

CHAPTER III

AUDIT OF TRANSACTIONS

RURAL DEVELOPMENT AND WATER CONSERVATION DEPARTMENT

3.1 Excess payment on purchase of water purifying machines

Failure of the Zilla Parishads in ensuring the quality of the machines supplied resulted in excess payment of Rs 2.01 crore to the supplier

With the objective of providing safe drinking water to schools, health centres *etc.* in Zilla Parishads(ZPs), the Development Commissioner (Industries) and the Central Stores Purchase Organisation, Mumbai entered into a rate contract with a supplier in September 2006 for supply of 10077 numbers of Kenstar Le-pure (online) continuous type water purifying machines manufactured by Kitchen Appliances India Limited for 27 ZPs in the State. The purchases were to be made out of Twelfth Finance Commission (TFC) grants. As per the rate contract, the supplier was required to supply machines with stainless steel purification chambers at Rs 8944 per machine. However, the rate contract did not specify the model number.

The supplier supplied (December 2006 to February 2007) 5084 machines to 15¹⁸ ZPs only. The invoice furnished by the supplier did not indicate the description and model number of the machine supplied. In order to confirm the correctness of the supply, the audit party along with Panchayati Raj Institution functionaries visited (August 2008) the Primary Health Centre in Thane ZP and on joint physical verification of the water purifying machine supplied, it was noticed that inferior quality machines with model code No.WP 0212-Z having aluminium purifying chambers were supplied instead of stainless steel chambers as per the rate contract. Subsequent verification conducted in 21 units during August-September 2008 at Satara, Solapur and Ahmednagar ZPs confirmed that the machines in these ZPs were also of inferior quality. As ascertained from the manufacturer in Mumbai (May 2008), the market price of the machine with code No.WP-0212-Z was only Rs 4990 per unit. Thus the supplies did not conform to the specifications as per the rate contract and the ZPs incurred an extra amount of Rs 3954 per machine.

Thus the failure of the ZPs in ensuring the quality of the machines supplied resulted in excess payment of Rs 2.01 crore to the supplier for the 5084 machines supplied to 15 ZPs. On being pointed out, the department accepted (November 2008) the fact and also confirmed that water purifier with stainless steel chamber had not been supplied in any of the ZPs.

¹⁸ Ahmednagar, Amravati, Bhandara, Buldhana, Gondia, Hingoli, Nagpur, Nanded, Osmanabad, Parbhani, Sangli, Satara, Solapur, Thane and Wardha.

The matter was referred to Government in November 2008, their reply has not been received (January 2009).

3.2 Penalty due to non-maintenance of power factor at required level

Failure to maintain power factor at the required levels resulted in avoidable expenditure of Rs 38.53 lakh in three Zilla Parishads

As per the Supply Act of the Maharashtra State Electricity Distribution Company Limited (MSEDCL), consumers having high tension (HT) supply are required to maintain their power factor (PF) within the prescribed limit. The tariff determined in December 2003 for various classes of consumers of HT supply, provided that the consumers should maintain the power factor at 90 *per cent*, failing which penal charges would be levied at the revised rates.

During test check of the records of the Executive Engineers, Water Supply Departments, Zilla Parishad (ZP) Pune (November 2006), ZP Sangli and ZP Ratnagiri (May 2008), it was observed that Rural Water Supply Schemes (RWSS) having HT connections were imposed penal charges amounting to Rs 38.53 lakh¹⁹ by MSEDCL due to low PF during the periods from 2002-03 to 2006-07. Except ZP Sangli, the other two ZPs had paid the penal charges. ZP Sangli has taken up (May 2008) the matter with MSEDCL.

The ZPs had not adopted any corrective measures to maintain the PF at the required efficiency level by installing capacitors and other devices of the required rating and standard.

On being pointed out, ZP Pune stated (November 2006) that due to frequent defects and repairs of equipments, variations in voltage, the voltage regulation efficiency of electrical equipments including capacitors had been affected. However, corrective measures such as replacement of damaged capacitors by new capacitors of required rating and standard would be taken up on priority basis. ZP Sangli stated (May 2008) that due to floods, the pumps had been submerged and the capacitors had become non-functional. However, efforts were being made to rectify and repair/replace the capacitors to improve the power factor. ZP Ratnagiri attributed (May 2008) the problem to transfer of rural water supply schemes during 1990 and 2001 by Maharashtra Jeevan Pradhikaran to the ZP and differences between contract demand, sanctioned demand and connected load resulting in the PF going below the required level.

The replies are not tenable as ZP, Pune failed to maintain its capacitors in good working condition and avoid paying the penal charges. As far as ZP Sangli was concerned, the floods had taken place in July 2005 while the penal

¹⁹ ZP Pune - Rs 9.16 lakh, ZP Ratnagiri - Rs 4.90 lakh and ZP Sangli - Rs 24.47 lakh

charges were being paid from 2002-03 onwards. The reply of ZP Ratnagiri is not tenable since the schemes had been transferred to the ZP in 1990 and 2001 and even after a lapse of seven to 18 years the ZP had not taken any corrective action.

Thus the failure of the three ZPs to maintain the PF at the required level resulted in avoidable penal charges of Rs 38.53 lakh.

The matter was referred to the Government in June 2008; their reply had not been received (January 2009).

3.3 Overpayment of incentive allowance

Incorrect interpretation of government orders resulted in overpayment of incentive allowance of Rs 3.03 crore

The employees posted in Naxalite affected areas and in tribal and inaccessible areas were paid allowances of Rs 3.03 crore in excess of entitlement due to incorrect interpretation of Government orders. The cases are discussed below :

(i) In order to encourage the employees working in Naxalite affected areas, Government of Maharashtra (GOM) decided (August 2002) to pay Incentive allowance at the rate of 15 *per cent* of basic pay. Finance Department decided (July 2004) to merge 50 *per cent* of dearness allowance with the basic pay as dearness pay with effect from 01 August 2004 for calculation of certain allowances. However, the GOM decided not to pay Incentive allowance on dearness pay.

Scrutiny of records of Block Development Officer(BDO) Aheri, District Gadchiroli and 13 offices in five²⁰ Naxalite affected districts (June 2007 to May 2008) revealed that the incentive allowance was paid at the rate of 15 *per cent* on basic pay plus 50 *per cent* dearness pay resulting in overpayment of incentive allowance of Rs 2.66 crore (**Appendix VIII**) during the period from August 2004 to January 2008. The Rural Development and Water Conservation Department while accepting the fact, issued orders (January 2008) for recovery of the overpaid amount and accordingly BDO Aheri started recovery from March 2008 and an amount of Rs 4.31 lakh has been recovered (June 2008).

(ii) The scheme of granting of Incentive Allowance to employees working in tribal and inaccessible areas of the state has been in vogue in the Tribal Development Department since January 1989. Government of Maharashtra, School Education Department (6 February 2001) prohibited the payment of

²⁰ Bhandara - 2 offices, Chandrapur – 6 offices, Gadchiroli – 2 offices, Gondia – 2 offices and Yavatmal – 1 office.

Incentive Allowance during summer vacation since it exceeds more than 30 days.

Scrutiny of records of four²¹ Panchayat Samities of Gadchiroli District revealed (September 2007) that BDO concerned paid Incentive allowance amounting to Rs 36.83 lakh (**Appendix IX**) to teaching staff in contravention of Government order during vacation period of May and June of the years 2003, 2006 and 2007. While accepting the fact, the BDOs agreed to recover the amount.

The matter was referred to Government in October 2007; their reply had not been received (January 2009).

3.4 Irregular retention of the Service Charges

Non-observance of Government order resulted in irregular retention of the Service Charges by the Animal Husbandry Department of Zilla Parishad Latur

Government of Maharashtra revised the rates of service charges (6 April 2000) leviable for services rendered to treat the animals by the Veterinary Clinics of Zilla Parishads (ZP). These charges were normally retained by the ZPs. It was, however, decided by the Government (April 2000) that Service Charges so recovered shall be credited to treasury from 24 April 2000. Commissioner of Animal Husbandry, Maharashtra State, Pune also directed (September 2000 and November 2002) all ZPs to credit the service charges to Government account.

Test check of records of ZP Latur (January 2007) and further information collected (August 2007) revealed that an amount of Rs 79.12 lakh collected during 2000-01 to 2006-07 was irregularly retained by ZP Latur instead of remitting it to Government account.

District Animal Husbandry Officer, ZP Latur accepted (January 2007) the facts but did not initiate any action to remit the amount to treasury.

The matter was referred to Government in October 2007; their reply had not been received (January 2009).

²¹ Chamorshi, Desaijanj, Dhanora and Kurkheda

3.5 Excess payment of transport allowance to teaching staff

Non-observance of Government instructions resulted in excess payment of Transport Allowance of Rs 21.02 lakh to the teaching staff of Zilla Parishad Wardha and Gadchiroli

Government of Maharashtra (GOM) introduced (December 1998) the payment of Transport Allowance (TA) to its employees and others (including teaching staff) based on scale of pay effective from 1 October 1998. The TA was similar to the TA paid to the Central Government employees. GOM further clarified (May 2003) that no TA is payable to the teaching staff for the vacation period exceeding 30 days. TA is admissible proportionately to the number of days on which the teaching staff attended duty during vacation for training or other administrative work.

Test check (October 2007) of records of ten²² Panchayat Samitis (under Zilla Parishad Wardha and Gadchiroli) revealed that Block Development Officers (BDOs) paid TA for the entire period of summer vacation instead of paying proportionately for the duty period of the staff, resulting in excess payment of TA of Rs 21.02 lakh during 2003-04 to 2007-08 as detailed in **Appendix X**.

On being pointed out, seven²³ out of ten test checked BDOs agreed (October and November 2007) to recover the amount in consultation with higher authorities. The remaining three²⁴ BDOs stated (September and October 2007) that the matter would be referred to higher authorities for guidance.

The matter was referred to Government in January 2008; their reply had not been received (January 2009).

3.6 Extra payment

Payment of Rs 18.93 lakh to a contractor in violation of the conditions of the contract

The work of construction of Public Health Centre building and quarters of Medical Officer and staff at Sakhara Taluka Sengaon, District Hingoli was administratively approved (August 2000) for Rs 80 lakh and technically sanctioned (September 2002) for Rs 72.14 lakh. It was awarded (June 2003) to a contractor at 10.57 *per cent* below the estimated cost of Rs 69.37 lakh (*i.e.* Rs 62.03 lakh). The schedule time of completion was 24 months *i.e.* June 2005. The work was completed (June 2007) at the cost of Rs 90.06 lakh (including price escalation of Rs 18.93 lakh) after a delay of 24 months.

²² Arvi, Ashti, Chamorshi, Deoli, Hinganghat, Karanja (G), Kurkheda, Samudrapur, Seloo and Wardha

²³ Arvi, Ashti, Deoli, , Karanja (G), Kurkheda, Samudrapur and Seloo

²⁴ Chamorshi, Hinganghat and Wardha

During scrutiny of the records of the Executive Engineer (EE), Works Department of ZP Hingoli, it was observed that the contract included a clause that “no claim shall be accepted under price escalation”. Despite clear condition of the contract regarding no payment on account of price escalation, the ZP accepted (May 2005) the claim of price variation of the contractor to the tune of Rs 18.93 lakh.

When pointed out, the EE stated (August 2007) that the payment was made as per the Government of Maharashtra, Public Works Department resolution of September 1991 and January 1992. Reply is not tenable as the above resolutions laid down the procedure for payment of price escalation if a clause for payment of price escalation is included in the original contract.

Thus, payment of Rs 18.93 lakh to the contractor was in violation of the condition of contract.

The matter was referred to Government in February 2008; their reply had not been received (January 2009).

3.7 Unproductive expenditure

Failure of Zilla Parishad Akola to initiate timely action to arrest leakage of water resulted in unproductive expenditure of Rs 35 lakh and deprival of intended irrigation benefit for over eight years

The work of construction of KT Weir²⁵ at Sangvi Jomdeo in Akola District to irrigate 66 hectares of land was taken up for execution (December 1996) by Executive Engineer (EE), Minor Irrigation Division, Zilla Parishad (ZP), Akola. The work was completed at a cost of Rs 35 lakh in April 2000.

Scrutiny of records (October 2007) of EE ZP Akola and further information collected (January 2008) revealed that no irrigation was possible from the project since its completion as a leakage developed at raft foundation. Even though EE during his visit to the weir (December 2002) observed that repairs were necessary, the estimates were prepared only in December 2007, after a delay of five years. The estimates were yet to be approved by the competent authorities (March 2008).

While accepting the fact EE stated (October 2007) that leakages were not rectified due to paucity of funds. Further, it was stated (April 2008) that after getting technical sanction and obtaining grants the repair work would be carried out during 2008-09. The reply was silent regarding delay in preparation of estimates and its approval which is a prerequisite for allotment of funds.

²⁵ Kolhapur Type Weir

Thus, failure of the ZP to initiate timely action to arrest the leakage of water resulted in unproductive expenditure of Rs 35 lakh and deprivation of intended irrigation benefit for over eight years.

The matter was referred to Government in February 2008; their reply had not been received (January 2009).

3.8 Release and utilisation of Twelfth Finance Commission grants by Panchayati Raj Institutions

3.8.1 Introduction

The Twelfth Finance Commission (TFC) recommended grants of Rs 2774 crore to Panchayati Raj Institutions (PRIs) and Urban Local Bodies (ULBs) in Maharashtra State for the years 2005-06 to 2009-10. Out of this Rs 1983 crore was allotted to the PRIs. During 2005-06 to 2007-08 Government of Maharashtra (GOM) received Rs 991.50 crore as grant for PRIs from Government of India (GOI) which was released to the PRIs. The amount utilised till June 2008 was Rs 683.68 crore. The allocation amongst various PRIs and autonomous councils in excluded areas were to be made by the States. A High Level Committee (HLC) with Chief Secretary as Chairman and Principal Secretaries, (Finance) and other related department as members was formed by the State Government in November 2005 to ensure proper utilisation of TFC grants. This committee was required to meet every quarter to review the utilisation of TFC.

3.8.2 Audit scope and methodology

Audit of the release and utilisation of TFC grants by local bodies in Maharashtra from the year 2005-06 to 2007-08 (up to November 2007) was conducted between November 2007 and April 2008 to ascertain whether the TFC grants were being utilized as per the guidelines issued by GOI. Eight Zilla Parishads (ZPs²⁶) (out of 33), sixteen Panchayat Samitis (PSs) (out of 351) and thirty two Village Panchayats (VPs) (out of 27916) were selected by random sampling for audit scrutiny. Audit also examined the related records in the Rural Development Department (RDD) of the State Government. The audit findings are detailed in the succeeding paragraphs.

3.8.3 Release of TFC grants

3.8.3.1 The position of receipt of TFC grants by the State Government from GOI during the period 2005-06 to 2007-08 is given below:

²⁶ Ahmednagar, Amravati, Jalna, Latur, Nashik, Pune, Solapur and Thane.

Year	Amount of TFC grant received from GOI (Rupees in crore)	Date of receipt by State Government
2005-06 First Instalment	198.30	28.10.05
2005-06 Second Instalment	198.30	05.04.06
2006-07 First Instalment	198.30	15.09.06
2006-07 Second Instalment	198.30	22.06.07
2007-08 First Installment	198.30	28.01.08

3.8.3.2 Delay in release of grants by State Government and non-payment of interest

As per the TFC guidelines, the State Government was required to transfer TFC grants to PRIs within 15 days of their receipt. In cases of delay, interest on delayed payments at Reserve Bank of India rate was to be paid to the PRIs by the State Government. During audit, delays were noticed in the release of grants from the Finance Department to RDD, from RDD to the ZPs and from the ZPs to the PSs and VPs, but interest as required was not paid to the PRIs.

There were delays ranging from 19 to 132 days in issue of release orders of 1st and 2nd instalment of TFC grants for the year 2005-06 by RDD and the interest payable on this account worked out to Rs 1.91 crore, as detailed below. The interest was, however, not paid to the PRIs by the State Government. Reasons for non-payment of interest were not furnished to audit.

(Rupees in crore)

Year	Instalment No.	Date of receipt of grants from GOI	Due date by which grants to be received by PRI	Amount of grant	Date of grants released by RDD	Delay in days	Interest payable at 5.50 per cent per annum
2005-06	I (Part)	28/10/2005	12/11/2005	85.00	06/12/2005	24	0.31
2005-06	I (Part)	28/10/2005	12/11/2005	85.00	19/12/2005	37	0.47
2005-06	I (Part)	28/10/2005	12/11/2005	28.30	24/03/2006	132	0.56
2005-06	II	05/04/2006	20/04/2006	198.30	09/05/2006	19	0.57
						Total	1.91

In addition to the above, there were further delays in drawal of funds from treasuries by the ZPs. In respect of the eight ZPs test checked, this delay in drawal of funds ranged from 7 to 119 days involving interest element of Rs 1.42 crore.

Test check of few cases in PSs and VPs also revealed that there were delays ranging from one to eight months in the distribution of grants by ZPs to the PSs and VPs, as detailed below:

Sr. No.	Instalment No.	Date of receipt by ZP	Names of PRIs receiving grant	Date of receipt of grant by PRIs	Amount of grant (Rupees in lakh)	Delay in months
1	I(05-06)	13.01.06	VP – Pirangut, Tal. Mulshi, Dist.- Pune	03.06.06	0.68	5
2	I(05-06)	23.02.06	PS Daryapur, Dist. Amravati	15.05.06	9.61	3
3	I(05-06)	19.04.06	VP Sategaon, Taluka- Anjangaon, Dist.- Amravati	29.11.06	1.14	7
4	I(05-06)	19.04.06	VP Gaiwadi, Taluka- Daryapur, Dist.-Amravati	23.11.06	1.00	7
5	I(05-06)	23.02.06	PS - Anjangaon, Dist.- Amravati	30.10.06	4.50	8
6	II(05-06)	05.09.06	PS - Daryapur, Dist. Amravati	13.11.06	11.65	2
7	I(06-07)	10.11.06	PS Parner Dist- Ahmednagar.	04.12.06	17.30	1
8	I(06-07)	27.11.06	VP in Thane Dist.	01.12.06	194.26	--
9	I(06-07)	10.11.06	PS Shevgaon, Dist.- Ahmednagar.	04.12.06	14.80	1
10	I(06-07)	10.11.06	VP Wagdari, Tal. Akkalkot, Dist.- Solapur.	06.03.07	0.48	4
11	II(06-07)	24.08.07	VP Nagansur, Tal. Akkalkot, Dist.- Solapur	07.12.07	0.95	4
12	II(06-07)	30.07.07	VP – Pirangut, Tal. Mulshi, Dist.- Pune	24.12.07	0.62	5
13	II(06-07)	03.09.07	PS in Thane Dist.	16.10.07	118.07	1

The avoidable delay in release of grants resulted in delay in utilisation of the grants and consequential delay in delivery of the intended benefits to the beneficiaries.

3.8.3.3 Delay in depositing of cheques by VP

From the records of selected ZPs, it was seen that while the VPs generally deposited their cheques in time, 11 VPs in Thane ZP failed to deposit cheques received towards the first instalment of TFC grants for 2005-06 in their bank accounts within the stipulated time. The reason for delay in depositing of cheques was attributed by the ZP (March 2008) to non-opening of separate bank account for TFC grants. As a result cheques amounting to Rs 1.89 lakh were required to be revalidated, resulting in avoidable delay in utilisation of the grants.

3.8.3.4 Funds not released through Electronic Clearance System

The State Government directed (December 2005) the ZPs that the distribution of grants to PSs and VPs should be made by Electronic Clearance System (ECS) in order to avoid delays in the transfer of funds. It was, however, observed that the grants were distributed through demand drafts/cheques instead of ECS in seven out of eight test checked ZPs though ECS facility was available in all the district.

3.8.3.5 Utilisation of TFC grants

As per State Government instructions, the TFC grants were to be utilized within eight months of their receipt. As per the details furnished by the RDD, the position of grants received, their utilisation and the unspent balances as of June 2008 were as follows :

(Rupees in crore)

Year	Instalment number	TFC grants received by RDD from Finance Department	Amount of expenditure incurred	Unspent balance with PRIs	Reason for delay in utilisation
2005-06	I st	198.30	198.29	0.01	Delay in planning and obtaining approval of General Body.
2005-06	II nd	198.30	198.04	0.26	
2006-07	I st	198.30	182.53	15.77	
2006-07	II nd	198.30	104.82	93.48	
2007-08	I st	198.30	2.10	196.20	This instalment was released by GOI in January 2008 and received by PRIs in March 2008
Total		991.50	685.78	305.72	

Audit scrutiny in this regard revealed the following :

(I) Government of Maharashtra, released Rs 30 crore (July 2007) from the II instalment of 2006-07 to ZP Thane, a nodal agency for distribution of TFC grants to excluded areas. However, ZP Thane had distributed Rs 56 lakh only to three ZPs.²⁷

On this being pointed out (February 2008), RDD stated (June 2008) that Rs 24.62 crore out of the balance amount was distributed by ZP, Thane during April to June 2008 to all PRIs for construction of Gram Panchayat Bhavans and creation of database on PRIs. The balance amount of Rs 4.82 crore was yet to be released to the VPs (June 2008).

(II) Similarly, the State Government released (July 2007) Rs 10 crore to Thane ZP for distribution to those VPs whose development plans had been approved by the State Government. Even after a lapse of seven months, no

²⁷ Satara, Solapur and Pune.

fund had been distributed for want of necessary orders from the State Government regarding distribution of fund (February 2008).

On this being pointed out (February 2008) the State Government issued necessary orders and in turn, the ZP distributed the entire amount in April 2008.

In both the cases, there were avoidable administrative delays in issuing release orders and consequently, there were delays in distribution of grants by Thane ZP. The delay in release resulted in delays in execution of work in the excluded areas and in VPs whose development plans had already been approved.

(III) ZP Ahmednagar received TFC grants of Rs 6.57 crore in three instalments during the period from January to November 2006. The entire amount was required to be utilized by June 2007. Out of the grant of Rs 6.57 crore received, the ZP Ahmednagar kept Rs 2.50 crore in fixed term deposits during February 2006 to June 2007 and the entire amount of Rs 6.57 crore was shown as utilised. Wrong utilisation certificate was also issued to that extent. Thus, the ZP not only diverted the grant for purposes other than the specified ones, but also misreported the expenditure figures.

3.8.3.6 Diversion of TFC grants

3.8.3.6.1 The TFC grants were to be utilized only for the purposes specified in the guidelines such as repairs and maintenance of water supply schemes, gutters, repairs to schools, anganwadis, primary health centres, veterinary clinics, construction of VP offices, repairs to cremation grounds *etc.* Scrutiny of the records of the selected PRIs and RDD revealed that funds to the extent of Rs 15.05 crore were utilized for other purposes as detailed below:

Sr. No.	Name of the Department/PRIs	Amount in lakh	Period	Purpose for which the amount was diverted
1	RDD Government of Maharashtra, Mumbai.	1059.60	January 2007 to March 2007	Purchase of voting machines
2	ZP – Pune.	10.00	August 2007	Deposit in ZP Fund
3	VP, Waghdhari, Tal. Akkalkot, Dist. Solapur	0.30	November 2007	Payment of electricity charges of water supply
4	PS - Malshiras, Dist. Solapur.	1.09	2005-06	Payment of water tax of MJP and repairs of Samaj Mandir
5	VP - Wadala, Tal. Newasa, Dist. Ahmednagar	2.47	2006-07	Diversion to Joint Regional Water Supply Samiti for payment of electricity bills
6	VP - Shrigonda, Dist. Ahmednagar	1.39	2006-07	Colouring of signboards

7	PS - Niphad, Dist. Nashik.	0.42	2005-06	Construction of compound wall of library
8	PS - Igatpuri, Dist. Nashik	1.05	2005-06	Construction of concrete gate at PS office
9	PS - Igatpuri, Dist. Nashik.	1.27	2005-06 and 2006-07	Samaj Mandir repairs
10	PS - Trimbak, Dist. Nashik	4.84	2006-07	Samaj Mandir repairs
11	VP - Kapursatwali, Dist. Amravati	1.30	2006-07	Payment of electricity bill
12	PS – Ausa, Dist.Latur	42.60	2005-06 and 2006-07	Construction of road
13	PS -Latur, Dist.Latur	26.06	2005-06 and 2006-07	Construction of road
14	ZP – Latur	352.20	2005-06 and 2006-07	Construction of road
	Total	1504.59		

Irregular diversion of funds to the tune of Rs 15.05 crore for purposes other than those specified in the TFC guidelines defeated the very purpose of the disbursement of grants.

3.8.3.7 Maintenance of assets created under the Swajaldhara programme

(i) As per TFC guidelines, grants were to be used to improve service delivery in respect of water supply and sanitation. Panchayats were to be encouraged to take over the water supply assets created under the Swajaldhara Programme and maintain them with TFC grants. RDD was required to furnish information to GOI regarding the assets which were taken over by VPs from NGO. However, it was observed that no such assets created under Swajaldhara Programme had been taken over by the VPs and no information in this regard was furnished to GOI.

(ii) The State Finance Secretary was required to provide a certificate every year to GOI regarding the percentage of grants spent by PRIs on water supply and sanitation, but no such certificate was furnished by the Government.

3.8.3.8 Non-maintenance of basic records

It was noticed in Jalna district that 785 VPs received TFC grants of Rs 10.67 crore during 2005-06 and 2006-07. The Deputy Chief Executive Officer, ZP Jalna was the controlling officer for distribution and utilisation of the grants at the VP level. Scrutiny of records of selected 10 VPs of Jalna district revealed that basic records such as cash books, vouchers and measurement books were

incomplete. As basic records were either missing or incomplete, the possibility of financial irregularities including misappropriation of fund could not be ruled out. This indicated lack of monitoring and control by the ZP Jalna.

3.8.3.9 Improper Monitoring

For monitoring of release of TFC grants and its utilisation, the guidelines issued by GOI specified constitution of a HLC headed by Chief Secretary of the State apart from the review committee of GOI. The HLC was responsible for approval of projects and monitoring both physical and financial targets and adherence to specific conditionalities in respect of each grant. Cases of delay in release of grants by State Government and its utilisation by PRIs, diversion of TFC grants, irregularities in utilisation of TFC grants, *etc.* pointed out in the earlier paragraphs indicate ineffective functioning of the HLC.

3.8.4 Conclusion

There were delays in release and distribution of TFC grants at all levels. The existing ECS system was not used for distribution of grants. Amounts were kept in bank deposits instead of utilising them for developmental purposes. Delay in planning resulted in non-utilisation of the funds within prescribed time. Irregularities in issue of utilisation certificates, diversion of funds *etc.* were noticed.

3.8.5 Recommendations

- Delay in release of TFC grants to PRIs must be avoided.
- PRIs should do advance planning so as to ensure that the grants are utilized within the prescribed time and fund do not remain blocked in bank or ZP funds.
- Monitoring mechanism be made effective for timely utilisation of grants.
- It should be ensured that grants are utilised within the time frame and utilisation certificates are issued for the actual expenditure only.