

**CHAPTER-2**  
**RESULTS OF THE AUDIT OF**  
**PANCHAYATI RAJ INSTITUTIONS**



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### RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS

The deficiencies noticed in audit of Panchayati Raj Institutions conducted during 2014-15 are discussed in the succeeding paragraphs.

#### 2.1 Revenue

##### 2.1.1 Non-recovery of House Tax

###### **Fifty two GPs did not realise house tax of ₹ 18.93 lakh.**

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

Audit noticed that in 52 GPs, house tax amounting to ₹ 18.93 lakh for the period 2013-14 was not recovered as of March 2015 (**Appendix-6**). This was indicative of ineffective monitoring on the part of GPs which may result in loss of revenue. Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of Section 114 of HP Panchayati Raj Act, 1994. The Secretaries of concerned GPs stated (June 2014-March 2015) that efforts would be made to recover the outstanding house tax.

##### 2.1.2 Outstanding rent

###### **Eighteen PRIs failed to realise rent of shops amounting to ₹ 19.37 lakh.**

The ZPs, PSs and GPs had been maintaining shops in their jurisdiction and these were rented out to the public on monthly rental basis.

Scrutiny of records revealed that in 18 PRIs, an amount of ₹ 19.37 lakh<sup>5</sup> from 2005-06 to 2014-15 on account of rent of 103 shops was outstanding as of March 2015 (**Appendix-7**). This indicated that the process of rent collection had not been given due attention by the PRIs. The concerned PRIs stated (September 2014-January 2015) that notices had been served to the defaulters to deposit the outstanding rent immediately or else necessary steps would be taken to vacate the shops.

##### 2.1.3 Non-recovery of duty for installation of Mobile Towers

###### **Revenue of ₹ 6.98 lakh remained un-realised on account of installation/ renewal charges of mobile towers in 32 GPs.**

The Government of Himachal Pradesh authorised (November 2006) the GPs to levy duty on installation of mobile communication towers in their jurisdiction at the rate of ₹ 4,000 per tower and collect annual renewal fee at the rate of ₹ 2,000 per tower.

In 32 GPs, 72 mobile towers were installed during 2005-14 in their jurisdiction but the installation/ renewal charges amounting to ₹ 6.98 lakh (**Appendix-8**) had not been recovered from the concerned mobile companies as of March 2014. This deprived the GPs

<sup>5</sup> ZP: ₹ 4.40 lakh, PSs: ₹ 7.55 lakh and GPs: ₹ 7.42 lakh.

of their due share of revenue. The concerned Secretaries of the GPs stated (December 2014 – February 2015) that action would be taken to recover the dues shortly.

#### **2.1.4 Expenditure incurred without preparing budget estimates by PS Gopalpur**

Rule 38 of HPPR Rules, 2002, provides that every Panchayat Samiti (PS) shall annually prepare a budget estimate of its receipts and expenditure in Form-12 for each financial year. The budget will be prepared by the Executive Officer of the PS by 31st December and shall be submitted to the Finance, Audit and Planning Committee of the Samiti for close scrutiny and modification, if any. After scrutiny, the said committee shall submit the same to the PS for its approval in or before February. The budget shall be passed by the PS by a majority vote. Further rule 45 provides that no expenditure will be incurred without budget provision.

Audit noticed that the PS Gopalpur had incurred an expenditure of ₹ 2.15 crore without preparing and passing the budget estimates during 2011-12 and 2013-14. The Executive Officer, Panchayat Samiti stated (February 2015) that the expenditure incurred without budget estimates will be got regularised shortly from the competent authority.

## **2.2 Blocking of funds**

### **2.2.1 Blocking of funds due to non-commencement of works**

**Funds of ₹ 40.81 lakh remained unspent due to non-commencement of works by the PRIs.**

Scrutiny of records showed that in three PSs and three GPs funds amounting to ₹ 40.81 lakh<sup>6</sup> were received (2009-14) under various schemes for execution of 60 works such as construction and repairs of parking, shops, roads, drains, solid waste management projects, street lights, etc. However, no expenditure was incurred on execution of the works as of March 2014. Thus, non-utilisation of funds for developmental activities resulted in blocking of funds besides, depriving the beneficiaries of the intended benefits. The Executive Officers/ Secretaries of the PRIs concerned stated (June 2014-Feb 2015) that due to land disputes and litigations, the works could not be started. The reply is not convincing as such issues should have been resolved before getting the works sanctioned and release of funds.

### **2.2.2 Unfruitful expenditure under Backward Region Grant Fund (BRGF).**

**Non-completion of works by Zila Parishad, Chamba within stipulated period had resulted in unfruitful expenditure of ₹ 0.93 crore and blocking of ₹ 0.64 crore.**

As per BRGF guidelines, works sanctioned should be started immediately and completed within six months after the release of funds to concerned executing agency.

Scrutiny of records of ZP, Chamba showed that 85 works amounting to ₹ 1.57 crore were sanctioned during 2011-14 under BRGF for execution by the various executing agencies.

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<sup>6</sup> PSs: Gopalpur 3.91 lakh, Gagret 19.75 lakh, Anni 8.40 lakh, GPs: Bohli 6.30 lakh, Chewa 1.20 lakh, Patta 1.25 lakh.

Out of this, ₹ 0.93 crore were utilised on above works and ₹ 0.64 crore were lying unutilised in the bank as of November 2014. Non completion of works within stipulated period had resulted in unfruitful expenditure of ₹ 0.93 crore and blocking of ₹ 0.64 crore besides denial of the intended benefits of the schemes to beneficiaries.

The Secretary Zila Parishad, Chamba stated (November 2014) that delay was due to non release of balance (25 per cent) grant from the GOI and limited working season. The reply is not acceptable as some of the works were lying incomplete since 2011.

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

#### **Funds of ₹ 6.51 lakh earmarked for minor irrigation schemes remained un-utilised in Personal Ledger Accounts.**

The PSs had been maintaining Personal Ledger Accounts (PLAs) for crediting the grants received from Government for execution of minor irrigation and water supply schemes in rural areas. As per the condition of the sanctions, the funds are required to be drawn within one month and utilised within one year from the date of sanction.

Scrutiny of records showed that out of ₹ 9.66 lakh available with five<sup>7</sup> PSs for execution of schemes during 2010-14, an expenditure of ₹ 3.15 lakh was incurred leaving an unspent balance of ₹ 6.51 lakh in PLAs of these PSs as of March 2014. Non-utilisation of funds resulted in unnecessary blocking of funds in PLAs besides, depriving the beneficiaries of the intended benefits of the schemes.

While admitting the facts, the PRIs concerned stated (September 2014-February 2015) that the amount would be utilised in future. The reply is not acceptable as funds deposited in PLAs were required to be utilised within one year from the date of sanction.

### **2.3 Doubtful deployments**

#### **2.3.1 Irregularities in payment to labourers**

#### **Eight GPs showed deployment of same labourers on different works in same period.**

Scrutiny of records showed that in eight<sup>8</sup> test-checked GPs, same labourers were shown as deployed on different works and different muster rolls in the same period during 2008-14, resulting in doubtful deployment and double payment of wages of ₹ 0.26 lakh. The name of schemes/ works for which these muster rolls were issued had not been mentioned in most of the muster rolls, which was indicative of ineffective internal control mechanism. The concerned Secretaries of the GPs stated (November 2014-March 2015) that the matter would be investigated and action would be taken accordingly.

### **2.4 Implementation of Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)**

The main objective of the scheme is to enhance livelihood security in rural areas by providing at least 100 days of guaranteed wage employment in a financial year to every

<sup>7</sup> Chauntra, Darang, Gagret, Nahan and Sundernagar.

<sup>8</sup> Gabli Dadi, Ghoond, Kajlot, Khuni Panoli, Kot, Kothi Chehni, Kunnu and Ropa.

household whose adult members volunteer to do unskilled manual work. The funds relating to MGNREGS are being received by the GPs through District Rural Development Agencies (DRDAs) for implementation of Mahatama Gandhi National Rural Employment Guarantee Act (MGNREGA). Deficiencies noticed in implementation of the scheme during the course of audit of PRIs are discussed in the succeeding paragraphs.

#### **2.4.1 Delay in release of labour payment**

**Fourteen GPs delayed payment of ₹ 1.56 crore to labourers for periods ranging between 02 and 14 days.**

As per Para 8.3.1 of MGNREGS guidelines, workers were to be paid wages on a weekly basis and in any case not beyond a fortnight from the date on which work was done. In the case of delay beyond a fortnight, workers were entitled for compensation as per the provisions of 'Payment of Wages Act, 1936'.

Audit noticed that fourteen GPs made payment of ₹ 1.56 crore to the workers under MGNREGS after a delay ranging between 02 and 14 days (**Appendix-9**), contrary to the provisions of MGNREGS guidelines. No compensation was paid to the labourers for delayed payment. The Secretaries of the GPs concerned stated (November 2014-March 2015) that the delay in payment of wages was due to late receipt of funds from Block Development Officers. The reply is not acceptable as delay in payment of wages denied the beneficiaries of their due entitlements.

Audit findings were referred to the Government in March 2016. Reply had not been received (April 2016).