

# CHAPTER-5

## Other Issues

### PANCHAYAT SAMITIS

#### **5.1 Irregular expenditure of Rs. 18.11 lakh from Eleventh Finance Commission grant**

According to guidelines\*, the work to be financed from Eleventh Finance Commission grant was not to be utilised for repair, renovation or any other purpose on any property unless it is entirely owned by the panchayat body concerned without any encumbrance.

But Nakashipara PS under Nadia Zilla Parishad incurred expenditure of Rs. 18.11 lakh\* during 2002-03 and 2003-04 for execution of such works on properties\* that were not owned by the PS. Thus expenditure of Rs. 18.11 lakh was irregular.

#### **5.2 Loss of revenue of Rs. 15.25 lakh due to lack of approach road to Market Complex**

Daspur-I Panchayat Samiti under West Medinipur Zilla Parishad constructed a market complex consisting of 19 stalls at a cost of Rs. 15 lakh in May 2003 without providing approach road to the Market Complex. The stalls could not be rented out, as of January 2005, as approach road to the Market Complex was not constructed. This resulted in loss of revenue of Rs 15.25 lakh<sup>†</sup> for 20 months during June 2003 to January 2005 towards monthly rent, annual maintenance charge and premium.

\* Guidelines for Local Bodies grants recommended by 11<sup>th</sup> Finance Commission (2000-01 to 2004-05) issued by State Government in March 2001.

\* 2002-2003: Rs. 3.59 lakh; 2003-2004: Rs. 14.52 lakh.

\* Construction and repairing of 15 Primary Schools: Rs. 17.63 lakh.

Construction of approach road within Nakashipara Police Station: Rs. 0.48 lakh.

<sup>†</sup> Calculated at the rates fixed by the PS, as follows:

No. of stalls	Monthly rent	Total rent for 20 months	Annual maintenance charge @ Rs. 1200/stall per year, to be recovered from the tenants	Premium	Total revenue
9 (Gr.Floor)	Rs. 720/stall	Rs. 720 x 20 x 9 = Rs. 1,29,600	Rs. 1200 x 9 x 2=Rs. 21,600	Rs. 70000 x 9= Rs. 6,30,000	Rs. 7,81,200
10 (1 <sup>st</sup> floor)	Rs. 600/stall	Rs. 600 x 20 x 10 = Rs. 1,20,000	Rs. 1200 x 10 x 2=Rs. 24,000	Rs. 60000 x 10=Rs. 6,00,000	Rs. 7,44,000
				<b>Total</b>	<b>Rs. 15,25,200</b>

The PS proposed to the Panchayat and Rural Development Department, in January 2003, for acquisition of land for the approach road. The Department called for certain information<sup>u</sup> from the PS in this regard in August 2003. But, as of January 2005, it was seen that the PS did not furnish the information to the Department. Meanwhile, the PS informed (September 2005) Audit that the owner of the land had voluntarily donated land for approach road to the PS. But the road was yet to be constructed.

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<sup>u</sup> Like cost of land, source of funds, consent letter from the seller of the land, etc.

## ZILLA PARISHADS

### 5.3 Locking up of Government grants of Rs. 1.22 crore with consequent loss of interest of Rs. 0.22 crore

Howrah Zilla Parishad received grants from Panchayat and Rural Development, Transport and Food and Civil Supplies Departments, a total amount of Rs. 1.54 crore for different developmental works like market development, rural sanitation, construction of godown etc., and out of this incurred expenditure of Rs. 32.22 lakh between March 2001 and August 2002. The balance amount of Rs. 1.22 crore remained unspent for more than two to three and a half years since September 2002. The ZP had not been incurring any further expenditure as of December 2004, the reasons for which were not on record.

This resulted in locking up of funds of Rs. 1.22 crore with consequent loss of interest of Rs. 0.22 crore\* on this, calculated at the rate of 6 per cent per annum being interest charges payable on Government borrowings during 2001-04.

Sl. No.	Purpose	Amount received (Rupees in lakh) with date in brackets	Balance amount lying unspent (Rupees in lakh)	Period of retention as of November 2004	Rate of interest (Rupees in lakh)	Loss of interest (Rupees in lakh)
1.	Development of market	43 (March 2002)	21.82	Two years and nine months	6 per cent per annum for the year 2001-04	3.49
2.	Community Convergent Activity (CCA)	30 (March 2002)	28	Do	Do	4.62
3.	Augmentation of water	13.09 (October 2001)	12.09	Three years and two months	Do	2.73
4.	Development of infrastructure	2.50 (March 2001)	2.10	Three years and nine months	Do	0.48
5.	Assistance to farmers	15.80 ( March 2001)	8.80	Do	Do	1.99
6.	Central Rural Sanitation Programme	23 (August 2002)	23	Two years and four months	Do	3.22
7.	Construction of godown	26.12 (March 2001)	26.12	Three years and nine months	Do	5.89
<b>Total</b>		<b>153.51</b>	<b>121.93</b>			<b>22.42</b>

#### **5.4 Unauthorised expenditure of Rs. 30.31 lakh from Tenth Finance Commission grant**

In terms of orders issued in February 1997 by the State Government, the sanctioned fund from Tenth Finance Commission grants were intended to take up (i) scheme for development of infrastructure of the Panchayat Bodies (ii) scheme for creation of remunerative assets of the Panchayat Bodies.

But North 24 Parganas Zilla Parishad made contingent expenditure of Rs. 30.31 lakh towards purchase of furniture, fax machines, cordless telephone, computer, repair of air-conditioners, electrical wiring, painting, and other office contingency during 2002-04. None of the items of expenditure were within the purview of infrastructural development or creation of remunerative assets as defined in the guidelines for utilisation of the Tenth Finance Commission grants issued in February 1997 and thus, resulted in unauthorised expenditure of Rs. 30.31 lakh incurred by the ZP.

#### **5.5 Diversion of Rs. 95.59 lakh from PMGSY fund**

Howrah Zilla Parishad incurred expenditure of Rs. 95.59 lakh<sup>♦</sup> from the Pradhan Mantri Gram Sadak Yojana fund for shifting of electric poles, overhead electric lines and water pipelines during 2002-04. According to the guidelines of PMGSY (paragraph 8.6), such expenditure cannot be incurred by the ZP from the PMGSY fund. The expenditure may be incurred from its own fund. The diversion had also deprived the rural people of 1.95 km<sup>\*</sup> of a new road that could have been constructed with Rs. 95.59 lakh under PMGSY.

#### **5.6 Irregular holding of 'unanalysed funds' of Rs. 83.43 lakh in the account**

According to The West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Finance Rules, 2003, there is no functional accounting head named

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♦ Total expenditure incurred by the Howrah ZP from the PMGSY fund amounting to **Rs. 95.59 lakh**: Rs. 58 lakh from the programme fund and Rs. 37.59 lakh from the interest accumulated on the bank account of programme fund.

\* According to the Project Status of PMGSY in the State of West Bengal for 2003-04, average cost of construction of roads was Rs. 49.09 lakh per km. Therefore, length of new road that could have been constructed with the funds was: Rs. 95.59 lakh/ Rs. 49.09 lakh = **1.95 km**.

‘unanalysed funds’. Rule 21(14) of the Accounts Rules states that the Cash Book balance shall be analysed at the close of the month showing balance of funds and position of cash, scheme-wise, head-wise or purpose-wise, available for utilisation. But the Cash Book maintained by the ZP did not contain such information. However, from the Grant Statement furnished by the Birbhum Zilla Parishad it was seen that there was opening balance of Rs. 75.37 lakh as ‘Unanalysed Funds’ in April 2002. Receipt and expenditure against unanalysed funds were shown as Rs. 34.53 lakh and Rs. 26.47 lakh respectively during 2002-04 and there was a closing balance of Rs. 83.43 lakh as at the end of March 2004<sup>\*</sup>. It was irregular to draw or deposit the money before classifying it under the proper head of account. Test check revealed that payments were made during 2002-03 for debt, deposit, advance, member’s TA/DA, honorarium, programme for IAY, etc. without ascertaining whether the funds actually belonged to those heads of account or not, with a definite risk of diversion of funds irregularly from one head to the other. While furnishing reply to Audit, reasons for accumulation of such huge unclassified funds and making transaction from the said funds without knowing the actual head of account were not stated (December 2005) by the Zilla Parishad although it was assured that necessary steps would be taken to rectify the account for the ‘unanalysed funds’.

**5.7 Non-utilisation of Rs. 2.85 crore for more than 17 years and interest loss of Rs. 2.90 crore on this account**

From the statement of grants furnished by Bardhaman Zilla Parishad, it was noticed that Zilla Parishad could not spend Government grants of Rs. 2.85 crore (under 54 heads) meant for various development schemes<sup>#</sup> since 1987-88. The ZP did not take

<sup>\*</sup>

	OB	Receipt			Expenditure			CB
	2002-03	2002-03	2003-04	Total	2002-03	2003-04	Total	
Treasury	75.37	2.44	0.00	2.44	26.47	0.00	26.47	51.34
Bank	0.00	29.53	2.56	32.09	0.00	0.00	0.00	32.09
<b>Total</b>	<b>75.37</b>	<b>31.97</b>	<b>2.56</b>	<b>34.53</b>	<b>26.47</b>	<b>0.00</b>	<b>26.47</b>	<b>83.43</b>

<sup>#</sup> i) Grants for Mass Education Extension Trg. Centre: Rs. 50.13 lakh; ii) Construction of quarters of AEO and Secretary of ZP: Rs. 12 lakh; iii) Grants for Adult Education: Rs. 21.52 lakh; iv) Land Revenue Grant: Rs. 4.50 lakh; v) RLEGP: Rs. 27 lakh; vi) Lokdeep scheme for houses belonging to SC/ST: Rs. 10.13 lakh, etc.

any action for utilisation of these unutilised/unspent funds, thus blocking Rs. 2.85 crore for more than seventeen years and resulting in loss of interest of Rs. 2.90 crore<sup>†</sup> on this account.

#### **5.8 Inadmissible expenditure of Rs. 17.12 lakh from Eleventh Finance Commission grant**

According to guidelines for Eleventh Finance Commission grants, the funds received were to be utilised for maintenance of civic services like provision of primary education, primary health care, safe drinking water, street lighting, etc. But the Bardhaman Zilla Parishad, violating the guidelines, spent from the grant Rs. 17.12 lakh for contingent expenditure like electrical repair, roller repair, lift repair, purchase of carpet, xerox ink, catering charges, postal and insurance charges etc., all the items having been outside the purview of such grants.

Thus, the ZP incurred inadmissible expenditure of Rs. 17.12 lakh from Eleventh Finance Commission grant, frustrating the objective. On being asked in audit (August 2006) whether the diversion could be recouped, the ZP stated (August 2006) that the contingent expenditure was in order. This was not acceptable in audit as paragraph 2.1 of the guidelines for utilisation of Eleventh Finance Commission Grants issued by the GOI specifically debars such items of expenditure from the purview of the grants.

#### **5.9 Irregular expenditure of Rs. 24.67 lakh under PMGY**

According to guidelines of Pradhan Mantri's Gramodaya Yojana (PMGY), (i) 50 per cent of the funds were to be utilised for procurement of drugs as well as essential consumables, contingencies for meeting travel cost of the Auxiliary Nurse cum Midwives (ANMs) and maintenance of installed equipment and fixtures and (ii) 50 per cent for strengthening, repair and maintenance of the infrastructure in Sub-Centres, Primary Health Centres and in Community Health Centres, inclusive of staff quarters. Bankura Zilla Parishad received Rs. 1.77 crore in March 2002 under PMGY and allotted Rs. 69.13 lakh to 21 PSs under the ZP and to Deputy Chief Medical Officer, Health-III, Bankura, in

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<sup>†</sup> Calculated at the average rate of interest at which the Government borrowed money during 1987-88 @ 6 per cent per annum [Rs. 2,84,75,841 x 6 per cent x 17 = **Rs. 2,90,45,357**].

July 2002. But, violating the guidelines, Rs. 24.67 lakh<sup>♦</sup> was spent by the above institutions on salary, honorarium and remuneration of staff of Primary Health Centres, and maintenance of vehicles, thus frustrating the objective of the programme.

## **5.10 Advances remaining unadjusted**

### **5.10.1 Advance of Rs. 90.63 lakh remaining unadjusted**

According to the rules<sup>•</sup>, adjustment against advance was to be realised from the person receiving the advance within a reasonable time limit as may be specified by the authority sanctioning such advance, not exceeding thirty days from the date of drawal of advance. If the advance received could not be utilised within the specified period or thirty days whichever is earlier, the person receiving the advance is to deposit the unutilised amount supported by adjustment vouchers, if any, within such specified days along with written explanation stating the circumstances under which the amount taken in advance could not be utilised.

(1) Scrutiny revealed that West Medinipur ZP advanced Rs. 8.43 crore during the years 1979 to 2004 to the different divisions<sup>⊕</sup> of the Forest Department and the staff/officers of the ZP for various purposes. Out of the total advance, Rs. 90.51 lakh remained unadjusted (as of September 2004) beyond the prescribed time limit of thirty days. The ZP took no remedial action.

(2) Similarly, Nadia ZP advanced Rs. 0.12 crore to the Nadia Division of Forest Department and the staff/officers of the ZP for various purposes during 1998-99 to

<sup>♦</sup> (i) Rs. 2.90 lakh on salary of staff of Primary Health Centres by Joypur PS; (ii) Rs. 7.09 lakh on salary of staff of Primary Health Centres by Ranibundh PS; (iii) Rs. 7.93 lakh on honorarium to ANMs by Chief Medical Officer, Health, Bankura; (iv) Rs. 2 lakh on maintenance of vehicles by Deputy Chief Medical Officer of Health, Bankura; and (v) Rs. 4.75 lakh on remuneration of Swasthya Sahayaks for Sub-Centers by 21 Panchayat Samitis.

<sup>•</sup> Rule 38(3) of the West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Finance Rules, 2003.

<sup>⊕</sup> 1. Rupnarayan Planning Division; 2. West Medinipur Jhargram Division; 3. District Forest Officer, Kharagpur Division; 4. Park and Garden Division; 5. East Medinipur Division; 6. Gopegarh Division.

2003-04. The entire advance remained unadjusted (as of August 2004). However, no action was taken by the ZP.

In both the ZPs, there were instances where subsequent advance was given although the first one had not been settled, causing further accumulation of unadjusted advances.

### **5.10.2 Advances of Rs 2 crore remaining outstanding**

According to financial rules for ZPs and PSs, a separate ledger of advances is to be opened and a quarterly statement of outstanding advances against each individual is to be prepared. It is also required under rules to adjust the advance within thirty days from the date of drawal of advance. But the Birbhum Zilla Parishad maintained the Advance Ledger in a perfunctory manner. Purpose of advances and voucher numbers were not recorded. The ledger was not balanced. Moreover, the ZP, as required under rules, did not prepare quarterly lists of outstanding advances during the period 2002-04. From the statement furnished (November 2004) by the ZP, it was seen that there was an opening balance of outstanding advance of Rs. 1.60 crore in April 2002 and closing balance of Rs. 2 crore in March 2004. The advances remained unadjusted beyond the permissible limit of thirty days and the ZP was not able to adjust any advance during the intervening period of 2002-03 and 2003-04, in disregard of relevant financial rules.

### **5.11 Diversion of Rs. 1.60 crore from various programme funds**

- (1) Sampoorna Gramin Rozgar Yojana (SGRY) programme guidelines put ban on engagement of contractors, construction of black topped road under the programme and diversion of funds. But violating these guidelines, Dakshin Dinajpur Zilla Parishad incurred (November 2003) expenditure of Rs. 41.01 lakh from the SGRY funds towards payment of contractor for construction of cross drainage and protective work\* which was undertaken under the Pradhan Mantri Gram Sadak

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\* Under package WB-1801 and WB-1802.

Yojana (PMGSY). This resulted in short generation of 66,149 mandays<sup>φ</sup> under SGRY.

- (2) The Zilla Parishad diverted (between February 2003 and February 2004) another amount of Rs. 47.81 lakh<sup>α</sup> from Eleventh Finance Commission grant for the work of (i) strengthening of road under Public Works Department (Roads & Bridges) and (ii) construction of cross drainage and protective work under PMGSY\*. As per guidelines of Eleventh Finance Commission, the funds were to be spent for maintenance of civic amenities and no parts of the funds were to be spent on any properties unless these were owned entirely by the panchayat body without any encumbrance.
- (3) The Zilla Parishad diverted (between April 2003 and January 2004) Rs. 65.28 lakh<sup>β</sup> from funds for Rural Infrastructure Development Fund (RIDF)-VII to minor irrigation works, creation of agri infrastructure, RIDF-III, RIDF-IV and RIDF-V. As all the works under RIDF are executed with loan assistance from NABARD and are to be completed within the cost (Rs. 31.92 crore) of the project sanctioned by the NABARD there is a likelihood of the works under RIDF VII remaining incomplete. It was also observed that out of 11 metal roads, construction of which was undertaken under RIDF-VII between November 2002 and February 2003 (except one work which was started in December 2004) only one was completed and the remaining ten works remained incomplete as of February 2005.
- (4) The Zilla Parishad diverted (2002-04) another amount of Rs. 5.70 lakh for maintenance of roads of line department from the grants meant for irrigation and construction of flood protection bundh.

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<sup>φ</sup> Calculated on the basis of prevalent rate of wages of Rs. 62 per day per head for an unskilled labourer (Rs. 41,01,255/62 = **66,149 mandays**).

<sup>α</sup> For the work under PWD(R&B) : Rs. 9.32 lakh.

For the work under PMGSY : Rs. 38.49 lakh.

\* Packages WB-1801 and WB-1802.

<sup>β</sup> Minor irrigation works: Rs. 5.51 lakh; creation of agri infrastructure: Rs. 0.10 lakh; RIDF-III: Rs. 7.64 lakh; RIDF-IV: Rs. 51.96 lakh; and RIDF-V: Rs. 0.07 lakh.

The Zilla Parishad confirmed (March 2005) the diversions indicated at (1) to (4) above and stated that due to shortage of funds available for respective sectors, diversion had to be made to these sectors.

### 5.12 Inadmissible expenditure of Rs 1.36 crore from Cess Grant

Bardhaman Zilla Parishad received Rs. 5 crore from the Panchayat and Rural Development Department towards arrear share of 'Cess Grant'<sup>∇</sup> during 2002-04. The Government orders sanctioning the grant stipulated that the grant should be utilised for development works and maintenance of assets owned by the ZP. But violating the Government orders, the ZP spent Rs 1.36 crore for administrative and contingent expenses<sup>≈</sup> like salary of staff, fees for lawyer, general administration and office contingency and electricity charges. Thus, the very purpose of the grant received from the P&RDD was frustrated by the ZP.

### 5.13 Loss due to non-disposal of gunny bags worth Rs. 60.06 lakh

**5.13.1** According to guidelines of Sampurna Grameen Rozgar Yojana (SGRY), the gunny bags in which the foodgrains are received for distribution under the programme are to be disposed of in accordance with the prescribed procedure in the State.

**5.13.2** The Dakshin Dinajpur Zilla Parishad lifted 4,063.20 tonnes and 7,127 tonnes of rice under SGRY-I and SGRY-II respectively during 2002-04. The P&RDD has not yet fixed up any rate for disposal of gunny bags (old or new). In absence of the prescribed disposal rate of old gunny bags, Audit had collected the prevailing market price for old

<sup>∇</sup> Collection of PW and road cesses on land, cesses on coal and cesses on major/minor minerals.

Sl. No	Items of expenditure	Amount spent (in Rupees)	
		2002-03	2003-04
(1)	Salary of staff of Vocational Training Centre	4,19,500	-
(2)	General administration and office contingency	-	11,77,681
(3)	Salary of staff and contingent expenditure	20,72,383	-
(4)	Fees for lawyer	-	62,679
(5)	Electricity, generator charges, contingent expenditure for Samskriti Hall and Auditorium	56,12,881	42,44,634
<b>Total</b>		<b>81,04,764</b>	<b>54,84,994</b>

gunny bags from Khandra Gram Panchayat of Bardhaman District. The GP informed (February 2006) that it had sold old gunny bags of 50 kg capacity received under SGRY at the rate of Rs. 7 per piece by auction and deposited the sale proceeds into the Panchayat Fund in March 2005. If the rate is taken in consideration and the content of one gunny bag is taken to be 75 kg (the maximum allowance)<sup>xx</sup>, the total number of gunny bags for 11,190.20 tonnes of foodgrains comes to 1,49,202<sup>v</sup> (2002-03: 90,306; 2003-04: 58,896) at the minimum. Therefore, the total sale price of gunny bags worked out to at least Rs. 10.44 lakh<sup>π</sup>, which was not realised from the dealer of foodgrains during 2002-04.

**5.13.3** Uttar Dinajpur Zilla Parishad did not dispose of the gunny bags, as a result of which it had sustained a loss of Rs. 24.02 lakh during 2002-03 to 2003-04. Taking the content of one gunny bag to be 50 kg, the total number of gunny bags for 17,155.65 tonnes<sup>\*</sup> of foodgrains works out to 3,43,113<sup>^</sup>. If the disposal rate is taken to be Rs. 7 per gunny bag (as informed by Khandra GP in March 2005), the total selling price of the gunny bags accumulated stood at Rs. 24.02 lakh<sup>♥</sup>, which was not realised from the dealer of foodgrains during 2002-04.

**5.13.4** Birbhum Zilla Parishad received 18,289 tonnes of foodgrains during 2002-04 and utilised the entire quantity. But the ZP did not dispose of the gunny bags which were lying with the dealers. Taking content of one gunny bag to be 50 kg, the total number of

<sup>xx</sup> The ZP received foodgrains in both 75 kg and 50 kg gunny bags during the period but had no detailed account indicating capacity-wise break up of gunny bags.

<sup>v</sup> 11,190.20 tonnes i.e. 1,11,90,200 kg of rice [1,11,90,200/75=1,49,202 bags].

<sup>π</sup> 2002-03: 90,306 bags [90,306 x Rs. 7 = Rs. 6,32,142].

2003-04: 58,896 bags [58,896 x Rs. 7 = Rs. 4,12,272].

<sup>\*</sup>

(In tonnes)				
Scheme	Opening stock	Receipt 2002-03	Receipt 2003-04	Total receipt
SGRY-I	172.65	5,230	3,929	9,331.65
SGRY-II	150.00	3,833	3,841	7,824.00
<b>Total</b>	<b>322.65</b>	<b>9,063</b>	<b>7,770</b>	<b>17,155.65</b>

<sup>^</sup> 17,155.65 tonnes x 1000/50 kgs = 3,43,113 Nos.

<sup>♥</sup> 3,43,113 x Rs. 7 = Rs. 24.02 lakh.

gunny bags for 18,289 tonnes of foodgrains comes to 3,65,780°. If the disposal rate of old gunny bags is taken to be Rs. 7 per piece (as informed by Khandra GP in March 2005), the total sale price of gunny bags worked out to Rs. 25.60 lakh<sup>α</sup>, which was not realised from the dealer of foodgrains during 2002-04.

While admitting the fact (November 2004), the ZP said that the cost of the gunny bags would be recovered from the dealers.

#### 5.14 Loss of interest of Rs. 10.30 lakh under MPLADS

As per guidelines of Member of Parliament Local Area Development Scheme (paragraph 4.7), funds were to be kept in a Nationalised Bank and interest accrued thereon could be utilised for the work approved under the guidelines (paragraph 4.8). But the Dakshin Dinajpur Zilla Parishad, in violation of the guidelines, kept the entire allotment received under MPLADS during 2002-03 and 2003-04 in Local Fund Account at Balurghat Treasury. This resulted in loss of interest of Rs. 10.30 lakh<sup>†</sup> that could have been earned had the funds been kept in the bank during the period between April 2002 and March 2004.

#### 5.15 Loss of interest of Rs. 4.44 lakh on SGRY funds

As provided in paragraphs 5.12 and 5.13 of SGRY guidelines, the funds allotted under the programme were to be kept in a nationalised bank or a post office. The interest accrued on the deposits were to be treated as additional resources under SGRY and could be utilised according to the guidelines of the programme. Records of Dakshin Dinajpur Zilla Parishad revealed that, in violation of guidelines, SGRY funds were kept by the ZP in Local Fund Account at Balurghat Treasury during 2002-03. This resulted in loss of interest of Rs. 4.44 lakh<sup>∞</sup> that could have been earned had the funds been kept in the bank

° 18,289 tonnes x 1000/50 kgs = 3,65,780 Nos.

α 3,65,780 x Rs. 7 = Rs. 25,60,460.

† Calculated at the rate 4 per cent on the minimum monthly balance in the savings bank account.

∞ Calculated @ 4 per cent per annum

Name of scheme	Allotment placed in Local Fund Account (Rs.)	Expenditure (Rs.)	Transfer of balance funds to bank (Rs.)	Period during which funds kept in Treasury	Month	Loss of interest (Rs.)
SGRY-I	1,31,17,000	32,93,033	98,23,033	1.4.02-3.2.03	10	3,54,703
SGRY-II	67,24,000	-	1,26,40,000	1.4.02-8.8.02	4	89,653
<b>Total</b>						<b>4,44,359</b>

or the post office. As a consequence, there was short generation of 7167 mandays\* under the programme, depriving the rural poor of the benefit of employment.

### **5.16 Unauthorised sub-allotment of food grains for Rs. 2.20 crore under SGRY**

According to the guidelines of Sampoorna Grameen Rozgar Yojana (SGRY), the wages under the programme should be paid partly in food grains and partly in cash. Distribution of foodgrains as part of wages under the scheme was based on the basis of protecting real wages of the workers besides improving the nutritional standards of the families of the rural people. But Uttar Dinajpur ZP neither included provision of foodgrains in the Annual Action Plan for the years 2002-03 and 2003-04 nor issued any food grains as wage component during 2002-04 under the programme although the ZP received 3,664 tonnes<sup>□</sup> of food grains valued at Rs. 2.20 crore from Central Government through FCI depot towards ZP's share during 2002-04. This was done in violation of guidelines.

In reply to an audit query, it was stated (January 2005) by the ZP that food grains received during the period under audit were sub-allotted to nine Panchayat Samitis<sup>⊗</sup> for want of sufficient engineering staff under its disposal for implementation of SGRY. The sub-allotment was irregular and unauthorised as the guidelines envisaged 20 per cent of total allocation to be utilised by the ZPs, according to which foodgrains were made available to the ZP to be utilised by it. Moreover, the ZP failed to produce any utilisation account for the foodgrains from the PSs to which the foodgrains were reportedly transferred.

\* Rs. 4,44,356 (loss of interest)/62 = **7167** [Rs. 62 is the amount of wages to be paid per day to an unskilled labourer working under SGRY].

□ 2002-03: 2092 tonnes; 2003-04: 1572 tonnes.

⊗ (1) Kaliyaganj (2) Hemtabad (3) Raiganj (4) Itahar (5) Karandighi (6) Goalpokher-I (7) Goalpokher II (8) Islampur (9) Chopra.

**5.17 Avoidable liability of Rs. 6.52 crore on outstanding loans disbursed among beneficiaries**

North 24 Parganas Zilla Parishad had raised in November 1988 Rs. 6 crore as a loan from West Bengal Housing Board for improvement of housing standard of Economically Weaker Section (EWS) affected by cyclone. The Principal amount was payable in 22 years commencing from June 1990 and interest and penal interest were to be charged at the rate of 5 per cent per annum.

The ZP did not maintain the Loan and Liability Register and also did not execute any deed of mortgage while disbursing the loans among the EWS beneficiaries. Moreover, no penal interest was also charged.

Records revealed that there was a balance of an outstanding loan of Rs. 3.85 crore as of May 1999, which was compounded with 5 per cent simple interest amounting to Rs. 1.21 crore and with 5 per cent penal interest amounting to Rs. 1.46 crore for the period from June 1999 to August 2005. Thus, the total outstanding liability of the ZP for loan worked out to Rs. 6.52 crore<sup>1</sup> (as of August 2005), which could have been avoided had the ZP executed the deed of mortgage before disbursing the loan received from West Bengal Housing Board.

**5.18 Blockage of idle funds of Rs. 14.20 crore with a loss of interest of Rs. 0.63 crore**

The Cash Book of North 24 Parganas Zilla Parishad, showed a closing balance of Rs. 25.59 crore as on 31 March 2004. On review of the cash analysis, it was found that,

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<sup>1</sup> Principal: Rs. 3.85 crore *plus* interest: Rs. 1.21 crore *plus* penal interest: Rs. 1.46 crore = **Rs. 6.52 crore**.

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out of the total balance, Rs. 14.20 crore\* was retained by the ZP for a period ranging from two years to four and a half years between September 1999 and March 2004. As reported by the ZP in January-February 2006, the funds were received between 1997-98 and 2003-04 and were to be utilised within next financial year, i.e. between 1998-99 and 2004-05. The records also revealed that the ZP subsequently spent Rs. 47.10 lakh only during 2004-05, reducing the balance in hand to Rs. 13.73 crore as at the end of March 2005. The reasons for such unauthorised retention was not furnished by the ZP.

Sl. No.	Purpose	Cash balance (Rupees in lakh)	Period of retention (approximate)	Rate of interest	Loss of interest (Rupees in lakh)
1	Improvement of NH 35 Habra market area	5.47	Four years (from March 2000 to March 2004)	6.5 per cent per annum for the year 2000-01 and 6 per cent per annum for the years 2001-04	1.35
2	IYSH programme	14.30			3.47
3	Basic Minimum Services	77.01			18.86
4	Census of ground water	0.42			0.12
5	Fodder Minikit	1.37			0.33
6	Repair and restoration of implements of Weavers	75.23	Three and a half years (from October 2000 to March 2004)		15.97
7	Mass Education	60.00	Two years (from March 2002 to March 2004)	6 per cent per annum for the years 2002-04	7.20
8	Afforestation work	33.04	Four years (from March 2000 to March 2004)	6.5 per cent per annum for the year 2000-01 and 6 per cent per annum for the years 2001-04	5.94
9	Devolved fund from EE, PWD (Highway Division)	(i) 3.41 (ii) 1.76 (iii) 2.86 (iv) 2.93	(i) Four and a half years (from September 1999 to March 2004) (ii) Three and a half years (from September 2000 to March 2004) (iii) Three years (from February 2001 to March 2004) (iv) Two and a half years (from October 2001 to March 2004)	(i) 7 per cent per annum for the year 1999-2000, 6.5 per cent per annum for the year 2000-01 and 6 per cent per annum for the years 2001-04 (ii) 6.5 per cent per annum for the year 2000-01 and 6 per cent per annum for the years 2001-04 (iii) 6 per cent per annum for the years 2001-04 (iv) 6 per cent per annum for the years 2001-04	(i) 0.96 (ii) 0.37 (iii) 0.37 (iv) 0.42
10	Construction of Sub-Divisional Land and Land Reforms Office	56.14	Three years (from February 2001 to March 2004)	6 per cent per annum for the years 2001-04	7.30
<b>Total</b>		<b>Rs. 1420.32 lakh or Rs. 14.20 crore</b>	<b>Total</b>		<b>Rs.62.66 lakh or Rs. 0.63 crore</b>

This resulted in blockage of funds of Rs. 14.20 crore for unusually long periods and consequent loss of interest of Rs. 0.63 crore, calculated at the rate of 7 per cent for the year 1999-2000, 6.5 per cent for the year 2000-01 and 6 per cent for the year 2001-04, which were charged on the funds borrowed by the State Government during the period.

This also reflects that fund and project management in the ZP was poor and it did not have enough capacity to absorb these funds and utilise them within the time frame fixed for the purpose.

**5.19 Unauthorised and irregular investment of Rs. 55.53 lakh for construction of building out of Tenth Finance Commission grant**

An amount of Rs. 61 lakh was made available in June 2001 to Uttar Dinajpur Zilla Parishad for construction of two storied shopping complex at Karnojora from Tenth Finance Commission (Remunerative Asset) Grant and Rs. 35.16 lakh during March 2000 to May 2000 from Regulated Market Committee Fund. An estimate of Rs. 91.77 lakh was prepared by a private consultant but not sanctioned by competent authority. The work commenced in March 2001 and was to be completed in September 2001.

According to guidelines, prior approval of Panchayat and Rural Development Department for utilisation of funds released on recommendation of Tenth Finance Commission for remunerative assets was necessary. But no prior approval of the Government was taken for construction of the shopping complex. Moreover, the land on which the building was made did not belong to ZP. It was a 30 years' (1999-2029) leasehold property of Kaliyaganj Regulated Market Committee (KRMC) with the condition that the lessee should not transfer part or whole of the land without prior permission in writing from the lessor. A lease agreement was signed in February 2004 between the two parties i.e. ZP and KRMC where the ZP was given possession of 19 stalls in ground floor on lease for a period of 30 years w.e.f. 2004, i.e. up to 2034. The agreement was irregular as KRMC leased out the land to the ZP without taking any permission from the lessor. The cost of construction of two storied building was decided to be borne jointly by ZP and KRMC (Rs. 56.55 lakh: ZP; Rs. 35.16 lakh: KRMC). It was also agreed upon that ZP would be given possession of 19 stalls at the ground floor and the first floor would be possessed by KRMC for use as office, meeting hall, etc.

Thus, KRMC unauthorisedly leased out its property for five years\* beyond the lease period. Neither any resolution of Artha Sthayee Samiti was taken by the ZP for this nor did it get prepared any feasibility report for construction of the market building complex before taking up the work.

Expenditure of Rs. 55.53 lakh was spent during the period from March 2001 to August 2004 from Tenth Finance Commission grant and Rs. 32.66 lakh from funds transferred by KRMC for construction of two storied shopping complex. As of January 2005, only two stalls were rented out (rent per month not made available) out of 19 stalls possessed by the ZP and premium of Rs. 2.25 lakh was collected towards them.

Thus, the ZP constructed shopping complex on a land having no clear title for entering into irregular lease agreement with the KRMC. Consequently, the 19 stalls possessed by it on the land had also no clear title. This goes against the guidelines of expenditure from Tenth Finance Commission grant for creation of remunerative assets and investment of Rs. 55.53 lakh from Tenth Finance Commission grant remained unauthorised and irregular.

#### **5.20 Non-recovery of Rs. 25.06 lakh towards lease money and giving undue benefit to lessee**

The Bhingarh Pandaweswar ferryghat was given on lease for three years from 16 July 2000 to 15 July 2003 against a lease amount of Rs. 75.20 lakh without execution of any formal agreement by Birbhum ZP. No terms and conditions were laid down regarding the mode of collection. The lease was cancelled in July 2002, i.e., after two years, due to opening of Rabindra-Nazrul Setu on the location of the ferryghat. Out of total demand of Rs. 50.13 lakh (for two years), Rs. 25.07 lakh only was credited to ZP fund and Rs. 25.06 lakh remained outstanding towards the second year as of February 2006, even after a lapse of 43 months. No attempt was made by the ZP to recover the arrear dues of Rs. 25.06 lakh from the lessee though the same lessee was again irregularly allowed to collect toll tax from the Setu for the period from July 2002 to July 2003 without execution of any formal agreement in respect of amount to be credited to the ZP

\* Year 2034 (the last year of the lease period stipulated for ZP) *minus* year 2029 (the last year of the lease period to be enjoyed by KRMC).

and without issue of any money receipt or coupon books. The ZP did not obtain any account for this from the lessee, thus giving a free hand to the lessee in collecting toll tax to his benefit and loss to the ZP, apart from allowing undue advantage to the lessee in withholding its dues of Rs. 25.06 lakh to the ZP.

## **5.21 Curtailment of Central share**

### **5.21.1 Curtailment of Central share under Indira Awas Yojana**

According to Indira Awas Yojana (IAY) guidelines, the State Government was to submit proposal for release of second instalment for all the districts, as soon as the conditions prescribed from time to time are satisfied including the fulfilment of 60 per cent utilisation of the available resources of a district. Moreover, the opening balance was not to exceed 15 per cent of the funds available during the previous year.

Ministry of Rural Development, Government of India, released (June 2003) first instalment of Central allocation of Rs. 3.01 crore to Maldah ZP, which was sub-allotted to 146 Gram Panchayats in December 2003 i.e. after delay of five months following the month of receipt. But in respect of second instalment, the ZP received only Rs. 1.24 crore as Central share in March 2004 in lieu of Rs. 3.01 crore\*. As per allotment order of the Ministry, there was deduction of Rs. 1.77 crore<sup>♦</sup> from Central share due to late submission of proposal and excess carry over of funds. Thus, delay in sub-allotment to GPs by the ZP and consequent non-utilisation of funds to the extent required resulted in loss of Central share of Rs. 1.77 crore. With these funds, 708 rural poor<sup>♥</sup> could have been benefited by new construction of houses and 354<sup>▲</sup> by upgradation of their houses under IAY.

In reply to an audit query, it was stated (March 2005) by the ZP that timely selection of beneficiaries at GP level could not be completed and monitoring at block and

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\* Total allocation for the District: Rs. 6.02 crore (1<sup>st</sup> instalment plus 2<sup>nd</sup> instalment) minus Rs. 3.01 crore (received as 1<sup>st</sup> instalment) = **Rs. 3.01 crore.**

♦ Rs. 3.01 crore minus Rs. 1.24 crore = **Rs. 1.77 crore.**

♥ 80 per cent of total allocation may be utilised for new construction. Rs. 1.77 crore x 80%/20,000 (cost fixed per house) = **708.**

▲ 20 per cent of total allocation may be utilised for upgradation. Rs. 1.77 crore x 20%/10,000 (cost fixed per house) = **354.**

district levels were also not done in time. It was also stated that delay in sub-allotment was due to waiting for State share.

### **5.21.2 Curtailment of Central share under Sampoorna Grameen Rozgar Yojana (SGRY)**

According to Sampoorna Grameen Rozgar Yojana (SGRY) guidelines, the State Government was to submit proposal for release of second instalment for all the districts, as soon as the conditions prescribed from time to time are satisfied including the fulfilment of 60 per cent utilisation of the available funds for a district. Moreover, the carried over funds were not to exceed 15 per cent of the funds available during the previous year.

Scrutiny revealed that East Medinipur Zilla Parishad received short Central share of Rs. 75.89 lakh than the allocation during 2003-04. The ZP admitted the fact (December 2004) and stated that as it was not able to spend the whole amount available for the financial year 2002-03, Rs. 75.89 lakh was short released. Thus, as a result of the inability of the ZP to spend the funds earmarked for the programme, the rural people were deprived of the wage benefit equivalent to 1,22,403 mandays<sup>1</sup> that could have been generated during 2003-04.

This shows lack of capacity of the ZP to spend funds and inability to absorb, which calls for streamlining the procedure for utilisation of funds and bringing in a sense of urgency for community development.

### **5.22 Excess remittance of Rs. 70.63 lakh out of PMGSY fund to Income Tax and Sales Tax Departments with resultant loss of Rs. 5.74 lakh**

According to Rule 204 of The West Bengal Panchayat (Zilla Parishad and Panchayat Samiti) Accounts and Financial Rules, 2003, Zilla Parishad is responsible for depositing the amount representing Sales Tax and Income Tax deducted from the bills of contractors. The PIU<sup>\*</sup> of the ZP was to make deduction @ 2 per cent towards each on the value of work done.

<sup>1</sup> Rs. 75,89,000/62=1,22,403 mandays [Rs. 62 being the prevailing wage rate for an unskilled labourer].

\* A unit of Zilla Parishad acting as Programme Implementation Unit (PIU) for implementation of Pradhan Mantri Gram Sadak Yojana.

Review of Cash Book of West Medinipur Zilla Parishad, revealed that Rs. 79.07 lakh against the dues of Rs. 45.22 lakh deducted and Rs. 90.31 lakh against the dues of Rs. 53.53 lakh deducted from the bills of contractors engaged under Pradhan Mantri Gram Sadak Yojana (PMGSY) were remitted towards Sales Tax and Income Tax respectively since inception of the programme (2000-01) to March 2004. This could be possible due to lack of proper maintenance of Sales Tax and Income Tax Registers.

As a result, Rs. 70.63 lakh (Rs. 33.85 lakh<sup>♦</sup> and Rs. 36.78 lakh<sup>♥</sup>) were remitted in excess to the Sales Tax and Income Tax Departments. The ZP stated (January 2006) that, on this being pointed out in audit, Rs. 33.85 lakh towards excess remittance of Sales Tax was fully recovered in December 2005 and Rs. 33.64 lakh towards excess remittance of Income Tax (out of Rs. 36.78 lakh) was recovered in July 2005. Balance of Rs. 3.14 lakh was retained by the Income Tax Department for delays in remittance of the dues. This resulted in loss of interest of Rs. 2.60 lakh<sup>♦</sup> as the amount of excess remittance could have earned interest by keeping the funds in savings account which could have been added to the programme fund of PMGSY, as prescribed in the programme guidelines, the total loss having been worked out to Rs. 5.74 lakh.

### 5.23 Action on Inspection Report

**5.23.1** The following table indicates position of Inspection Reports (IRs) and paragraphs pending for settlement, as on 31 March 2005:

Category of PRIs	Years for which IRs are pending for settlement	Number of IRs pending for settlement	Number of paragraphs contained in the IRs awaiting settlement	Money value (Rupees in crore)
Zilla Parishads	1992-93 to 2003-04	62	325	473.43
Panchayat Samitis	1990-91 to 2003-04	577	1204	295.26
Gram Panchayat	2002-03 and 2003-04	6651	30770	339.57

**5.23.2** An Audit Committee comprising the Secretary of the P&RD Department and representatives of the Finance Department and the Examiner of Local Accounts was

<sup>♦</sup> Excess Sales Tax: Rs. 79.07 lakh *minus* Rs. 45.22 lakh = **Rs. 33.85 lakh.**

<sup>♥</sup> Excess Income Tax : Rs. 90.31 lakh *minus* Rs. 53.53 lakh = **Rs. 36.78 lakh.**

<sup>♦</sup> Interest calculation: @ 3.5 per cent per annum (rate of interest allowed on deposit into savings bank) on Rs. 70.63 lakh for periods ranging from 8.5 to 21.5 months

formed for expeditious settlement of the outstanding Inspection Reports. No meeting of the committee was held during 2004-05.

#### **5.24 Reply from the Government**

All the major findings related to Panchayat Samitis and Zilla Parishads were sent to the Government between August 2005 and October 2005; reply had not been received (February 2006).

The Principal Secretary, Panchayat and Rural Development Department stated (February 2006) that the department was communicating with the authorities of the Zilla Parishads and Panchayat Samities. As soon as the required papers and comments of them are received, these would be furnished to Audit.