



## **Chapter – II**

### **Compliance Audits**

- **Asset Management in PRIs**
- **Compliance Audit paragraphs**

## Chapter II: Compliance Audit

### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

#### 2.1 Asset Management in Panchayati Raj Institutions

##### 2.1.1 Introduction

The assets of Panchayati Raj Institutions (PRIs) include movable and immovable assets historically owned by them and those acquired from time to time, such as *panchayat bhavan*, block resource centre, school building, *anganwadi centre*, sub health centre, community well, stop dam, approach road including culvert, etc. Under Madhya Pradesh Gram Panchayat (Powers and Functions of the Secretary) Rules, 1999, the Secretary of Gram Panchayat (GP) is responsible to keep account of movable and immovable property of Gram Panchayat, pay attention on their security and maintenance and remain vigilant to avoid encroachment on immovable properties of GP. Similarly, Chief Executive Officers (CEOs) of Zila Panchayat (ZP) and Janpad Panchayat (JP) are responsible for management of the assets of Panchayats concerned.

Asset Management includes planning and decision making in creation, acquisition, proper accounting, utilisation, maintenance and disposal of assets. Two districts, Anuppur (Tribal district) and Dewas (Non-Tribal) were selected for the audit of asset management in PRIs on the basis of data of population by using Simple Random Sampling System without Replacement method. The records of CEOs ZPs Anuppur and Dewas with all the JPs of these two districts (four JPs of district Anuppur and six JPs of district Dewas) for the period from 2011-12 to 2015-16 were test checked in the audit. Within each JP, ten GPs were selected by Systematic Random Sample method. Accordingly, 100 GPs were selected for audit (*Appendix-2.1*).

An entry conference was held with the Secretary, Panchayat and Rural Development Department (PRDD), Government of Madhya Pradesh on 30 March 2016 to discuss the audit objectives, scope, criteria and methodology. The Exit conference was conducted with Principal Secretary, PRDD on 20 January 2017 to discuss the audit findings. The replies of Government are suitably incorporated in the report.

#### Audit findings

##### 2.1.2 Planning

As per instructions of PRDD (April 2006), Gram Sabha/GP is responsible for watch and maintenance of properties of Gram Sabha and Government Departments in the rural areas. GPs were required to prepare annual plan and budget for maintenance of building, drainage, internal roads, drinking water sources, etc., which should be submitted for approval of *Gram Sabha*.

Further, as per section 49(A), section 50 and section 52(1) of Madhya Pradesh *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993, GPs were responsible to prepare annual plans for economic development of Panchayat area and submission thereof to the JP within the prescribed time for integration with the JP plan. Further, JP was responsible to consider and consolidate annual plans

of GPs for submission to ZP for consolidation in the annual plan of the district.

Annual plan for economic development of Panchayat areas and maintenance of assets not prepared

Audit scrutiny revealed that none of the test checked GPs prepared annual plan and annual budget. Secretaries of these GPs replied (April-July 2016) that annual plan would be prepared and provision for maintenance of asset would be made in future. Thus, GPs failed to comply with the provisions of Madhya Pradesh *Panchayat Raj Avam Gram Swaraj Adhiniyam*, 1993 for preparation of annual plan and instructions of PRDD for preparation of annual maintenance plan for assets in rural areas.

During exit conference (January 2017), Government replied that participative planning with GPs would be ensured from next year and for this purpose directions would be issued to PRIs.

### 2.1.3 Fund Management

For creation of assets of Panchayats, State Government provided fund to ZPs/JPs as grants-in-aid under various schemes, such as, MGNREGS, Performance Grant, *Vidhayak Nidhi*, *Sansad Nidhi*, *Jan Bhagidari*, etc. As per the delegation of financial powers, GPs were executing agency for works up to ₹ 10 lakh in respect of State sponsored scheme and up to ₹ 15 lakh in case of Central sponsored scheme. The works beyond above limit were being executed by Rural Engineering Services, which is an agency of PRDD. The total receipts and expenditure out of fund for creation of assets in the test checked ZPs and JPs were as detailed in **Table 2.1**.

**Table – 2.1: Year wise receipt and expenditure for creation of assets in test checked ZPs and JPs under Central and State Schemes**

(₹ in crore)

Year	Opening balance	Receipt including interest and other	Total	Expenditure	Closing balance
2011-12	23.43	46.29	69.72	30.21	39.51
2012-13	39.51	157.24	196.75	136.61	60.14
2013-14	60.14	181.39	241.53	147.79	93.74
2014-15	93.74	131.78	225.52	122.13	103.39
2015-16	103.39	93.17	196.56	101.17	95.39

(Source: Information collected from test checked ZPs and JPs)

Thus, the grants for creation of assets was increased over the years 2011-12 to 2015-16. However, ZPs/JPs were not able to utilise the grants for creation of assets and the unutilised balances during these years ranged between ₹ 39.51 crore to ₹ 103.39 crore.

In addition to above, State Government also released fund directly to GPs for assets creation under *Panch Parmeshwar scheme*, which was launched during the year 2011-12. Under the scheme, fund from various grants-in-aid schemes, such as 13<sup>th</sup>/14<sup>th</sup> Finance Commission, State Finance Commission, grants for strengthening Gram Sabha and grants to PRIs for maintenance of assets, were transferred in a lump sum by State Government directly to the bank account of GPs.

As per scheme guideline, fund received under *Panch Parmeshwar scheme* was to be utilised for construction of internal roads/drainage, construction of building for *Anganwadi* Centre and e-*Panchayat* room. Further, 20 per cent of the fund under the scheme was to be incurred for maintenance of assets.

During 2011-16, ₹ 196.16 crore were released to 777 GPs under the test checked ZPs, Anuppur (₹ 71.93 crore) and Dewas (₹ 124.23 crore) under *Panch Parmeshwar scheme*. As against this, total expenditure of ₹ 162.48 crore (₹ 60.07 crore and ₹ 102.41 crore in Anuppur and Dewas respectively) was incurred by GPs. However, audit scrutiny revealed that test checked GPs did not utilise 20 *per cent* of the scheme fund on maintenance of assets though envisaged under the scheme guidelines, as detailed in **Table 2.2**.

**Table - 2.2: Utilisation of fund for maintenance of assets under *Panch Parmeshwar* scheme in test checked GPs**

(₹ in crore)

Year	Fund received under <i>Panch Parmeshwar</i> Scheme	20 <i>per cent</i> of total release, to be utilised for maintenance of assets	Actual expenditure on maintenance of assets	short utilisation on maintenance of assets
2011-12	6.01	1.20	0.06	1.14
2012-13	6.03	1.20	0.14	1.06
2013-14	6.46	1.29	0.25	1.04
2014-15	3.45	0.69	0.32	0.37
2015-16	6.40	1.28	0.34	0.94
<b>Total</b>	<b>28.35</b>	<b>5.66</b>	<b>1.11</b>	<b>4.55</b>

(Source: Information collected from PRD and test checked GPs)

GPs Short utilised ₹ 4.55 crore for maintenance of assets under *Panch Parmeshwar* scheme

Thus, there was short utilisation of ₹ 4.55 crore on maintenance of assets during 2011-16 under *Panch Parmeshwar scheme*. Audit scrutiny revealed that out of 100 test checked GPs, 32 to 84 GPs did not incur any expenditure on maintenance of assets during the period 2011-16. Further scrutiny revealed that none of the GPs maintained separate bank account for executing maintenance works, though it was required under instructions of PRDD (April 2006).

Audit scrutiny revealed that out of 70 Community Sanitary Complex<sup>1</sup> (CSC) constructed in the GPs of ZP Anuppur and Dewas, 65 CSCs<sup>2</sup> were defunct due to lack of maintenance. It was further noticed that GPs were also not levying any user charges for cleaning and maintenance of CSCs. CEOs of respective JPs replied (June 2016) that CSCs became defunct due to unavailability of fund for maintenance. Thus, maintenance of assets was not prioritised by these GPs despite provided under *Panch Parmeshwar scheme*, which led to deterioration of assets of Panchayats.

During exit conference (January 2017), Government replied that it was not compulsory to incur 20 *per cent* of grants-in-aid under *Panch Parmeshwar scheme* for expenditure on maintenance of asset, as it was the maximum limit. It further replied that instructions would be issued to PRIs for repair of CSCs.

Reply of Government is not acceptable, as the guidelines of *Panch Parmeshwar* Scheme provided for earmarking of 20 *per cent* of fund for maintenance of assets.

<sup>1</sup> 24 in GPs of ZP Anuppur and 46 in GPs of ZP Dewas

<sup>2</sup> 22 in GPs of Anuppur and 43 in GPs of ZP Dewas

### 2.1.3.1 Diversion of 13<sup>th</sup> Finance Commission Performance Grant

As per *Panchayat Raj Margdarshika* issued by PRDD, 13<sup>th</sup> Finance Commission performance grant released to ZPs and JPs was to be utilised for construction of infrastructure development works, such as, e-*Panchayats* and *Panchayat Bhavan* in GPs, cement concrete roads, drainage, culverts, public urinals, creation of basic amenities like furnishing office buildings of Panchayats and extension of *Panchayat Bhavans*, construction of boundary walls, etc.

PRI's incurred inadmissible expenditure of ₹ 46.69 lakh out of 13<sup>th</sup> FC performance grant

Scrutiny of records revealed that out of 13<sup>th</sup> Finance Commission Performance Grants, ZP Anuppur, JP Bagli and JP Khategaon incurred expenditure of ₹ 46.69 lakh (**Table 2.3**) for construction of *Janpad Panchayat Bhavan*, Staff Quarters and shops, which was inadmissible expenditure as per guidelines issued by PRDD in *Panchayat Raj Margdarshika*.

**Table 2.3: Works other than specific purpose executed from performance grant**

(₹ in lakh)

Sl. No.	ZP/JP	Name of works	Total works	Sanctioned amount	Expenditure incurred as on May 2016
1	Zp Anuppur	Janpad Panchayat Bhavan and Staff Quarters	2	51.90	35.49
2	JP Bagli	Construction of shops	16	11.83	09.70
3	JP Khategaon	Construction of shop	1	1.50	1.50
<b>Total</b>			<b>19</b>	<b>65.23</b>	<b>46.69</b>

(Source: Information collected from test checked ZPs and JPs)

During exit conference (January 2017), Government replied that expenditure was incurred to meet out the basic requirements and in accordance with the guidelines.

The reply is not acceptable, as the sanctioned works were not the specified works of infrastructure development as detailed in the guidelines.

### 2.1.3.2 Suspected misappropriation of fund

Section 92(1) of Panchayat and Gram Swaraj Act envisaged that in opinion of competent authority, if any amount/article/record is kept in unauthorised way by any person then competent authority would issue written order for the recovery of the same.

Scrutiny of records relating to execution of works as well as joint physical verification of the works revealed suspected misappropriation of ₹ 4.24 lakh in three GPs, as detailed in the **Table 2.4**.

**Table – 2.4: Cases of suspected misappropriation of scheme fund**

Sl. No.	Executing agency of works	Audit observation
1.	GP Juhili of JP Pushprajgarh Distt. Anuppur	Fund of ₹ 5.00 lakh and ₹ 2.50 lakh were released in April 2013 and December 2013 respectively against the sanctioned cost of ₹ 10 lakh (₹ 5 lakh each) for construction of <i>Samudayik Bhavan</i> and e- <i>Panchayat</i> room under Backward Region Grant Fund (BRGF). <i>Sarpanch</i> and Secretary withdrew ₹ 7.49 lakh during 2013-15 for these works, whereas value of work

Sl. No.	Executing agency of works	Audit observation
		executed was only ₹ 4.70 lakh as per the measurement book. Thus, fund amounting to ₹ 2.79 lakh was withdrawn in excess of actual execution of works. In reply (April 2016), GP stated that the amount was withdrawn by former <i>Sarpanch</i> and Secretary from the bank account and the work was stopped since December 2014 (in respect of <i>Samudayik Bhavan</i> ) and December 2015 (in respect of e-panchayat room). Fact remains that the withdrawal of ₹ 2.79 lakh in excess of work done indicated that Government money may have been embezzled.
2	GP Choubarajagir of JP Sonkachha (Dewas)	<i>Manglik Bhavan</i> costing ₹ 1.00 lakh was sanctioned (March 2010) from <i>Sansad Nidhi</i> against which ₹ 0.90 lakh (₹ 0.50 lakh in June 2010 and ₹ 0.40 lakh in June 2014) were released. Audit noticed that ₹ 0.70 lakh was withdrawn for the work by Secretary and <i>Sarpanch</i> . However, the value of work executed was only ₹ 0.44 lakh as per the measurement book. In reply (June 2016), GP stated that the work was executed by former Secretary till roof level and stopped thereafter. Thus, there was suspected misappropriation of ₹ 0.26 lakh.
3	GP Dhaturiya JP Tonk-Khurd (Dewas)	A <i>Manglik Bhavan</i> in <i>Anusuchit Basti Vikas Yojana</i> was sanctioned for ₹ 5.00 lakh in 2010-11. JP Tonk-Khurd released an amount of ₹ 4.00 lakh in two instalments, each of ₹ 2.00 lakh in December 2011 and January 2014, against which ₹ 3.65 lakh was withdrawn up to 2013-14 by <i>Sarpanch</i> and Secretary. However, the value of work executed was only ₹ 2.46 lakh as per measurement book. Thus, there was suspected misappropriation of ₹ 1.19 lakh. In reply (July 2016), GP stated that former <i>Sarpanch</i> and Secretary withdrew ₹ 3.65 lakh and the work was stopped due to withdrawal of fund and cost escalation.

During exit conference (January 2017), Government stated that matter would be examined and accordingly misappropriated fund would be recovered.

### 2.1.3.3 Diversion of grants-in-aid received for maintenance of assets

**PRIs diverted ₹ 38.47 lakh received for maintenance of assets to expenditure on general purposes**

State Government released ₹ 61.37 lakh to the test checked ZPs/JPs during 2010-11 to 2012-13 for maintenance of assets of GPs. Out of ten test checked JPs, only JP Kotma (ZP Anuppur) released the entire grant-in-aid of ₹ 1.21 lakh to GPs. Six other JPs<sup>3</sup> diverted grants-in-aid amounting to ₹ 38.47 lakh for expenditure on general purposes, i.e., salary of staff and other expenditure and construction of new works. In ZP Anuppur, JP Dewas and JP Jaithari, the entire grants-in-aid of ₹ 22.39 lakh was lying unutilised, despite lapse of more than three years of receipt of fund. JP Anuppur surrendered the grant-in-aid amounting to ₹ 2.10 lakh after keeping it unutilised for three years. Thus, ZPs/JPs did not utilise the specific purpose grants-in-aid received for maintenance of assets of GPs.

During exit conference (January 2017), Government replied that instruction would be issued to utilise the specific grants for the intended purposes.

<sup>3</sup> Bagli, Kannod, Khategaon, Pushprajgarh, Sonkachha and Tonkkhurd

However, the fact remains that six JPs unauthorisedly diverted specific purpose grants-in-aid for purposes other than for which it was sanctioned, which required regularisation.

#### 2.1.4 Creation, utilisation and maintenance of assets

##### 2.1.4.1 Unfruitful expenditure on incomplete works

Expenditure of ₹ 55.72 crore incurred on 1764 incomplete works remained unfruitful

Scrutiny of records revealed that 1764 works sanctioned under various schemes during 2006-07 to 2013-14 in test checked PRIs were incomplete despite the lapse of two to ten years, as detailed in **Table 2.5**. These works included construction of *samudayik bhavan*, *sanskritik bhavan*, sub health centres, *e-panchayat bhavan*, *rain basera*, *yatri pratikshalaya*, kitchen sheds in schools, *anganwadi* centres, *chabutra nirman*, road connectivity, etc. As a result, expenditure of ₹ 55.72 crore incurred on these works remained unfruitful.

Table – 2.5: Details of incomplete works in test checked PRIs

(₹ in lakh)

Year of sanction	No. of incomplete works	Expenditure incurred on incomplete works
2005-06	1	0.20
2006-07	21	12.60
2007-08	17	10.12
2008-09	14	10.68
2009-10	324	194.70
2010-11	115	77.46
2011-12	85	548.01
2012-13	75	515.25
2013-14	1,112	4,202.73
	<b>1,764</b>	<b>5,571.75</b>

(Source: Information collected from test checked ZPs and JPs)

In reply (July 2016), CEOs of ZPs and JPs stated that works remained incomplete due to reluctant attitude of *Sarpanchs* and Secretaries of GPs and they would be directed to complete these works soon.

During exit conference (January 2017), Government stated that instruction would be issued to ensure the completion of works within prescribed time frame.

##### 2.1.4.2 Unutilised grants-in-aid of infrastructure development works

Performance grant of ₹ 2.40 crore (₹ 1.50 crore in July 2014 and ₹ 0.90 crore in March 2015) and ₹ 4.00 crore (₹ 2.50 crore in July 2014 and ₹ 1.50 crore in March 2015) was released to ZPs Anuppur and Dewas respectively for construction of eight Stadiums<sup>4</sup> in rural area. Further, an amount of ₹ 10 lakh was released (July 2013) to ZP Dewas for preparation of Detailed Project Report (DPR) for *Haat Bazar* under Mukhya Mantri *Haat Bazar* Scheme.

Audit scrutiny revealed that ZP Anuppur did not incur any expenditure out of grants-in-aid of ₹ 2.40 crore as on March 2016. Further, fund amounting to ₹ 3.50 crore pertaining to construction of Stadiums and ₹ 10 lakh for preparation of DPR for *Haat Bazar* were lying unutilised with ZP Dewas as on June 2016.

<sup>4</sup> three in District Anuppur and five in District Dewas



CEO of ZP Anuppur replied (April 2016) that administrative sanction of the work was issued but the fund was not released to implementing agency due to uncompleted tendering process. CEO of ZP Dewas replied (June 2016) that the first installments of two works were released to implementing agency and the process for other works were under progress. Regarding fund pertaining to preparation of DPR for *Haat Bazar*, CEO of ZP Dewas stated (June 2016) that fund would be released after preparation of DPR.

During exit conference (January 2017), Government stated that instructions would be issued for expediting the tender and other process to ensure the utilisation of fund.

Fact remains that infrastructure development fund amounting to ₹ 6.00 crore was lying unutilised despite the lapse of 15 to 36 months.

#### 2.1.4.3 Construction of pre-fabricated e-Panchayat rooms

For the construction of pre-fabricated e-Panchayats rooms in GPs, State Government entered into rate contract (November 2011) with Madhya Pradesh Laghu Udyog Nigam (MPLUN) and directed (May 2012) CEOs of ZPs to depute MPLUN as agency for execution of work. Scrutiny of records relating to construction of pre-fabricated e-Panchayats rooms in test checked districts revealed the following:

- ZP Anuppur issued work order (December 2012) for 200 pre-fabricated e-Panchayat rooms under Integrated Action Plan (IAP) scheme to MPLUN at the rate contract finalised by the State Government. The ZP deposited ₹ 2.52 crore with MPLUN as an advance (December 2012), which was 25 per cent of the total cost amounting to ₹ 10.08 crore of work. As per the work order, construction was to be completed within three months.

Due to slow progress of work, the ZP cancelled 150 works (May 2013) and directed MPLUN to finish the remaining 50 works in three months. However, MPLUN could complete only 14 works valuing ₹ 0.71 crore, but the completed works were not handed over to GPs (August 2016). Audit further noticed that ZP Anuppur had directed (May 2016) MPLUN to refund the balance advance of ₹ 1.81 crore.

- ZP Dewas issued work order (September 2013) for 304 pre-fabricated e-Panchayat rooms to MPLUN from stamp-duty fund. Advance payment of ₹ 3.72 crore was also deposited (January 2014) with MPLUN, which was 25 per cent of the total cost amounting to ₹ 10.08 crore of work. Construction was to be completed by March 2014. However, ZP cancelled 233 works during March 2014 to December 2014 due to failure of MPLUN to commence the work. Audit noticed that only 37 works valuing ₹ 1.81 crore was completed and 34 works were neither completed nor the fund pertaining to these works were refunded as on July 2016. Further, 37 completed works were not handed over to GPs as the joint physical verification was not conducted by the team of Executive Engineer RES, Sub Engineer MPLUN and CEO JP.

Thus, MPLUN failed to construct e-panchayat rooms despite advance of ₹ 6.24 crore deposited by ZPs, Anuppur and Dewas in December 2012 and January 2014 respectively. The cost of constructed e-panchayat rooms worked out ₹ 2.52 crore. Thus, ₹ 3.72 crore was lying with MPLUN, which resulted in undue financial benefit to MPLUN.

MPLUN did not construct/handed over e-panchayat rooms, despite release ₹ 6.24 crore in advance in December 2012 and January 2014



During exit conference (January 2017), Government replied that instructions would be issued to MPLUN and CEOs of respective ZPs and JPs to conduct the physical verification of the constructed e-Panchayat rooms and complete the process of handing over to respective GPs.

#### **2.1.4.4 Assets not being utilised for intended purposes**

Audit scrutiny revealed that 18 community assets in four JPs and 12 GPs, consisting of four Block Resource Centres, seven *Samudayik Bhavan*, five e-Panchayat Rooms, One Sub Health Centre and One GP Bhavan, were either remained utilised or being used for other than intended purpose as shown in **Appendix-2.2**.

During exit conference (January 2017), Government stated that instructions would be issued to PRIs to ensure the utilisation of assets for the intended purposes.

#### **Case study of e-Panchayat Bhavan, GP Harnavda**

PRDD directed (May 2012) to all ZPs for construction of e-Panchayats as additional room in the *Panchayat Bhavan*. Audit scrutiny revealed that e-Panchayat Bhavan, GP Harnavda (JP Tonk Khurd, ZP Dewas) was completed at cost of ₹ 4.35 lakh in August 2015. However, joint physical verification (July 2016) revealed that e-Panchayat Bhavan was lying empty, as can be seen from photograph:



In reply, Secretary of GP stated (July 2016) that constructed e-Panchayat Bhavan was not in use as the structure is far from *Panchayat Bhavan*.

Thus, due to failure of GP to follow the instruction of PRDD for construction of e-panchayats as an additional room in the *Panchayat Bhavan*, the investment of government money in the e-Panchayat, Harnavda remained unfruitful, as it was not utilised for intended purpose and the facilities expected from e-panchayat, i.e., providing common internet service center to villagers including rail e-ticketing, were not provided.

### **Case Study of Samudayik Bhavan of GP Harri (Jaithari, Anuppur)**

A Samudayik Bhavan was constructed (April 2012) in GP Harri (JP Jaithari, ZP Anuppur) at a cost of ₹ five lakh under Backward Region Grant Fund (BRGF) Scheme. Joint physical verification (April 2016) revealed that the *Samudayik Bhavan* was occupied by a Fair Price shop of Public Distribution System (PDS) managed by a cooperative society, as can be seen from photograph:



On being pointed out, secretary of GP stated (April 2016) that the building was given for PDS shop as per oral order of District Collector/CEO, ZP. However, GP was not getting any rent for operating the PDS shop. The reply was not acceptable, as GP could not produce any evidence in support of its reply and the use of *Samudayik Bhavan* for PDS shop was unauthorised.

#### **2.1.4.5 Computer peripherals not utilised for providing services to villagers**

As per guidelines of e-Panchayat Scheme, all the GPs were to be connected directly with nationwide and Statewide network so that GPs could be able to facilitate villagers a common service centre wherein villagers were to be provided facilities like rail e-ticketing and other facilities which could be directly provided to villagers through computer and internet. For this purpose State Government provided computer peripherals and LED TVs to all the GPs of the State.

Audit scrutiny revealed that out of 100 test checked GPs, only 60 GPs had electricity connection and 22 GPs had net connectivity. During joint physical verification, audit noticed that computer peripherals were kept by *Sarpanch* and *Gram Rozgar Sahayak* at their homes in 11 GPs<sup>5</sup>, in three GPs<sup>6</sup> at Janpad Panchayat office and in GP Singavada at primary school. In two other GPs, Barbuspur and Juhili, computer peripherals and LED TVs were kept idle in *Gram Panchayat Bhavan* since June 2014 due to lack of electric connection/net connectivity in both GPs.

<sup>5</sup> Dhumma, Harad, Pyari No-2, Baihatola, Budasa, Kanheriya, Pandi, Jamli, Rolupipaliya, Khajuriyajagir and Lohari

<sup>6</sup> Chaplasha, Raipura and Sonkhedi

During exit conference (January 2017), Government replied that works of electrification and net connectivity in GPs were in progress and these facilities would be provided soon to those GPs where presently these facilities were not being provided.

**2.1.4.6 Theft of Computer peripherals and LED TVs due to improper security arrangements (₹23.59 lakh)**

As per Gram Panchayat Lekha Niyam 1999 Secretary of GP or any office bearer assigned with the charge of store would be responsible for the custody of the store.

Audit scrutiny revealed that computer peripherals and LED TVs costing ₹ 23.59 lakh were stolen in 43 GPs of seven test checked JPs of both the test checked ZPs as shown in **Appendix-2.3**.

During exit conference (January 2017), Government stated that instructions would be issued to PRIs for making proper security arrangements of computer peripherals and other movable assets.

**2.1.4.7 Annual inspection of buildings and structure not conducted**

**ZPs did not conduct annual inspection of buildings and structures to prepare estimates of repair for the deficient building**

As per para 3.063 to 3.065 of MP Works Manual, the soundness of every public building and structure should be examined at least once in a calendar year. Audit scrutiny revealed that 129 GP *Bhavan* of ZP Dewas were reported (December 2015) in unsound condition by the CEO ZP to State Government. Similarly, ZP Anuppur reported (January 2016) 76 GP *Bhavan* in unsound condition. However, annual inspection of buildings and structures within the jurisdiction of these ZPs was not conducted through any technical team and any estimate to repair the deficient building was not prepared.

During exit conference (January 2017), Government stated that directions for annual inspection of buildings and structures would be given to PRIs.

<b>2.1.5 Internal control Mechanism</b>
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**2.1.5.1 Unavailability of documents regarding transfer of assets to GPs**

As per circular of PRDD (2003), all Government assets constructed in the villages and pertaining to subjects enshrined in Eleventh Schedule of Constitution were to be handed over to GPs to assign them the ownership of those assets. List of handed over assets were to be prepared in three copies and one copy of the same were to be kept in respective GPs and JPs

Audit scrutiny revealed that documents regarding transfer of community assets were not available with ZPs, JPs and GPs. Secretaries and CEOs of GPs and JPs, ZPs respectively stated that though the assets were in possession of GPs, but the copies of handing over documents were not available with them.

During exit conference (January 2017), Government stated that instructions would be issued for documentation of assets transferred to GPs from other Departments and keeping the copy of the same at respective ZPs and JPs.

**2.1.5.2 Essential records not maintained**

- State Government directed (April 2006) to all CEOs of ZP, GPs were required to prepare an Asset Maintenance Register wherein time to time entries regarding repairing of assets were to be recorded by Secretaries of the GPs. However, none of the GP prepared Asset Maintenance Register.

Essential records were not maintained by PRIs

- As per Rule 56 of *Zila Panchayat Lekha Niyam 1999*, Rule 53 of *Janpad Panchayat Lekha Niyam 1999* and Rule 55 of *Gram Panchayat Lekha Niyam 1999*, all the immovable assets with ZP, JP and GP should be recorded in the prescribed format. However, none of the test checked ZP and JP was maintaining the immovable asset registers. Out of 100 test checked GPs, 24 GPs were maintaining the asset registers but the same were neither in the prescribed format nor were these updated. Remaining 76 GPs test checked were not maintaining the asset register.

- According to Rule 58 of *ZP Lekha Niyam 1999*, Rule 55 of *JP Lekha Niyam 1999* and Rule 56 of *GP Lekha Niyam 1999*, stock register should be maintained in the prescribed format and physical verification of same should be conducted at least twice in a year by each ZP/JP. Audit scrutiny revealed that all test checked ZPs and JPs stock registers maintained, but physical verification was not done except in JP Tonkkhurd. However, none of the test checked GPs were maintaining stock registers.

During the exit conference (January 2017), Government replied that instructions would be issued to ensure the maintenance of respective registers and periodic physical verification of the stock.

#### **2.1.5.3 Database of assets and Geographical Information System (GIS) mapping of the assets of PRIs not maintained.**

Data base of assets of GPs was not maintained in any of the test checked ZPs and JPs

As per recommendation of Third State Finance Commission, each infrastructure of the village is to be mapped and in view of the e- governance, a database of assets available is to be prepared at GPs after conducting the survey with the help of GIS. State Government directed (April 2006) all JPs and ZPs to prepare a codewise registration of database of the assets to have the information of the available assets and to link the information with *Panchlekha* Software System.

Scrutiny of records of all test checked ZPs and JPs revealed that codewise database of assets of GPs was not prepared. Directorate, Panchayat Raj informed (February 2016) that the GIS mapping of the infrastructures of the GPs was not done.

During exit conference (January 2017), Government stated that presently details of newly created assets were being uploaded in *Panchayat Darpan Portal*. Decision regarding GIS mapping of assets of GPs would be taken at Government level.

The reply is not acceptable, as the database regarding the number and nature of assets with PRIs, their locations and conditions was neither available at State level nor at PRIs level.

#### **2.1.5.4 Inspection registers in GPs not maintained and inspection notes/reports not issued**

As per circular (August 2003) of PRDD, works would be supervised by the technical officers from time to time. The officers would put their remarks in the inspection register.

Audit scrutiny revealed that only one GP Juhili kept inspection register, but the entries regarding inspection of works were not found. Further, documents regarding inspections conducted, viz., inspection diaries and inspection note/reports and compliance report were not available at any test checked ZPs and JPs.

During exit conference (January 2017), Government stated that direction would be given to PRIs for compliance of earlier instructions regarding inspection and monitoring of the construction works.

#### **2.1.5.5 Social Audit of works other than MGNREGS not conducted**

As per PRDD circular (April 2006), social audit of development and maintenance works was to be conducted. Audit noticed that social audit of MGNREGS works of all 80 GPs under JP Jaithari of ZP Anuppur was conducted during 2013-14. However, social audit of MGNREGS works in other GPs and development/repair/maintenance works under other schemes were not conducted.

During the exit conference (January 2017), Government stated PRIs would be directed to ensure the social audit of works constructed under all scheme fund.

### **2.1.6 Summary of conclusions and recommendations**

- The annual plan and annual budget for economic development of panchayat areas and maintenance of assets was not prepared. GPs did not prioritise the maintenance of existing assets, which led to deterioration of assets.

**Recommendation:** State Government should ensure that GPs comply with the provisions for preparation of annual plan for economic development of panchayat areas and maintenance of assets.

- GPs did not earmark fund for maintenance of assets under *Panch Permashwar* scheme, which resulted in short utilisation of ₹ 4.55 crore for maintenance of assets. None of the GPs maintained separate bank account for executing maintenance works, though required as per instructions of State Government. PRIs incurred inadmissible expenditure of ₹ 46.69 lakh, out of 13<sup>th</sup> Finance Commission performance grant released for construction of infrastructure development work. Audit noticed cases of suspected misappropriation and diversion of fund.

**Recommendation:** State Government should ensure proper utilisation of grants-in-aid released to PRIs for maintenance of assets. Responsibility should be fixed for diversion and misappropriation of fund. Fund for maintenance of assets should be earmarked and kept in separate bank account.

- Due to lackadaisical approach of test checked PRIs, 1,764 works remained incomplete despite lapse of two to ten years which resulted in unfruitful expenditure of ₹ 55.72 crore on these works. Further, ₹ 6.00 crore received for construction of stadiums in rural areas was lying unutilised in ZPs Anuppur and Dewas despite the lapse of 15 to 36 months. The executing agency, MPLUN, did not construct/hand over e-panchayat rooms despite release of ₹ 6.24 crore in advance in



December 2012 and January 2014. Community assets in test checked GPs were not utilised for intended purposes.

**Recommendation:** Fund should be released to executing agencies on the basis of progress of works and penalty for delays should be imposed. Needs assessment for creation of rural infrastructure should be done prior to sanction of the works so as to ensure the optimum utilisation of assets.

- Code wise database regarding immovable assets of GPs was not prepared and GIS mapping of the infrastructure of the GPs was also not done despite recommendations of Third State Finance Commission. Internal control mechanism in the PRIs was not effective and essential records were not maintained.

**Recommendation:** PRIs should ensure maintenance the records of immovable and movable assets in the prescribed format and keep them updated. State Government should ensure that GIS mapping of assets of GPs and their code wise database are prepared on priority and kept online in Panchyat Darpan.

## 2.2 Compliance Audit Paragraphs

### PANCHAYAT AND RURAL DEVELOPMENT DEPARTMENT

#### 2.2.1 Avoidable liability of interest and penalty

**Zila Panchayat, Tikamgarh failed to deposit the Employer's and Employees' contributions under Employee's Provident Fund Scheme within prescribed time, which resulted in avoidable liability of ₹ 26.21 lakh as interest and penalty.**

The Employees Provident Funds and Miscellaneous Provisions Act 1952 (EPF Act), which was enacted by Parliament, provides for the institution of provident fund for employees in factories and other establishments. Under the provisions of the Employee's Provident Fund Scheme, 1952, which was framed by the Central Government under the EPF Act, the employer shall deduct the employee's contribution from his wages which together with his own contribution shall be deposited to the fund within fifteen days of the close of every month. In case of default in payment of contribution, the employer may be liable to pay penalty and interest at the rate specified under EPF Act.

Panchayat and Rural Development Department (PRDD), Government of Madhya Pradesh ordered (December 2008) for deduction of EPF contribution in respect of contractual employees working in PRDD and its subordinate organisations.

Scrutiny of records of Chief Executive Officer (CEO) Zila Panchayat (ZP), Tikamgarh (February 2016) revealed that ZP deducted EPF contribution amounting to ₹ 20.60 lakh as employer's and employees' contribution for the period from January 2009 to January 2015 in respect of contractual employees appointed under various schemes, viz., Total Sanitation Campaign (TSC), District Rural Development Authority (DRDA), Backward Region Grant Fund (BRGF) and Mid-Day Meal (MDM). However, ZP, Tikamgarh did not deposit

these EPF deductions together with employer's contribution to Employees Provident Fund Organisation (EPFO) till the date of audit.

In reply, ZP, Tikamgarh stated (February 2016) that the amount would be deposited to EPFO after receiving allotment under DRDA. Audit further noticed that the entire deduction of ₹ 20.60 lakh was deposited to EPFO in April 2016. However, EPFO had levied interest of ₹ 9.59 lakh and penalty ₹ 16.62 lakh on ZP, Tikamgarh due to delays in depositing the EPF contributions, which was yet to be paid by the ZP (February 2017).

In the exit conference (January 2017), the Government stated that instructions were being issued to all Zila/Janpad Panchayats for depositing the deducted EPF amount in the EPF account of employees concerned within prescribed period. ZP Tikamgarh had taken action. Besides, watch would be kept over depositing the EPF deductions within time.

Fact remains that the failure of ZP, Tikamgarh to comply the provisions of the EPF Act resulted in creation of an avoidable liability of penalty and interest of ₹ 26.21 lakh.

#### **2.2.2 Deposit of interest to Government Account**

**Interest amounting to ₹ 35.29 lakh received on account of Madhya Pradesh Assembly Constituency Area Development Scheme was not deposited in the Government Account, out of which ₹ 24.06 lakh was deposited on being pointed out by Audit.**

According to para 3.6 of Madhya Pradesh Assembly Constituency Area Development Scheme (MPACADS) guidelines issued by Planning, Economic and Statistics Department, Government of Madhya Pradesh, MPACADS work would be executed through Public Works Department, Panchayat and Rural Development Department, Agriculture Department etc. Further according to para 3.7 and 3.9 of the guidelines and subsequent order of State Planning Commission (January 2008), the amount received as interest on account of MPACADS fund was to be deposited in Government Account under Head "0049-Interest Receipt".

Test check of records (between April 2015 and February 2016) of Chief Executive Officers (CEOs) of 13 Janpad Panchayats (JPs)<sup>7</sup> revealed that in the MPACADS fund accounts of these JPs, interest amounting to ₹ 35.29 lakh (**Appendix-2.4**) was received during the period from 2011-12 to 2014-15. The CEOs concerned had not remitted the same to the Government Account under Head "0049-Interest Receipt". Thus, the Government was deprived of Revenue of ₹ 35.29 lakh due to interest not being deposited into the Government Account.

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<sup>7</sup> Janpad Panchayat : Amarwara (Chhindwara), Bairasia (Bhopal), Bichhua (Chhindwara), Chachora (Guna), Essagarh (Ashok Nagar), Gohaparu (Shahdol), Khaknar (Burhanpur), Mandla (Mandla), Maihar (Satna), Nainpur (Mandla), Sanchi (Raisen), Shajapur (Shajapur) and Sheopur (Sheopur)



In reply, the respective CEOs<sup>8</sup> informed (between June and December 2016) that interest amount of ₹ 24.06 lakh had been deposited to head “0049-Interest Receipt” after being pointed by audit.

In the exit conference (January 2017), PRDD stated that the matter was related to Economics and Statistical Department. However, the reply of Finance Department was awaited as of February 2017.

The reply of PRDD is not acceptable, as CEO, JPs, who are under the administrative control of PRDD, was responsible to deposit interest received on account of MPACADS fund to the Government account.

### 2.2.3 Suspected embezzlement

**Government money amounting to ₹ 0.10 lakh was embezzled in Janpad Panchayat, Manawar by fraudulently inserting ten thousands digit in the invoice presented for payment.**

Rule 397 of Madhya Pradesh Treasury Code (MPTC) provides that bills presented in support of payments for purchases of stores shall be accompanied by a certificate that the articles detailed in the vouchers have been actually received and that the rates paid are not in excess of accepted or market rates.

Scrutiny of the vouchers in the Central Audit and further detailed scrutiny of the records (May 2015) of Gram Panchayat (GP) Jotpur, Janpad Panchayat (JP), Manawar (Dhar) revealed that Collector (Tribal Development) sanctioned (August 2014) construction work of a Cement Concrete Road (CC Road) for the GP at a cost of ₹ 5.00 lakh under “Slum Development Scheme for Schedule Tribes”. The GP was appointed as executing agency for the work. The GP submitted (November 2014) utilisation certificate of ₹ 5.00 lakh to JP, Manawar after completion of work (October 2014).

Further scrutiny revealed that the GP hired a mixture machine for a period of 30 days on rent at the rate of ₹ 300 per day for construction of CC Road. In the invoice submitted by the supplier, the total rent was inflated from ₹ 9,000 to ₹ 19,000 by inserting digit one in ten thousands place, though as per entry in description and rate columns of the invoice, actual rent payable to the supplier was ₹ 9,000 only. The fraudulently inflated bill of ₹ 19,000 was certified by Secretary/Sarpanch and passed for payment by CEO JP, Manawar. As a result, the payment of ₹ 19,000 was made to supplier in cash against the actual payable amount of ₹ 9,000.

In the exit conference (January 2017), the Government stated that the matter would be investigated and audit would be intimated about the action taken on the basis of investigation report.

The fact remains that the invoice presented for payment was not properly checked by the Drawing and Disbursing Officer (i.e. CEO, JP, Manawar) before making payment, which led to the suspected embezzlement of ₹ 10,000.

<sup>8</sup> Janpad Panchayat : Amarwara (Chhindwara), Bairasia (Bhopal), Bichhua (Chhindwara), Chachora (Guna), Gohaparu (Shahdol), Khaknar (Burhanpur), Mandla (Mandla), Sanchi (Raisen), Shajapur (Shajapur) and Sheopur (Sheopur)