC and also include the fund of TSC.

Scheme wise Financial Position for the year 2012-13

(₹ in lakh)

Name of Unit	OB	Receipt							Total Receipt	Grand Receipt	Expenditure							Total Expenditure	CB
		SFC	TFC	MGNREGS	BRGF	Sansad Fund/MLA	Own resources	Other			SFC	TFC	MGNREGS	BRGF	Sansad Fund/MLA	Own resources	Other		
ZP Azamgarh	965.97	1,397.96	817.79	0.00	520.35	42.36	172.91	0.00	2,951.37	3,917.34	533.07	418.30	35.55	69.87	7.61	238.95	0.00	1,303.35	2,613.99
KP Martinganj	64.24	21.16	14.76	11.25	0.01	0.00	0.00	0.00	47.18	111.42	41.43	20.50	15.22	0.62	0.00	0.00	0.00	77.77	33.65
KP Palhana	107.40	31.33	0.00	1.90	0.00	14.34	0.00	7.45	55.02	162.42	8.93	3.71	10.57	0.00	19.16	0.00	7.39	49.76	112.66
KP Koilsa	38.26	20.16	14.46	50.02	0.00	0.00	0.00	0.73	85.37	123.63	18.17	16.52	36.29	5.28	0.00	0.00	2.73	78.99	44.64
KP Phoolpur	34.42	52.39	8.14	14.58	0.00	0.00	0.00	0.64	75.75	110.17	25.80	0.00	25.59	0.00	0.00	0.00	0.33	51.72	58.45
KP Sathiyav	109.52	44.71	0.00	15.18	0.00	83.24	0.00	20.00	163.13	272.65	59.71	3.71	38.27	7.72	71.46	0.00	0.74	181.61	91.04
GP Kuriyawan	4.04	6.30		2.53	0.00	0.00	0.00	0.00	8.83	12.87	8.85		3.26	0.00	0.00	0.00	0.00	12.11	0.76
GP Larpur Baksu	3.37	5.11		3.07	0.00	0.00	0.00	0.00	8.18	11.55	7.13		2.35	0.00	0.00	0.00	0.00	9.48	2.07
GP Benupur	2.57	4.26		1.57	0.00	0.00	0.00	0.00	5.83	8.40	4.47		1.07	0.00	0.00	0.00	0.00	5.54	2.86
GP Asausa	0.75	4.44		3.37	0.00	0.00	0.00	0.00	7.81	8.56	4.79		2.13	0.00	0.00	0.00	0.00	6.92	1.64
GP Bhimakol	2.33	5.00		1.07	0.00	0.00	0.00	0.00	6.07	8.40	5.02		2.35	0.00	0.00	0.00	0.00	7.37	1.03
GP Ekdangi Biharpur	2.57	2.92		1.09	0.00	0.00	0.00	0.00	4.01	6.58	3.22		2.04	0.00	0.00	0.00	0.00	5.26	1.32
GP Gorahva	2.24	5.92		2.83	0.00	0.00	0.00	0.00	8.75	10.99	5.75		2.02	0.00	0.00	0.00	0.00	7.77	3.22
GP Manpur	1.77	4.02		1.00	0.00	0.00	0.00	0.00	5.02	6.79	4.19		1.58	0.00	0.00	0.00	0.00	5.77	1.02
GP Sikandarpur	1.69	4.67		4.03	0.00	0.00	0.00	0.00	8.70	10.39	4.66		4.35	0.00	0.00	0.00	0.00	9.01	1.38
GP Dalia	3.64	5.99		6.22		0.00	0.00	0.00	12.21	15.85	6.20		6.50	0.00	0.00	0.00	0.00	12.70	3.15
Total	1,344.78	1,616.34	855.15	119.71	520.38	139.94	172.91	28.82	3,453.25	4,798.03	741.39	462.74	189.14	83.49	98.23	238.95	11.19	1,825.13	2,972.90

The funds received under SFC/TFC are being operated in single bank account in GPs due to which could not ascertain the correct position of the funds (as mentioned in 2.7 of the LDP). Therefore the amount of both funds are shown in single column i.e. SFC and also include the fund of TSC.

Appendix 4.3.1

(Reference: Paragraph no. 4.3.5; Page 167)

Avoidable Expenditure on construction of rural link roads

(in ₹)

Sl. No.	Name of work	Area (M ²)	Expenditure incurred in first coat painting							Labour charges for prime coat @ 3/M ²	Admissible Bitumin for prime coat and tack coat 100kg/M ² @34400/MT	Total excess expenditure
			Labour charges @ 9/ M ²	Roller charges @ 3/M ²	19MM Grit @ 1080.60/ CuM	Bitumin 205 Kg@100 M ² @ 34400/ MT	Dry fuel wood for precoating of grit 0.5Quintal/ Cum@250/ Quintal	Dry fuel wood for heating of Bitumin after substracting necessary quantity of prime coat 4.5 Quintal/MT @ 250/ Quintal	Total expenditure			
	1	2	3	4	5	6	7	8	9	10	11	12 [9-(10+11)]
1	Dashwathpur se Abhihara Marg Bhag-I	2,400	21,600	7,200	36CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,524
2	Dashwathpur se Abhihara Marg Bhag-II	2,400	21,600	7,200	36CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
3	Koirauna Dhan Tulsi Marg se Khevadpur Muslim Basti tak	1,800	16,200	5,400	27Cum/ 28350	3.69 MT/ 126936	3,375	2,126	1,82,387	5,400	1.8 MT/ 61920	1,15,067
4	Koirauna Dhan Tulsi Marg se Athihawa Radheshyam Yadav ke ghar tak	2,400	21,600	7,200	36CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
5	Virampur se Babai Marg Par lepan Bhag-I	2,400	21,600	7,200	36CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254

6	Virampur se Babai Marg Par lepan Bhag-II	2,400	21,600	7,200	36CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
7	Primary Pathshala Vihrojpur se Bhagauti Yadav ke ghar tak lepan Bhag-I	1,800	16,200	5,400	27CuM/ 28350	3.69 MT/ 126936	3,375	2,126	1,82,387	5,400	1.8 MT/ 061920	1,15,067
8	Primary Pathshala Vihrojpur se Bhagauti Yadav ke ghar tak lepan Bhag-II	1,800	16,200	5,400	27CuM/ 28350	3.69 MT/ 126936	3,375	2,126	1,82,387	5,400	1.8 MT/ 061920	1,15,067
9	Pilghuna pani tanki se Chaksar Nath Rohigaon tak lepan Bhag-I	2,400	21,600	7,200	36 CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
10	Pilghuna pani tanki se Chaksar Nath Rohi gaon tak lepan Bhag-II	2,400	21,600	7,200	36 CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
11	Akotha Bank se Dinesh Shukla ke ghar tak lepan	2,400	21,600	7,200	36 CuM/ 38901	4.92 MT/ 169248	4,500	2,835	2,44,284	7,200	2.4 MT/ 82560	1,54,254
Total		24,600							25,01,433	73,800	846240	15,81,393

Appendix 4.3.2

(Reference: Paragraph no. 4.3.8; page 171)

Non-adherence to specifications

Sl. No	Particulars	Consumption as per PWD norms		Consumption of cement in 10-11 estimate				Consumption of Cement in 11-12 estimate		
		Q in Bag	Unit	Work Q	Norms Q (Bag)	Total consumption Q	Unit Bag	Work Q	Norms Q (Bag)	Total consumption Q
1	C.C. IN 1:4:8 CEMENT F. SAND & 40 MM OBB (PER CUM)	3.44	bag	32.518	2.25	73.16	Bag	32.52	3.44	111.862
2	1 ST CLASS BRICK WORK IN 1:4 CEMENT MORTAR IN FOUND.	1.86	bag	58.829	1.25	73.53	bag	58.83	1.86	109.422
3	1 CLASS BRICK WORK IN 1:4 CEMENT MORTAR IN SUPERSTR.	1.86	bag	70.197	1.25	87.74	bag	70.20	1.86	130.566
4	R.C.C. WORK IN 1:2:4 CEMENT C. SAND 20 MM IN BEAM	6.66	bag	11.330	8.68	98.34	bag	11.33	6.66	75.4578
5	R.C.C. WORK IN 1:2:4 CEMENT C SAND 20 MM IN LINTEL	6.66	bag	1.216	8.68	10.54	bag	1.216	6.66	8.09856
6	R.C.C. WORK IN 1:2:4 CEMENT C SAND 20 MM IN SUNSHADE	6.66	bag	1.916	8.68	16.63	bag	1.916	6.66	12.7606
7	R.C.C. WORK IN 1:2:4 CEMENT C SAND 20 MM IN SLAB	6.66	bag	20.877	8.68	181.21	bag	20.877	6.66	139.041
8	R.C.C. WORK IN 1:2:4 CEMENT C SAND 20 MM IN COLUMN	6.66	bag	8.818	8.68	76.54	bag	8.818	6.66	58.7279
9	20 MM THICK DPC IN PLINTH CEMENT C SAND (PER SQM)	0.279	bag	5.471	0.279	1.53	bag	5.471	0.28	1.53188
10	1 ST CLASS BRICK WORK IN 1:3 CEMENT MORTAR IN STEPS (PER SQM)	2.49	bag	2.552	2.48	6.33	bag	2.55	2.49	6.3495

11	12 MM THICK PLASTER WITH 1:4 CEMENT & F.SAND MORTOR (INNER SIDE) (PER SQM)	0.115	bag	561.629	0.075	42.12	bag	561.63	0.115	64.5875
12	15 MM THICK PLASTER WITH 1:4 CEMENT & F. SAND MORTOR (OUTER SIDE)	0.15	bag	303.752	0.09	27.33	bag	303.75	0.15	45.5628
13	12 MM THICK PLASTER WITH 1:4 CEMENT & F. SAND MORTOR IN CELLING	0.115	bag				bag	147.53	0.115	16.966
14	2.5 CM THICK CEMENT CONCRETE FLOOR IN 1:2:4 WITH BASE CONCRETE	0.228	bag	147.534	0.228	33.63	bag	147.53	0.34	50.1602
15	2.5 CM THICK CEMENT CONCRETE FLOOR IN 1:2:4 WITHOUT BASE CONCRETE	0.228	bag				bag	9.79	0.29	2.8391
16	MAKING DADO 20 MM THICK ON WALLS WITH 1:3 CEMENT & C. SAND MORTOR	0.21	bag	39.959	0.228	2.23	bag	39.959	0.21	8.39139
Total						730.86 bag	Total			842.324 bag

Q =Quantity

Appendix 4.3.3
(Reference: Paragraph no. 4.3.10; page 172)
Irregular Expenditure

Sl. No.	Name of Gram Panchayat/ Kshetra Panchayat	Voucher No./Year	Amount in ₹
1	Khutaha /Ghorawal	46/2008-09	25,000.00
2	Khutaha /Ghorawal	51/2008-09	45,000.00
3	Khutaha /Ghorawal	05/2010-11	35,000.00
4	Khutaha /Ghorawal	32/2010-11	2,550.00
5	Bhawanr/Babhni	12/2009-10	50,000.00
6	Bhawanr/Babhni	16/2009-10	47,500.00
7	Bhawanr/Babhni	28/2009-10	47,500.00
8	Bhawanr/Babhni	33/2009-10	47,500.00
9	Bhawanr/Babhni	2/2010-11	46,000.00
10	Bhawanr/Babhni	3/2010-11	60,000.00
11	Bhawanr/Babhni	28/2010-11	34,350.00
12	Bhawanr/Babhni	36/2010-11	97,000.00
13	Bhawanr/Babhni	39/2010-11	90,000.00
14	Bhawanr/Babhni	45/2010-11	1,00,000.00
15	Babhni/Babhni	88/2009-10	19,800.00
16	Babhni/Babhni	92/2009-10	6,600.00
17	Babhni/Babhni	101/2009-10	13,200.00
18	Babhni/Babhni	109/2009-10	13,200.00
19	Babhni/Babhni	118/2009-10	37,200.00
20	Babhni/Babhni	122/2009-10	26,400.00
21	Babhni/Babhni	142/2009-10	15,000.00
22	Babhni/Babhni	146/2009-10	15,000.00
23	Babhni/Babhni	154/2009-10	15,000.00
24	Babhni/Babhni	158/2009-10	15,000.00
25	Babhni/Babhni	162/2009-10	30,000.00
26	Babhni/Babhni	171/2009-10	30,000.00
27	Babhni/Babhni	8/2009-10	30,000.00
28	Babhni/Babhni	37/2010-11	9,000.00
29	Babhni/Babhni	41/2010-11	13,200.00
30	Babhni/Babhni	44/2010-11	13,200.00
31	Babhni/Babhni	48/2010-11	13,200.00
32	Babhni/Babhni	52/2010-11	7,800.00
Total			10,50,250.00

Appendix 4.3.4
(Reference: Paragraph no. 4.3.12; page 174)

Excess Payment

Name of Work	Date of Start	Date of First running payment	Actual working days (in Days)	No. of days for which masons were paid	Man-days in excess to actual deployment (5-4)	Rate of Payment per day in ₹	Number of masons deployed	Payments excess in ₹ to labourers
1	2	3	4	5	6	7	8	9 (6*7*8)
Check-dam on Belan <i>nadi</i> at Khaddeur	05.01.09	20.01.09	16	75	59	150	20	1,77,000
Check-dam in village Gadaigaad	14.12.08	07.01.09	25	174	149	140	1	20,860
Check-dam in village Gadaigaad	14.12.08	07.01.09	25	160	135	140	19	3,59,100
Check-dam on Ledirahwa <i>nala</i> in Sirsiya Thakurai	14.12.08	07.01.09	25	179	154	140	10	2,15,600
Check-dam on Ledirahwa <i>nala</i> in Sirsiya Thakurai	14.12.08	07.01.09	25	178	153	140	7	1,49,940
Check-dam on Ledirahwa <i>nala</i> in Sirsiya Thakurai	14.12.08	07.01.09	25	178.5	153.5	140	1	21,490
Check-dam on Jogiveer <i>nala</i> in Parsauna	05.01.09	20.01.09	16	125	109	150	12	1,96,200
Check-dam on in Village Deever	05.12.08	20.01.09	47	75	28	150	20	84,000
Check-dam in Parsauna	12.02.09	11.05.09	89	100	11	150	23	37,950
Total			293	1,244.5	951.5	1,300	113	12,62,140