

# **CHAPTER IV**

## **Performance Audit**



### 4.1 Indira Awaas Yojana

#### *Highlights*

*IAY assistance amounting to ₹ 24.63 lakh was extended to 72 ineligible beneficiaries of Cooch Behar, Malda and Birbhum districts.*

*(Paragraph 4.1.5.1)*

*Twenty three GPs of five selected ZPs allotted IAY assistance of ₹ 32.72 lakh to 253 male members despite female members being available in the family in violation of guidelines.*

*(Paragraph 4.1.5.2)*

*There was curtailment of IAY assistance of ₹ 177.97 crore during 2008-13 due to non-utilisation of funds and short release of state share.*

*(Paragraph 4.1.7.1)*

*Delay ranging from one to 11 months in release of state share was observed in two ZPs.*

*(Paragraph 4.1.7.2)*

*Monitoring and supervision were found inadequate as instances like faulty reporting of physical and financial achievements, lack of technical supervision, etc. were observed. Regular field visits were not undertaken and there was delay in disposal of complaints.*

*(Paragraphs 4.1.9.2, 4.1.9.3, 4.1.9.4 and 4.1.9.5)*

#### 4.1.1 Introduction

Indira Awaas Yojana (IAY) is the flagship scheme of Ministry of Rural Development to provide financial assistance for construction or upgradation of

houses in the rural areas for BPL families, on cost-sharing basis between Government of India (GoI) and Government of West Bengal in the ratio of 75:25<sup>27</sup>. Assistance is provided to BPL families from Scheduled Castes/ Scheduled Tribes, minorities notified under section 2(c) of the National Commission for Minorities Act, 1992<sup>28</sup>, non-SC/ST rural households, widows and next-of-kin of defence personnel/ paramilitary forces killed in action residing in rural areas, ex-servicemen and retired members of paramilitary forces.

During the period from April 2008 to October 2010, GPs were the implementing agencies of the scheme, after which the scheme has been implemented by PSs, as per instruction issued by Panchayat and Rural Development Department (P&RDD).

Receipt and utilisation of funds in respect of the State for the period 2008-13 is given below:

**Table 4.1.1: Fund flow of the State**

(₹ in lakh)

Year	Opening balance	Central share	State share	Misc. receipt	Total	Utilisation	Closing balance	% of utilisation
2008-09	15,987.96	57,228.29	13,080.31	535.80	86,832.36	43,463.55	43,368.81	50
2009-10	43,364.54	61,937.80	24,369.15	1,128.18	1,30,799.67	88,479.37	42,320.30	68
2010-11	42,434.06	59,349.04	19,792.78	1,055.77	1,22,631.66	75,172.27	47,459.39	61
2011-12	47,459.36	64,883.31	21,159.78	4,067.21	1,37,569.66	89,717.85	47,851.81	65
2012-13	47,851.81	46,024.35	16,911.34	1,939.58	1,12,727.08	87,392.58	25,334.50	78

(Source: Replies of P&RDD)

<sup>27</sup> Amount of assistance for construction of IAY houses up to 31.03.2010 were ₹ 35,000 in plain areas and ₹ 38,500 in hilly/ difficult areas including focused Left Wing Extremist (LWE) districts and from 01.04.2010 the amount of those were ₹ 45,000 and ₹ 48,500 respectively. Moreover, amount of assistance for upgradation of unserviceable households was ₹ 15,000.

<sup>28</sup> Muslims, Christians, Sikhs, Buddhists and Parsis. However, in the states where minorities are in a majority, only other minority population is treated as minority.

Percentage of utilisation of funds in the State increased gradually from 50 *per cent* to 78 *per cent* during 2008-13.

Target and achievement regarding construction of IAY houses in respect of the State for the period 2008-13 is given below:

**Table 4.1.2: Physical performance of the State**

Year	Target at the beginning of financial year set by GoI	Houses sanctioned during the year	Houses completed during the year	Percentage of achievement w.r.t houses sanctioned during the year
2008-09	1,53,697	1,94,411	1,06,766	55
2009-10	2,97,564	3,13,071	2,29,761	73
2010-11	2,05,671	1,95,955	1,80,520	92
2011-12	1,99,176	2,15,489	1,96,801	78
2012-13	2,19,553	1,91,758	1,89,543	99

(Source: Replies of P&RDD)

Percentage of achievement increased from 55 *per cent* to 99 *per cent* during 2008-13.

#### 4.1.2 Audit Objectives

The performance audit of IAY was undertaken to ascertain whether:

- The systems and procedures in place for identification and selection of IAY beneficiaries were adequate and conformed to IAY guidelines;
- Allocations and releases of funds under IAY and their utilisation were done properly and in accordance with IAY provisions;
- Convergence of IAY with other rural development programmes was effectively achieved and
- Mechanism for monitoring and evaluation of the outcomes of IAY was adequate and effective.

#### 4.1.3 Audit Criteria

The main sources of audit criteria for the performance audit were:

- Guidelines of IAY issued by Ministry of Rural Development, Government of India;
- Circulars, notifications and instructions issued by Ministry of Rural Development and other authorities from time to time;

- Periodical reports/ returns as prescribed and
- Guidelines/ checklist for internal monitoring by Government of West Bengal.

#### **4.1.4 Audit coverage and methodology**

All 18 Zilla Parishads (ZPs) in the State have been stratified in Presidency and Non-Presidency Divisions. From each stratum, 25 *per cent* ZPs subject to minimum two ZPs have been selected using Probability Proportional to Size With Replacement (PPSWR) method, the size measure being the total funds utilised during the last three years. Five ZPs were thus selected, viz. Cooch Behar, Malda, Birbhum, Nadia and Howrah. Similarly 20 *per cent* PSs and 30 *per cent* GPs have been selected using Simple Random Sampling without Replacement (SRSWOR) method. Accordingly, five ZPs, 15 PSs and 45 GPs have been selected (**Appendix-XVI**).

Records for the period from 2008-09 to 2012-13 were checked during the audit. Besides, a beneficiary survey was conducted to assess the level of awareness and impact of the scheme at users' end. In order to conduct the survey, two villages were selected from each of the 45 GPs and from each village, minimum six beneficiaries were selected using SRSWOR method (total sample size 591). A joint physical verification of houses constructed/ upgraded under IAY was also conducted with the help of a structured questionnaire designed to verify existence of houses constructed / upgraded and their condition.

An Entry Conference was held with the Joint Secretary to the Government of West Bengal, P&RDD in May 2013 wherein audit objectives, criteria, sample selection and methodology were explained. Exit conference was held in February 2015 with the Principal Secretary, P&RDD, wherein all observations were discussed at length and the department intimated that they had already taken suitable steps against some of the observations.

### **Audit findings**

#### **4.1.5 Selection of beneficiaries and allotment of assistance to them**

##### **4.1.5.1 Benefits extended to ineligible persons**

As per IAY guidelines, at least 60 *per cent* of the total IAY funds as also the dwelling units constructed therefrom have to be earmarked for SC/ST BPL households. Based on a set of parameters, two wait lists, called Permanent Wait Lists (PWL) are prepared for SC/ST and non-SC/ST beneficiaries and allotment

of assistance for construction/ upgradation of dwelling units are made from the list in order of their ranking in the list. The wait lists need to be approved by the Gram Sabha, as per Para 2.1 of the IAY guidelines.

Scrutiny of records of Shalbari-II, Khargbari, Bararangras and Sian Muluk GPs of Cooch Behar and Birbhum ZPs and Harishchandrapur-II PS of Malda ZP revealed that benefits of IAY amounting to ₹ 24.63 lakh were extended to 72 beneficiaries who were not included in PWL but their names were approved by respective GPs and PSs of Cooch Behar (6 beneficiaries, ₹ 1.93 lakh), Malda (two beneficiaries, ₹ 0.70 lakh) and Birbhum (64 beneficiaries, ₹ 22.00 lakh) ZPs. When pointed out, Sian Muluk GP admitted the lapses in monitoring while other PRIs did not furnish any reply.

#### 4.1.5.2 Allotment to male beneficiaries in violation of guidelines

As per Para 2.4 of IAY guidelines, allotment of dwelling units constructed/ upgraded with the scheme assistance should be in the name of female member of the beneficiary or alternatively allotted in the name of both wife and husband in a family. In violation of the guidelines 23 GPs<sup>29</sup> of five selected ZPs allotted IAY assistance of ₹ 32.72 lakh to 253 male members during 2008-13 despite female members being available in the family. When pointed out Takagach Rajarhat, Bararangras and Bhurkuna GPs stated that assistance was paid to male beneficiaries as the beneficiaries did not have proper document / their names were recorded in permanent waitlist / family members did not agree. Remaining GPs did not furnish any reply.

Besides, audit of 167 PSs conducted during 2013-14 also revealed that in 13,199 cases of 37 PSs<sup>30</sup>, ₹ 38.64 crore was allotted solely to male members of the family in violation of scheme guidelines. When pointed out, 28 PSs confirmed the facts, while Baduria, Bardhaman-I, Goalpokher-I, Mahishadal, Mathurapur-I, Raniganj, Ratua-II, Sutahata and Taldangra PSs did not furnish any reply.

<sup>29</sup> Khargbari, Takagach Rajarhat, Bararangras, Motiharpur, Bhaluka, Daulatnagar, Amta, Khardah, Udang-I, Udang-II, Bally, Bachri, Dihimandalghat-II, Khoshalpur, Bhurkuna, Khatanga, Domdoma, Kasba, Sian Muluk, Juranpur, Gobra, Hatisala-II and Rajarampur Goraikshetra GPs.

<sup>30</sup> Baduria (₹141.97 lakh), Baghmundi (₹ 15.28 lakh), Barasat-I (₹ 7.20 lakh), Barrackpore-I (₹ 47.25 lakh), Beldanga-II (₹ 51.90 lakh), Bundwan (₹ 214.56 lakh), Bardhaman-I (₹ 20.25 lakh), Chanchol-I (₹ 7.15 lakh), Daspur-II (₹ 24.75 lakh), Deganga (₹ 17.10 lakh), Goalpokher-I (₹ 22.95 lakh), Goalpokher-II (₹ 37.95 lakh), Habra-I (₹ 202.04 lakh), Haripal (₹ 279.22 lakh), Haroa (₹ 81.45 lakh), Ketugram-I (₹ 20.70 lakh), Kolaghat (₹ 31.72 lakh), Mahishadal (₹ 6.52 lakh), Mangalkote (₹ 3.15 lakh), Mathurapur-I (₹ 915.42 lakh), Mathurapur-II (₹ 221.39 lakh), Matigara (₹ 93.82 lakh), Memari-I (₹ 168.07 lakh), Nabagram (₹ 854.50 lakh), Nandigram-I (₹ 45.00 lakh), Nayagram (₹ 4.85 lakh), Pandaveswar (₹ 38.25 lakh), Panskura-I (₹ 18.00 lakh), Raipur (₹ 18.23 lakh), Ramnagar-I (₹ 2.65 lakh), Ramnagar-II (₹ 5.40 lakh), Raniganj (₹ 132.00 lakh), Ratua-II (₹ 17.10 lakh), Sagar (₹ 40.43 lakh), Sarenga (₹ 34.92 lakh), Sutahata (₹ 15.97 lakh) and Taldangra (₹ 4.58 lakh).

#### **4.1.5.3 Non-payment of assistance to selected beneficiaries inspite of available funds**

Kaliganj PS did not disburse any IAY assistance during 2009-11 though the PS had ₹ 4.32 crore under IAY head. Further, in 2008-09 Domdama GP under Suri-II PS received funds of ₹ 50.40 lakh under IAY. Total available balance for the year was ₹ 50.71 lakh. However, not even a single beneficiary was allotted fund under the scheme during 2008-09 though as per available records 424 beneficiaries were selected to be given assistance from IAY scheme during the year. No replies have been received so far (March 2015).

#### **4.1.6 Construction and upgradation of dwelling units**

##### **4.1.6.1 Infrastructure and common facilities in dwelling units**

As per Para 3.5 of the guidelines, IAY dwelling units should have facilities for development of infrastructure such as internal roads, drainage and drinking water supply etc. During beneficiary survey, it was found that facilities like drainage and drinking water were not found adequate in dwelling units.

Four<sup>31</sup> PSs stated that they have installed tube wells in their area. Beneficiary survey in Cooch Behar, Malda and Howrah ZPs revealed that 314 of 343 beneficiaries surveyed stated that they have no drinking water supply in the area. In Nadia beneficiaries availed drinking water under Ganga Action Plan and PHED also provided tap water connection to households. Birbhum ZP did not furnish any information regarding supply of drinking water.

#### **4.1.7 Allotment and utilisation of funds**

##### **4.1.7.1 Curtailment of IAY assistance**

The central share of IAY fund amounting to ₹ 177.97 crore was curtailed during the period 2008-09 to 2012-13 in various ZPs as follows:

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<sup>31</sup> Tufanganj-II, Gazole, Harischandrapur-II and Chanchol-I PSs.



**Table 4.1.3: Curtailment of central assistance**

Sl No.	Zilla Parishad	Year	Amount in crore
1	Malda	2009-10, 2011-12 & 2012-13	73.18
2	Cooch Behar	2008-09	8.24
3	Bankura	2012-13	16.65
4	Dakshin Dinajpur	2012-13	6.95
5	Jalpaiguri	2012-13	30.51
6	Uttar Dinajpur	2012-13	7.08
7	South 24 Paraganas	2012-13	35.36
		<b>Total Central Share</b>	177.97
		<b>State Share</b>	59.32
		<b>Total Curtailment of funds</b>	237.29
<b>No of beneficiaries deprived (calculated @ ₹ 45,000 per beneficiary)</b>			52,731

(Source : Records of selected ZPs)

The reasons for curtailment of Central share were non-utilisation of funds leading to their carry over to the next year and short release of state shares within the prescribed time frame. Bankura ZP had replied that funds could not be utilised as the same were received at the fag end of the financial year. Remaining ZPs did not furnish any reply.

Had the ZPs and the State Government strictly followed GoI stipulations, 52,731 more rural poor would have been benefited through construction of new houses under the scheme.

#### 4.1.7.2 Delay in release of funds

The State share was to be released within a month of release of Central share.

It was seen in audit that Nadia ZP received central assistance of ₹ 67.45 crore in March 2009 which shows that reasonable time was neither allowed for release of State share nor for utilisation of funds.

Further instances of delay in release of State share were noticed as follows:

**Table 4.1.4: Delay in release of state share**

Sl No.	Zilla Parishad	Year	Delay in months	Amount in crore
1	Cooch Behar	2008-13	1-9	53.23
2	Nadia	2008-12	3-11	29.82
	<b>Total</b>			<b>83.05</b>

(Source : Records of selected ZPs)

#### 4.1.7.3 Maintenance of bank accounts

**Two separate bank accounts in two separate banks being maintained simultaneously:** GoI while releasing funds stipulated that only one savings bank account should be operated under IAY and P&RDD also instructed (April 2008) all PRIs that IAY accounts should be kept in a nationalised / cooperative bank or in a post office in an exclusive and separate interest bearing account. In violation of the said instruction Kaliganj and Tehatta-II PSs maintained two bank accounts simultaneously, one in State Bank of India and the other in IDBI Bank, Krishnanagar Branch/ Axis Bank, Krishnanagar Branch. Apart from the main bank account in State Bank of India, Malda ZP maintained another bank account in Malda District Central Cooperative Bank, wherein a sum of ₹ 6.48 lakh has been lying idle since 2010-11.

Audit noticed several instances of violation of guidelines in the maintenance of bank accounts, besides the ad-hoc manner in which these accounts were maintained. The following instances point to the lack of control, supervision and monitoring in respect of maintenance of these accounts:

**Exclusive separate bank account for IAY not maintained:** Kaliganj and Tehatta-II PSs did not maintain separate bank accounts for funds received under Multi Sectoral Development Programme (MSDP), which was a different Centrally Sponsored scheme unrelated to IAY and kept these funds in the bank accounts for IAY. ₹ 2.45 lakh and ₹ 99.90 lakh respectively of the above two PSs relating to MSDP were lying in the savings bank account maintained for IAY in violation of IAY guidelines.

Further, Tehatta-II PS received ₹ 31.50 lakh during March 2011 but the PS failed to identify the nature of the fund. In reply, the PS stated that the amount was probably received for IAY purpose but due to non-availability of allotment order, the fund was not disbursed. No records could be produced to Audit to establish the identity of the fund. Thus, ₹ 31.50 lakh remained idle for more than two and a half years in IAY account.

**IAY grant kept in Current Account:** Gobra GP had kept the entire IAY fund in current account in a nationalised bank and not in a savings bank account in violation of IAY Guidelines.

**Diversion of fund:** Motiharpur GP of Malda ZP diverted ₹ 0.38 lakh from IAY fund to own fund and did not recoup the amount till September 2013.

**Contingent expenditure:** Rajarampur GK, Juranpur, Saheb Nagar, Barnia, Bagberia and Hatisala-II GPs spent ₹ 0.82 lakh towards payment of wages for

resource person, survey, writing of names of IAY beneficiaries on GP office wall, contingent expenditure etc. outside the purview of the scheme.

#### 4.1.7.4 Non-disbursement and delay in disbursement of second instalment

IAY allocations are released in two instalments. As and when funds are received under the scheme, allocations pertaining to the first instalment are made to the beneficiaries from the PWL maintained for the purpose. On self declaration by the beneficiary regarding the full utilisation of the first instalment of assistance, second instalments are released. There is no system of verification of the beneficiary's claim regarding the utilisation of funds received under the first instalment.

Audit noticed various irregularities in the allocation of funds under the scheme indicating absence of a proper system with adequate checks relating to the disbursement of funds and leading to non-fulfillment of scheme objectives. In Gazole and Chanchol-I PSs, records revealed that 56 beneficiaries did not get second instalment for more than three years but no reason was found on record. Thus, the beneficiaries could not complete their houses and ₹ 9.65 lakh paid as first instalment remained unfruitful.

In Takagachh Rajarhat GP one beneficiary was paid first instalment of ₹ 17,500.00 in August 2009 and second instalment of ₹ 17,500.00 was paid in August 2011, i.e. after a delay of two years without any recorded reason.

Scrutiny of payment vouchers and asset register of Bhaluka and Mashalda GPs revealed that payments of second instalment of ₹ 0.63 lakh in respect of five beneficiaries were delayed from 20 to 26 months.

Besides, audit of ZPs during 2013-14 also revealed that Purba Medinipur ZP released first instalment amounting to ₹ 19.73 crore to 8,863 beneficiaries during 2007-13 but the second instalment amounting to ₹ 19.73 crore was not disbursed to these beneficiaries till December 2013. When pointed out, accepting the observation the ZP stated that second instalment was not disbursed to beneficiaries due to non-receipt of Central assistance.

Similarly, 25 PSs<sup>32</sup> did not disburse the second instalment amounting to

<sup>32</sup> Amdanga (₹ 34.87 lakh), Baduria (₹ 4.72 lakh), Bagdah (₹ 76.28 lakh), Baghmundi (₹ 3.60 lakh), Bankura-II (₹ 8.50 lakh), Barabazar (₹ 43.43 lakh), Baraboni (₹ 10.57 lakh), Barjora (₹ 33.32 lakh), Basanti (₹ 318.65 lakh), Binpur-I (₹ 12.40 lakh), Bishnupur-II (₹ 1.35 lakh), Falakata (₹ 127.57 lakh), Gazole (₹ 100.80 lakh), Haldibari (₹ 29.47 lakh), Harirampur (₹ 56.55 lakh), Harishchandrapur-I (₹ 149.80 lakh), Kharibari (₹ 27.00 lakh), Khejuri-I (₹ 63.44 lakh), Kumargram (₹ 216.23 lakh), Kushmandi (₹ 471.83 lakh), Magrahat-I (₹ 171.45 lakh), Magrahat-II (₹ 97.65 lakh), Memari-I (₹ 14.85 lakh), Naxalbari (₹ 46.80 lakh) and Rajnagar (₹ 123.60 lakh) PSs.

₹ 22.46 crore to 19,581 beneficiaries during 2009-13. When pointed out, 18 PSs admitted the facts while Magrahat-II PS stated that the beneficiaries did not have bank account. Baduria, Bagdah, Bankura-II, Falakata, Haldibari and Naxalbari PSs did not furnish any reply.

#### **4.1.7.5 Sanction of second instalment without ensuring utilisation of first instalment**

It was noticed that second instalments have been given without ensuring utilisation of first instalment and instances were found where beneficiaries had received both instalments, yet failed to build any house or only purchased some materials as detailed below:

In Bagberia GP, one beneficiary neither built a house nor purchased any materials and at the time of survey it came to light that he did not reside in the GP. But the said beneficiary was paid both the instalments.

In Brittiuhuda GP, it was observed that 15 beneficiaries were paid the second instalment of ₹ 4.75 lakh within seven days of receipt of first instalment and for two beneficiaries, the same was disbursed on the very next working day after release of the first instalment. These instances only indicate lack of proper control to utilise the funds for the intended purposes and non-fulfillment of scheme objectives.

#### **4.1.7.6 Irregular release of additional incentives under Homestead Scheme**

Homestead scheme under which a shelter was provided to the homeless selected from the IAY waitlists from among those who had neither any land nor any house was launched in 2012. The Government was to allot land in addition to assistance to such people.

The State Government released ₹ 39.54 crore during 2011-12 for construction of additional 22,310 houses under the homestead scheme. Audit noticed that in Mallickpur GP under Suri-I PS, a waste land was allotted (2012-13) to 20 beneficiaries as 'Patta' under 'Nijo Griha Nijo Bhumi' (NGNB) scheme and ₹ 4.73 lakh was released to them as first instalment for construction of houses. But no house was constructed on the selected land even after one year as it was a low land filled by 'fly ash' of West Bengal Power Development Corporation Limited to make the site suitable for the construction. But no action was taken by Suri-I PS either to recover the amount from beneficiaries or compel them to start construction.

In Mayureswar-II PS, one beneficiary who had already received two instalments

from Harisara GP was again selected as a beneficiary under the homestead scheme and was irregularly paid ₹ 22,500 in January 2013.

### Mismatch of data

There were discrepancies between actual expenditure and UCs furnished by the ZP. In 2008-09, UCs were submitted for total allotments of ₹ 18.50 crore against actual expenditure of ₹ 26.42 crore and in 2009-10, UCs were submitted for total allotments of ₹ 58.17 crore against actual expenditure of ₹ 58.14 crore, with significant variations in respect of individual allotments. Mismatch between MPR and Cash Book was also observed in Harischandrapur-II PS.

**Table 4.1.5: Mismatch of data between MPR and Cash Book in Harischandrapur-II PS**

Year	Total no of beneficiaries received first instalment 2011-12	Total no of beneficiaries received second instalment during 2011-12	Total amount disbursed as per figures of MPR	Total amount disbursed as per cash book
2011-12	1,089	641	₹ 302.74 lakh	₹ 110.80 lakh
2012-13	1,802	1,179	₹ 521.68 lakh	₹ 655.96 lakh

(Source : Records of the PS)

### 4.1.8 Convergence with other schemes

Para 5.11 of the guidelines envisages that District Rural Development Agencies (DRDAs) will make concerted efforts to identify the programmes/ schemes being implemented by various Ministries/ Departments of GoI, which could be dovetailed with IAY so as to ensure that IAY beneficiaries also derive the benefits of these schemes intended for rural BPL households. The replies of the ZPs in response to convergence related matters indicate that there was no concerted and coordinated approach adopted in this matter, as stated below:

Birbhum ZP replied that no schemes have been identified for convergence though Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY) was being implemented separately. Further, it stated that no records were available for TSC.

Howrah ZP replied that schemes such as TSC, RGGVY, MGNREGS and RSVY were identified for convergence with IAY and sanitation facilities were ensured for all beneficiaries through TSC.

Malda and Cooch Behar ZPs replied that schemes such as TSC, RSVY, RGGVY, NREGS and NGNB were identified for convergence with IAY.

Nadia ZP replied that schemes such as TSC and RGGVY were identified for convergence with IAY. Further, Nadia, Howrah and Malda ZPs stated that services of NGOs were being utilised for popularising the use of Sanitary Latrines.

#### **4.1.8.1 Convergence of IAY with other welfare schemes viz. RGGVY, TSC etc.**

Monthly Progress Report (MPR) of Malda ZP for the year 2012-13 revealed that out of total 8,274 constructed houses, the benefits of convergence was noted in TSC (27.62 *per cent*) and RGGVY (33.90 *per cent*). However, during joint physical verification of 120 IAY beneficiaries in 10 GPs, they denied such convergence.

During 2009-10, Howrah ZP in its MPR reported that it had dovetailed schemes such as kitchen garden, RGGVY, TSC and Biogas for convergence with IAY. However beneficiary survey conducted in 91 households revealed that 52 IAY houses did not have any sanitary latrine while schemes like Biogas and RGGVY were not evident in any house.

Similarly, MPR of Birbhum ZP depicted convergence of 11 schemes with IAY. During 2008-09 to 2012-13, out of 41,898 houses constructed TSC (56 *per cent*), smokeless *chullha* (23 *per cent*), RGGVY (5 *per cent*), insurance schemes (3 *per cent*) and MGNREGS (42 *per cent*) were converged with IAY. However, during joint physical verification of 108 beneficiaries, Audit noticed that they were not provided the benefits of convergence. In reply the ZP stated that no convergence with any other schemes was taken up and RGGVY was implemented separately. Thus MPRs furnished by the ZP to State Government differ from the results of survey.

During 2009-13, Cooch Behar ZP in its MPR reported that 11 schemes were identified for convergence with IAY. Out of 47,290 houses constructed during 2009-13, RGGVY (0.7 *per cent*), DRI loan (9 *per cent*) and MGNREGS (69 *per cent*) were converged with IAY. However, beneficiary survey revealed that 132 beneficiaries were not aware of these schemes and no benefit was extended to them under convergence.

However, Nadia ZP did not take any initiative to converge any scheme with IAY.

#### **4.1.8.2 Supply of drinking water**

Availability of drinking water should have been ensured by the agencies responsible for the implementation of IAY. Howrah, Malda and Cooch Behar ZPs stated that though convergence with National Rural Water Supply Programme (NRWSP) was not taken up, supply of drinking water to dwelling units was ensured in convergence with other schemes like NRWDP / ARWSP, Swajaldhara and other Public Health Engineering (PHE) sponsored schemes through installations

of hand tubewells, piped water supply and arsenic free reservoir. However, 314 out of 343 beneficiaries surveyed in Cooch Behar, Malda and Howrah ZPs stated that they had no drinking water supply in the area. Four<sup>33</sup> PSs of Cooch Behar and Malda ZPs stated that they had installed tube wells in their area. In Nadia ZP, beneficiaries availed drinking water under 'Ganga Action Plan' and PHED also provided tap water. In Birbhum ZP, convergence with NRWSP for safe drinking water was not taken up at all.

#### **4.1.8.3 Convergence with insurance policies**

Para 5.11 (vi) of the guidelines provides that the DRDAs will furnish the particulars of the willing IAY beneficiaries every month to the respective Nodal agency which is implementing Janshree Bima for rural BPL families and Aam Aadmi Bima for the benefit of rural landless families so that all willing IAY beneficiaries derive the benefits available under those insurance policies.

MPR of Cooch Behar ZP revealed that benefit of insurance policies was extended to 6,731 households during 2008-13 but 132 beneficiaries randomly selected from that period for survey were not found aware of any insurance policies.

In Nadia ZP no initiative was taken either for the convergence of IAY with insurance scheme or to increase awareness among the beneficiaries about the scheme.

In Cooch Behar and Birbhum ZPs, 240 households were randomly selected for beneficiary survey. Beneficiary survey revealed that beneficiaries were not aware of such schemes and benefits of convergence were not extended to those beneficiaries.

#### **4.1.9 Monitoring and Evaluation**

##### **4.1.9.1 Lack of system to prevent assistance to a beneficiary more than once**

As per Para 5.9 of the IAY guideline, the implementing agencies must maintain an inventory of dwelling constructed/ upgraded with all relevant particulars. However, it was found in audit that Cooch Behar, Howrah and Malda ZPs did not prepare any such inventory of houses constructed out of IAY funds. Chapra PS did not maintain the inventory during 2011-12 and Kaliganj and Tehatta-II PSs did not maintain the inventory with all requisite details. In the absence of any record at PS/GP level, Audit enquired from the Department how it was

<sup>33</sup> Tufanganj-II, Gazole, Harischandrapur-II and Chanchol-I PSs.



ensured that an IAY beneficiary was not provided any assistance previously under IAY or any other housing scheme, of which there are quite a few<sup>34</sup>. In reply, Government stated (September 2013) that the selection of beneficiaries was done on the basis of BDO's certificate to the effect that beneficiaries were not earlier provided any IAY assistance. However, no such certificate was found while checking records at PRI level, neither was any other system observed at the PS/GP level to confirm that a beneficiary had not been previously given assistance under IAY or any other housing scheme.

#### **4.1.9.2 Faulty reporting**

Audit found instances of discrepancies between opening and closing balances in PRI accounts. Closing balances of 2009-10 to 2011-12 and opening balances of subsequent years did not match and discrepancy of ₹ 74.60 lakh was observed. In 2010-11 opening balance of ₹ 73.34 lakh and central release of ₹ 323.75 lakh were wrongly added up to ₹ 349.10 lakh.

The achievements in respect of the scheme are reported by the PRIs to the State Government through the Monthly Progress Reports (MPR). Audit observed that in respect of physical reporting, construction of 22, 1,850, 44 and 2,193 houses were reported in excess of the actual construction in MPRs for the year 2009-10, 2010-11, 2011-12 and 2012-13 respectively.

In Kaliganj PS, financial achievement was overstated in the MPRs to the tune of ₹ 29.77 lakh and ₹ 1.06 crore during 2011-12 and 2012-13 respectively.

Review of records of Suri-II PS revealed that there was discrepancy of ₹ 2.23 crore in respect of total available funds during 2009-13. There was also discrepancy of ₹ 92.40 lakh in respect of total utilisation during the same period. Besides, there was a difference of 343 houses reported in MPR and actual construction. All these raise doubts about the accuracy of data reported through MPRs.

#### **4.1.9.3 Technical supervision**

Para 5.7.1 of the guidelines stipulates that technical supervision should be provided for construction of an IAY house. It was noticed from the beneficiary survey in five selected ZPs, that technical supervision was not provided and beneficiaries constructed their houses without any technical knowhow in respect of essential features like ventilation, plaster on outer walls, concrete roofs etc. prescribed in the guidelines.

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<sup>34</sup>ASHRAY, Amar Thikana, BRGF SC/ST housing, MSDP etc.



#### 4.1.9.4 Field visits

As per Para 6.1 of IAY guidelines, officers dealing with IAY at the State headquarters should visit districts regularly and ascertain through field visits whether the programme is being implemented satisfactorily. A schedule of inspection which prescribes a minimum number of field visits for each supervisory level functionary from the State level to the block level should be drawn up and strictly adhered to.

The State Government reported that state level officers occasionally undertook field visits but no schedule of inspection prescribing minimum number of field visits for each supervisory level functionary from state level to block level was drawn up. It was also reported that monitoring at the state level was done by State Level Vigilance and Monitoring Committee (SLVMC) but no reports of SLVMC could be shown to Audit. Out of selected 15 PSs, only Kaliganj PS stated that monitoring by SLVMC was done, but Audit could only verify that it was visited only once during the period 2009-13 by the SLVMC, but there was no document showing the outcome of this visit.

Likewise, officers at the district, sub-division and block levels are required to closely monitor all aspects of IAY through visits to work sites. Howrah, Birbhum, Nadia and Cooch Behar ZPs, all test checked PSs and test checked GPs of four ZPs reported to have conducted field visits by block and GP officials. However, no evidence like tour programme, inspection reports, inspection registers and follow up action arising from such field visits were found on record except in Shyampur-II PS where status of field visit and report thereof were available. Bolpur-Sriniketan, Cooch Behar-II, Tufanganj-II, Amta-I, Harischandrapur-II and Chanchol-I PSs reported that the field visit was not conducted regularly. Malda ZP and Tehatta-II PS admitted that no field visits were undertaken to monitor the scheme.

#### 4.1.10 Delay in disposal of complaints

The guidelines prescribe that an effective Complaint Monitoring System with adequate staff should be set up at the state level independent of the regular execution wing, which can visit and give a report to the implementing agencies about short-comings/ shortfalls, for effective redressal. Selected GPs of Birbhum, Nadia and Cooch Behar stated that they did not receive any complaint and also failed to produce any record or register. So, the existence of the system could not be checked. In Cooch Behar-II and Tufanganj-II PSs, complaints were received and duly processed. Malda and Howrah ZPs stated that they had the

system in place but there was no record of complaint received and settled. Gazole PS furnished a complaint register having no entries. Chanchol-I and Harischandrapur-II PSs stated that they had the system 'to some extent' without clarifying further, while selected GPs of these PSs stated that they had no such system. Shyampur-II PS was seen to be maintaining the complaint register. One case in Bally-Jagacha PS came to notice where the complaint was lodged in July 2012. The PS conducted an inspection only in December 2014 and the complaint was yet to be disposed of (March 2015).

#### **4.1.11 Conclusion and Recommendations**

##### **Conclusion**

Performance Audit of IAY in the State of West Bengal revealed extension of IAY benefits to persons outside PWL. There was lack of monitoring over implementation of scheme, failure to adhere to scheme guidelines for utilisation of funds and delayed sending of proposals which resulted in curtailment of GoI assistance. Delay in release of State's share impeded smooth implementation of the scheme. Beneficiary survey revealed absence of awareness of convergence of IAY schemes with other schemes. Working of State Level Vigilance and Monitoring Committee responsible for monitoring the programme was not found on record. Lack of monitoring of PRIs resulted in delayed release of second instalment, non-maintenance of inventory of houses, release of second instalment without ensuring utilisation of the first instalment of funds and failure in starting the construction work. Monitoring was found lacking and reporting system through MPR lacked integrity. Achievement of objectives of Indira Awaas Yojana to help in construction / upgradation of dwelling units of rural BPL households thus remained sub-optimal.

##### **Recommendations**

- Proper database/ inventory of beneficiaries should be maintained showing names, BPL ID, benefits provided under different schemes such as TSC, MGNREGS, etc.
- Instructions may be given to ZPs for timely submission of proposals and adherence to GoI stipulation on utilisation of funds to avoid curtailment of GoI assistance.
- Monitoring and supervision should be strengthened and physical inspection should be conducted regularly.

## 4.2 Receipts of Panchayats

### *Highlights*

*PRI did not have detailed codified heads of accounts. Consequently, classifications of receipts varied from PRI to PRI.*

*(Paragraph 4.2.6)*

*PRI were unaware of devolved functions though they received funds from line departments.*

*(Paragraph 4.2.8)*

*None of the selected 42 GPs followed the assessment procedure properly. Collection of taxes in selected GPs remained far below optimal.*

*Five PRI had written off arrear demand/current demand and extended remission of revenue unauthorisedly.*

*(Paragraph 4.2.9.4)*

*There is no specific provision in the Act or in the Rules framed thereunder to monitor the receipts of the PR institutions. No monitoring mechanism to watch over the financial improvement of PRI existed at the State level.*

*(Paragraphs 4.2.11.1 and 4.2.11.2)*

### 4.2.1 Introduction

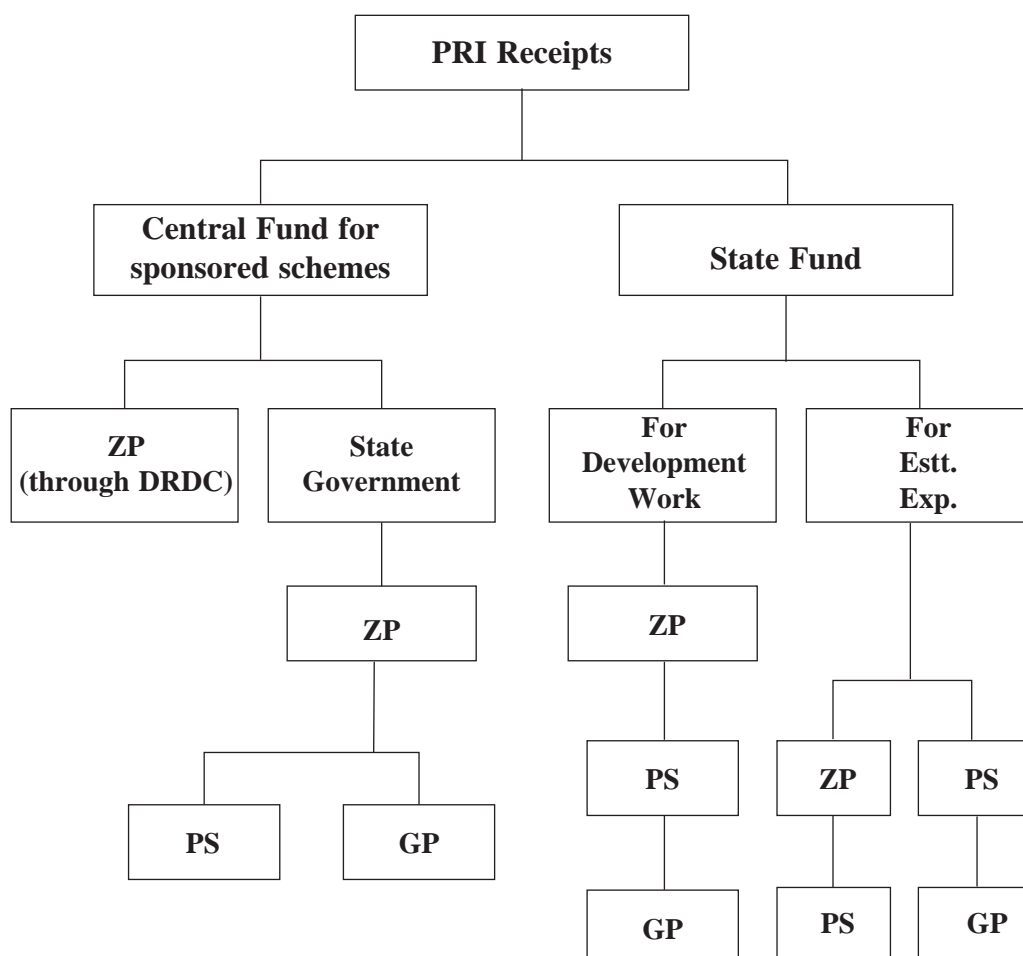
Panchayati Raj Institution is a three tier system of governance introduced by 73rd Constitutional Amendment Act, 1992. In West Bengal 'Panchayat' system comprises Zilla Parishads (ZPs) at district level, Panchayat Samitis (PSs) at block level and Gram Panchayats (GPs) at village level. The Constitution has assigned several functions such as rural housing, education, health, agriculture etc. to PRI and empowered them to prepare plans for economic development and social justice, implement schemes and impose taxes. To carry out the assigned functions and implement central as well as state schemes, Central and State Governments release funds to PRI. Besides, PRI also collect taxes, tolls and fees as per provisions of West Bengal Panchayat Act, 1973 (Act) and Rules framed thereunder as amended from time to time. Thus, receipts of PRI include

government grants and collection of their own revenues. The funds are released through State budget and through West Bengal State Rural Development Agency (WBSRDA) of P&RDD.

A performance audit (PA) of Receipts of Panchayats was carried out to ascertain the financial position of PRIs, nature and quantum of receipts in PRIs along with capacity of PRIs for generating their own revenues.

### System of fund flow in PRIs

The source of fund of PRIs consisted of Central Finance Commission (CFC) grants, State Finance Commission (SFC) grants, Central as well as State Government grants for development purposes, State Government grants for maintenance purposes and own receipts for carrying out various functions of PRIs. PRI receipts and process of funds flow to them are shown below:



### 4.2.2 Audit Objectives

The main audit objectives of the PA were to ascertain whether:

- (i) PRIs have adequate resources for carrying out designated functions and whether they have devised appropriate mechanism for collection of revenues in an efficient and effective manner;
- (ii) The PRIs have taken adequate steps to attain self-sufficiency; and
- (iii) An adequate system of monitoring is in place.

### 4.2.3 Audit Criteria

Audit criteria used for assessing the financial position of PRIs were sourced from the following:

- Budget of P&RDD in respect of releases to PRIs;
- Provisions of West Bengal Panchayat Act, 1973 and Rules framed thereunder;
- West Bengal Panchayat (Gram Panchayat Administration) Rules, 2004 (the rules);
- Allotment orders of GoI and the State Government for schematic funds as well as for grant-in-aid;
- Circulars/ instruction issued by P&RDD regarding classification of receipts;
- Bye-law framed for generating own source of revenue; and
- Instructions issued by the State Government from time to time.

### 4.2.4 Audit scope and methodology

Records in respect of six ZPs<sup>35</sup> from three divisions of the State for the period from 2009-10 to 2013-14 were test checked in the performance audit (PA). In order to select the ZPs for the PA, three factors were considered-(a) average receipts including own sources of revenue (OSR) for the last five years; (b) geographical location and (c) exclusion of ZPs selected in last year's PA. Out of these six ZPs, 21 PSs have been selected subject to maximum of 4 PSs from each selected ZP and two GPs from each PS i.e. 42 GPs were selected by using Simple Random Sampling without Replacement method (SRSWOR). Details of units are given in **Appendix-XVII**.

<sup>35</sup> **Jalpaiguri Division** : Jalpaiguri and Dakshin Dinajpur; **Presidency Division** : Murshidabad and South 24 Parganas and **Bardhaman Division** : Bankura and Hooghly.

An Entry Conference was held with the Commissioner to the Government of West Bengal, P&RDD in July 2014 wherein audit objectives, criteria, sample selection and methodology were explained. This was followed up by Entry Conferences at the ZP level with the ZP authorities of the six selected ZPs by members of the field audit party before taking up the audit.

#### 4.2.5 Financial position of PRIs

The position of grants received by all PRIs in the State during the last five years is as below:

**Table 4.2.1: Release of grants to PRIs during 2009-14**

(₹ in crore)

Year	Fund released through State budget		Central fund directly released to PRIs (C)	Funds received from other Deptts (D)	Total receipt (A+B+C +D)	Percentage of grants received from		
	Central fund (A)	State fund (B)				Centre		State
						Directly to PRIs	Through State budget	
2009-10	1,021.79	1,758.30	2,530.13	Not available	5,310.22	48	19	33
2010-11	797.55	1,966.04	2,972.44	Do	5,736.03	52	14	34
2011-12	1,157.18	2,184.23	3,539.34	Do	6,880.75	51	17	32
2012-13	1,728.24	2,911.45	4,293.38	Do	8,933.07	48	19	33
2013-14	2,393.23	3,923.31	3,922.79	Do	10,239.33	38	23	39
Total	7,097.99	12,743.33	17,258.08	-	37,099.40	47	19	34

(Source: Panchayat & Rural Development Department)

It is evident from the above table that

- there was an increasing trend in release of funds to PRIs during 2009-14;
- direct releases of central funds increased up to 2012-13 and decreased during 2013-14;
- Central releases constituted more than 60 *per cent* of total releases to PRIs during the same period;
- Central fund constituted 66 *per cent* of total releases to PRIs during 2009-14 of which 47 *per cent* were off-budget transfers only 19 *per cent* of Central funds were released through the State budget. The State Government contributed 34 *per cent* of the total funds during the period.

## Audit Findings

### 4.2.6 Classification and codification of Receipts

Since Model Accounting System is not being followed, receipts of Panchayats are classified in the PRI accounts as per formats prescribed in West Bengal Panchayat (ZP&PS) Accounts and Financial Rules, 2003 and West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007.

The detailed classification of Heads of Account in respect of the respective rules is as follows:

**Table 4.2.2: Classification of receipts as per respective PRI Rules**

GP			PS & ZP	
Rule provision	Head of Account		Rule provision	Head of Account
West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007	i. Receipt of Grant-in-Aid from Central / State Government	a. GIA programme -Sponsored, Assigned, Untied	West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003	i. Plan Fund (P&RD)
		b.GIA establishment (Others)		ii. Plan Fund (Other than P&RD)
	ii. Contribution from ZP/PS/ Other Agency			iii. Non-Plan Fund (P&RD)
				iv. Non-Plan Fund (Other than P&RD)
				v. GoI Sponsored Schemes
	iii. Own Source Revenue			vi. Own Source Revenue
iv. Miscellaneous Receipts				

The Accounts of PRIs are prepared in two different formats through two different software namely IFMAS for ZP and PS and GPMS for GP.

During audit, it was revealed that, in the absence of detailed codified heads of accounts, uniformity in classification of receipts in the PRIs remained absent. Moreover PRIs were able to open new heads of account which also caused variations in classifications of receipts as given in **Appendix-XVIII**.

As seen in above Appendix, ZPs and PSs also did not follow the classification of expenditure as mentioned in the allotment orders and receipts were not booked correctly. Further P&RDD also did not issue any instruction for correct classification of receipts in IFMAS. P&RDD did not furnish any reply.

### 4.2.7 Demand and release of fund

#### 4.2.7.1 State Budget allocation vis-à-vis actual release

P&RDD allocated funds to PRIs under three broad heads viz. (i) Salary and Allowances Grant, (ii) Schematic Fund and (iii) Other Grants. Salary and

Allowances Grant and Other Grants are released by the State Government through State Budget. The details of state budget allocation, actual release and shortfall in release are detailed as follows:

**Table 4.2.3: Allocation and release of funds to PRIs through State Budget**

Year	State budget allocation			Actual release out of state budget			Short release		% shortfall in release	
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Plan	Non-plan
2009-10	1,919.02	989.06	2,908.08	2,061.99	1,172.06	3,234.05	Nil	Nil	Nil	Nil
2010-11	2,356.60	1,182.05	3,538.65	2,045.24	1,007.45	3,052.69	311.36	174.60	13	15
2011-12	2,592.60	1,535.05	4,127.65	2,440.62	1,299.00	3,739.62	151.98	236.05	6	15
2012-13	2,716.90	1,842.10	4,559.00	3,528.58	1,562.64	5,091.22	Nil	279.46	Nil	15
2013-14	2,990.37	2,223.30	5,213.67	5,220.94	1,624.19	6,845.13	Nil	599.11	Nil	27
<b>Total</b>	<b>12,575.49</b>	<b>7,771.56</b>	<b>20,347.05</b>	<b>15,297.37</b>	<b>6,665.34</b>	<b>21,962.71</b>	<b>Nil</b>	<b>1,106.22</b>	<b>Nil</b>	<b>14</b>

(Source: Panchayat & Rural Development Department)

Thus, it would be observed from the above that

- there was a short release of ₹ 1,106.22 crore under Non-Plan head against the provision made in the budget during 2009-14 and the shortfall ranged from 15 to 27 *per cent*;
- there were also short release of ₹ 311.36 crore and ₹ 151.98 crore under Plan head during 2010-12 and the shortfall ranged from 6 to 13 *per cent*; and
- plan fund releases constituted 64, 67, 65, 69 and 76 *per cent* of total releases respectively during the five years covered by the period 2009-2014.

During 2009-10 to 2013-14, year-wise details of receipts with reference to budget in six ZPs are given in **Appendix-XIX**.

#### 4.2.7.2 Demand and release of funds in selected PRIs

PRIs have to prepare their budgets considering the grants-in-aid and allocations of central and state government funds in respect of schemes. In terms of Rule 3 (1) of West Bengal Panchayat (ZP&PS) Budget Rules, 2008 and Rule 35 of West Bengal Panchayat (GP Accounts, Audit and Budget) Rules, 2007 PRIs prepare budget estimates of receipts of development grants and other grants by



increasing the previous year's allocation by 10 *per cent*. Besides, Rule 18(3) of West Bengal Panchayat (ZP&PS) Budget Rules, 2008 stipulates that a copy of the draft budget prepared by Zilla Parishad shall be forwarded to the Secretary, P&RDD and to the Secretaries of such Departments having budgetary contribution in the fund of Zilla Parishad on or before 10th January each year for the views of the State Government.

Examination of receipts projected in the budget vis-à-vis actual receipt in selected PRIs and date of preparation of draft budget revealed as below:

- draft budgets were prepared with a delay ranging from 9 days to 11 months and sent to the State Government after the scheduled date except in Bankura ZP where draft budgets for the years 2010-11 and 2011-12 were prepared within the scheduled time;
- short releases were observed in respect of Hooghly (2011-13), South 24 Parganas (2009-12), Murshidabad (2009-14), Bankura (2011-13), Dakshin Dinajpur (2011-13) and Jalpaiguri (2011-12) ZPs;
- short releases ranged between ₹ 5.12 crore (in Bankura during 2012-13) and ₹ 971.90 crore (in Murshidabad during 2010-11) i.e. 3 *per cent* and 80 *per cent* respectively with respect to the estimated receipt budget of six selected ZPs; and
- total short release was to the tune of ₹ 3,052.58 crore in respect of six ZPs during 2009-14.

Thus, there was no relation between the release of funds to PRIs and their budget estimates. It was also observed that the heads under which budget was prepared and the heads under which funds were received and accounts prepared were not the same which made it difficult to ascertain the receipt against the budget and its utilisation.

**Table 4.2.4: Difference in classification of receipts between budget and accounts**

Sl. No.	Name of receipt	Name of PRI	Classification of the receipt in the Budget	Classification of the receipt in the Annual Accounts
01	IAY	Hooghly ZP	Plan Fund (P&RD)	GoI
		Raghunathganj-I PS	GoI	Plan Fund (P&RD)
				Non-Plan Fund (P&RD)
02	Sanitation	Hooghly ZP	Plan Fund (P&RD)	Plan Fund (other than P&RD)
03	SGRY (Transport)	Hooghly ZP	Plan Fund (P&RD)	GoI
04	TA/DA/Hon of ZP Member	Murshidabad ZP	Non-Plan Fund (P&RD)	Plan Fund (P&RD)
05	SGSY	Murshidabad ZP	GoI	Plan Fund ( P&RD)
06	Swajaldhara	Jalpaiguri ZP	GoI	Plan Fund (other than P&RD)
07	3rd SFC	Bhangar-I PS	GoI	Plan Fund (P&RD)
08	13th FC	Bhangar-I PS	GoI	Plan Fund (P&RD)
		Kotulpur PS	GoI	Plan Fund (P&RD)

(Source: Records of selected PRIs)

#### 4.2.8 Receipt of fund from other departments

PRIs receive funds from other line departments like agriculture, animal resource development, irrigation, health etc. to carry out works entrusted by these departments. In order to ascertain the quantum of funds released by other departments to PRIs, the matter was enquired from P&RDD. The department did not have any information and it stated that the same could be available from the Finance Department of West Bengal. The Finance Department did not furnish any reply.

**P&RDD Data:** The funds received from other departments were not available from P&RDD. In absence of any data, the total financial position of the PRIs could not be ascertained and receipts remained understated due to exclusion of funds received from other departments.

However, details of fund flow from other departments in selected ZPs as revealed from accounts of respective ZPs are given below:

**Table 4.2.5: Funds of other departments received by selected ZPs**

(₹ in crore)

Name of ZP	Years					Total
	2009-10	2010-11	2011-12	2012-13	2013-14	
Hooghly	7.66	10.07	11.74	18.11	18.55	66.13
South 24 Pgs	7.90	10.03	8.32	19.07	9.93	55.25
Murshidabad	6.52	9.82	4.98	4.67	5.73	31.72
Bankura	10.26	35.26	8.29	17.25	12.93	83.99
Dakshin Dinajpur	3.93	4.49	1.74	12.31	9.80	32.27
Jalpaiguri	2.73	2.75	9.71	4.13	5.84	25.16

(Source: Records of selected PRIs)

It is observed that devolved functions for which funds were received from line departments could not be identified as the same were not mentioned in the allotment orders of line departments. Instead the name of the work / scheme to be executed was mentioned. Consequently, the PRIs remained unaware about devolved functions.

#### 4.2.9 Own Source Revenue (OSR)

West Bengal Panchayat Act, 1973 gives exclusive powers to GPs to impose and collect tax revenues in the shape of land and building tax. It also empowered all three tiers of PRIs to collect tolls, fees and rents etc. as non-tax revenues. Tax revenue is imposed and collected by GPs and non-tax revenues are collected by all three tiers.

##### 4.2.9.1 Generation of tax and non-tax revenue

The position of generation of tax and non-tax revenues by the PRIs of the State during 2009-14 was enquired from P&RDD but the department failed to provide complete data of revenue generation in PRIs. Information so collected is given below:

**Table 4.2.6: Demand and collection of tax and non-tax revenues during 2009-14**

(₹ in crore)

Year	Total demand of Tax revenue	Total collection of Tax revenue	Shortfall	Total collection of non-tax revenue
2009-10	Not Available	36.60	Not Available	122.71
2010-11	Do	43.16	Do	139.24
2011-12	78.83	51.77	27.06 (21%)	147.01
2012-13	83.04	48.50	34.54 (29%)	168.80
2013-14	Not Available	Not Available	Not Available	Not Available

(Source: Reply of P&amp;RDD)

Thus, it would be seen from the above that there was a shortfall in generation of tax revenue to the tune of ₹ 27.06 crore and ₹ 34.54 crore against the demand of ₹ 78.83 crore and ₹ 83.04 crore during 2011-12 and 2012-13 respectively and shortfall ranged from 21 to 29 *per cent* during the same period. Total demand of tax-revenue for the year 2009-11 and 2013-14 and total collection of tax revenue for the year 2013-14 were not made available to audit by P&RDD. As a result, generation of revenue during that period could not be ascertained. Further, in case of non-tax revenue, demands of non-tax revenue against annual lease rent, trade license fees etc. vis-à-vis their actual realisation could not be ascertained as P&RDD did not have the information as they were either not maintaining the demand registers or maintaining it without the necessary details.

#### 4.2.9.2 Land and building tax of GP

Section 46 of the Act empowered the GP to impose yearly taxes on land and buildings within the local limits of its jurisdiction at the following rates, except for those land and buildings, the annual value of which does not exceed rupees two hundred fifty:

- At the rate of one *per cent* of the annual value of such land and buildings when the annual value does not exceed rupees one thousand;
- At the rate of two *per cent* of the annual value of such land and buildings when the annual value exceeds rupees one thousand, to be paid by the owners and occupiers thereof.

For preparation of demand list in respect of tax and license fees levied by the GP, the Rules provide for determination of ownership and the market value of the land or buildings or both, for which the GP shall conduct field survey and

may collect self declaration of the individual assessee about the area and valuation of land or buildings or both and take up the matter with the Block Land and Land Reforms Officer (BL&LRO) and Sub-Registrar or District Registrar.

However, it was noticed that though the GPs maintained Assessment Register, none of the selected 42 GPs followed the assessment procedure properly. It was noticed that none of the selected 42 GPs conducted any field survey of the individual assessee about actual area and valuation of land and buildings or both. Further, 14<sup>36</sup> GPs did not distribute self declaration forms to assessee and eight<sup>37</sup> GPs did not collect self declaration forms from assessee. Instead, either the GP notionally fixed value of the land/ buildings without considering the actual market value or it prepared new assessment list from data available from the previous assessment list without any increases due to appreciation.

The remaining 20<sup>38</sup> GPs collected self declaration forms containing valuation of the property from some of the assessee, but they did not confirm those valuations from the BL&LRO and Sub-Registrar or District Registrar as prescribed in the Rules.

Thus, the prescribed system of determining the actual Annual Valuation of land/ buildings was not in place.

Some instances are given below:

- Out of 42 selected GPs, only Sankarpur GP of South 24 Parganas ZP furnished the detailed records of assessment list, demand and collection register. Scrutiny of those documents revealed that the GP notionally fixed the amount of property tax ranging from ₹10 to ₹14 without considering the value of the land as mentioned in the assessment list and suffered loss of ₹ 4.96 lakh during 2009-14 (₹ 0.99 lakh per year) from 2,211 assessee (**Appendix-XX**).
- Further Panjul GP of Dakshin Dinajpur ZP also extended reduced rate of

<sup>36</sup> Chandipur, Dhola (South 24 Pgs), Keshabchak, Babnan (Hooghly), Mairadanga, Chaporerpar-II, Luksan, Mahakalguri and Champaguri (Jalpaiguri), Malihati, Dangapara, Prosadpur, Sarbangapur and Raninagar (Murshidabad).

<sup>37</sup> Radhanagar, Ajodhya, Sihar, Mankanali (Bankura), Nahajari, Sankarpur, Avad-Bagabanpur and Durgapur (South 24 Parganas).

<sup>38</sup> Ramkrishnapur-Borhanpur, Narayanpur (South 24 Pgs), Dwarhatta, Narayanpur-Bahirkhanda, Mohipalpur, Jirat, Makalpur, Talpur (Hooghly), Purbanabasan, Dhansimla, Lougram, Bikna (Bankura), Jateswar (Jalpaiguri), Amritakhanda, Chakvrigu, Hili, Panjul (Dakshin Dinajpur) and Talibpur, Jamuar, Nowda (Murshidabad).

taxes in respect of 26 assesseees since 2009-10 (**Appendix-XXI**) and order of the GP authority was not found on record.

- Nahajari GP of South 24 Parganas ZP arbitrarily fixed annual property tax as ₹ 19,250 without any basis and suffered an annual loss of revenue of ₹ 2,350 on land valuing ₹1.80 crore. Further the GP collected ₹ 19,250 for the year 2009-10 only in March 2014 and ₹ 77,000 remained unrealised as of March 2014.

### Revision of tax rates

The Rule also envisages that fresh determination of market value of land or buildings or both shall be done after five years or after constitution of newly elected body in a GP whichever is earlier. But none of the selected 42 GPs revised the tax rates periodically though annual value of land/ buildings increased over time.

Demand and collection of taxes in selected 42 GPs revealed (**Appendix-XXII**) that the range of collection was nil to 91 *per cent* during 2009-14.

### Maintenance of Demand and Collection Register

Out of 42 selected GPs, Chandipur, Nahajari, Hili, Babnan and Nowda GPs did not maintain Demand and Collection Register as per Rule 10 (5) of West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules, 2007.

### Collection of tax

Collection of taxes in selected GPs of Hooghly was in the range of 11 to 86 *per cent*, 0.4 to 36 *per cent* in South 24 Parganas, 3 to 46 *per cent* in Murshidabad, 9 to 61 *per cent* in Bankura, 6 to 42 *per cent* in Dakshin Dinajpur and 5 to 91 *per cent* in Jalpaiguri during 2009-14 as detailed below:

**Table 4.2.7: Percentage of collection of tax against demand in selected GPs**

Name of ZP	Year	% of Tax Collection range against Demand	Name of the GP having lowest and highest tax collection
Selected GPs of Hooghly	2009-10	13 to 49	Mohipalpur and Keshabchak
	2010-11	12 to 42	Mohipalpur and Keshabchak
	2011-12	14 to 77	Mohipalpur and Jirat
	2012-13	11 to 82	Mohipalpur and Babnan
	2013-14	13 to 86	Mohipalpur and Jirat
Selected GPs of South 24 Parganas	2009-10	3 to 30	Dhola and Ramkrishnapur Borhanpur
	2010-11	4 to 22	Dhola and Ramkrishnapur Borhanpur
	2011-12	4 to 30	Dhola and Ramkrishnapur Borhanpur
	2012-13	2 to 36	Dhola and Ramkrishnapur Borhanpur
	2013-14	0.4 to 34	Chandipur and Ramkrishnapur Borhanpur
Selected GPs of Murshidabad	2009-10	8 to 34	Talibpur and Raninagar
	2010-11	6 to 28	Sarbangapur and Dangapara
	2011-12	3 to 44	Nowda and Dangapara
	2012-13	5 to 35	Sarbangapur and Dangapara
	2013-14	5 to 46	Sarbangapur and Jamuar
Selected GPs of Bankura	2009-10	14 to 46	Mankanali and Sihar
	2010-11	16 to 48	Dhansimla and Sihar
	2011-12	13 to 55	Mankanali and Sihar
	2012-13	10 to 59	Mankanali and Sihar
	2013-14	9 to 61	Mankanali and Lougram
Selected GPs of Dakshin Dinajpur	2009-10	6 to 40	Panjul and Chakvrigu
	2010-11	8 to 19	Panjul and Amritkhanda
	2011-12	8 to 42	Panjul and Hili
	2012-13	19 to 40	Panjul and Hili
	2013-14	13 to 41	Panjul and Hili
Selected GPs of Jalpaiguri	2009-10	5 to 54	Jateswar-I and Champaguri
	2010-11	11 to 62	Jateswar-I and Champaguri
	2011-12	15 to 76	Jateswar-I and Mairadanga
	2012-13	5 to 87	Jateswar-I and Champaguri
	2013-14	12 to 91	Jateswar-I and Champaguri

(Source: Records of selected PRIs)

The reason for shortfall is attributed to non-preparation of the list of defaulters by GPs as observed in selected 42 GPs. These GPs did not publicise such lists in prominent places within their jurisdiction and place such list in the half-yearly and annual meetings of Gram Sabha or GP as required under Rule 62 of West Bengal Panchayat (GP Admn) Rules, 2004.

It was also observed that there was no provision of serving a demand notice to assesseees and penal action for default in paying taxes in GP Rules.

#### **4.2.9.3 Framing of bye-laws, extent of implementation and realisation of revenues**

Section 223 of the Act envisages that the ZPs, PSs and GPs shall make bye-laws or amend bye-laws for enabling in discharging functions. Moreover, Rule 2 of West Bengal Panchayat (PS Administration) Rules, 2008 envisages that the Sabhapati of the PS, either by himself or through Executive Officer, shall be responsible for framing and bringing into force the bye-law framed by the PS for realisation of taxes, fees, tolls, fines and such other charges subject to the provision of Section 223 of the Act *ibid* as may be decided to be imposed by the PS.

The following deficiencies were noticed:

##### **Bye-laws not framed**

Hooghly and Dakshin Dinajpur ZPs, Sonamukhi PS and Mohipalpur, Dangapara, Nowda, Luksan, Champaguri and Panjul GPs have not framed bye-laws for collection of non-tax revenue during 2009-14. Further, Bankura ZP and Dhola and Chandipur GPs claimed framing of bye-laws, but could not furnish the same to Audit.

##### **Bye-laws framed but not implemented**

Out of selected 21 PSs and 42 GPs, Balagarh, Nowda and Bharatpur-II PSs and Jirat and Malihati GPs reported that bye-laws were framed but the same were not implemented. In Alipurduar-II, Mathurapur-I and Kulpi PSs, bye-laws were framed in respect of sale of tender form, licence fee for dangerous and offensive trade, but implemented in an ad-hoc manner, and this fact was accepted by the concerned PSs. Balurghat PS and Chakvrigu GP framed bye-laws in 2013-14 only.

##### **Non-Tax revenue**

It was noticed from the bye-laws of Bharatpur-II PS that the PS fixed the rates



of non-tax revenue from kerosene oil dealers (39 nos), brick fields (21 nos), various mills (15 nos), rural markets (3 nos) and enlistment of contractors (38 nos) but failed to realise revenue of ₹ 11.48 lakh during 2009-14. Similarly, Hili PS did not take initiative to collect annual renewal fee from traders engaged in dangerous and offensive trade like kerosene oil, rice mill etc. and did not realise ₹ 0.17 lakh during 2009-14.

In the remaining PSs the position could not be ascertained as they failed to provide information in respect of trading/ business activities in their respective areas.

#### **Non-collection of fees inspite of framing bye-laws**

Rule 57 of the WB Panchayat (PS Administration) Rules, 2008 states that the owner of an existing business or a person intending to establish a business declared by notification to be dangerous or offensive by the State Government shall make an application in Form 6 to the PS for licence within the period specified by the PS in terms of the bye-laws adopted under Section 223 of the Act. After expiry of such period as mentioned in the licence, an application for its renewal shall be made in Form 6A.

During Performance Audit, it was noticed that seven<sup>39</sup> PSs did not maintain any record of dangerous and offensive trades running under their jurisdiction and did not take any initiative to collect the licence fee or renewal fee which affected own revenues of the PSs.

#### **4.2.9.4 Write-off of arrear and current demand and remission of non-tax revenues**

GP Rules, 2007 do not empower GPs to write-off any amount of revenue but Dhansimla, Lougram and Panjul GPs had unauthorisedly written off arrear demands or current demands as detailed below:

<sup>39</sup> Mathurapur-I, Sonamukhi, Haripal, Balagarh, Tarakeswar, Murshidabad-Jiaganj and Nowda.

**Table 4.2.8: Unauthorised writing off revenues**

Name of GPs	Audit findings
Dhansimla	In 2009-10, the arrear demand of land and building tax was ₹ 75,063 but in 2010-11, the GP reduced the arrear demand to ₹ 71,918 i.e. reduced ₹ 3,145. Similarly, in 2011-12, the arrear demand was ₹ 70,106, but in 2012-13, the arrear demand was reduced to ₹ 21,443. The GP did not furnish any reason for this write-off.
Lougram	In 2010-11, the arrear demand was ₹ 2,73,595 but in 2011-12, the arrear demand was considered as ₹ 2,47,435. Thus the demand was reduced by ₹ 26,060. The GP did not furnish any reason.
Panjul	In 2010-11, the current demand was ₹ 80,992 but in 2011-12, the GP fixed the current demand at ₹ 64,481. Thus the GP reduced the current demand by ₹ 16,511 instead of increasing the current demand. The GP also could not submit any copy of resolution of meeting of <i>Artha O Parikalpana Upa Samiti</i> or general body of the GP.

(Source: Records of selected PRIs)

It was also observed that GPs did not conduct any survey to confirm whether assessee's whose taxes were due actually needed the remission. Similarly, write-off was not discussed in the meetings of *Artha O Parikalpana Upa Samiti* (AOPUS) and general meetings and no resolution was passed in support of the said write-off. Further, the GPs did not take the approval of higher authorities for write-off of revenues.

Similarly, in terms of West Bengal Panchayat (ZP & PS) Accounts and Financial Rules, 2003, PS does not have any power for remission of revenue but Nowda and Raghunathganj-I PSs had remitted lease money of 'Ferry Ghat' of ₹ 3.10 lakh and ₹ 0.36 lakh respectively during 2009-14 by taking resolution of the concerned *Artha, Sanstha, Unnayan O Parikalpana Sthayee Samiti* (ASUOPSS) of the PSs or in the general body meetings.

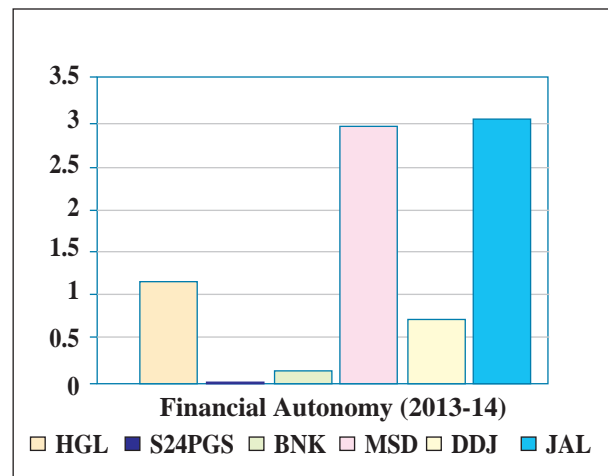
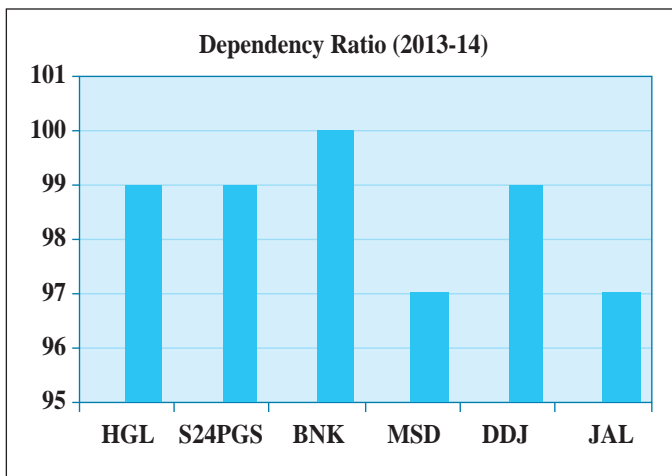
#### 4.2.9.5 Dependency ratio and extent of Financial Autonomy of PRIs

As discussed earlier, PRIs were mostly dependent on Government grants for carrying out developmental activities in rural areas and for recurring expenditure. Own funds were consistently poor and were not sufficient to meet the entire expenditure incurred during a financial year. Dependency and financial autonomy ratios of six ZPs have been calculated with reference to total expenditure and total own revenues during 2013-14 in the table below:

**Table 4.2.9: Dependency and financial autonomy ratios in selected ZPs**

Name of ZP	Total expenditure (A)	Total Own fund income (B)	Dependency ratio {(A-B)/A*100}	Financial Autonomy ratio {(B/A)*100}
	(₹ in crore)			
Hooghly	161.50	1.90	99	1.18
South 24 Pgs	414.26	4.84	99	1.17
Bankura	164.84	0.23	100	0.14
Murshidabad	234.74	7.00	97	2.98
Dakshin Dinajpur	118.72	0.89	99	0.75
Jalpaiguri	204.92	6.28	97	3.06

(Source: Records of selected PRIs)



Dependency and financial autonomy ratio of selected PSs and GPs under selected six ZPs during 2013-14 are given below:

**Table 4.2.10: Dependency and financial autonomy ratio in selected PSs and GPs**

Name of the ZP	Range of ratios in selected PSs		Range of ratios in selected GPs	
	Dependency Ratio	Financial Autonomy ratio	Dependency Ratio	Financial Autonomy ratio
Hooghly	96.81 to 99.76	0.24 to 3.19	94.78 to 99.03	0.97 to 5.22
South 24 Pgs	98.67 to 99.86	0.14 to 1.33	94.36 to 99.96	0.04 to 5.64
Bankura	98.35 to 99.67	0.33 to 1.65	90.88 to 98.71	1.29 to 9.12
Murshidabad	98.31 to 99.03	0.97 to 1.69	94.40 to 98.71	1.29 to 5.60
Dakshin Dinajpur	97.51 to 97.56	2.44 to 2.49	92.68 to 98.25	1.75 to 7.32
Jalpaiguri	95.04 to 99.33	0.67 to 4.96	98.36 to 99.03	0.97 to 1.64

(Source: Records of selected PRIs)

It is evident from the above tables that dependency ratio in Bankura was 100 *per cent* while the same in selected PSs and GPs of the ZP ranged between 90.88 *per cent* and 99.67 *per cent*. Murshidabad and Jalpaiguri ZPs were less dependent with a percentage of 97. PSs of South 24 Parganas and GPs of Jalpaiguri had the lowest dependency ratios.

Amongst six ZPs, financial autonomy ratio was highest in Jalpaiguri and lowest in Bankura.

#### **4.2.10 Steps taken by the PRIs to achieve self-sufficiency**

Review of records of selected 42 GPs, 21 PSs and 6 ZPs revealed that the PRIs did not pay adequate attention towards achieving self-sufficiency. Only in some meetings of ASUOPSS or general body meetings some discussion about augmentation of own fund took place which had little impact on augmentation of own source revenue and/or on achievement of self-sufficiency. South 24 Parganas ZP, Hili, Balurghat, Bishnupur, Kotulpur, Bankura-II, Nowda, Kulpi, Bishunpur-II and Mathurapur-I PSs and Jamuar, Sarbangapur and Malihati GPs did not review the status of augmentation of revenue during 2009-14. Further, Nagrakata, Hili, Balurghat, Bishnupur, Kotulpur, Bankura-II, Nowda, Bishunpur-II, Mathurapur-I and Balagarh PSs and all the selected 42 GPs did not take sufficient initiatives to attain self-sufficiency.

#### **4.2.11 Monitoring**

##### **4.2.11.1 Monitoring Committee/ body in PRIs and its role**

To monitor the receipts of the PRIs, there is no specific provision in the Act or in the Rules framed thereunder. There are some references to monitoring available at different Rules connected with the functioning of the PRIs and their accounting and auditing. Rule 10 of West Bengal Panchayat (Gram Panchayat Accounts, Audit and Budget) Rules 2007 requires the AOPUS to review the position of collection of taxes etc. of GPs and to take all possible steps in this regard. Rule 31 of West Bengal Panchayat (PS Administration) Rules, 2008 entrusted ASUOPSS to deal with matters of finance, levy of fees, duties and toll charges. Rule 66 of West Bengal Panchayat (GP Administration) Rules, 2004 entrusted AOPUS to deal with the matters of finances and taxes of GP. But there is no specific mechanism like a Monitoring Committee etc. mentioned in any of the rules. There is no system of any regular periodic returns or reports to be prepared by the PRIs and submitted to a monitoring authority. Only in respect of specific schemes implemented by the PRIs, reports are submitted if required under those schemes. No specific procedure has been prescribed under

any Rule about monitoring the receipts and suggest measures for improvement. On being pointed out, 6 ZPs and 21 PSs replied that ASUOPSS monitored the finances and own revenues and admitted that there was no separate monitoring committee in existence. Similarly, all the 42 GPs replied that AOPUS monitored over the finances including tax and non-tax revenue of GP. But all selected PRIs except Hooghly ZP reported that ASUOPSS / AOPUS had not prepared any report on the finances of PRIs during the period covered under the Performance Audit.

#### **4.2.11.2 Absence of monitoring committee at the State level**

Regular monitoring of financial status of PRIs is necessary to improve the liquidity position of PRIs. Besides, it also serves towards efficient and effective use of financial resources of the State.

When enquired about existence of any monitoring committee at the State level to monitor over the functions of '*Upa-Samitis*' (sub-committee) and '*Sthayee Samitis*' (Standing committee), P&RDD stated that there was no such committee at the State level.

### **4.2.12 Conclusion and Recommendations**

#### **Conclusion**

Performance audit of Receipts of Panchayats in six selected ZPs revealed that there was no uniform codification structure in respect of receipts. Consequently, classification of receipts varied from PRI to PRI. There was misclassification of receipts and PRIs opened new heads freely. Budget and annual action plans for specific schemes were prepared which did not have any relation with the actual receipts of fund. PRIs were unaware of the devolved funds against specific functions and total PRI receipts were often understated due to their grants not always being correctly reflected in the accounts of line departments making those grants. The position of augmentation of tax and non-tax revenues by PRIs was also not encouraging due to various shortcomings including faulty assessment procedure, improper valuation of land and building tax, unauthorised remission / reduction of taxes and dues, unauthorised writing off of arrear demands as well as current demands, non-revision of taxes over a considerable period of time etc. Besides, there was no provision for issuing demand notices to assessees and taking penal action against the defaulting taxpayers. Bye-laws framed for generation of revenue, etc. were also not implemented properly. All this led to insufficient resources of the PRIs. Besides, in the absence of any regular monitoring mechanism at the State level and non-conducting of evaluation study

by the State Government, financial position of PRIs did not improve over the years.

### **Recommendations**

Concerted efforts may be made to make the PRIs efficient by addressing the following areas:

- Detailed codified heads of accounts may be introduced to maintain the accounts uniformly throughout the State to avoid variations in classification of receipts in PRIs. P&RDD may frame and issue the necessary instructions in this regard.
- Line departments may be instructed to show the grants to PRIs separately for proper accounting of the receipts of PRIs from all sources.
- Grants made for specific devolved functions should be stated in the respective allotment orders.
- A regular and effective system of monitoring may be instituted to oversee proper implementation of all rules and bye-laws, timely collection of all taxes and dues and for efficient collection and augmentation of receipts as a whole.