

CHAPTER-2
RESULTS OF AUDIT OF
PANCHAYATI RAJ
INSTITUTIONS

CHAPTER-2

RESULTS OF AUDIT OF PANCHAYATI RAJ INSTITUTIONS

The deficiencies noticed during audit of Panchayati Raj Institutions conducted in 2017-18 and 2018-19 are discussed in the succeeding paragraphs.

The cases pointed out are based on the test check conducted by Audit. The Department may initiate action to examine similar cases and take necessary corrective action.

2.1 Accounting System

2.1.1 Implementation of PRIASoft and maintenance of National Asset Directory (NAD) during 2017-18

(i) The State Government adopted PRIASoft (March 2011), a software developed by Ministry of Panchayati Raj (MoPR), for maintaining the accounts of PRIs as per the Model Accounting System. The Director, Panchayati Raj Department had also directed (January 2012) all the Block Development Officers to implement the PRIASoft accounting system in the Gram Panchayats. Training on PRIASoft to officials of Gram Panchayats had also been provided.

In 18 out of 45 test-checked GPs (**Appendix-4**), Audit observed that maintenance of accounts on PRIASoft accounting system had started but accounts for the period April 2017 to January 2018 were not being maintained on PRIASoft.

In reply, the Secretaries of the GPs concerned stated (September 2017-January 2018) that the accounts could not be maintained on PRIASoft due to non-connectivity of broadband network in GPs.

It was also noticed that in 22 out of 45 test-checked GPs (**Appendix-4**), only three registers (register of annual receipt and payment account, consolidated abstract register, and monthly reconciliation statement) out of eight Model Accounting System registers were being maintained on PRIASoft while five registers (register of receivables and payables, register of immovable property, register of movable property, inventory (stock) register, and register of demand, collection and balance) were not being maintained. Books of accounts such as Journal Book, Ledger Book and Cheque receipts register were also not being maintained in these Gram Panchayats. Thus, PRIs were not fully adopting the PRIASoft defeating the purpose of transparent accounting.

In reply, the Secretaries of the GPs stated (September 2017-January 2018) that the accounts would be maintained shortly on PRIASoft.

(ii) National Asset Directory (NAD) aims to keep stock of all the assets created, controlled and maintained by the PRIs for their effective utilization. Joint Director-cum-Deputy Secretary, Panchayati Raj Department directed (June 2015) that National Asset Directory (NAD) is to be maintained by all PRIs in the State and that information of all assets created by PRIs may be uploaded on NAD application.

Audit noticed that in 40 out of 45 test checked GPs (except 5 GPs¹), information of assets created by PRIs was not being uploaded on NAD application resulting in lack of effective monitoring of assets.

In reply, the Secretaries of GPs stated (September 2017-January 2018) that entries on NAD application would be started shortly.

2.1.2 Discrepancies noticed in Accounting System

Differences between figures of receipts and expenditure in bank pass book/ manual cashbook and that uploaded on PRIASoft.

(i) During 2017-18, it was noticed that in 21 test-checked PRIs, the figures of balance in bank pass book for the year 2016-17 did not match with the figures uploaded on PRIASoft. There was a difference of ₹ 1.37 crore (Figures in PRIASoft were more in 09 PRIs by ₹1.08 crore and less in 12 PRIs by ₹0.29 crore.) in the figures of balance in bank pass book and that of uploaded on PRIASoft (**Appendix-5(i)**). Deviation in figures ranged between 0.08 and 219 *per cent*. The deviation was particularly high in GPs Jamni (219 *per cent*), Bandli (120 *per cent*) and Kotla Khanula (104 *per cent*). The deviations raise questions over the reliability of financial information being maintained.

(ii) During 2018-19, eleven out of 12 Zila Parishads, 73 out of 78 Panchayat Samitis and all Gram Panchayats (3,226) were maintaining their accounts on PRIASoft as per information supplied by Panchayati Raj Department.

It was noticed in 93 (82 *per cent* of test-checked PRIs) out of 113 test-checked PRIs (**Appendix-5(ii)**) that the figures of receipts and expenditure for the year 2017-18 furnished by these PRIs did not match with the figures uploaded on PRIASoft. There was a difference of ₹25.13 crore in the figures of receipt and ₹13.19 crore in the figures of expenditure. Deviation in figures of receipts ranged between 0.47 and 117.07 *per cent* and that of expenditure ranged between 0.13 and 335.69 *per cent*. The deviation was particularly high in GPs Kotlu (117.07 *per cent*), Khundiyan (115.52 *per cent*) and Hal (83.09 *per cent*) in figures of receipts and similarly in GPs Jhakled (335.69 *per cent*), Balol (329.31 *per cent*) and Salihar (265.18 *per cent*) in case of expenditure. The large deviations raise questions over the reliability of financial information being maintained on PRIASoft.

The Chief Executive Officers/the Panchayat Secretaries concerned stated (July 2018-February 2019) that differences would be sorted out and records would be maintained properly in future whereas the Secretaries of GP Gondhla and Gosal stated (August 2018) that the entry was not done smoothly in lack of proper internet connectivity and other technical services, but effort was being made to complete the entry.

2.1.3 Non-maintenance of registers

Rule 31 of the Himachal Pradesh Panchayati Raj (Finance) Rules, 2002 stipulates that every PRI shall maintain important records, registers, forms, etc., as detailed in rule 34 of HP Panchayati Raj (General) Rules, 1997.

¹ GPs Sayari, Sakori, Chammo, Hinner and Pokhri.

(i) During 2017-18, it was observed that out of 57 test checked PRIs, in 35 GPs and three Panchayat Samitis (**Appendix-6**), important registers like stock register, immovable property register, muster roll register, temporary advance register, travelling allowance register, contingency expenditure register, grants-in-aid register, cheque issue and receipt register, etc., were not maintained during 2017-18.

(ii) During 2018-19, it was observed that out of 113 test checked PRIs, in 94 GPs (82 per cent of test-checked PRIs) (**Appendix-6**), important registers like stock register, immovable property register, muster roll register, temporary advance register, stationary register, honorarium register, travelling allowance register, contingency expenditure register, grants-in-aid register, cheques issue and receipt register, etc. were not maintained by these GPs. Due to non-maintenance of these records, correctness of the relevant financial transactions could not be ascertained by audit.

The CEOs/the Panchayat Secretaries concerned stated (September 2017-February 2019) that these records would be maintained in future.

2.1.4 Non reconciliation of balances of cashbook with bank statements

Rule 15 (10) (b) of the Himachal Pradesh Panchayati Raj (Finance) Rules, 2002 provides that reconciliation of balances of cash book and bank accounts is required to be conducted every month. Any difference shall be explained and accounted for in a footnote in the cashbook.

Audit noticed in 2017-18 and 2018-19 that difference between balances of cash books and bank pass books amounting to ₹2.87 crore in 22 PRIs (**Appendix-7**) at the close of the year 2016-17 and ₹26.61 crore in 73 PRIs (**Appendix-7**) at the close of the year 2017-18 was not reconciled. Significant differences of ₹41.52 lakh and ₹38.11 lakh were noticed in GPs Nalka and Goyla respectively in 2017-18 whereas differences of ₹131.74 lakh, ₹287.99 lakh and ₹967.62 lakh were noticed in ZPs Hamirpur, Shimla and Kangra respectively in 2018-19.

Also, it was noticed in 2018-19 that in ZP Hamirpur, General and Panchayat Nidhi cashbooks showed more balance and 13th FC cashbook showed less balance in comparison to bank pass book. Similarly, In GP Dhakgaon, General and Panchayat Nidhi cashbooks showed more balance and 14th FC cash book showed less balance in comparison to bank pass book. In view of the huge differences in balances, the authenticity of accounts of these PRIs could not be relied upon and there might be chances of money received and spent through cash transactions being misappropriated or embezzled.

The CEOs/the Secretaries of the 22 PRIs (audited in 2017-18) concerned stated (October-December 2017) that the differences would be reconciled shortly. The CEOs/the Secretaries of the 73 PRIs (audited in 2018-19) concerned stated (July 2018-February 2019) that the differences would be reconciled shortly whereas the Secretary, ZP Kangra stated (January 2019) that non-reconciliation of bank pass book and cash book was due to lack of staff.

2.1.5 Irregularities in Cashbook and non-routing of transactions through cash book

Under rule 7 of Himachal Pradesh Panchayati Raj (Finance) Rules, 2002, the Secretary of the Gram Panchayat shall maintain a Cash Book in Form-14 of the General Rules. Entries in the cash book shall be made simultaneously with each item of income and expenditure on the

date of transaction. For each item of expenditure, a receipt which will be called voucher shall be obtained setting forth full and clear particulars, duly attested by the Pradhan and maintained in the appropriate files. Over-writing and erasures shall be strictly prohibited. The vouchers shall be numbered, and serial number of vouchers shall be changed after close of the financial year and new serial number of vouchers for the current financial year shall be given. Every voucher should bear resolution number and date, vide which the expenditure was authorized by the Gram Panchayat.

(a) During 2017-18, it was noticed in GP Wakna (Solan district) that ₹ 1.00 lakh was withdrawn from bank account no. 100834001002430 of Jogindra Central Co-operative Bank in February 2013. Amount was neither entered in the cash book nor was any voucher of the transaction made available to Audit.

In reply, the Secretary stated (October 2017) that the matter would be taken up with the bank authorities and balance as per cash book and pass book would be reconciled. The reply is not acceptable as funds were withdrawn during 2012-13 and the Secretary was required to reconcile the bank balance with the balance as per cash book at the end of financial year.

(b) During 2017-18, it was noticed in GP Sayari (Solan district) that 0.59 lakh was transferred from general cash book in December 2012 to MGNREGS cash book. Amount was neither entered in the MGNREGS cash book nor was any voucher regarding expenditure of this amount shown to audit.

In reply, the Secretary stated (October 2017) that the matter would be scrutinized. The reply is not tenable as more than three years had elapsed, but the amount had not been accounted for in the cash book.

(c) During 2018-19, it was noticed that irregularities such as non-mentioning dates and numbers of vouchers, non-making the list of all income & expenditures at the year end, cuttings/ overwriting, use of erasers and fluids, non-attestation of vouchers, non-verification of closing balance of cashbooks, non-entering the payment made by cheques in chronological way, etc. were found in 35 GPs².

The Panchayat Secretaries concerned stated (September 2018-January 2019) that Cash book would be maintained as per rules in future.

(d) During 2018-19, it was noticed in three GPs (Lalung, Fariyan and Deothi) that cash books and vouchers were not maintained for the years 2013-14 to 2015-16, 2015-16 and 2004-14 respectively.

The Secretary, GP Lalung stated (September 2018) that cash book for this period 2013-14 to 2015-16 was not present in the office as the previous Secretary had not handed over the same. In respect of non- maintenance of vouchers, it was stated that the online vouchers were maintained by Takniki Sahayak and the vouchers would be shown to audit later. The Secretary, GP Fariyan stated (December 2018) that cash book for that year would be got prepared by then Panchayat Secretary whereas the Secretary, GP Deothi stated

² GPs Kelong, Ghodna, Barwala, Barbog, Dadas, Ghoond, Dhalli, Bawat, Gosal, Muling, Junga, Gondhla, Kuthar, Badhal, Chopal, Pujarli (Beolia), Bagain, Khangsar, Baloh, Kiran, Kyar, Kyari, Khurik, Dhugyari, Pujarli-3, Bandi, Garoh, Tangnu Janglikh, Chebdi, Kotlu, Harsi, Sihal, Khangteri, Salihar and Kardang.

(September 2018) that these records were not in the office as vigilance enquiry was going on against then Panchayat Secretary.

2.1.6 (i) Improper maintenance of accounts of income from own resources, grants-in-aid and loans

Rule 4(1) of The Himachal Pradesh Panchayati Raj (Finance) Rules, 2002 provides that every GP, PS and ZP is required to maintain separate accounts of income from own resources such as rent, all taxes, duties, cesses, fees imposed and realised under the Act (Account 'A'), and income from grants-in-aid, funds allocated for development works or special purposes, loans, share of taxes, fees, cess allocated for specific purpose by the State Govt. and other income (Account 'B'). Also, the interest earned on funds deposited in Account-B shall be transferred to Account-A in the month of January and July every year.

It was noticed during 2017-18 and 2018-19 that 115 GPs³ and 15 PSs⁴ out of 170 test checked PRIs were not maintaining such accounts in the prescribed format and all transactions were carried out through a single account in contravention of the rule *ibid*. In absence of separate account 'A' and 'B', correctness of figures of income from own resources, grants-in-aid and loans received could not be verified. The Chief Executive Officers/ Panchayat Secretaries concerned assured (September 2017-January 2019) to maintain separate accounts in the prescribed format in future.

2.1.6 (ii) Non-depositing of liquor cess in Account 'A'

During 2018-19, it was observed that in 10 GPs, liquor cess amounting to ₹12.26 lakh (**Appendix-8**) collected was not deposited in Account 'A'. The liquor cess was the part of own revenue of GPs and could be utilised in other developmental activities. The Panchayat Secretaries concerned stated (August-November 2018) that the amount of liquor cess would be deposited in Account 'A' soon.

2.1.7 Non-depositing of receipts in bank account/ Gram Panchayat Fund

Rule 6(3) of HPPR Rules, 2002 provides that all moneys received and spent on behalf of the Gram Panchayat shall be credited into and withdrawn from the Gram Panchayat Fund.

It was noticed during 2017-18 in GP Sayari (Block Kandaghat, District Solan) that the GP received ₹0.24 lakh as own receipts during 2014-17. Secretary had not deposited the receipts in the bank/ Gram Panchayat Fund and rather incurred expenditure of ₹0.23 lakh from these

³ **2017-18: 42 GPs** Nor, Goyla, Karadsu, Chammo, Bandli, Wakna, Mandalgarh, Kutahchi, Khilra, Sulpur Jaboth, Kalahod, Dhawal, Dhanalag, Darpa, Pipli, Bhawguri, Tunan, Pokhri, Nalka, Takrasi, Fanauti, Kot, Sakori, Galu, Utpur, Jugahan, Tandi, Tunna, Jadla, Aihju, Shirar, Sarahan, Pangan, Nirmand, Jamni, Kotla Khanula, Sayari, Barchwar, Basha, Santhal Padain, Karana and Noun.

2018-19: 73 GPs Karevthi, Kuddu, Chadoli, Deothi, Manjholi, Sawad, Malendi, Sihal, Sarpara, Ladoh, Dhugyari, Poling, Bandi, Gharoh, Khaira, Jaipidi Mata, Kadoa, Manjholi Tipper, Thana, Mogra, Badehar, Kanda Banah, Gangot, Goral Dhar, Kasba Jagir, Barwala, Kothi, Katlah, Khairiyan, Kardang, Barbog, Salihar, Khangteri, Ghodna, Upper Thehru, Balol, Kotlu, Bhapu, Harsi, Ghahad, Balor, Jhikli Ichhi, Ustehad, Khangsar, Dhalli, Kyar, Bagain, Bhaloh, Saddu Bargan, Pujarli(3), Gosal, Ghoond, Muling, Junga, Gondhala, Chebdi, Pujarli (Beolia), Kaloond, Ballah, Makdoli, Diyana, Jagothi, Milakh, Jangal, Nerna, Kuthar, Khundiyan, Hatwas, Mamu Gurchaal, Jhakled, Darcha, Kelong and Dadas.

⁴ **2017-18:** Eight PSs Dharampur; Naggar; Gopalpur, Anni, Chauntra, Sundernagar, Gohar, and Nirmand.
2018-19: Seven PSs Nankhari, Rohru, Nagrota Surian, Lambagaon, Indora, Fatehpur and Theog.

receipts on office expenses and refreshment of GP members. Expenditure from own receipts without crediting into Gram Panchayat Fund was contrary to the rule *ibid*.

In reply, the Secretary stated (October 2017) that receipts were utilised without crediting into GP Fund due to lack of awareness about rules.

2.1.8 Non-preparation of estimates for developmental works

Rule 94 of the HP Panchayati Raj (Finance) Rules, 2002 stipulates that estimates for all works costing more than ₹25,000 but less than ₹50,000/- shall be prepared by the Takniki Sahayak and for works costing more than ₹50,000/- shall be prepared by Junior Engineer. Further the above rates have been revised in March 2017 that all works costing upto ₹3,00,000/- shall be prepared by the Takniki Sahayak and for works costing more than ₹3,00,000 /- and upto ₹5,00,000/- shall be prepared by Junior Engineer. All the works costing more than ₹50,000/- shall be taken by the Panchayat for execution only after the administrative approval and technical sanction on the estimates prepared by the Panchayats.

It was noticed during 2018-19 that estimates for different works such as construction/ repair of panchayat ghar, community hall, public toilet, protection wall, path, irrigation tank, kuhal, etc. worth ₹2.28 crore pertaining to the period from 2013 to 2018, were not prepared to obtain the administrative approval and technical sanction for execution of the same and copies of estimates were not found in eight GPs⁵.

The Panchayat Secretaries concerned stated (September 2018-January 2019) that copies of estimates were sent to Block Development Officers for sanction of first instalment and in future copies of the same would be kept in the records.

2.1.9 Non-accounting of material

Material of ₹0.44 crore was not accounted for in the stock register.

Under rule 69 of HPPR Rules, 2002, all stores when received are required to be examined, counted, measured or weighed, as the case may be, at the time of taking delivery and should be entered in the stock register immediately. A certificate to the effect is also required to be given at the end of the entries for each single day by the official in charge of stores authorised by the Gram Panchayat or the Panchayat Samiti or the Zila Parishad, as the case may be, stating that the stores have been received in proper condition and according to specifications. In the event of stores found surplus, the same should be indicated as additional receipt and shortages, if any, should be indicated in red ink. Further, rule 70 of the HPPR Rules, 2002 *ibid* stipulates that article of stores shall be issued against proper indents.

It was observed during 2017-18 that in 12 out of 45 test checked GPs, items of stores such as steel, timber, furniture, hardware items, solar lights, street lights, sports items, heaters, etc. purchased during 2011-17 at a cost of ₹0.44 crore were not accounted for in the stock registers (**Appendix-9**). This was indicative of poor record maintenance on the part of GPs and the possibility of pilferage or loss as a result of non-accounting of these stores cannot be ruled out.

⁵ GPs Barbog: ₹27.88 lakh, Darcha: ₹64.14 lakh, Muling: ₹15.30 lakh, Gosal: ₹21.32 lakh, Khangsar: ₹7.84 lakh, Gondhla: ₹20.88 lakh, Kardang: ₹48.75 lakh and Bagain: ₹21.60 lakh.

In reply, the Secretaries of GPs concerned stated (October 2017-January 2018) that the items would be entered in the stock registers. The fact, however, remains that there was absence of proper check over maintenance of store records by the GPs concerned.

2.1.10 Non-conducting of Physical Verification

Under rule 73(1) of HP Panchayati Raj (Finance) Rules, 2002, physical verification of all stores shall be conducted by the Pradhan in the case of Gram Panchayat and by the Secretary concerned in case of Panchayat Samiti or Zila Parishad, at least once in six months and invariably in April, every year. The results of the verification shall be recorded in writing. During the verification in April, the condition of each article shall be indicated against it in the stock register.

Scrutiny of records showed that in 59 (**Appendix-10**) out of the test checked 170 PRIs (audited during 2017-18 and 2018-19), physical verification of stores and stock had not been conducted. Due to non-conducting of physical verification actual position of stores/ stock was not verified by the concerned PRIs.

In reply, the Executive officer and the Secretaries of PRIs concerned stated (October 2017-March 2019) that the physical verification of stores and stock would be conducted shortly.

2.2 Revenue

2.2.1 Non-recovery of House Tax

133 out of 148 test-checked GPs (audited during 2017-18 and 2018-19) did not realise house tax of ₹58.63 lakh.

Rule 33 of The Himachal Pradesh Panchayati Raj (Finance) Rules, 2002 provides that the Secretary of the GP shall see that all revenues are correctly, promptly and regularly assessed, realised and credited to the accounts of the Panchayat concerned; and section 114 of HP Panchayati Raj Act, 1994 provides that any person evading the payment of any tax, fee, rate or amount due shall be punishable with fine.

Audit noticed that in 39 out of 45 test checked GPs in 2017-18, house tax amounting to ₹15.96 lakh (**Appendix-11**) upto 2016-17 was not recovered as of March 2018 and in 94 out of 103 GPs test checked in 2018-19, house tax amounting to ₹42.67 lakh (**Appendix-11**) up to the end of year 2017-18 was not recovered as of March 2019. Moreover, the GPs had not taken any action to levy penalty on the defaulters for non-payment of house tax in terms of Section 114 of HP Panchayati Raj Act, 1994. This had deprived the GPs concerned from their due share of revenue. The accumulation of arrears indicates ineffectiveness of GPs in collection of revenue.

The Secretaries concerned stated (September 2017-March 2019) that efforts would be made to recover the outstanding house tax.

2.2.2 Outstanding rent

(i) Seventeen PRIs failed to realise rent due from shops amounting to ₹19.80 lakh.

ZPs, PSs and GPs maintain shops in their jurisdiction, and these are rented out on monthly rental basis.

Scrutiny of records revealed that in seven PRIs (audited during 2017-18) (**Appendix-12**), an amount of ₹9.99 lakh on account of rent from 25 shops (for the period 2013-14 to 2016-17) was outstanding as of March 2018 and in 10 PRIs (audited during 2018-19) (**Appendix-12**), an amount of ₹9.81 lakh on account of rent from 45 shops (for the period 2006-07 to 2017-18) was outstanding as of March 2019. This indicated that timely collection of shop rent had not been given due attention by these PRIs, resulting in loss of revenue.

The CEOs/the Secretaries of PRIs concerned stated (September 2017-March 2019) that outstanding rent would be recovered from the defaulters.

(ii) Loss of revenue due to non-revision of shop rent ₹1.16 lakh.

During 2018-19, scrutiny of records revealed that ZP Kangra at Dharamshala had rented out nine shops during March-May 2014. As per clause no. 03 of the agreement made with tenants of shops, shop rent was not enhanced at the rate of 10 *per cent* by ZP. This resulted in loss of revenue of ₹1.16 lakh as of January 2019. The Secretary, ZP Kangra stated (January 2019) that recovery of rent would be made shortly.

2.2.3 Non-recovery of duty for installation of Mobile Towers

Revenue of ₹13.51 lakh on account of installation and renewal fees of mobile towers remained unrealised in 48 test-checked GPs.

The Government of Himachal Pradesh vide notification no. DIT. Dev-(IT) 2005(Misc.) dated 22nd August 2006 authorised GPs to levy duty on installation of mobile communication towers in their jurisdiction at the rate of ₹ 4,000 per tower and to collect annual renewal fee at the rate of ₹2,000 per tower. Further as per notification no. DIT. Dev-(IT) 2005 (Misc.) 96 dated 21 June 2017, the rate for installation and renewal fee was increased to ₹10000 and ₹5000 respectively.

Audit noticed during 2017-18 and 2018-19 that in 48 out of 148 test-checked GPs, 81 mobile towers were installed during 2001-18 but installation and renewal fees amounting to ₹13.51 lakh (**Appendix-13**) had not been recovered from the mobile companies (The same issue has been highlighted under para 2.1.3 in ATIR for the year ending March 2015, para 2.2.3 in ATIR for the year ending March 2016 and para 2.2.3 in ATIR for the year ending March 2017). This deprived the GPs of their due share of revenue. The Secretaries of the GPs stated (September 2017-March 2019) that action would be taken shortly to recover the dues.

2.2.4 Non deduction of TDS

Eighteen PRIs made payment to contractors without deducting TDS amounting to ₹1.55 lakh.

Section 194 (c) of the Income Tax Act, 1961 provides that any payment made to contractors exceeding ₹30,000/- as single time payment and aggregating ₹1,00,000/- during the financial year is liable to deduction of Tax Deduction at Source (TDS) @ one *per cent* from individuals and two *per cent* from firms/companies of the total payment.

During scrutiny of records in 18 PRIs audited during 2017-18 and 2018-19, it was noticed that payment amounting to ₹1.04 crore was made to contractors/firms for use of JCB and carriage of materials such as stone, sand etc. during the period 2012-18 without deducting TDS of ₹1.55 lakh (**Appendix-14**).

In reply, the Secretaries of eight PRIs⁶ (audited in 2017-18) concerned stated (September-December 2017) that TDS could not be deducted due to lack of awareness of Income Tax Rules and the same would now be recovered from the concerned contractors and deposited with the Government. The Secretaries of eight GPs⁷ (audited in 2018-19) concerned stated (July-November 2018) that TDS would be recovered from concerned contractors whereas the secretaries of GPs (Chadoli and Goral Madawag) stated (August 2018) that TDS would be deducted from bills of contractors in future.

2.3 Blocking of funds

2.3.1 Blocking of funds due to non-commencement of works

Funds of ₹1.37 crore remained unspent due to non-commencement of works.

(a) During 2017-18, it was noticed that in seven out of 45 test checked GPs (**Appendix-15(i)**), an amount of ₹26.02 lakh was received (2012-17) for execution of 19 development works under various schemes. However, no expenditure was incurred on execution of these works as of October 2017. Non-utilisation of funds for developmental activities resulted in blocking of funds in these Gram Panchayats besides depriving the beneficiaries of the intended benefits.

The Secretaries of the GPs concerned stated (September-October 2017) that works could not be started as the process of transfer of land was not completed.

(b) During 2018-19, it was noticed that in 38 out of 113 test checked PRIs, an amount of ₹1.11 crore (**Appendix-15(ii)**) was received during 2012-19 for execution of 112 developmental works such as playground, rain shelter, mahila mandal, road, ambulance road, community hall, public toilet, etc. under various schemes viz. 5th Rajya Vit Ayoge (Zila Parishad/Panchayat Samiti), Members of Parliament Local Area Development Scheme (MPLAD), Mukhya Mantri Adarsh Gram Yojana (MMAGY), Vidhayak Kshetra Vikas Nidhi Yojna (VKVNY), State Disaster Response Fund (SDRF), etc. However, no expenditure was incurred on execution of these works as of September 2018 and the funds

⁶ **2017-18:** ZP Solan, GPs Pokhri, Karana, Takrasi, Fanuati, Nor, Tunan and Kot.

⁷ **2018-19:** GPs Naldehra, Deothi, Chalahal, Vaish (Piplidhar), Chebdi, Khamadi, Khabal and Diyana.

were lying with concerned PRIs. Thus, non-utilisation of funds for developmental activities resulted in blocking of funds, besides depriving the beneficiaries of the intended benefits of the schemes.

The Assistant Commissioner, PS Rohru and the Secretaries of the GPs⁸ concerned stated (July-December 2018) that works could not be started due to land issues. The Secretaries of GPs⁹ stated (July 2018-March 2019) that the works would be started soon, and the funds would be utilised shortly. The Secretary GP Balor stated (November 2018) that the work could not be started as there was no path to reach the site and it was not possible to send raw material to the site, but the path was near completion and the work would be started soon whereas the Secretary GP Ghodna stated (September 2018) that NOC from the forest department was not received, efforts were being made to obtain the same.

The replies are not tenable as codal formalities such as process for transfer/ availability of land should have been completed before getting the works sanctioned.

2.3.2 Unutilised funds due to non-completion of works

Funds of ₹1.95 crore remained unspent due to non-completion of works in 59 PRIs.

(a) During 2017-18, it was noticed that in 15 out of 57 test-checked PRIs, against an amount of ₹1.90 crore received for execution of 118 works (scheduled for completion within three to 12 months) during 2011-17 under various schemes, expenditure of ₹0.93 crore was incurred, and the balance amount of ₹0.97 crore (51 *per cent*) was lying unutilised as of January 2018 (**Appendix-16(i)**). This had resulted in non-achievement of intended benefits to the public.

The Executive Officer/the Secretaries of PRIs concerned stated (September 2017 – January 2018) that works could not be completed due to land disputes and litigations. Some works were in progress and would be completed shortly. The replies are not acceptable as these works remained incomplete even after lapse of one to six years from the date of sanction.

(b) During 2018-19, it was noticed that in 44 out of 103 test-checked GPs audit noticed that against an amount of ₹2.34 crore (**Appendix-16(ii)**) received for execution of 121 works such as mahila mandal, playground, public toilet, community hall, pucca path, road, ambulance road, etc. during 2007-18 under various schemes viz Vikas Mein Jan Sahyog (VMJS), Members of Parliament Local Area Development Scheme (MPLAD), Mukhya Mantri Adarsh Gram Yojana (MMAGY), Satluj Jal Vidyut Nigam limited (SJVNL), Vidhayak Kshetra Vikas Nidhi Yojna (VKVNY), etc., expenditure of ₹1.36 crore was incurred and the balance amount of ₹0.98 crore (42 *per cent*) was lying unutilised till the date of audit (July 2018- March 2019).

The Secretaries of 39 GPs¹⁰ stated (July 2018-February 2019) that works were in progress and would be completed shortly whereas the Secretary, GP Salihar stated (October 2018) that

⁸ GPs Shingla, Khamadi, Jhakled, Nerna, Jangal, Vaish, Khabal, Mogda, Ramnagar, Majholi Tipper, Mandal, Chebdi, Pujarili-3, Saddu Bargan, Sarpara, Bhapu, Balol, Naldhera, Salihar, Diudi Mala and Karevathi.

⁹ GPs Pujarli (Beolia), Japidi Mata, Khaira, Junga, Kakrain, Malendi, Bhaloh, Goral Madawag, Kyari, Chadoli, Kiran, Badhal and Gangot.

¹⁰ GPs Daimlu, Hal, Langcha, Chebdi, Majholi Tipper, Kanda Banah, Khamadi, Chalahal, Shingla, Goral Madawag, Kyari, Deothi, Naldehra, Khangteri, Kiran, Neerath, Chadoli, Badhal, Gangot, Khaira, Poling, Chalwada-2, Kakrain, Ballah, Makdoli, Diyana, Milakh, Nerna, Goral Dhar, Hatwas, Kothi, Kotlu, Kadoa, Rehan, Saddu Bargan, Ladoh, Ustehad, Jhikli Ichhi, Sawad.

the work could not be completed due to land dispute and litigation. The Secretary, GP Pujarli-3 stated (July 2018) that the works could not be completed due to shortage of workers whereas the Secretary GPs Dol, Sarpara and Datnagar stated (August-December 2018) that works were incomplete due to shortage of funds.

The replies are not acceptable as these works had remained incomplete even after lapse of one to three years from the date of sanction.

2.3.3 Unutilised funds received under 13th Finance Commission

Funds of ₹5.12 crore received under 13th Finance Commission remained unutilised in 22 PRIs on account of non-start of works, incomplete works and non-release of funds.

As per guidelines of the 13th Finance Commission (13th FC), grants released by GOI to the State Government were to be transferred to PRIs within 15 days from the date of their credit into the account of the State and the works approved thereof were to be completed within a period of three months from the date of their sanction. During 2017-18, audit noticed the following:

(i) In five out of nine test-checked Panchayat Samitis, against an amount of ₹1.07 crore received under 13th FC during 2012-16 for 128 developmental works, an amount of ₹0.57 crore was released to the executing agencies (Gram Panchayats) and the balance amount of ₹0.50 crore (47 *per cent*) was still lying unutilized with the Panchayat Samitis as of December 2017 (**Appendix-17**). The Executive Officers of PSs concerned stated (September-December 2017) that these works were in progress and balance amount would be released shortly for completion of works.

(ii) In four PRIs¹¹ ₹2.00 crore was received during 2013-16 under 13th FC for 146 development works which had not been taken up for execution as of January 2017. The entire amount remained blocked with the PRIs as of November 2017. The Executive Officers/ Secretaries of the PRIs concerned stated (September-November 2017) that the works could not be taken up for execution due to non-availability of land and court cases.

(iii) Out of ₹1.02 crore received during 2006-17 under 13th FC by six test-checked PRIs, ₹0.71 crore was further released to various executing agencies while ₹0.31 crore remained unutilized¹² with these PRIs. The Executive Officers/Secretaries of these PRIs concerned stated (September-December 2017) that directions would be issued to executing agencies to complete the pending works.

(iv) Panchayat Samiti Chauntra (District Mandi) was sanctioned ₹0.47 crore under 13th FC during 2013-16 for installation of Solar lights in various Gram Panchayats. Scrutiny revealed that the office had neither purchased any solar lights nor released any amount to the Gram Panchayats. The entire amount of ₹0.47 crore remained blocked, and the beneficiaries were deprived of the intended benefits of the scheme. In reply, the Executive Officer concerned stated (October 2017) that the matter of authorizing refund of the unutilized amount would be

¹¹ ZP Solan: ₹1.87 crore; PSs Dharampur: ₹0.07 crore; Gohar: ₹0.04 crore and GP Pipli: ₹0.02 crore.

¹² GPs Tandi: ₹0.87 lakh; Barchwar: ₹0.23 lakh; Jamni: ₹0.94 lakh; Santhal Padain: ₹0.83 lakh; PSs Sundernagar: ₹8.72 lakh and Dharampur: ₹19.14 lakh.

taken up with higher authorities. The reply is not tenable as the amount should have been utilized within the financial year as per the guidelines of the 13th Finance Commission.

(v) In six out of 57 test-checked PRIs funds amounting to ₹6.74 crore were received during 2013-17 under 13th Finance Commission. Funds amounting to ₹4.90 crore were released/utilised during above period while ₹1.84 crore remained un-utilised¹³ with these PRIs. The Executive Officers/ Secretaries of the PRIs concerned stated (September-October 2018) that funds could not be utilised due to shortage of labour as multiple works were running simultaneously under MGNREGS. The reply is indicative of poor planning resulting in non-utilization of the funds within the stipulated time period.

The above instances of blockade and non-utilization of funds had resulted in non-completion of works in time and non-achievement of intended benefits to the public at large. This shows poor implementation and poor fund management by the PRIs.

2.3.4 Diversion of funds received under 13th Finance Commission

Three PSs diverted funds amounting to ₹0.15 crore during 2012-16.

Scrutiny of records in 2017-18 revealed that in three¹⁴ out of nine test-checked PSs, funds amounting to ₹14.79 lakh received under 13th Finance Commission were diverted during 2012-16 to works such as other construction works, washing of seat covers and curtains of vehicles, expenses for diesel for vehicle which were not permissible as per 13th Finance Commission guidelines.

The Executive Officers stated that (November-December 2017) works were sanctioned on the recommendation of Panchayat Samiti members and sanction had been accorded by the competent authority. The reply is not acceptable as expenditure was incurred on works not permissible as per 13th Finance Commission guidelines.

2.4 Unutilised funds received under 14th Finance Commission

2.4.1 Blocking of funds due to non-completion of works

Funds of ₹8.16 crore under 14th FC remained unutilised in 78 out of 170 test-checked PRIs during 2017-18 and 2018-19 owing to non-completion of works.

As per guidelines of the 14th FC, grants released by the GOI to the State Government were to be transferred to the PRIs within 15 days from the date of their credit into the account of the State. Audit noticed the following:

(a) During 2017-18, it was noticed that in 28 out of 45 test-checked GPs funds amounting to ₹4.79 crore (**Appendix-18(i)**) were received during 2015-17 under 14th Finance Commission. Funds amounting to ₹1.43 crore were utilised during above period whereas ₹3.36 crore remained unutilised with these GPs due to non-receipt of approved shelf of works for the year 2015-16 from the District Panchayat Officer. The Secretaries of the GPs concerned stated (October 2017-January 2018) that the amount would be utilised shortly. The reply is

¹³ PSs Chauntra: ₹40.34 lakh, Dharampur: ₹89.54 lakh; Kandaghat: ₹8.64 lakh and Gopalpur: ₹34.41 lakh; GPs Bhawguri: ₹8.36 lakh and Chammo: ₹3.35 lakh.

¹⁴ PSs Nirmand: ₹5.84 lakh, Gohar ₹0.15 lakh and Naggar: ₹8.80 lakh.

indicative of poor planning resulting in non-utilization of the funds within the stipulated time period.

(b) During 2018-19, it was noticed that in 50 out of 103 test checked GPs, ₹10.24 crore (**Appendix-18(ii)**) were received during 2015-18 under 14th FC. Funds amounting to ₹5.44 crore were utilised during above period and a sum of ₹4.80 crore (47 per cent) remained unutilized with these GPs. Thus, it is the indicative of poor planning resulting in non-utilisation of the funds within the stipulated period. The Secretaries of the GPs concerned stated (September 2018-March 2019) that fund could not be utilised due to late passage of 14th Finance Commission's shelf, but remaining amount would be utilised shortly.

2.4.2 Blocking of funds due to non-commencement of works

Funds of ₹75.05 lakh under 14th FC remained unutilised in 10 out of 170 test-checked PRIs during 2017-18 and 2018-19 owing to non-commencement of works.

(a) During 2017-18, it was noticed in three out of 45 test checked GPs (**Appendix-19(i)**) that funds amounting to ₹37.93 lakh were received during 2015-17 under 14th Finance Commission for various development works which had not been taken up for execution as of March 2017. The entire amount remained blocked with the PRIs as of January 2018.

The Secretaries of Gram Panchayats concerned stated (October-December 2017) that works could not be taken up for execution due to non-availability of labour and works would be started shortly.

(b) During 2018-19, it was noticed in seven (GPs Khundiyan, Badehar, Langcha, Hal, Daimul, Pujarli (Beolia) and Jangal) out of 103 test checked GPs that funds amounting to ₹37.12 lakh (**Appendix-19(ii)**) were received during 2015-18 under 14th Finance Commission for various development works but these fund had not been utilised as of March 2018. The entire amount remained blocked with the GPs till the date of audit.

The Secretaries concerned stated (August 2018-March 2019) that fund would be utilised shortly whereas the Secretary of GP Khundiyan stated (October 2018) that works could not be taken up for execution due to land issues. Thus, funds under 14th FC were not utilised within stipulated period resulting in non-achievement of intended facilities.

2.5 Blocking of funds under National Rural Health Mission

Funds of ₹3.99 lakh remained unutilised under National Rural Health Mission.

During 2017-18, audit noticed in 27 GPs (13 GPs in Mandi and 14 GPs in Kullu) out of 45 test checked GPs that received funds amounting to ₹4.17 lakh during 2011-17 under National Rural Health Mission (**Appendix-20**). Expenditure of ₹0.18 lakh only was incurred during 2011-17 leaving balance amount of ₹3.99 lakh unutilised as of January 2018 with the concerned Gram Panchayats. 24 GPs did not utilise funds for a period of two to five years without any reasons on record, thereby hampering the intended purposes.

The Secretaries of GPs concerned stated (September 2017-January 2018) that the amount received under National Rural Health Mission would be utilised as per guidelines.

2.6 Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

2.6.1 Delay in release of wages

Payment of wages amounting to ₹57.11 lakh in 14 GPs to labourers was delayed for period ranging between 15 and 518 days.

As per section 3 of MGNREGA Act 2005, referred in para 8.3.1 of MGNREGA Operational guidelines 2013, workers are required to be paid wages on a weekly basis and in any case not beyond a fortnight from the date on which work was done. In case of delay beyond a fortnight, workers were entitled for compensation as per the provisions of 'Payment of Wages Act, 1936'.

Audit noticed that during the years 2012-18, 14 GPs made payment of ₹57.11 lakh (**Appendix-21**) to workers under MGNREGS after a delay ranging between 15 and 518 days beyond the permissible period of a fortnight. However, no compensation was paid to the labourers for delayed payment. Thus, due to delay in payment, persons who sought employment under MGNREGS were subjected to undue hardship and were also deprived of the compensation which was legally entitled to receive.

The Secretaries of the GPs concerned stated (January-March 2019) that delay in payment of wages of workers was due to delay in getting funds from the development block office whereas the Secretaries of GPs Kakrain, Poling and Sawad stated (February-March 2019) that the payments would be timely made in future.

2.6.2 Doubtful/ double payment of wages under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS)

Ten GPs showed deployment of same labourers on different works in same period indicating doubtful payment of ₹2.27 lakh.

It was noticed in two GPs (in 2017-18) and in eight GPs (in 2018-19) that same labourers were shown as having been deployed on different works and different muster rolls in the same period during 2010-17 indicating doubtful deployment and double payment of wages of ₹0.59 lakh¹⁵ and ₹1.68 lakh¹⁶ respectively under MGNREGS. Deployment of same labourers on different works in the same period is indicative of inadequate and ineffective internal control mechanism and negligence on the part of the GPs.

The Secretaries of the GPs concerned stated (September 2017-September 2018) that the matter would be investigated.

2.6.3 Expenditure on wages of labourers without completing muster rolls/ Non-obtaining of muster rolls from District Panchayat Officer and other irregularities.

Rule 102 (1) and (2) of the HP Panchayati Raj (Finance) Rules, 2002 stipulates that when the works of Panchayat to be executed departmentally by daily labour, the Secretary or any other officer/ official under him shall maintain a muster-roll. These muster rolls shall be printed by

¹⁵ GPs Goyla: ₹0.54 lakh and Sayari: ₹0.05 lakh.

¹⁶ GPs Kardang: ₹0.05 lakh, Barbog: ₹0.13 lakh, Darcha: ₹1.05 lakh, Kuthar: ₹0.24 lakh, Ghodna: ₹0.05 lakh, Kyar: ₹0.06 lakh, Junga: ₹0.06 lakh and Pujarali: ₹0.04 lakh.

the District Panchayat Officer and the Panchayat shall obtain the muster-roll forms from the District Panchayat Officer by placing a requisition as per its requirement.

(a) During 2017-18, audit noticed that in GP Basha, Block Kandaghat, District Solan ten workers were deployed on construction of water harvesting tank during 2012-13 and expenditure of ₹0.15 lakh was incurred on their wages. Contrary to provision *ibid*, muster-roll issued for this work was incomplete. The name of work for which this muster-roll was issued, and attendance of workers was not found marked. In the absence of marking of attendance of workers, payment of wages to labourers cannot be admitted as genuine and the possibility of misappropriation cannot be ruled out.

The Secretary of GP stated (November 2017) that appropriate action would be taken.

(b) During 2018-19, audit noticed that in 15 GPs¹⁷, muster rolls were not being obtained from the District Panchayat Officer and were printed by Gram Panchayats. Moreover, neither serial number nor date and description of work had been mentioned on these muster rolls.

The Secretaries of the GPs (Langcha, Lalung, Daimul, Khurik and Hal) stated (August-September 2018) that muster rolls were brought from private vendors due to unawareness of the rule whereas the Secretaries of the GPs¹⁸ stated (August-September 2018) that muster rolls would be collected and maintained as per rules in future.

2.6.4 Excess payment against muster roll amounting to ₹0.38 lakh

Audit noticed that in five GPs¹⁹, excess wages amounting to ₹0.38 lakh were paid to daily wage workers due to marking of their attendance on the 31st of months having 30 days only. Moreover, in case of GP Barbog, irregular payment of ₹0.03 lakh was made without entering the name of workers in the muster roll whereas in case of GP Keylong, ₹0.01 lakh was paid without obtaining signature of workers in the muster roll.

The Secretaries of the GPs concerned stated (August-September 2018) that appropriate action would be taken in this regard after investigating the matter whereas the Secretary, GP Daimul stated (August 2018) attendance on the 31st day on muster roll was made by mistake and the excess payment made would be recovered.

2.6.5 Payment by 11 GPs to workers without documentary proof

Rule 50 of HPPR Rules, 2002 stipulates that separate acknowledgment, stamped where necessary, shall be taken from the person receiving payment at the time of making payment and shall be attached to the voucher concerned.

(i) Audit noticed in 2017-18 that out of 45 test checked GPs, in nine GPs²⁰ wages amounting to ₹5.06 lakh were paid to 15 workers during 2011-15 without taking acknowledgement

¹⁷ GPs Langcha, Lalung, Daimul, Khurik, Hal, Ghodna, Bagain, Pujarli, Darcha, Khangsar, Gosal, Muling, Gondhla, Barbog and Keylong.

¹⁸ GPs Pujarli, Ghodna, Darcha, Bagain, Khangsar, Gosal, Muling, Gondhla, Barbog and Keylong.

¹⁹ GPs Khangsar: ₹0.14 lakh, Daimlu: ₹0.02 lakh, Darcha: ₹0.02 lakh, Barbog: ₹0.18 lakh and Keylong: ₹0.02 lakh.

²⁰ GPs Noun: ₹0.55 lakh; Aihju: ₹0.03 lakh; Kotla Khanula: ₹0.99 lakh; Tunna: ₹0.69 lakh; Tandi: ₹0.17 lakh; Kalahod: ₹0.03 lakh; Khilra: ₹0.19 lakh; Kutahchi: ₹1.28 lakh and Bandli: ₹1.13 lakh.

receipt (signature) of the workers on the muster rolls. The payment of ₹5.06 lakh was therefore doubtful, and the possibility of misappropriation cannot be ruled out. The Secretaries of the GPs concerned stated (October 2017-January 2018) that appropriate action would be taken and intimated to audit.

(ii) Out of 45 test checked GPs audited during 2017-18, in two²¹ GPs payment amounting to ₹0.50 lakh was made to elected members of the Gram Panchayats as honorarium during 2011-16 without taking acknowledgement receipt (signature). The Secretaries of the GPs concerned stated (September-November 2017) that the matter would be investigated, and action would be taken as per rules.

In the absence of acknowledgement receipts, it could not be ascertained that payment was made to the actual beneficiaries/ workers.

2.7 Doubtful expenditure of ₹2.89 lakh

As per rule 47 of HPPR Act, 2002 every payment, including repayment of money previously lodged in the Panchayat Fund, for whatever purpose, shall be supported by a voucher setting forth full and clear particulars and proper classification in the accounts.

During 2017-18, scrutiny of records showed that out of 45 GPs, in four GPs²² expenditure of ₹2.89 lakh was incurred during 2012-15 on works under Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and for making various payments such as payment of electricity bills, renovation of Panchayat Ghar, repair of computer, payment of solar lights, etc., whereas bills and vouchers were not produced to Audit. In the absence of vouchers, the expenditure could not be verified, and the possibility of misappropriation cannot be ruled out.

The Secretaries of GPs concerned stated (September-November 2017) that vouchers would be traced and kept in the file. Reply is not acceptable as every payment is to be supported by a voucher.

2.8 Non-adjustment of temporary advances of ₹9.24 lakh

As per rule 189 (1) to (4) of Himachal Pradesh Financial Rules 2009, Head of the Office is authorised to sanction advances to a Government servant for purchase of goods or for hiring services or for any other special purpose, as may be prescribed. Rule further provides that adjustment bills along with balances, if any, had to be submitted within 15 days of the withdrawal of advance. Second advance shall not be granted until the Government servant concerned has submitted adjustment account of the first advance.

Audit noticed that temporary advances of ₹9.46 lakh²³ were sanctioned between the period from 1998-99 to 2016-17 for different purpose to Pradhans of seven GPs. Out of these advances, amount of ₹9.24 lakh was pending for adjustment for a period ranging from two to 20 years. Thus, the possibility of misuse of these advances cannot be ruled out.

²¹ GPs Galu: ₹0.24 lakh and Sulpur Jaboth: ₹ 0.26 lakh.

²² GPs Basha: ₹1.66 lakh; Sulpur Jaboth: ₹0.14 lakh; Goyla: ₹0.42 lakh; and Sayari: ₹0.67 lakh.

²³ GPs Muling: ₹0.90 lakh (c/o FDA Bhawan), Gondhla: ₹4.50 lakh (c/o Mahila Mandal), Chadoli: ₹0.92 lakh (purchase of sports equipment and construction works), Bagain: ₹0.90 lakh (development work), Kuthar: ₹0.37 lakh (development work), Dadas: ₹0.57 lakh (c/o Panchayat Ghar) and Junga: ₹1.30 lakh (execution of different works).

The Secretaries of GPs stated (August-September 2018) that adjustment of advance would be settled after verification and the same would be intimated to audit.

2.9 Non-preparation of budget estimates

Rule 37 of HP Panchayati Raj (Finance) Rules, 2002 stipulates that every Gram Panchayat shall prepare budget estimates of its receipt and expenditure for each financial year in the format prescribed in Form-11. The budget estimates shall be prepared by the Secretary by 15th October of the previous year and submitted to the Gram Panchayat for scrutiny and the same shall be passed by the Gram Sabha by majority vote.

Audit noticed that 30 Gram Panchayats²⁴ did not prepare budget estimates for the period ranging from 2013-14 to 2017-18 whereas budget estimates for the year 2017-18 was not prepared in GP Barwala.

The Secretaries of the GPs stated (July 2018-January 2019) that budget would be prepared in future. The reply is not acceptable as non-preparation of budget was indicative of lack of financial planning by Panchayats.

2.10 Irregular purchase of materials

122 out of 170 test-checked PRIs during 2017-18 and 2018-19 purchased material costing to ₹8.74 crore without inviting quotations/ tenders.

Rule 67 (5)(a) and (b) of the HP Panchayati Raj (Finance) Rules, 2002 provides that stores above ₹50,000 may be purchased from the open market by inviting tenders through advertisement in at least two newspapers having wide circulation in the area, and stores above ₹1,000 but less than ₹50,000 by inviting quotations from at least three persons/firms. During 2017-18 and 2018-19, it was observed that in 122 out of 170 test checked PRIs, different materials for construction works, furniture, office equipment, etc. costing ₹8.74 crore (**Appendix-22**) was purchased during the period from 2013-14 to 2017-18 without inviting quotations/tenders. As such the purchases were made without observing the prescribed procedures, the possibility of payment of higher rates could not be ruled out.

The Secretaries/the CEOs²⁵ concerned of 38 PRIs (audited in 2017-18) stated (September 2017-January 2018) that purchases would be made as per rules in future. The Secretaries concerned of 81 PRIs (audited in 2018-19) stated (July 2018-February 2019) that due to urgency of material, quotation/ tender could not be invited, but purchases would be made as per rules in future whereas the Secretaries of GPs (Harsi, Upper Thehru and Jagothi) stated (June 2018-March 2019) that they were not aware about the rules due to which the materials were purchased without inviting quotation/tender, but in future, the rule would be followed.

²⁴ GPs Kadoa, Gangot, Thana, Ramnagar, Jaipidi Mata, Kotkayna, Kyari, Kuddu, Tangu Janglikh, Kiran, Chadoli, Bawat, Goral Madawag, Khangteri, Pujarli-3, Jagothi, Katlah, Kanda Banah, Darcha, Kardang, Kelong, Barbog, Khurik, Daimlu, Lalung, Langcha, Gosal, Gondhala, Khangsar and Hal.

²⁵ ZP Mandi; PSs Gohar and Kandaghat; GPs Basha, Sakori, Wakna, Sayari, Hinner, Goyla, Chammo, Nalka, Bhawguri, Jadla, Kohila, Fanuati, Pokhri, Takrasi, Karana, Kot, Tunan, Sarahan, Nirmand, Karadsu, Tunna, Tandi, Kutahchi, Kotla Khanula, Noun, Jugahan, Kalahod, Khilra, Dawal, Santhal Padain, Utpur, Galu, Aihju, Pipli and Sulpur Jaboth.

2.11 Irregular payment of Government money amounting to ₹72.39 lakh

Rule 74 of the Himachal Pradesh Panchayati Raj (Finance) Rules, 2002 provides every officer/official of the Panchayat shall be responsible not only for any loss sustained by the Panchayat through fraud or negligence on his part but also for the loss arising out of fraud or negligence on the part of any other servant, to the extent to which it may be shown that he indirectly contributed to the loss by his own action or negligence.

It was observed that in 35 GPs, ₹72.39 lakh (**Appendix-23**) were paid in irregular manner such as payment to Panchayat members for work done as per muster roll and honorarium for attendance in Gram Sabha meeting on the same day, issue of cheques not in name of workers/contractors, payment to contractors without revenue tickets on bills above ₹5000/-, non-obtaining receipts for payment to workers, non- verification of vouchers, etc. Thus, this showed negligence on the part of GPs and resulted in irregular payment to that extent.

The Secretaries concerned stated (September 2018-January 2019) that the discrepancies would be looked into, and the loss would be reconciled shortly. The Secretary, GP Sihali stated (March 2019) that leave salary were allowed as per verbal instruction of higher authorities and compliance for the same would be shown to audit whereas the Secretary, GP Thana stated (July 2018) that due to non-availability of bank accounts of labourers, the cheque of their payment was issued to the Gram Panchayat member. The Secretary, GP Harsi stated (February 2019) that the irregularity was because they were not aware about the rule and non-availability of bank accounts of labourers whereas the Secretary, GP Ghadh stated (March 2019) that in future, all payment would be made in the accounts of labourers.

2.12 Irregular payment amounting to ₹5.55 lakh

Rule 49 of HPPR Rules, 2002 provides that no payment shall be made by a Gram Panchayat either in cash or by means of cheque unless voucher bears a pay order signed or initialled jointly by the Pradhan of Gram Panchayat and the Secretary of the Panchayat concerned. Rule 50 further provides that separate acknowledgement, stamped where necessary, shall be taken from the person receiving payment, at the time of making payment and shall be attached to the voucher concerned and all paid vouchers shall be stamped 'paid', signed and dated by the Secretary to avoid their being used for a second time.

Scrutiny of records during 2017-18 revealed that bills amounting to ₹5.55 lakh produced to audit by six GPs²⁶ on account of material purchased were irregular in nature. The serial number of bills and dates mentioned therein were not in coherence and vouchers were not stamped 'paid', signed and dated by the Secretary. Separate acknowledgement had not been taken from the persons receiving payment and was not found attached to the voucher concerned. Thus, payment of ₹5.55 lakh was irregular, and reliability of these transactions could not be authenticated by audit.

The Secretaries of the GPs stated (September 2017) that the action would be taken as per rules and intimated to audit. Reply is not tenable as payment should have been made as per rules.

²⁶ GPs Darpa: ₹1.81 lakh, Kotla Khanula: ₹1.38 lakh, Aihju: ₹0.56 lakh, Barchwar: ₹0.82 lakh, Santhal Padain: ₹0.42 lakh, and Noun: ₹0.56 lakh.