



**ANNUAL TECHNICAL INSPECTION REPORT ON
PANCHAYATI RAJ INSTITUTIONS AND URBAN LOCAL BODIES
FOR THE YEAR ENDED 31 MARCH 2016**



उत्तराखण्ड शासन

**GOVERNMENT OF UTTARAKHAND
OFFICE OF THE ACCOUNTANT GENERAL (AUDIT)
UTTARAKHAND, DEHRADUN**

Presented to Legislative Assembly

on.....

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**Annual Technical Inspection Report on
Panchayati Raj Institutions and Urban Local Bodies
for the year ended 31 March 2016**

**Office of the Accountant General (Audit),
Uttarakhand, Dehradun**

| TABLE OF CONTENTS | | |
|---|------------------|-----------------|
| Particulars | Paragraph | Page No. |
| Preface | | iii |
| Executive Summary | | v |
| PART- I: PANCHAYATI RAJ INSTITUTIONS | | |
| CHAPTER-1: PROFILE OF PANCHAYATI RAJ INSTITUTIONS | | |
| Introduction | 1.1 | 1 |
| Maintenance of Accounts | 1.2 | 1 |
| Entrustment of Audit (Audit Arrangements) | 1.3 | 1 |
| Organizational Structure of Panchayati Raj Institutions | 1.4 | 3 |
| Standing Committees | 1.5 | 4 |
| Institutional Arrangements for Implementation of Schemes | 1.6 | 5 |
| Financial Profile | 1.7 | 5 |
| Accountability Framework (Internal Control System) | 1.8 | 7 |
| Audit mandate of Primary Auditor (Director of Audit) | 1.9 | 7 |
| Accounting System | 1.10 | 7 |
| Audit Coverage | 1.11 | 8 |
| Response of Audit Observations | 1.12 | 11 |
| CHAPTER-2: RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS | | |
| Scheduled Castes Sub Plan (SCSP) | 2.1 | 13 |
| Avoidable expenditure | 2.1.1 | 13 |
| Execution of inadmissible works | 2.1.2 | 14 |
| Members of Parliament Local Area Development Scheme (MPLADS) | 2.2 | 14 |
| Undue benefit to contractor | 2.2.1 | 14 |
| Rashtriya Sam Vikas Yojna (RSVY) | 2.3 | 16 |
| Diversion of funds | 2.3.1 | 16 |
| Short recovery of Circumstances and Property tax | 2.4 | 16 |
| Non-deduction of the Centage Charges | 2.5 | 17 |
| Non-imposition of Cess for welfare of the Building and other Construction Workers | 2.6 | 17 |
| Non-completion of works in different schemes | 2.7 | 17 |
| Violation of Uttarakhand Procurement Rules-2008 | 2.8 | 18 |

| PART-II: URBAN LOCAL BODIES | | |
|---|---------------------|-----------------|
| CHAPTER-3: PROFILE OF URBAN LOCAL BODIES | | |
| Introduction | 3.1 | 21 |
| Maintenance of Accounts | 3.2 | 21 |
| Audit Mandate | 3.3 | 21 |
| Organizational Structure of Urban Local Bodies | 3.4 | 22 |
| Standing Committees of Local Bodies | 3.5 | 23 |
| Institutional Arrangements for Implementation of Schemes | 3.6 | 23 |
| Training Arrangements | 3.7 | 23 |
| Financial Profile of Local Bodies | 3.8 | 24 |
| Devolution of functions to Local Bodies | 3.9 | 25 |
| Accountability Framework (Internal Control System) | 3.10 | 25 |
| Accounting System in Local Bodies | 3.11 | 26 |
| Financial Reporting | 3.12 | 26 |
| Audit Coverage | 3.13 | 27 |
| CHAPTER-4: RESULTS OF AUDIT OF URBAN LOCAL BODIES | | |
| Short recovery of Value Added Tax (VAT) | 4.1 | 29 |
| Non-deduction of royalty from contractors' bills | 4.2 | 29 |
| Short recovery of Show Tax | 4.3 | 30 |
| Short charging of Stamp Duty on agreements | 4.4 | 30 |
| Suspected Misappropriation of receipts | 4.5 | 31 |
| Irregular expenditure on the works | 4.6 | 31 |
| Expenditure on incomplete construction | 4.7 | 32 |
| APPENDICES | | |
| Particulars | Appendix No. | Page No. |
| District-wise number of Panchayats in Uttarakhand | 1.1 | 35 |
| Details of Meetings of Standing Committees in PRIs | 1.2 | 36 |
| Manpower Position in PRIs | 1.3 | 37 |
| Authority and Responsibility of State Govt. with regard to PRIs | 1.4 | 38 |
| Manpower Arrangement in Directorate of Audit | 1.5 | 39 |
| Devolution of Subjects in XI th Schedule of Constitution | 1.6 | 40 |
| Number of PRIs audited during the Financial Year 2015-16 | 2.1 | 41 |
| District-wise number of ULBs in Uttarakhand | 3.1 | 42 |
| Number of ULBs audited during the Financial Year 2015-16 | 3.2 | 43 |

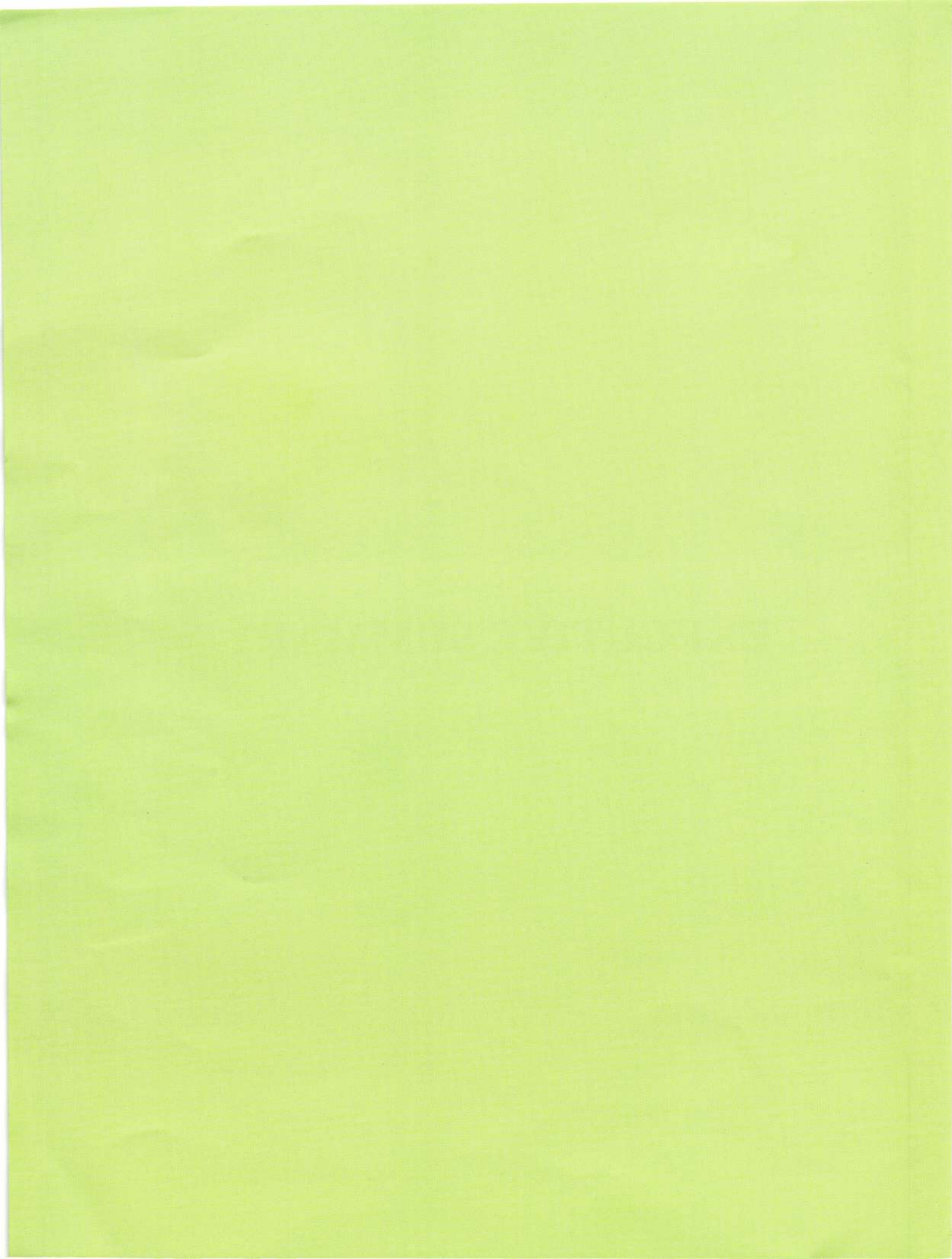
PREFACE

This Report for the year ended March 2016 has been prepared for submission to the Government of Uttarakhand in terms of technical guidance and support to audit of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The Report also contains the results of audit of PRIs and ULBs, including the concerned administrative departments under Section 14 of the DPC Act, 1971.

The issues noticed in the course of test audit for the period 2015-16 as well as those issues which came to notice in earlier years, but could not be dealt with in the previous Reports have been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

EXECUTIVE SUMMARY



Executive Summary

This Report is in two parts and consists of four chapters. Chapter-1 and Chapter-3 contain the profile of Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) and comments on financial reporting. Chapter-2 and Chapter-4 contain findings emerging from transaction audits of Panchayati Raj Institutions and Urban Local Bodies. A synopsis of audit findings is given in this overview.

Profile of Panchayati Raj Institutions

There are 13 Zila Panchayats (ZPs), 95 Kshetra Panchayats (KPs) and 7,950 Gram Panchayats (GPs) in the State. Overall control of the PRIs rests with the Secretary, Panchayati Raj, Government of Uttarakhand through the Director, Panchayati Raj Institutions. Audit observed several deficiencies in the working of the Panchayati Raj Institutions such as non-preparation of cash book in the prescribed format, non-maintenance of register of advances, non-maintenance of asset register, non-preparation of annual plan, non-preparation of budget, non-devolution of subjects and lack of internal audit.

(Chapter - 1)

Results of Audit of Panchayati Raj Institutions

- Under the Scheduled Castes Sub Plan (SCSP), an avoidable expenditure of ₹ 68.54 lakh was incurred on the construction of one additional unit of Community Center/ Barat Ghar in each of the two habitats of Kshetra Panchayat (KP), Bhagwanpur (District-Haridwar) in contravention of the provisions of the scheme guidelines.
(Paragraph 2.1.1)
- An expenditure of ₹ 2.37 crore was incurred on execution of inadmissible works in KP, Bhagwanpur (District- Haridwar) under the Scheduled Castes Sub Plan (SCSP) scheme.
(Paragraph 2.1.2)
- Under the Members of Parliament Local Area Development Scheme (MPLADS), an undue benefit in the form of interest free advances amounting ₹ 93.81 lakh was given to a contractor in KP, Jaunpur (District-Tehri Garhwal) against the provisions of Uttarakhand Procurement Rules-2008.
(Paragraph 2.2.1)
- Against the provisions of Rashtriya Sam Vikas Yojna (RSVY) scheme guidelines, an amount of ₹ 7.25 lakh was diverted by the Zila Panchayat, (ZP) Champawat.
(Paragraph 2.3.1)
- An amount of ₹ 16.54 lakh in respect of Circumstances and Property Tax (C P Tax) was pending realization in ZPs, Tehri Garhwal and Nainital.
(Paragraph 2.4)

- Centage charges amounting to ₹ 5.43 lakh were not deducted in ZP, Dehradun on the construction works executed under the Minority Development Fund.

(Paragraph 2.5)

(Chapter - 2)

Profile of Urban Local Bodies

There are six Nagar Nigams (NNs), 39 Nagar Palika Parishads (NPPs) and 46 Nagar Panchayats (NPs) in the State. Overall control of the ULBs rests with the Principal Secretary (Urban Development) to the Government of Uttarakhand through the Director, Urban Development Department. Audit observed several deficiencies in the working of the Urban Local Bodies (ULBs) such as unspent balances at the end of financial year, non-preparation of annual development plan, etc.

(Chapter - 3)

Results of Audit of Urban Local Bodies

- An amount of ₹ 1.34 lakh was short deducted on account of Value Added Tax (VAT) from the contractors' bills in Nagar Nigam, Dehradun.

(Paragraph 4.1)

- Royalty amounting to ₹ 6.07 lakh was not deducted from contractors' bills in NN Rudrapur, NPP Mangalore and NP Herbertpur.

(Paragraph 4.2)

- Show tax amounting ₹ 28.48 lakh was short recovered in Nagar Nigam, Dehradun.

(Paragraph 4.3)

- Stamp duty amounting ₹ 28.59 lakh was short charged in NN Dehradun and Kashipur on agreements entered into with the contractors.

(Paragraph 4.4)

- There was suspected misappropriation of receipts of ₹ 2.29 lakh in NN Dehradun from the sale of forms of Property Tax.

(Paragraph 4.5)

- Expenditure of ₹ 2.11 crore incurred on construction of shopping complex at Bajpur (District-Udham Singh Nagar) under the Infrastructure Development Fund (IDF) scheme remained idle due to non-completion of the project.

(Paragraph 4.7)

(Chapter 4)

CHAPTER-1

PROFILE OF PANCHAYATI RAJ INSTITUTIONS (PRIs)

CHAPTER-1: PROFILE OF PANCHAYATI RAJ INSTITUTIONS

1.1 Introduction

The 73rd Constitutional Amendment accorded constitutional status to a three-tier system of Panchayati Raj Institutions (PRIs) and established a uniform structure with regular elections and provided for regular flow of funds through the Finance Commissions. As a follow-up, the State was required to entrust PRIs with such powers, functions and responsibilities so as to enable them to function as institutions of local self-government. In particular, PRIs were required to prepare plans and implement schemes for economic development and social justice, particularly on functions included in the XIth Schedule of the Constitution.

The State of Uttarakhand was carved out of the erstwhile State of Uttar Pradesh on 9th November 2000. The status of PRIs in the State is set out in the U.P. Kshetra Panchayat & Zila Panchayat Act, 1961, and the U.P. Panchayati Raj Act, 1947 which have been adopted by Uttarakhand through the coming into force of the Uttaranchal Amendment Act, 2002. The provisions of the UP Acts, as amended for Uttarakhand are, therefore, applicable to PRIs in the State.

1.2 Maintenance of Accounts

1.2.1 Introduction of new budget and accounting formats for PRIs

The XIth Finance Commission (EFC) recommended that the Comptroller and Auditor General of India (CAG) should be entrusted with the responsibility of exercising control and supervision over the proper maintenance of accounts of all the PRIs. Accordingly, a set of budget and accounting formats (16 in number) was devised and issued in 2005 to be implemented in all States replacing the old formats then prevalent.

The Government of Uttarakhand (GoU) issued orders (2005) adopting the entire set of 16 budget and accounting formats prescribed by the CAG for use by the PRIs with effect from 1st April 2005. The formats were further revised and limited to eight (simplified accounting formats) and were forwarded to the Director, Panchayati Raj, Uttarakhand on 30th November 2009 for adoption. However, these are yet to be enforced.

1.3 Entrustment of Audit (Audit Arrangements)

In Uttarakhand, audit of Local Bodies is being conducted by the Director of Audit, Uttarakhand. The State Government has entrusted (March 2013) the CAG with the responsibility for providing Technical Guidance and Support (TGS) under Section 20 (1) of the Comptroller and Auditor General's (Duties, Powers and Conditions of

Service) Act, 1971. The State Government has accepted (March 2013) the parameters of TGS as laid down by the CAG. External audit of PRIs and Urban Local Bodies (ULBs) is also being carried out under Section 14 of the DPC Act, 1971. The Annual Technical Inspection Report (ATIR) for the year ended 31 March 2015 on the audit of Panchayati Raj Institutions and Urban Local Bodies conducted during the preceding year (2014-15) was placed in the State Legislature by GoU on 17th November 2016.

1.3.1 Technical Guidance and Support (TGS)

The CAG may provide suitable Technical Guidance and Support to the primary auditor of PRIs *viz.* the Director of Audit¹, Government of Uttarakhand (GoU) for the purpose of strengthening Public Finance Management and Accountability in the PRIs. The important functions of the primary auditor are as below:

- The Director of Audit shall prepare an annual audit plan for the next financial year by the end of March every year;
- The audit methodology and procedure for the audit of PRIs by the Director of Audit shall be as per statutes enacted by the State Government and guidelines prescribed by the CAG;
- Copies of Inspection Reports (IRs) shall be forwarded by the Director of Audit to the AG (Audit) for advice on system improvement;
- Director of Audit shall furnish returns in such format as may be prescribed by the CAG for advice and monitoring;
- AG (Audit) would conduct test check of some units in order to provide technical guidance. The report of the test check would be sent to the Director of Audit;
- Irrespective of the money value, any serious irregularities shall be intimated to the AG (Audit);
- Director of Audit shall develop a system of internal control in his organization in consultation with the AG (Audit); and
- AG (Audit) shall also undertake training and capacity building of the staff of the Director of Audit.

In the year 2015-16, the focus of operationalising TGS was upon capacity building of the primary auditor. The Office of the Accountant General (Audit), Uttarakhand organised a five days² training programme for the officers of the State Audit Department at the Regional Training Institute (RTI), Jammu covering areas of audit *viz.* audit of Receipt and Expenditure, Establishment, Rural Development Schemes, overview of the three tier

¹ Director of Audit, Uttarakhand has replaced the Director Local Fund Audit as per Audit Act, 2012.

² From 14.12.2015 to 18.12.2015.

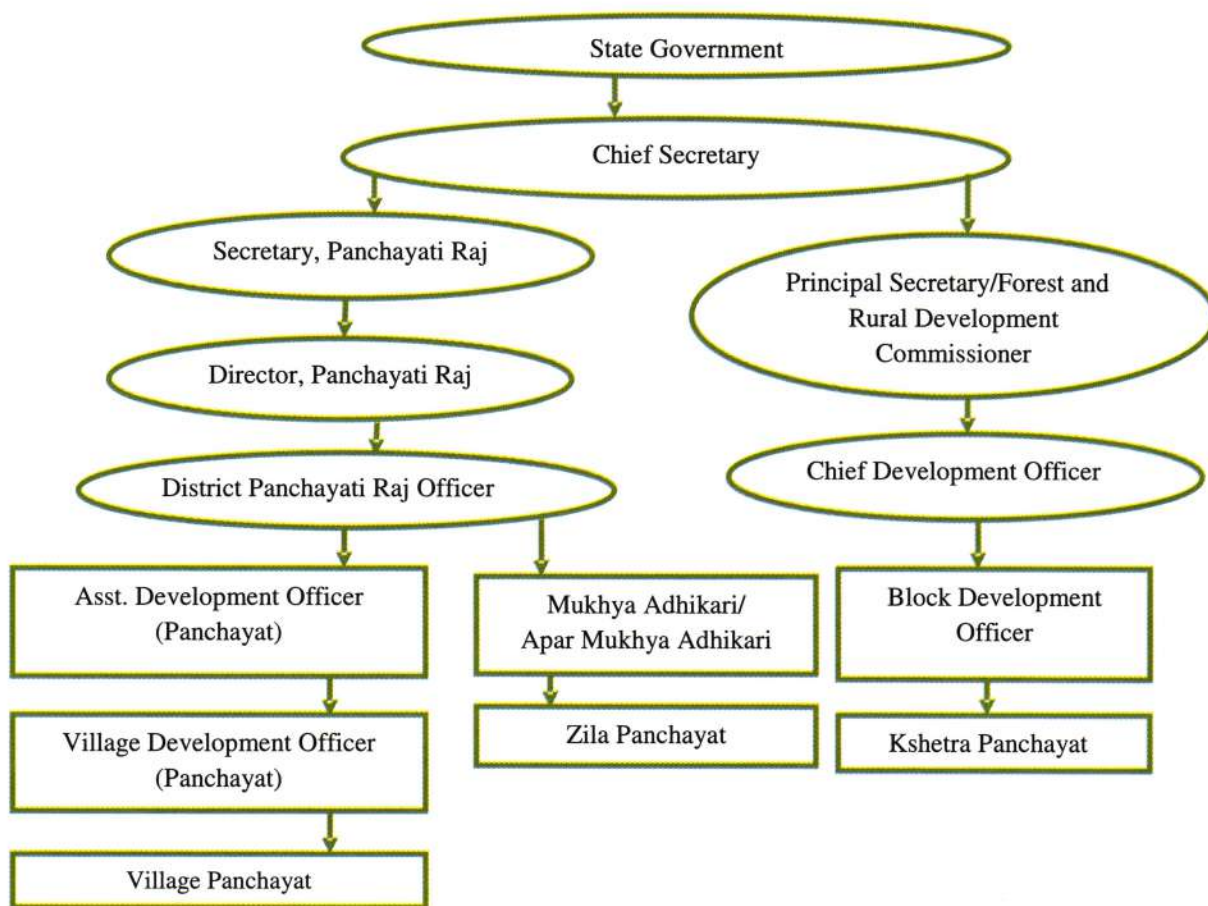
local self Government and contents and structure of the inspection reports of the Local Bodies. Necessary guidance regarding preparation of Audit Plan was also provided during the year in course of meetings³ at the Directorate.

1.4 Organizational Structure of Panchayati Raj Institutions

1.4.1 Panchayati Raj Institutions

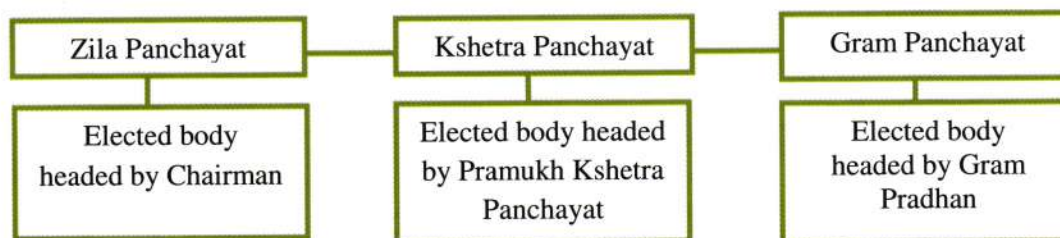
There are 13 *Zila Panchayats (ZP)*, 95 *Kshetra Panchayats (KP)* and 7,950 *Gram Panchayats (GP)* in the State of Uttarakhand (*Appendix-1.1*).

Chart-1: (i) Three Tier administrative hierarchy of Panchayati Raj Department, Uttarakhand:



³ 24.04.2015 and 31.12.2015.

(ii) Elected Level



1.5 Standing Committees

1.5.1 Committees in PRIs

In Uttarakhand, six committees have been constituted in each tier of the PRIs under Section 64 of the UP Kshetra Panchayat and Zila Panchayat Adhiniyam, 1961 and Government Order No.4430/33-1-99-SPR/99 dated 29.07.1999 which was adopted by the Government of Uttarakhand through the Uttar Pradesh Panchayati Raj Act, 1947 (Uttaranchal Amendment) Act, 2002. Various committees and their responsibilities are given in *Table-1.1* below:

Table-1.1: Role of Standing Committees in PRIs and Urban Local Bodies

| Level of PRIs/ULBs | Standing Committee Headed by | Name of the Standing Committees | Role and responsibilities of the Standing Committee |
|----------------------------|---|------------------------------------|--|
| For all tiers of PRIs/ULBs | Elected head and Executive head of the Panchayats | Planning and Development Committee | Preparation of plan of Panchayat; Implementation of programmes relating to Agriculture, Animal Husbandry and Poverty Alleviation |
| | | Education Committee | Implementation of programmes relating to Primary, Higher and Informal Education and Literacy |
| | | Works Committee | Ensure quality and effective control over maintenance of all temporary and permanent works |
| | | Health and Welfare Committee | Implementation of programmes relating to Medical, Health and Family Welfare |
| | | Administrative Committee | All subject matters relating to officials under the control of the Panchayat; and all matters relating to PDS shops in Panchayats |
| | | Water Management Committee | Operation of tube wells and works relating to their maintenance; Operation of drinking water projects and schemes being implemented in the Panchayats. |

The standing committees at each level are expected to meet at least once in a month. Information provided by the PRI Directorate, Dehradun regarding holding of meetings of the above committees during 2015-16 revealed that meetings were not being held on a regular basis. Only 71 *per cent* of the prescribed number of meetings was held in ZPs. In KPs, this was a mere 39 *per cent*. The PRI Directorate stated that the lesser number of meetings was due to lack of quorum (**Appendix-1.2**). Implementation of the programmes of various sectors at district, block and village levels was thus deprived of inputs and supervision by local representatives, thereby undermining participatory development and administration of schemes.

1.6 Institutional Arrangements for Implementation of Schemes

The PRIs were functioning with an overall shortage of 24 *per cent* in both technical and non-technical cadres. Shortage in the cadre of Block Development Officers/Assistant Block Development Officers was 22 *per cent*. The cadre of Village Development Officers, who are the main functionaries at the village level, is deficient by 23 *per cent*. Besides, there are gaps in auxiliary staff such as accountants and assistants (**Appendix- 1.3**). The shortage of manpower at critical levels adversely affects the supervision and monitoring of implementation of various programmes at the ground level.

1.7 Financial Profile

1.7.1 Fund flow to Panchayati Raj Institutions

The resource base of PRIs consists of own revenues, assigned and shared revenues, State Finance Commission (SFC) grants, Central Finance Commission (CFC) grants, State Government grants and Central Government grants. These resources are intended for maintenance and development purposes and implementation of schemes. The fund-wise sources and their custody at each tier are given in **Table-1.2 (a)** below:

Table-1.2 (a): Fund flow arrangements in major centrally sponsored flagship schemes

| Sl.No. | Scheme | Fund flow Arrangements |
|--------|---|---|
| 1. | Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGA) | GoI and State Government transfer their respective shares of MGNREGA funds in a bank account, called State Employment Guarantee Fund (SEGF). Commissioner, State Rural Employment Guarantee Fund is the custodian of SEGF and authorizes onward transfer of funds to ZPs, KPs and GPs. |
| 2. | Sarva Shiksha Abhiyan (SSA) | GoI and State Government transfer their respective shares to the State Implementation Society (SIS) which in turn disburses the funds through the State Project Director, SSA to the District Project Officer (DPO), Block Resource Coordinator, Cluster Resource Coordinator and Village Education Committee of Gram Panchayats. |

| | | |
|----|-----------------------------------|---|
| 3. | Rashtriya Sam Vikas Yojna (RSVY) | GoI transfers the funds to the State Governments on 100 per cent grant basis in suitable instalments linked with the satisfactory progress of the District Plan. Further, the State Government transfers the funds received under the programme to a separate head created for the purpose under the District Rural Development Agency within 15 days of the receipt of the said funds. |
| 4. | Backward Region Grant Fund (BRGF) | GoI transfers the funds to the State Government. State Government routes the funds through the DMs to the DPROs of the selected districts for onward distribution to ZPs, KPs and GPs. |
| 5. | Schedule Caste Sub Plan (SCSP) | GoI transfers the funds to the State Government. State Government routes the funds through the DMs to the Kshetra Panchayats for implementation of the scheme. |

Source: PRIs Directorate, Dehradun and Scheme Guidelines.

The resources of the PRIs for the period from 2011-12 to 2015-16 are detailed in **Table-1.2(b)** below:

Table-1.2 (b): Resources: Trends and Composition / Time series data on resources of PRIs

(₹ in crore)

| Resources | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------|---------|---------|---------|---------|
| Own Revenue | 16.89 | 18.37 | 17.13 | 18.04 | 22.13 |
| State Grants | 28.50 | 8.99 | 8.01 | 7.89 | 7.70 |
| Transfers from Central Government | 0.67 | 2.91 | 2.52 | 0.90 | 0.00 |
| Transfers from Central Finance Commission | 70.67 | 69.35 | 90.40 | 98.81 | 203.26 |
| Devolution from State Finance Commission | 89.71 | 170.53 | 162.45 | 191.92 | 226.32 |
| Transfer from CSS | ----- | ----- | 400.28 | 406.61 | 532.73 |

Source: PRIs Directorate, Dehradun and Rural Development Department, Pauri.

The application of resources for the period from 2011-12 to 2015-16 are detailed in **Table-1.2 (c)** below:

Table- 1.2 (c): Application of Resources: Trends and Composition/ Application of resources in PRIs

(₹ in crore)

| Type of Expenditure | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|-------------------------------|---------|---------|---------|---------|---------|
| Revenue Expenditure | 24.62 | 26.32 | 24.94 | 26.35 | 29.36 |
| Expenditure from CFC | 70.67 | 69.35 | 90.40 | 98.35 | 69.08 |
| Expenditure from SFC | 89.71 | 170.53 | 162.45 | 187.98 | 120.56 |
| Expenditure from State Grants | 28.50 | 8.99 | 8.01 | 7.89 | 7.70 |
| Expenditure on CSS | ----- | ----- | 362.20 | 356.27 | 486.05 |

Source: PRIs Directorate, Dehradun and Rural Development Department, Pauri.

The expenditure under major centrally sponsored scheme is detailed in **Table-1.2 (d)** below:

Table-1.2 (d): Application of Resources: Trends and Composition/ Application of resources in PRIs

(₹ in crore)

| Name of Scheme | Year | Opening Balance | Fund allotted during the year including other Receipt | Total fund available | Expenditure | Unspent Fund |
|----------------|---------|-----------------|---|----------------------|-------------|--------------|
| MGNREGA | 2014-15 | 8.27 | 324.52 | 332.79 | 327.70 | 5.09 |
| | 2015-16 | 5.09 | 499.04 | 504.13 | 493.78 | 10.35 |
| IAY | 2014-15 | 52.67 | 66.45 | 119.12 | 76.72 | 42.40 |
| | 2015-16 | 42.40 | 31.66 | 74.06 | 46.13 | 27.93 |
| BRGF | 2014-15 | 16.09 | 39.73 | 55.82 | 25.13 | 30.69 |
| | 2015-16 | 30.69 | 30.51 | 61.20 | 28.43 | 32.77 |
| SGSY/NRLM | 2014-15 | 14.03 | 2.51 | 16.54 | 4.68 | 11.86 |
| | 2015-16 | 11.86 | 1.24 | 13.10 | 6.40 | 6.70 |
| BADP | 2014-15 | 14.07 | 17.13 | 31.20 | 0.00 | 31.20 |
| | 2015-16 | 31.20 | 0.00 | 31.20 | 0.00 | 31.20 |

Source: Rural Development Department, Pauri and State Project Management Unit (SPMU), Uttarakhand State Rural Livelihood Mission, Dehradun.

As evident from *Table-1.2 (d)*, substantial unspent balances at the end of respective years under different schemes were lying with the Directorate and the State Project Management Unit (SPMU).

1.8 Accountability Framework (Internal Control System)

1.8.1 Authority and responsibility of State Government on PRIs

The Constitution of India empowers the States to legislate on supervision and monitoring of functioning of the Panchayats. In exercise of powers conferred under relevant Acts and Rules, the State Government exercises its powers in relation to PRIs as detailed in *Appendix-1.4*.

The Uttarakhand Panchayat Act, 2016 entrusts the State Government with powers such as calling for any record, register, plan, estimate, information from the PRIs; inspecting any office or any record or any document of the PRIs; inspect the works and development schemes implemented by PRIs; and taking action for default by a Panchayat President/Secretary.

1.9 Audit Mandate of Primary Auditor (Director of Audit)

The Uttarakhand Audit Act, 2012 made provision for, and to regulate, audit of all Government machinery, Public Corporations, Government Companies, Institutions, Statutory Authorities, PRIs, Municipalities, Urban Local Bodies, and Governmental Committees in the State of Uttarakhand.

1.10 Accounting System

Article 243 J of the Constitution of India stipulates that States would make provisions with respect to maintenance of accounts by PRIs. In case of Zila Panchayats and Kshetra Panchayats, budget preparation rules were prescribed in Sections 110 and 115 of the U.P. Kshetra Panchayat and Zila Panchayat Adhiniyam, 1961 respectively as modified by the GoU through the Panchayati Raj Amendment Act, 2002. The accounting procedure is prescribed in paragraphs 397 to 400 D of the Financial Hand Book, Volume V, Part-1.

Rule 178 (Chapter X) of U.P. Panchayat Rules, 1947 as modified by the GoU, prescribes the manner of maintenance of cash book, registers and records by the Gram Panchayats.

1.10.1 Basis and Periodicity of Accounting

The books of account of PRIs are maintained on cash basis and single entry system of accounting. Receipts and expenditure are accounted for as and when money is received or paid. No part of accounting is done on accrual basis. The accounting period of all PRIs is the financial year, *i.e.* from April of the current year to March of the succeeding year.

1.10.2 Internal Control System

A sound internal control system significantly contributes to efficient and effective governance of the PRIs by the State Government. Compliance with financial rules, procedures and directives as well as the timeliness and quality of reporting on the status of such compliance is, thus, one of the attributes of good governance. The reports on compliance and controls, if effective and operational, assist the PRIs and the State Government in meeting their basic responsibilities, including strategic planning, decision making and ensuring accountability of the stakeholders.

1.11 Audit Coverage

Audit of accounts of 79 units (ZPs: 10; KPs: 35 and GPs: 34) was conducted by the Office of the Accountant General (Audit), Uttarakhand, Dehradun during 2015-16 under Section 14 of the DPC Act, 1971.

1.11.1 Audit of Accounts by Primary Auditor (PA)

The status of audit of accounts of PRIs conducted by the Primary Auditor, the Director of Audit, Uttarakhand during 2012-16 is detailed in **Table-1.3** below:

Table-1.3: Status of Audit of accounts of PRIs

| PRIs | 2012-13 | | 2013-14 | | 2014-15 | | 2015-16 | |
|-------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|---------------------|------------------|
| | Auditables Units | Units Audited | Auditables Units | Units Audited | Auditables Units | Units Audited | Auditables Units | Units Audited |
| Zila Panchayat | 13 | Nil | 13 | 4 | 13 | 05 | 13 | 04 |
| Kshetra Panchayat | 95 | Nil | 95 | 13 | 95 | 25 | 95 | 38 |
| Gram Panchayat | 7,358 | 715 (10%) | 7,358 | 104 (1%) | 7,705 | 190 (2%) | 7,705 | 816 (11%) |
| Total | 7,466 | 715 (10%) | 7,466 | 121 (2%) | 7,813 | 220(3%) | 7,813 | 858 (11%) |

Source: Reports of the Audit Directorate, Uttarakhand.

It may be seen from above that the coverage of audit was inadequate ranging from just two per cent to 11 per cent during the years from 2012-13 to 2015-16. Audit of GPs ranged between one to 11 per cent. Review of staff position of Directorate of Audit revealed that the organization was functioning with an overall 89 per cent shortage of personnel (**Appendix-1.5**) whereas shortage in the cadre of Audit Officers was 82 per cent and that of Assistant Audit Officers, 68 per cent, which adversely affected the mandated functions of the organization. During 2015-16, as TGS parameters were still being firmed up, there were no inputs by the Office of the Accountant General (Audit) on the audit planning process adopted by the PA. Twenty one IRs were forwarded during 2015-16 to the Office of the Accountant General (Audit) by the PA. Observations of this office on the scrutiny of the IRs have been referred to the Director (Audit) for initiating corrective measures. The observations relate to delay in submission of the reports, problems in reporting patterns and in selection of topics for audit.

1.11.2 Unspent balances

The position of test-checked PRIs (10 ZPs and 35 KPs) with respect to funding from the Twelfth and Thirteenth Finance Commissions (TFC / ThFC), State Finance Commission (SFC), revenues realized from other resources, the expenditure incurred there against, and the savings during the period 2012-15, is detailed in *Table-1.4* below:

Table- 1.4:Year-wise details of Receipt and Expenditure

(₹ in crore)

| Year | Opening Balance | Receipt under TFC/ ThFC | Receipt under SFC | Receipt under own resources (of ZPs only) | Other receipts and interest (various schemes) | Total funds available | Expenditure (per cent to total fund available) | Savings (per cent to total fund available) |
|--------------|-----------------|-------------------------|-------------------|---|---|-----------------------|--|--|
| 2012-13 | 141.29 | 5.44 | 83.19 | 17.88 | 175.00 | 422.80 | 263.08 (62) | 159.72 (38) |
| 2013-14 | 159.72 | 50.16 | 91.26 | 16.12 | 214.86 | 532.12 | 349.40 (66) | 182.72 (34) |
| 2014-15 | 182.72 | 33.33 | 103.93 | 14.10 | 193.23 | 527.31 | 318.72 (60) | 208.59 (40) |
| Total | | 88.93 | 278.38 | 48.10 | 583.09 | | 931.20 | |

Source: Information furnished by ZPs/KPs.

It was noticed that the ZPs/KPs could not match the pace of expenditure with the flow of funds during 2012-15. The percentage of expenditure as against the available funds ranged between 60 to 66 *per cent* in the test-checked ZPs/KPs. Consequently, a huge amount was lying unspent at the end of each financial year which is indicative of poor planning and implementation on the part of ZPs/KPs in achieving intended objectives within the prescribed time frame.

1.11.3 Non-preparation of Cash Book in the prescribed format

During test-check of 79 PRIs (ZPs: 10; KPs: 35 and GPs: 34), it was observed that cash books were not being maintained in the format prescribed by the Comptroller and Auditor General of India. Cash book being maintained / used by the State PRIs did not have classification codes of subjects mentioned in the XIth Schedule of the Constitution. In 'Receipts and Payments' side of the cash book, sub columns like trifurcation into cash, PLA and bank were absent. As a result, the very objective of the preparation of Cash Book in the prescribed format was being defeated.

1.11.4 Non-maintenance of register of Advances

As per the PRIs Manual, GPs granted various advances to the members and officials for execution of works / supplies. In 27 out of 34 test checked GPs, it was observed that the advance registers for accounting of advances and watching recovery / adjustment thereof were not being maintained. As a result, recovery / adjustment of such advances could not be ascertained. Further, the possibility of treating the release of money as final expenditure cannot be ruled out in such cases.

1.11.5 Non-maintenance of asset register

Rule 136 of the UP Panchayati Raj Act, 1947 (as applicable in Uttarakhand) is related to the maintenance of asset register and related records by the GPs. Register of immovable property / asset register is required to be maintained in Form 13 by the GP. Scrutiny of records of 34 test checked GPs revealed that the said register was not being maintained in 11 GPs. Due to non-maintenance of asset register, existence of assets created under various schemes could not be ascertained.

1.11.6 Non-preparation of annual plan

As per Section 15-A of the U.P Panchayat Act, 1947 (as applicable in Uttarakhand), every Gram Panchayat shall prepare every year, a development plan⁴ for the panchayat area and submit it to the concerned Kshetra Panchayat. During scrutiny of records, it was ascertained that none of the 34 test checked GPs had prepared the required annual plan. Due to this, the purpose of micro level planning was being affected.

1.11.7 Non-preparation of budget

Budget is the most important tool for financing, planning and ensuring accountability and control over performance. Section III of UP Zila Panchayat/Kshetra Panchayat (Budget and Account Rules, 1965) stipulates that the budget proposals containing detailed estimates of income and expenditure expected during the ensuing year were to be prepared by the respective ZP, KP and GP. It was observed that out of 34 test-checked GPs, 24 GPs did not adhere to the above provisions.

1.11.8 Implementation of PRIA Soft

A new simplified accounting framework, namely the 'Model Accounting System for Panchayats' (MAS) was developed in 2009 after a detailed exercise involving the CAG, Ministry of Panchayati Raj (MoPR), Ministry of Finance, Government of India and the Planning Commission with the full participation of the States. Uttarakhand adopted the MAS in October 2011. Director, Panchayati Raj, Uttarakhand reported that PRIA Soft and Plan Plus were being implemented in all the three tiers of PRIs. During the scrutiny of records of 34 test checked GPs, it was seen that PRIA Soft was in use to maintain the accounts of the works.

1.11.9 Non-devolution of subjects

As per the constitutional provisions, 29 functions (subjects), mentioned in the XIth Schedule of the Constitution have to be transferred to the Panchayats. The GoU, through executive orders, has transferred only 14 functions (subjects) of 11 departments

⁴ Components of development plan are:
(a) Identifying the needs,
(b) Prioritizing the needs and
(c) Identifying the resources for plan implementation.

to all the tiers of Panchayats in 2004-05. Remaining 15 functions were still with the State Government (*Appendix-1.6*). These functions were being discharged by the respective departments. During test-check, it was found that neither the functions nor the functionaries pertaining to these subjects had been transferred to Panchayats at the grass-roots level so far. Consequently, the devolution of functions to PRIs had not been effected at the ground/ operational level.

1.11.10 Lack of internal audit

Internal Audit is an important instrument to examine and evaluate the level of compliance with rules and procedures as envisaged in the relevant Acts as well as in the Financial/Accounting Rules so as to provide independent assurance to the Management on the adequacy of the risk management and the internal control framework in the Local Bodies. It was found that Internal Audit, which has to be conducted in every quarter by the planning and development committee in GPs, was not conducted in 29 out of 34 test checked GPs during 2015-16.

1.12 Response of Audit Observations

Results of audit of the accounts of PRIs, conducted by the Office of the Accountant General (Audit), Uttarakhand, were communicated to the respective units in the form of Inspection Reports (IRs) with a copy to the State Government. PRI authorities were required to comply with the observations contained in the Inspection Reports (IRs), rectify the defects and omissions pointed out, and report their compliance to audit within one month from the date of issue of the IRs. The details of IRs and the outstanding paragraphs are given in *Table-1.5* below:

Table-1.5: Year wise position of Inspection Reports and paras in PRIs

| Sl.No. | Year of issue | No. of Inspection Reports (PRIs) | No. of outstanding paras (PRIs) | No. of paras settled during the year | Total outstanding paras at the end of the financial year |
|--------------|---------------|----------------------------------|---------------------------------|--------------------------------------|--|
| 1. | Upto 2010-11 | 363 | 984 | Nil | 984 |
| 2. | 2011-12 | 35 | 200 | Nil | 200 |
| 3. | 2012-13 | 30 | 220 | Nil | 220 |
| 4. | 2013-14 | 279 | 679 | Nil | 679 |
| 5. | 2014-15 | 468 | 1,580 | Nil | 1,580 |
| 6. | 2015-16 | 266 | 820 | Nil | 820 |
| Total | | 1,441 | 4,483 | Nil | 4,483 |

Source: As per available records.

No replies to any IR have been received from the auditee units test-checked up to 2015-16. The matter had been intimated at the Government level.

CHAPTER-2
RESULTS OF AUDIT OF PANCHAYATI RAJ
INSTITUTIONS (PRIs)

CHAPTER-2: Results of Audit of Panchayati Raj Institutions

Out of 95 Kshetra Panchayats (KPs) and 13 Zila Panchayats (ZPs) in the State, 35 KPs and 10 ZPs (*Appendix-2.1*) were audited by the Office of the Accountant General (Audit) Uttarakhand during 2015-16. These PRIs were mainly funded from grants from the Central Government/ the Central Finance Commission (CFC), the State Finance Commission (SFC) and from own sources also in case of the Zila Panchayats. Besides, centrally sponsored schemes *viz.* (i) Scheduled Castes Sub-Plan (SCSP), (ii) Rashtriya Sam Vikas Yojana (RSVY), and (iii) Members of Parliament Local Area Development Scheme (MPLADS) were also being implemented in the Panchayats.

2.1 Scheduled Castes Sub Plan (SCSP)

2.1.1 Avoidable expenditure

The basic objective of the SCSP is to channelize the flow of funds in the State plans for the development of Scheduled Castes, at least in proportion to their population, both in physical and financial terms. However, the following should be ensured while preparing plans under the SCSP:

- Only those schemes should be covered under SCSP which ensure direct benefits to individuals or families belonging to the SCs or STs; and
- Outlay for area-oriented schemes directly benefiting villages having a majority of SC/ST population may be included in the SCSP;

Scrutiny of the records of KP, Bhagwanpur (District-Haridwar) revealed that administrative approval and financial sanction of ₹ 8.88 crore was accorded (January-March 2014) for construction of community centers /*Barat Ghars* in 27 habitations (GPs)¹ of the KP. While implementing the scheme, the Block Development Officer (BDO) was to ensure that (i) there was no duplication of the work *i.e.* only one community centers /*Barat Ghars* was to be constructed in each GP, (ii) the work was being executed in the SCs dominated habitations and (iii) the Uttarakhand Procurement Rules-2008 were being followed strictly in execution of the work.

Audit found (August 2015) the following in execution of the project:

- In two habitats (Sikanderpur Bhainswal and Manakpur Adampur) of the KP, four community centers/*Barat Ghars* (two in each habitat) costing ₹ 34.27 lakh each were constructed. This resulted in avoidable expenditure of ₹ 68.54 lakh on construction of one additional unit of community center in each of the two habitats.
- Demographic structure of the habitat was not taken into consideration while selecting habitats for the construction of community centers/*Barat Ghars* as 23 of the total 27 community centres/*Barat Ghars* were constructed incurring expenditure of ₹ 7.53 crore in habitats where the total SC population was less than

¹ As per the sanction order one Barat Ghar was to be constructed in each identified GP.

50 per cent. It was also observed that six habitats with more than 50 per cent SC population were not selected for construction of the Barat Ghars.

- Rule 13 (1) read with Rule 27 (1) of the Uttarakhand Procurement Rules-2008 stipulates that construction of works with estimated value of ₹ 25 lakh and above should be got executed through invitation of tenders by advertisement in at least two widely circulated national newspapers. In violation of the above, the construction of the Community Centres (CCs) / *Barat Ghars* (each costing ₹ 31.55 lakh in 2013-14 and ₹ 34.27 lakh in 2014-15) was got executed on the basis of quotations received from only three local contractors. Hence, expenditure of ₹ 8.88 crore² was incurred in violation of the above mentioned rules.

On above being pointed out in audit (August 2015), BDO, Bhagwanpur accepted the facts and stated that the works were executed on the basis of the proposals received from the respective Gram Panchayats (GPs). The reply is not acceptable as it was the responsibility of the BDO to ensure that there was no duplication of the work, that the villages having SC / ST population were benefitted and that the provisions of the Uttarakhand Procurement Rules were followed.

2.1.2 Execution of inadmissible works

In respect of various components of SCSP, the scheme guidelines stipulate that priority should be accorded to providing basic minimum services like primary education, health, drinking water, nutrition, rural housing, rural electrification and rural link road; and schemes to develop agriculture and allied activities like animal husbandry and dairy, that provide a source of livelihood to the local SC and ST population, should be included.

Scrutiny of the records of KP, Bhagwanpur (District-Haridwar) revealed that 29 works of beautification of the *Devasthans* costing ₹ 2.37 crore were sanctioned (March 2014) and executed by the KP under SCSP. These works of beautification of the *Devasthans* neither fall under the category of basic minimum services, nor do they ensure direct benefits to individuals or families belonging to the SCs or STs. Hence, these works were not admissible under SCSP.

On this being pointed out in audit (August 2015), the BDO of the KP stated that the works were actually selected by the Social Welfare Department. The reply is not acceptable as the BDO was responsible to certify that the works selected were related to SC/ST habitats and directly benefitted the SC/ST community as unequivocally provided for under the scheme guidelines.

2.2 Members of Parliament Local Area Development Scheme (MPLADS)

2.2.1 Undue benefit to contractor

Rule 12(3) of Uttarakhand Procurement Rules, 2008 provides that for procurement of goods upto ₹ 15 lakh it should be ensured that maximum possible approved suppliers

² Year 2013-14: 14 CCs @ ₹ 31.55 lakh, total: ₹ 441.70 lakh; and year 2014-15: 10 CCs @ ₹ 34.27 lakh, two CCs @ ₹ 34.15 lakh and One CCs @ ₹ 34.85 lakh total: ₹ 445.85 lakh.

are identified to obtain more responsive bids on competitive basis. To identify such suppliers, the mechanism of advertisement, publications in highly circulated National newspapers and different web sites of concerned suppliers may be used. Similarly, Rule 13 (1) of Rules mentioned *ibid* provide that for procurement of goods of estimated value of ₹ 25 lakh and above should be through invitation to tender by advertisement in at least two widely circulated National newspapers. Rule 48 of Uttarakhand Procurement Rules, 2008 further provides that, ordinarily, advances to contractors are prohibited and payment should be made only against the work actually done.

Further, Clauses 8 and 10 of the General Conditions of the Contract (form GPW-9) provide that the contractor is supposed to submit bills for payment on a monthly basis and on pre-printed forms.

Scrutiny of the records of KP, Jaunpur (District-Tehri Garhwal) revealed that nine works³ costing ₹ 1.41 crore were executed under the MPLADS during the financial year 2013-15. Out of these, four works were costing up to ₹ 15 lakh, and the remaining five works, more than ₹ 15 lakh. Bids for allotment of the works were invited (September 2014) only in a local newspaper⁴ against the provisions of Rules 12 (3) and 13 (1) of Uttarakhand Procurement Rules, 2008 and on the basis of bids received against this advertisement alone, the works were allotted⁵ to a contractor.

Further, it was also noticed that the contractor had submitted bills on plain papers instead of on pre-printed forms as prescribed which was against the applicable provisions. On the request of the contractor, interest free advances totaling ₹ 93.81 lakh were given to him for execution of the works without ensuring either material at site or obtaining any security deposits. Providing interest free advance to the contractor was irregular as it violated Rule 48 of the Uttarakhand Procurement Rules, 2008 and amounted to extending an undue benefit to the contractor. Besides, income tax (₹ 2.80 lakh) and sales tax (₹ 4.87 lakh) deducted from the bills of the contractor were not deposited in the respective receipt heads in the treasury and the same were repaid to the contractor.

Thus, the KP violated the extant Uttarakhand Procurement Rules in selecting the contractor, granting interest free advances and making payments in violation of General Conditions of Contract.

On this being pointed out, the BDO assured the audit of recovering the income tax and sales tax from the contractor.

³ (i) RCC bridge, Moldhar: ₹ 8 lakh, (ii) RCC bridge, Dugadda: ₹ 8 lakh, (iii) Boundary wall and play ground in Primary school, Bangsheel: ₹ 8.36 lakh, (iv) RCC bridge in Kshetra, Kinsu: ₹ 8 lakh, (v) Playground, Moldhar: ₹ 17.19 lakh, (vi) Playground, toilet and solar cooker purchase: ₹ 19.37 lakh, (vii) Bridge on paligad river at Jogyda high school: ₹ 28 lakh, (viii) Drinking water scheme in Khaneu Kinsu: ₹ 26 lakh, (ix) Construction of Toilet in primary school, Kinsu: ₹ 18 lakh, Total Cost of all nine works: ₹ 1.41 crore.

⁴ *Surkanda Samachar*, Chamba, Tehri Garhwal.

⁵ Financial Year 2012-13: one work, 2013-14: four works and, 2014-15: four works.

2.3 Rashtriya Sam Vikas Yojna (RSVY)

2.3.1 Diversion of funds

Rashtriya Sam Vikas Yojna (RSVY) is a scheme initiated with the objective of putting in place programmes and policies with the joint efforts of the Centre and the States which would remove barriers to growth, accelerate the development process and improve the quality of life of the people. The scheme aims at focused development programs for backward areas which would help reduce imbalances and speed up development. The main objective of the scheme was to address the problems of low agricultural productivity, unemployment, and to fill critical gaps in physical and social infrastructure.

Scrutiny (December 2015) of records of the Zila Panchayat, (ZP) Champawat revealed that an amount of ₹ 14.75 lakh was available under the scheme with the ZP, out of which ₹ 7.50 lakh were transferred (September 2013) to the Chief Development Officer (CDO), Champawat after closure of the scheme. From the remaining funds of ₹ 7.25 lakh, an amount of ₹ 4.77 lakh was spent on beautification works⁶ of a temple which was against the provisions of the scheme guidelines. Rest of the amount of ₹ 2.48 lakh was transferred to the contingency fund account. Thus, an amount of ₹ 7.25 lakh of the RSVY scheme, which was required to be transferred to the CDO, was diverted and a part of it was spent against the scheme provisions.

On this being pointed out in audit (December 2015), the ZP accepted the audit observation.

2.4 Short recovery of Circumstances and Property tax (C P tax)

Uttar Pradesh Kshetra Panchayat and Zila Panchayat Act 1961, as applicable in Uttarakhand, stipulates that the Circumstances and Property Tax (C P tax) should be imposed on individuals, who are residing in the rural areas and doing business subject to condition that they have performed their business for not less than six months in the assessment year.

Scrutiny of records of the ZPs, Tehri Garhwal and Nainital revealed that the assessment and realization of the CP tax was not being carried out in accordance with the extant provisions and the realization of the taxes due was still pending. For the financial year 2014-15, ZP Nainital had made an assessment of ₹ 14.46 lakh but could realize only ₹ 2.54 lakh (17.5 per cent of assessment). At the same time, ZP Tehri Garhwal could not realize the total assessed amount of ₹ 4.62 lakh of the CP tax. Inability to collect the due tax indicates laxity of the concerned ZPs in generating their own revenue for the smooth operation of their activities.

On this being pointed out in audit, the Apar Mukhya Adhikari (AMA) of the ZP Tehri Garhwal stated that the realization would be effected by issuing recovery certificates for the outstanding amount.

⁶ Beautification work of Hingla Devi temple: ₹1.69 lakh + ₹ 1.82 lakh + ₹ 0.35 lakh + ₹ 0.91 lakh = ₹ 4.77 lakh.

2.5 Non-deduction of the centage charges

Under the Minority Development Fund Scheme of the Social Welfare Department, 11 works costing ₹ 1.19 crore⁷ were sanctioned in the financial year 2013-14. The works were to be executed as deposit works by the Zila Panchayat, Dehradun. The ZP was to charge five *per cent* centage charge from the Department for the execution of the works.

Scrutiny of records of the ZP, Dehradun revealed (February 2016) that there was a provision for the centage charges in the approved estimates of all the 11 works but that amount was deducted only against one work of Sahaspur. In the remaining 10 works, the applicable centage was not deducted resulting in loss of ₹ 5.43 lakh to the ZP.

On this being pointed out in audit, the AMA of the ZP, Dehradun stated that the centage charges would be demanded from the Social Welfare Department.

2.6 Non-imposition of Cess for welfare of the Building and other Construction Workers

The Chief Secretary, Government of Uttarakhand, had issued a Government Order⁸ (GO) for effective implementation of the “Building and other Construction Workers (Regulation of Employment and Conditions of Service) Act, 1996” and “Building and other Construction Workers’ Welfare Cess Rules, 1998” in the State. The Act provides one *per cent* cess on the cost of the construction being carried out by the institutions and the fund so collected was to be utilized for the welfare of the labourers for payment of pension, accidental compensation, compensation in case of death, help for the children education and provision of tool kits.

Scrutiny of records of seven KPs⁹ and two ZPs¹⁰ revealed that the provisions of the above Act were not being adhered to as providing of one *per cent* cess, as mandated, was overlooked in preparation of the estimates of the construction works. This resulted in non-deduction of cess from the contractors’ bills.

On this being pointed out in audit, AMA of the ZPs and Block Development Officers (BDOs) of KPs replied that the deduction of the labour cess would be made in the future.

2.7 Non-completion of works in different schemes

For development in rural areas, various works under different schemes were sanctioned and funds were also released for their execution. The sanctions were

⁷ Construction of boundary wall around the grave yards in (i) Laxmipur: ₹ 12.80 lakh, (ii) Kargi: ₹ 8 lakh, (iii) Chander Road: ₹ 5 lakh, (iv) Mothorowala: ₹ 14.40 lakh, (v) Sahaspur: ₹ 20.39 lakh, (vi) Sahastradhara Road: ₹ 5 lakh, (vii) Charakchakra: ₹ 13.80 lakh, (viii) Kushalpur: ₹ 9.31 lakh, (ix) Rampur kalan: ₹ 13.85 lakh, (x) Sahaspur: ₹ 10 lakh and (xi) Rajpur Dhakpatti: ₹ 6 lakh; **Total: ₹ 118.55 lakh (₹ 1.19 crore).**

⁸ No. 740/VIII/14-680 (Labour)/ 2002 TC-II dated: 13.08.2014.

⁹ KPs: (i) Bahadarabad, (ii) Bhatwari, (iii) Chakrata, (iv) Dasholi, (v) Gairsain, (vi) Roorkee, and (vii) Ukhimath.

¹⁰ ZPs: Rudraprayag and Uttarkashi.

issued under different schemes viz. State Finance Commission, Central Finance Commission, *Daiviya Apda*, MP Local Area Development Fund and MLA Local Area Development Fund.

Scrutiny of records of the audited entities revealed the following:

- In Zila Panchayat (ZP) Nainital, sanctions for 1,928 works costing ₹ 11.50 crore were accorded under various schemes¹¹ during the period from 2011-12 to 2014-15. Out of these, 635 works¹² were still incomplete even after delay of one to three years. Further, an amount of ₹ 6.51 crore had been spent on these works without measuring the progress of the work.
- In ZP Pauri Garhwal, 46 works¹³ costing ₹ 48.07 lakh were incomplete from the year 2011-12 to 2012-13. Besides, funds were released by the ZP for the works without carrying out any measurements.

The said works were lying incomplete and the beneficiaries were still deprived of the intended benefits. In absence of any measurement of the works through the Measurement Books, the physical progress of these works could not be verified in audit. At the same time, unspent released funds ranging from 47 to 62 *per cent* in ZP, Nainital and 36 to 67 *per cent* in ZP, Pauri were lying idle.

On this being pointed out in audit (March 2016), the ZPs accepted the audit observation.

2.8 Violation of Uttarakhand Procurement Rules-2008

(i) Rule 13(1) of the Uttarakhand Procurement Rules, 2008 provides that procurement of goods of estimated value of ₹ 25 lakh and above should be through invitation of tender by advertisement in at least two widely circulated national newspapers and Rule 21(2) of the Uttarakhand Procurement Rules, 2008 provides that performance security should remain valid for a period of 60 days beyond the date of completion of all contractual obligations of the suppliers including warranty obligations. Further, Clause 3 of the agreement contract stipulated recovery from the contractor in case of improper functioning of the lights during the guarantee period.

Administrative and financial sanction of ₹ 71 lakh was provided in February 2015 for installation of solar electric lights in streets and in the rural market block of Tehri district. Two hundred and eighty four solar lights were to be installed in nine Blocks¹⁴ of the district.

Scrutiny of records (March 2016) of ZP, Tehri revealed that the tenders were called in local newspapers as against in widely circulated national newspapers. Three

¹¹ Sanction from State Finance Commission: 573 works of cost ₹ 425.59 lakh, Central Finance Commission: 962 works of cost ₹ 307.14 lakh, MP Local Area Development Fund: 92 works of cost ₹ 122.22 lakh, MLA Local Area Development Fund: 301 works of ₹ 295.33 lakh.

¹² Financial Year 2011-12: 31 works, 2012-13: 128 works, 2013-14: 12 works, 2014-15: 464 works
Total incomplete works: 635 works.

¹³ State Finance: 41 works costing ₹ 34.10 lakh, *Daiviya Apda*: five works costing ₹ 13.97 lakh.

¹⁴ Nos. of lights in blocks: (i) Pratapnagar: 32, (ii) Thauldhar: 24, (iii) Jaunpur: 24, (iv) Chamba: 24, (v) Jakhnidhar: 24 (vi) Bhilangana: 40, (vii) Kirtinagar: 24, (viii) Devprayag: 24, (ix) Narendra nagar: 36 (x) additional lights in all blocks: 32 **Total: 284 lights.**

quotations were received in response to the advertisement in the local newspapers. Based on quotations received, the work for supply and installation of the solar lights was awarded (February 2015) to a firm. Following points were noticed in the execution of the work:

- Extant procurement rules were not followed in calling for bids; and
- Against the provision of the procurement rules and clause 3 of the agreement contract, security deposits were returned (April 2015) to the contractor within three to four months after the supply of material. This affected maintenance of the solar lights adversely, as also admitted by the ZP.

On this being pointed out in audit (March 2016), the AMA of ZP Tehri accepted the facts and stated that the provisions would be followed in future.

(ii) As per Rule 12(3) of Uttarakhand Procurement Rules, 2008, maximum possible approved suppliers are required to be identified to obtain more responsive bids on competitive basis. To identify such suppliers, the mechanism of advertisement, publications in highly circulated National newspapers and different web sites of concerned suppliers may be used.

Scrutiny of records of the Kshetra Panchayat (KP), Raipur (District-Dehradun) revealed that an estimate costing ₹ 9.08 lakh was sanctioned for beautification of the Ambedkar Park in *Danda Lakhaund* Panchayat. For allotment of the work, a bid notice was published in a local newspaper *Shah Times* in violation of Rule 12 (3) of Uttarakhand Procurement Rules, 2008. Only one bid was received in response. On the basis of this single bid, the work was awarded to a local firm. It was seen in audit that final measurement was still pending, although the work was stated by the KP to have been completed. Hence, the benefit of competitive rates through direct limited tender enquiry could not be ensured by the KP.

On this being pointed out in audit (July 2015), the BDO of the KP assured that the extant provisions would be followed in future.

Similarly, scrutiny of records of the ZP, Udham Singh Nagar and four KPs¹⁵ revealed that 17 construction works¹⁶ costing ₹ 2.64 crore were allotted to contractors by publishing the bid enquiry in local newspapers as against the provision of Rule 12 (3) of the Uttarakhand Procurement Rules, 2008. Hence, the benefit of competitive rates could not be ensured by the ZP/KPs. Besides, payments to contractors were made without proper measurement of the works executed. Materials utilized in the works were also not tested.

The audited entities accepted the audit observation and assured audit of following the provisions of Uttarakhand Procurement Rules, 2008 in future.

¹⁵ KPs: (i) Raipur, (ii) Dhari, (iii) Laksar and (iv) Dunda.

¹⁶ BADP- one work costing ₹ 12 lakh, MPLADS- two works costing ₹ 24.98 lakh, MLALADS- eight works costing ₹ 77.35 lakh, SCSP- one work costing ₹ 22.07 lakh, MGNREGA- two works costing ₹ 80 lakh, State Finance- two works costing ₹ 40.60 lakh and District Plan- one work costing ₹ seven lakh.

CHAPTER-3

PROFILE OF URBAN LOCAL BODIES (ULBs)

CHAPTER-3: PROFILE OF URBAN LOCAL BODIES

3.1 Introduction

The 74th Constitutional Amendment gave constitutional status to the Urban Local Bodies (ULBs), thereby establishing a uniform structure, regular elections and regular flow of funds through the Central Finance Commission (CFC) and the State Finance Commission (SFC). As a follow-up, the States were also required to entrust the ULBs with such powers, functions and responsibilities so as to enable them to function as institutions of local self government. In particular, ULBs were required to prepare plans and implement schemes for economic development and social justice. Their jurisdiction also included functions contained in the XIIth Schedule of the Constitution.

The status of ULBs in Uttarakhand is set out in the U.P. Nagar Nigam Adhiniyam, 1959, and the U.P. Municipalities Act, 1916 as adopted by the Government of Uttarakhand in 2002.

3.2 Maintenance of Accounts

3.2.1 Introduction of new budget and accounting formats for ULBs

National Municipal Accounting Manual (NMAM) was developed by the Ministry of Urban Development, Government of India under the guidance of the Comptroller and Auditor General (CAG) in November 2004. On the basis of this manual, the Uttarakhand Government had prepared in December 2011, its own Uttarakhand Municipal Accounting Manual (UMAM) for all the tiers of Urban Local Bodies in the State. The State Government has also issued directions to all ULBs in the State to adopt the double entry accounting system for maintaining their accounts.

3.3 Audit Mandate

The State Government has entrusted (March 2013) to the CAG, the responsibility for providing Technical Guidance and Support (TGS) under Section 20 (1) of the CAG's DPC Act, 1971. External audit of PRIs and ULBs is already being carried out under Section 14 of the CAG's DPC Act, 1971. The results of audit, *i.e.* the Inspection Report (IR) of ULBs, are sent to the Director, Urban Development Department. Annual Technical Inspection Report (ATIR), on the audit of Local Bodies (LBs) conducted during preceding year, is sent by the Accountant General (Audit) to the State Government for necessary remedial action. As per the Finance Department, the ATIR for each year is to be placed¹ in the State's Legislative Assembly.

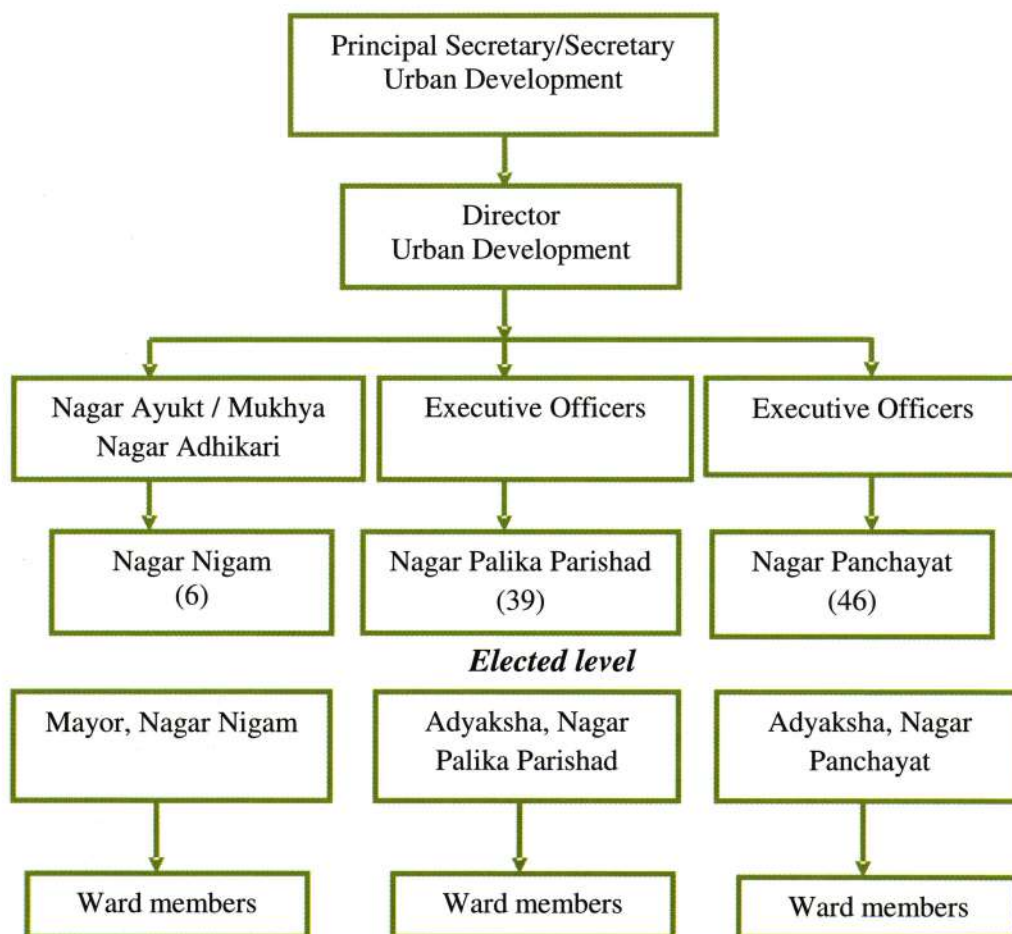
¹ GO.50/XXVII (1)/2011 Dated: 21.01.2011.

3.4 Organisational Structure of Urban Local Bodies

3.4.1 Urban Local Bodies

There are six Nagar Nigams (NN), 39 Nagar Palika Parishads (NPP) and 46 Nagar Panchayats (NP) in the State (*Appendix-3.1*). The overall control of the ULBs rests with the Principal Secretary/Secretary (ULB) to the Government of Uttarakhand through the Director, Urban Development Directorate. The organizational set-up of ULBs in Uttarakhand is as under:

Chart- 3.1: Administrative Hierarchy of Urban Development Department, Uttarakhand



The term of an elected head in an ULB is five years from the date of first meeting after the elections. The elections in Urban Local Bodies were last held on 28th April 2013.

3.5 Standing Committees of Local Bodies

3.5.1 Committees in ULBs

In a Nagar Nigam, Standing Committees have to be constituted under Section 95 of the UP Nagar Nigam Adhiniyam, 1959 for undertaking various activities provided in its mandate. In Nagar Palika Parishad and Nagar Panchayats, Standing Committees (as detailed in *Table-1.1 of Chapter-I*) have to be constituted under Sections 104 to 110 of the U.P. Nagar Palika Adhiniyam, 1916, which is also applicable in Uttarakhand. In response to a specific audit query, the audited ULBs replied that two to six committees had been constituted and three to 16 meetings were held during the audit coverage period (2015-16) to perform their assigned duties.

3.6 Institutional Arrangements for Implementation of Schemes

Human Resources in ULBs are categorized into two parts *viz.* centralized services and non-centralized services. The centralized cadre is drawn from the State Services whereas the non-centralized cadre is specific to the municipal bodies. In non-centralized cadre, the Urban Local Body appoints and controls the cadre. The sanctioned strength and the Men-in- Position in ULBs in both streams are detailed in *Table-3.1* below:

Table-3.1: Manpower position in ULBs as on 31st March 2016

| Sl.No. | Type of service | Sanctioned posts | Men - in - position | Vacant posts (percentage of shortage) |
|--------|--|------------------|---------------------|--|
| 1. | Centralised | 792 | 180 | 612 (77) |
| 2. | Non- Centralised | 926 | 444 | 482 (52) |
| 3. | Non- Centralised (Dead Cadre- class iv) | - | 3,458 | NIL |

Source: Urban Development Directorate, Uttarakhand.

The Urban Local Bodies are functioning with an overall personnel shortage of 64 *per cent*. Shortage in the cadre of centralized Cadre was 77 *per cent* while in the case of non-centralized Cadre, there was a shortage of 52 *per cent* which adversely affected the execution of the mandated functions of the ULBs in the State.

3.7 Training Arrangements

The Department had not prepared any training calendar. However, trainings were imparted to the officials and elected members of the ULBs at the Administrative Training Institute (ATI), Nainital and at other organisations on various subjects such as “Issues in Municipal Solid Waste Management through people’s participation”, “Affordable Housing for urban poor”, and “Right to Service Act”. The Department informed that a capacity building project of ₹ 44.14 crore sanctioned earlier (6th July 2014) by the Government of India had now been aligned with the Atal Mission for Rejuvenation and Urban Transformation (AMRUT) project.

3.8 Financial profile of Local Bodies

3.8.1 Fund flow of ULBs

The resource base of ULBs consists of own revenues, assigned and shared revenues, 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 their custody at each tier are given in *Table-3.2 (a)* below:

Table-3.2 (a): Fund flow arrangement in major centrally sponsored flagship schemes in ULBs

| Sl.No. | Scheme | Fund flow Arrangements |
|--------|-------------------------------------|--|
| 1. | JnNURM | GoI (Ministry of Urban Development and Ministry of Poverty Alleviation and Housing) transfers the funds to the State Government, which in turn, through Directorate, Urban Development, disburses it to the Implementing Agency of selected ULBs. |
| 2. | Swarna Jayanti Shahri Rojgar Yojana | GoI (Ministry of Urban Development and Ministry of Poverty Alleviation and Housing) transfers the funds to the State Government, which in turn, through Directorate, Urban Development disburses it to the Implementing Agency of selected ULBs. This scheme is now known as National Urban Livelihood Mission (NULM). |
| 3. | Rajiv Aawas Yojna | GoI (Ministry of Poverty Alleviation and Housing) transfers the funds to the State Government, which in turn, through Directorate, Urban Development, disburses it to the Implementing Agency of selected ULBs. |
| 4. | Swachh Bharat Mission | GoI (Ministry of Poverty Alleviation and Housing) transfers the funds to the State Government, which in turn, through Directorate, Urban Development, disburses it to the Implementing Agency of selected ULBs. |

Source: Urban Development Directorate, Uttarakhand.

3.8.2 Resources of ULBs: Trends and Composition

The resources of the ULBs for the period from 2011-12 to 2015-16 are detailed in *Table-3.2 (b)* below:

Table-3.2 (b): Time Series data on resources of ULBs

| Resources of ULBs | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
|---|---------------|---------------|---------------|---------------|---------------|
| Own Revenue | 44.17 | 47.83 | 61.87 | 67.56 | 86.12 |
| CFC transfers (Central Finance Commission devolution) | 11.34 | 12.61 | 12.62 | 29.12 | 22.27 |
| SFC transfers (State Finance Commission devolutions) | 133.07 | 254.60 | 253.03 | 254.04 | 254.04 |
| GoI grants for CSS | 94.54 | 149.61 | 68.66 | 54.28 | 72.68 |
| State Govt. grants for State schemes | 3.91 | 3.46 | 6.70 | 26.03 | 46.88 |
| Total | 287.03 | 468.11 | 402.88 | 431.03 | 481.99 |

Source: Urban Development Directorate, Uttarakhand.

3.8.3 Application of Resources: Trends and Composition

The application of resources for the period from 2011-12 to 2015-16 are detailed in *Table-3.2 (c)* below:

Table-3.2 (c): Application of resources in ULBs

| Application of Resources | ₹ in crore | | | | |
|---|---------------|---------------|---------------|---------------|---------------|
| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 |
| Expenditure from own resources | 42.79 | 45.37 | 48.64 | 63.91 | 78.14 |
| Expenditure from CFC transfers (Finance Commission devolutions) | 10.83 | 10.96 | 7.67 | 23.73 | 19.27 |
| Expenditure from SFC transfers (State Finance Commission Devolutions) | 129.76 | 247.51 | 248.62 | 250.41 | 252.79 |
| Expenditure on CSS | 52.98 | 59.65 | 19.88 | 9.29 | 54.30 |
| State Govt. grants for State schemes | 0.11 | Nil | Nil | 11.26 | 8.26 |
| Total | 236.47 | 363.49 | 324.81 | 358.60 | 412.76 |

Source: Directorate of Urban Development, Uttarakhand.

Overall, there was significant non-utilisation of resources ranging from 14 per cent to 22 per cent during 2011-16.

3.9 Devolution of functions to Local Bodies

In the follow-up to the 74th Constitutional (Amendment) Act, 1992, the State Legislature has enacted laws for devolving 13 functions out of 18 functions² listed in the XIIth Schedule of the Constitution to the ULBs leaving out five functions³. One function, other than the 18 functions mentioned above, namely 'Parking Places for Vehicles', was also devolved. Devolution of the remaining five functions was in process.

3.10 Accountability Framework (Internal Control System)

Internal control mechanism is an integral function of an organization which helps it to govern its activities effectively, economically and efficiently in achieving its objectives. It is intended to provide reasonable assurance of proper enforcement of Acts, Rules and Bye-laws. Various internal control measures in financial and operational activities were built into the departmental rules and manuals and their strict adherence could minimize the risk of errors and irregularities to a great extent.

² (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 environment and promotion of ecological aspects, (ix) Safeguarding the interests of weaker section 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 and play grounds, (xiii) Promotion of cultural, educational and aesthetic aspects, (xiv) Burials and burial grounds, cremations, cremation grounds and electric crematorium, (xv) Cattle ponds and prevention of cruelty to animals, (xvi) Vital statistics including registration of births and deaths, (xvii) Public amenities including street light, parking lots, bus stops and public convenience, (xviii) Regulation of slaughter houses and tanneries.

³ (i) Urban Planning including town planning, (ii) Regulation of land use and construction of buildings, (iii) Roads and bridges, (iv) Fire services, (v) Promotion of cultural, educational and aesthetic aspects.

3.11 Accounting System in Local Bodies

3.11.1 Statutory requirements and accounting arrangements

Article 243-Z of the Constitution of India mandates that the States would make provisions with respect to maintenance of accounts in ULBs. The provisions relating to maintenance of accounts, therefore, emanate from the governing statutes or rules framed there under.

3.11.2 Basis and periodicity of accounting

ULBs in Uttarakhand are required to maintain their accounts according to the double entry system as per State's Gazette Notification No. 1608 / IV (2) – UD -11-264 (Sa) / 04 dated 13.12.2011 and the provisions of the Uttarakhand Municipal Accounting Manual. The accounts are to be maintained as per the financial year. The Directorate had informed that 26 out of 91 ULBs were maintaining their accounts in Double Entry System during the year 2015-16.

3.12 Financial Reporting

Financial Reporting in the Local Bodies is a key element for ensuring accountability. Matters relating to drawal of funds, form of bills, incurring of expenditure and maintenance of primary financial records are governed by the provisions prescribed by the State Government.

3.12.1 Audit of accounts of local bodies by primary auditor (PA)

The status of audit of accounts of ULBs conducted by the Director of Audit, Uttarakhand (erstwhile DLFA⁴) during 2013-14 to 2015-16 is detailed in *Table-3.3* below:

Table-3.3: Status of audit of accounts of ULBs

| Local Body | 2013-14 | | 2014-15 | | 2015-16 | |
|---------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Auditable Units | Units audited | Auditable units | Units audited | Auditable units | Units audited |
| Nagar Nigam | 04 | 01 | 04 | 01 | 06 | 03 |
| NagarPalikaParishad | 32 | 10 | 32 | 12 | 32 | 20 |
| Nagar Panchayat | 30 | 07 | 30 | 25 | 30 | 20 |
| Total | 66 | 18 (27%) | 66 | 38 (58%) | 68 | 43 (63%) |

Source: Directorate of Audit, Uttarakhand.

As is evident from the above table, audit coverage is inadequate (27 to 63 per cent). The low coverage of the Urban Local Bodies was attributed to shortage of staff in the Directorate of Audit, Uttarakhand. Eight IRs were forwarded during 2015-16 to the Office of the Accountant General (Audit) by the Director (Audit) as the primary auditor (PA). Observations on the scrutiny of the IRs have been referred to the Director (Audit) for initiating corrective measures. The observations relate to delayed submission of the reports, flaws in reporting patterns and on selection of topics for audit.

⁴ Director of the Local Fund Audit.

3.13 Audit Coverage

Audit of accounts of 21 units (five NN, eight NPPs and eight NPs) was conducted by the Accountant General (Audit), Uttarakhand during 2015-16 under Section 14 of the DPC Act, 1971 (*Appendix-3.2*).

3.13.1 Unspent balances

The position of test-checked NN, NPPs and NPs with respect to funding from the Twelfth and Thirteenth Finance Commissions (TFC/ThFC), State Finance Commission (SFC), revenues realized from own and other resources, the expenditure incurred there against, and the savings during the period 2012-15, is detailed in *Table-3.4* below:

Table-3.4: Year-wise details of Receipt and Expenditure

(₹ in crore)

| Year | Opening Balance | Receipt under TFC/ThFC | Receipt under SFC | Receipt under own resources | Other receipts and interest (various schemes) | Total funds available | Expenditure (per cent to total fund available) | Savings (per cent to total fund available) |
|--------------|-----------------|------------------------|-------------------|-----------------------------|---|-----------------------|--|--|
| 2012-13 | 45.76 | 1.28 | 106.78 | 8.45 | 10.56 | 172.83 | 129.43 (75) | 43.40 (25) |
| 2013-14 | 43.40 | 11.86 | 97.18 | 17.95 | 7.71 | 178.10 | 116.05 (65) | 62.05 (35) |
| 2014-15 | 62.05 | 17.58 | 106.03 | 14.24 | 34.59 | 234.49 | 146.67 (63) | 87.82 (37) |
| Total | | 30.72 | 309.99 | 40.64 | 52.86 | | 392.15 | |

Source: Information furnished by NNs/NPPs/NPs.

As is evident from the above table, the prime contributor to the receipts of the NNs/ NPPs/NPs was grants received under the recommendations of TFC/ThFC/SFC followed by income generated through their own resources. It was noticed that in framing of the budget of each NN/NPP/NP, maintenance of minimum closing balances were not specified as envisaged in Section 101 of the UP Municipalities Act, 1916. Moreover, it was also noticed that the NNs/NPPs/NPs could not match the pace of expenditure with the flow of funds during 2012-15. The percentage of expenditure as against the available funds ranged between 63 to 75 per cent in test-checked NNs/NPPs/NPs. Consequently, a huge amount was lying unspent at the end of each financial year which is indicative of poor planning and implementation on part of NNs/NPPs/NPs in achieving intended objectives within the prescribed time frame.

3.13.2 Non-preparation of Annual Development Plan (ADP)

Section 127 (A) & (B) of the UP Municipalities Act, 1916 envisages preparation of Annual Development Plan (ADP) by ULBs, which should be submitted to the District Planning Committee (DPC) for integration with the overall District Development Plans (DDPs). The preparation of ADPs by NNs, NPPs, NPs and their consolidation along with the District Plans is crucial to ensure incorporation of local needs and provisioning of basic amenities in the developmental process. It was noticed that no initiative was taken by the Executive Officers (EOs) of the test checked NNs, NPPs and NPs to prepare an ADP. As a result, the very objective of consolidating Urban Local Body plans with the respective overall District Plans was defeated.

3.13.3 Response to Audit Observations

Results of audit of the accounts of ULBs, conducted by the Office of the Accountant General (Audit), Uttarakhand, were communicated to the respective units in the form of Inspection Reports (IRs) with a copy to the State Government. ULBs were required to comply with the observations contained in the Inspection Reports (IRs), rectify the defects and omissions pointed out, and report their compliance to audit within one month from the date of issue of the IRs. The details of IRs and the outstanding paragraphs are given in **Table-3.5** below:

Table-3.5: Year- wise position of Inspection Reports and paras in ULBs

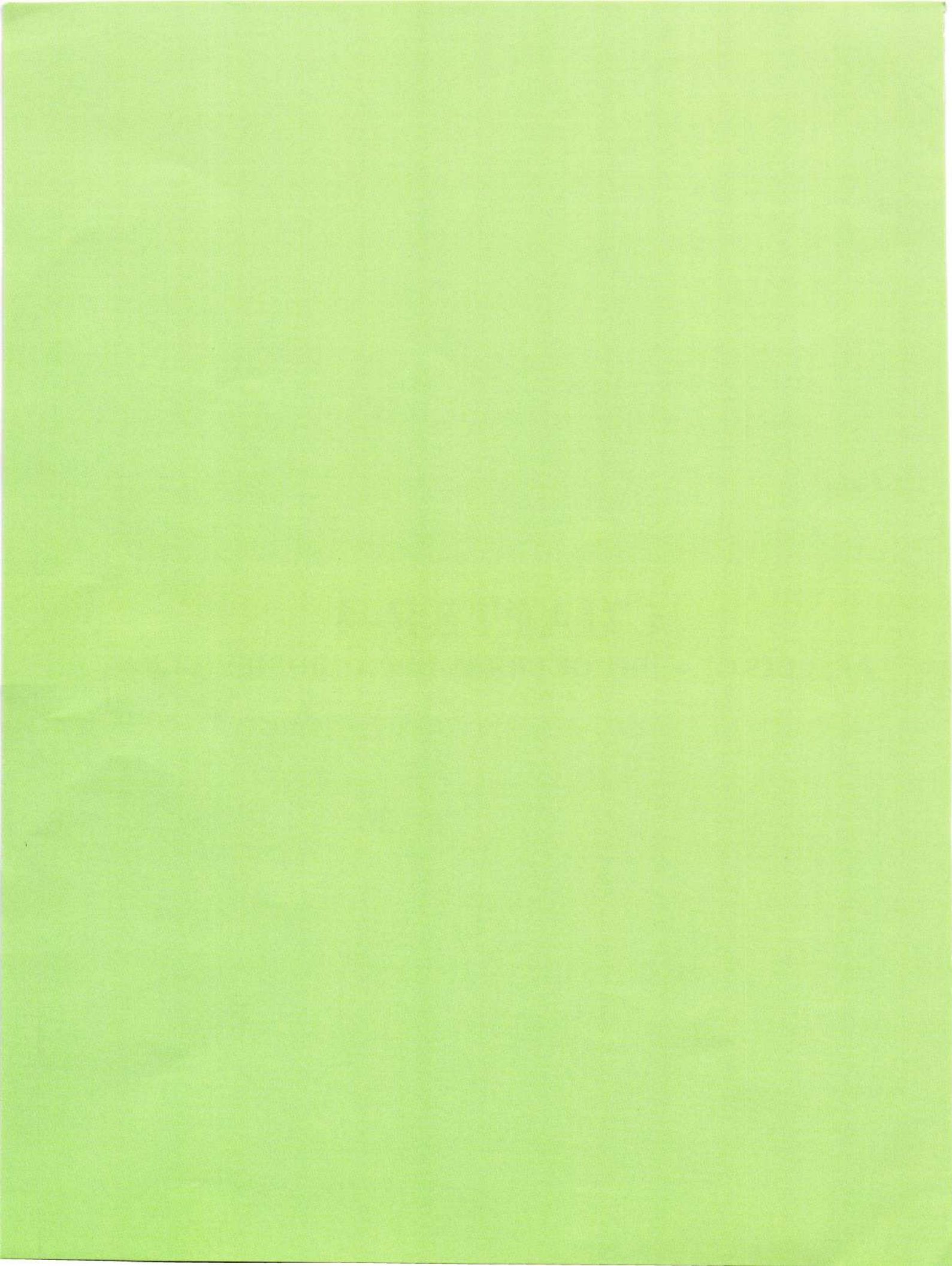
| Sl. No. | Year of Issue | No. of Inspection Reports (ULBs) | No. of outstanding paras (ULBs) | No. of paras settled during the year | Total outstanding paras at the end of the financial year |
|--------------|---------------|----------------------------------|---------------------------------|--------------------------------------|--|
| 1. | Upto 2010-11 | 12 | 129 | Nil | 129 |
| 2. | 2011-12 | 02 | 17 | Nil | 17 |
| 3. | 2012-13 | 05 | 34 | Nil | 34 |
| 4. | 2013-14 | 15 | 83 | Nil | 83 |
| 5. | 2014-15 | 11 | 88 | Nil | 88 |
| 6. | 2015-16 | 21 | 118 | Nil | 118 |
| Total | | 66 | 469 | Nil | 469 |

Source: As per available records.

No replies to any IR were received from any of the units audited up to 2015-16. The matter has been intimated at the Government level.

CHAPTER-4

RESULTS OF AUDIT OF URBAN LOCAL BODIES (ULBs)



CHAPTER-4: Results of Audit of Urban Local Bodies

Out of six Nagar Nigams (NNs), 39 Nagar Palika Parishads (NPPs) and 46 Nagar Panchayats (NPs) in the State, five NNs, eight NPPs and eight NPs were audited during 2015-16 (*Appendix-3.2*). These Urban Local Bodies (ULBs) were mainly funded by grants from the Central Government/Central Finance Commission (CFC) and the State Finance Commission (SFC) besides from their own sources of revenue. There were two main centrally sponsored schemes, viz. (i) Infrastructure Development Fund (IDF), and (ii) Urban Infrastructure and Governance (Solid Waste Management) which were being implemented within the municipal areas in Uttarakhand during the audit period.

4.1 Short recovery of Value Added Tax (VAT)

Section 35 (1) of Uttarakhand Value Added Tax Act, 2005 provides that an amount equal to six *per cent* is to be deducted as VAT at the time of making payment to a contractor.

Scrutiny of records of the Nagar Nigam, Dehradun (February 2016) revealed that VAT was deducted at the rate of four *per cent* instead of required six *per cent*. Due to lesser deduction of VAT by NN, the Government lost revenue of ₹ 1.34 lakh during the year 2014-15 only.

On this being pointed out in audit, the NN accepted the facts and stated that due to lack of knowledge about rates, proper deduction was not made.

4.2 Non-deduction of royalty from contractors' bills

As specified in the notifications (October 2009 and January 2013) issued by the Industries Department, royalty had to be deducted from contractors' bills as per specified rates for material extracted for construction from river beds or other places. This royalty had to be deposited in the concerned heads of accounts (0853-Mines and Minerals).

During scrutiny (August–December 2015) of records of Nagar Nigam, Rudrapur, Nagar Palika Parishad, Mangalore and Nagar Panchayat, Herbertpur it was noticed that 34 works had been carried out where royalty amounting to ₹ 6.07 lakh was to be charged from the contractors on account of extraction of 6,776.48 cum minor minerals by them. However, the same was not deducted from their bills. Hence, the Government lost royalty worth ₹ 6.07 lakh.

On this being pointed out in audit, the concerned officers stated that recovery certificates would be issued to the contractors for recovery of the dues and royalty would be deducted as per rules in future.

4.3 Short recovery of Show Tax

Under the provisions of Section 172 of the Uttar Pradesh Nagar Nigam Act, 1959 (as applicable in Uttarakhand) Nagar Nigam, Dehradun had revised (December 2002) the Show Tax from ₹ 20 to ₹ 100 per show. This was to be collected from cinema halls.

Scrutiny of records (February 2016) of the Nagar Nigam (NN), Dehradun revealed that the receipt of Show Tax was ₹ 7.12 lakh during 2014-15 which should, actually, have been ₹ 35.60 lakh if levied at the revised rate. Thus, the NN lost show tax revenue of ₹ 28.48 lakh in the year 2014-15 alone.

On this being pointed out in audit (February 2015), the NN accepted the facts.

4.4 Short charging of Stamp Duty on agreements

Section 16 and Article 35 of Schedule (1) (b) of the Indian Stamp Act, 1899 stipulate imposition of stamp duty on making of lease / agreement or transfer of immovable property to increase the government revenue.

The Inspector General (Registration), Government of Uttarakhand had also instructed¹ that agreement of the lease/transfer of property deeds be made on the stamp of value of two *per cent* of the agreement.

Scrutiny of records of the NN, Dehradun and Kashipur revealed that these NNs had signed 17 agreements² from the year 2012-13 to 2015-16 on the stamp duty of ₹ 0.007 lakh only, instead of required chargeable stamp duty of ₹ 28.60 lakh, causing a loss of ₹ 28.59 lakh in Stamp Duty to the Government.

On this being pointed out in audit, the authorities of the NN, Dehradun and Kashipur accepted the facts and assured audit of observing the extant provisions in future.

¹ No.375 / IG (R) /2012-13 dated 13.07.2012.

² NN Dehradun: 13 agreements costing ₹ 13.42 crore, NN Kashipur: 4 agreements costing ₹ 0.88 crore.

4.5 Suspected Misappropriation of receipts

Nagar Nigam (NN), Dehradun had printed forms for assessment of Property Tax in its jurisdiction. The cost of each form was fixed at ₹ 10.

Records of store and stocks revealed that 37,000 forms were given to Property Tax section for use during the year 2014-15, all of which were sold out but only ₹ 1.41 lakh were deposited in the NN account on account of their sale. Remaining amount of ₹ 2.29 lakh was not deposited till February 2016 despite the fact that all the forms were shown as sold by the NN. Hence, possibility of misappropriation of the remaining amount could not be ruled out.

On this being pointed out in audit, NN accepted the facts (February 2015).

4.6 Irregular expenditure on the works

Article 316 (2) of the Financial Handbook Vol. VI stipulates that when expenditure on a work exceeds, or is likely to exceed, the amount administratively approved for it by more than 10 *per cent*, revised administrative approval must be obtained from the authority competent to approve the cost, as so enhanced.

Scrutiny of records of the NN, Rudrapur and NPP, Narendra Nagar revealed that there was excess expenditure in 16 executed construction works. The estimated cost of the executed works in the NN, Rudrapur was ₹ 90.66 lakh against which ₹ 1.83 crore were spent. Likewise, ₹ 59.72 lakh were spent against the estimate of ₹ 42.33 lakh in NPP Narendra Nagar. The excess expenditure ranged from 27 to 321 *per cent* in the NN and 14 to 81 *per cent* in the NPP. All the 16 works have since been completed. Such excess expenditure on the works over the estimated cost was not duly approved by the competent authority at any stage and was, thus, irregular.

On this being pointed out in the audit, authorities of both the entities accepted the facts and stated that excess expenditure was incurred on the works due to requirement at the work sites. Reply is not acceptable because the variation should have been duly got approved by the competent authority.

4.7 Expenditure on incomplete construction

Government of Uttarakhand (GoU) accorded (March 2006) administrative approval and financial sanction to an estimate at a cost of ₹ 3.75 crore under the Infrastructure Development Fund (IDF) scheme and released ₹ 1.87 crore to the Urban Development Department for construction of a shopping complex at Bajpur (District- Udham Singh Nagar). The complex was to have 190 shops in the first floor and *haat bazaar* in the basement of the complex. The sanction of the work was subject to the following conditions:

- Government instructions³ (April 2005) were to be followed in selection of the working agency which required awarding the work to Government departments / agencies such as the Public Works Department and the Peyjal Sansadhan Vikas evam Nirman Nigam.
- For timely completion of the work, the Executive Engineer/ Executive Officer of the working agency would be responsible; and
- Utilization of material in the work was to be taken up only after testing of the material.

Scrutiny of records of the NPP, Bajpur revealed (March 2016) following irregularities in allotment, execution and monitoring of work:

- The work was allotted (October 2010) to an individual contractor without inviting Government Departments / Agencies such as the Public Works Department and the Peyjal Sansadhan Vikas evam Nirman Nigam. No agreement was signed with the contractor and even the work order issued to the contractor did not indicate the dates of start and completion of the work.
- Scope of the work was revised (June 2011) by the NPP itself from 190 shops to 72 shops and a toilet. However, the proposed cost remained the same leading to escalation in the cost of the project. No administrative approval, financial sanction and technical sanction on the revised estimate was taken and the work was executed on the revised scope.

³ GO. NO. 452/XXVII(1)/2005 Dated; 05 April 2005.

The work was incomplete till the date of audit (March 2016) and the contractor had been paid ₹ 2.11 crore between January 2011 to September 2013. The NPP also failed to get the rest of the funds of ₹ 1.88 crore from the Government.

On this being pointed out in audit, the Executive Officer, NPP stated that the work was allotted as per the decision of the Board and the technical sanction of the revised estimate was pending with the Government. However, the fact remains that the contract was awarded in violation of the extant Government instructions, the work, despite severe curtailment in its scope, remained incomplete, leading to effective cost escalation.

Date: 05 जून 2017
Place: Dehradun



(Rajeev Kumar)
Deputy Accountant General
(Local Bodies)

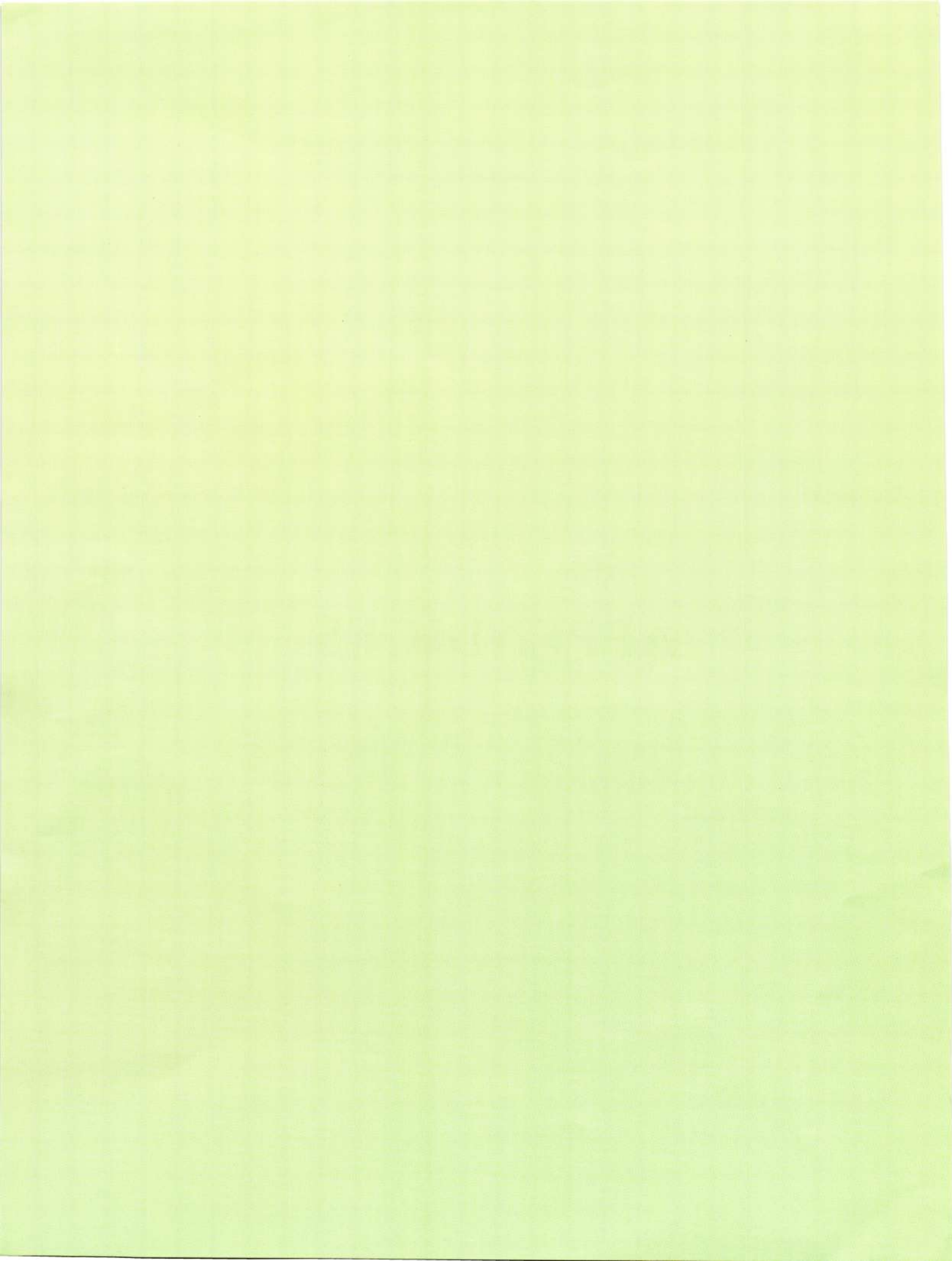
Countersigned

Date: 05 जून 2017
Place: Dehradun



(Saurabh Narain)
Accountant General(Audit)
Uttarakhand

APPENDICES



Appendix -1.1
(Reference: Paragraph No. 1.4.1; Page No.3)
District-wise number of Panchayats in Uttarakhand

| Sl.No. | Name of District | Numbers of Kshetra Panchayats | Numbers of Gram Panchayats |
|--------------|------------------|-------------------------------|----------------------------|
| 1. | Almora | 11 | 1,162 |
| 2. | Bageshwar | 3 | 416 |
| 3. | Chamoli | 9 | 615 |
| 4. | Champawat | 4 | 313 |
| 5. | Dehradun | 6 | 460 |
| 6. | Haridwar | 6 | 308 |
| 7. | Nainital | 8 | 511 |
| 8. | New Tehri | 9 | 1,038 |
| 9. | Pithoragarh | 8 | 685 |
| 10. | Pauri Garhwal | 15 | 1,212 |
| 11. | Rudraprayag | 3 | 339 |
| 12. | U.S. Nagar | 7 | 391 |
| 13. | Uttarkashi | 6 | 500 |
| Total | | 95 | 7,950 |

Source: Letter No. 339/P-2/Lekha/vividh/2016-17 dated 18.05.2016.

Appendix -1.2
(Reference: Paragraph No.1.5.1; Page No.5)
Details of Meetings of Standing Committees in PRIs

| Sl.No. | Name of the Standing Committee | No. of meetings required as per rule during 2015-16 | | No. of meetings held during the year 2015-16 | | Reason of shortage in conducting meetings, if any |
|--------------|----------------------------------|---|-----------|--|-----------|---|
| | | ZPs | KPs | ZPs | KPs | |
| 1. | Planning & Development Committee | 12 | 12 | 9 | 5 | Due to lack of quorum ¹ . |
| 2. | Education Committee | 12 | 12 | 9 | 4 | |
| 3. | Works Committee | 12 | 12 | 8 | 5 | |
| 4. | Health & Welfare Committee | 12 | 12 | 9 | 4 | |
| 5. | Administrative Committee | 12 | 12 | 8 | 5 | |
| 6. | Water Management Committee | 12 | 12 | 8 | 5 | |
| Total | | 72 | 72 | 51 | 28 | |

Note: Above figures have been taken on an average basis in 13 ZPs and 95 KPs.
 Source: Letter No. 1513/P-2/Lekha/vividh/2016-17 dated 25.10.2016.

¹ One third of the elected members.

Appendix - 1.3
(Reference: Paragraph No. 1.6; Page No.5)
Manpower Position in PRIs

| Sl. No. | Name of posts | Zila Panchayats | | Kshetra Panchayats | | Gram Panchayats | |
|---------|--------------------------------------|---------------------------|-----------------|---------------------------------|-----------------|--------------------------|-----------------|
| | | Sanctioned Post | Men in position | Sanctioned Post | Men in position | Sanctioned post | Men in position |
| 1. | Apar Mukhya Adhikari | 13 | 10 | Posts do not exist in KP and GP | | | |
| 2. | Karya Adhikari | 13 | 03 | | | | |
| 3. | Engineers | 13 | 04 | | | | |
| 4. | Tax Officer | 13 | 02 | | | | |
| 5. | Jr. Engineers | 45 | 27 | | | | |
| 6. | Sr. Accountants | 13 | 12 | | | | |
| 7. | Sr. Clerks / Clerks | 166 | 124 | | | | |
| 8. | Assistant Accountant | 10 | 10 | - | - | Posts do not exist in GP | |
| 9. | Block Development Officers | Posts do not exist in ZP. | | 95* | 47 | | |
| 10. | Assistant Block Development Officers | | | 190 | 175 | | |
| 11. | Gram Panchayat Vikas Adhikari | | | - | - | 1,175 | 901 |
| 12. | Gram Vikas Adhikari | | | 950 | 732 | Posts do not exist in GP | |
| 13. | Accountant / Assistant Accountant | | | 285 | 203 | | |
| 14. | Chief Assistant | | | 95 | 82 | | |
| 15. | Senior Assistant | | | 95 | 69 | | |
| 16. | Junior Assistant | | | 95 | 109 | | |
| 17. | Driver | | | 95 | 50 | | |
| 18. | Group D | | | 190 | 144 | | |
| 19. | Sweeper / Chowkidar | | | 88 | 55 | | |

Source: Rural Development Department, Pauri and Panchayati Raj Institutions Directorate, Dehradun.

*Block Development Officers and officials of Kshetra Panchayat are regular employees of the Rural Development Department of the State Government.

Appendix - 1.4
(Reference: Paragraph No. 1.8.1; Page No.7)
Authority and Responsibility of State Govt. with regard to PRIs

| Provision | Authority | Powers exercised by Government |
|--|--|--|
| Budget of Gram Panchayat | Section 41 of 1947 UP Panchayati Raj Act. | Every Gram Panchayat shall within such period and in such manner as may be prescribed, prepare a statement of the estimated receipts and expenditure of the Gram Panchayat for the financial year commencing on the first day of April next following which shall be passed by the Gram Panchayat by a simple majority of the members present and voting at a meeting of the Gram Panchayat. |
| Audit of Gram Panchayats | Section 40 of 1947 UP Panchayati Raj Act. | The accounts of every Gram Panchayat and Nyaya Panchayat shall be audited every year in such manner, and on payment of such fee as may be prescribed. |
| External Control | Section 95 of 1947 UP Panchayati Raj Act. | By an order in writing call for and inspect a book or document in the possession or under the control of a Gram Panchayat or a Joint committee or a Nyaya Panchayat. Institute any enquiry in respect of any matter relating to a Gram Sabha, Gram Panchayat or Nyaya Panchayat. If at any time it appears to the State Government that the Gram Sabha has made default in performing a duty imposed on it by or under this or any other enactment, the State Government may by order in writing fix a period for the performance of the duty. |
| Powers of State Government to make rules | Section 110 of 1947 UP Panchayati Raj Act. | Power to frame rules. Government may, by notification in Gazette, make rules to carry out all or any purpose of State Act. |

Appendix - 1.5
(Reference: Paragraph No. 1.11.1; Page No.8)
Manpower Arrangement in Directorate of Audit

| Sl. No. | Name of Post | Sanctioned Strength | | | |
|--------------|--|-------------------------------------|-----------------|-------------------|------------------|
| | | Cooperative and Local Funds section | | Director of Audit | |
| | | Sanctioned | Men-in-position | Sanctioned* | Men-in- position |
| 1. | Director | - | - | 01 | 01 |
| 2. | Additional Director | 02 | - | 01 | - |
| 3. | Joint Director | 04 | - | 02 | - |
| 4. | Deputy Director | 04 | 02 | 04 | - |
| 5. | Assistant Director/ Audit Officer Grade I | 09 | 03 | - | - |
| 6. | District Audit Officer | 25 | 09 | 25 | - |
| 7. | Assistant Audit Officer | 49 | 40 | 75 | - |
| 8. | Senior Auditor Grade I | 13 | - | 02 | - |
| 9. | Senior Auditor | 303 | 12 | - | - |
| 10. | Auditor | 75 | - | - | - |
| TOTAL | | 484 | 66 | 110 | 01 |

Source: Directorate of Audit, Uttarakhand.

Appendix - 1.6
(Reference: Paragraph No. 1.11.9; Page No.11)
Devolution of Subjects in XIth Schedule of Constitution

| Subject devolved | Subjects yet to be devolved |
|---|---|
| <ol style="list-style-type: none"> 1. Drinking Water 2. Rural Housing 3. Poverty Alleviation Programme 4. Education including primary and secondary schools 5. Adult and non formal education 6. Libraries 7. Cultural Activities 8. Family Welfare 9. Health and sanitation, including hospitals, primary health centres and dispensaries 10. Women and Child Development 11. Social Welfare including welfare of the handicapped and mentally retarded 12. Public Distribution System 13. Minor Irrigation, water management and watershed development 14. Agriculture, including agricultural extension. | <ol style="list-style-type: none"> 1. Land improvement, implementation of land reforms, land consolidation and soil conservation. 2. Animal husbandry, dairying and poultry. 3. Fisheries. 4. Social forestry and farm forestry. 5. Minor forest produce. 6. Small scale industries, including food processing industries. 7. <i>Khadi</i>, village and cottage industries. 8. Fuel and fodder. 9. Roads, culverts, bridges, ferries, waterways and other means of communication. 10. Rural electrification, including distribution of electricity. 11. Non-conventional energy sources. 12. Technical training and vocational education. 13. Markets and fairs. 14. Welfare of the weaker sections, and in particular, of the Scheduled Castes and the Scheduled Tribes. 15. Maintenance of community assets. |

Appendix - 2.1
(Reference: Introduction of chapter 2; Page No.13)
Number of PRIs audited during the Financial Year 2015-16

| Sl. No. | Name of Audited Units |
|---------------------------|-----------------------|
| Zila Panchayats | |
| 1. | Champawat |
| 2. | Dehradun |
| 3. | Haridwar |
| 4. | Nainital |
| 5. | New Tehri |
| 6. | Pauri |
| 7. | Pithoragarh |
| 8. | Rudraprayag |
| 9. | Udham Singh Nagar |
| 10. | Uttarkashi |
| Kshetra Panchayats | |
| 1. | Bageshwar |
| 2. | Bahadarabad |
| 3. | Badkot |
| 4. | Beeronkhaal |
| 5. | Berinag |
| 6. | Bhagwanpur |
| 7. | Bhatwari |
| 8. | Bhikyasain |
| 9. | Chakrata |
| 10. | Chamba |
| 11. | Dasholi |
| 12. | Dhari |
| 13. | Dunda |
| 14. | Gadarpur |
| 15. | Gairsain |
| 16. | Gangolihat |
| 17. | Jaiharikhal |
| 18. | Jaspur |
| 19. | Jaunpur |
| 20. | Joshimath |
| 21. | Kanalicheena |
| 22. | Laksar |
| 23. | Nainidanda |
| 24. | Narendranagar |
| 25. | Pabo |
| 26. | Pithoragarh |
| 27. | Raipur |
| 28. | Ramnagar |
| 29. | Rikhnikhal |
| 30. | Roorkee |
| 31. | Rudrapur |
| 32. | Sitarganj |
| 33. | Sult |
| 34. | Takula |
| 35. | Ukhimath |
| Total | 45 Units |

Appendix-3.1
(Reference Paragraph No. 3.4.1; Page No.22)
District-wise number of ULBs in Uttarakhand

| Sl. No. | Name of the District | Name of Urban Local Bodies | | |
|---------|----------------------|----------------------------|--|--|
| | | NN | NPP | NP |
| 01. | Almora | - | 1. Almora 2. Ranikhet-Chiniyanaula | 1. Dwarahat 2. Chaukhutiya 3. Bhikiyasain |
| 02. | Bageshwar | - | 1. Bageshwar 2. Kapkot | - |
| 03. | Chamoli | - | 1. Chamoli (Gopeshwar) 2. Joshimath 3. Gauchar 4. Karnprayag | 1. Badrinath 2. Nand Prayag 3. Pokhari 4. Gairsain 5. Tharali |
| 04. | Champawat | - | 1. Tanakpur 2. Champawat | 1. Lohaghat 2. Banbasa |
| 05. | Dehradun | 1. Dehradun | 1. Vikas Nagar 2. Mussoorie 3. Rishikesh 4. Doiwala | 1. Harbertpur 2. Selaqui |
| 06. | Haridwar | 1. Haridwar 2. Roorkee | 1. Manglaur 2. Shivalik Nagar | 1. Jhabrera 2. Laksar 3. Landhaura 4. Bhagwanpur 5. Piran Kaliyar |
| 07. | Nainital | 1. Haldwani | 1. Bhowali 2. Bindukhatta 3. Nainital 4. Ramnagar | 1. Bhimtal 2. Kaladhungi 3. Lalkuan |
| 08. | New Tehri | - | 1. New Tehri 2. Narendra Nagar 3. Munikireti | 1. Chamba 2. Kirti Nagar 3. Dev Prayag 4. Ghansali 5. Gaja 6. Lambgaon |
| 09. | Pauri | - | 1. Pauri 2. Srinagar 3. Dugadda 4. Kotdwar | 1. Swargashram Jaunk 2. Satpuli |
| 10. | Pithoragarh | - | 1. Pithoragarh 2. Dharchula | 1. Didihat 2. Gangolihat 3. Berinag 4. Munsyari |
| 11. | Rudraprayag | - | 1. Rudraprayag | 1. Agastyamuni 2. Kedar Nath 3. Ukhimath |
| 12. | Udhamsingh Nagar | 1. Kashipur 2. Rudrapur | 1. Gadarpur 2. Jaspur 3. Bazpur 4. Kichha 5. Sitarganj 6. Khatima 7. Mahwahedaganj | 1. Mahuwadabra 2. Sultanpur Patti 3. Kelakhara 4. Dineshpur 5. Shaktigarh 6. Nanakmatta 7. Gularbhoj |
| 13. | Uttarkashi | - | 1. Uttarkashi 2. Barkot | 1. Gangotri 2. Purola 3. Chinyalisaur 4. Naugaon |

1. Nagar Nigams: 06
2. Nagar Palika Parishads: 39
3. Nagar Panchayats: 46
Total ULBs: 91

Appendix-3.2

**(Reference Paragraph No. 3.13; Page No.27 and Introduction to chapter 4; Page No.29)
Number of ULBs audited during the Financial Year 2015-16**

| Name of the NN | Name of the NPP | Name of the NP |
|----------------|------------------|----------------------|
| 1. Dehradun | 1. Bageshwar | 1. Agastyamuni |
| 2. Haldwani | 2. Bajpur | 2. Bhimtal |
| 3. Kashipur | 3. Bhowali | 3. Harbertpur |
| 4. Roorkee | 4. Dugadda | 4. Kirtinagar |
| 5. Rudrapur | 5. Mangalore | 5. Laksar |
| | 6. Narendranagar | 6. Pokhari |
| | 7. Rudraprayag | 7. Purola |
| | 8. Tanakpur | 8. Swargashram Jaunk |

